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The role of top management team attention in new product introductions

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ABSTRACT

Individuals in high technology organizations inhabit four different "thought worlds" that shape their perceptions of the problems and opportunities facing the organization. Field people, planning people, technical people, and manufacturing people all have different patterns of allocating their attention and prioritizing issues. We theorize that some executives on the top management team (TMT) reflect the cognitive patterns of the areas that they represent; thus the representation of these thought worlds on the TMT ultimately affects how and when new products are introduced. This perspective integrates the concept of organizational thought worlds with the attention-based view, and we find that field people increase the introduction of products to existing markets while planning people increase products introduced to new markets. Manufacturing and technical people decrease products introduced to new markets. These findings increase our understanding of how the composition of the TMT affects the organizational-wide process of new product development.

1. Introduction

Research illustrates a variety of ways new products are valuable to organizations (e.g., Brown & Eisenhardt, 1995; Roberts, 1999) and related to firm performance (Katila, 2002). However, not all product introductions are the same (Gatti, Volpe, & Vagnani, 2015) since some products are intended to satisfy existing customers (e.g., Smith & Tushman, 2005) and others are intended to satisfy emergent customers (Brown & Eisenhardt, 1995). The distinction between existing and emergent customers is important for many reasons. For example, innovation focused solely on existing customers may be blind to the potential of new technologies and markets (Christensen, 1997). The timing and type of new product introductions (NPI) is an important strategic choice of the firm and one that scholars note is arbitrated by the members of the top management team (TMT) (e.g., Smith & Tushman, 2005). That is, new products may be conceived in a laboratory, but the subsequent processes required to launch it are subject to whether the TMT approves, delays, or even rejects taking the product to market (Greve, 2003). While we know that TMT members play an important role in determining which projects are launched rather than delayed or rejected (Dougherty & Hardy, 1996; Dougherty & Heller, 1994), we lack understanding of why these individuals decide to introduce selected products rather than others (Greve, 2003; Smith & Tushman, 2005).

We start with the attention-based view (ABV) of the firm (Ocasio, 1997), which suggests that TMT member decisions are influenced by the problems on which they must focus attention. That is, ABV argues that since managers have a limited ability to process information, there are only certain aspects of the organization that TMT members are tasked with overseeing. This focuses a TMT member's attention on the intermediate issues and tasks that are required to solve problems relevant to their assignments while avoiding those outside their oversight (Simon, 1947). Selective attention can yield sharper perceptions and task-relevant solutions because TMT members can leverage previous experiences (Dearborn & Simon, 1958). However, selective attention can also leave managers with blind spots (Ocasio, 1997) since these individuals cannot direct attention toward all possible organizational aspects (Simon, 1947). Rather, TMT members must focus attention on certain organizational aspects to the exclusion of others (Chen, Bu, Wu, & Liang, 2015; Cho & Hambrick, 2006). Given that firms are complex and that TMT members are tasked with overseeing only a particular set of tasks and employees (Menz, 2012), the tasks and individuals that the executive oversees will likely affect their view toward NPI.

Dougherty (1992) demonstrates that there are four distinct parts of the organization that affect product innovation and that the individuals in these parts of the organization develop their own "thought worlds" or ways of thinking about new products. Thought worlds are collective constructs that characterize the way that different specialists in an organization prioritize information and communicate among themselves. We theorize that the focus of attention of some TMT members is influenced by the type of specialists they oversee. Thus we propose that the representation of these thought worlds on the TMT influences the type and timing of new products brought to market.

Most work on TMTs builds on upper-echelons theory (Hambrick & Mason, 1984), focusing on how individual cognitive biases related to

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demographics or functional backgrounds affect processes within TMTs. This work also typically focuses on either a single executive or executives in aggregate (Finkelstein, Hambrick, & Cannella, 2009). We instead use ABV to explore how four different ways of thinking related to new product development are integrated within the TMT (Dougherty, 1992). Rather than focus on the diversity or balance of these perspectives, we argue that the representation of each thought world affects NPI.

2. Conceptual framework and hypotheses

Attention encompasses both noticing stimuli (i.e., problems, opportunities, threats) and subsequently focusing time and effort on responding to stimuli requiring response (Ocasio, 1997). A critical concept of attention-based theories is selective attention: because it is not possible to direct attention on all possible stimuli, decision makers must focus on select stimuli at the expense of others (Simon, 1947). Organizations affect the stimuli to which individuals pay attention by structuring organizational tasks so that any particular individual is only concerned with a small subset of issues facing the organization (Ocasio, 1997). Attention, then, is shaped by how the organization allocates issues for decisional oversight because these allocations provide structured stimuli related to assigned duties (Cho & Hambrick, 2006).

We explore how top managers affect the direction of NPI by building on the idea that the new product development process requires coordinating many organizational parts. Individuals in different organizational parts adopt distinct thought worlds, or systems of meaning, that affect information perception and activity prioritization (Dougherty, 1992; Geletkanycz & Black, 2001). While different thought worlds are consistent within distinct organizational parts (e.g., manufacturing or sales), they lead to differing perspectives among top managers who must coordinate time and resources allocations for product development. While managers at all levels influence product development processes, information is integrated and alternatives are enacted by the TMT (e.g., Daft & Weick, 1984; Hambrick & Mason, 1984), particularly NPI (Smith & Tushman, 2005).

Organizations filter information that reaches decision makers by assigning them oversight of specific tasks (Simon, 1947), creating structural barriers affecting both informational flow and interpretation (Daft & Lengel, 1986; Daft & Weick, 1984). By departmentalizing activities and goals, structural barriers determine what information each executive receives (Dearborn & Simon, 1958; Ocasio, 1997). In addition, departmentalization also creates separate communities of unique social and cognitive inventories associated with fulfilling each department's role, further directing individuals' attention and interpretations (Raes, Heijltjes, Glunk, & Roe, 2011). Each organizational community develops a distinct thought world, which is "a community of persons engaged in a certain domain of activity who have a shared understanding about that activity" (Dougherty, 1992, p. 182), and these thought worlds affect attentional distribution among activities.

Thought worlds influence both the information to which individuals attend as relevant and how information is subsequently interpreted because individuals develop specialized "funds of knowledge" and "systems of meaning" associated with their particular thought worlds (Dougherty, 1992; Geletkanycz & Black, 2001). The concept of thought worlds incorporates both individual attentional relevance and subsequent interpretation and was originally used to understand the interpersonal collaboration of individuals filling different NPI roles (Dougherty, 1992; Dougherty & Heller, 1994); thus we draw upon these specifications to argue that since the ultimate decision to launch a product lies with the TMT, the representation of each thought world on the TMT affects NPI.

NPI processes necessitate changing existing routines and deciding which knowledge to integrate from various organizational parts (Lubatkin, Simsek, Ling, & Veiga, 2006). Both cognitive activities ultimately occur at the TMT level (Brown & Eisenhardt, 1995; Smith & Tushman, 2005). It is at this level that thought worlds likely have the most impact on the decision to delay or launch a product to a certain market.

The thought worlds concept originally described how different ways of thinking developed in different parts of the organization (e.g., Dougherty, 1992; Dougherty & Heller, 1994). We argue that these thought worlds influence the TMT to the extent that TMT members are assigned responsibility to these different parts of the organization. When such a responsibility is assigned to a TMT member, daily interaction creates familiarity with the thought world, supervision directs attention to the issues and opportunities emphasized by the thought world, and responsibility for managing those personnel increases the salience of the interests of the thought world. For example, Menz (2012) notes that some firms utilize chief marketing officers (CMO) who supervise personnel associated with branding, communications, customer service, merchandising, and sales, each of which Dougherty (1992) would classify "field people." If a CMO is a member of the TMT, the concerns of the "field people" will be more represented on the TMT than if no TMT member is assigned responsibility for marketing. Almost 40% of our sample firms have no TMT member assigned to marketing. Dougherty (1992) identifies four distinct thought worlds within organizations, all of which are related to NPI: technical people, field people, planning people, and manufacturing people.

Previous work examines how TMT diversity provides multiple perspectives that affect organizational outcomes. (For related reviews, see Finkelstein et al., 2009; Johnson, Schnatterly, & Hill, 2013.) For example, TMT demographic diversity is shown to increase both decision conflict and quality (Finkelstein et al., 2009). Although TMT diversity research involves cognition-based arguments, our emphasis on thought worlds differs from prior research in multiple ways. First, recent calls seek investigations of what issues are most salient to executives (Adams, Licht, & Sagiv, 2011; Cho & Hambrick, 2006; Marcel, Barr, & Duhaime, 2011), as such factors are likely relevant and proximal predictors of outcomes (Lawrence, 1997; van Knippenberg, De Dreu, & Homan, 2004). We lever thought worlds to move beyond group-level predictions and better understand particular biases within the group. Second, and related, most extant TMT research either investigates the effects of only one executive or aggregates multiple executives into a group; however, scholars criticize such approaches as both unrealistic and undersocialized since multiple individuals and viewpoints within a TMT likely affect organizational outcomes (Hambrick, 2007; Jensen & Zajac, 2004; Menz, 2012). Thus, looking at aggregate diversity may miss nuances involved with multiple, differing perspectives. Although prior research is illuminating, more detailed investigations addressing these two concerns provide an opportunity to advance understanding of how TMTs influence NPI. We approach this by focusing on how different thought worlds on the TMT affect NPI; in so doing, we attempt to achieve a more granular distinction that more fully captures the different biases specifically related to the tasks and thought worlds inherent to NPI. We now describe those biases and the thought worlds they inhabit in relation TMT members involved in NPI.

2.1. The introduction of new products

Not all NPI are intended for similar purposes (Benner & Tushman, 2003; Christensen, 1997; March, 1991). Differentiation exists between products intended to meet "existing" customers' needs and those intended to meet "emergent" customers' needs (Christensen & Bower, 1996). Markets in which the organization currently has customers are referred to as "existing," while markets in which it currently lacks customers are referred to as "emerging." Importantly, the terms "emerging" and "existing" are from an organizational perspective such that markets are considered "emerging" if the market has potential customers not currently served by the organization and "existing" if the market contains current customers. As such, existing markets for one organization may be emerging markets to another and vice versa.