Re-organizing for Innovation: Top Management Attention as a Driver of Strategic Renewal

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Abstract: Research on how managers implement change in their organizations during crisis is of growing interest. Today’s decision-makers are inundated by stimuli and even more so during crisis. Naturally this prevents all events to be attended to equally. Attention as an important factor in decision-making processes has long been noticed by organizational scholars and attention established as a valuable and scarce resource in organizations. Despite this, few longitudinal studies seem to have used an attention-based view to examine how management attention is used as a driver. By providing thick empirical data and the lens of attention-based view within a strategic change context, this paper aims to further understandings and add to actionable knowledge relating to top management attention as a driver for strategic change. Empirical data has been gathered over a period of four years.

Keywords: Attention-based view; Change implementation; Automotive Industry; Innovation renewal; Management; Strategy; Longitudinal Case study; Empirical research
1. Introduction

Few studies appear to have used an attention-based view on how firms purposefully behave and respond when implementing change. During the recent crisis in 2008/09 there was a substantial decrease in customer demand in many industrial sectors. This in turn led to companies being forced to reduce their cost base and downsize. Dismissal of both direct and indirect staff was an action frequently taken. As a consequence of these cutbacks in manpower, there was a decline in innovative capability (Nohria and Gulati, 1996, Woodman et al., 1993, Amabile, 1988, Amabile et al., 1996). As a new reality emerged after the recession, refocusing managerial and employee behavior and attention became necessary.

The importance of attention in problem-solving and decision-making processes has long been noticed by organizational scholars (Sullivan, 2010). Both older studies from the Carnegie School (March, 1958, Simon, 1957, Cyert, 1963) and more recently by Davenport (2002), argue that organizational attention is a valuable and scarce resource in organizations. Hence, not only capital and human resources can be seen as scarce commodities, but also human attention (March, 1958, Simon, 1957, Cyert, 1963).

Naturally not all events are attended to equally. As decision-makers are inundated by stimuli at all times there are limits to what they can attend to and act upon. In recessions, attention may shift away from the usual concern of balance between internal and external foci.

Half a decade ago Herbert Simon suggested that to explain organizational behavior is to explain how organizations distribute and regulate the attention of their decision-makers (Simon, 1947). Based on Simon’s early work, Ocasio (1997) designed an attention-based view (ABV) model, aimed at explaining how stimuli and input are noticed, encoded and transformed into a restricted set of organizational moves. According to Ocasio, these moves are the result of how the firm both formally and informally structures the flow of attention to and from its decision-makers. Given this proposition, supporters of an attention-based view argue that what decision-makers do depends on where they focus their attention (Ocasio, 1997, Ocasio and Joseph, 2005, Sullivan, 2010, Aronsson, 1995).

Bisbe and Otley (2004) point out that much of the innovation literature puts little emphasis on management attention and control as a factor contributing to success. Existing thoughts represented in literature on organizational attention suggest that further theoretical and empirical analysis of the boundary conditions of attention allocation would be useful (March, 1958, Ocasio, 1997, Cho, 2006). Attempts to link the attention-based view with strategic reorganization to re-capture a space for innovation and empirical data seems to be lacking in existing literature.

In this paper, longitudinal empirical data on management attention has been gathered over a period of four years. Top management attention as a driver for changing down-the-line management attention through strategic organizational change has been studied. The studies were performed within European automotive industry.

By providing thick empirical data and the lens of attention-based view within a strategic context, this paper aims to further understanding on attention, attentional behavior, prediction and strategic implementation and to generate actionable knowledge.

The research question focus is:

*How can top management attention as a driver for strategic renewal during crisis be interpreted and understood?*
2. Theory

Based on Simon’s early work from the mid nineteen hundreds, Ocasio (1997) proposed an integrated model linking structure and cognition to illustrate how attention, may be viewed to explain how firms behave.

According to the behavioral theory of the firm (Cyert, 1963, March, 1976, Simon, 1947), attention is a scarce, yet vital, organizational resource. Problems of participant attention in the context of organizational ambiguity were identified. This early work however did not result in a structural model of how attention interrelated to the ambiguous organization.

“What happens is often the almost fortuitous results of the intermeshing and loosely coupled processes” (March, 1976: 26)

Organizational attention has been described by scholars as both an output (Simon 1947) and a process (Cyert, 1963, Ocasio, 1997). This duality Ocasio (1997) points out is why previous research has focused more on explaining than understanding organizational attention. The ABV model proposed by Ocasio (1997) is based on a number of constructs and mechanisms relating to the constructs. Both constructs and mechanisms are grounded in “existing cognitive, structural, cultural and strategy process perspectives on firm behavior” (Ocasio, 1997: 192).

The ABV model is built on three main principles; Focus of Attention; Situated Attention and Structural Distribution of Attention (Fig 1). Focus of Attention refers to how decision-makers select to focus on a subset of issues and answers, and this in turn leads to how they act. In part attentional focus is influenced by recognized routines and existing experience. Situated Attention describes how the situation and context decision-makers find themselves in elicit their attention and ensuing actions. Situated Attention also proposes that characteristics of situations rather than individuals drive attention and action. Structural Distribution of Attention illustrates how structures distribute and
control which issues, answers, communication and procedures are attended to. The firm’s communications and procedural channels may, even if only changed minutely, influence the outcome. Hence to understand organizational attention is not only understanding the focus of the attention of decision-makers, but also the contextual and underlying structural factors. These structures, distributed throughout the firm and prompting different attentional focus depending on local variations, were originally described by Simon (1947). Simon further described how decisions are not made in a specific forum, but are a result of a number of decisions and actions previously taken, on both an individual and organizational level. Recently Ocasio and Joseph (2005) extended the ABV model by examining how strategies are implemented. In this work they stressed not only the communications and procedural channels, but also the importance of governance channels to create sustainable strategy implementation. Thus, understanding organizational attention implies not only understanding the focus of the attention of decision-makers, but also the contextual and structural factors influencing the focus. However, Ocasio does not comment on how temporal factors influence implementation outcomes. Simons (1991) explored how top management maintains attention on strategic issues through control systems, either diagnostic or interactive. Diagnostic control systems are used to deal with strategic uncertainties and provide retrospective input. Amongst the diagnostic control systems are planning systems, budgeting systems, project management systems, human resource systems, cost accounting systems. Earlier research has suggested that top managers choose to use several of these systems in their diagnosis of performance (Simons, 1990). A limited number of control systems are used interactively. Interactive control systems are those where top managers use systems to foster successful product innovation (Simons, 1991). “Weekly Floor meetings” are on interactive control activity where managements’ personal and recurrent involvements in decisions by subordinates can take place. Recurrences and active involvement are characteristic for these systems. Interactive control systems provide real-time feedback and allow managers to interact with down-the-line groups and influence their attention person to person. Several of the above sources iterate the need for additional empirical data to provide understanding of the impact on implementation of attention-based views. In a recent article, Kaplan (2010) discusses how attention is gained either automated, like when encountering a rattle snake (executive functioning) or something we choose to focus our attention on (self-regulating). Self-regulated attention, where the individual forces oneself to pay attention to something, requires more effort for the individual. Less interesting issues, requires more effort to attend to (Kaplan and Berman, 2010).
3. **The Method**

Longitudinal studies provide opportunities to observe in-situ behavior over time, long-cycled processes and allow for iterative investigations and gathering of contextually embedded data (Arbnor, 2009). Combining sources of data, while moving between analysis and interpretation denotes triangulation according to Yin (1994). Qualitative case studies are commonly linked to interpretative (constructivistic) strategies providing opportunities to interpret and understand phenomena. Combining document reviews with data from both observation and semi-structured interviews provide possibilities for increased understanding of these phenomena. Longitudinal data is frequently found to be a subset to all actions at the subject during a study. Attempting to overcome this incomplete data set, several different types of methods of data collection have been used to add to understandings generated from the study and assure validity.

**Data Collection**

Empirical data has been gathered over a period of four years. Field notes were taken during: workshops, top management, project, general managers’ and line organization meetings. Semi-structured interviews were conducted to capture participant perceptions. In situ cascading of information and workshops relating to the eBIC implementation were attended, in part recorded and field notes taken to capture recipients’ reactions.

Data was collected during all phases in the project, from 2008 to 2011;

- 32 observed meetings and workshops, recorded (in part transcribed)
- 44 semi-structured interviews with managers and employees to capture managerial and down-the-line views and perceptions (>65% transcribed)
- Review of documentation relating to the meetings observed, project documentation, project team and top management newsletters to the NPD organization

The diversity of sources allows the researcher to address a range of attitudinal and behavioral issues (Yin, 1994).
Frame of Analysis
As frame of analysis the attention-based view, presented in this paper is used. Utilizing an ABV lens provides possibilities to both map and understand how implementation and outcomes were affected by top management attention as the case developed.

Transcribed data (meetings and interviews) and field notes were clustered, in part using NVivo software, into groups and sub-groups:

- Environment of decision (Ocasio, 1997)
  - Issues and answers
  - Attention structures
- Channels
  - Procedural
  - Communications
- Organizational moves
- Control Systems (Simons, 1991)
  - Direct
  - Interactive
- Expressed level of interest in eBIC project over time (Kaplan, 2010)

These clusters were chosen to aid the researcher to interpret and better understand data collected during the longitudinal study.

4. Case description
During the data collection period, the case study organization faced drastic cutbacks (25%). Simultaneously the need for innovation and new product development (NPD) increased. This prompted a decision by top management to reallocate management attention through restructuring the NPD operations to fit new conditions and to create innovative capacity. The organization was aware of the need to change and there were bottom-up demands for solutions.

An earlier improvement project within manufacturing had proven successful in reducing operational waste. It was decided by the NPD Management Team (in 2008) to use this project as a template for the strategic change initiative at NPD. The working name for the NPD project became “engineering-Best In Class” (eBIC). From design to implementation, the deadline for completion was less than a year.

“It was like sitting in a gigantic tumble dryer. Manufacturing had spent years on their project and we were doing it in under a year.” (Senior manager, 2010)

The scope of the eBIC project was more comprehensive and the savings were to be greater in comparison to the manufacturing project. eBIC’s mission was “to increase efficiency in NPD so as to create a sustainable and robust growth platform for the company – We are to deliver more products at today’s cost”. The stated goals were: “identify why previous initiatives did not succeed”, “to create a space for innovation”
and “to triple the efficiency by 2020”. The eBIC project was tasked to eliminate activities that would not add value and to re-design NPD to fit a stand-alone situation.

A project organization was created led by the eBIC core team, and consultants were hired. Initially, on the operational level the eBIC project was planned to be performed by the external consultants until handover (fig 2). However, due to a critically poor financial situation, the consultants were forced to leave prematurely at the end of the Design phase. Another consequence of the financial situation was that short-term gains received increased attention at the expense of long term solutions.

Figure 2 Project phases and Time plan eBIC (internal documentation, 2008)

During the project, top management attention to eBIC took attention away from other obligations including industrialization projects. Two days a week was devoted to the project during the diagnostic, design and part of the implementation phase. The consultants had free access to the NPD top management team. A range of meetings were held behind closed doors during the diagnostic and design phases despite an articulated intention for a transparent process. After conclusions were drawn by top management and the eBIC team, a period of designing the new operations model (NOM) for NPD followed. This new design was during the second half of the project to be implemented, resulting in increased innovative capability and productivity.

Diagnostic Phase

The case company has a culture driven by a strong brand, dedicated employees, participation and consensus. However, the company also has a negative track-record regarding successful implementation of organizational change projects. This was recognized by top management who requested causes to be identified during the diagnostic phase.

As input to eBIC’s diagnostic phase, the consultants were tasked to interview a number of managers selected by the top management team. In addition the consultants passively attended and observed existing meetings, and reviewed current processes and decision structures.

Among the failure modes found were: local variations between departments’ processes and procedures relating to decision making, double report structures, cumbersome it-systems, unclear lines of command causing multiple iterations of rework and superfluous diagnostic control systems. These inadequacies caused divergent attention focus within NPD.
We have loads of stops, loads of stations for correction and rework leading to the guy moving away from his station to get the parts or attend a meeting. We can’t afford this waste and level of re-work.” (Consultant, in workshop, 2009).

News letters from the NPD director now started to mention the project only without details while the eBIC team launched their intranet page and started to communicate what they internally called “the eBIC philosophy” to prepare the organization for the coming changes.

**Design Phase**

Top management continued to devote time and attention on eBIC during this phase. A tangible promise communicated by eBIC early during this phase was to increase available man hours for engineering by eliminating waste. An average of four hours per week and engineer was to result from less re-work, limiting required meeting attendance and waste from double report structures.

Based on findings from the diagnostic phase, a new operations model was designed to resolve issues identified. The old meeting and decision structures were convoluted and hard to comprehend and describe also by insiders, and commonly referred to as “the nuclear plant”. The eBIC solution was to change and clarify lines of command through a simplified governance structure. This was achieved by redesigning meeting structures, meeting agendas, when they were held and who were to attend these meetings. The line of command was changed from the current state between line and program organizations, re-distributing command over resources and vetoes between the two.

Late in the design phase implementation-leaders were assigned, chosen based on being well established managers or silent leaders. Their task was to adopt and cascade information and presentations from eBIC down in the organization, similar to a “train-the-trainer” concept used by manufacturing. As the phase progressed, attention to eBIC increased during senior managers meetings. Initially this focus was on eBIC philosophy but later more on solutions. The eBIC intranet continued to communicate the philosophy and select information on solutions and pre-runners.

Among the many solutions developed by eBIC during the design phase are; Simplified Governance, Utilization Management, The Factories, Organizational and Product related Contracts, Dashboard solutions, Standardized Organization including roles and responsibilities, Hand-over between Factories, Lean Concern process, Obeya rooms for each program and Hand-over between Factories.

**Implementation Phase**

The proceedings and content of the implementation phase was developed by the consultants prior to their departure as agreed on in their original contract. A number of communication waves, “cascades”, were designed to disseminate the eBIC philosophy and solutions in detail to the organization in a sequential manner. Implementation leaders were assigned to the different line and programs to cascade the pre-prepared materials. The language used in eBIC was closely related to that in a factory. Engineering was described in manufacturing terms as “the main line in the factory must run smoothly”. The expected outcome after this phase was implementation of all solutions provided by the project and that ownership of solutions was transferred to the organization.
5. Case Analysis

Early, during the study of the eBIC project, constructs from an attention-based view were noticed as attention to attention was explicit as illustrated by the quotes below.

“Never in the history of the company has a change project been given so much (top-) management attention throughout” (NPD director, 2009)

The crisis was widely recognized in the company and had led to a significant change in the Situated Attention.

“Everyone understood this was a case of do or die, and dying was clearly not an option.” (NPD Communication Manager, 2010)

Kaplan’s (2010) research on self-regulation of attention and effort required for action provides insights to how the crisis influenced attention. The serious crisis the company was facing caused a self-regulated response to stimuli among management and staff as interviews and observations show.

Poor communication causing poor attentional focus was found to be a major causal factor for previous change projects to fail. To overcome this, the top management team requested a comprehensive communications plan to be developed for the project. The eBIC communication plan had a clear top-down approach. The procedures and how the communication plan was disseminated, was designed using the previous manufacturing project as template, combined with input from the consultants.

“We had never before put so much effort into communicating a project as we did with eBIC” (Core team member, 2009)

Overall progression and development of the project was accessible to staff via the corporate intranet. In all channels used for communication management, motivated their attentional focus on the eBIC project.

“It was hard in the beginning of the project, we had to write our bulletins (on the intranet) every week, but we really had nothing tangible to write about.” (eBIC core team member, 2010)

“They (top management) communicated from early on. But it was really fuzzy and hard to understand.” (Project Manager, 2010)

Interview data indicate this fuzziness in the early stages of the project to have negatively influenced later attention. Solutions provided by eBIC can be interpreted as intentions to change the organizations’ Structural distribution of Attention. The new operations model reduced the available repertoire of issues and answers by standardizing roles, responsibilities and procedures. As Yu’s (2005) research illustrates as firm’s structures change, attention changes, resulting in significant implications for the strategic direction of the firm.

Consequently the isolation, in which the top management team acted, resulted in limited performance feedback and organizational learning as found in the ABV model. This in turn progressed to a divergence between perceived environments between top-management and down-the-line managers. This divergence is also illustrated by a gap between where top management attention was focused and where down-the-line managers expected their (top management) attentional focus to be. Comments from a survey performed by the company, following a senior management meeting during the implementation phase in 2009, illustrate the gap in attentional focus:
“The meeting clearly illustrated the gap between top management and operational managers. There is 100% agreement that NPD needs to be more efficient, but I don’t believe eBIC will give us this. Top management has to realize where the real problems are and that it is these eBIC has to solve.”
(Senior Manager, corporate survey following workshop 2009)

Top-management failed to explain the eBIC philosophy, the analysis and resulting eBIC solutions to operational management, causing skepticism among down-the-line management in eBIC to deliver the required gains and attentional changes.

“What eBIC presented was so far away from what we needed. And the SWOT analysis they said they based it on we never got to see.” (Manager, 2011)

Additionally, promises made early in the diagnostics phase to project management were not carried out:

“We were promised a change that would on average cut 4h/week in waste for the engineers, but the project turned out to do nothing about our double report systems where we often have to manually feed the systems. It only focused on the management as it was only managers interviewed (during the diagnostic phase)” (Operational Manager, 2009)

The new structures were something several managers did not even want to hear about. As a consequence of the proposed new meeting structure, a large number of managers and staff, who used to be directly involved in decisions, were now outside the formal decision-meetings, causing additional attentional deficit and resistance.

“Everyone wants to show their importance by attending as many meetings as possible and act as if they have a veto in each and every one” (Senior Manager, 2009)

The intentional use of manufacturing terms on NPD activities and actors and failure to anchor the philosophy behind this, is found to be detrimental based on research data. Communicated and promised outcomes, without tangible solutions and later failing to deliver on said promises cause both loss of credibility and attention.

“Despite all the top management attention, it was the worst implementation I have ever been forced to do. I did not have my lower ranks with me and I had underestimated the problems this would cause.” (Top Manager, 2011)

Top management attentional focus was affected by the isolation in which they had acted. This in turn caused communication packages presented for cascading to be based on incorrect assumptions on what level abstraction would fit the recipients. Due to the sheer size and volume of communication packages to be cascaded, implementation leaders found it difficult to know where to focus attention.

“Darn it, the material we were given could be presentations with more than fifty slides (to be presented in ten to fifteen minutes, author’s note) and a lingo that rubbed engineering the wrong way!” (Implementation Leader / Manager)
The extensive use of manufacturing language raised animated feelings during both presentations and workshops.

“Who are you (consultants and core team) to come here and talk to us as if we were blue-collar workers on an assembly-line? That we are just operators and maintenance crews in a factory, to stop thinking and just do what we are told!?”
(Project manager, during eBIC cascade workshop, 2009)

This use of language shifted recipients’ attention from eBIC solutions to that of semantics. To meet this confusion amongst recipients, a nomenclature list was developed by the eBIC team. Many of the sixty words in the list previously existed but had been given new meaning.

“There were a lot of new words for the same thing and old words for new….it takes energy to learn these words and you lose attention when they (eBIC implementation leaders) present. It takes time and effort both for me and the rest.” (Section Leader, 2010)

Top management achieved to use their own attention to drive the organization’s attention to the eBIC project. Yet, they failed to achieve buy-in from down-the-line managers to many of eBIC’s solutions. This became evident late in the design phase of the project when fuzziness described earlier was replaced by tangible propositions. eBIC’s mission to increase output from the fixed resource base by increasing efficiency in operations to create space for innovation and NPD was to be the end result of the project.

However, of the many solutions, only a limited number has been implemented at this time. Contractual procedures and hand-over between factories have been introduced. Clarification of roles, responsibilities and content of programs between product planning, program management and line organizations have by all parties been seen as beneficial.

“Monday Morning Meetings” (MMM) are held by all program “factories”. These are short interactive control meetings where all staff from each “factory” meet and highlight issues for the coming week. Top and senior managers visit different MMMs from week to week. The aim of MMM is for the factories to “run smoother”, for top managers to both get real-time feedback on project’s status and to foster organizational behavior, and actively interact with down-the-line managers and staff.

Among solutions in part or fully rejected are the proposed new governance, Obeya rooms and utilization management. Reasons provided by interviewees and observations show on solutions being too complex, lack of resources or far removed from actual operational needs.

The eBIC project over time lost attention from down-the-line managers. This is in part believed to be a result of excessive communication in early phases short on tangible content. Later also of urgent attentional needs from car projects causing eBIC to be perceived as less of interest. This brings us back full circle to attention being a scarce resource.
6. Discussion

One way to better understand attention as a driver is using the attention-based view. According to Ocasio (1997), moves available to decision-makers are the result of how the firm both formally and informally structures the flow to and from its decision-makers. Consequently, the select input during the diagnostic phase and the way top management chose to disseminate fuzzy information down-the-line, significantly limited moves available to eBIC’s decision-makers in the design phase. This caused limitation to top management’s repertoire and attentional focus. Restricted to the extent that top management perceived a reality that was far removed to that perceived by down-the-line managers. This caused decision-makers to base their answers on issues not recognized by down-the-line management (fig 3).

Top-management “reality”

Down-the-line Mgmt. “reality”

Figure 3 Diverging realities (Ekelund, 2011, based on Ocasio, 1997)

“They (top-management) paid so much attention on the organizational change (eBIC) they lost touch with the organization….eBIC received too much attention.” (Implementation Leader, 2011)

Ocasio (1997) maintains that even small changes in communications and procedures may change the outcome of a project. The strict communications plan with one message-fits-all caused frustration and resistance in the organization. Material sent out to implementation leaders for cascading, was using a language removed from current use. Cascade packages were so extensive it was hard to find where to focus the attention. Following Ocasio’s reasoning the intentional use of manufacturing terms and the strict monologue, resulting from the closed-door policy are likely to have caused implementation issues.

However, the ABV model alone does not provide enough explanation to understand the outcome of top management attention as a driver and outcomes in this case. Adding Simons (1991) proposition of diagnostic and interactive control systems to retain attention adds further possibilities of interpretation and understanding. By adding direct and interactive control systems, the discrepancies in perceived realities experienced in the case would have caught top management’s attention focus earlier (fig.4). Gaps between expected and actual outcomes would be expected to lessen. Reaching expected outcomes would have been more likely when realities perceived by top managers and lower ranking managers converge as opposed to diverge.
By combining the perspectives of ABV and direct and interactive control systems new insights are gained. Slightly modifying and adding the aspects of Simons’ (1991) research, a development of the ABV model is feasible. Combining this with exemplifying empirical illustrations adds to the applicability for practitioners of an attention-based view to predict and understand how different factors influence implementation of strategic projects.

In this case, top management was initially seen to follow the steps of Ocasio’s original model as described. Due to the financial crisis and likely sale of the company the environment of decision was altered. eBIC’s structured procedures and communication plans ties into the ABV model and governed procedures later added by Ocasio and Joseph (2005). The top management team reiterated this loop, of changing environment and internal procedures and communications, until the resulting new operations model was cascaded down-the-line. These cascades of communications were to lead to the decided organizational moves. During the diagnostic and design phases, top management and consultants worked in isolation, as previously noted. Had they consciously followed an attention-based model with the proposed additional controls systems this would have resulted in a more comprehensive implementation of the new operations model.

Allowing for this combined perspective, top management attention as a driver is expected to allow organizations to reach expected. In those cases where actual outcome was not the expected adding interactive control system would highlight this gap in a timelier manner. The proposition would benefit from additional empirical data from other industries and contextual settings.

This paper furthers the understanding of how top-management attention used as a driver, influence strategic change projects during crisis by the analytic use of an attention-base view.

However the attention-based view omits longitudinal aspects of attention. Additional empirical research exploring how temporal factors and attention influence outcomes would be of use to actors in the field.

Furthermore, research adding aspects from self-regulating attention and action (Kaplan, 2010) to the existing ABV model would be valuable to both researchers and practitioners facing strategic change initiatives.
References


