How Entrepreneurs Regulate Stakeholders’ Emotions to Build New Organizations

Abstract

This study explores how entrepreneurs regulate the emotions of their ventures’ stakeholders, and how such emotion regulation affects the founders’ ability to create new organizations. We find that some organization founders are much more versatile than others in regulating emotions. They perform two forms of emotion regulation actions involving other stakeholders, which we call episodic and institutionalizing. Our data indicate that such versatile emotion regulation facilitates the organization building process in that it helps founders mobilize resources, and thereby enhances the nascent organization’s resilience to deal with survival and growth challenges.

KEYWORDS: Entrepreneurship, emotion regulation, resource mobilization.
INTRODUCTION

Building new organizations is difficult, and fraught with uncertainty and risk (Knight, 1921; Schumpeter, 1936). Few new organizations manage to grow and thrive after their birth (Aldrich, 1999). Entrepreneurs face many challenges, often unexpectedly, such as developing new products fast enough to compete successfully against other firms (Schoonhoven, Eisenhardt & Lyman, 1990), raising sufficient financial capital from external investors (Amit, Brander & Zott, 1998), or convincing customers of the merits of their product and service innovations (Hargadon & Douglas, 2001). Since building new organizations is a social process, however, these challenges are not only important for the founders themselves. They can also bear major consequences for other stakeholders such as employees, customers, investors, and board members who assume the risk of supporting an unproven venture early in its founding stage, and whose economic, social, and emotional welfare may be at stake (Schoonhoven & Romanelli, 2001).

Building a new organization can thus be highly emotionally arousing for all those who are involved. An agency perspective on entrepreneurship suggests that entrepreneurs may not only be passive recipients of emotions, but their young organization’s development could, at least in part, depend on how they pro-actively deal with these emotions, in particular those of other stakeholders. Starr and MacMillan (1990), for example, posit that emotions such as friendship and liking are critical enablers of resource co-optation from external sources. However, despite the intuitive importance of dealing effectively with stakeholders’ emotions in the early days of a new organization, we know very little to what extent this is actually done by founders, how it is done, and what effects it has on the development of new organizations. Therefore, in this study we address the following
research questions: What actions do entrepreneurs take in order to regulate other stakeholders’ emotional states, and how does this affect the organization-building process?

Emotion regulation refers to actions to maintain or modify self or others’ subjective emotional experiences (Bagozzi, 2003; Gross & John, 2003; Côté, 2005). Emotion regulation can involve modifying the intensity of current emotional experiences (increase or reduce the intensity of fear), eliciting new emotions or changing the nature of the emotion itself (turn fear into joy), and changing the target of the emotion (redirecting fear of layoffs into fear of external competitors). Although there is some limited research on entrepreneurs’ own emotional states (e.g., Webster, 1976) and on how founders deal with their own emotions such as grief in the later stages of the venture life cycle (e.g., Sheperd, 2003), we know of very little, if any, systematic longitudinal field research on how entrepreneurs regulate their stakeholders’ emotions, and what organizational consequences such regulation actions produce, particularly in the early stages of organization building.

The emotion literature suggests that this could indeed be an important gap. A substantial line of research has shown that emotions influence people’s cognitive process and behavior in an important way, including reasoning, decision making under uncertainty, creativity, and helping behavior (e.g., Zhou & George, 2003; Amabile et al., 2005). Consequently, the degree to which entrepreneurs recognize and deal effectively with their emotions, moods, affect, and feelings interchangeably. Emotions refer to bio-psychological systems that involve cognitive appraisal of specific situations in relation to one’s goals and concerns, distinctive physiological reactions and action tendencies, and subjective experience including affect (Frijda, 1986; Ortony, Clore, & Collins, 1988).
stakeholders’ emotions could influence the odds of stakeholders’ maintaining and increasing their support for the young organization.

To address this gap, we have used a grounded theory-building approach (Eisenhardt, 1989; Yin, 1994) and conducted a four-year real-time study of six new ventures that exhibited notably high and low accounts of emotion regulation actions. All of these ventures were in an early stage of trying to grow from a very small group of founders and cofounders into an organization with a larger number of newly recruited employees who do not own substantial equity control over the company, and who work cooperatively with one another to achieve shared organizational goals (Barnard, 1968).

Our analysis reveals several important findings. First, we found that entrepreneurs indeed actively regulate emotions, that is, they take action to elicit, modify or maintain emotional states in other persons. Surprisingly, our data show that some entrepreneurs are much more engaged and versatile than others in regulating the emotions of venture stakeholders. They perform two forms of emotion regulation actions, which we call episodic and institutionalizing. Second, we found that these actions indeed influence the development odds of nascent organizations in that they help entrepreneurs mobilize resources (e.g., human, financial, or social capital). We inductively define resource mobilizing as involving three salient dimensions: obtaining discretionary business-building support from stakeholders; aligning stakeholder actions; and receiving collective support from stakeholders, often in response to business-building challenges. Examples of resource mobilizing include potential investors making voluntary referrals; or employees foregoing salaries to help the organization survive a cash crunch. The economic benefits of these mobilizing actions are sometimes difficult to quantify. However, they can enhance
the young organization’s ability to overcome critical, often unexpected challenges, that is, they help develop an organizational quality that we denote as organizational resilience.

**EMOTION REGULATION AND ORGANIZATION BUILDING**

Individuals differ considerably in their ability to understand and utilize emotional stimuli in productive ways (Rubin, Munz, & Bommer, 2005: 847). More recently, theories of emotional intelligence have begun to more fully explicate these differences. In its simplest definition, emotional intelligence involves two general abilities: perceiving (recognizing and understanding emotions) and regulating (modifying or eliciting) emotions in oneself and others (Mayer & Salovey, 1997). Emotionally intelligent founders can thus help increase the quality of social interaction among people they influence. They are skilled at staying open to others’ feelings and regulating their emotions, including moderating negative emotions and enhancing pleasant ones (Mayer et al., 2004; Lopes et al., 2004; Lopes et al., 2005). Because of its young nature, however, the emotional intelligence literature has under-examined empirically specific emotion regulation actions enacted in organizational (particularly, organization-building) contexts, their effectiveness and boundary conditions (e.g., Mayer & Salovey, 1997; Côté & Miners, 2006).

Some scholars have begun to examine some of the consequences of emotion regulation at an organizational level, mainly in large established organizations. Emotion regulation of stakeholders can represent one powerful means of social influence that can enhance organizational gains. Research on emotional display and emotional acting, for example, suggests that socially desirable emotional displays produce a commercial value in that they help organizations increase sales and customer cooperation and loyalty (e.g., Rafaeli & Sutton, 1991; Locke, 1996; Martin et al., 1998; Grandey, 2003).
Indeed, large established firms in sectors as varied as airlines (Hochschild, 1983), technology (Kunda, 1992), entertainment (Van Maanen & Kunda, 1989), bill collection (Rafaeli & Sutton, 1991) have developed and diffused elaborate emotion regulation practices that are performed by their employees to influence each other or their customers to produce organizational benefits. Because socially desirable emotional displays can help an organization differentiate itself from others and improve its ability to compete for resources, some firms implement emotion regulation training and control to ensure that their members reliably “mass produce” appropriate emotional displays (e.g., Sutton & Rafaeli, 1988; Locke, 1996). Several airlines apply explicit routines that select, train, monitor, and discipline flight attendants to display pleasant emotions (e.g., via smiling) to increase customer satisfaction and loyalty (Hochschild, 1983). Organizations select and retain their members based on specific emotional habits they want displayed (Martin et al., 1998). But how emotion regulation is enacted, and what its effects are in emerging organizations is less well understood.

Research on emotion regulation routines and emotional capability has also attempted to link emotion regulation actions with organization-level consequences. It has established that firms with organized emotion regulation routines, or emotional capabilities, have advantages in realizing major change (Huy, 1999, 2002; Liu & Perrewé, 2005). For example, emotion regulation actions that elicit hope among fearful employees enhance their mobilization for change whereas actions displaying sympathy reduce employees’ resistance to change (Huy, 2005). Besides achieving organizational change goals, these emotion-regulation actions are posited to enhance employees’ well-being in that they help re-energize depressed, cynical employees. These literatures take as their start-
ing point the presence of organization-level emotion regulation practices, (e.g., Hochschild, 1983; Van Maanen, & Kunda, 1989; Huy, 1999, 2002). However, we still lack a textured empirical understanding about how these emotion regulation routines emerge and how they are institutionalized in the first place.

Although the above literatures have provided valuable insights to frame our study, they offer important gaps that, taken together, prevent us from formulating specific testable hypotheses about our two research questions: (1) To what extent do founders actually engage in regulating other stakeholders’ emotions, and if so what specific actions do they perform? (2) What are the implications of such actions for the building of new organizations? Therefore, we have conducted a real time, longitudinal inductive field study of a number of nascent ventures to explore these questions.

METHODS

Sample Selection and Data Collection

Our research was UK based. To identify entrepreneurs who had recently launched new firms or were in the process of creating them, we searched a business school’s database of alumni who had become involved in entrepreneurial ventures after they had graduated. The resulting list contained 230 names, whom we contacted by e-mail to explain the purpose of our research. We asked for entrepreneurs who (1) had launched a company within the past 18 months, or were planning to do so in the next six months; (2) had their headquarters in the Greater London area; and (3) were willing to participate in a research project that might involve a substantial time commitment. We guaranteed participants complete confidentiality and anonymity. We aimed to study entrepreneurs in the early stages of creating a company for two reasons; first, we wanted to avoid sampling based
on outcomes, and second, these early stages have been given little attention until now. We focused on a confined geographical area to minimize sample variation due to environmental factors (e.g., sociopolitical context, business climate, available resources).

We received 83 replies, of which five were negative and the rest were split between “I am potentially interested” and “My venture probably does not fit the research criteria.” Of these leads, 40 seemed to fit our three criteria and the rest were dropped for a variety of reasons—for example, 10 operated outside the UK. We then conducted telephone conversations with 20 respondents to determine if they really met our selection criteria. We followed up with the other 20 cases by e-mail. Many of these respondents clearly suited our criteria; they were based in London and started during the time period we specified (we allowed some older ventures when the founders plausibly explained why they were still in an early stage). This process allowed us to retain 26 projects.

We recorded entrepreneurial behavior (in real time and retrospectively), mostly by interviewing the founders. (In this article, we refer to the lead entrepreneur—the person who was clearly driving the effort—as the “founder” or “entrepreneur.” We refer to other members of the founding team as “co-founders.”) Most founders had graduated from the same top-tier business school, had very high average GMAT test scores (around 700), had an average of five years’ professional experience before enrolling in the MBA program, and could access the school’s vast and high-powered alumni network.

Beginning in February 2002, we conducted face-to-face interviews, mostly at work sites, with all 26 entrepreneurs in our sample to establish personal rapport with them. Each first-round interview lasted one to two hours. The second round of interviews took place between October and December 2002, the third round between October and
November 2003, and the fourth round between January and February 2005. For these later rounds we relied mainly on telephone interviews, which lasted between 30 and 90 minutes. Stakeholders were interviewed between November 2005 and July 2006. We asked open-ended questions and prompted respondents to provide concrete examples of actions and events with questions like: How did you deal with others’ and your emotions? Can you tell us about some emotionally high and low moments in the last period? How did you deal with them? How did you influence potential contacts or motivate your employees to join and stay working for you?

To reduce bias from recall and ex-post rationalization, we collected data from other sources (e.g., websites, business press, business plans, and presentations) as well. For example, we videotaped presentations of some of our sample entrepreneurs at a business school, in which they elaborated on how they built their organizations. These sources enabled us to triangulate our findings to build stronger interpretations (Yin, 1984).

On the basis of our data analysis (discussed later), we identified six extreme cases that featured noticeably high or low levels of emotion regulation. We decided to look more closely at these actions and how they influenced stakeholders. We followed Eisenhardt’s (1989: 537) recommendation for a theoretical sampling approach (cf. Strauss and Corbin, 1998) that involves between four and 10 extreme cases in which the phenomenon of interest is “transparently observable.” Using a finite number of cases enables researchers to find some balance between generating a reasonably textured theory and having to cope with large amounts of data (Brown and Eisenhardt, 1997; Huy, 2002). As Eisenhardt (1989: 545) argued, “the goal of theoretical sampling is to choose cases which are likely to replicate or extend the emergent theory.”
For the six extreme cases, we also interviewed important stakeholders—co-founders, investors, employees, and board members (see Table 1). Some of the questions that we asked stakeholders other than co-founders included: Have you (and/or the founder) experienced any emotionally intense moments with the venture? Please describe some of these moments, and how you interacted with the entrepreneur or with others to deal with them. How would you characterize the relationships among various members in the organization? How have they changed over time? What is the quality of the work output by the employees? How has it changed over time?

Data Analysis

We used the case-replication method, in which cases serve as independent experiments that either confirm or reject emerging insights (Eisenhardt, 1989). We analyzed our data in three broad steps. In the first step, we noticed the prevalence of emotional experiences in the context of building new organizations. All entrepreneurs who spoke with us reported on emotionally intense situations. Many of them referred to the process of creating a new venture as an “emotional rollercoaster.” In the second step of our data analysis we examined more closely the accounts of founders and coded those passages in which they clearly expressed subjectively experienced emotions. For example, we coded specific discrete emotions such as joy, frustration, anger, fear. We then analyzed the coded passages along several dimensions, one of which involved the objects of the emotional experience reported by the founders: the interviewee (self) or another venture stakeholder (other). We constructed and compared data tables related to the founders’ accounts along these analytic dimensions. We immediately noted a sharp distinction among various founders’ actions to repair other people’s emotions. Some founders attended to other
stakeholders’ emotions more frequently, and in many more variegated ways than other founders. Thus, in the subsequent data analysis we decided to focus on the founders’ emotion regulation of other stakeholders, and what effect such actions had for the building of their new organizations.

Initially, we labeled categories very closely to the data. That way we were able to discern sub-categories of ER actions aimed at others, such as attuning to others’ emotional triggers; modifying emotional intensity; displaying comforting emotions; eliciting new energizing emotions; emotional selecting; emotional training; and emotional re-enacting. We then clustered these sub-categories into episodic and institutionalizing ER actions. Episodic actions refer to discrete, idiosyncratic, improvisational acts performed by a person to elicit emotions in specific stakeholders. Institutionalizing actions refer to behaviors that embed emotion regulation actions as organizational routines that are performed repeatedly and systematically.

We also analyzed more closely how various ER actions influenced stakeholders in the extreme high and low ER action cases. We asked the founders of the six companies to allow us to interview several of their stakeholders to triangulate founders’ accounts and increase the nuance and validity of our findings. In Table 1, we provide information on the stakeholders that we interviewed for each case.

[INSERT TABLE 1 ABOUT HERE]

FINDINGS

As shown in Table 2, we found that some entrepreneurs (the founders of BUDGET, DRINK and CONSULT) were more engaged than others (the founders of INCUBATE, INVEST and TECH) in regulating their stakeholders’ emotions.
As we will show below, focusing on how entrepreneurs perform ER actions that influence other stakeholders allows us to establish a causal relationship between emotion regulation and organization-building. Our data suggest that differential patterns of emotion regulation actions performed by founders not only influenced their recipients’ emotional well-being but can also explain differential outcomes that are relevant for organization-building. (In the quotes displayed below, these organization-related outcomes of emotion regulation are marked through bold italics.)

**Emotion Regulation Of Others: Episodic Actions**

**Modifying emotional intensity.** Some founders in our study were actively engaged in *reducing the intensity of stakeholders’ emotions* such as fear or frustration which easily arose in the highly uncertain and volatile context of organization building. Prospective employees, for example, especially those who were used to working for large, established corporations were often reticent to join entrepreneurial ventures and take risks. Founders sought to allay the intensity of their fears. James, the founder of BUDGET, was deliberate in addressing the anxiety of employees who joined his young firm.

> We made sure that the *people in the units felt good about coming to join [BUDGET]*, because for them it’s a big change, a massive change. They were coming out of a big organization—a FTSE 100 company. Very paternal and they’re coming to work for a very small entrepreneurial company who they know are aggressive, and they’re probably nervous about, are they going to make big change which might include slashing costs and firing half the people. So you’ve got to put their mind at rest. (Founder BUDGET)

Nelson, a new middle manager who joined BUDGET, reacted favorably to such emotional attunement:
They are talking normal language to everybody; they treat everybody the same, and that’s very encouraging. It’s very nice to see. *When you come from a large corporate background, you know, you just basically become a number; whereas here in our new company, we are still a name.* (Middle manager BUDGET)

Emotion regulation aimed at reducing other people’s agitated emotions such as fear about being harmed by the new organization can thus have a positive impact on organization-building. It can raise the motivation of new employees or motivate risk-averse resource givers to support the venture. The same type of emotion regulation action can also be effective with existing employees of the venture. Sevin, a middle manager at BUDGET, confirmed that the founders’ working style had increased his comfort with the venture: “Working with Peter and James, I picked up a lot from them, and it’s made me a lot more relaxed. *I thoroughly enjoyed my job over the last three years more so than I have done over the last 25 years. So it’s been fantastic.*”

We noticed a stark contrast, however, between BUDGET, CONSULT, DRINK, and the other ventures. Although the founders of INCUBATE, INVEST and TECH experienced many situations requiring reduction of stakeholders’ agitated emotions such as anger or frustration, we found very little evidence that they took such attenuating action.

**Displaying comforting emotions.** Beyond modifying others’ emotional intensity, our data suggested that founders can regulate others’ emotions by displaying own emotions, with the aim of increasing people’s comfort in the viability of the new business. Founders’ own emotional displays often sought to increase comfort and reduce the agitation of stakeholders experiencing the high volatility of the nascent venture. To illustrate, when employees were nervous about a highly uncertain situation, founders’ display of cheerful emotions can help calm employees. Ruth, an HR manager with BUDGET, noted
that, “James and Peter are both very enthusiastic about the business, which gives me a lot of comfort.” Displaying passion and enthusiasm to others can help attract funding as it increases investors’ confidence in the viability of the business, even from seemingly rule-bound institutions such as governments: “The government had to select British companies for their funding, *and they gave it to us*, but the criteria were that we seemed to be working so hard and they felt that our enthusiasm would [make] the innovation work” (Founder DRINK). This outcome is consistent with that found in another research context. Elsbach and Kramer (2003) noted that Holywood movie decision makers tend to assess screenwriters who display passion when they are selling a single script as creative artists who are committed to their focused ideas, and these qualities are highly valued in the movie producing business.

Besides displaying pleasant high activation emotions such as passion and enthusiasm to increase stakeholders’ comfort in their business, versatile founders can also display low activation positive emotions such as calm, to project self-control and measured demeanor. And, the display of calm can be perceived as more socially appropriate than cheerfulness in certain social interactions. To illustrate, the founder of DRINK deliberately displayed calm in stormy meetings while demonstrating her analytical skills, and this performance helped her gain recognition from peers on a UK government board, and access to further memberships on committees with high public visibility:

I was very forceful in the nicest possible way. You never hear me raise my voice or anything like that. But taking apart issues, putting them back in a very nice way, just telling them how to do it better, got noticed. *I’ve since been asked to sit on two other government boards, one of which is monitoring a billion pounds spending a year.* I was specifically asked to go on it because I was quite forceful...[in a calm way.] *That’s been very good, and I think long-term will bear a lot of fruit. I’m one of only five exter-
nal members on this one, and there’s been articles in the Financial Times… (Founder DRINK)

Displaying emotions strategically that increase stakeholders’ comfort in the nascent business can thus generate important organizational benefits, that is, mobilize customers, investors, or clients to help the venture. By contrast, we found scarce evidence of such strategic emotion displays in INCUBATE, INVEST, and TECH.

Eliciting new energizing emotions. Our data show that founders can also perform episodic actions that elicit new emotions to energize others. We noted that these emotions often have a positive valence such as joy, excitement, pride, hope in this particular context, but also found instances in which founders sought to impart negative emotions in stakeholders to achieve their business objectives. One co-founder illustrated how he displayed strong negative emotions to motivate others, but not with the goal of increasing others’ comfort as we described in the previous emotion regulation type.

I don’t mind shouting or swearing at somebody if I think it will help … in a large organization you’re afraid of offending [other people]. But in a private company, something of your own, you know to give what is an appropriate level of praise or criticism, but you can be more emotional because it is more emotional for you. (Peter, co-founder BUDGET)

But founders in our study more often sought to elicit new energizing positive emotions by celebrating successes with other members, taking employees out to entertainment events to make them feel appreciated, helping people organize their work flexibly around their personal lives, or giving customers special attention by surprising them with “thank you” notes. Samuel, one of the founders of CONSULT, for example, explained that such actions were critical to attract, energize, and retain his employees:

You know, your job should be enjoyable. It really genuinely should be. You should be getting up and thinking yes, I’m looking forward to going to work today. If it’s not all the time, it should be the majority. … We do
all sorts of things. We do concert evenings. We get everyone together.
You know, we have real fun. (Founder CONSULT)

John, an employee of CONSULT, confirmed that:

One day when we just won a contract, … Samuel just disappeared off and
came back with a crateful of beer and just bonked it on the desk and told
everyone to stop working and have fun and celebrate…He’s very good at
following up on small points. He’s very good at sending emails congratu-
limating people about even the smallest thing. And I know he does that for
everyone. If he detects any slight low, he’ll be on the coast taking people
to lunch or whatever to make sure they’re happy. (Employee CONSULT)

Another employee, John, also attested, “They are very quick to make sure that
people … are not going to leave” (Employee CONSULT).

Although modest energizing actions may seem obvious things to do to in-
fluence others, we found scarce evidence of such actions in the three other ven-
tures, INCUBATE, INVEST, and TECH, as shown in Table 2.

**Emotion Regulation Of Others: Institutionalizing Actions**

Besides engaging in episodic actions to mobilize stakeholders to support the ven-
ture, founders also performed institutionalizing actions that would facilitate the re-
enactment of their own emotion regulation actions by other people. First, founders can
select stakeholders according to emotion-related criteria (which we denote as emotional
selecting) or by trying to spread the practice of emotion regulation actions to other organ-
ization members by training them (which we call emotional training). Some founders and
other employees even performed the same episodic ER actions regularly (which we call
emotional re-enacting). These three emotion-related practices differ from improvisational,
episodic ER and together serve to embed episodic ER actions as quasi-permanent organi-
zational practices that can be performed independently of the founder (see Appendix I for
quotes from DRINK that show how organization members collectively performed ER).
These institutionalizing actions produced important organizational benefits. For example, DRINK employees (and not just top team members) took personal initiative and participated in product innovation and development. The founder’s regular energizing of employees fostered this organization-level outcome by diffusing the motivation from the small founding team to lower level members. The sales director of DRINK attested: “[The founder] is motivated by seeing people around her happy in their jobs … by seeing her team achieve things that they didn’t think they were capable of.” We now examine each of the three types of institutionalizing actions in turn.

**Emotional selecting.** Our findings (summarized in Table 2) suggest that some founders selected important stakeholders for the venture – such as investors, co-founders, employees – not only based on objective criteria (e.g., needed financial capital, expertise, skills) but also relied on affective criteria, such as others’ display of passion and love for the focal business, or when founders felt good “interpersonal chemistry.” We call this process emotional selecting, whereby founders choose stakeholders they want to work with based in part on emotion-related criteria. These founders sought to detect specific emotional states (e.g., passion, enthusiasm) that other stakeholders felt in regard to their ventures, or tried to assess if these people possess the required emotional abilities to work in their nascent organization.

In recruiting middle managers for his rapidly expanding budget hotel business, Peter, the co-founder of BUDGET, performed emotional selecting by paying special attention to whether the job candidates displayed passion for the task for which they were being recruited. This was particularly important for him because he expected these managers to regulate their subordinates’ emotions. Founders viewed these recruits as future
role models who practice and diffuse emotion regulation throughout the growing company.

I would wonder whether or not they were the right person, whether they can deliver what we want because if they are flat and they can’t inspire, and for our general managers, we look for them to be leaders rather than managers. I think, you know, if they lead they’ve got to have passion. You’ve got to be able express yourself and get people to follow your vision, and if you’re not passionate, I think that’s very difficult to do. (Co-founder BUDGET)

Samuel, co-founder of CONSULT, performed emotional selecting when he probed prospective employees’ emotional abilities that are essential to work in his venture:

Do you know anything about starting a business? You don’t. Right, you’re probably going to hate it, because it’s one of the most emotional things I’ve ever done … If you ask me what you’re going to be doing tomorrow, I could probably tell you that. If you ask me what you’re going to be doing in six weeks’ time, I haven’t got a clue. Does that bother you? Yes? No? If it does bother, well I’m sorry, but you’re probably talking to the wrong company then. (Founder CONSULT).

By being direct, Samuel wanted to assess whether the potential future employees were willing to deal with the emotional stress caused by high uncertainty and volatility of a new business venture. John, one of the first employees of CONSULT, confirmed the usefulness of this approach. “Samuel’s way of convincing me to join Xoomworks was effective.” He elaborated that the prospect of excitement, in addition to the possibility of a good payoff, attracted him to the venture.

**Emotional training.** As the size of the work force of some of the ventures became larger, there was a growing need for founders to share the emotion regulation task with other organization members, especially middle managers who started to be hired as founders had less and less time to deal directly with a large number of employees.
Founders needed to select and train middle managers who could enact and diffuse the emotional regulation norms (e.g., joy, fun at work) that shaped the growing organization. James (founder, BUDGET), for example, explained that he relied on diffusing these regulation norms to the hotel general managers because these middle managers acted as the crucial link between top management and lower-rank employees:

It’s down to the general managers, because they’re the people [the lower-rank employees] look to, really, by way of guidance because ultimately the people who work in hotels day-to-day will see no difference, never mind who owns the business. So they will take the lead from the general manager, and if the general manager is upbeat and positive, then probably they will be very supportive and upbeat. If the general manager is concerned, or worried and badmouthing [our firm], then ultimately the rest of the staff will feel exactly the same. (Founder BUDGET)

Peter, co-founder of BUDGET, illustrated how he performed emotional training of these managers. He conveyed to them the importance of displaying passion to stimulate subordinates to perform discretionary actions for the organization:

I encourage our general managers, it’s really saying you can be emotional, you can be emotional about it because it helps if you have passion. I think passion is very, very important in business, and you can get people to do things when they wouldn’t normally want to do them—not by bullying or anything else, but just by being passionate about what you’re doing. (Co-founder BUDGET)

Emotional training of middle managers enabled the development of an organization that sought to energize employees at all levels. Nelson, an operational middle manager at BUDGET, confirmed that, “the founders are passionate…I enjoy the company, I enjoy working for the two people, and I hope it will continue.”

We did not find any attention paid to emotional training of middle managers in INCUBATE, INVEST or TECH (see Table 2). Part of the reason might be that two of these three ventures, INCUBATE and INVEST, remained small (less than 20 employees).
Emotional re-enacting. According to our data, some founders and other organization members started to perform once episodic emotion regulation actions repeatedly and systematically. We call this emotional re-enacting. Some members repeated rather simple ER actions. Theresa, the sales director of DRINK, illustrated: “We’ve actually got probably about 15 [temporary employees] who we know and like and trust and who do a good job. We’re constantly making tea for each other.” Such a simple routine can nonetheless shape the organization’s cultural norms in the long run, and create a loyal stakeholder base, as Samuel, the founder of CONSULT, elaborated:

A lot of things that we do are very simple. It’s things like, even though we’re a small company, we do six month reviews. We say to all our employees that they can come back and talk with the directors directly; they don’t have to go through the program managers. If they’ve got a problem, they can come back. Always feel free to come and talk to us. In fact, I’ll go out to sites regularly to visit people and say hey, how’s it going? The kind of things that tend to be really nice. You know, and we ask people, are you enjoying yourself? Are you enjoying your job? And if not, why not? What can we do to help you? We act on those things. Any big company will tell you they do that, and it’s absolute bullshit. They don’t. They really don’t. No one ever asked me that question the whole time I was working at [a big consulting firm]. Very simple stuff, you know? That starts to build the culture. (Founder CONSULT)

Re-enacting ER actions produced important organizational benefits, such as reducing the staff turnover and maintaining a high level of motivation and productivity through the emotional roller coaster of the startup phase. John, one of the first employees in CONSULT, confirmed these organization-building benefits:

There’s a lot of us that joined at the start that are still left, and you know, it hasn’t been a great deal of turnover…I guess one of the things that initially attracted me to [CONSULT] was the get rich quick and the different structure, the pay and the thoughts of making a lot of money…But I would say probably the motivation has shifted. I think most people that you speak to in [CONSULT] say I really enjoy working for [CONSULT] because it’s a small company, we’re very similar people who like having fun. We don’t get paid badly but we don’t get paid exceptionally well. But we
have fun. We do feel that we’re listened to. We do feel that there’s still a
good future for the company and that, you know, we’ve merely delayed
our income rather than it’s never going to happen. I just genuinely think
that people are very motivated because they’re respected and they have
fun. (Employee CONSULT)

In this case, a climate which embeds fun at work helped compensate in part for
the uncertainty and moderate economic compensation that these members had consciously
accepted by remaining to work with the young organization.

Again, we found very sparse evidence of emotional re-enacting actions in INCUBATE, INVEST or TECH as shown in Table 2.

Organization-level Outcomes Of Entrepreneurs’ ER Actions: Resource Mobilizing

Our data in aggregate suggest that founders’ emotion regulation actions signifi-
cantly affected organization building outcomes. To present these outcomes in a parsimo-
nious way, we propose the grounded concept of resource mobilizing. According to our
data, this concept has three dimensions: (1) obtaining discretionary business-building
support from individual stakeholders, (2) aligning stakeholders’ actions, and (3) receiving
collective support from stakeholders, often in response to business-building challenges.

Obtaining individual-level discretionary business-building support. We found
that individual stakeholders (e.g., employees, investors, customers, board members, sup-
pliers, or spouses) performed discretionary actions to support the venture. Discretionary
actions are distinct from transactional ones in that the former are largely voluntary and
unspecified a priori. They are neither formally nor implicitly contracted. Examples of
these actions include potential investors making offers to invest; employees foregoing
salaries to help the organization survive a cash crunch; customers agreeing to buy an un-
proven product; employees suggesting ideas for product development even though they
were not formally hired to play this role. The economic benefits that may accrue to the venture due to these stakeholders’ discretionary behaviors are often indeterminate. However, they helped develop the venture’s resources, i.e., acquire new resources (i.e. human, financial, social capital, or sales), combine existing resources that the venture already owns or controls (for example, when employees with various functional responsibilities get involved in the development of a new product), and improve the productivity of the existing resources (e.g., employees working longer hours less pay). (See Table 3 for selected quotes on this first dimension of resource mobilizing.)

**Aligning stakeholders’ actions.** In the context of organization building, stakeholders’ actions are aligned when individuals act in a way that reconciles their personal interests with those of the new organization. Even though differences in opinions may exist, people seek to manage and reduce personal conflicts in order to focus their efforts on finding solutions to organizational challenges. These people seek to actively build, preserve, and foster constructive working relations. This alignment often involves an ‘esprit-de-corps’ among various members that dampens turnover and enhances commitment among stakeholders (e.g., board members, top management team members, or investors) even in the face of adversity. (See Table 3 for selected quotes)

**Receiving collective-level support from stakeholders.** Our data show that venture stakeholders – in particular employees – can develop a sense of shared responsibility and collective involvement in the business-building process, often in response to unplanned challenges. This widespread involvement reduced the venture’s dependency on a few (charismatic) leaders at the top. Employees at all levels can become involved in innovating (e.g., developing new products and services), or demonstrate flexibility in oper-
ations (e.g., by economizing on low resources). (See Table 3 for selected quotes on this third dimension of resource mobilizing.)

This collective effort could be facilitated by emotion regulation actions performed by the founders or other venture stakeholders. For example, in DRINK employees collectively acted to reduce the founders’ distress. When already overstretched Christine (founder of DRINK) had to deal with a potentially damaging law suit brought onto her venture by an overseas distributor, her employees volunteered to assume many of her responsibilities in order to reduce the stress load she experienced:

Everybody within the company felt a responsibility, I suppose, to make her life a little bit easier, so take away other stresses. And so we all picked up other tasks at that point and rotated slightly what everybody did to get that space, to give Christine time to go back and forth to America and to deal with all the legal processes and all these kind of things that are just time-consuming, trying to make sure that the stress was kept down to a minimum. It is like we’re in a boat together and when we go across rough seas, we go across it together. So there is that real sense of union in these things, and we will do everything we can to support and help weather it as best we can. (Employee DRINK)

Such employees’ collective attention to their CEO’s emotional state provided an important survival benefit to the venture, because it gave the founder unexpected additional temporal and psychological resources to deal with the legal claims brought against the young firm, which could have been potentially fatal for the fledging enterprise.

We show evidence that support the resource mobilizing outcome in Table 3 Panels A and B. Contrasting Panels A and B allows us to infer that ventures in which entrepreneurs perform a high level of ER actions also achieve a high level of resource mobilizing (Table 3 Panel A), whereas ventures in which entrepreneurs perform a low level of ER actions are associated with a low level of resource mobilizing (Table 3 Panel B).

[INSERT TABLE 3 PANELS A, B ABOUT HERE]
Level Of Organizational Resilience

On a more general level, the organizing benefits that accrue due to emotion regulation seem to have improved the ability of a nascent venture to overcome critical challenges to its survival, and we construe this ability as organizational resilience. Our findings also suggest that in those ventures in which ER was scarcely or badly practiced, weaker resource mobilization resulted, and these ventures experienced great difficulty in dealing with their survival challenges. We noted how ventures that faced similar major challenges exhibited striking differences in how they responded to them.

DRINK and TECH, for example, both did not have a marketable product in their main product lines, which brought about a scarcity of cash generated from sales. DRINK’s main product (whiskey) required the time-consuming construction of a production facility, and the made product needed to be stored for at least seven years to reach the quality of taste that could be sold. TECH developed wireless communication solutions based on radiofrequency technology, and experienced difficulties in the development process which diminished the quality of their product, so that the venture had great difficulties in finding customers. Both ventures, therefore, did not have a ready saleable product and experienced constant cash flow scarcity, which sometimes degenerated into crises (e.g., when the ventures had only a few more weeks of cash left to support their operations). But each responded very differently to the same challenge.

DRINK overcame these problems by introducing a wide range of innovative interim products and inexpensive marketing methods to save costs and increase revenues, and by employees helping each other out when day-to-day business challenges arose. The employees as well as the top team were aligned. As Ramana, an employee, explained:
“It’s been a long, hard process to get to the building of the distillery, but we all share the focus of making sure that happens and making sure the company gets to that point.” They also displayed a collective effort to overcome the challenges. For example, every organization member became involved in, and contributed to the development of a new vodka drink. According to a staff member, “Everyone wanted to be involved, everyone wanted to help. Actually, the name of the vodka was invented by an accountant.” In addition, individual organization members helped through spontaneous, discretionary actions in the face of adversity. One board member of DRINK hand-delivered a product sample to an important customer in Singapore, who had threatened to break off dealing with the venture because they earlier had received the wrong sample. Christine, the founder of DRINK, recounted that,

[The board member] walked in one hour before the deadline, undid the suitcases, put the product sample onto the bar and there they were. They were shocked…They think we walk on water as a result. It turns out that this key buyer also buys for all the Swiss hotels around the world, which is an unexpected benefit, and we got all this press from doing the press release on it. (Founder DRINK)

In other words, resource mobilizing within DRINK was targeted at circumventing the adverse conditions that threatened the very survival of the venture. Collective mobilization allowed the young organization to turn unexpected difficulties into unexpected benefits. As we have described earlier, emotion regulation actions helped mobilize resources for DRINK, which allowed the venture to deal with critical challenges.

TECH, too, struggled because it did “not have a true customer that was using the product,” according to one of the co-founders, and thus had no real sales revenue. For the first three years of the venture, members had focused on product development until they switched their focus on sales, when the founder thought that the product was ready for
market. However, as the founder acknowledged, “sales are slow. We are about at 25% of what we forecast our revenues to be for the year…We’ve struggled.” Some members in the top team believed that there were technical problems with the product and so the target market niche and sales strategy should be modified, but their advice was not heeded.

The sales director of TECH commented,

If you’re out on the front lines you’re seeing how everything is working, you’re seeing all the holes. I was just coming back and saying, boy guys, this isn’t as good as we think it is. There’s a problem with range, there’s a problem with voice quality. The stability of the access points is poor…. [The founder] would hear nothing of it. I was basically told that I was going to be fired if I brought it up again, you know, I brought it up so many times. (Sales Director, TECH)

The Chairman of the board, who had been a strong supporter of the founder throughout the early years of business-building, confirmed:

The real low point was in dealing with the technology delays, and the emotion and really highly charged way in which [the founder] began to run the business—he was very defensive and had become very intolerant of criticism when things were not being delivered and began to think that people were ganging up against him which, in time, was true. In the end people lost faith in him. (Chairman, TECH)

These setbacks discouraged employees from taking further initiative for the business. Rather than support the venture through discretionary actions, “the employees would just end up doing what they were told,” recalled the new incoming CEO. “I think there was a certain resignation among the employees. They were told to do something but they didn’t really have any belief in it.” The only discretionary collective action that seemed to take place was collective bargaining for self-interests, such as demanding an improved compensation system for the sales staff. As the co-founder of TECH described, “Rather than our sales force being highly motivated and going out and selling, we lost a month and a half with the sales force just negotiating the new deal, which was not good.”
Yet that new employment contract still did not help retain employees. The co-founder noted, “All of our sales guys left at the time…Most of it because the product wasn’t there, but also because of the relationship and the management style.”

Misalignment also occurred within the TECH top team and within different shareholder groups. The venture entered into a downward spiral when its stakeholders lost precious time and resources in dealing with internal conflicts that distracted the organization from improving its product and its sales approach. Inappropriate emotion regulation actions performed by the founder are likely to have contributed to these developments, as the Chairman of the board observed:

As soon as anything went wrong or was delayed, [the founder] would get very aggressive with both the people and at times with the board… In the end, it was handling the failure to deliver and the emotional side of [the founder] that became the difficulty. (Chairman, TECH)

Relations deteriorated so much that the CEO lost the backing of other top team members and was dismissed by a divided board of directors. Finally, the venture had to be sold in a fire sale.

Compared to what happened in DRINK, we can see that resource mobilizing within TECH was poor when the venture encountered similar adverse conditions (that is, initially targeted product was not ready in time to generate sales) that threatened its survival. As described earlier, the founder’s (and other venture stakeholders’) lack of effective emotion regulation actions did not help mobilize resources for TECH, and this contributed to the venture’s inability to overcome these continuous challenges.

Based on these critical survival events, we extend our grounded theory by proposing that founders’ emotion regulation actions not only help mobilize resources for the young organization, but also help develop a quality we construe as organizational resili-
Entrepreneurs’ ER actions facilitate resource mobilizing, which in turn enables the young organization to overcome numerous adversities, which affect the ventures’ odds for long-term survival and growth.

**DISCUSSION**

We started our research with two main questions: (1) To what extent do founders engage in emotion regulating actions of other stakeholders, and if so what actions do they perform? (2) What are the implications of such actions for the building of new organizations? Our data show that, contrary to conventional wisdom, entrepreneurs do not only experience emotions passively as a result of their business-building actions, but they actively regulate emotions, that is, they take action to elicit, modify or maintain emotional states in other persons (e.g., co-founders and senior executives, employees, investors, and customers). Surprisingly, we found that there are notable differences in the level of emotion regulation that various founders perform, with some founders being much more deliberate and versatile than others. As summarized in Figure 1, founders can perform ER actions that are of an episodic or institutionalizing nature. We find that entrepreneurs who use these tactics, in aggregate, also achieve a strong level of resource mobilizing that increases the nascent organization’s ability to overcome challenges to its survival, that is, improves the organization’s resilience.

![Insert Figure 1 About Here]

We believe that our study makes several important contributions to the literatures. First, we contribute to the entrepreneurship literature by showing that emotion regulation actions performed by the founders matter differentially for the building of new organizations. To the best of our knowledge, this is the first empirical study to link entrepreneurs’
emotion regulation actions involving other stakeholders to business-building outcomes. It is thus one of the rare studies in entrepreneurship that affirm a positive and constructive role of emotions, by showing that the ways emotions are dealt with matter at an organization-level of analysis. This study is also the first one to describe which emotion regulation categories founders use (episodic, and institutionalizing actions), and why they use them (in order to mobilize resources). That is, we develop an empirically grounded theory of entrepreneurs’ emotion regulation of stakeholders. By doing so, we contribute to the emerging research streams on entrepreneurial action (e.g., McMullen & Sheperd, 2006; Zott & Huy, Forthcoming), and on entrepreneurship as a process of social construction (e.g., Baker & Nelson, 2006; Hargadon & Douglas, 2001). By regulating the emotions of others, entrepreneurs can influence the survival and growth of their ventures; these performance outcomes are thus endogenous to the business-building process.

Moreover, cognitive abilities and personal attributes of the founder or the founding team have been widely studied as possible determinants of successful new venture creation (e.g., Busenitz & Barney, 1997; Shaver & Scott, 1991). Few of these factors have been found to be unambiguously correlated with measures of business-building (e.g., growth, profitability, or survival). Our study complements this literature, by pointing to the importance of the founder’s and other stakeholders’ ability to regulate emotional states as an important determinant of business-building.

Second, this paper is one of the rare studies that empirically link micro emotion regulation processes—often studied at an interpersonal level (e.g., Côté, 2005; Lopes et al., 2005)—to important macro organizational outcomes such as resource mobilizing, and organization resilience. We reveal the important mechanisms that allow bridging micro
emotional phenomena to organizational processes. First, episodic emotion regulation actions can influence organization-level outcomes if they are enacted by powerful people such as founders and top management team members. As the personnel size grows, founders maintain the effects of micro emotion regulation actions by institutionalizing actions including selecting emotionally competent personnel supervisors (emotional selecting), diffusing ER practices through means such as role modeling and encouraging middle managers to perform emotion regulation (emotional training), and repeatedly performing emotion regulation actions (emotional re-enacting). Through such a set of institutionalizing actions, our data show how founders very early on transformed once ad-hoc interpersonal emotion regulation actions into organization-level routines.

Our research thus contributes in several important ways to the emotion management literature in organizations. Previous empirical research has often looked at phenomena such as emotional labor, emotional display, or emotional acting (e.g., Hochschild, 1983; Grandey, 2003; Rafaeli and Sutton, 1991) performed in large established organizations. Our study may be the first to systematically examine how emotion management manifests itself in the context of building new organizations. Our research also reveals the set of emotion-related institutionalizing actions that founders took to develop and diffuse emotion regulation competencies at various levels of the nascent organization.

Finally, this study also informs the infant literature on organizational resilience. Sutcliffe and Vogus (2003) construe organizational resilience as an organization’s ability to absorb strain and preserve (or improve) functioning despite the presence of adverse events, and to recover or bounce back from untoward events. Resilience, from a developmental perspective, develops over time from continually handling stresses, risks, and
strengths. Members in resilient organizations can respond effectively in unfamiliar or challenging situations and persevere in the face of failures and challenges. To be resilient does not ensure success in every endeavor. Rather, it implies a “capacity for recovery or maintained adaptive behavior that may follow initial retreat or incapacity” upon experiencing a stressful event (Garmezy, 1991: 459). Consequently, a collective ability (distinct from a concentrated individual ability) that is oriented toward acquiring new skills, mastering new situations, and improving competence is more likely to enable the organization to positively adjust to challenging conditions by handling the complexity of dynamic environments, persist in the face of obstacles, and be higher performing in the long term (Sutcliffe & Vogus, 2003). Such collective ability represents an emergent group-level attribute rather than the simple sum of group members’ perceived personal efficacies; it is ultimately the product of the interactive and coordinative dynamics among team members (Bandura, 1998). In regard to building new organizations, we know very little what constitutes resilience in such a context and how managers can build it.

We contribute to this literature by showing how founders’ variety of episodic and institutionalizing emotion regulation actions helped mobilize resources and build a collective emotion-based competence, which in turn allowed the young firms to perform collective actions that enhanced their resilience. These collective processes include diffused innovating, that is, employees below the founding team taking initiative to develop new products or improve existing operations as opposed to innovation driven only by the founders; and collective flexibility in adjusting to unexpected events, that is, employees below the founding team taking initiative to address the surprising adverse events that
befell on their company, as opposed to following more mechanistic, work-to-rule mode of operations.

Future research can further explore why entrepreneurs differ in their use of emotion regulation actions; what are other types of emotion regulation performed in an entrepreneurship context; and what are the boundary and moderating conditions and the various contexts in which these actions can increase the odds of success of innovative young organizations. We hope that this article inspires new research on the role of emotion regulation for building new organizations, which will ultimately contribute to a theory of entrepreneurial action that can help us understand how entrepreneurs can increase the odds of creating new wealth.
REFERENCES


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Zott, C., & Huy, Q. Forthcoming. How entrepreneurs use symbolic management to acquire resources. *Administrative Science Quarterly*. 
FIGURE 1: Founders’ Emotion Regulation Of Stakeholders And Organization Building

<table>
<thead>
<tr>
<th>Emotion Regulation</th>
<th>Resource Mobilizing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Episodic Actions:</strong></td>
<td>• Obtaining discretionary business-building support</td>
</tr>
<tr>
<td>• Modifying emotional intensity</td>
<td>• Aligning stakeholder actions</td>
</tr>
<tr>
<td>• Displaying comforting emotions</td>
<td>• Receiving collective support from stakeholders</td>
</tr>
<tr>
<td>• Eliciting new energizing emotions</td>
<td></td>
</tr>
<tr>
<td><strong>Institutionalizing Actions:</strong></td>
<td></td>
</tr>
<tr>
<td>• Emotional selecting</td>
<td></td>
</tr>
<tr>
<td>• Emotional training</td>
<td></td>
</tr>
<tr>
<td>• Emotional re-enacting</td>
<td></td>
</tr>
</tbody>
</table>

Building Resilient Organizations
### TABLE 1: Cases And Interviews Per Case

<table>
<thead>
<tr>
<th>Case</th>
<th>Business Description</th>
<th>Founder Interviews</th>
<th>Interviews With Others&lt;sup&gt;2&lt;/sup&gt;</th>
<th>Interview Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BUDGET</strong></td>
<td>Develops sites for new budget motels in partnership with financiers and brand owners. Then manages the operations of these newly built motels, without owning the properties.</td>
<td>4</td>
<td>11 (co-founder, 2 senior executives, 2 middle managers, lawyer, chairman of the board, investor)</td>
<td>15</td>
</tr>
<tr>
<td><strong>CONSULT</strong></td>
<td>Provides IT-supported consulting services to large and mid-sized companies. Specializes in procurement (e.g., outsourcing) solutions, but also offers recruiting services.</td>
<td>4</td>
<td>5 (co-founder, 2 employees, 2 investors)</td>
<td>9</td>
</tr>
<tr>
<td><strong>DRINK</strong></td>
<td>Builds a Whiskey distillery on a remote island. At the same time, produces and markets a range of innovative white spirits for consumers of alcoholic beverages around the world.</td>
<td>4</td>
<td>6 (2 co-founders, 2 employees, former chairman of the board, current chairman)</td>
<td>10</td>
</tr>
<tr>
<td><strong>INCUBATE</strong></td>
<td>Originally, aimed at helping large companies develop new corporate ventures. Then changed business model to acquiring ailing retail businesses (e.g., for pet food), consolidating these businesses and running them on a common infrastructure.</td>
<td>4</td>
<td>2 (co-founder, wife)</td>
<td>6</td>
</tr>
<tr>
<td><strong>INVEST</strong></td>
<td>Provides financial services for early-stage hi-tech companies, especially in biotech, computing and communications infrastructure.</td>
<td>4</td>
<td>3 (2 senior executives, former investor and board member)</td>
<td>7</td>
</tr>
<tr>
<td><strong>TECH</strong></td>
<td>Provides wireless telephony solutions for offices and factories. Turns mobile phones and headsets into extensions and gives portable data devices and smart phones access to local area networks. When in the office, the mobile phone or headset connects to the corporate network, acting as an internal extension.</td>
<td>4</td>
<td>8 (co-founder, former chairman of board, senior executive, middle manager, wife)</td>
<td>12</td>
</tr>
</tbody>
</table>

| Σ      | 24                  | 35                  | 59                  |

---

<sup>2</sup> Others include co-founders. Some stakeholders provided more than one interview; therefore, the interview count in each cell of this column may be greater than the total number of stakeholders.
TABLE 2: Emotion Regulation Actions Involving Others Performed By Founder

<table>
<thead>
<tr>
<th>Action</th>
<th>BUDGET</th>
<th>DRINK</th>
<th>CONSULT</th>
<th>INCUBATE</th>
<th>INVEST</th>
<th>TECH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attuning to others’ emotional triggers</td>
<td>✓●</td>
<td>✓✓●</td>
<td>✓✓●</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Modifying emotional intensity</td>
<td>✓✓●</td>
<td>✓✓●</td>
<td>✓●</td>
<td></td>
<td></td>
<td>✓●</td>
</tr>
<tr>
<td>Displaying comforting emotions</td>
<td>●●</td>
<td>✓✓●</td>
<td>✓●</td>
<td></td>
<td></td>
<td>✓●</td>
</tr>
<tr>
<td>Eliciting new energizing emotions</td>
<td>✓✓●</td>
<td>✓✓●</td>
<td>✓●</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Emotional selecting</td>
<td>●●</td>
<td>✓●</td>
<td>✓●</td>
<td></td>
<td></td>
<td>✓●</td>
</tr>
<tr>
<td>Emotional training</td>
<td>✓●</td>
<td>●●</td>
<td>●●</td>
<td></td>
<td></td>
<td>✓●</td>
</tr>
<tr>
<td>Emotional re-enacting</td>
<td>✓✓●</td>
<td>●●</td>
<td>✓✓●</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
</tbody>
</table>

Table entries:

From interviews with lead entrepreneurs:
✓✓✓  More than eight self-reported actions (i.e., more than two self-reported actions per interview)
✓✓   At least four but less than eight self-reported actions (i.e., at least one but less than two self-reported actions per interview)
✓    Less than four self-reported actions (i.e., less than one self-reported action per interview) but at least one self-reported action

From interviews with stakeholders:
●●  More than 0.5 reported actions per interview across all interviews with stakeholders of the venture
●   Less than 0.5 reported actions per interview across all interviews with stakeholders of the venture, but at least one reported action
### TABLE 3, PANEL A: Resource Mobilizing: Qualitative Assessment & Selective Quotes From “High ER” Cases

<table>
<thead>
<tr>
<th>Obtaining Individual-level Discretionary Support From Stakeholders</th>
<th>BUDGET</th>
<th>CONSULT</th>
<th>DRINK</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strong</strong>&lt;br&gt;“I suggested a few things, you know what I mean? Very small things. You know, we printed our guest directory, we designed that ourselves, and you know, they said this is great, go ahead with it, let’s do it, which is very good… The things that we have done, we’ve always been praised for it.” (Nelson, Middle Manager)</td>
<td><strong>Strong</strong>&lt;br&gt;“The founders get people, investors and friends of investors along to hear a talk, and trying to really get interest and investment, which I think has worked.” (Randy, Angel Investor)</td>
<td><strong>Strong</strong>&lt;br&gt;“Josephine [the finance director of DRINK] was the person who actually working with me, and she was very enthusiastic about cheques, about being able to pay, about getting more and more money, about getting more and more customers, about the finance getting better and better.” (Barbara, Accountant)</td>
<td></td>
</tr>
</tbody>
</table>

| Aligning Stakeholders’ Actions | **Strong**<br>“They’ve moved people around and indeed removed people entirely from the operation when they haven’t worked out. They seem pretty direct in confronting those sorts of issues. But overall, it doesn’t seem to have damaged the relationship between the more middle ranking managers and those above them.” (George, Investor & BoD member) | **Strong**<br>“I think in terms of the relationship between the investors and the company, I think it’s very good.” (Roman, Angel Investor) | **Strong**<br>“The interaction between senior management, I think it’s probably fair to say that we all absolutely adore each other. We really like each other, and that’s quite something. We also very much respect each other’s qualities, and we know each other’s faults as well.” (Theresa, Sales Director) |

| Receiving Collective-level Support From Stakeholders | **Moderate**<br>“I think, you know, there have been mistakes made, but it’s been acknowledged that those mistakes have been made and now we get on with it and find a solution. It’s not an organization where there’s lots of blame going on. It’s just about how can we all get together and make it a bit better” (Ruth, HR Manager) | **Strong**<br>“We’ve always been sort of looking around the market and checking out which products are selling well… We’ve also tried to also formalize a process for new product development, so any ideas that anyone has about new product.” (John, Employee) | **Strong**<br>“I’ve always got an opinion, so if I have an opinion and I express it, even if it’s not right, at least she’ll listen to it. That makes you feel incredibly participative in the organization. So you don’t feel a lonely voice or not being heard or don’t feel like you’re contributing. Everyone has the opportunity to contribute, and makes a phenomenal difference to me, to my motivation to the company.” (Josephine, Finance Director) |
TABLE 3, PANEL B: Resource Mobilizing: Qualitative Assessment & Selective Quotes From “Low ER” Cases

<table>
<thead>
<tr>
<th></th>
<th>INCUBATE</th>
<th>INVEST</th>
<th>TECH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obtaining Individual-level Discretionary Support From Stakeholders</td>
<td>Weak</td>
<td>Moderate</td>
<td>Strong at first, then weak</td>
</tr>
<tr>
<td></td>
<td>“We didn’t feel we could realistically go back to our shareholders and ask for more money until we’d sorted out what we got. We did try, in a relatively low-key way, and got a fairly direct [negative] response from our shareholders.” (Kurtis, Co-founder)</td>
<td>“We spent a considerable amount of time trying to identify and convince [a finance provider], and that proved difficult. That proved very difficult….“ (Michael, Founder)</td>
<td>At first: “We didn’t get any [highly skilled engineers] turning down our job offers. Not a single one. When we made a job offer, we got the guy, hook, line and sinker at that point in time.” (Phil, Founder) Then: “We do not have at the moment a true customer that is using the product.” (Kevin, Co-founder)</td>
</tr>
<tr>
<td>Aligning Stakeholders’ Actions</td>
<td>Moderate</td>
<td>Weak</td>
<td>Weak</td>
</tr>
<tr>
<td></td>
<td>“You can choose to be grown up about it [the fallout between the founders]. You can be rational about day-to-day interaction. But it’s there.” (Kurtis, Co-founder)</td>
<td>“We also had to let go one of our original partners …he clearly had been working more toward his own personal gain. He was just too political, and he was really bad-mouthing everyone else so he could get ahead of the others.” (Michael, Founder)</td>
<td>“Kevin and I don’t speak to anymore. Well fell out very badly at the end of the business. He’s somebody who my wife and I just refuse to have any further dealings with.” (Phil, Founder)</td>
</tr>
<tr>
<td>Receiving Collective-level Support From Stakeholders</td>
<td>Weak</td>
<td>Weak</td>
<td>Strong at first, then weak</td>
</tr>
<tr>
<td></td>
<td>“The employees were people who were working in the warehouse, so you know, they were real employees if you see what I mean…They were more like workers in a factory.” (Susan, Spouse of Founder)</td>
<td>“[The TMT members] were still behaving at the end as they were at the beginning, pretty much, individually. So you have…their individual politicking, and you know, the stresses and strains caused by the remuneration things, which were working to tear them apart.” (Alex, Former CEO)</td>
<td>At first: “We went through a period where we had to change our cash flow, really when we were paying payroll, and rather than letting people off, we asked people to defer salary at the time. People turned back and wanted to defer actually more than we’d asked for.” (Phil, Founder) Then: “There was resignation among the employees” (Jim, new CEO)</td>
</tr>
</tbody>
</table>