The Attention-Based View of Great Strategies

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ABSTRACT

For the attention-based view the origins of the ideas behind a great strategy are less important than the ability of the organization to sustain focused attention in developing, implementing, and elaborating good ideas into a distinctive strategic agenda for value creation. We propose that the transformation of ideas into a great strategy is shaped by the firm’s identity and corresponding patterns of organizational attention. Furthermore, great strategies focus attention on creating value for the customer—through its value proposition and business model—relative to capturing value for the shareholders. Finally, we propose that great strategies emerge from a focused, strategic agenda communicated and distributed throughout the organization. We illustrate our propositions by comparing Apple and Motorola, which began with similar ideas for developing a strategy for seamless integration and seamless mobility, with smartphones as the digital hub. Apple sustained focused attention on transforming the ideas into the great strategy and business model behind the iPhone, while Motorola did not focus or sustain attention throughout the organization on developing its original ideas, leading to strategic failure.
The attention-based view of the firm (ABV) (Ocasio, 1997; Ocasio and Joseph, 2005) has influenced research in a variety of areas in strategy and strategic management, including strategy process, technology strategy, mergers and acquisitions, growth, entrepreneurship, and global strategies. As a behavioral perspective on strategy, the emphasis in both theoretical and empirical work has been on explaining strategic behavior, decision-making, and adaptation, rather than offering normative perspectives on superior or effective strategies or on firm performance.¹ Here we begin to address this gap, by focusing the ABV on the subject of this special issue: where do great strategies come from? For the ABV, a firm’s (implicit) strategy is the pattern of organizational attention, the distinct focus of time and cognitive effort by the firm on a particular set of issues: problems, opportunities, and threats, and on a particular set of organizational activities and initiatives (Ocasio, 1997, 2011; Ocasio and Joseph, 2005). ABV does offer some orientation of how attention shapes effective strategies:

The accurate planning and performance of strategic actions and the speed of their execution require that individual and group decision-makers concentrate their energy, effort, and mindfulness on a limited number of issues and tasks. Successful strategic performance thereby requires the sustained focusing of attention and effort associated with controlled attentional processing. (Ocasio, 1997: 203)

Accordingly, superior strategies require focused and sustained attention on a limited number of issues and organizational activities—the firm’s strategic agenda. Which issues and which activities make great strategies and where do they come from? In this paper, we offer a set of principles, from an ABV perspective, to explain how strategic agendas are likely to lead to great strategies and how they are created and sustained.

**What is a Great Strategy?**

In defining strategy as a pattern of attention, the ABV suggests every firm develops a

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¹ One exception is work on multinational enterprises (Bouquet, Morrison, and Birkinshaw, 2008), which shows a curvilinear inverted U effect of international attention on firm’s financial performance.
strategy. This includes strategy that emerges from both deliberative activities of strategy formulation and decision-making (Ocasio and Joseph, 2008) as well as from recurrent adaptation and change from original decisions in response to market and organizational realities (Joseph and Ocasio, 2012; Ocasio, Laamanen, and Vaara, 2017). From an ABV perspective, superior foresight is neither necessary nor sufficient in the development of a strategy. What yields a realized strategy is not the original idea, plan, or intent, but the strategic agenda that ultimately emerges, a pattern characterized by a certain degree of consistency, compatibility and coherence in attentional focus.

A firm’s strategic agenda gives priority to a particular set of action alternatives that shape the selection of markets and customer segments, the range of product and service offerings, the firm’s value propositions, firm pricing and cost structure, the development, acquisition, and deployment of assets and capabilities, the development of alliances and partnerships, and responsiveness to competitors. The resulting strategy reflects not only a configuration of prior strategic choices (cf., Rivkin, 2000), but also a coherent agenda for continuing strategy development and elaboration.

Viewing strategies as agendas highlights their dynamic nature. The range of a firm’s strategic agenda is inherently broad and complex and continuously evolving. A focused pattern of attention regarding strategic alternatives not only economizes on cognitive resources and simplifies decision-making processes (Simon, 1947, Cyert and March, 1963), but also limits, at least partially, political conflicts (Nelson and Winter, 1982), and facilitates the coordination of strategic decisions and implementation between different levels, business units, and functions throughout the firm and over time in support of value creation (Ocasio and Joseph, 2005; Joseph and Ocasio, 2012; Joseph and Wilson, 2017).

While the elaboration of novel ideas into a focused strategic agenda is necessary for a sustainable strategy, this is insufficient to characterize a strategy as “great.” Great strategies result in distinctive customer offerings, resources, and capabilities, all traditional sources of competitive
advantage. In particular, as we elaborate further below, great strategies reflect distinctive ways of providing value for the customers. However, the ABV implies that the origins of the ideas behind a great strategy are less important than the ability of the organization to transform the ideas into a focused pattern of organizational attention (i.e., agenda) that guides decision-making. Instead of emphasizing the quality of the organizational idea for value creation, an ABV of great strategies foreground the sustained focus of attention in developing, implementing, and elaborating good ideas into a great strategy.

**Smartphones and the digital hub strategy: Apple vs. Motorola**

Apple’s digital hub strategy for the iPhone, widely recognized as a “great strategy,” was an emergent strategy. Its individual components were not particular novel, nor did Apple invent them nor was it, in many cases, the first to adopt them. The first smartphone was commercialized by IBM in 1994, but abandoned a within a year (Merchant, 2017). The convergence of communications and computing technology integrating voice, audio, video, animation, and data was widely recognized by computer scientists in the mid 1990s (Messerschmitt, 1996). Despite starting with similar ideas, only at Apple emerged a great strategy.

By the late 1990s, both Motorola and Apple built on existing ideas and pursued similar strategies of seamless integration of voice, data and internet access. For Apple, early iterations of the strategy concerned making the firms’ suite of products internet-accessible. Apple referred to it as their internet strategy as reported in their 10Ks during the period: *Apple's Internet strategy is focused on delivering seamless integration with and access to the Internet throughout the Company's product lines* (Apple Annual Report, 1996). By 2001, the internet strategy had become a digital hub strategy which put the PC (Mac) at the center: *The Company believes that personal computing is entering a new era in which the personal computer will function for both professionals and consumers as the digital hub for advanced new digital devices such as digital music players, personal digital assistants, digital still and movie cameras, CD and DVD players, and other electronic devices* (Apple Annual Report, 2001).
Linking the digital hub strategy with the idea of mobility did not emerge until much later, concomitant with efforts to enter the mobile phone market, where Apple was a late mover. Steve Jobs, faced with concerns that smartphones with the ability to download music would overtake its iPods, entered into a joint venture with Motorola to develop the ROKR phone, introduced in 2005. The phone was not successful but Apple proceeded with multiple competing internal initiatives to develop what later became the iPhone, introduced in 2007. Apple subsequently refined its business model for the iPhone, opening it up its iOS operating system to software and applications developers (Merchant, 2017).

During the same period, Motorola’s strategic intent was to develop seamless mobility integrating communication, data, and information across home, office, and businesses, but these ideas did not shape the corporation’s strategic agenda or its realized strategy, Motorola focused instead on the strategic agenda of its individual business units and their products which were already providing internet access through products such as cable modems. Motorola focused on the infrastructure side of internet access – providing wireless and broadband access to enable seamless connectivity. By 2000, this had also translated to a “hub” strategy with emphasis on the home as the hub: The home of the future could have multiple TVs, phones and personal computers doing high-speed Internet access simultaneously – all connected to home hubs from Motorola that provide the interfaces to broadband cable systems (Motorola Annual Report, 2000). Motorola further reinforced its home hub strategy with a series of acquisitions strengthen their strategic position. In particular, they acquired General Instrument Corporation, a major U.S. manufacturer of digital cable set-tops and combined it with the unit manufacturing cable modems to create a Broadband Communications business unit (later Connected Home).

Motorola’s home hub strategy, which emphasized the infrastructure underlying seamless integration, gave way to their seamless mobility strategy in 2004, with the intention of emphasizing the customer experience side of integrated products (i.e. integration between the home, the car and the phone). The firm centralized across multiple divisions and reorganized into
four business units—Mobile Devices, Networks, Connected Home, and Business Enterprise—with the explicit intent of pursuing the CEO’s seamless mobility strategy (Gardner, 2004). Yet the four core businesses continued to pursue their own strategic agendas with limited attention to seamless mobility. For example, the Mobile Devices Business unit was a separate business unit based in Libertyville, IL with little, if any shared agendas with the Broadband unit which was based in Horsham, PA. The structure of the firm prevented seamlessness internally as the two units maintained distinct, and somewhat conflicting customer bases, technologies, value propositions and business models. The divergent tales of Apple and Motorola with respect to their focus, or lack thereof, on seamless mobility strategies illustrates how the strategic ideas themselves and their origins, are less important than the focused elaboration and implementation of the initial original ideas, as we further discuss this below.

**How does Attention Shape Strategy?**

To further elucidate the ABV perspective on great strategies, we offer a series of propositions:

1. **Great strategies emerge from the sustained focus of attention on distinctive ways to create value for the customers.**

Great strategies are engines of long-term wealth creation for the firm and its coalition of stakeholders (cf., Cyert and March, 1963). Effective strategies require a sustained focus of attention on a coherent strategic agenda. We propose that what makes a strategy great is generative of a distinctive way of creating value for customers—the firm’s value proposition. Focusing sustained attention on to the firm’s value proposition--the set of benefits or values that a company or brand promises to deliver to consumers to satisfy their needs (Kotler and Armstrong, 2012) is thereby critical. More specifically, the strength, distinctiveness, and superiority of the firm’s value proposition is central to great strategies. From an attention perspective, the realization of great value propositions does not come from the original idea, even when explicitly articulated through strategy formulation, but through sustained focus on how the value proposition is elaborated and implemented through the business model and across time.
Attention to the business model activities underlying the value proposition promotes greater consistency in decisions across functions, markets and products, issues and initiatives, and the alignment of external and internal players. Such consistency in decision-making allows for more efficient and effective coordination and ensures that decisions are not mutually destructive. Since business models cross firm boundaries (Zott and Amit, 2007) and function as a system of activities (Siggelkow, 2001), these consistencies and the coordination which it provides for is especially important for supporting of creating and delivering value to customers.

Illustratively, whereas decision-making at Apple was guided by Jobs sense for its distinctive value proposition, decision-making at Motorola was hampered by multiple value propositions and business models across its various divisions. Connected Home sold set-top boxes (DVRs) to cable companies such as Time Warner, and their value proposition to them was building technology to order, and to ensure conditional access to content (e.g., limiting HBO access to subscribers only). Mobile Devices sold cellular phones to the telecom operators, and their value proposition was to enable the operators to increase revenue through services (i.e. operators did not make much economic profit from the phones). Mobile device unit managers were therefore concerned that the carriers would object to mobile phones that connected through the home’s set-top boxes and modems and not via the operator’s network. As a result, Motorola was ultimately unable to establish connectivity between its own products, and truly offer customer a seamless mobility experience.

2. Great strategies draw on a firm’s identity, which fosters focused and sustained attention on strategic agendas.

An ABV view of great strategies emphasizes a firm’s identity in shaping firm’s focus of attention and strategic agendas. A firm’s identity reflects how both external constituents and organizational members perceive an organization (Tripsas, 2009). The firm’s identity serves to provide members with the answer to question such as “Who are we? What kind of business are we in?” Importantly, identity brings commonality to the focus of attention between
organizational members, and is a critical determinant of the firm’s attentional perspective (Ocasio, 2011). Our reliance on the concept of identity and its connection to strategy harks back to Selznick’s (1957) closely related concept of organizational character. For Selznick, organizational character or identity,\(^2\) is a product of historical experiences of the organization; emerges from the functional adaption to the firm’s internal and external environment; and it is dynamic, leading to modification and growth at critical junctures. From this perspective, and ours, identity is a source of the firm’s distinctive competence, embodied in its institutional commitments, and recurrent patterns of decision making.

The transformation of ideas into a great strategy is shaped by the firm’s identity and corresponding patterns of organizational attention. A firm’s identity and attention patterns must not only focus inward, on organizational competencies and capabilities, but also on customers and markets. Recently, ABV research has begun to examine how patterns of attention shape strategies to successfully compete in the market (Rhee, 2016; Joseph and Wilson, 2017). Consequently, a firm’s identity comes to shape and reflect the scope of the firm’s product offerings and how it distinguishes from and competes with other firms with similar products offerings.

In very general terms, Apple and Motorola shared a common identity as product leadership companies. But in many other ways their identities were quite different. Apple’s strong organizational identity was based on the design and development of great products, which aimed to change the world. The focus on digital design, the obsessive attention to enhancing customer experiences, not only meeting their expectations, but delighting and surprising them, was not shared in the same way by Motorola, which had a more traditional identity as an engineering company, focusing on superior technologies, rather than the customer value derived

\(^2\)Selznick actually uses the term identity to describe the process of character formation and institutionalization. “Organizations become institutions as they are infused with value that is not prized as tools alone but as sources of direct personal gratification and vehicles of group integration. This infusion produces a distinct identity for the organization. (1957: 40)
from those technologies. These differences in identity explain, at least in part, the different agenda by which Apple and Motorola elaborated their product strategy. Motorola developed and marketed smartphones, such as the A1000 with many of the product features of the iPhone, but without the attention to design, quality, and distinctive customer experience, which were critical to Apple’s success.

3. **Great strategies favor focused and sustained attention on value creation relative to value capture.**

   Our ABV approach to great strategies puts emphasis on the business model’s capacity to create and capture value as it relates to the behavioral theory of the firm, a predecessor to ABV (Gavetti et al., 2012). While the concept of value is not explicitly discussed by Cyert and March (1963), the BTF can be interpreted as a behavioral theory of value creation. For BTF, the firm is a political and economic coalition (March, 1962) and the sustainability of the firm requires that the component members of the coalition—customers, suppliers, employees, shareholders, debtors—obtain sufficient benefits to remain a part of the coalition—i.e., value, from the coalition to maintain the participation and contribution to the firm. The theory is an extension of the Barnard-March-Simon inducement contribution theory (Barnard, 1938; March and Simon, 1958) where participants in the coalition must be induced to participate by obtaining both monetary and non-monetary value. The theory does not assume shareholder value maximization—only that shareholders’ aspiration levels be satisfied.

   While satisfaction of stakeholders’ aspirations is necessary for sustainable strategies, otherwise strategic adaptation and change is required (Cyert and March, 1963), it is insufficient to characterize it as “great.” Great strategies generate economic rents not only for shareholders, but economic surpluses for stakeholders overall, particularly focusing on customers but also for other stakeholders such as suppliers and employees. Great strategies also require that stakeholders’ surplus value be sustained over time; this necessitates that great strategies generate sustained growth and innovation.
While traditional economic models of strategy focus on superior value capture and appropriation (Brandenburg and Stuart, 1996), an ABV focus notes that a focus on value capture may come at the partial expense of value creation, some of the value which may be captured and delivered to other stakeholders (Jacobides, Knudsen, and Augier, 2006). If firms focus attention on value capture and appropriation instead, the long-term path to sustain value is likely to be limited, as growth and innovation may be sacrificed.

Motorola’s relative focus on value capture vis-à-vis the telecom operators stood in contrast to Apple’s value creation focus in its negotiation with AT&T. That is rather than a focus on innovation and growth, Motorola was focused on a zero-sum-game of value capture with the operators across features and products. Zander famously said, *I love my job. I hate my customers*, referring to the telecom operators. *It translated into a model that said unless the customer is pounding their fist on the table for it right now we are not going to do it. It’s built into the culture* (Motorola Interview). However, Apple in exchange for granting AT&T exclusivity, gained favorable terms from AT&T, which was trying to combat Verizon and Sprint and focused on a single high margin product: the iPhone.

4. **Great strategies emerge from a focused, strategic agenda communicated and distributed throughout the organization.**

From an ABV perspective, great strategies are not about developing great ideas, which may or may not succeed, but about how ideas become part of focused and sustained strategic agendas in the organization. What becomes a great strategy is a joint product of the internal and market selection environment, where attention patterns shape internal selection and competition shapes market selection (Joseph and Ocasio, 2012).

The internal selection environment and the markets chosen in which to complete reflect coherence in the interactions and discussions of the strategic agenda and its execution. This coherence is largely achieved through integration of attention through the firm’s communication channels (Joseph and Ocasio, 2012) and the communication which occurs between organizational
members within the channels (Ocasio, Laamamen, and Vaara, 2017). Coherence throughout the organization’s channels may avoid ambiguities regarding the interpretation of opportunities and threats and provide a consistent understanding of what solutions should look like (Kaplan and Tripsas, 2008; Rerup, 2009).

At high levels of attentional coherence, there is little confusion as to what initiatives should be given effort and resources. With a common strategic agenda and attentional coherence, different functional areas and business units are more likely to channel resources to shared opportunities or problems, because there are fewer political advantages to not doing so. Corresponding solutions are likely to align with the interests and objectives of the corporation. Here the difference between Apple and Motorola stems from the differences in their organizational structures. Jobs presence and Apple’s functional organization could more easily align with a coherent agenda which would promote cooperation. Motorola’s multi-divisional structure made agreement on a common set of agenda items difficult and cooperation next to impossible.

We also add that the channels through which strategic agenda is communicated must include a focus on and discussion of key performance indicators (KPIs). KPIs have emerged as a critical performance indicator that serve as a source of motivation and attentional foci (Parmenter, 2015). KPIs provide the mechanisms by which firms monitor performance, not only through backward-looking feedback (Cyert and March, 1963), but also through forward-looking goals and strategies (Gavetti and Levinthal, 2000).

Here again, Motorola and Apple differ. Motorola focused on unit sales and volume of cellular phones, modems and set-top boxes. Apple focused on profit margin and earnings from value added services such as the app store. Motorola’s emphasis on volume reinforced activities that supported unit sales (though not always profitably) including offering substantial discounts on the RAZR. However, thin product margins combined with sluggish sales of subsequent products limited further investment in initiatives supporting the seamless mobility strategy.
Failure to meet subsequent aspirations shifted attention to cost cutting and major downturn at the company in 2007.

Managerial Implications

As noted by Ocasio (1997), ABV by itself, cannot provide a complete answer, but must be complemented by other strategic perspectives, as well as by the behavioral theory of the firm (Cyert and March, 1963; Gavetti, Greve, Levinthal, and Ocasio, 2012). Firm resources and capabilities are important, and are themselves determinants, in part, of organizational attention (Ocasio, 1997). But great strategies, typically require the development and acquisition of new organizational resources and capabilities, and are largely dependent on attentional structures and processes.

For managers or future managers, our ABV approach suggests that the key tools to achieving a great strategy include those that promote a focused and distributed focus on the elaboration of a distinct value proposition. This includes a clarity in organizational identity and integration of effort through channels of communication. Our emphasis on execution over a remarkable or novel idea, market position or resources suggest that great strategies are made (not borne), and that as much attention should be given to strategy process over the content of that strategy. Rather than finding ways to hatch a great idea, we would bet on a good idea, well executed.

Underlying our entire approach is the notion that emergent strategic agendas and the adaptive benefits they provide are what makes strategies great. That is a great strategy must at once reflect a distinctive identity and focused value proposition as well as the attentional focus and energy of managers over time and across the organization so as to allow for flexibility and new issues and activities to emerge. Our emphasis recognizes that great strategies are not monolithic concepts, but rather an agglomeration of issues and initiatives that when coupled together are realized as a flexible strategic agenda at the firm level.
Contributions

Our attention-based view of strategy offers a new lens on the origins and sustainability of great strategies for value creation. We depart from other organizational-level explanations such as managerial cognition (Helfat and Peteraf, 2015), routines (Nelson and Winter, 1982) or dynamic capabilities (Eisenhardt and Martin, 2000), and train our theoretical apparatus on the pattern of organizational attention distributed throughout the firm and its communication channels. In particular, we offer an organizational-level explanation for the way in which distinct patterns of attention within the firm (i.e. a realized strategy), create superior forms of value for organizational stakeholders.
References


March, 1962


