Should Managers be Scared of their Emotions?
The Impact of Interfirm Envy on Managerial Behavior

by

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ABSTRACT

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In the race for scarce market resources, key decision-makers of firms continually evaluate the performance of their firms against other comparable firms. While assessing their relative performance, an objective or perceived inadequate appraisal of their firm may elicit feelings of interfirm envy. I introduce the concept of interfirm envy as a situational form of envy, when decision-makers of firms socially compare their firm with another (perceived) comparable firms (but not specific individuals within the other firms). To understand the experience of interfirm envy, I test a model of the antecedents and consequence of interfirm envy based on social comparison and social identity theories. In this dissertation, I propose that interfirm envy is elicited when decision-makers are not only aware of a better performing (non) industry referent(s) (upward social comparison), but also strongly identify with their firm (organizational identification). To further understand the interaction of comparative and identification processes in triggering an envious response, I delineate the conditions that exacerbate the experience of envy, market dynamism and firm culture. I also demonstrate the impact of interfirm envy on managerial risk-taking tendencies, through the underlying mechanism of the need to differentiate. Results from four multi-method studies, two survey-based studies and two experimental studies, support the hypothesis that an interaction of an upward social comparison and organizational identification elicits interfirm envy, especially when decision-makers function in dynamic markets. The results also indicate that interfirm envy leads to a need to differentiate, which then facilitates a willingness to take risks. Furthermore, decision-makers tend to respond differently to envy based their self-construal, independent and interdependent. The focal managerial implication is that comparative processes influences emotions, specifically interfirm envy, which in turn affects managerial decision-making. Contrary to many practitioners' belief, decisions influenced by envy tend to lead to positive risk-taking behaviors, such as investing in innovative projects.

ÖZETÇE

Yöneticiler Duygularından Korkmalı mıdır?
Firmalar Arası Kıskançlığın Yönetimsel Davranışa Etkisi

Sheikha Alia

İşletme Doktorası

Eylul 2022

Kıt pazar kaynakları için rekabet halinde olan firmaların ana karar vericileri, kendi firmalarının performansını benzer firmalarla düzenli olarak karşılaştırır. Göreceli performanslarının objektif veya algılaya dayalı olarak (subjektif) yetersiz olarak değerlendirilmesi, firmalar arasında kıskançlık hislerini tetikleyebilir. Bu tez, karar vericilerin, diğer benzer olarak algılanan firmalarla (ancak diğer firmaların içindeki belirli bireylerle değil) sosyal karşılaştırmaya dayalı durumsal bir kıskançlık formu olan firmalar arası kıskançlık kavramını ele almakta, ve firmalar arası kıskançlık deneyimini anlamak için, sosyal karşılaştırma ve sosyal kimlik teorilerine dayalı olarak firmalar arası kıskançlığın öncülleri ve sonuçları üzerine bir modeli test etmektedir. Bu tezde, karar vericilerin daha iyi performans gösteren sektör dışı referanslarından (yukarı yönlü sosyal karşılaştırma ile) haberdar olmalarının yanı sıra kendi firmalarıyla güçlü bir kimlik bağı (kurumsal kimlik) kurmalarının da firmalar arası kıskançlığı tetiklediğini öneriyorum. Karşılaştırma ve kimlik süreçlerinin kıskançlık tepkisini tetiklemedeki etkileşimini daha iyi anlamak için, kıskançlık deneyimini kötüleştiren koşulları, pazar dinamizmini ve firma kültürünü açıklıyorum. Ayrıca, firmalar arası kıskançlığın yönetimsel risk alma eğilimleri üzerindeki etkisini, farklılaşma ihtiyacının temel mekanizması aracılığıyla gösteriyorum. Dört farklı yöntemle gerçekleştirilen çalışmaların sonuçları; yukarı yönlü sosyal karşılaştırma ile kurumsal kimliğin etkileşiminin firmalar arası kıskançlığı tetiklediğini, ve

bu etkinin özellikle karar vericilerin dinamik pazarlarda faaliyet gösterdiklerinde geçerli olduğunu desteklemektedir. Sonuçlar ayrıca, karar vericilerin kendi benlik algılarına, bağımsız ve bağımlı olmalarına göre değişerek kıskançlığa farklı tepkiler verme eğiliminde olduklarını göstermektedir. Tezin; firma yönetimine en temel katkısı, benzer süreçlerin duyguları, özellikle de firmalar arası kıskançlığı tetiklediği ve bunun da yönetimsel karar verme süreçlerini etkilediğidir. Piyasadaki genel inancın aksine, kıskançlık duygusundan etkilenen kararlar, genellikle yenilikçi projelere yatırım gibi olumlu risk alma davranışlarına yol açma eğilimindedir.

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CHAPTER 1:

INTRODUCTION

“We have definitely got YouTube envy” – Reed Hastings, Netflix

Envy is rampant in the marketplace. Top executives compete for attention, and eventually the wealth of consumers. In striving for superior market outcomes and performance, they often compare their firm’s performance against that of other comparable firms. An inadequate appraisal of the firm compared to another may elicit feelings of envy—an unpleasant emotion that arises from an unfavorable or upward social comparison with others (Parrott & Smith, 1993; Tai et al., 2012). For instance, Netflix closed the first quarter of 2017 with a little more than the targeted 100 million subscribers. In a following interview, Reed Hastings, CEO of Netflix, said, “We have definitely got YouTube envy … We are a little over a billion viewing hours a week, and YouTube has a billion a day so we have a ways to go to catch up” (as quoted in Sulleyman, 2017). He further noted that “entertainment is not a zero-sum game”, downplaying competition in the entertainment industry (as quoted in Sulleyman, 2017). Similarly, in a recent interview Satya Nadella, current CEO of Microsoft, implied being envious of Oracle for being the first to introduce the relational database to the market (Weinberger, 2017).

As social creatures, humans engage in social comparison with a self-evaluative aim (Suls et al., 2002). Key firm decision makers are no exception. They evaluate the performance of their firms by using reference points and framing gain or loss positions. Executives determine reference points by their firm’s own *past performance* (historical performance) and the *performance of comparable firms* (social referent performance)

(Cyert & March, 1963; Shinkle, 2012). Lingli showed how researchers have found that comparative processes influence a variety of firm behavior, such as risk-taking, organizational change, diversification, acquisition, R&D investment, misconduct, nonmarket investments, financial performance, firm growth, and innovation (p. 1).

Researchers have heavily relied on the behavioral theory of the firm (BTOF) to explain the effect of comparative processes on decision-making behavior at the firm level. Relatedly, according to prospect theory, social reference points or targets are shown as important in assessing a decision-maker's behavior (Di Lorenzo, 2013). Although both theories posit adaptive behavior in response to a low firm performance relative to social referents (such as industry peers), studies show conflicting predictions of risk seeking or aversion (March & Shapira, 1987, 1992; Mone et al., 1998; Ocasio, 1995; Sitkin & Pablo, 1992). To explain these conflicting findings, according to Di Lorenzo (2013) attention has been paid to the effect of boundary conditions on organizational change according to characteristics of the organzaitons, the type of change, related risks and various performance measures. My dissertation draws upon social comparison theory and social identity theory to develop a conceptual framework and enrich our understanding of the comparative processes that predicts risk preferences. Specifically, I focus on the emotional consequences of social comparison—the experience of envy—and its differential impact on the likelihood to take risky decisions.

While decision-making—at the firm level and individual level—has been at the heart of marketing, research on managerial decision-making has been scarce. My dissertation investigates one important yet overlooked element in the social comparison process: emotions. Decision makers are likely to feel envy when they compare their firms with better performing referent firms, which may influence decision-making and subsequent behavior According to Lange et al. (2018, p. 572), managerial envy has not received the attention that envy more generally has.

As mentioned earlier, firms frequently benchmark and set strategic goals relative to the performance of their peers and/or industry competitors (Fiegenbaum & Thomas, 1995). Firm decision makers use industry and nonindustry referents which make comparable strategic actions as references to evaluate how their strategies have borne out (Kim et al., 2014, p. 17). They generally view the performance of a comparable firm that is above an aspirational level or reference as a success. The success of a referent in a highly competitive environment may be detrimental to the firm at many levels, such as reputation, status, and market share. A downward shift in a firm's social standing or position may motivate executives to reallocate firm resources in risky endeavors. Kim et al. (2014) discussed how decision makers are more likely to engage in risky strategic actions—e.g., diversification, altering product format, market re-positioning—when their performance goals are not met as intended. Managers have a tendency to overfocus on their perform against competitors rather than other performance benchmarks (Labianca et al., 2009; Washburn & Bromiley, 2012). On the other hand, Brown (2011) found that comparing with a better performing referent does not always encourage risk-taking or engender superior performance. I propose that managerial emotions such as envy may help resolve these conflicting arguments in social comparison research.

More specifically, my dissertation aims to investigate the role of envy in interfirm relationships. By doing so, this research addresses Wierenga's (2011) call for studying the role of emotions in marketing decision-making. She pointed out that the work on emotions has fostered research in the domain of consumer behavior, but not in the realm of managerial decision making. As such, the overall aim of my dissertation is to develop and test a model that explains when an upward social comparison leads to decision makers envying another firm, i.e., interfirm envy, and its influence on managerial behavior, i.e., risk-taking.

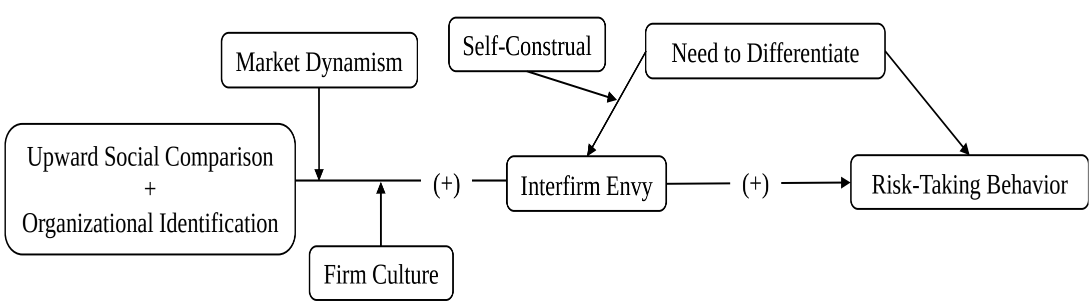
I define interfirm envy as a situational form of envy originating from inter-organizational relationships. I posit that interfirm envy would be experienced by top executives rather than middle management, since they are responsible for their company's performance vis-à-vis their competitors across all markets that they operate in. Based on their performance, they formulate value creation (R&D) and value appropriation (marketing) strategies and allocate budgets for these strategic investments.

This dissertation primarily contributes to the marketing literature by considering an important yet under-researched factor in managerial decision making—managerial emotions. First, it addresses Wierenga's (2011) call for more research on the study of the emotional system of a firm's decision maker. An examination of the emotional consequences of comparative processes of the firm may provide an understanding as to whether emotion-driven decisions lead to positive or negative behaviors. To my knowledge, this study is the first to explicitly theorize the affective consequence of firm level comparative processes. Second, I bring an identity perspective to the social comparison research on envy. I demonstrate how an upward social comparison (comparing with a better off other), organizational identification, and environmental factors jointly influence the experience of interfirm envy. Third, I contribute to the understanding of the relationship between interfirm envy and managerial risk-taking by integrating from other streams of literature such as management, social psychology, and behavioral economics. I examine the underlying mechanism (i.e., the need to differentiate) and the moderating factor (i.e., a personal characteristic, self-construal) of the relationship between interfirm envy and risk-taking. This dissertation attempts to provide an alternative approach, elicitation of envy, given the conflicting predictions of upward social comparison (poor performance relative to social referents) on risk-taking tendencies.

While previous research has shown that envious individuals distance themselves from the envied other by devaluing the envied (Duffy et al., 2012), my research shows that envious decision makers differentiate themselves by investing in risky endeavors. In contrast to previous theories, I suggest that the process from envy to risk-taking is partly through a distancing coping strategy leading to adaptive rather than maladaptive (and/or unethical) behavior. Finally, although envy towards groups has been studied (Duffy et al., 2012), envy in a noninterpersonal environment has yet to be examined. Our context of interfirm relationships allows for the analysis of a noninterpersonal nature of envy and opens avenues for future research on decision maker's emotions towards other firms.

Figure 1.1

Conceptual Framework



In the next chapter, I review prior research on external social comparison, social comparison theory, and the experience of envy. In this section, I also distinguish envy from jealousy, a related but distinct emotion. In Chapter 3, I integrate ideas from social comparison and identity theories, with research on organizational identification and industrial organization in the management and marketing literatures to develop and test hypotheses on the determinants of the experience of interfirm envy. Specifically, I examine (a) firm social comparisons and organizational identification as antecedents of interfirm envy and (b) market dynamism and firm culture as environmental conditions as moderators. In Chapter 4, I investigate the consequences of interfirm envy and test whether envy impacts managerial willingness to take risks through the need to differentiate from industry referents. I also study the moderating effect of self-construal as it may reinforce the likelihood that envious decision makers will take risky decisions. I detail three studies, two experimental and one survey, to test my hypothesized models. In the final chapter, I discuss the findings and contributions to research and practice, discuss the limitations and propose avenues for future research.

CHAPTER 2:

LITERATURE REVIEW

The difference between Amazon and us, is Amazon is more like an empire—Jack Ma, AliBaba

Firm decision makers continually evaluate the financial and social performance of their firms against other similar firms. In this chapter, I review prior literature on social comparisons at the firm level and integrate from various streams of literature on upward social comparisons and interpersonal envy to define and explicate the relationship between interfirm envy and managerial behaviors.

2.1 External Social Comparisons in the Behavioral Theory of the Firm

Behavioral theory offers an important insight regarding how corporate decision-makers use comparisons with industry referents (Di Lorenzo, 2013). Key firm decision makers set relative rather than absolute aspiration reference points and use them to evaluate the performance of their company on goals in comparision to their own firm's historical performance or that of other firms, and use that evaluation to guide future decisions and strategies (Nason et al., 2018). That is, the actions of decision makers do not necessarily depend on absolute levels of performance, but rather depends on whether a firm meets or fails to meet the references points it has set as goals.

While marketing strategies depend on consumer behavior and the strengths and weaknesses of the firm, research has also shown that firms also strategize relative to the actions of current and potential competitors (Day & Reibstein, 2004). Relatedly, Leeflang and Wittink (1996) found that decision makers tend to overreact to competitive actions due to the absence of reliable customer feedback. For instance, in 1995, Duracell offered their customers a power check feature. Using this feature, customers could evaluate the power availability batteries to be used in a device. Immediately after the introduction of this innovative technology and without clear data if customers found this to be a useful feature or not, Eveready and Energizer introduced the same feature in the market. Through these examples, it is clear that decision makers try maintaining parity with industry referents to stay ahead or relevant in the market.

In striving for a superior market share and performance, key firm decision makers evaluate the performance of their own firm against that of a reference group (Kim et al., 2014). The external referent group often have similar strategic actions and includes direct competitors and firms that share characteristics such as size, location, or innovation level (Kacperczyk et al., 2015). This referent group becomes a useful reference point for decision makers, which they draw on in social aspiration comparisons with other managers. Social aspiration levels—whether their performance meets or exceeds that of other managers and the way they set those levels—enable decision-makers to evaluate the performance of companies by providing them with a reference group. Social aspirations are used first to set baseline levels before other performance benchmarks (Kim et al., 2014). A poor relative performance, an unfavorable performance feedback, motivates decision makers to make strategic firm-level changes (Lant & Mezias, 1992; Moliterno et al., 2014).

One of the main takeaways from this stream of research is that firm decision-makers construct social reference groups and use them to set benchmarks and that they respond to how they met these benchmarks in ways that affect risk-taking (Kacperczyk et al., 2015). Gooding et al. (1996) found a curvilinear relationship between performance and risk-taking. Firms that performed better than those in the referent group tended to be more risk averse, but firms that performed lower than the referent group were risk seeking. Di Lorenzo (2013) noted that managers increased the risk level of their decisions when they underperformed historical and social reference points. Ketchen and Palmer (1999) also found that relative to better performing industry referents, low performing firms made risky changes, such as investing in new and deleting existing technologies. Miller and Chen (2004) found that declining performance heightened organizational risk-taking across all performance levels (low, medium, and high). Miller and Bromiley (1990) observed that a decline in performance increased risk-taking for high performers but decreased it for low performers. Additionally, Wiseman and Bromiley (1996) identified that lower performance led to reduced risk-taking in a sample of declining firms. Thus, the effect of performance below a social reference point remains subject to active debate (March & Shapira, 1987, 1992; Mone et al., 1998; Ocasio, 1995; Sitkin & Pablo, 1992). According to Audia and Greve (2006, p. 83), two arguments have emerged regarding the effect of performance on risk: failing to meet expectations results in heightened attention to the need for improvement and raises tolerance for risk or it heightens attention regarding danger and lowers tolerance for risk.

The effect of boundary conditions on organizational change, specifically related to firm characteristics, type of organizational change and associated risks, and performance measures have been looked into to explain this discrepancy in research results (Di Lorenzo, 2013). In light of the prevailing theoretical and empirical challenges, my dissertation endeavors to leverage ideas from social comparison and social identity theory. The objective is to construct a conceptual framework aimed at elucidating, to some extent, and enhancing our comprehension of the specific circumstances in which comparative mechanisms influence risk preferences. I, specifically, focus on the emotional consequence of comparing one's firm with other firms—interfirm envy—which in turn leads to risk-taking or risk-averse managerial behavior. In the next section, I briefly review the social comparison theory and related emotions.

2.2 Social Comparison Theory

Festinger (1954) had introduced the social comparison theory proposing that people's knowledge about themselves is enhanced when their own views, traits, and abilities are compared with similar others. At the core of this theory is the process of self-evaluation, and the outcomes motivated by such comparisons. Moreover, the direction of comparison—upward or downward—elicits a variety of emotions. Several theoretical and empirical works on social comparison processes have provided insights on social comparison-based emotions. Based on the direction of comparison, the desirability of the consequences for the self and others, and the perceived control of the situation, the experience of emotions may differ. Since envy is an emotion elicited by an upward comparison, the following paragraph is a brief discussion on other upward comparison emotions that are distinct from envy.

Recently, a number of studies have examined affect resulting from upward comparisons. Upward comparisons may result in negative and positive affect depending on the perception of control of the situation. Although literature has focused on the negative affect elicited by upward comparisons, individuals experience positive affect if judgmental processes are assimilative, that is, the social gap stimulates a sense of similarity rather than contrast from the superior other (Smith, 2000s, p. 1). Typically, in the case of assimilative reactions, perceived control tends to be high. Major et al. (1991) noted that individuals who compare themselves with a superior other, but also have a high sense of control "increase self-efficacy and inspire and motivate performance rather than induce helplessness or anger" (p. 247). When faced by an attractive and desirable outcome established by another, optimism is experienced once the possible outcome seems within reach. Thus, the focus of attention is the prospect that one can potentially attain the desirable outcome, generating pleasant and hopeful feelings (Ortony et al., 1988). When the focus of attention is on the other (superior) person, admiration occurs. Individuals feel admiration when a likeable person does or achieves something praiseworthy which is well-deserved (Ortony et al., 1988). Another positive affective reaction may occur in reaction to an upward assimilative comparison, inspiration. This is experienced when individuals have a dual focus, attending to the positive result for the self and the admirable characteristics of the other. Individuals are inspired by a superior other when the comparison enhances expectations for the future-self (optimism), and the advantaged other is admired (Smith, 2000, p. 186).

Much research has been conducted on the negative affect elicited by an upward comparison. Contrastive judgmental processes, i.e., individuals feeling low perceived control of the situation, induces negative affect. In other words, individuals react in a contrastive manner, when they perceive an inability at closing the social gap between oneself and the advantaged other (Brewer & Weber, 1994; Collins, 1996; Heider, 1958). When individuals focus their attention towards the self when experiencing an upward contrastive comparison, shame and depressive feelings might be felt. An upward contrastive comparison carries information of inferiority, and of low perceived control. With this information, if the focus of attention is the self, it implies a self-caused inferiority that seems irrevocable, lowering self-esteem and triggering depressive feelings (Smith, 2000, p. 180). In the case of self-focused upward contrastive comparison, shame could also be experienced. Shame results from the way people think other people think of them (Smith, 2000, p. 181). However, focusing on the other while experiencing an upward contrastive comparison would result in resentment, particularly if someone feels the person they are comparing themself to does not deserve their success (Smith, 2000). For instance, if a decision maker feels like they could never be as successful as their supposedly undeserving competitor, it is more likely that they would feel resentment.

According to social comparison theory, envy is experienced when someone focuses on another person has and what they lack. Thus, envy is associated with depressive feelings and resentment because the other person's higher status causes the envier to feel inferior, partiucalry if they feel that higher status is undeserved (Smith, 2000). Envy has been looked upon as a shameful emotion to be kept private and hidden from others (Berke, 1988; Gilbert, 1992), and can result in derogatory gossip about the envied party (Smith, 2000).

2.3 The Experience of Interpersonal Envy

Envy has always been seen as an aspect of social relations (Cohen-Charash & Larson, 2016). However, the scientific study of envy has taken off only recently. Various disciplines, marketing, psychology, sociology, economics, and management are studying the nature and consequences of envy, which provides the basis for a better understanding of how the negative effects of envy can be mitigated and the positive effects taken advantage of (Cohen-Charash & Larson, 2016). At the same time, the multidisciplinary study is indicative of the prevalence of envy's consequences on decision-making and behaviors in a variety of contexts such as workplace and consumer behavior.

Envy is a complex emotion. While researchers have proposed different definitions of envy, all agree that an upward social comparison (Crusius et al., 2020) is at the "core of envy" (Lee, 2014, p. 9), i.e., we experience envy when the advantage of another elicits unpleasantness and discontentment (Smith, 2000). The traditional view defines envy as "an unpleasant and often painful blend of feelings characterized by inferiority, hostility, and resentment caused by a comparison with a person or group of persons who possess something we desire" (Smith & Kim, 2007, p. 49). According to Lee (2014), researchers have primarily focused on negative or malicious envy and seen "nonmalicious or benign envy that is free of hostility is similar to admiration" with "a constellation of inferiority, resentment of the situation, and ill will toward the target" (p. 10). Van de Ven et al. (2009) enhanced this definition by adding the distinction between benign and malicious envy. They argued that "benign envy results in a motivation to gain the coveted object for oneself as well, whereas malicious envy results in a wish for the other to lose it" (p. 426). According to Lee, frustration occurs in both benign and malicious envy, but benign envy can result in positive motivation to improve oneself, and noted that more research is needed into what envy is and how it operates (p. 8).

Lange and Crusius (2015) cited Tai et al.'s (2012) definition of envy as "pain from unfavorable or upward social comparisons" (p. 108), while nothing that they argued against seeing benign and malicious envy as distinct because the anterior cingulate cortex, which is associated with pain is activated when individuals experience envy,. Lee (2014) explained that the centrality of pain to envy means that any individual person can behave differently in response to that pain, resulting in the seeming distinction between malicious and benign envy, which points to the value of researching envy to find its positive effects (p. 9)

Integrating these views, Lange et al. (2018) tested an integrative theory of envy identifying the feelings three related elements: "(a) pain, (b) benign motivations, and (c) malicious motivations," a view that could reconcile the contradictory findings and arguments about envy (p. 592). They argued that uniting inconsistent and discrepant approaches may allow researchers to measure the entire experience of envy comprehensively.

Envy is understood to be experienced in three different ways—as an individual trait, situationally, and generalized (Lee, 2014, p. 9). First, envy can be experienced at a trait level, some individuals are inherently prone to feeling envious, and the tendency varies (Van de Ven, 2016 p. 346), but envy-prone individuals are more likely to “suffer from a chronic sense of inferiority” (Smith et al., 1999, p. 1009), accentuating the unpleasantness of an upward social comparison. Next, enviousness is not necessarily a generalized emotion or disposition, but can be limited to specific events and toward specific people (Lee, 2014, p. 9). Last, envy can be felt toward multiple targets, especially when they are comparable across a number of dimensions (Lee, 2014, pp. 9–10). For managers, multiple peer referents can cause interfirm envy in a “state of multiple inferior comparisons” Lee, 2014, p. 10), which is unlike the individual experience or dispositional experience.

In this dissertation, I study envy as a noninterpersonal emotion of one focal person, the firm’s decision maker, toward a target or targets, i.e., other firm(s), and not individuals. Since the target of the envious in the interfirm context is different from the interpersonal context, the causes of interfirm envy would be different too. Therefore, I study the antecedents of interfirm envy in Essay 1 in the next chapter). Doing so allows me to follow Lee’s (2014) example of examining “envy and subsequent non-interpersonal dynamics in alignment with theory and conceptualization of envy while considering multiple social referents” (p. 10). Following that method may have implications that have not been explored in the interpersonal context, such as the identity of the decision maker. Before discussing the antecedents of interfirm envy, I review the causes of interpersonal envy.

2.4 Predictors of Interpersonal Envy: What Causes Envy?

Researchers unanimously agree that the nature of envy entails three elements. It (a) entails an upward comparison (by the envier), (b) fosters a desire for certain consequences for the self (envied possession), and (c) the self and the envied other are the focus of attention. It is also undisputed that envy is a negative affective state (Lange et al., 2018, p. 573) that is not necessarily short-term. Because envy can be experienced for a long period, it may be experienced along with or as other emotions with a number of “affective, cognitive, and motivational consequences” that concentrate on reducing the vertical distance between the envier and their target (Lange et al., 2018, p. 4).

One of the primary functions of affect is to provide information (Lazarus, 1991; Schwarz, 1990). Like other emotions such as anger and fear, envy conveys information to the self, thereby affecting judgements and assessments of the environment and the self (Malik, 2016, p. 29). Studies show that in domains important to the self, it is common to view oneself as superior to others (Kyung, 2010, p. 20). Also, people have a desire to be better than others because a superior relative standing indicates power. For instance, a firm’s superior relative performance to a competitor indicates success and an inferior performance indicates failure. Successful firms wield more power in the market. Knowing of a superior other in a self-relevant domain provides the self with two pieces of information: first, that someone is not as successful as they might have thought, and second, there is a possibility of being better than the current state. There seems to be two motivational forces working in tandem when an upward comparison is made, bringing into focus one’s disadvantage and another person’s advantage. Information on the former (i.e,. one is not as good as another in a self-relevant domain) causes cognitive tension leading to unpleasant feelings, but also an impetus for action. The realization that there exists a possibility of being better causes agitation because the current-self is incongruent with the ought-self (Malik, 2016, p. 29). In order to reduce and cope with this aversive feeling, envious individuals are motivated to work towards their desired end state in order to make themselves more equal socially to those they envy (Lange et al., 2018).

The elicitation of an emotion depends on the evaluation of contextual or situational cues. Appraisal theories explain the link between the individual and the situation that elicits the emotion (Lange et al., 2018, p. 44). Beyond the necessary features of envy, the presence of an envier, envied object, and envied person, an individual's appraisal of an upward comparison situation is important. There are various factors that amplify or dampen the experience of envy, such as similarity or closeness with the successful other, and domain relevance. Literature has identified two factors, deservingness and personal control, play a crucial role in eliciting either benign or malicious envy (Van de Ven et al., 2009). Several factors play into the experience of envy.

Similarity With the Successful Other

Aristotle saw envy as most likely between people who perceive themselves to be similar: "potter against potter" as the Greek maxim goes (Festinger, 1954). Studies across domains have emphasized the importance of similarity. Mussweiler (2003) argued that almost by default, individuals tend to calculate similarity when they make an upward comparison. Social comparisons are more common between people who see themselves as comparable to each other rather than those who contrast with them on a number of identity characterizations, such as age, race, gender, socioeconomic status (Smith & Kim, 2007, p. 50). The more similar the envier feels towards the successful other, the more intense the feeling of envy becomes (Schaubroeck & Lam 2004). Van de Ven et al. (2009, 2010) also showed that after the upward comparison, the intensity of envy a consumer experiences depends on the similarity with the envied other.

Similarity with another not only encourages social comparison but also makes the comparison diagnostic. Individuals evaluate the self in comparison to similar others because doing so provides information about the opportunities available to them (Henniger, 2016, p. 7). Additionally, it is feels easier to outdo a similar other, which makes it seem easier to move up the status hierarchy against those others (Henniger, 2016, p. 7). In the context of marketing strategy, a start-up and a long time player in the market are not similar, in terms of size, age, and/or resources. Thus, envy experienced by the top management of the start-up towards the experienced firm would not be diagnostic. However, the presence of another successful similar start-up may elicit stronger feelings of envy. This comparison would be diagnostic, but also present realistic possibilities for success. The envious firm has the potential to surpass another start-up and thereby gain relative status (Henniger, 2016, p. 7).

Domain Relevance

Although sharing comparison-related similarities with a successful other is a significant driver of envy, the domain of comparison has relevance (Watkins, 2021n, 1). Individuals desire for an accurate self-evaluation in a domain that is relevant and important (Festinger, 1954). Although, such evaluations provoke negative emotions such as envy or depression, individuals continually evaluate themselves in domains that are central to their identities, and not on peripheral dimensions (Wood, 1989).

Another’s success (relative to oneself) is consequential for one’s self-evaluation (Kamide & Daibo, 2009). Cialdini et al. (1976) proposed that self-evaluation in social circumstances triggers two competing processes, reflection and comparison. They found that in the presence of a similar other, one's self-evaluation is raised by basking in the reflected glory of their success, when the domain is less relevant. But, when the domain of comparison is self-defining, the success of a similar other threatens our self-evaluation invoking comparison processes (Tesser & Collins, 1988). These comparison processes elicit comparison-based emotions, most likely negative in nature, envy or jealousy (Salovey & Rodin, 1984).

Indeed, researchers across disciplines and contexts have found that individuals experience envy when the domain is relevant, than when it is not. In Schaubroeck and Lam's (2004) study, bank employees were envious of the individual who got promoted, particularly those they perceived similar to themselves. This is also because being promoted in their workplace was very self-relevant. Takahashi et al.'s (2009) study on the neurocognitive mechanisms of envy shows that while the role of upward social comparison is central to processing the emotion, the self-relevance of the domain moderates the intensity of envy. A less relevant comparison domain does not elicit intense envy, even when the advantage/possession is perceived to be superior. In their theory of duality of envy, Van de Ven et al. (2009) noted that domain relevance is characteristic of both benign and malicious envy.

Perceived Deservingness (Fairness) of the Successful Outcome

Unfairness as a predictor of and modulator of the intensity of envy has been studied (Cohen-Charash & Mueller, 2007; Feather & Sherman, 2002; Smith et al., 1994;). Some studies have found that individuals can envy others regardless of whether they feel that they deserve the good fortune of the envied other (Cohen-Charash & Mueller, 2007s, 1). However, others have found that perceived unfairness may be a source of envy. For instance, if an advantage of a colleague is perceived as unfair it may independently provoke envy (Cohen-Charash & Mueller, 2007). Other studies examining the relationship between envy and unfairness have shown that perceived unfairness can aggravate envy because being treated unfairly exacerbates self-concept threat(Cohen-Charash & Mueller, 2007). For instance, less cooperation towards the envied other was observed when envious individuals perceived the advantage to undeserving, but not when the advantage was perceived as deserving (Parks et al., 2002).

According to Van de Ven et al. (2012), benign and malicious envy vary in intensity by the degree to which the envier perceives how much the envied deserved their success. Additionally, they found that the main difference in events that elicit resentment or malicious envy is based on whether the advantaged other was perceived as deserving of their success. In a consumer behavior context, they showed that if the ownership of a desired product or possession by the other is deserved, individuals are more likely to experience benign envy and to acquire the same product. However, if it is undeserved, malicious envy may be experienced, diverting one's attention to other related products (Van de Ven et al., 2010).

Perceived Control

Perceived control is another factor considered to influence the degree of envy someone feels regarding their ability to improve their inferior position, with less control resulting in greater envy (Van de Ven et al., 2012, p. 197). Envy hostility is inversely related to perceived opportunity to behave constructively (Van de Ven et al., 2012, p. 197). Other studies posit that perceived control is an essential condition for the experience of envy. In order to feel envy, one must believe the desired object to be beyond their power to obtain (Ortony et al., 1988; Neu, 1980; Vecchio, 1997). Individuals perceiving low control over gaining the desired result or possession are more likely to be hostile, whereas a high control of the situation considerably reduces the intensity of one's feelings.

In their dual theory of envy, Van de Ven et al. (2012) hypothesized that envy resulting from perceptions of low control may be malicious in nature, whereas benign envy may be experienced in situations of high control. However, they found that benign envy influenced perceived control but malicious envy did not because benign envy motivated self-improvement. That self-improvement thereby led to increases in the perception someone has of the level of control over their situation (Van de Ven et al., 2012, p. 203). However, perceived control correlated positively with both types of envy, benign and malicious (Crusius et al., 2020, p. 14). Mixed results of the role of perceived control warrants further clarification.

2.5 Distinguishing Envy From Jealousy

Envy and jealousy seem to be very similar emotional constructs. This confound is augmented in languages that do not have distinct words to distinguish jealousy from envy, the linguistic ambiguity in most languages, and the frequency of their co-occurrence. For instance, in English, jealousy is used interchangeably to denote both, jealousy and envy. However, envy is unambiguous.

Envy and jealousy are distinct. Envy is felt when an individual lacks the advantage or success of the superior other, and either desires it for oneself or wishes the other lacked it. The feeling intensifies when the superior other is very similar and the comparision is based on the definition of self (Smith et al., 1999). The envious not only feel envy, but also experience it along with a variety of affective elements, resentment for the superior other and inferior situation, feelings of inferiority, longing for desired outcomes, and ill will towards the envied person (Parrott, 1991). On the other hand, jealousy occurs only in the context of relationships, most notably romantic love, the fear of losing an important relationship to another and other affects such as “fear of loss, anxiety, and suspiciousness and anger about betrayal” (Parrott & Smith, 1993, p. 906).

Parrott and Smith (1993) empirically investigated the differences between envy and jealousy. Both the emotions are complex in nature, and there exists overlaps and distinctions. Both, the envious and jealous experience hostility towards the other. However, envy was characterized by resentment, rancor unsanctioned ill will, and jealousy by justified anger (resulting from betrayal). The result of either emotion is a lowered self-esteem, sense of inferiority because of envy and rejection because of jealousy.

Parrott and Smith (1993) found that envy produced feelings of inferiority, longing and disapproval, whereas jealousy produced more anxiety, distrust, and fear of rejection or loss. These findings are in line with the cognitive theories of emotion. Since envy and jealousy do not share the same cause and occur in different situations, they lead to different appraisals and thus are associated with a different set of emotions. This study also suggested that scenarios that elicited jealousy also produced envy to some extent. The authors concluded that it was virtually impossible to create a jealousy inducing situation without the experiment participant feeling a moderate amount of envy.

Summarizing, jealousy occurs when possessions are threatened by a third person, a triadic situation. While envy occurs when we lack a desirable attribute enjoyed by another, a dyadic state.

Summary

Envy researchers unanimously agree that an upward social comparison is a necessary requirement for envy. Envy occurs when an individual is aware of a comparison with another who enjoys a desired possession (social position, object, or attribute) that one wants, but lacks. Psychological pain and hostility are characteristic of envy. The pain and hostility that the envious experience results from a sense of inferiority in the face of the superior other, an awareness that current-self is incongruent with the ought-self, and a perception of unfairness that the other's advantage or one's own relative inferior status. The intensity of envy may depend on a variety of factors such as, the degree of similarity with the envied other, relevance of the comparison domain, and perceived unfairness.

2.6 Interfirm Envy

A common experience for firm decision makers is the recognition of differences between the financial or social performance of their firm and comparable industry peers. Striving to obtain success in the marketplace relative to one's competitor may elicit envy. Envy is "an unpleasant and often painful blend of feelings characterized by inferiority, hostility, and resentment caused by a comparison with a person or group of persons who possess something we desire" (Smith & Kim, 2007, p. 49). The experience of envy occurs in three interconnected ways: dispositional or trait-based, episodic, and situational. Some individuals are inherently prone to feeling envious and may display envious traits (Lange & Crusius, 2015; Russell, 1930; Smith et al., 1999). Others may experience episodic envy, through which envy is elicited towards a specific individual (Cohen-Charash, 2009; Parrott & Smith, 1993). Finally, the presence of multiple referents can increase the chance of someone feeling situational envy (Tai, 2003, p. 4). I define interfirm envy as a *situational* form of envy, when key firm decision makers socially compare their firm with other (perceived) comparable firms (but *not* specific individuals within the other firm).

Conceptually, interfirm, dispositional, and episodic envy differ (Duffy et al., 2012). I argue that decision makers are both formally and informally aware of differences in social position and performance with respect to other firms. These comparable firms may or may not be direct industry competitors of the focal firm. Furthermore, these social comparisons may not always be transient in nature but continue because of the overlapping comparisons (Duffy et al., 2012). Thus, interfirm envy is an unpleasant emotion that arises from an upward social comparison towards comparable firms with a desirable possession (success in financial or social performance).

Interfirm envy has several characteristic attributes that warrant further discussion. First, in addition to being driven by interfirm relationships, envy is subjective; that is, it exists in the minds of the envier. In studies on interfirm relationships, competitors were objectively identified by market positions, similarity between firms (based on size, resources, market share (Debruyne & Reibstein, 2005), and industry characteristics such as the number of competitors (Adam et al., 2007). However, the experience of envy depends on managerial perceptions. For instance, the CMO may consider a firm from another industry, based on another criteria, as similar to oneself. Second, interfirm envy may not be interpersonal, the decision maker of a firm may not be envious of a particular person within the envied firm. Although, envy towards groups has been studied (Duffy et al., 2012), envy in a noninterpersonal environment has not been discussed. The interfirm relationship context allows for such a study.

Third, envy magnifies the psychological stakes of an executive independent of objective stakes. This may result in departures from economically rational behavior. Fourth, envy may vary in intensity based on several contextual (e.g. market dynamics) and individual factors (e.g. core self-evaluations) (Lee & Duffy, 2019; Tai et al., 2012). Last, due to the subjective nature of envy, the one being envied may not necessarily be an envier of the envier. Hence, I treat envy as a unilateral emotion, studying the response to envy from the perspective the envier.

Summary

As is evident from the definition and description of interfirm envy, the fundamental difference between interfirm and interpersonal envy is the envied other. Individuals experience interpersonal envy when they are envious of other *individuals*; but firm decision makers experience interfirm envy when they are envious of other *firms* (as an entity). Researchers across domains are examining the causes of envy to understand the conditions that promote constructive and functional behaviors. For instance, several studies have found that workplace envy predicts unethical behaviors, such as intentionally attempting to hurt the envied other, dishonesty, exaggerating one's accomplishments, and being uncooperative towards the envied other. But workplace envy can enhance job performance of the envied help the envious or if the latter have high core self-evaluations (Lee, 2014, p. iv). The self- and other-perceptions of enviers needs to be disentangled from the role of context while also building on reducing the pain and discrepancy resulting from (Duffy et al., 2012, p. 30). As a result, it is essential to examine the antecedents of interfirm envy.

CHAPTER 3:

DETERMINANTS OF INTERFIRM ENVY

Comparing oneself to others is an inescapable aspect of life. It is so fundamental that a whole domain has been dedicated to understanding social comparison processes and subsequent affective experiences. Proposed by Festinger (1954), social comparison theory suggests that individuals are motivated to gain accurate evaluations of the self, not necessarily by objective information, but by comparing oneself with comparable others. Following the same logic, key decision makers of firms also compare their firms with other firms to assess their position within the industry with some certainty (Kacperczyk et al., 2015).

Numerous factors, external and internal to the firm, may elicit an upward social comparison and subsequent feelings of envy. Internally, managers may be exhaustive in their decision making and information search by using various performance criteria and generating several alternative courses of action (Atuahene-Gima & Murray, 2004; Menon et al., 1996). Externally, media outlets and experts may compare the performance of firms against one another. Through such comparative processes managers may garner both favorable ego-boosting information (e.g., their firm is doing well), and unfavorable ego-deflating information (i.e., another comparable firm is performing better).

Being aware of a better performing firm (upward social comparison) may or may not elicit an emotional response. However, an interplay of upward social comparison and managerial cognition (organizational identification) may lead to interfirm envy. Furthermore, factors internal (within the firm) and external (outside the firm) to the firm may intensify or alleviate the experience of interfirm envy.

Researchers unanimously agree that two primary factors, i.e., upward social comparison and domain-relevance, contribute to the experience of interpersonal envy (Crusius et al., 2020).In the context of interfirm relationships, top executives often make multiple upward social comparisons with referents within and outside of their industry. While some of these comparisons may be based on objective information, comparisons are generally based on individual perceptions. An upward social comparison may cause emotions other than envy, both positive and negative valenced, such as admiration (e.g., Tesser & Collins, 1988), or resentment (Feather & Nairn, 2005; Feather & Sherman, 2002).

In this chapter, I propose that in order for an upward social comparison to elicit envy, the comparison should be ego-relevant. Since top executives may perceive their identity to be intertwined with that of the firm (Boivie et al., 2011), they may intensely desire to maintain a superior status for their firm. This is because their firm's performance may potentially determine their worth too. Therefore, managers may experience interfirm envy not only due to being aware of a better performing (non) industry referent(s), but also due to their strong identification with their firm.

3.1 External Upward Social Comparison

Social comparisons are inherent in the business environment because organizational systems have comparative aspects, structures, and systems for element such as compensation. These comparisons made against both referents *inside* the firm trigger individual concerns (internal social comparison) and referents *outside* the firm trigger organizational concerns (external social comparison) (Dong, 2020). My dissertation focuses on external comparisons through which the executives contrast the performance of their firm against other firms within or outside the industry. The basic assumption in the early management research was that firm decision-makers consider all industry incumbents as an external referent group (Kacperczyk et al., 2015). However, managers construct referent groups representing subgroups different from industry-wide groupings (Kacperczyk et al., 2011; Moliterno et al., 2014).

This important theoretical extension is consistent not only with practice, but also the basic premise of social comparison theory. Social comparison theory suggests that individuals restrict their comparison set by similarity on certain dimensions as primary for inclusion (Moliterno et al., 2014). Although the social comparison theory addresses interpersonal social comparisons, management theories such as performance feedback theory suggest that executives socially compare their firms with other firms (interfirm social comparison). For instance, Greve (2003) argued that creating a reference group of comparable firms “does not seem appreciably harder than making reference groups of similar persons is for individuals” (p. 45). Baum and Dahlin (2007) also pointed out, “The more comparable the organizations, the more similar the situations they face, and the greater the potential relevance of their experience to the observer” (p. 370). Accordingly, researchers have identified organizational nonindustry referent groups based on *firm-level similarity* (Baum et al., 2005), *network position* (Shipilov et al., 2011), *geographic location* (Ketchen & Palmer, 1999), *level of innovation* (Massini et al., 2005), and *competitive position* (Labianca et al., 2009).

The decision to socially compare with other firms may be either by managers’ own choice or triggered by analysts or media. The direction of comparison may be against a firm which is a better-off or worse-off other (termed upward and downward comparisons, respectively; Festinger, 1954). Since the focus of this dissertation is interfirm envy, I will be discussing external upward social comparisons, i.e., when a firm is compared to another better-off firm within or outside the industry.

Although there is a debate on the effect of an external upward social comparison on the direction of firm performance, researchers unanimously agree that such comparisons impact managerial decision-making. For instance, some studies provide evidence of resulting risk-taking behaviors (Baum et al., 2005; Harris & Bromiley, 2007; Ketchen & Palmer, 1999; Labianca et al., 2009; Lant & Mezias, 1992; Massini et al., 2005), others showed the opposite effect (Miller & Bromiley, 1990; Wiseman & Bromiley, 1996), and still others showed no significant association (Audia & Greve, 2006; Greve, 2003). These inconclusive results may, in part, be due to the failure to factor in affective experiences arising from upward social comparisons, which may eventually drive a firm's decision-maker's behavior. Hence, my dissertation aims to fill this gap by focusing on upward social comparison emotions, particularly envy.

3.2 Organizational Identification

Mael and Ashforth (1992), defined organizational identification as "perceived oneness with an organization and the experience of the organization's successes or failures as one's own" (p. 103). It is a cognitive link between members of an organization and the organization, such that members perceive their identities to be psychologically intertwined with their organization (Wan-Huggins et al., 2006) with the stronger that identification, the less differentiation they feel and the less priority they give to their own interests over those of their organization (Lange et al., 2014). Managers who identify strongly with their firm may champion decisions in ways that equate or meld their own interests with those of the firm (Lange et al., 2014). On the other hand, managers who do not identify with their organizations may advance their own agendas with respect to compensation and perquisites (Boivie et al., 2011).

Appraisal theories of emotions (Leigh & Melwani, 2019) are useful for to understanding executives' affective responses to external upward social comparison. Central to appraisal theory are stimulus events that individuals consider relevant to their needs, values, goals, or beliefs. Such relevant events triggers emotional reactions and are judged according to their intrinsic level of pleasantness or unpleasantness (Leigh & Melwani, 2019). Appraising the event as pleasant and beneficial may elicit positive emotions, whereas evaluating the event as unpleasant and disadvantageous may cause negative emotions (Smith & Lazarus, 1993).

As mentioned earlier, an awareness of a comparable firm's better performance may not necessarily garner an emotional experience. Executives who identify with their firm to evaluate the comparison with respect to the goals or desires of their firm may affectively appraise an external upward social comparison. First, since such executives perceive their firm's performance feedback as self-relevant, they may perceive an external upward social comparison to be threatening for their own identity. This may lead to negative feelings of unpleasantness and frustration (Leigh & Melwani, 2019). Second, they may desire the success or good performance of the comparable firm because individuals strive to be superior to others in domains important to the self (n, 1Dunning et al., 1989; Taylor & Brown, 1988;). Thus, when executives strongly identify with their firm, the recognition of a superior comparable firm may elicit negative feelings and a desire of the other's possession (performance or status). Thus, unless executives strongly identify with their firms, it is unlikely that an upward social comparison may lead to interfirm envy:

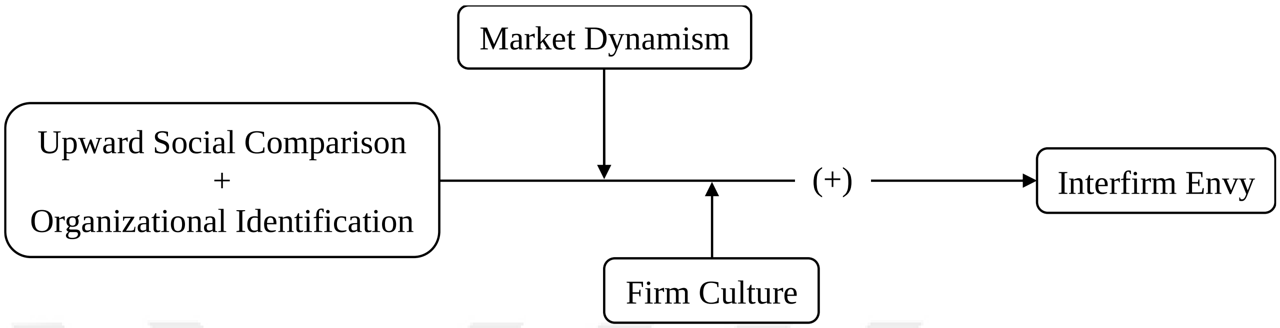
Hypothesis 1: Firm decision makers may experience interfirm envy when they engage in an external upward social comparison and have a strong organizational identity.

In the next section, I investigate industry and firm factors that may moderate the intensity of envy. Indirect evidence from research on negative emotions suggests that dynamic markets and a market-oriented firm culture may play a crucial role in the experience of envy (Tiedens & Linton, 2001). The extant research on upward social comparison shows that individuals tend to compare themselves to others particularly when the environment is uncertain (Festinger, 1954). This finding has been replicated in the marketing literature indicating that competitor behaviors act as signals of opportunities under uncertain conditions (Kraatz, 1998). Dynamic markets are characterized by uncertainty due to the rapid and unpredictable environmental/industry changes (Jaworski & Kohli, 1993). I argue that because firm decision makers operating in dynamic markets tend to compare more with social referents, the awareness of a successful comparable referent may exacerbate the feeling of envy.

Another factor that may moderate the intensity of envy experienced is perceived control over one's situation (Smith & Kim, 2007). When individuals perceive less control in improving one's inferior position, they tend to experience intense envy. Market oriented companies are not only externally oriented, but also steeped in control mechanisms (competing values framework; Quinn & Rohrbaugh, 1983). Managers in such firms focus on achievements relative to (non)industry referents while maintaining a controlled centralized decision-making organizational structure (Cameron et al., 2006; Cameron & Quinn, 1999). I argue that a market-oriented firm culture may intensify the experience of envy since decision makers may perceive less control in rectifying the gap between one's firm and successful social referents.

Figure 3.1

Upward Social Comparison and Organizational Identification Model



My conceptualization is grounded in social comparison and relative deprivation theories. The organizational environment and business relationships are inherently uncertain and require control mechanisms. Both these theories offer a great deal of established evidence in the interpersonal context to provide an understanding of envy in the interfirm context.

3.3 Factors that Moderate the Intensity of Interfirm Envy

3.3.1 Market Dynamism

Several studies suggest that the environment plays a major role in the experience of emotions (Buunk et al., 1990; Frijda, 1986). One such environmental factor that has been extensively studied in social comparison literature is uncertainty. Environmental uncertainty is defined as the lack of information regarding the surrounding or event; and has been shown to intensify affective reactions (Caouette et al., 2012, p. 369). People evaluate their performance with respect to peers under uncertain conditions (Kim & Tsai, 2012). That is, they actively seek information from the environment that could potentially be ego-deflating in the presence of a superior peer. Pfeffer et al. (1976) provided indirect support for the idea that an uncertain environment increases the tendency to socially compare, which in turn amplifies resultant affective experiences. Buunk et al. (1990) found that when individuals who are uncertain about their environment compared upwards more frequently, thus more often experiencing negative affect. In the context of interfirm relationships, environmental uncertainty may be operationalized using market dynamism.

Market dynamism relates to how regularly and how much change exists in a market (Cui et al., 2005). It is a multidimensional construct that includes velocity, complexity, ambiguity, and unpredictability (D'Aveni, 1994; Eisenhardt & Tabrizi, 1995). Velocity refers to the speed or frequency at which changes occur. Complexity is the number of factors that must be addressed successfully. Ambiguity is the lack of clarity in the market. Unpredictability is the degree of chaos or turbulence such that a consistent pattern cannot be identified (Dess & Beard, 1984). A dynamic market includes rapid changes across aspects such as supply and demand, competition, and technological development (Cormier et al., 2013, p. 28). Due to frequent changes, an information deficit tends to cause information asymmetry, thus creating a sense of uncertainty of decision outcomes (Indjejikian & Matejka, 2006). Therefore, firms operating in dynamic markets follow changes in their markets more frequently than firms in relatively stable markets (Kohli & Jaworski, 1990). Actively seeking information from the market may cause a negative experience, when one becomes aware of better performing firms. This environmental cue may amplify the experience of envy.

Moreover, from a social identity perspective, behavioral or affective influence of an identity depends on its relevance in the given setting. In other words, emotional experiences are shaped in contexts where the identity is salient and identification with an entity (or group) is strong (Ashforth & Mael, 1996). Environmental uncertainty may be one context which influences identification. Uncertainty in the external environment of the firm may create a sense of a common destiny, perceived similarity among employees, and "organizational we-ness" or togetherness (Greenaway & Cruwys, 2019). Thus, decision makers may strongly identify with their organization in dynamic markets. This heightened sense of identification may amplify the impact of an upward social comparison on the experience of interfirm envy. Therefore, I hypothesize that

Hypothesis 2: The higher the dynamism in the market, the stronger the effect of an upward social comparison and organizational identity on interfirm envy.

3.3.2 Firm Culture

Another important factor in the study of social comparison is the perception of the ability to control their environment such that performance may be improved to decrease the social gap between themselves and the superior other. At the firm-level, the sense of control of a decision maker may be determined by the organization's culture. Deshpandé and Webster (1989) defined organizational culture as "the pattern of shared values and belief that help individuals understand organizational function in and that provide norms for behavior in the organization" (p. 4). According to Liu and Choi (2015), organizational culture has a range of influence across how decision makers choose outcomes and how to reach those outcomes.

Quinn and Rohrbaugh's (1983) competing values framework is useful for examining how a firm's culture may impact the experience of interfirm envy. Managers' choices reflect competing dimensions that exist within firms—internal/external orientation; need for control/ need for flexibility (formal/informal). The intersection of the two dimensions produces four culture types—adhocracy, market, clan, and hierarchy (or bureaucracy). Adhocratic culture is externally orientated, flexible, and foster entrepreneurship and creativity. Market-oriented firm culture is externally orientated, emphasize formal governance structures or control and foster competition. Clan culture is internally oriented, emphasize flexible organizational processes, and relationship building. Hierarchy or bureaucracy culture are internally and control orientated, foster predictability and efficiency. Firms can exhibit attributes linked to any of the culture types but one type of culture tends to dominate (Cameron & Quinn, 2006; Moorman, 1995).

Although all four types of organizational culture may invoke emotions pertaining to social comparison, I propose that the market-oriented firm culture, in particular, may intensify the feeling of interfirm envy. Unlike bureaucracy and clan cultures, in which importance is given to internal organizational processes, the focus in adhocracy and market-oriented firm cultures is their external positioning vis-à-vis industry peers and customers (Cameron & Quinn, 2006). Since bureaucracy and clan firm cultures emphasize the maintenance of a firm's sociotechnical system, decision-makers in these firms may not allow external comparisons influence their emotions and subsequent decisions. On the other hand, decision-makers operating in externally focused adhocratic and market-oriented firm cultures, may be influenced by external social comparisons. However, only a market-oriented firm culture may be a driver of the experience of interfirm envy. This may be because market-based firms focus on superiority relative to social referents, while adhocracies focus on market leadership and technological pioneering.

Market-oriented firm cultures also give importance to organizational control through formal governance systems (Cameron et al., 1991; Deshpandé et al., 1993). These values are expressed in the firm's desire to aggressively outperform social referents (within or outside the industry). While decision makers in market-oriented firms strive to outperform their rivals, they must function within the governance structure of the firms.

To build my hypothesis, I concentrate on the limitations of a market-oriented firm culture's value system that may inhibit the sense of perceived control and influence the intensity of envy felt. Perceived control pertains to an individual's perception of their ability to exert control over their environment (Bandura, 2001). In the social comparison literature, Testa and Major (1990) found that when participants believed they could not improve their performance (low control) relative to superior performing other (compared to those who believed performance could be improved, i.e., high control), they experienced more intense hostility and resentment towards the better performant. In another study, Lockwood and Kunda (1997) found that participants with malleable, optimistic beliefs (high control) about their abilities held more self-enhancing view of the self than those with fixed beliefs (low control). Moreover, individuals who believed they have more control in stressful situations, tend to cope constructively (Frazier et al., 2011).

In market-oriented firms, managers who feel in control may believe they have the means to perform better, thus an upward social comparison may not pose a threat. In contrast, decision-makers in firms that are dominantly market-based may experience a lower sense of control, since such organizations value formal governance systems and control. When individuals believe that they have less control in decreasing the social gap between themselves and the envied other, they tend to feel an intense pain of inferiority. Therefore, I propose that decision makers who strongly identify with their firms in an upward social comparison situation may experience envy more intensely when operating in firms with a market-oriented culture. Accordingly, I hypothesize

Hypothesis 3: The stronger the orientation towards a market firm culture, the stronger the effect of an upward social comparison and organizational identity on interfirm envy.

3.4 Research Methodology

3.4.1 Sample and Procedures

In this study, I collected data from various professional channels. First, I requested professionals for their participation in a survey using two sources: first, professional organizations or groups within LinkedIn[1] such as Marketing Executives Group, Executives Suite, CEO Network – the source for Chief Executives, and India Leadership Network (whose membership range from 100,000 to 400,000 top and senior executives); and second, an exclusive professional community, Leap.Club, with over 10,000 members in India. In introducing my cover letter and questionnaire I stressed that the purpose of the survey was to understand the impact of comparative processes in decision-making (Fredrickson & Mitchell, 1984). To encourage participation, I provided a report highlighting the influence on decision-making of comparing one's firm with other firms. To ensure the validity of responses, I guaranteed individual and company anonymity. A total of 160 firm decision-makers responded, out of which only 151 responses were usable, with 80% of executives from LinkedIn and 20% of executives from Leap.Club. Based on the Armstrong and Overton (1977) test comparing late and early respondent scores, nonresponse bias did not occur among the respondents ($p > .05$) (Mintz & Currim, 2013).

[1]LinkedIn has 830 million members from more than 58 million companies in more than 200 countries worldwide ("Top 10," 2022).

The sample was a mix of decision-makers from startups and established firms in industries ranging from healthcare to arts and entertainment. Firm age varied greatly, the average was 35.29 years, and the median age was 24 years. All respondents were either leaders of a region or business area (51.97%), or executive/C-suite members (28.29%), or founders of the firm (19.08%). Respondents were mostly male (43.1% female), their average age was 45.19 years, and the average tenure as a top executive at their current firm was 9.46 years.

The independent variables, moderators, and dependent variables were based on self-reported measures. Therefore, the survey was prepared not to take more than 10 minutes to avoid respondent fatigue. To do so, I used the adapted version of the scales if scales were more than 7 items. I reviewed the original research article that introduced and validated the scale. I inspected the factor loadings of the items to use only the items with loadings greater than .50 and those that did not cross-load with other factors. Then, I examined the face validity of the items to the context of this study to ensure that they captured the construct appropriately.

3.4.2 Measures

Operational measures for the constructs were taken from extant literature. The main independent variable, upward social comparison was measured using a shortened version of the Iowa-Netherlands Comparison Orientation Measure (Gibbons & Buunk, 1999). Organizational identification was measured with a 6-item Likert-type scale from Mael and Ashforth (1992). The dependent variable, interfirm envy, was measured as a self-reported response on the extent to which they felt envious of other firms. A 5-item scale adapted from Vecchio (1999) measured interfirm envy. Sample items include “I feel that the industry/market values other firms more than my firm" and "Most of the other firms have it better than I do." Perceived market dynamism was assessed using a 5-item scale from Jaworski and Kohli (1993). A market-oriented firm culture was operationalized using a 3-item scale from Lukas et al. (2013). Because an upward social comparison can lead to admiration, it was controlled for by a one item measure (Van de Ven et al., 2011).

To take into account alternative explanations for determining interfirm envy, I controlled for several variables. The social comparison and emotions literature highlight the role of individual perceptions in the experience of emotions. Therefore, I incorporated perceived relative firm performance (Moorman & Rust, 1999), interfirm similarity (Lee et al., , 2008), unfairness of other firm's success (Smith et al., 1994) and competitive intensity of the market (Jaworski & Kohli, 1993) to the empirical model. Finally, I controlled for dispositional envy (Smith et al., 1999).

3.4.3 Results

Correlations, descriptive statistics, and Cronbach's alphas are reported in Table 3.1. Upward social comparison was positively correlated with interfirm envy, but organizational identification was not correlated to interfirm envy. Controlling for relative firm performance, interfirm similarity, unfairness, competitive intensity, and dispositional envy, upward social comparison was positively related to interfirm envy.

Table 3.2 presents the results of the regressions. The potential threat of multicollinearity was mitigated and the interaction effects clarified by mean-centering the independent and moderating variables (Tse et al., 2023), after which the variance inflation factor was less than 2.0. Model 1 includes the control variables, Model 2 adds the averaged variable of upward social comparison and Model 3 includes the averaged variable of organizational identification and the interaction variable. Models 4 and 5 show the interaction result of market dynamism and market-oriented firm culture.

Hypothesis 1 suggests that only an awareness of an upward social comparison does not lead to the experience of envy. However, an interaction of an upward social comparison and organizational identification fosters interfirm envy. Model 2 shows that an upward social comparison led to interfirm envy (b = .37, S.E. = .10, $p < .05$). However, an upward social comparison also resulted in the experience of less admiration (b = -.27, S.E. = .12, $p < .05$). Because participants responded to both measures of envy and admiration, we observe a negative effect of upward social comparison on the feeling of admiration. Furthermore, as seen in Model 3, the interaction effect of organizational identification and upward social comparison on interfirm envy was positive and significant (b = .14, S.E. = .07, $p < .05$).

Table 3.1

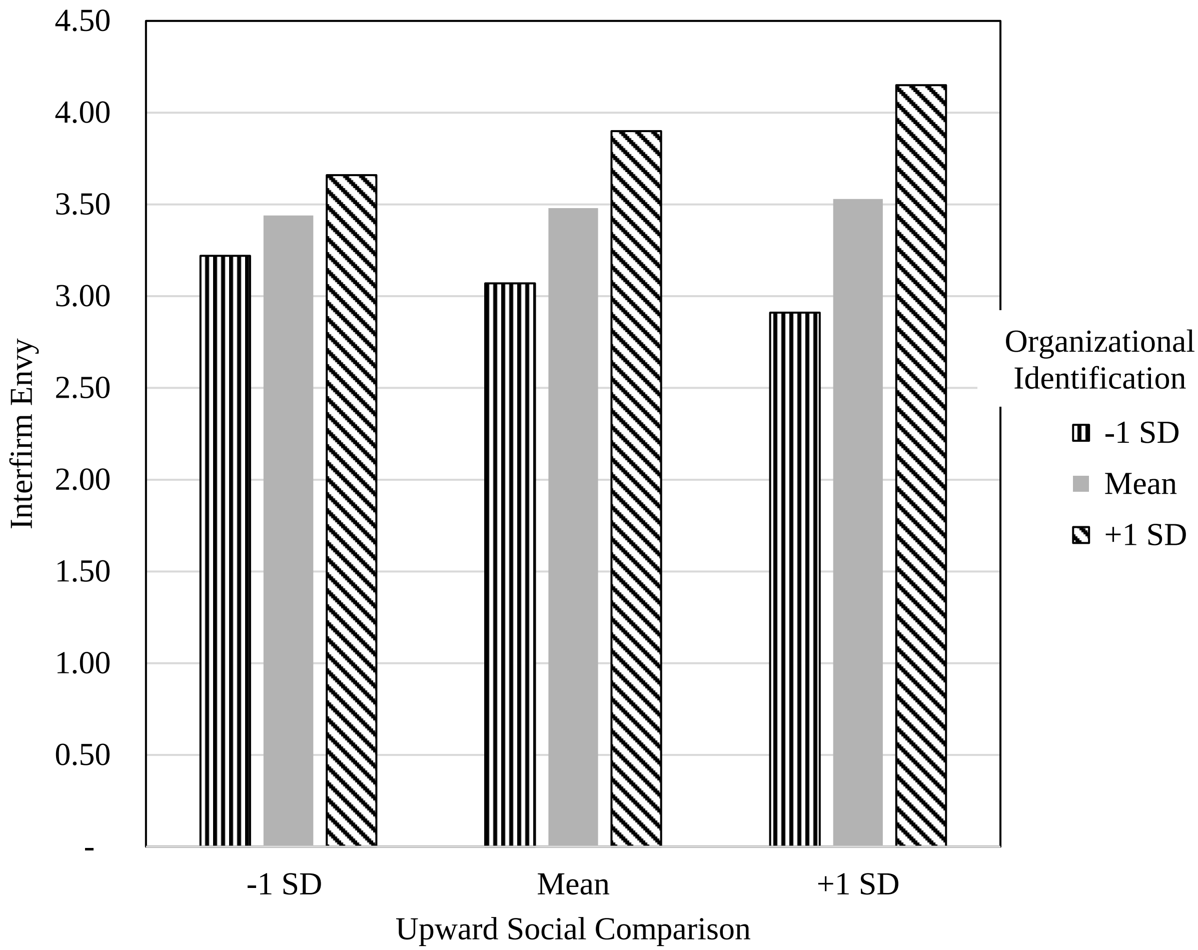
Descriptive Statistics and Correlations

	Variables	**Mean**	**S.D.**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**
1	Financial Performance	4.40	1.02	0.70									
2	Interfirm Similarity	4.15	1.18	-0.16	0.83								
3	Perception of Unfairness	3.01	1.41	0.04	-0.15	-							
4	Competitive Intensity	4.26	1.31	0.18*	0.21**	0.13	0.78						
5	Dispositional Envy	2.28	1.25	-0.17*	0.11	0.08	0.26**	0.92					
6	Market Firm Culture	5.31	1.29	0.15	-0.01	-0.02	0.10	-0.10	0.93				
7	Market Dynamism	4.64	1.22	0.23**	0.11	0.12	0.41**	0.09	0.15	0.71			
8	Upward Social Comparison (USC)	4.76	1.19	0.16	0.24**	0.09	0.45**	0.31**	0.16	0.38**	0.90		
9	Organizational Identification (Org.Id.)	5.16	1.25	0.03	0.01	-0.10	0.05	-0.06	0.62**	0.06	0.24**	0.88	
10	Interfirm Envy	3.57	1.44	-0.22**	0.21**	0.20*	0.33**	0.39**	-0.05	0.26**	0.42**	0.07	0.92

Note. $N = 152$. ** $p < .01$; * $p < .05$. Diagonal elements represent scale reliabilities (Cronbach’s alpha)

Figure 3.2.

Interaction of Upward Social Comparison and Organizational Identification on Interfirm Envy



A simple slopes test demonstrated that an upward social comparison had a significant positive relationship with interfirm envy when organizational identification was one standard deviation higher than the mean (b = .52, S.E. = .13, $p < .001$). However, the effect was not significant when organizational identification was 1 S.D. below the mean (b = -.19, S.E. = .13, $p > .10$). This suggests that the more strongly firm decision-makers identify with their firms, the more an upward social comparison, i.e., an awareness of a better performing firm, influenced their experience of interfirm envy. The interaction plot

(Figure 3.2) corroborated these findings. Although only an upward social comparison did lead to interfirm envy, it also resulted in admiration. But as hypothesized, the interaction between organizational identification and upward social comparison increased interfirm envy. The interaction of upward social comparison and organizational identification did not significantly affect admiration (b = .06, S.E. = .08, $p > .10$). Therefore, Hypothesis 1 was supported.

Hypothesis 2 pertains to the moderating effect of market dynamism on the relationship between upward social comparison, organizational identification, and interfirm envy (Model 4). A regression analysis on interfirm envy revealed nonsignificant main effects of upward social comparison (b = 0.09, S.E. = .40, $p > .05$) and organizational identification (b = -.19, S.E. = .38, $p > .05$), a nonsignificant two-way interaction of USC X Org.ID (b = -.13, S.E. = .12, $p < .05$), and a significant three-way interaction of USC X Org.ID X Dynamism (b = .03, S.E. = .01, $p < .05$). Thus, this provided support for Hypothesis 2. Similarly, Hypothesis 3 pertains to the moderating effect of market-oriented firm culture on the relationship between upward social comparison, organizational identification, and interfirm envy. A regression analysis on interfirm envy revealed a nonsignificant three-way interaction of USC X Org.ID X Market Culture (b = .01, S.E. = .01, $p > .05$). Thus, Hypothesis 3 was not supported.

3.5 Discussion

This study examines the effect of comparative processes within the firm on the experience of managerial emotions. The results confirm the central idea of the study—that the comparison of firm performance relative to a social referent has a strong influence on managerial emotions.

Specifically, in this study, I demonstrate how an upward social comparison is associated with interfirm envy. The results suggest that although there is a direct positive relationship of an upward social comparison on interfirm envy, it also predicts admiration. This result is consistent with predictions from extant social comparison literature, envy and admiration are two key emotions experienced as a result of the recognition of a superior other rival (van de Ven, 2017). However, when the firm's decision-makers strongly identify with their firms, they tend to be envious of other firms (and do not admire other firms) when faced with information of a better performing rival.

The experience of envy was significantly positively influenced when decision-makers strongly identify with their firms and made upward social comparisons in a dynamic market. However, the interaction hypotheses on upward social comparison, organizational identification, and market-oriented firm culture was not supported. It is not immediately apparent why this is the case. It may be that firms operating in dynamic markets develop a firm structure characterized by high levels of product differentiation (Pelham & Wilson, 1996). While firms with a market-oriented firm culture are inclined toward competitiveness in the marketplace, they also value formal governance systems, which could impede experimentation and innovation. Taken together, this indicates that environmental uncertainty seems to have impact on envy over the culture of the firm. Uncertain environments tend to trigger a focus on one's self and are perceived as threatening to the self (Hogg, 2007; McGregor et al., 2001; van den Bos, 2009). These results contribute to the research on uncertainty showing that an event intimately linked to one's identity has an emotional consequence stimulated by a situational uncertainty.

Table 3.2

Regression Analyses: Predictors and Moderators of Interfirm Envy

Regression Model	Model 1		Model 2		Model 3		Model 4	
	B	SE	B	SE	B	SE	B	SE
(Intercept)	1.99	0.73	3.26**	0.77	3.05**	0.78	3.43**	0.76
Financial Performance	-0.30**	0.11	-0.37**	0.10	-0.35**	0.10	-0.34**	0.10
Interfirm Similarity	0.14	0.09	0.07	0.09	0.07	0.09	0.02	0.09
Perception of Unfairness	0.17*	0.07	0.15*	0.07	0.14	0.07	0.08	0.07
Competitive Intensity	0.28**	0.09	0.17*	0.09	0.20*	0.09	0.16	0.09
Dispositional Envy	0.27**	0.09	0.19*	0.09	0.22*	0.09	0.28**	0.09
Upward Social Comparison (USC)			0.37**	0.10	-0.35	0.35	0.09	0.40
Organizational Identification (Org.Id.)					-0.61	0.31	-0.19	0.38
USC X Org.Id.					0.14*	0.07	-0.13	0.12
Market Dynamism (Dyn.)							-0.69**	0.24
USC X Org.ID. X Dyn.							0.03**	0.01
Market Firm Culture							-0.26	0.23
USC X Org.ID. X Mkt. Culture							0.01	0.01
R^2	0.26		0.33		0.35		0.42	

Note. $N = 150$ (** $p < .01$; * $p < .05$)

CHAPTER 4

THE IMPACT OF INTERFIRM ENVY ON RISK-TAKING

Firms compete for attention and eventually the wealth of consumers. In striving for a superior market share and performance, top management evaluate the performance of their firms against other similar firms. An objective or perceived inadequate appraisal of the firm compared to another may elicit feelings of envy—an unpleasant emotion that arises from an unfavorable or upward social comparison with others (Parrott & Smith, 1993; Tai et al., 2012). Prior research has studied the impact of social comparison emotions, such as pride, shame, and fear, on firm outcomes such as acquisition premiums (Hayward & Hambrick, 1997) and corporate social responsibility (Tang et al., 2015). The findings generally indicate that emotional consequences to comparative information influences firm decisions, strategies, and performance. Given these consequences for firm-level outcomes, the investigation of envy on managerial decision-making is required.

Traditionally, envy has been studied as an outcome of interpersonal relationships. However, the study of interfirm envy offers a unique insight into the emotion in a noninterpersonal context, i.e., envy directed towards an entity, such as firm. Top executives benchmark successes of their firms against other similar firms, and not specific individuals within the other firm. Furthermore, the identities of top executives are tied with that of their firms (Cho et al.,, 2016). Therefore, the success of another firm may also threaten the identity of an executive, thereby motivating envy towards a firm instead of a specific individual. Building on this, I empirically investigate the impact of interfirm envy on managerial risk-taking, an attitude that is critical to firm decisions and performance.

According to Tellis, Prabhu, & Chandy (2009), risk-taking propensities and attitudes are fundamental to decision-making in firms from R&D, to investment, to product development. Managerial risk-taking is informed by factors like gender, experience, discretion, incentives, and competition (To et al., 2018). Emotions have not been studied much as a determinant of risk-taking in strategy research, particularly envy.

In this dissertation, I examined (a) the effect of interfirm envy on managerial risk-taking; (b) the underlying mechanism that explains the envy-risk-taking relationship, the need to differentiate; and (c) the moderating role of self-construal in this relationship.

This study could contribute to literature in four areas: first, the literature lacks an overarching theory on the process through which envy relates to risk-taking. A basic assumption of my model is that individuals try to avoid undesirable and painful states such as being envious. I propose that top executives try to constructively manage envy through distancing and differentiating their firm from the envied firm in an attempt to reduce disadvantageous social comparisons. While there are many paths envious executives can pursue in response to envy, I focus on differentiation as it requires executives to overcome personal and social barriers to avoid indulging in unethical and illegal activities.

I identify the need to differentiate as the theoretical mechanism that explains why top executives may choose to act on their envious feelings with risky behaviors. This cognitive tactic is a means to distance oneself from the painful and unpleasant stimuli (Williams et al., 2014). I theorize that envy increases a need to differentiate. This allows the envious top management to adaptively cope with an ego-threatening situation, instead of maladaptively coping through moral disengagement and/or unethical behaviors (Duffy et al., 2012). This part of my model allows me to answer why envy may motivate risk-taking behaviors. Thus, I extend the current envy research by proposing differentiation as the mechanism through which envious individuals may be constructively (instead of destructively) motivated.

Second, I investigate the circumstances under which executives are most inclined to react to feelings of envy. Studying the roles of complex egocentric emotions necessitates a nuanced approach which uncovers the underlying conditions that drive emotional functions (Frijda et al., 1989). Since envy can give rise to divergent action tendencies, it resists easy categorization into a single coping mechanism or action tendency (Dineen et al., 2017; Duffy et al., 2008). Therefore, a critical step in advancing the theory on envy is to comprehend the characteristics that trigger emotional responses. The effectiveness of any emotion is contingent on how individuals perceive their social surroundings (Fischer & Manstead, 2008). An individual's self-construal, whether individualistic or communal, can significantly influence how they interpret the social context, pursue their goals in relation to others, and regulate their responses in a more constructive manner (Lee & Duffy, 2019). “Self-construal refers to how individuals define and make meaning of the self” (Onyekachi et al., 2017, p. 89). Individuals who construe themselves as fundamentally individual and separate from others hold an independent self-construal. While individuals who construe themselves as fundamentally connected to others and defined by relationships with others hold an interdependent self-construal. By identifying a personal characteristic broadly applied to cultural orientation such as Western or Eastern cultures, I add to extant literature about the differential responses to interfirm envy beyond external circumstances. Therefore, I provide theoretical refinement to ultimately help executives better manage envy.

Third, marketing strategy researchers have paid little attention to emotions resulting from upward social comparisons with competitors. In fact, there is a broader lack of study of emotions in interfirm relationships (Wierenga, 2011). Marketing research has generally taken a game theoretic approach based on the assumption of rationality to study interfirm and marketplace relationships, in which factors such as cost/benefit rations, threats, opportunities, and strategies are considered by managers (McAfee & McMillan, 1996). Emotions are often viewed to result in suboptimal decisions or destructive or damaging outcomes. Thus, there remains a gap in the scholarly literature that necessitates the study of the motivating aspect of envy on desirable firm behaviors, such as risk-taking

Last, my work contributes to the growing literature that focuses on adaptive coping mechanisms when experiencing negative emotions (Ayduk & Kross, 2008; Kross & Ayduk, 2008, 2011). Individuals who use psychological distancing strategies through cognitively creating a distance between themselves and the negative stimuli, tend to engage in constructive problem-solving strategies (Ayduk & Kross, 2010). Although there are a variety of coping mechanisms to deal with negative emotions, dealing with envy constructively allows for positive firm outcomes. I address this gap and advance the literature by introducing the underlying mechanism of differentiation as a psychological distancing strategy.

I conducted a survey-based study and two experimental studies to test my theoretical model. Study 1 presents a survey study on the relationship between interfirm envy and risk-taking through the mediating effect of the need to differentiate. To establish causality, Study 2 is an experiment studying the same mediation model. Last, Study 3 entails an experimental test of the integrative moderated-mediation model, in which self-construal is specified as the moderator of the envy-risk-taking relationship. I conclude by discussing the implications of the results for theory and research.

4.1 Theoretical Model and Hypotheses

There has been an increasing interest in the effect of envy in management literature. It has been shown that workplace envy, i.e., employees envying one another, leads to counterproductive (harming colleagues, Cohen-Charash & Mueller, 2007), social undermining (Duffy et al., 2012), uncooperative (Bamberger & Belogolovsky, 2017), and unethical or fraudulent work behaviors (Dineen et al., 2017). However, the effect of envy elicited by the outperformance or success of a similar firm has not been studied, despite that it may motivate behaviors of key decision-makers towards firm-level changes. For instance, envy leading to unethical behaviors by top management to increase their customer base may have firm level implications. Publicity of such behavior could tarnish brand image, leading to a drop in sales and stock price. Research on the affective experiences and subsequent behaviors of top management resulting from interfirm relationships is scarce. I attempt to address this gap by introducing interfirm envy as a painful emotion resulting from interfirm social comparisons.

4.1.1 Interfirm Envy and Risk-Taking

In this dissertation, I focus on the willingness to take risks, since this dependent measure has attracted the most attention from marketing and management researchers alike. Managerial risk-taking behavior can lead to value-creating or value-destroying consequences, and therefore is critical to firm performance (Chandy & Tellis, 1998; Koh, 2011; Mishina et al., 2010; Tellis et al., 2009). Shapira (1995) noted that risk-taking is fundamental to the survival and development of a firm. Firms willing to take risks tend to stay ahead through incremental or radical innovations (Chandy & Tellis, 1998; Palmer & Wiseman, 1999; Tellis et al., 2009). On the other hand, CEOs tended to pay higher acquisition price premiums when driven by a willingness to take risks (Cho et al., 2015). While innovations create value for the firm, acquisitions in general do not enhance firm value of the acquirer (Hayward & Hambrick, 1997). Paying a higher than market price may also destroy value for the firm.

In marketing, risk-taking has been operationalized as a manager's propensity to take business-related chances with regards to strategic actions in the face of uncertainty. In line with this definition, managers' decisions to spend on research and development, acquisitions and divestment, and product innovation and technology are examples of risk-taking behavior because the results of these decisions are highly uncertain and potentially risky (Li & Tang, 2017).

Multiple determinants of managerial risk-taking propensities have been identified, including firm characteristics (Desai, 2008), board characteristics (Datta, Musteen, & Herrmann, 2009), prior firm performance (Cho et al., 2015; Lim & McCann, 2014), and top management characteristics (Wright et al., 2007). Emotions also play a role, for instance, pride has been shown to influence the willingness of C-suite executives to make risky decisions during good times (Cho et al., 2016). This study builds on emerging research on top management emotions, to suggest that affective experiences of executives play an important role in determining risk-taking behavior.

To investigate the relationship between interfirm envy and managerial risk-taking behavior, I base my arguments on social psychology, economics, and strategy literatures. Research on the effect of affective states on risk-taking behavior show that individuals in a positive mood, compared to those in a negative mood, tend to become risk averse or cautious. The relationship between positive affect and risk-averseness is enhanced when the situation is self-relevant (Mittal et al., 1998, p. 302). This finding is explained through the mood-maintenance hypothesis, which states that individuals are motivated to maintain a positive emotional state. To do so, they tend to be less willing to take risks that could potentially result in a loss (negative state). However, under a negative emotional state, individuals are motivated to take risks with the aim of repairing the undesirable state through higher potential gains (Isen & Patrick, 1983).

In behavioral economics, equity and relative deprivation theories suggest that feelings of inferiority and resentment stemming from a social comparison creates “a willingness to expend effort to attenuate these feelings of inequity” (Nickerson & Zenger, 2008, p. 1434). Various consequences of relative deprivation have been studied, including lower subjective well-being, and increased risk-taking behavior (Callan et al., 2011). In studies conducted by monetarily inducing a social gap, those deprived are found to resort to risky behaviors (such as gambling and crime), as a means to improve their current financial situation in an attempt to immediately bridge the inequity between self and the superior other (Callan et al., 2008; Choe, 2008).

According to Cho et al. (2015), managers tend to take more risks under negatively than positively framed situations. According to prospect theory and behavioral theory risk-taking on the part of managers is more likely when firms are not performing well and less likely when they are performing well. When similar firms outperform, risk-taking behaviors of top management are shaped by their feeling of envy a desire to protect or boost a firm’s reputation and position in the market. In particular, interfirm envy driven by self-protection motives to reinstate social equity, contribute to the willingness of top management to take on risky projects when a comparable industry referent outperforms. Central to my proposition is the idea that the level of risk taking by top management is influenced by more than market changes or rational decision-making. It is also influenced by emotional experiences anchored in perceptions of social comparisons (Cho et al., 2015).

However, it should be noted that only the awareness of a better performing social referent does not predict risk-taking behavior. Social comparison studies have found that individuals made risk-averse choices when a familiar social referent earned more, i.e., an upward social comparison led to risk-averse choices (Linde & Sonnemans, 2012). Data collected from golf tournaments suggests that quality of play of lower social status golfers is negatively affected when playing against higher social status golfers (Ammann et al. (2016)). On the other hand, award-winning CEOs can spur competitors to making risky decisions in an attempt to perform at their level and thereby encourage innovation (Ammann et al., 2016). The lack of an underlying mechanism may be the reason for these conflicting findings. Nevertheless, it implies that social comparison does have an influence on risk-taking behaviors, and therefore looking at upward social comparison as a factor in envy may unravel these mixed results (Van de Ven p. 346).

Interfirm envy may be an emotional consequence when faced with an objective or perceived outperformance or an elevated social status of a similar firm. Since the identities of top management are anchored on the firm’s social status, they may be motivated to maintain or protect their own social status or image (Cho et al., 2015). To protect social status, individuals tend to become risk-seeking (Larrick, 1993). Moreover, in order to adaptively cope with the realization that one is not as good as a similar other, managers may use distancing techniques. Psychological distancing refers to a process in which individuals diminish the pain of a negative and direct egocentric experience by abstractly creating a distance between themselves and triggering stimuli (Ayduk & Kross, 2011). Top management may attempt to create a distance between the focal and the envied firm by investing in innovative products or services, acquiring innovative firms, or even hiring unconventional managers. Therefore, not only to protect social status, but also to cope with a negative ego-threatening experience, envious top manager's attitudes toward risks may manifest very differently when their firm is being perceived poorly relative to industry referents.

Overall, I argue that interfirm envy experienced by top management creates a strong incentive for managers to make risky strategic decisions when a firm's social position or status deteriorates. In doing so, these top executives strive to protect and bolster firm image, since their identities are interwoven with their firm's status. They try to do so by eliminating any perceived similarity between their firm and the better off firm.

H1: As the intensity of envy increases, managers may be willing to take more risks.

4.1.2. The Mediating Role of Need to Differentiate

In this essay, I focus on differentiation as a method of psychological distancing as the underlying explanation of the envy-risk-taking relationship. Similar to physical distance, being in a psychologically distant mindset reduces affective intensity of both positive and negative stimuli (Bar-Anan et al., 2007). That is, the distance from a positive heartening stimulus (e.g., festive dinner) lessens its warm and positive properties, similarly distance from a negative painful stimuli (e.g. the envied other) lessens its ego-threatening properties (Williams et al., 2014).

In a social comparison context, a person's desire to protect or reinforce their positive view of themselves can prompt them to modulate how much they view I and another person as similar (Mikulincer et al., 1998). In an upward social comparison situation, individuals may like to reinforce a positive self-view of oneself. Moreover, the strength of the motivation to alter perceived self–other similarity correlates positively and proportionally to the importance of that other (Mikulincer et al., 1998). For instance, the success of the firm reflects on the status of top management. Thus, an inferior position of their firm, not only speaks of their abilities, but also affects their core self-perceptions. In situations where individuals choose to decrease cognitive distance, they tend to enhance self-other similarity to facilitate assimilation, such as when one experiences admiration. To increase cognitive distance, individuals emphasize self-other dissimilarity to facilitate differentiation (Mikulincer et al., 1998), such as when envy is felt.

According to Van de Ven (2011), malicious envy can produce a willingness to pay more for a product of a different brand from the envied other (distancing strategy). The authors speculate, without empirically testing, that this behavior was driven by the need to differentiate from the envied other. Indeed, studies have shown that an activation of a need to differentiate influences nonemulating and unconventional choices (Maimaran & Simonson, 2011; Simonson & Nowlis, 2000). Unconventional choices are inherently risky, but they also demonstrate independence and generate positive self-evaluation (Simonson & Nowlis, 2000). Following an ego-threatening episode, a perception of distinctiveness from the threat (envied other) through one's unconventional choices alleviates the unpleasantness.

Thus, I propose that to weaken the intensity of envy experienced, managers may be motivated to distance themselves from the envied other through differentiation strategies. This, in turn, may influence their risk-taking behavior. To create a perception of distinction from their competitors, envious managers may engage in untested business ventures or invest more in R&D towards innovative products or encourage risky investments.

H2: The need to differentiate mediates the relationship between interfirm envy and risk-taking.

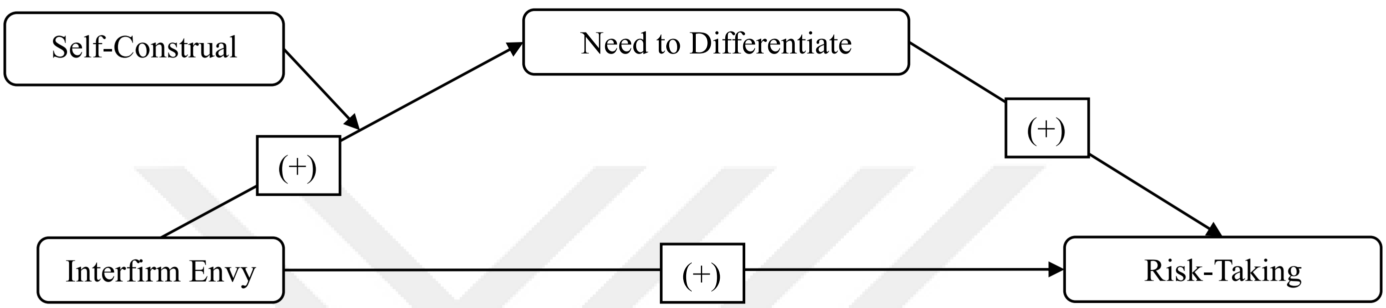


Figure 4.1: Interfirm Envy/Risk-Taking Model.

4.1.3 The Moderating Role of Self-Construal

Although the experience of many emotions appears to be robust, subsequent decisions and behavior systematically vary based on one's independent or interdependent construal of the self. Self-construal conceptualizes how people define their self and make meaning around it. According to Markus and Kitayama (1991), there are two kinds of self-construals. The first, independent, positions the self as distinct and separate from other selves and self-esteem is based on demonstrating uniqueness and maturity, including via consistency across situations and through assertive communication styles. Interpersonal relationships with significant others that provide personal support, such as family and close friends, are important. However, social comparision with those outside their small inner circle can serve as a basis for confirmation of uniqueness, social status, and positive internal traits.

The second, interdependent self-construal, connects and defines the self via relationships with others (Markus and Kitayama (1991). An important basis of their self-esteem is demonstrating an ability to fit into the group or community. Interdependents are generally concerned with how they benefit the group. Hence, maturity can be seen as arising from a person's ability to alter their behavior to meet the needs of different situations and to regulate their emotions to promote group harmony. Moreover, social comparison is a source of confirmation of conformity to social norms (Markus & Kitayama, 1991).

Independent and interdependent self-construing individuals also differ in experiencing and expressing emotions. First, since independent and interdependent individuals interpret situations differently, the same situation may elicit different emotions. Second, the intensity of emotional experience and subsequent expression may vary systematically, especially those emotions that implicate the self (Keltner & Haidt, 1999; Markus & Kitayama, 1991). Emotions have been divided based on their primary referent of focus: ego-focused and other-focused emotions. Ego-focused emotions, such as anger and pride, foster and create independence and focus on the individual's internal attributes (goals, needs, desires, or abilities of the self). For instance, pride may result from the confirmation (e.g., "I did better than others") of one's internal attributes. While other-focused emotions, such as empathy and shame, foster unity, harmony, and focus on the alignment of one's actions with others (see Aaker & Williams, 1998, for a detailed review).

The experience of envy entails an inherent shifting back and forth between the self and other to compare advantage (others') and disadvantage (own) (Smith, 2000). Independent individuals may attend more to the feeling of inferiority relative to another because they may view these feelings as diagnostic of the independent self. Recognition of a misalignment of one's real and ideal self, while not attending to disparity may be often viewed as being inauthentic. To reassert their superiority, independents may be motivated by envy towards behaviors that could enhance their social standing; whereas, for interdependents, interpersonal context gain importance over inner attributes like feelings of inferiority that are evoked by envy. Interpersonal relationships may be seen as a source of envy, they may not be seen as vehicles to regulate behavior. Envy may be controlled or deemphasized in order to allow interdependent individuals to effectively function within the community. Thus, the envy-behavior relationship may be enhanced when managers hold an independent versus interdependent self-construal.

The social functions of emotion can be broadly divided into affiliation and social distancing goals, which operate at interpersonal and group levels. Emotions such as love and empathy fulfill an affiliation goal by helping the individual establish or maintain cooperative and harmonious relations with others. Emotions such as anger and hostility fulfill social distancing goals that help individuals to differentiate the self from and to compete with others for social status or power (Fischer & Manstead, 2008). The affiliative and social distancing functions may be contingent on an individual's self-construal. Emotions, such as envy, elicited in a social comparison context may more likely lead to social distancing behaviors when an individual holds an independent self-construal. Since interdependent individuals work towards harmonious social relationships, they may be less likely to socially distance when experiencing envy.

As discussed earlier, individuals cope with envy by differentiating from the envied other. Differentiation is one way to create distance between oneself and the envied other to enhance one's own social standing. Therefore, I hypothesize that envious managers with an independent self-construal may be more likely to express envy by differentiating themselves and their firm from the envied firm. The envy-behavior relationship may not hold for envious managers with an interdependent self-construal.

H3: As the need to differentiate increases, independent managers may be more willing to take more risks than interdependent managers.

I tested my hypotheses with one survey-based and two experimental studies. Study 1 was a survey-based study of top executives at firms in primarily three different countries, India, Turkey, and Portugal. Studies 2 and 3 were experimental studies on upper and middle management. Across the three studies, I explored whether interfirm envy predicted risk-taking behavior, through the mediating mechanism of the need to differentiate. I also explored the moderating role of self-construal.

4.2 ***Study 1***

4.2.1 Sample and Procedures

Participants were recruited through various channels, and personal and university contacts who were willing to share firm-level and personal perceptions, after assuring confidentiality. This technique produced 129 survey responses, out of which only 116 responses were usable. The sample was diverse and included top executives from startups and established firms in industries ranging from healthcare to arts and entertainment. Firms were primarily based in Portugal, Turkey, and India. Firm age varied greatly, and all respondents were either leaders of a region or business area, or executive/C-suite members, or founders of the firm. Respondents were mostly male (35% female), 63% held an undergraduate degree or higher, the average age was 42, and the average tenure as a top executive at their current firm was 6 years.

After the consent form was signed, participants read: “Firms frequently benchmark and set strategic goals relative to the performance of their peers and/or industry competitors”. Then, they were given a moment to think of one firm that their firm compared with. After assuring confidentiality, they were asked to write the name of the comparable firm or a fictitious name that would remind them of that firm throughout the survey.

4.2.2 Measures

Envy: Envy was assessed using three items adapted from Smith et al. (1999) and van de Ven and Zeelenberg (2015). The items were “I feel envious of ‘*other firm name*’”, “Frankly, the success of ‘*other firm name*’ makes me resent them”, and “I feel frustrated that ‘*other firm name*’ is better off than my firm” 1 = strongly disagree; 5 = strongly agree (see Appendix B for the full list of items). The items were averaged and the Cronbach’s alpha was .72.

Differentiation: Three items were used to measure their willingness to implement strategies that would differentiate them from their competitors (e.g. I would make decisions to ensure that my firm’s products/services are different from the other firm). These items were averaged too (Cronbach’s $\alpha = .84$).

Risk-taking: A 5-item scale measured their tendency to invest in risky decisions and ventures (Morgan & Strong, 2003; Venkatraman, 1989). Sample items are “I would engage in untested business ventures” and “I believe it is often necessary to take calculated risks”.

The items had five Likert-type response options, 1 = *strongly disagree*; 5 = *strongly agree* (α = .73).

Control variables: Drawing from relevant literature, I controlled for several contextual variables. A one-item scale measured perceived similarity with the comparable firm (e.g. “How similar is your firm to ‘*other firm name*’”). While competitive feelings and envy occur independently, they are positively correlated (Ben-Ze’ev, 1990). I control for it by measuring perceived competition with other firms. Participants were asked the intensity of their competitive relationship with other firms (1 = *not at all competitive*; 5 = *extremely competitive*). Other negative emotions such as hostility and irritability may be related to a social comparison situation and envy (Cohen-Charash & Mueller, 2007). Therefore, it was controlled for by using the negative markers from the Positive and Negative Affect Schedule (α = .89) (PANAS; Watson et al., 1988).

4.2.3 Results

The descriptive statistics, correlations, and reliabilities among the study variables are shown in Table 4.1. To address potential common method bias concerns because all variables were self-reported by the same participants, I employed two procedural safeguards. First, to rule out the possibility of respondents guessing the relationships under investigation, all measures and items were presented in randomized order. Moreover, a few measures of demographic variables were inserted between the dependent and independent variables. In addition, I minimized survey length and scale complexity by rewording questions (Podsakoff et al., 2003; Podsakoff et al., 2012). Regarding statistical (ex post) remedies, I applied Harman’s single factor test. The unrotated solution revealed a multifactor structure with no single dimension accounting for more than 13% of variance. I also examined the variance inflation factors (VIFs) to account for potential multicollinearity. The highest VIF value was 1.50, which is below the recommended cutoff point of 4 (Hair et al., 2010).

Table 4.1: Descriptive Statistics and Correlations.

	Variables	Mean	*SD*	1	2	3	4	5
1	Interfirm Similarity	3.46	0.94	-				
2	Competitive Intensity	3.29	1.24	0.12	-			
3	Negative Affectivity	2.20	0.99	0.05	-0.06	0.89		
4	Interfirm Envy	3.20	0.94	-0.01	0.15	0.26**	0.72	
5	Risk-Taking	3.61	0.67	0.14	0.25**	0.01	0.26**	0.73

Note. *N* = 115, ** *p* < .01; * *p* < .05. Diagonal elements represent scale reliabilities (Cronbach's alpha)

Table 4.2 presents a summary of the linear regression results. As is seen, envy was positively related to risk-taking (b = .17, S.E. = .07, *p* = .01). Hence, confirming Hypothesis 1.

Table 4.2: Survey Data: Effect of Interfirm Envy on Risk-Taking.

Regression Model	**Model 1**		**Model 2**	
	B	**SE**	**B**	**SE**
(Intercept)	2.88	0.30	2.48	0.34
Interfirm similarity	0.08	0.07	0.09	0.07
Competitive intensity	0.13*	0.05	0.11*	0.05
Negative affectivity	0.01	0.06	-0.04	0.06
Interfirm envy			0.17	0.07**
R^2	0.08		0.13	

Note. N = 115; ** *p* < .01; * *p* < .05

To examine whether differentiation drove the effect of interfirm envy on risk-taking (Hypothesis 2), I conducted a mediation analyses (Model 4; Preacher & Hayes, 2008).

Bootstrap analyses using 10,000 bootstrap re-samples revealed that the indirect effect of envy on risk-taking through differentiation was significant (point estimate = .05; 95% bias-corrected confidence interval of .01 to .10), hence supporting Hypothesis 2. The total effect of envy on risk-taking was significant (b = .17, S.E. = .07, p = .01, 95% [CI = .04 to .30]). And, the direct effect of envy on risk-taking was significant (b = .13, S.E. = .07, $p > .05$, 95% [CI = -.01 to .26]) when controlling for differentiation.

4.2.4 Discussion

The findings support my theory of the relationship between envy and risk taking, thereby makes two novel theoretical contributions. First, the results elucidate a mechanism, a need to differentiate, through which interfirm envy relates to risk-taking behavior. Second, these results diverge from current thinking by showing that envy influences risk-taking over and beyond feelings of competitiveness.

While Study 1 shows a mediation of differentiation, causal inferences cannot be made. As a step towards establishing causality and the generalizability of my model, I conduct two more experiments to test my hypotheses.

4.3 Study 2

Study 2 experimentally tests the main effect of envy on risk-taking, through the mediation of need to differentiate.

4.3.1 Method

Participants. 241 participants were recruited from Prolific (Academic) for a fee. Participants (M_{age} = 41.85; 46.1% female) in middle management positions were invited to partake in a study on managerial decision-making. 49% of the participants held middle management positions at their current firm for more than 5 years, 30% for 2 to 5 years, and the rest for less than 2 years.

Design and Procedure. The participants were randomly assigned to an envy or no envy condition. Researchers unanimously agree that an awareness of an upward social comparison and a desire for certain successes for the self (envied possession) elicits envy (Lange et al., 2018). Further, the more similar the individual feels towards the successful other, the more intense the feeling of envy becomes (Schaubroeck & Lam, 2004). Thus, envy was manipulated through an upward comparison scenario, altering perceptions of similarity with the other firm, and desirability of the envied possession. Similarity with the other firm was based on firm size, age, and industry. Desirability of the envied possession was based on success within the same or different industry.

The experiment began with asking participants to imagine themselves as the CMO of Firm ABC. Then, they were exposed to an envy or no envy condition. Participants in the envy condition read about how similar their firm was to other firms, same size, age, and operating in the same industry. Then, they were told that the other firms were winners of a prestigious award coveted by marketing professionals *within their* industry. Participants in the no envy condition read about other firms but of a different size, age, and operating in a different industry. Then, they read that the other firms won a prestigious and desirable award that was coveted by marketing professionals *in the other firm's* industry. After reading the scenario, the participants filled out the dependent measures questionnaire.

Measures. After the manipulation, participants were given a choice of three projects to invest in. All three projects would improve the features or attributes of a current product with a difference in the magnitude of riskiness: Project X (£300,000 profit) or

Project Y (£600,000 profit with 80% chance, £200,000 loss with 20% chance) or Project Z (£1,000,000 profit with 20% chance, £100,000 loss with 80% chance). Then, they responded to five items on a seven-point scale to indicate their tendency to invest in risky projects and ventures (Morgan & Strong, 2003; Venkatraman, 1989;). The risk-taking variables were averaged (Cronbach's α = .77). Three items were used to measure their willingness to implement strategies that would differentiate them from their competitors (e.g. I would make decisions to ensure that my firm's products/services are different from the other firm). These items were averaged too (Cronbach's α = .91). Manipulation check questions for envy (Smith et al., 1999), similarity to the other firm, and desirability of the award were answered. Because an upward social comparison can lead to admiration, it was controlled for by a one item measure (Van de Ven et al., 2011). Perceived deservingness of the successful firm's success was controlled for by a one item measure (Van de Ven et al., 2012). Research is conflicted on the role of perceived deservingness of the other's success on envy. Some researchers have found that individuals experience envy regardless of whether they feel that the success of the envied other is deserved (Ben-Ze'ev, 1992; Feather & Sherman, 2002). Others have found that perceived deservingness to be one of the sources of envy (Cohen-Charash & Mueller, 2007). Other studies have shown that perceived unfairness might augment feelings of envy (Smith et al., 1994). Last, gender was indicated.

4.3.2 Results

Envy was manipulated through a scenario that indicated (dis)similarity with a peer, an upward comparison (social referents being recognized for superior performance), and a (un)desirable outcome that belonged to a peer. The manipulation of envy was successful, participants in the envy condition experienced a higher level of envy (M = 4.82) than those in the no envy condition (M = 3.70; $t(222) = 12.11$, $p = .001$). Additionally, admiration and perceived deservingness did not significantly differ between the two conditions ($p > .10$).

Hypothesis 1 predicts that envy will increase a willingness to take risks. A one-way ANOVA was conducted to test the main effect of envy on risk-taking. A significant difference of envy on risk-taking was observed. Participants in the envy condition were more willing to take risks (M = 4.37) than those in the no envy condition (M = 3.98, $F(1, 224) = 9.79$, $p = .002$). Additionally, when asked which project they would be willing to invest in, participants in the envy condition were more likely to choose to invest in the riskier project than those in the no envy condition ($\chi^2(1, N = 226)$, $p = .014$).

To examine whether differentiation drove the effect of interfirm envy on risk-taking, I conducted a mediation analysis (Preacher & Hayes, 2008). Bootstrap analyses using 10,000 bootstrap resamples revealed that the indirect effect of envy on risk-taking through differentiation was significant (point estimate = .17; 95% bias-corrected confidence interval of .06, .28), hence supporting Hypothesis 2. The total effect of envy on risk-taking was significant ($\beta = .38$, $t(222) = 3.07$, $p = .002$, 95% [CI = .14 to .62]). And, the direct effect of envy on risk-taking was not significant ($\beta = .21$, $t(222) = .1.85$, $p > .05$, 95% [CI = -.01 to .43]) when controlling for differentiation, thus suggesting full mediation.

4.3.3 Discussion

The results of Study 2 demonstrated that experimentally activating envy through a real-life situation increased the willingness to invest in risky projects. When envy was elicited, participants chose to invest in a riskier project (Project Y) with a higher profit but with a probability to lose, rather than a safe project with a lesser but sure profit. But, participants in the no envy condition chose the safe project, although the riskier project had a higher expected value. Moreover, the envy-risk-taking relationship was mediated by the need to differentiate. Participants in the high envy condition showed a higher willingness implement strategies to differentiate and to make their firm distinct from the other firm, which then led to a higher propensity towards managerial risk-taking behaviors. These results lend support for the hypothesis that the experience of envy increases a willingness to take risks through a differentiation motive. The results of the current research are the first to demonstrate that differentiating from the envied other is one coping mechanism that envious individuals use in order to deal with a potential ego-threat.

Although Study 2 found initial support for the hypothesis that interfirm envy may facilitate risk-taking behaviors, does this relationship hold for individuals with different self-construals? This question is particularly important because the logic from which my hypothesis was derived implies that behavioral response to envy as a coping mechanism. Individuals with an interdependent self-construal may indulge in risk-taking behaviors for a variety of other reasons, but envy may not be one of them. Envy is an ego-focused emotion, independents are more sensitive to ego-threatening situations than interdependents, since their self-worth lies in the success of their group, not themselves. Thus, while envy motivates some individuals to respond, it may not be a motivating factor for others. Study 3 was developed to test this hypothesis and also to explore whether if differentiation explains risk-taking behavior.

4.4 Study 3

Study 3 experimentally tests the moderation effect of self-construal on envy and risk-taking through the mediation of need to differentiate.

4.4.1 Method

Participants. 242 upper management participants were recruited through Prolific (Academic) for a fee. Participants (M_{age} = 42.00; 71% female) in upper management positions were invited to partake in a study on managerial decision-making. 33% of the participants held upper management positions at their current firm for more than 5 years, 20% for 2 to 5 years, and the rest for less than 2 years.

Design and Procedure. This study employed a 2 (envy: present vs. absent) X 2 (self-construal: independent vs. interdependent) between-subjects design.

The experiment began by priming self-construal using Brewer and Gardner's (1996) word search method. Participants read a paragraph describing a trip to the city, and were asked to select all the pronouns. Based on the condition (independent vs. interdependent), the paragraph differed only with respect to the pronouns, independents (I, mine) and interdependents (we, ours). Then, the participants read the same envy scenario and completed the same questionnaire as in Study 2.

Measures. The same scale measured risk-taking and differentiation as in Study 2. The risk-taking variables were averaged (Cronbach's α = .79). Differentiation items were averaged too (Cronbach's α = .88). Manipulation check questions for envy (Smith et al., 1999), similarity to the other firm, and desirability of the award were answered. As in study 2, the same control variables were measured.

4.4.2 Results

Manipulation checks: The manipulation of envy was successful, participants in the envy condition experienced a higher level of envy (*M* = 4.21) than those in the no envy condition (M = 3.65; $F(1, 241) = 14.14$, $p < .001$). Additionally, admiration and deservingness did not significantly differ between the two conditions ($p > .10$).

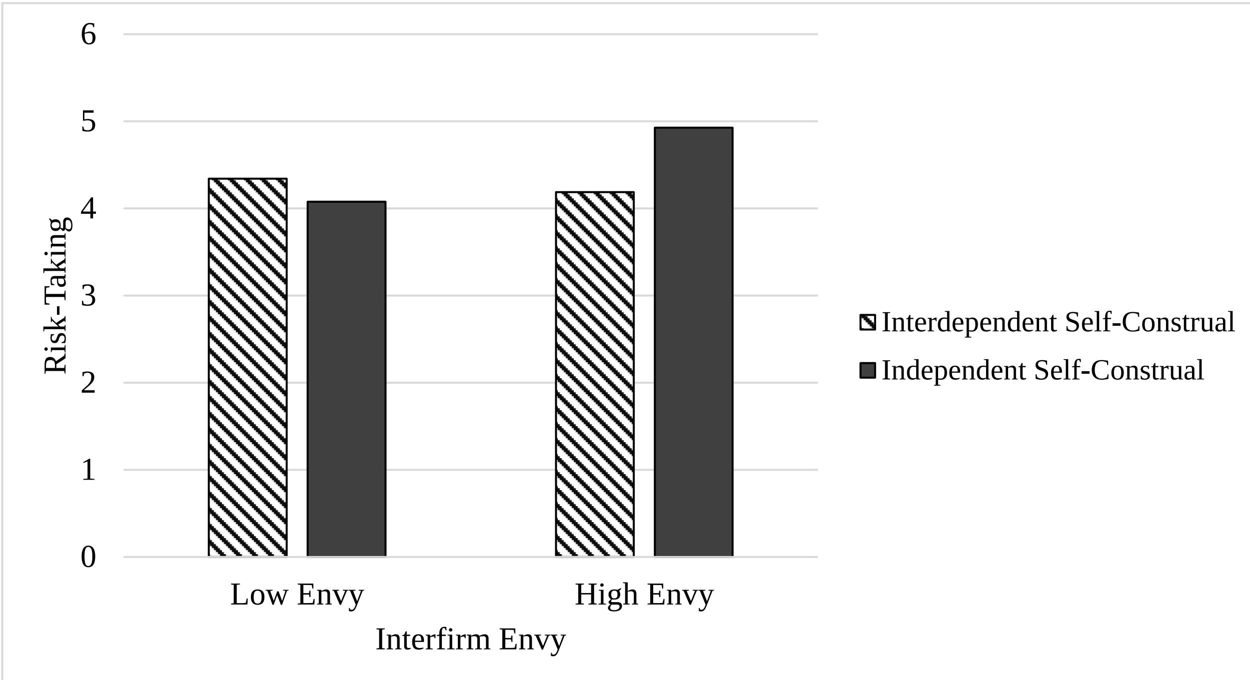


Figure 4.2: Interaction of Interfirm Envy and Self-Construal on Risk-Taking.

Hypothesis 3 predicts that an envious manager with an independent self-construal may be more likely to invest in risky projects, with an aim to differentiate from the envied firm. A two-way ANOVA was conducted to test the interaction of envy and self-construal on risk-taking. The main effect of envy on risk-taking was significant (M_{envy} = 4.56, SD = 1.04; M_{noenvy} = 4.21, SD = 1.06; $F(1, 238) = 7.11$, $p < .01$). However, the main effect of self-construal was not significant ($p = .07$). But, the hypothesized interaction of envy and self-construal was significant ($F(1, 238) = 14.82$, $p < .001$). Contrast analyses on this interaction showed that in the independent construal condition, participants in the high envy condition were more willing to take risks (M = 4.93, SD = .94), than those in the no envy condition (M = 4.08, SD = .99; $t(238) = 4.63$, $p < .001$). No differences were observed between the envy groups in the interdependent condition.

My main prediction is that the mediating role of differentiation in the relationship between envy and risk-taking will be stronger for independents than interdependents. The moderated mediation was tested using a bias-corrected bootstrapping procedure (10,000 samples, Preacher & Hayes, 2008, Model 7). The indirect effect of envy on risk-taking through differentiation was not significant when participants were primed with an interdependent self-construal (point estimate = .07; 95% bias-corrected confidence interval of -.04, .21). But as predicted, the indirect effect for the envy-risk-taking relationship via differentiation was significant when primed with an independent self-construal (point estimate = .25; 95% bias-corrected confidence interval of .10, .43). The index of moderated mediation, the difference between the conditional indirect effects, was significant (estimate = .17, SE = .09, 95% CI: .01, .37), suggesting that the indirect effect of envy on risk-taking via differentiation varies significantly depending on self-construal. Thus, Hypothesis 3 was supported.

4.4.3 Discussion

The results of Study 3 provide additional support for the hypothesis that envy affects one's willingness to take risks. Furthermore, participants primed with an independent self-construal were motivated to take risks when they experienced envy. This effect was not observed for participants primed with an interdependent self-construal. Taken together with the results from Study 1 and 2, these findings indicate that the experience of interfirm envy influences managerial risk-taking behavior and that these findings are driven through a need to differentiate from the envied other. This effect is specifically observed when individuals consider their personal successes as diagnostic of their self-worth, such as those with an independent self-construal.

I developed and tested a theoretical model that investigates the effect of interfirm envy on risk-taking. I found that interfirm envy leads to a need to differentiate, which then facilitates a willingness to take risks. Furthermore, managers tend to respond differently to envy based their self-construal, independent and interdependent. To strengthen the validity and generalizability of my findings, I use a multi-method design, survey and experiments. The survey-based study provides evidence from upper management, C-suite, founders, and leaders of business units and regions, of the experience of interfirm envy when exposed to a comparable firm. The experimental study provides evidence of causal mechanisms, which cannot be inferred through surveys or secondary data as is the case with current strategy research. My work demonstrates that interfirm envy leads to risk-taking behavior, and this association is further enhanced when managers hold an independent self-construal. In the next chapter, I describe the implications of these findings for theory and practice.

CHAPTER 5
GENERAL DISCUSSION

In this dissertation, I proposed a definition of interfirm envy as a situational form of envy originating from inter-organizational relationships. In the first essay, I draw on theories on social comparison and social identity, I theorize interfirm envy as a function of an upward social comparison and a strong organizational identity. I demonstrated that when decision-makers of firms strongly identify with their firms, they tend to envy better performing comparable firms. I also proposed and tested the moderating effect of two environmental variables, market dynamism and firm culture. Results suggest that dynamic markets exacerbate the experience of interfirm envy. A market-oriented firm culture did not impact the experience of interfirm envy.

In the second essay, I propose that interfirm envy as a social, upward comparison emotion encourages envious decision-makers to engage in risk-taking behaviors. To better understand why interfirm envy motivates decision-makers, I draw from research on coping strategies (Ayduk & Kross, 2008). I further propose that self-construal as a personal characteristic moderates the relationship between interfirm envy and risk-taking. Results suggest that envious decision-makers who hold an independent self-construal tend to cope by engaging in risky behaviors that differentiate themselves from the envied. On the other hand, the relationship between interfirm envy and risk-taking was not significant for decision-makers who hold an interdependent self-construal.

5.1 Contributions to Theory

The primary contribution of my work is to the marketing strategy literature. Traditionally, marketing literature has seen behavioral researchers focus their attention to explain how consumers behave in various situations. They detail underlying mechanisms and boundary conditions of observed behavior (Wierenga, 2011). Key decision-makers of firms such as CMOs are humans with tendencies to allow emotions to inform their behaviors. My research has attempted to take the first step to address this gap by studying envy, a potentially common emotion in a marketplace rife with upward social comparisons. In doing so, this essay also contributes by introducing a theoretical model that provides an explanation of the relationship between envy and risk-taking. My model differs from previous theories of envy in that I suggest that the process leading from envy to risk-taking is partly through a distancing coping strategy that leads to adaptive behaviors, rather than maladaptive ones such as unethical actions. To my knowledge, previous theories have not empirically tested differentiation strategies as an intervening mechanism in the envy-behavioral response relationship. Moreover, I contribute to the literature by proposing that individuals with an interdependent self-construal diminish the experience of envy, i.e., envy does not influence their behavior. This is consistent with previous findings that show when employees strongly identify with their group members, they were less likely to indulge in social undermining behaviors as a response to envy (Duffy et al., 2012). The explanation of how envy leads to risk-taking behavior through a key mediating construct—differentiation—can be either reinforced or weakened by individual factors, such as self-construal.

Although previous envy research has suggested coping by differentiating from the envied other as an underlying mechanism that potentially drives envious behavior, the mechanism was not elaborated upon or empirically tested (Van de Ven et al., 2011). Social differentiation allows managers to stop comparing themselves to a similar firm in the domain in which they are outperformed (for instance, a relatively low market share) and look for another domain in which they can outperform the similar firm (for instance, innovativeness of products or marketing strategies). While previous research has shown that envious individuals distance themselves from the envied other by devaluing the envied other (Duffy et al., 2012), my research shows that envious managers differentiate themselves by investing in risky but innovative options.

This research also contributes to the coping literature. Coping with negative emotions, particularly those that are diagnostic of the self, is intrinsically aversive. Envious individuals tend to disproportionately attend to information about envied others. Moreover, they are able to correctly recall information regarding the envied (Hill et al., 2011). Focusing on the envied other enhances a negative emotional state, which in turn leads to anger and aggression (Rusting & Nolen-Hoeksema, 1998; Bushman, 2002). I build on current research that shows that distancing strategies, but not avoidance, allow envious managers to adaptively cope with envy. Managers do not actively avoid the envied other, since the goal of investing in risky ventures by differentiating is to gain superiority over the envied other. Moreover, current coping research has found that construing a negative state differently (compared to recounting) motivates individuals to adaptively cope, without avoiding dealing with the discomforting situation (Ayduk & Kross, 2008; Kross et al., 2005; Trope & Liberman, 2003). Although my studies do not provide evidence of managers understanding of the social comparison situation, the differential responses of individuals with different self-construals point us in that direction. That is, interdependents focus on group harmony than egocentric achievements as a potential explanation of the nonsignificant finding between envy and managerial risk-taking.

Last, I contribute by expanding the understanding of how individuals differ in their emotional reactions based on the construal of themselves. Other studies (e.g., Aaker &

Williams, 1998; Markus & Kitayama, 1991) have documented the relationship between emotions and self-construal. My findings add to the literature by demonstrating that individuals with an independent self-construal, whose self-definition is based on their personal achievements, tend to respond more to envy than individuals with an interdependent self-construal, whose self-definition is based on group achievements. While envy is an ego-focused emotion, it also has a dual focus (Smith, 2000), where the individual is aware of the self's disadvantage and the other's advantage simultaneously. The dual focus of envy also explains the why envy does not inform behaviors of individuals with an interdependent construal relative to independents. Interdependents tend to construe social situations differently from independents by emphasizing harmonious group relationships. Thus, envious interdependents may focus less on the inferiority of the self, but may focus more on the advantage of the others.

5.2 Implications for Practice

The results of this study also have several practical implications for managers. Managers commonly believe that emotions lead to irrational and sub-optimal decisions. However, emotions, particularly envy can influence actions that are beneficial to the firm, such as willingness to take risks that lead to an investment in innovative products or strategies.

Comparing the firm against others is a necessary evil for top executives. Comparison helps executives recognize and address gaps in the market, understand the movement of the market (Debruyne & Reibstein, 2005), and evaluate their performance relative to the industry (Kim & Tsai, 2012). A social comparison leading to envy can help executives to improve their performance by incentivizing them to reach beyond their previous range of risk and effort (Van de Ven et al., 2011). CEOs can be driven by envy regarding the how they see and position their company. For instance, the envy experienced by Steve Jobs towards Microsoft. And, Bill Gates envy towards Jobs after the resounding success of iPod and iTunes. However, when executives are not able to effectively manage their emotions, serious consequences can arise. For instance, CEO envy is often detectable in unethical actions as seen in the earlier example of British Airways. Being able to deal with an ego-threatening emotion requires a balance between comparison with better off firms and the motivation to achieve.

Envy can have a strong influence on firm decisions and outcomes when firms that allow too much discretion to a top executive driven by social comparison. Specifically, it may cause envious managers to take undue risks without a systematic analysis of the environment. Appointing committees, boards, separating boards from top management positions in order to monitor the amount of discretion made available to top executives would protect the firm from envy-driven decisions.

5.3 Limitations and Future Research

Several limitations of the current work may stimulate further research. First, I only measured the willingness of participants to invest in risky ventures and innovative projects, this intention was not followed with an actual behavioral measure. So, although managers were willing to take risks, it remains unclear whether these effects will be equally strong when real funding is involved. Second, while experimental designs help make causal inferences, marketing decisions are heavily dependent on a host of marketing phenomena which could not be part of the model. Future research can address other factors that can potentially moderate managerial behavior. Third, are risk-taking behaviors motivated by envy suboptimal or indeed beneficial to firm performance? Since the current studies did not investigate beyond intention, but also was not longitudinal in nature, this is definitely an avenue for future work.

5.4 Conclusion

The last two decades in envy research have mostly focused on the negative and positive behavioral consequences of envy in psychology and management domains. The rise in scholarly attention created the need not only to understand envy's consequences in different contexts, but also to identify underlying mechanisms that drives envious behavior. My results could contribute to this field through the integration of cognitive-based coping mechanisms and self-construal theories. Through this, the empirically tested model in this study demonstrates that differentiation strategies mediate the envy–risk-taking relationship and outlines individual factors that maintain the mediating relationship. Therefore, this study could improve the understanding of egocentric negative emotions, risk-taking antecedents, and the relationship of these important constructs are related.

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APPENDIX A

Measures

Construct and Scale Items

Upward Social Comparison

- I often compare my firm with other firms with respect to what my firm has accomplished.
- If I want to find out how well my firm has done something, I compare what my firm has done with how other firms have done.
- If my firm wants to learn more about a new technology or strategy, I try to find out what other firms think about it.
- I always pay a lot of attention to how my firm does things compared with how other firms do things.
- I always like to know what other firms in a similar situation would do.
- I often try to find out what other firms do when they face similar problems as my firm.
- I often compare how my firm is doing socially (e.g., status, popularity, image) with other firms.

Organizational Identification

- When someone criticizes my firm, it feels like a personal insult.
- When I talk about my firm, I usually say ‘we’ rather than ‘they’.
- I am very interested in what others think about my firm.
- My firm’s successes are my successes.
- When someone praises my firm, it feels like a personal compliment.
- If a story in the media criticizes my firm, I would feel embarrassed.

Interfirm Envy

- Most of the other firms have it better than my firm.
- I feel that the industry/market values other firms more than my firm.
- I feel that my firm will never have a position as good as some other firms.
- I don’t know why, but my firm seems to be the underdog.
- It is somewhat annoying to see other firms have all the luck in performance and/or status.

Market Dynamism

- In our kind of business, customers' product preferences change quite a bit over time.
- Our customers tend to look for new products all the time.

- We are witnessing demand for our products and services from customers who never bought them before.
- New customers tend to have product-related needs that are different from those of our existing customers.
- We cater to many of the same customers that we used to in the past.

Market Firm Culture

- My firm is a very dynamic place. People are always willing to stick their necks out and try new things.
- The leadership of my firm exemplifies product development, innovation, and risk-taking.
- My firm emphasizes developing new products, features, and services. Trying new things and prospecting for opportunities are valued.

Admiration

- I admire other firms.

Perceived Relative Firm Performance

- Relative to other comparable firms, how is your firm (division) performing on:
    - Costs
    - Sales
    - Profitability
    - Market Share

Perceived Interfirm Similarity

- In your opinion, how similar or different do you think your firm is with other comparable firms?
    - New product strategies
    - Innovativeness
    - New product development processes
    - Marketing strategies

Perceived Unfairness of Other Firm's Success

- An objective judge who knows the facts would agree that other firms do not deserve to succeed.
- Anyone would agree that the advantage of other firms are unfairly obtained
- Other firms achieved the advantage over my firm through undeniably unjust actions or procedures.

Perceived Competitive Intensity of the Market

- Competition in our industry is cut-throat.

- There are many "promotion wars" in our industry.
- Anything that one competitor can offer, others can match readily.
- Price competition is a hallmark of our industry.
- One hears of a new competitive move almost every day.
- Our competitors are relatively weak.

Dispositional Envy

- I feel envy every day.
- The bitter truth is that I generally feel inferior to others.
- Feelings of envy constantly torment me.
- It is so frustrating to see some people succeed so easily.

APPENDIX B

Measures

Construct and Scale Items

Interfirm Envy

- I feel envious of '*other firm name*'.
- Frankly, the success of '*other firm name*' makes me resent them.
- I feel frustrated that '*other firm name*' is better off than my firm.

Differentiation

- I would make decisions to ensure that my firm's products/services are different from '*other firm name*'.
- It is important that my firm is distinctive from '*other firm name*'.
- I would intentionally do things to make my firm different from '*other firm name*'.

Risk-Taking

- Relative to other firms, I tend to favor higher-risk, higher-return investments.
- I would engage in untested business ventures.
- I believe it is often necessary to take calculated risks.
- While making major market-related decisions, I would not shy away from taking risks.
- I would support promising projects, even if the expected market success is uncertain.

Interfirm Similarity

- How similar is your firm to '*other firm name*'?

Competitive Intensity

- How competitive is your relationship with '*other firm name*'?

Negative Affectivity

Please indicate to what extent you feel this way now

- Distressed
- Upset
- Scared
- Hostile
- Irritable
- Nervous