ADJUSTING ATTENTION UNDER TIME PRESSURE AND STRATEGIC CHANGE: THE MODERATING ROLE OF STRATEGIC ALLIANCES (INTERACTIVE PAPER)

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Ocasio (1997) argues that “what decision-makers do depends on what issues and answers they focus their attention on”. We develop this argument further by postulating that very frequently decision-makers have to (due to cognitive limitations) adjust the “zoom” of their focus, e.g., decide how narrow or broad their attention should be to a specific event or project. Specifically we probe how organizations manage the breadth of their attention, the “zoom”, in response to strategic pressures, such as time pressure (Kocher & Sutter, 2006; Rahman & De Feis, 2009) and strategic change (Cho and Hambrick, 2006) and how this zoom is enlarged or narrowed due to organization’s participation in strategic alliances. We investigate these issues in the venture capital setting where the issue of attention allocation among various portfolio projects at once is highly salient for Venture Capital Firms (VCFs).

Method

We test our hypotheses on a unique sample of data comprising 280 venture-backed companies. The data were collected via an extensive survey from general partners with respect to investments of their venture capital firms, VCFs’ financial reports, and public data. We use OLS regression with year and VCF fixed effects. Our dependent variable, breadth of attention, captures the number of areas a focal VCF provided advice in. Independent variables are measured as follows. Time pressure is a period of time (in years) that elapsed between VCF creation and initial investment in the focal company. Considering the limited lifespan of VCFs, the later the investment is made, the higher the time pressure is and vice versa. Strategic change is measured as a binary variable that takes 1 if a venture-backed company went through a significant change as reported by VCFs and 0 otherwise. Strategic Alliance or Syndication is a binary measure taking 1 if a focal VCF co-invested with other investors in the focal company and 0 otherwise.

Results and Implications

Our findings reveal that the higher the time pressure, the more narrowly focused the VCFs are; while the opposite is true for strategic change that is associated with broader VCF’s attention. Finally, we find that participation in a syndicate enables organizations to further narrow down their attention when under high time pressure, while this alleviating effect is not significant under strategic change. We believe that the results of this study provide a more nuanced understanding of the underline mechanisms influencing the distribution of managers’ attention.

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