Managerial attention on Business model innovation

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Existing state-of-the-art: In a fast changing and increasingly digital business environment, several industries face significant pressure to increase the rate and extent of innovation. While incumbents are accelerating their innovation efforts in response, they often struggle to make the necessary innovative leaps in their business models to stay ahead of new customer expectations and competition. The concept of the business model as a unit of innovation is quite new both in business and in management research. It involves innovation through: a) addressing new customer segments, b) offering new value propositions, c) capturing value in novel ways, and/or d) finding new ways of producing or delivering existing or new products and services to existing or new customer segments (Foss & Saebi, 2015).

Research gap and question: For business model innovations to be possible the company must make efforts in turning the attention of decisionmakers towards exploration of new opportunities. Because of its potential impact, this kind of innovation will typically require a higher level of formality in the decision process, early management engagement and top-management decisions (Foss & Stieglitz, 2014). It is therefore natural that the attention and actions of top management (i.e. management with decision responsibilities relevant for the shaping of future business models) are critical in securing business model innovation in a company. But, the attention of top management is a scarce resource. The hypothesis of the study is that certain characteristics of firm-level attention structures will play a key role facilitating business model innovation. With a clearer understanding of top-management attention, together with information on when, why and how certain actions of innovation are taken, a clearer picture of how attention structures facilitate business model innovation can be gained. The results of the study can be used to develop strategies for companies to enhance their business model innovation efforts.
Managerial attention on Business model innovation

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Abstract
In a fast changing and increasingly digital business environment, several industries face significant pressure to increase the rate and extent of innovation. While the incumbent companies are accelerating their innovation efforts as a response, they still struggle to make the innovative leaps in their business models necessary to stay ahead of new expectations and competition. For such business model innovations to be possible the companies must secure the attention of top management towards exploration of new opportunities in the environment. But, the attention of top management is a scarce resource, and so this study explores how a company’s influence on managerial attention may end up constituting facilitators or barriers in the initialization of business model innovation. Through a case study we find considerable evidence of organizational level mechanisms affecting the attention of key decisionmakers in this context. Moreover, we argue for a set of attention regulators and mechanism that have facilitating characteristics for business model innovations.
Organizational ecologists such as Hannan & Freeman (1984) and others, have argued that a shift in environment, as caused by new forms of competition, requires the organization to adapt as well. The companies that manage to adapt their business are more likely to survive longer and perform better (Helfat & Winter, 2011), while those that fail are more likely to end up downsizing, be acquired by others, or have to close down. Such environmental shifts are now prominent in many service industries where the current trends in digitalization and consumer behavior are having disrupting effects. One such industry is retail banking where new technologies, consumers’ preference for digital service, and regulations are challenging the status quo (Angelshaug & Saebi, 2017). This digital shift in services has allowed non-financial players, such as Facebook and Amazon to enter the arena of retail banking, threatening incumbents’ core business with novel and innovative business models. Facebook’s expansion into new global market-segments through payment services in their Messenger application is such an example.

Still, many companies struggle to adapt their business model in the face of these environmental changes. When incumbents are perceiving threats in the external environment the typical response is to do more of what is familiar, hereby increasing the pressure for more productivity and exploitation of the current model (Saebi, Lien & Foss, 2016). The business community is full of examples of companies failing to adopt or innovate their business model when the critical time came. There are the largescale classic examples of Borders, Kodak, Nokia and Blockbuster, but there can also be found similar examples in every country all over the world. Like Fotoknudsen in Norway, Saab in Sweden and Neckermann in Germany. All were large players within their field at some point, but then the changes and competition caught up with them. A recent large-N company survey from a wide selection of Norwegian industries show the continuing persistence of these challenges among incumbents, as only a fraction of the companies reported to have significantly innovated their business model over the mapped period (Saebi, 2016).

Because of its strategic importance and potential impact, business model innovation as a response to environmental shifts will typically require early management engagement, a high level of formality, and top-management decisions (Foss & Stieglitz, 2015; Leih, Linden & Teece, 2015).
It is then natural that the attention and actions of top management (i.e. management with decision responsibilities relevant for the shaping of future business models) are critical in the initialization these initiatives. But, the attention of top management is a scarce resource. Our hypothesis for this study is that some of the most important facilitators and barriers of business model innovation will be found in the use of this attention-resource in the initial stages of the process. The research question of the study is then as follows:

- In the context of environmental shifts, how may a company’s influence on managerial attention constitute facilitators or barriers in the initial stages of business model innovation?

Reviews of existing studies on business model innovation point to several areas that need to be targeted in order to secure further cumulativeness of research efforts (Schneider and Spieth, 2013; Foss and Saebi 2017). The closing of knowledge gaps regarding facilitators and barriers of business model innovation is one such an area, and by addressing the research question the current study will contribute with valuable new insight. We do this through an exploratory case study and use a revealing case involving an incumbent company in retail banking. An industry where the incumbents now are in real need of business model innovation.

We explore the case data through the framework of the attention-based view of the firm (Ocasio, 1997), and find considerable evidence of organization-level mechanisms affecting the attention of key decisionmakers. Through mechanisms that 1. define values that order the importance and relevance of issues and answers, 2. channel and distribute decision-making into a set of communications and procedures, and 3. provide decisionmakers with a set of interests and identities, we find that the attention of top management may be influenced towards responding to the environment with innovative business models. We also make an argument for a set of particular attention regulators and mechanism that have facilitating characteristics that match different categories of business model innovation.

The rest of the paper will be structured in the following way. First, we will provide a description of the theoretical foundation of the study. Second, the research method will be presented. Third, the findings of the study will be presented and discussed with basis in theory. And last, a conclusion and suggestions for further research is described.
Theoretical Foundation

When studying the challenges of business model innovation as a response to environmental shifts, an important backdrop will have to be that the concept of business models has not been an easing thing to grasp. This applies both to the business environment and to academia, and only recently has the concept been explicitly lifted into focus of research efforts. Moreover, as business models largely refers to a conceptual model of a business rather than financial (Teece, 2010) much of the traditional managerial toolbox for change has not been adequate to address its innovation. Now as the understanding of the concept of business models converge, knowledge on model innovation is also starting to accumulate faster (Foss and Saebi, 2017).

The concept of business model as a unit of innovation

The fact that business models for a long time have been studied without a clear definition of the concept has caused a multitude of interpretations to be utilized (Zott et al. 2011). The research community has still not reached a consensus on the definition, but as found by Foss and Saebi (2017) most current definitions are close to the definition proposed by Teece’s (2010, p. 172) as the “design or architecture of the value creation, delivery, and capture mechanisms” of a firm. Furthermore, according to Saebi, Lien, and Foss (2016) there is a convergence in literature on the components that constitute a business model, i.e.: value proposition and market segments, structure of the value chain, mechanisms of value capture, and the architecture linking these elements together. The growing volume of research in this field has by Foss and Saebi (2017) been categorized into three streams, seeing business models as: 1. a tool for enterprise classification, 2. an antecedent of heterogeneity in firm performance, 3. a potential unit of innovation.

Business model innovation was first explicitly covered by research in 2003 (Mitchell & Coles, 2003). This is a new source of innovation that “complements the traditional subjects of process, product, and organizational innovation” (Zott et al., 2011, p. 1032). Consequently, the volume of literature covering business model innovation is still very limited (Schneider and Spieth, 2013). Building on the definition and components of business models, Foss and Saebi (2017, p. 2) define business model innovation as “designed, novel, nontrivial changes to the key elements of a
firm’s business model and/or the architecture linking these elements”. Because of its impact on the business, business model innovation will typically require actions and decisions from top-management (Foss & Stieglitz, 2014, Li et al., 2013). Hence, the requirement that business model innovation be designed. The requirement of nontriviality will avoid including minor changes, for example in the product portfolio. Furthermore, the requirement of novelty will avoid including the adoptions or imitations of other established players.

Only recently has it also been explicitly acknowledged in research the various forms or categories of business model innovation (Schneider and Spieth, 2013; Foss & Saebi, 2017). As it now has been identified that the natures of these innovations are different, so will the process of innovation together with its challenges have to differ accordingly (Schneider and Spieth, 2013; Foss & Stieglitz, 2014; Saebi, 2015)

**Typologies and challenges of business model innovation**

When building new knowledge on business model innovation as a response to environmental change we also consider the relevant typologies. Not all environmental changes are the same, nor should they be met with the same form of business model response. In the study by Saebi (2015) the author argues for three types of environmental dynamics relevant for business model innovation. First, regular change - that describes relative stable environments with gradual change. Second, environmental shifts - that are dramatic or discontinuous environmental changes. And third, environmental competitiveness - that describe high-velocity environments that are in perpetual flux or churn.

To match these diverse types of environmental dynamics Saebi (2015) also presents a high-level typology of business model innovation. In the current study we will utilize a related, but somewhat more granular typology. This is a combination of the closely related typologies of Foss and Saebi (2017) and Foss & Stieglitz, 2014 which use dimensions of scope and novelty as shown in table 1. Scope is categorized in terms of the amount of architectural and modular change. While novelty is by Foss and Saebi (2017) categorized in relation to the innovation being new to the firm or also new to the industry, and by Foss & Stieglitz, 2014 in relation to the innovation being incremental or radical.
The Evolutionary BMI is interpreted as an incremental fine tuning of individual components of the business model, often occurring naturally over time along with regular changes in the environment. Here decisions are mainly decentralized and the top-management should act as monitors. Adaptive BMI points to incremental changes in the overall business model that are new to the firm but not necessarily new to the industry. Typically occurring in response to actions from competition, regulators and other rapid changes in the external environment. Here top-management should provide a strategic roadmap for the initiative and be active as a moderator. This contrasts to the focused and complex BMIs where there are processes by which management actively engages in radical modular or architectural changes in the business model, to take advantage of environmental shifts and disrupt market conditions. In focused BMI, the innovation will be within one area of the business model, such as targeting a customer segment that has previously been ignored in the industry. Hereby, the firm creates a new market while keeping its other business model elements intact, and the innovation is in this way limited to a modular business expansion. Here the decisions are mainly decentralized, but has a clear top-management sponsorship. And finally, complex BMI is also new to the industry and affects the entirety of the business model, such as traditional producers of psychical goods that are replacing the old business by moving into services. Here top-management should be the architects with active involvement in details and everyday decisions.

Prior literature has pointed towards numerous challenges in achieving business model innovation, but without going into details on the differences between categories. These challenges are found on the macro level with examples such as formal and informal social institutions (Foss & Saebi, 2017), on the firm level with examples such as organizational values and widespread inertia (Foss & Saebi, 2017; Doz & Kosonen, 2010), and on the micro level with examples such as obstruction and managerial cognition (Chesbrough, 2010, Saebi, Lien, and Foss, 2016, Bouchikhi...
& Kimberly, 2003). Over time, research efforts to explain handling of such challenges in adaptation to the environment have progressively focused on two literature streams (Vergne & Depeyre, 2016). On the one hand, cognition scholars emphasize early managerial attention to environmental change as a key of adaptation (Fiol, 1990). On the other hand, dynamic capabilities scholars focus on the essential role of asset reconfigurations implemented to realign firm resources in response to a shifting environment (Teece et al., 1997). Still, cognition and dynamic capabilities are increasingly seen as both related and interconnected in shaping organizational outcome (Kaplan, 2011). As we in the current study are looking to the initial stages in the chain of events for environmental adaptation: 1. Attention, 2. Reconfigurations, 3. Adaptation (Kaplan, 2008; Eggers & Kaplan, 2013; Vergne & Depeyre, 2016), the focus on cognition and managerial attention is seen as most relevant. In a shifting environment, companies must secure that managers also focus their attention on the external cues that indicate how the industry is changing (Barr, 1998), and then be able to leverage the company’s capabilities in an effort to reconfigure assets accordingly (Ambrosini, Bowman, & Collier, 2009).

**Managerial attention on the environment and business model innovation**

Overall attention was central to the classic studies of organizational decision making and was noted by, but not made a focus of, cognitive perspectives in organization theory (Walsh, 1995). Then, the attention-based view of the firm (Ocasio, 1997) provided a metatheory of organizational action and adaptation that focused on attention, linking back to the original work of Simon (1947) on how organizations structure the attention of individual decisionmakers. The attention-based theory views companies as “systems of structurally distributed attention in which the cognition and action of the individual are not predictable from the knowledge of individual characteristics, but are derived from the specific organizational context and situations that individual decision-makers find themselves in” (Ocasio, 1997, p. 3). And so, in 1997 William Ocasio published a paper that revitalized Simon’s perspective. The central argument of the study is that to explain company behavior is to explain how companies distribute and regulate the attention of their decision-makers.
This is based on three interlinked principles:

1. What decision-makers do will depend on what issues and answers they focus their attention on.

2. What issues and answers decision-makers focus on, and what they do, will depend on the particular context or situation they find themselves in.

3. What particular context or situation decision-makers find themselves in, and how they attend to it, will depend on the company’s structural distribution of contexts and attention.

Here, attention is defined to include noticing, encoding, interpreting and focusing of time and effort by decision-makers on issues and answers. Issues, constitute the repertoire of categories for making sense of the environment, including: problems, opportunities, and threats. Answers, constitute the repertoire of action alternatives, including: proposals, routines, projects, programs and procedures.

*Principle 1* focuses on the level of the individual cognition, and indicates that decisionmakers will be selective in the issues and answers they attend to at any one time, and that what action is taken depends on what issues and answers they focus their attention on.

*Principle 2* focuses on the level of social cognition, and on the importance of the context in explaining what decisionmakers attend to. The focus of individuals’ attention is in this view triggered by the characteristics of the situation, and implies that the consistency (or variance) in attention and behavior of the individual is more dependent on the consistency (or variance) in the characteristics of the situation rather than of the individual. In the case of organizational decision-making the principle identifies the effects of organizational and environmental context in shaping individuals’ focus of attention and action.

*Principle 3* focuses on the organizational level and structural distribution of attention. The principle shows that the context decisionmakers find themselves in, and the way they handle it, depends on organizational mechanisms. The organization distributes and controls the allocation of decisionmakers, issues and answers.

In the current study we will build on these principles, and focus on organizational level attention-structures (principle 3) that may facilitate or hinder the identification of environmental cues and responses through corresponding business model innovations. The organizational attention
structures will in the model of Ocasio use mechanisms that: (a) Define a set of values that order the importance and relevance of issues and answers, where decisionmakers are more likely to attend to those with greater legitimacy, value and relevance to the organization. (b) Channel and distribute decision-making into a concrete set of communications and procedures. (c) Provide decisionmakers with a set of interests and identities that shape their understanding of the situation and motivate their actions. These mechanisms are again governed by the attention structures or regulators identified by Ocasio as: (1) Rules of the game, formal and informal principles of action, interaction and interpretation that guide decisionmakers. (2) Structural positions, roles and social identifications that specify a) functions and orientation of decisionmakers, and b) their interrelationship with other structural positions (internal and external). (3) Players, social actors (individuals or groups) that are structurally autonomous and that partake in regulating innovation decisions through their social influence, power and control. They influence the attention of the organization through the skills, beliefs and values they bring to the company. (4) Resources, tangible and intangible assets that allow the company to operate and develop. They may consist of physical, human, technological and financial capital available to the company at any particular time.
Methodology

The study is based on a case study design, with a single revelatory case (Yin, 2014). The case target being a retail-banking incumbent in the financial industry.

Data collection

The major part of case data was collected during a short period of time in the spring and summer of 2017, with some follow up during the following fall and winter. The data was collected through several sources, where the primary sources are interviews with managers and a range of current and archival data. See table 2 for an overview of sources utilized.

<table>
<thead>
<tr>
<th>Data source</th>
<th>Type of data</th>
<th>Comments on relevance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interviews with managers and decision makers</td>
<td>Transcribed interview data, together with follow-up information collected in various formats</td>
<td>A set of interview questions targeted and shaped according to the current research questions</td>
</tr>
<tr>
<td>Aggregated reports from annual organizational surveys</td>
<td>Electronic documentation - archival data from 2012 – 2017. Where 2012 was the first year of the survey.</td>
<td>Internal surveys collected annually over several years, targeting a broad specter of aspects regarding the organizational environment</td>
</tr>
<tr>
<td>Management presentations</td>
<td>Electronic documentation – current and archival data from 2012 - 2017</td>
<td>Internal and external presentations prepared by management to convey strategic direction, goals and current issues</td>
</tr>
<tr>
<td>Official external documents and reporting</td>
<td>Electronic documentation – current and archival data from 2012 - 2017</td>
<td>Publicly available information on performance, strategic direction and goals</td>
</tr>
</tbody>
</table>

*Table 2: Data sources from case company*

The main focus of the data collection is on the time period between 2012 and 2017 as this is the period where data is most available and most relevant in the context of responses to environmental shifts.
Data analysis and interpretation

The transcribed interview data together with certain archival data were coded using an etic coding that was found appropriate for the current research question (Belk, Fischer & Kozinets, 2012). The final first order coding structure was shaped through an iterative process, as continuously a larger part of the collected dataset was processed and analyzed.

When addressing findings related to instances of business model innovation, we built from the codes using the components and typology by Foss and Saebi (2017), as presented in figure 1.

![Diagram](image)

**Figure 1: Findings in relation to typology of business model innovation**

Our data gathering and following analysis were focused on the current situation of the case company together with historical data from two previous periods. The business model innovation definition of Foss and Saebi (2017) guided the relevant selection of innovations in the first order coding. Then, based on the typology by the same authors we linked the innovation-initiatives to relevant categories according to scope and novelty. This also formed a background for the following discussion on attention structures.

We utilized the mechanisms from the study by Ocasio (principle 3) in order to categorize and aggregate our first order codes related to management attention. This is represented by the structure in figure 2, also including examples of first order codes used.
Figure 2: Findings in relation to the organizational attention structures

We primarily focus on the mechanisms in the data collection, as it is difficult to acquire comprehensive data on the attention structures directly. Still, in the analysis we elaborate on the structure based on the context, mechanisms and the effect we find on business model innovation.
Findings

As we are studying the early steps in the process of environmentally driven business model innovation, our main interest lies in findings related to how the attention to new business model opportunities and threats in the environment are handled. We will start out by presenting the relevant environmental developments and identified instances of business model innovation in the case company. This then forms a foundation for the following findings related to attention mechanisms, findings that are structured after the organization-level attention mechanisms of Ocasio (1997).

Environmental development

Operating in the Norwegian retail banking market, the case company is exposed to the development in the underlying economic conditions in Norway. Overall, in the period under study this has been a steady positive development except for the temporary effects of the financial crisis of 2008-2009. Since then the Norwegian retail banking market has again been expanding. The market consists of a large number of players situated across the country, but despite the large number of players the market is still dominated by a small number of full-service banks.

In the recent period, the domestic and global retail banking market has been characterized by structural changes facilitated by changes in government regulations, demography and technological developments. Even if the Norwegian retail banking market has become steadily more technology-driven and cost effective in the period since 1999, the latest period shows a significantly accelerating development opening for new players (both local and international) and business models into the market. Already, a number of new finance and payment firms are making an impact providing specialized products and targeting particular sub-segments of the market (sources: case company investor relations, official national statistics).

In this way, during the recent period under study the environment has shown a transition from a situation of regular and stable change to a situation more characterized by environmental shifts (Saebi, 2015).
Instances of business model innovation

In the collected data there are findings of implemented and planned innovations that we argue as relevant in this study. The gathered archival data show that the case company was established in 1999 through a separation from the originating company, and at the same time establishing an industry disruptive business model. Data from the second period of study (2012-2017) show that the company has done several additional adaptations to its business model, and are planning even more. In table 3, these instances are shown to be distributed over all components constituting business model change (Foss & Saebi, 2015; Saebi, Lien, and Foss, 2016).

In the period of 2012-2017, there were also several other initiatives that were unsuccessful in their attempt to secure decisions on business model innovation. Two such initiatives, namely the expansion into the segment of small businesses and the open banking platform, are of interest as they were of a more complex nature and later has re-appeared in company plans. A major contribution to the historical early-closure of these initiatives was according to key decisionmakers an organizational inability to create the context where an initial decision was perceived possible.

From interviews and current documentation, we find that committed plans (table 3) now include more far reaching changes to business model components. Some of these changes are targeting already known business model designs from the industry, while other introduce something that is completely new. One of the latter, is the now decided initiative to move into an offering for small businesses. Plans in the savings area may also have a design that will be beyond what is known in the Norwegian and international industry. The open banking -change is somewhat different, as it now is a well-known trend in the industry where several actors are moving towards the same short-term goal, but where the end game is more unclear with a potential of being disruptive.
|-------------------------------|-----------------------------|-----------------------------|------------------------|
| Offering new value propositions and targeting new customer segments |  | 2.1 The case company has combined insurance and bank services in new ways in their customer offerings. Such insurance-bank combinations have been offered at several points in time during the period since 2012. | 3.1 The case company has made public the plans for a strong increase in the insurance offering as an add on to the core banking products.  
3.2 There are ambitious plans to introduce advanced robotics support for customers seeking advice and investment-support in the retail savings area. This initiative is done in close partnership with a start-up company specializing in this field.  
3.3 The case company has made public the plans to move from a pure retail focus and expand the customer base to also include small businesses. |
| Capturing value in a novel way |  | 2.2 The case company introduced consumer loans with risk based pricing, giving different customers different interest rates based on an automatic evaluation of the individual.  
2.3 Custody account lending was introduced. Offering customers financing of share trades for a number of listed shares on Oslo børs. |  |
| Finding new ways of producing, delivering or distributing existing or new products and services to existing or new customer segments (new supply chain structure) |  | 2.4 The case company made a significant shift in the digital distribution platform, moving the primary customer device from desktops to mobile devices.  
2.5 Another notable change in this area was a new way of securing funding for the mortgages loan portfolio, a change that was introduced in 2013. | 3.4 The case company has made public the plans to move towards a more open banking platform, integrating third party features and data in the producing and delivery of the future banking services. |
| New business model architecture | 1.1 The business separated from the old organization and established a new company with a new business model based on: digital distribution, simple products and services, transparent pricing, no fees and equal terms for all |  | 3.5 The case company has made public the plans to move towards a more open banking platform, a concept that have the potential to link value offering, value capture and the supply chain in entirely new ways (not detailed in the public plans of the company) |

Table 3: Findings of business model innovations
According to the typology of business model innovation (Foss & Saebi, 2017), the case instances are distributed as shown in table 4. The architectural open bank initiative (3.5) may have long-term potential that qualifies it as a complex business model innovation, but the documented short-term goals still does not support this category.

<table>
<thead>
<tr>
<th>Novelty</th>
<th>Scope</th>
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<tbody>
<tr>
<td></td>
<td>Modular</td>
</tr>
<tr>
<td>New to firm</td>
<td>Evolutionary BMI</td>
</tr>
<tr>
<td></td>
<td>2.1 – 2.5, 3.1,</td>
</tr>
<tr>
<td>New to industry</td>
<td>Focused BMI</td>
</tr>
<tr>
<td></td>
<td>3.2, 3.3</td>
</tr>
</tbody>
</table>

Table 4: Findings of business model innovations (BMI) according to typology

Structural distribution of attention - The valuation of issues and answers among decisionmakers

In a business there are various mechanisms in place that are meant to convey the values that order the importance and relevance of issues and answers in the mind of decisionmakers. The historic attention mechanisms of the case company did not promote the importance of issues and answers in the category that would lead to significant innovations in business models. The findings show that in relevant decision-levels of the organization importance was placed on achieving the targeted growth through optimization and minor adjustments of the current business model and market position. The resulting innovations that still could be argued to fall within the definition of business model innovation were all of the evolutionary category, with non-triviality being the major argument that separate them from pure product-, process- or service innovations.

In the current situation, the values that order the importance and relevance of issues and answers have changed, at least for some of the organization. External stakeholders have contributed to a new valuation that are promoting the importance of strategic change, and these values are being adopted in the higher levels of decision-making. Through the interviews we find evidence of a management that is currently seeing the relevance of significant business model change. Even if the exact thermology of business models is not used the message still came across, as the following examples show.
“I think that the current strategy of having the best online-bank for everyday services will fail, the online bank will perish, and other channels will take its place”

“some of our core business will still remain, but changes will be coming at us with ever increasing speed”

(authors own translation of statements in Norwegian)

We now see plans for innovation initiatives that can be argued to fall into both adaptive and focused categories of business model innovation. One of the initiatives represent a clear indication of the change in valuation when compared to the historical situation, namely the initiative for moving into service-offerings for small businesses. This has over a period of several years been seen as a valuable opportunity, but still the company has not chosen or been able to move forward. When working towards securing further growth in earnings through the old set of values, the decision to prioritize initiatives involving such an unfamiliar customer segment became too difficult. Instead the answer was to continue to build on the familiar, because:

“How can we prioritize our time towards a new customer segment when we still have not optimized the service to our current customers?”

(authors own translation of statements in Norwegian)

During 2017 the company was able to make an initial decision to move forward with the small business-initiative, but then through a new high-level decision process infused by the new values. At the same time, we see that the new values have not reached all relevant decision levels. Many state a significant level of confusion regarding what valuation or strategies that are different from before. This is evident from statements from decisionmakers below top-management, regarding the current strategic goals and the planned innovation efforts.

“the current strategy is unclear and we are just doing what we always have done, we must be clearer on what the new goals for the future are”

“the official strategy is to be more of what we already are, but there now seems to be changes coming and there is a need to make new goals clearer to the organization”

(authors own translation of statements in Norwegian)
At the top-management level the interviews do not reveal the same level of confusion. Still their statement of the strategic goal varies somewhat, as the following examples show.

“take what we have and make it broader, like wider offerings in savings and small businesses, still doing it our way”

“we are moving from being an online bank to being a bank in a larger digital ecosystem”

(authors own translation of statements in Norwegian)

The overall impression from the current information is of an organization with decisionmakers that are imprinted with the value of change, but at the same time in a state of some confusion and uncertainty on what changes that are the right ones.

**Structural distribution of attention - Channeling of decision-making**

In a company there are mechanisms that channel and distribute decision-making regarding innovations in a particular way. Historically the development and innovation process of the case company has been characterized by a low degree of formality and a wide distribution of decision rights. The wider organization and management-resources working closely together on both operational issues and innovations, with most of the attention on issues and answers emerging through this close relationship. The structure of organization and decision processes were in this way designed for effective operation and innovations of limited scope and complexity. More complex and uncertain opportunities seldom got a place in relevant communications and procedures involving key decisionmakers, or they faced an unpredictable and lengthy decision process as they fought for attention in structures not suited for that purpose. Until 2016, the group of key decisionmakers defined as the top-management (and then key to business model innovation initiatives) was a relatively large group compared to a rather small organization. The members also being very close to all parts of the organization and hands-on in much of the day-to-day operations and development. In contrast, the board of directors held a formal distance and were not a strong pro-active part in the development of strategic initiatives in the company.

Towards the end of the period under study the company has been able to make several complex innovation decisions, secured through new top-management level processes. During
2016-2017, the company went through a notable change in stakeholders, governance and organization. This has had effects such as an increased level of external expectations, a more proactive board of directors, and increasing formality and hierarchy in the organization. Consequently, there has also been an adjustment in top-management so that it has become a smaller group compared to the wider organization. Its members having an increased focus and responsibility towards the external environment, and becoming somewhat more removed from the internal organization and the day-to-day details of operations and development. The main part of input and decisions regarding development and incremental innovation are still being handled through broad organization involvement. On the other hand, the recent structural changes have played a part moving processes, attention and decisions regarding more complex and radical initiatives to higher organizational levels with more restricted access. The top-management and board of directors now playing a more active part in shaping and deciding the strategic innovation-efforts of the company, often with significant support of external advisers.

Findings of the recent structural change are found in the process leading up to the current innovation-plans. Here the major initiatives have been shaped through such top-management processes, involving issues and answers strongly affected by the external environment and stakeholders. Consequently, key decisionmakers has been in contexts where strategic and complex issues and answers are in focus and perceived manageable. This is found to be similar to the experiences from when the bank was initially conceived and established. This was a process completely under the control of top-management in the then mother-organization, from conceiving the idea to making the final decision. Early decisions being taken at a very strategic level by seasoned and influential managers, followed up with a hands-on presence in the following implementation process.

As these recent top-level procedures and communication-structures strengthen the link to the external environment and stakeholders, it also weakens the link with the broader internal organization. Parts of the organization no longer having a clear role in the relevant channels of attention and decision-making. In the collected data, we see symptoms of this change in the organizational cultural survey. The cultural elements of the organization are important because they affect both the availability of certain issues and answers for attentional processing, and the construction of activities and communications in the company (Ocasio, 1997). One such source of
cultural data is the company’s organizational survey. This survey regularly targets the employees' view on the cultural elements most prominent in the current organization and the elements they wish could characterize the future. By studying the data, we see a new development emerging in the period between the last two surveys (2015 to 2017). Company-level cultural elements identified with terms such as “teamwork” and “we achieve progress together” are losing significands and falling out of the key signifiers of the current culture, while new elements such as “confusion”, “bureaucracy” and “hierarchy” are on the rise with an increase of between 5 and 11% as compared to previous years. While single teams in the organization may still thrive internally, this is a result that indicates the broader organization finding the distance to and formality of decisions to be increasing. Another cultural element that has been losing significands for a longer period of time is “innovation”. Even if the attention of decision makers is directed to more complex issues and answers, this is not the same as the answers being truly innovative in the view of the broader organization. The interviews and survey results show an organizational that is still finding the innovation effort of the company lacking. The number of respondents wishing innovation as a more central cultural element having an increase of 29% between 2015 and 2017.

Structural distribution of attention – Set of interests and identities

In a business there are various mechanisms that provide decisionmakers with interests and identities that shape their understanding of the situation and motivate their actions. In the case company one such powerful mechanism is in the distribution according to function and hierarchal level. These structural positions will inevitably affect the identity and interests of decisionmakers at some level, and provide them with part of what is perceived as the premises for their decisions. The interests and identities of decisionmakers are found to be key when interpreting which elements of the environment are critical for the company’s development. From the interviews, we can extract information that show these differences in interpretation across the functions in the organization. In the following we show an example of how motivation for external contribution to the company’s development (production for products and services) is interpreted differently. Some see the use or acquiring of external resources as a financial benefit:
“we need a significantly improved cost efficiency in our innovation/development, and so we need more knowledge on how to connect effectively to external partners” – Decisionmaker in the finance function

While other see it as a tool for increased access to knowledge:

“it will be important to work with external partners, as we together can establish formal cooperation regarding innovation-labs, prototyping, etc. We could also cooperate with academia regarding new knowledge” – Decisionmaker in the innovation function

Or, as an effective alternative to developing knowledge or capabilities internally:

“are we able to build the internal capability we need? It is a challenge when it comes to new fields of knowledge. We are not hungry enough and are too passive. New external resources have more energy and gets things going” – Decisionmaker in the processing and sales function

(authors own translation of statements in Norwegian)

When seeing the different views in the context of the function and hierarchical placement of the individual decisionmaker, it is easy to see how interest and premises common for that function plays a role in other settings as well.

The recent structural changes also involved the recruitment of several external managers for the top-management positions. As the previous top-management had a profile of long tenure of employment, this change also contributed to changing the interests and identities of the top-management team.
Discussions and implications

Overall our findings show a significant development in attention mechanisms during the period under study, and the company is now reacting to environmental changes differently. In the following we will first provide a concentrated summary of these mechanisms (Ocasio, 1997), also matching them to the typology of business model innovation (Foss and Saebi, 2017). With this as a foundation we will elaborate on the company’s attention structures behind the mechanisms, and so go on to argue for relevant facilitators and barriers affecting the distinct types of business model innovation.

The attention mechanisms and how they affect business model innovation

The main part of the attention findings is based on the recent transition between: The historical situation, where attention mechanisms concerning innovations in large part were equal regardless of source (internal or external), type of development or innovation, and decision level. And the current situation, where attention mechanisms have been adjusted to be characterized by a strengthened external focus, increased formality and clearer hierarchical separation of decision levels. The study has also uncovered new attention mechanisms having characteristics that will impact differently or have different importance across the various categories of business model innovations. A summary of both the key general and distinctive findings of influences is presented in table 5.

The attention structures behind the mechanisms

By also elaborating on the attention structure regulators (Ocasio, 1997) behind the mechanisms discussed in table 5, we get a more complete picture of the nature of their influence on attention and what practical tools are available for organizations in this context. Through the findings we have been shown fragments of these organizational attention structures. Some of the structures are more tangible than others, and based on our findings and extant research we can elaborate on the part they play. As described in table 6.
<table>
<thead>
<tr>
<th>BMI typology</th>
<th>Valuation of issues and answers</th>
<th>Channeling of decision-making</th>
<th>Interests and identities</th>
</tr>
</thead>
<tbody>
<tr>
<td>General</td>
<td>• Historical valuation promoting the known business and optimization of the current business model.</td>
<td>• High degree of decentralized processes and decisions has historically secured smooth operational decisions, but been a barrier for taking advantage of the environment by business model innovations.</td>
<td>• Structural positions of decisionmakers form the interests and identities of the persons placed there and consequently how attention is directed.</td>
</tr>
<tr>
<td></td>
<td>• A recent change in perceived valuation of issues and answers has influenced the attention of top management decisionmakers towards new environmental issues and answers.</td>
<td>• Recent limitations in internal roles in decision channels relevant for business model innovation, has narrowed and unified the attention among decisionmakers.</td>
<td>• Introduction of new top-management decisionmakers with increased focus on the external environment and stakeholders.</td>
</tr>
<tr>
<td></td>
<td>• Valuation promoting more radical change and innovation has influenced attention towards a focus on business model innovation.</td>
<td>• New decision channels involving more external perspectives and resources.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• After recent changes, resulting valuation differ between different decision-levels and channels in the organization.</td>
<td>• New decision channels having effects on the overall team-unity of the organization.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Heterogeneity in value-perception also within levels and channels (lack of unity)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Evolutionary BMI</td>
<td>• Recent change in valuation has not reached mid-level decisionmakers and key resources, that should be able to respond effectively to evolutionary innovation decisions.</td>
<td>• Recent changes in decision channeling have centered more evolutionary innovation decisions (both aggregated and detailed) towards top-management channels.</td>
<td>• Sub-set of top-management team, which include those with stake and interest in initiative, dedicated to evolutionary decision channels.</td>
</tr>
<tr>
<td>Focused BMI</td>
<td>• Recent change in valuation has not reached mid-level decisionmakers and key resources, that are expected to be key contributors in initializing the initiative.</td>
<td>• Recent changes in decision channeling have centered more focused innovation decisions (both aggregated and detailed) towards top-management channels.</td>
<td>• Sub-set of top-management team, which include those with stake and interest in initiative, dedicated to focused decision channels.</td>
</tr>
<tr>
<td>Adaptive BMI</td>
<td>• Recent change in valuation has enabled top-management to set direction and initialize adaptive business model innovation.</td>
<td>• The recent instance of architectural innovation required the attention and mandate of a united top-management team in early decisions.</td>
<td>• Interests and identities are somewhat diverse in top-management team, contributing to challenges in securing united decisions.</td>
</tr>
<tr>
<td>Complex BMI</td>
<td>• Strong common valuation between stakeholders and top-management when the company was conceived in 1999.</td>
<td>• The instance of complex architectural innovation from 1999 required the focused attention and mandate of the CEO. The CEO personally initializing and moderating the early process.</td>
<td>• Interest and identity of the CEO a key part of the successful conception.</td>
</tr>
</tbody>
</table>

Table 5: Findings of attention mechanisms in relation to Business model innovation (BMI) typology
<table>
<thead>
<tr>
<th>Attention regulator</th>
<th>Description of case</th>
<th>Implication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal and informal principles (“Rules of the game”)</td>
<td>Recently, valuation of issues and answers along with key principles for channeling innovation decisions has been changed in the case company. New governance and external stakeholder demands had significant effects in this respect, contributing to changing the rules on how the company handle innovations.</td>
<td>The findings show that the new principles have not quite reached the lower levels of management and organization, but this does not hinder initialization of business model innovations as the new rules and structures have already taken hold among the key decisionmakers. On the other hand, an asymmetry of attention regulator influence between the different layers of organization may have an impact at some stage. A follow-up on the progress of the small-business and savings initiatives show significant challenges in the initial project-stages. Much is caused by confusion in the organization on what is decided and why, again driven by asymmetry in orientation and values, together with a lower degree of early involvement.</td>
</tr>
<tr>
<td>Formal structure of organization and procedure</td>
<td>Recently, several structural changes were implemented in the organization, and currently top-management is playing a more control-oriented role in the innovation process.</td>
<td>By structuring a top-level decision process (together with new rules of the game), the case company has more clearly separated the strategical and operational decisions. The findings on historic innovation-decisions show it to be challenging to have functions and interrelationships that are equally well suited for securing attention on both simpler and more complex innovations. At the same time, it is important to consider the barriers that may emerge in the later stages of the implementation. When the organization moved from a flat structure of “we achieve progress together”, to a more hierarchical environment where significant innovations in practice are debated and decided elsewhere, there is found to be negative consequences in the following process. As also recognized through the established “not invented here” effects from other research on innovation (Katz &amp; Allen, 1982). An effect that can be best described as a profound attitude-based bias towards innovation-sources that are considered outside or external from the perspective of the individual.</td>
</tr>
<tr>
<td>Innovation players</td>
<td>The formal decisionmakers of the case company are not the only ones affecting the direction in early steps of innovation. There are several other resources influencing the process, both in the steps before and after initial decision.</td>
<td>In the case company many from the middle-management and other key resources (internal and external) are players in the processes on business model innovation. When striving for change, the players have shown themselves as a strong force in directing organizational attention towards relevant environmental issues and innovative answers. On the other hand, they may equally be a significant force opposing innovation initiatives. In a context of wide decision involvement, as was the case in the company’s history, it becomes challenging to addresses everyone’s interests. Opportunities on business model innovation will often be of a nature that will challenge the existing power structure in a company, and so not necessarily among those opportunities that fit the interest of the most influential players. On the other hand, by limiting involvement in the process valuable input and the availability of answers may also be lost.</td>
</tr>
<tr>
<td>Innovation resources</td>
<td>Innovation initiatives require resources to be defined, decided and implemented. So, the availability of relevant resources is a critical consideration in the perceived repertoire of actions.</td>
<td>As part of the recent change there has also been communicated an increasing willingness to invest resources in new and more complex innovation initiatives. This includes resources in both manpower (internal and external), knowledge and other investments. Together with the changes in the rules of the game, this has been a key factor in expanding the repertoire of possible innovative answers to the changing environment.</td>
</tr>
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</table>

*Table 6: Findings of attention structure regulators*
Attention structures as facilitators of business model innovation

That we find that the attention of decisionmakers matter for innovation is not surprising (Fiol, 1990). However, what is new from this study is that by viewing case-data through the attention-based view (Ocasio, 1997) we expand our knowledge on how companies use attention mechanisms, and how these are regulated in ways that constitute barriers or facilitators of business model innovation. By combining our discussions on attention structures and their mechanism for influencing decisionmakers, we see more clearly how they have affected both historical and current business model innovation initiatives. Moreover, while there are several attention structures and mechanisms that seem to be general facilitators, we find that some have distinctive effects or implications regarding certain types of business model innovation.

**General facilitators**, will include the availability of resources that secures that complex environmental issues, and their answers through business model innovation, are perceived as relevant for decisionmakers. If resources are not clearly available it will contribute to the valuation of issues and answers, moving attention of decisionmakers towards other avenues and consequently creating a barrier for business model innovations. In addition, the contributions from the innovation-players must be harnessed. This to take advantage of the strong positive force these may provide in handling environmental shifts through business model innovation. The alignment with relevant players will be an important facilitator in this setting. In the same way the players can also be a significant barrier for innovation if there is misalignment. A key first step here is to identify who the relevant players are, and then to secure their structured contribution. The latter step is closely dependent on the principles and formal structure applied to the process. These will also have some traits that are dependent on the type of business model innovation, modular or architectural.

**Modular business model innovation**, often has a form that will put some specific requirements on the formal innovation structures. Still, the structures generally need to create a distance between what is needed for incremental development of products, services and processes, and what is needed for environmentally driven and disruptive business model innovations. This distance can be achieved through a separation of the roles involved and the procedures through which they interact and gather information. The structural distinction that may apply to modular business model innovations is connected to the dependency of key internal resources, including
informal players. Most modular innovations within incumbents will be subject to both internal and external stakeholder expectations that progress of the initiative should benefit from already established capabilities. In addition, many modular innovations will fall within the area of responsibility and interest of key resources and players within the organization. Then to secure the expected progress and quality of such initiatives, these resources need to be fully aligned with the innovation effort at an early stage. This works as a counterbalance to the need for structural separation of the innovation processes. If the key resources and players are not being a real part of the early innovation process the efforts needed to secure alignment afterwards must be considerably increased, or less progress and quality will suffer. A related attention structure is the formal and informal principles (rules of the game) that help guide environmental interpretation and the following actions. If these principles are not equally understood between the different structural positions the effects concerning key resources and players can be much the same as above.

*Architectural business model innovation,* will have requirements that in many areas are close to what is relevant as particularities for the modular innovations, but with some differences. Regarding the innovation structures, the focus on contribution from key resources and players should be seen differently. As these innovations typically will touch upon several sensitive areas and involve more fundamental change, the expectation towards effective use of existing internal capabilities will be lower. It is also natural that the top-management team, as an extension of the CEO mandate, are the architects and moderators of such initiatives. Since typically no other single role will have the necessary mandate. This leads to another distinction regarding the architectural innovations, and relates to the unity of the top-management team. While modular innovations may fall within the interest and responsibility of one or a few top-managers, architectural innovations will typically require a much broader involvement. This stresses the need for the top-management team to be unified in their attention towards the relevant environmental issue and answer, including having the same understanding of the principles that apply. Securing this unity may be time-consuming, but still of key importance if an architectural innovation is to be successful. Still, innovations of this kind will most often be easier to conceive than to implement, as several forces within affected areas in the organization will resist change. Followingly, a unified top-management team must closely control or moderate the process.
Conclusion and Directions for future studies

By drawing together the findings and discussion on the attention structure of a company, we are starting to see the extent of how important this is for the initial stages of business model innovation. Particularly, the study has contributed with new knowledge on the attention-based facilitators and barriers linking to the business model innovation construct. A summary of the potential facilitating factors is listed in table 7, and consequently attention-based barriers will appear as a result of failing to address these potential facilitators.

<table>
<thead>
<tr>
<th>Scope</th>
<th>General</th>
<th>Modular</th>
<th>Architectural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attention structure facilitators of business model innovation</td>
<td>• Clearly commitment of resources to business model innovation. • Structural separation of business model innovations from simple product-, service and process innovations. • Principles supporting environmental focus and interpretations that promote responses through business model innovation. • Alignment of business model innovation -focus with influential innovation players.</td>
<td>• Early alignment with key resources and players through formal innovation structures, counter-balancing the structural separation. • Mutual understanding of guiding principles regardless of structural position.</td>
<td>• Clearer structural separation, and lesser need for wider alignment. • Unity of attention and understanding regarding principles in top-management team.</td>
</tr>
</tbody>
</table>

Table 7: Attention structures that may facilitate business model innovation

While Saebi (2015) have already proposed a theoretical framework on dynamic capabilities and the different categories of business model innovation, the study also recognizes the further need for conceptual and empirical work in this field. In the current study we contribute with a more granulated framework of facilitators and barriers from a cognitive standpoint, based on empirical data and targeting the initial stages of the innovation process.
Still, we are just in the early stages of really understanding the drivers, barriers and facilitators of business model innovation. Further research efforts should be directed towards joining the relevant cognitive and capability -research streams, and so securing a stronger foundation for cumulativeness of knowledge. There should also be a significant potential for increased insight by linking research into business model innovation closer to related fields, such as research into entrepreneurship and open innovation. Another area in need of further understanding is found within the concept of business model innovation itself. The categorization of case-company innovations as possible business model innovation has proven to be a challenging task in the study. In the way definitions and typologies are formulated the findings will always be subject to a significant degree of subjective interpretation. Even if the typology of business model innovation has been a strong contribution in this study, the findings show that further research should be done into clarifying the boundaries of the concept.
References


