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# Harnessing the Power of Envy



By [Quy Huy](#) , INSEAD Associate Professor of Strategy

**Envy makes people destructive and ruins the innovation potential of great companies. It can, however, be harnessed to drive better performance.**

When Steve Ballmer stepped down as CEO of Microsoft last year, he made it clear in [his exit interview to The Wall Street Journal](#) that he'd had a certain amount of nudging from the board. He came to the conclusion that he couldn't make Microsoft move fast enough to make the board happy.

Besides its financial might and massive workforce, Microsoft had failed to catch up with Apple's iPhone or even Xiaomi's less advanced and cheaper version of it. And the company had no shortage of critics when it came to the Xbox game console or search engine, Bing.

Many have claimed that Microsoft lacked an innovative culture or that it made bad investments. But I would argue one of the root causes of Microsoft's underperformance in innovation can be attributed to its "stack ranking" performance system, which caused massive and destructive competition among its innovation teams, shrouded in a dark cloud of envy between the winners and the losers of that system.

Under the stack ranking system, every department was forced to identify a certain percentage of employees as being top performers, good performers, average or poor. One in ten employees inevitably ended up in the “poor” bracket, which meant they were first in line for unemployment when there were cutbacks.

While stack ranking, also referred to as “the bell curve”, is prevalent in many major companies such as General Electric (GE), critics of Microsoft believed the system created an environment where employees competed more with each other than with outside competitors. This was one of the reasons Ballmer couldn’t get an iPhone-like innovation off the ground. Employees believed they were being unfairly treated and felt envious of those rising in the ranking system to the extent they were more motivated to undermine each other rather than the competition.

### **Why envy is so destructive**

Envy is destructive for two overarching reasons. 1. It blocks cooperation and 2. It creates politics; the undercover, disguised forms of undermining behaviour that manifest themselves when good ideas are trashed and malicious gossip is spread.

Perhaps the biggest catalyst for growth of envy in the organisation is the fact that many will not admit to feeling envious—after all, this is a taboo emotion in work settings. Employees don’t want to talk about it to their superiors or among themselves, fearing that this is personally demeaning, leaving superiors in the dark or with little information of how to broach envy with their staff. Unconscious envy can be particularly destructive because people cannot identify and name it and thus call envy under more socially legitimate terms such as undeserved outcome. Envy is also often seen as a fact of life as it is associated with competition for resources and status in society. Envy is omnipresent and manifests itself as a continuum from low to high envy. Most people would not admit to feelings of envy either to themselves or to other people, not just because they feel embarrassed but they are also afraid of losing social respect and power.

This means that envy, which begins as one employee’s desire to have another employee’s financial and non-financial success, ends up manifesting itself in poisonous ways, such as employees preventing or hindering the completion of tasks, slowing down information sharing and deliberately tripping each other up.

## Where does envy exist?

Envy lurks at all three levels of the organisation; the individual level, the intergroup level, and the organisation level.

At the individual level, envy may manifest itself when employees see fellow co-workers being promoted or praised, or having a better job or pay than themselves. On occasions, there may be reasons to feel slighted, if mutual effort has been put into a task or project but only one person has been recognised. Similar feelings may arise, if a co-worker is promoted for seemingly reaching higher goals than those of others.

At the intergroup level, envy is even more opaque and arises among departments or teams. For example, the engineering department may feel envious of the marketing department if the latter is perceived to enjoy better access to resources. Similarly, an innovation team may become the target of envy when its innovation output receives more recognition than other teams working in the same project. Most of us have heard these complaints before.

At the organisation level, envy may arise when senior executives of companies compare themselves to one another, ranking their pays and bonuses in relation to those of others; competing for the title of CEO with the biggest company size or the biggest pay. Research has consistently proved that narcissism can affect CEO behaviour in destructive ways.

## Overcoming the destructive nature of envy

Marina Biniari of Aalto University and I found in our paper [\*\*Bringing Honey Out of People: How Managing Envy Helps the Organisational Innovation Process\*\*](#), that envy within an organisation can be managed and even channelled to become an energising emotion rather than a destructive one.

The first step on the path to recovery is the acknowledgement of envy and its potentially harmful role at work. It has to be perceived not just within ourselves, but also in other people. This requires the emotional intelligence of the leader to recognise the existence of envy within their employees and to see it as an important problem to address. Middle managers are best placed to start identifying the problem.

Using what I call “emotional authenticity”, they can set up a system of complete feedback transparency and confidentiality, akin to testifying in a witness protection programme. Often, envy can be quickly rooted out when someone feels completely free to describe their feelings without fearing repercussions. A private conversation with complete safety protection is necessary to enable this dialogue.

At this stage, our research shows that middle managers can play an important role in balancing the emotional exchanges between employees. They should focus on empathising with those feeling envious, calming them and helping them to realise a different perspective, perhaps suggesting they emulate the behaviour of those they envy as one way of achieving similar goals. At the same time, middle managers should urge the ones being envied to share with and coach the envious. This will have the perceived effect of “restoring fairness,” while concurrently rewarding the standout performers for their cooperation. This approach makes the envied employees feel proud and enthusiastic about their achievements and the envious feel secure and more committed to the constructive growth of the organisation.

### **Channelling envy for good**

Next, an input-output analysis is required to turn the destructive power of envy into a force for good. In the first step, top management is essentially building the dam to contain the envious emotions, managing the output is where it can be unleashed to drive results by motivating employees. Guaranteeing a certain reward for emulating another person or group at the individual or inter-departmental level can be a powerful catalyst for positive behaviour. Linking collaboration with performance rewards will also forge a more positive environment. Following such an argument, Microsoft in October 2013 replaced the “stack ranking” performance system with a new one that rewards internal cooperation.

Without actively managing envy, the leadership can shout “collaborate!” from the roof tops, but it won’t make a difference without emotional oversight.

Top management also plays a role by leaving room in the corporate strategy for the management of collective emotions, envy being an important one. Benchmarking against competitors can be selectively used to motivate employees to undercut competitors and making sure that collaboration is rewarded, not discouraged.

A high performance orientation doesn't have to foster harmful internal competition, it can also give meaning to work interactions while reducing the perception of inequalities and unfairness. Top management can do this by enacting routines to help employees overcome the stress of organisational change and progress; and selecting middle managers who are able and willing to work with employees to temper their raw feelings in a discreet manner. Encouraging the personal development of the envious, and acknowledging the excellence of the envied employees could create better collaborative conditions at work.

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