



Journal of Organizational Change Management

How to win the attention of top executives: The interaction of an issue's characteristics and environmental threats

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Article information:

To cite this document:

Biao Luo Qiong Wang Yuan Lu Liang Liang , (2015), "How to win the attention of top executives", Journal of Organizational Change Management, Vol. 28 Iss 6 pp. 970 - 992

Permanent link to this document:

<http://dx.doi.org/10.1108/JOCM-01-2014-0002>

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How to win the attention of top executives

The interaction of an issue's characteristics and environmental threats

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Abstract

Purpose – The purpose of this paper is to examine how subsidiary managers gain attention from top executives at headquarters for their desired issue in order to initiate a bottom-up change. Specifically, it focuses on relationships among a change issue's characteristics, environmental threats and top executives' attention.

Design/methodology/approach – An empirical test of hypotheses by a hierarchical regression approach has been applied to analyse the data collected through a survey of 81 headquarters-subsidiary dyads in China.

Findings – There are three main findings, including first, the headquarters' attention is positively related to the organizational benefits of an issue; second, there exist inverted U-shaped curves between an issue's legitimacy or novelty and the headquarters' attention; and third, the headquarters' attention to an issue is also moderated by environmental threats.

Originality/value – The present study has noted that the headquarters' attention to the issue varies not only according to the issue's distinctive characteristics but also to their perception of environmental threats. It contributes to the advancement of organizational change theory by focusing on the empirical examination of an issue-selling process which is a key component part in a bottom-up change.

Keywords Organizational change, Bottom-up process, Environmental threats, Headquarters' attention, Issue's characteristics

Paper type Research paper

1. Introduction

Studies often portray organizational changes as discrete events initiated by top managers at organizations (Dutton *et al.*, 2001). And most of the previous research in this area focused on how organizations implement (e.g. communication) and react to (e.g. employees' resistance or involvement) organizational change (Jacobs *et al.*, 2013; Myungweon, 2011; Oreg *et al.*, 2011). However, in high-velocity environments, continuous improvements rather than discrete interventions are of critical importance



to organizations (Oswick *et al.*, 2005). An effective continuous change usually begins with a key component process, in which change issues are “sold” by managers outside of top management to those at tops of organizations (Dutton *et al.*, 2001). For instance, 3M company’s “Post-it note” (i.e. sticky note) is a popular example to indicate how a change issue was sold by managers at lower organizational levels and leveraged competitiveness of the whole organization. This early process of a bottom-up change is named issue-selling, by which managers affect top executives’ attention to and understanding of the issues that concern the change content, these change issues including the events, developments and trends that have implications for organizational performance (Dutton and Ashford, 1993). Therefore, issue-selling is a key process in a bottom-up change, which is not paid enough attention to in previous studies on organizational change.

Whether a bottom-up change can be initiated is largely determined by whether a change issue is selected and then implemented (Bouquet and Birkinshaw, 2008b; Ocasio, 1997; Ocasio and Joseph, 2005). Thus, how to attract decision makers’ attention for change issues becomes necessary to further actions and changes that ensue. That is, the initiation of bottom-up changes can be identified as the processes by which managers make great efforts to gain attention from top executives for their desired issues. Therefore, the notion of attention provides a powerful mechanism for elaborating why top executives activate some change issues but not others, which is an important question in a more general change.

In the context of large corporations, subsidiary managers are important “agents” to initiate a change (Floyd and Wooldridge, 2000; Vora *et al.*, 2007). In this bottom-up process, a challenge to subsidiary managers is to win top executives’ attention which is recognized to be a scarce and critical resource to their proposals (Bouquet and Birkinshaw, 2008b; Dutton and Ashford, 1993; Dutton *et al.*, 2001). Extant literatures on issue-selling have focused most on subsidiary managers’ selling strategies, including packaging, involvement and process (Dutton and Ashford, 1993; Dutton *et al.*, 2001; Howard-Grenville, 2007), but few examined the relationship between the attention of top executives at headquarters and an issue’s characteristics.

However, issues for organizational change present various characteristics which give rise to the headquarters’ different perceptions concerning their impact on the organization. As a result, top executives may allocate attention according to their perception of the issue’s influence on the organization. For instance, some issues, such as amendment of existing products or an increase in the number of sales persons, are relatively easier for top executives to adopt since these issues may not require substantial resources or have a minor impact on operation. Other issues, such as an introduction of a latest technology in production lines, may not win headquarters’ attention if it is too novel for top executives to understand. Furthermore, top executives’ perception of environmental threats has another critical effect on their attention to an issue (Kingdon, 1984; Ren and Guo, 2011). The perception of environmental threats will motivate top executives to take quick action as these threats are regarded to threaten the organization’s high priority goals (Kingdon, 1984; Seeger *et al.*, 1998).

To sum up, in addition to selling strategies, the extent to which an issue is successfully included in headquarters’ agenda list is contingent on two key factors: the issue’s characteristics, and top executives’ perception of environmental threats. This study tends to answer the research question:

RQ1. How do these two factors jointly influence the attention of top executives?

To answer this research question, we develop a few hypotheses based upon the assumption that an issue is regarded as having three characteristics in terms of organizational benefits, legitimacy and novelty, and each of them has a distinctive impact on headquarters' attention. We further classify environmental threats into two categories, i.e. threats of likely loss and those of control-reducing (Chattopadhyay *et al.*, 2001). Accordingly, these environmental threats will play a moderating role in the relationship between an issue's distinctive characteristics and top executives' attention. We then test these hypotheses by an analysis of the data collected from a sample of 81 large corporations in China.

Our study makes three contributions to literature. First, the present research enriches the organizational change literature by focusing on the empirical examination of an issue-selling process in a bottom-up change. We also introducing the concept of attention which provides an insight into the dynamic interactions between managers at subsidiaries and headquarters in this change initiation process. Second, we have noted that an issue's characteristics have a substantial impact on top executives' attention. This finding fills a gap in previous issue-selling studies which have focused most on selling strategies. It also helps to explain why top executives prefer certain types of issues but not others. Third, we have found the importance of environmental threats in proposal of an issue, providing a deeper understanding of the appropriate timing for a particular issue to capture top executives' attention.

2. Theoretical background and hypotheses

Issue-selling represents an important means to initiate a bottom-up change by subsidiary managers. Before an issue is approved and then executed in organizational change, it should be included into a corporate decision list. Thus, how to draw top executives' attention and make them accept the issue becomes a critical task to subsidiary managers if they purpose to initiate a relevant change (Cho and Hambrick, 2006; Sullivan, 2010). Although scholars have examined useful strategies when selling issues, such as packaging an issue as incremental or radical, and involvement of others (Dutton *et al.*, 2001; Ling *et al.*, 2005), few have examined the issue's characteristics that facilitate or hinder top executives' attention.

Prior research has been concerned about whether issue-selling is really beneficial for organizations (Gammelgaard, 2009). If there is an excessive emphasis on selling strategies, then, decision-making processes are based to high degrees on subsidiary managers' lobbying or linguistic skills. As a result, the possibility of inefficient distribution of resources and mandates increases. In practice, when evaluating an issue, rational decision makers at headquarters always try to eliminate interference factors and focus on the issue itself which carries the content of change. Bottom-up changes, therefore, cannot be initiated unless proposed issues are regarded to benefit the organization. Moreover, legitimacy is critical for an issue to gain attention from top executives (Ocasio, 1997), and a balance between representing novelty and appealing to dominant schema (i.e. legitimacy) is necessary for an issue's exposure and its interest (Dutton, 1986; Howard-Grenville, 2007).

In this study, an issue's characteristics are assumed to be represented in terms of organizational benefits, legitimacy and novelty. The first characteristic, organizational benefits, comprises the extent to which an issue is regarded to contribute to organizational goals, performance or image (De Clercq *et al.*, 2011). The second and third, i.e. legitimacy and novelty, are associated with different levels of risks in change processes. An issue with a higher level of legitimacy is more likely in alignment with

organizational practices and thus can be easily integrated into the organization with lower risks caused by the change. However, an issue with a higher level of novelty means a challenge to existing rules as it is new to the organization. Consequently, an issue characterized by novelty is usually regarded as a risk to the organization.

Nevertheless, an issue is not quite so extremely legitimate or innovative (Sturdy *et al.*, 2009). On the one hand, in the view of Sturdy *et al.* (2009), what is legitimacy for someone might be innovation for others. For example, a new product idea may be seen as innovative for executives without relevant technical backgrounds, while for managers with technical knowledge it is more likely legitimate. On the other hand, an issue's risk characteristics should be regarded as a "continuum" between novelty and legitimacy over time. Just as noted by Howard-Grenville's (2007), the contextual knowledge of the sellers and recipients about the issue both indicates a substantial accumulation in the process of issue-selling.

Howard-Grenville (2007) further argued that there is a tension between an issue's legitimacy and its novelty to attract attention from top executives. However, this tension would be released when combining the consideration of environmental threats. In other words, the influence of an issue's legitimacy and novelty to headquarters' attention might be moderated by environmental threats. This is because top executives' risk preferences vary according to two categories of environmental threats in terms of control-reducing and likely loss. Control-reducing threats refer to a potential loss of control, while likely loss relates to a potential loss of tangible resources (De Clercq *et al.*, 2011).

Therefore, an issue's characteristics and environmental threats will jointly influence headquarters' attention in a bottom-up process of organizational change. Figure 1 presents our conceptual model.

Based upon this model, we develop hypotheses as follows.

2.1 The role of an issue's characteristics

We expect a positive relationship between the organizational benefits of an issue and headquarters' attention. The issue proposed by subsidiary managers may help solve a problem or capitalize on an attractive opportunity (De Clercq *et al.*, 2011). The related change that ensues would ameliorate or bypass organizational weaknesses, and

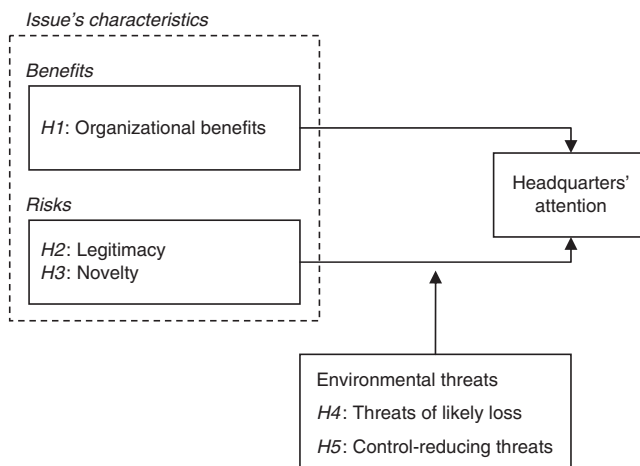


Figure 1.
Conceptual model

reinforce or exploit organizational strengths (Jacobs *et al.*, 2013). However, issues vary in their magnitude of organizational benefits. Some issues, such as modifications in product design that reflect a deeper understanding of consumer needs, may be minor and more localized. Others, such as suggestions on developing a new product resulting from technological upgrading, may be more consequential. Issues with higher levels of organizational benefits will be identified more likely as strategically important for organizational development, and thus will make top executives draw more attention (Dutton and Ashford, 1993; Ocasio, 1997). Thus, we have the following hypothesis:

- H1.* The organizational benefits of an issue positively influence the attention of top executives at headquarters to the proposed issue.

Legitimacy has been broadly defined as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions” (Suchman, 1995). In this study, an issue’s legitimacy can be referred to the extent to which it is consistent with an organization’s values, norms and objectives (Kostova and Zaheer, 1999; Lu and Xu, 2006; Ocasio, 1997).

We state that there exists an optimal level of legitimacy for an issue to be noticed and retained. At first, as an issue’s legitimacy increases, it has a positive effect on headquarters’ attention because it yields enhanced comprehensibility and identification. Legitimate issues are perceived as more meaningful, predictable and trustworthy due to their consistency with the existing practices in the organization. Such alignment with organizational routines will also produce lower costs and risks in change processes which will increase the succeed probability for an issue to be approved and implemented (Langstrand and Elg, 2012). In the same vein, prior research suggests that an issue concerning incremental change may gain greater acceptance than a radical one (Dutton *et al.*, 2001; Watson and Wooldridge, 2005). Thus, an issue’s legitimacy will leverage the attention allocated by top executives at headquarters.

However, such gains may diminish at a higher level of legitimacy for two reasons. First, an excessive focus on legitimacy may fail to address the novel requirements associated with the issue (Howard-Grenville, 2007), implying that the issue’s interest decreases. The second reason concerns the decrease in diversity of knowledge while legitimacy increases. Top executives at headquarters search for distant knowledge for organizational learning and innovation (Wuyts *et al.*, 2005). While at a higher level of legitimacy, knowledge becomes homogenous and therefore makes little contribution to organizational learning and innovation. This will result in limited attention to the issue. Therefore, the following hypothesis is developed:

- H2.* There is an inverted U-shaped relationship between the legitimacy of an issue and headquarters’ attention, where legitimacy is positively related to headquarters’ attention to a point, after which it becomes negative.

We further argue that there is an inverted U-shaped relationship between an issue’s novelty and headquarters’ attention. Novelty refers to the extent of an issue’s newness to the organization. As Dutton (1986), Dutton and Ashford (1993) noted, novelty injects urgency, interest and exposure to an issue, resulting in greater attention from top executives. Moreover, scholars found that project novelty is the most important parameter explaining top executives’ attention, by controlling for other project characteristics (Bentzen *et al.*, 2011). At the same time, novel issues with new knowledge could also help organizations renew their practices to adapt to changing

environments. Thus, greater attention would be allocated to an issue when its novelty increases.

However, after a certain point, the relationship between novelty and attention becomes negative. The reasons are threefold. First, excessive novelty may preclude the mutual understanding needed for effective interaction, resulting in lesser discussions on issues. Such statements are also consistent with research on social persuasion, which argues that messages that are more interesting and understandable are more persuasive than messages without these attributes (Dutton and Ashford, 1993; Smith, 1982). Second, organizational changes associated with highly innovative issues are risky and costly to implement. It is depicted that projects with higher levels of novelty will have greater task uncertainty (Tatikonda and Rosenthal, 2000), which will hinder top executives' attention. Third, issues with higher levels of novelty may yield a threat perception to incumbent executives because of the likely damage to the current business of which they are in charge.

Overall, issues are inconspicuous if they are not new; however, they become useless if they are so new that top management cannot comprehend or approve of them. Therefore, we propose the following hypothesis:

- H3.* There is an inverted U-shaped relationship between the novelty of an issue and headquarters' attention, where novelty is positively related to headquarters' attention to a point, after which it becomes negative.

2.2 The moderating effects of environmental threats

The term "environmental threats" here refers to negative situations in which loss is likely and over which one has relatively little control (Dutton and Jackson, 1987). In understanding organizational responses to such a threat perception, two contrasting views are dominant: prospect theory (Kahneman and Tversky, 1979) anticipates a risk-seeking response, whereas the threat-rigidity thesis (Staw *et al.*, 1981) suggests a risk-adverse response. To reconcile these predictions, scholars distinguish the notion of threat in prospect theory from that in the threat-rigidity thesis (Chattopadhyay *et al.*, 2001; George *et al.*, 2006; Highhouse and Yüce, 1996; Ren and Guo, 2011). Specifically, the former, namely, threat of likely loss (also known as resource-related threat), relates to a potential loss of tangible resources (e.g. a market share loss due to intense competition in the marketplace), whereas the latter, namely, control-reducing threat (also known as control-related threat), refers to a potential loss of control. For instance, control-reducing threat comes from a regulatory authority's new regulation which tightens control over organizations, such as rigorous censorship to internet companies.

Combining the perspective of environmental threats with issue-selling, we assume that the initiation of a bottom-up change is facilitated in two ways. First, environmental threats are perceived to threaten an organization's high priority goals (Seeger *et al.*, 1998), which generate a strong sense of urgency, and top executives are therefore motivated to respond in a timely manner (Ren and Guo, 2011). And scholars also noted that a crisis resulting from environmental threats often stimulated organizational changes to recover from the crisis (Kovoor-Misra, 2009). Thus, these threats triggered the windows of opportunity for proposing change issues to top executives. Second, the two categories of threat perceptions, i.e. likely loss and control reducing, provide the impetus for different types of issues (i.e. legitimate vs innovative). This results from top executives' different risk preferences when

responding to these two threat perceptions, leading to the ebb and flow of an issue's salience. Thus, for issues with different levels of legitimacy and novelty, the appropriate circumstance for their proposal is different.

Based on these suggestions, we separate environmental threats into two categories as above in this study. First, consistent with prospect theory, top executives are risk-seeking in threats of likely loss (Kahneman and Tversky, 1979), in which organizations may suffer a loss of resources of high probability in a short term. When responding to these threats, top executives prefer novel, risky alternatives rather than well-established ones because they feel little to lose (Ren and Guo, 2011). Additionally, threats of likely loss may prompt top executives' dissatisfaction with the established ways of action and trigger dramatic changes in organizational practice (Ren and Guo, 2011). Such statements are consistent with Chattopadhyay *et al.*'s (2001) conclusion that threats of likely loss are more likely to evoke riskier actions, such as offering new products or services, which have a lesser degree of fit with the organization's core business and strategy. For example, when confronting an increased urgency of market share losses to Android, Apple launched mid-market iPhone 5c in fun plastic colours, which fell outside Apple's super-premium and "one top-of-the-line product in each category" strategy. Thus, in response to threats of likely loss, top executives would pay more attention to the innovative issues rather than the legitimate ones that conform to the established rules in organization.

We therefore assume that as a moderator within the proposed non-linear relationship between an issue's novelty and headquarters' attention, perception of likely loss may help enhance the salience of an issue with a high level of novelty due to top executives' risk-seeking attitude. That is, threats of likely loss contribute to enhancing the gains and mitigating the losses in headquarters' attention of an issue's increasing novelty. Thus, we develop the following hypothesis:

- H4.* Threats of likely loss moderate the inverted U-shaped relationship between an issue's novelty and headquarters' attention such that high perception of threats of likely loss mitigates the decline in headquarters' attention at higher levels of novelty.

Second, when confronting control-reducing threats, the threat-rigidity thesis predicts that top executives are more likely to respond in domains over which they have greater control (Chattopadhyay *et al.*, 2001; Dutton and Jackson, 1987). These risk-averse responses, such as embracing the status quo, increasing centralized decision making, and internally directed actions, may help top executives to offset these negative perceptions of psychological stress and anxiety resulting from the little control over the environment (Chattopadhyay *et al.*, 2001; Ren and Guo, 2011). Thus, when responding to control-reducing threats, top executives would pay more attention to the legitimate issues that fit the organizations' core strategy rather than the innovative ones that are out of their existing knowledge base. For example, perception of uncertainty and uncontrollability in digital photography developments may have been a critical impetus for Kodak persisting with print photography for longer than it should have.

Therefore, we expect that as a moderator within the proposed inverted U-shaped relationship between an issue's legitimacy and headquarters' attention, perception of control-reducing threats may help enhance the salience of an issue with a high level of legitimacy due to top executives' risk-averse attitude. That is, control-reducing threats are vital to enhancing the gains and mitigating the losses in headquarters'

attention of an issue's increasing legitimacy. Given these, we propose the following hypothesis:

- H5. Control-reducing threats moderate the inverted U-shaped relationship between an issue's legitimacy and headquarters' attention such that high perception of control-reducing threats mitigates the decline in headquarters' attention at higher levels of legitimacy.

3. Research methodology

3.1 Sample and data collection

We used a questionnaire survey for data collection. To reduce the common method bias (Podsakoff *et al.*, 2003), our questionnaire included two separate parts. Part I contained questions regarding dependent and control variables, while Part II contained those on independent and moderating variables. Furthermore, as Podsakoff *et al.* (2003) suggested, to link data from two respondents in each corporation, identifying variables were included in both parts of the questionnaire. These variables include subsidiary name, positions of issue seller and recipient, time for issue-selling and a brief description of the issue.

We designed a package, which included a cover letter of our research purpose, a two-part questionnaire, a stamped return envelope and a postcard. We first drew a random sample of subsidiary participants who were registered in the Executive Master of Business Administration programme run in a local university. Then the package was mailed to a sample of 185 subsidiaries who were willing to participate in the survey after our inquiry by phone. The sample organizations were located in five provinces in different districts of China, such as Shanghai located in east China, Shenzhen in south and Beijing in north.

The questionnaire's Part I was required to fill in by a subsidiary manager while Part II was by a top executive at headquarters. To avoid sampling bias, we asked respondents to choose an issue they had proposed to headquarters or received from subsidiaries in the last three months, and emphasized that it was not important whether the issue had been accepted or rejected. The original English questionnaire was first translated into Chinese and then back-translated into English to avoid cultural bias. We then test the questionnaire in a pilot project by inviting numerous top executives at headquarters and subsidiary managers who were asked to evaluate each question, in order to ensure that it was relevant and understandable. Based upon participants' comments, the questionnaire was revised and tested again in another pre-test till all items presented in the questionnaire were clear, understandable, and valid. Moreover, to make sure participants had the same understanding of the issues as the authors, a clear description of the issues was included in the questionnaire (see the Appendix).

To facilitate a response, approximately two weeks after the initial mail, we sent reminder e-mails to the non-respondents with the questionnaire attached and made phone calls after this second mailing. Out of a total of 185 questionnaires, 95 were returned, including 14 incomplete/unmatched questionnaires, which were eliminated, leaving us with 81 valid questionnaires from headquarters-subsidary dyads with an effective response rate of approximately 43.8 per cent. To test the possible non-response bias, the respondents were compared with the non-respondents along attributes such as firm size, firm age and ownership status by using *t*-tests (Armstrong and Overton, 1977). All *t*-statistics were insignificant. In addition, due to the long retrieving time of our questionnaires, we further compared the χ^2 of the measurement items evaluated by the first quarter respondents with ones rated by the final quarter

respondents. The results indicated no significant differences between these two groups on key measures.

Table I indicates the descriptive analyses of these samples, e.g. the distribution information about their industries, ownership and number of subsidiary employees – as well as respondents profiles, such as demographic data of gender, age, position and average work experience in the current organization.

As shown in Table I, our sample included two general types of industries, i.e. manufacturing, such as automobile and electronics, and services, such as retailing and distribution. We conducted a one-way analysis of variance and found no significant differences between the two industries. Thus, it is appropriate to use these two sets of data together as a single sample in the following analysis.

3.2 Variable measures

We present the measures for variables in the Appendix. In the questionnaire, all multi-item variables were rated by a five-point Likert scale, ranging from “not at all” to “very much”.

Profiles of sample	<i>n</i>	Percentage
<i>Ownership</i>		
State-owned	28	34.57%
Privately owned	47	58.02%
Foreign-controlled	6	7.41%
<i>Number of subsidiary employees</i>		
< 100	48	59.26%
100-500	18	22.23%
More than 500	15	18.51%
<i>Industry</i>		
Manufacturing	33	40.74%
Service	48	59.26%
Profiles of respondents	Headquarters' respondents	Subsidiaries' respondents
<i>Gender</i>		
Male	72 (88.89%)	61 (75.31%)
Female	9 (11.11%)	20 (24.69%)
<i>Age</i>		
35 or less	12 (14.81%)	18 (22.22%)
36-45	42 (51.85%)	42 (51.85%)
46 and above	27 (33.33%)	21 (25.93%)
<i>Position</i>		
President, Managing Director, CEO	39 (48.15%)	50 (61.73%)
Senior Managers of Operations	10 (12.35%)	6 (7.41%)
Senior Managers of Finance	9 (11.11%)	5 (6.17%)
Senior Managers of Technology	4 (4.94%)	11 (13.58%)
Senior Managers of other Functions	19 (23.46%)	9 (11.11%)
Average work experience in the current organization	10.67 years	8.85 years
Note: <i>n</i> = 81		

Table I. Profiles of the sample and the two respondents

Dependent variable: headquarters' attention. First, we adapted three items from Dutton and Ashford (1993) to measure absolute attention invested by top executives at headquarters to understand and support an issue. Second, two more items adapted from Bouquet and Birkinshaw (2008b) were employed to indicate relative attention received by an issue. The five-item scale was rated by respondents at subsidiaries.

Independent variables: an issue's characteristics. This study introduced three independent variables as measurement of an issue's characteristics, including organizational benefits, legitimacy and novelty.

To measure organizational benefits, respondents at headquarters were asked to indicate the extent to which they thought the issue could impact the organization's problem, profitability and image in the market (De Clercq *et al.*, 2011; Dutton *et al.*, 2001).

Legitimacy is an indirectly observable construct that scholars have attempted to measure using a variety of indirect or proxy indicators relevant to its source. For example, scholars argued that a new venture's legitimacy was a function of product knowledge, organization knowledge and reputation of the top management team (TMT) (Shepherd and Zacharakis, 2003). Scholars similarly operationalized TMT legitimacy as the logged sum of the number of top managers: with industry experience, with prior TMT experience, aged 40 or over, and advanced degrees such as master's or equivalent (Cohen and Dean, 2005). In line with these suggested approaches, we measured an issue's legitimacy by asking headquarters' respondents to evaluate the extent to which the issue was perceived as consistent with the parent company's values, norms and current practices and strategic objectives (Kostova and Zaheer, 1999; Lu and Xu, 2006; Suchman, 1995).

To measure an issue's novelty, we asked respondents at headquarters to assess the extent to which they considered the issue first, as being new to the organization; second, as having unique features; and third, as one of the first of its kind mentioned in the organization (Plambeck, 2012; Plambeck and Weber, 2009).

Moderating variables: environmental threats. Following Dutton and Jackson (1987), we used a four-item scale to collect self-reported data on the two categories of environmental threats from headquarters' respondents. To ensure temporal consistency, the four items were preceded by the stem statement: "At the time of issue proposal, to what extent did you agree with the following statements"?

Control variables. A number of control variables were introduced. First, based on the research of De Clercq *et al.* (2011), we controlled for the following variables: gender (1 = male; 0 = female), individuals' industry knowledge (measured by the number of years working in the organization's specific industry before joining the organization), individuals' contextual knowledge of the organization (measured by the number of years working for the organization on first presenting the issue). These seller-level variables influenced the intensity of subsidiary managers' change efforts, and thereby account for alternative explanations for the success of change initiation.

Second, we included measures of subsidiary size (number of full-time employees), age (number of years since founding), industry (1 = manufacturing; 0 = service), performance and influence within the business group network (Bouquet and Birkinshaw, 2008a). To assess performance, subsidiaries' respondents were asked to rate their subsidiaries' market share, return on investment and profit relative to their primary competitors. We used the five-item scale following O'Donnell (2000) to measure subsidiary influence. And the final measure was calculated as follows: subsidiary influence = average of items a and b/average of items c, d and e (O'Donnell, 2000).

Third, we controlled for ownership at business group level, which were identified as dummy variables – state-ownership, private ownership and foreign-controlled ownership. Finally, given that issue-selling is an interaction between subsidiary managers and top executives at headquarters, their relationship quality was introduced as another control variable, which was measured by subsidiaries’ respondents through a three-item scale following Ashford *et al.* (1998).

4. Analysis and results

4.1 Construct validity

Exploratory factor analysis (EFA) and confirmatory factor analysis (CFA) were performed to assess the construct validity of the resulting multi-item measurement scales, whose results are displayed in Table II. As shown in Table II, item loads varied from 0.53 to 0.94 at the 0.1 per cent level of significance. The average variance extracted (AVE) exceeded 0.5 in all cases (except organizational benefits), concluding convergent validity (Fornell and Larcker, 1981). Furthermore, we assessed the reliability of each construct using Cronbach’s α and composite reliability, as suggested by Fornell and Larcker (1981). Table II indicates these values higher than the suggested threshold of 0.70.

Table III presents the correlation coefficients and primary descriptive features of the study variables. Tables II and III indicate that none of the shared variances (squares of correlations) between latent constructs was higher than the related AVE, indicating adequate discriminant validity (Fornell and Larcker, 1981). Therefore, the measurement model possessed adequate convergent validity, discriminant validity and reliability.

Construct	Loading ^a	Composite reliability	Cronbach’s α	AVE
Headquarters attention		0.75	0.78	0.61
AT1	0.77			
AT2	0.67			
AT3	0.63			
AT4	0.94			
AT5	0.75			
Organizational benefits		0.72	0.70	0.46
OB1	0.65			
OB2	0.68			
OB3	0.69			
Legitimacy		0.89	0.88	0.72
LM1	0.86			
LM2	0.80			
LM3	0.88			
Novelty		0.74	0.72	0.50
NV1	0.77			
NV2	0.79			
NV3	0.53			
Threats of likely loss		0.72	0.71	0.56
TLL1	0.73			
TLL2	0.76			
Control-reducing threats		0.83	0.71	0.71
CRT1	0.85			
CRT2	0.84			

Table II.
Results of EFA
and CFA

Notes: AVE, average variance extracted. ^aSignificant at $p < 0.001$

	Mean	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	3.645	0.441															
2	n/a	n/a	-0.117														
3	12.407	7.541	-0.017	0.119													
4	8.849	7.318	0.035	0.277**	0.468**												
5	n/a	n/a	0.061	0.151	0.293**	0.290**											
6	8.346	8.107	0.028	0.174	0.334**	0.217	0.439**										
7	n/a	n/a	-0.145	0.242*	0.180	0.152	0.332*	0.148									
8	3.099	0.772	0.421**	0.123	0.025	-0.062	0.219**	0.199	0.057								
9	1.064	0.323	0.162	0.284*	-0.012	0.000	0.106	0.027	0.039	0.328**							
10	n/a	n/a	0.047	-0.118	-0.241*	-0.301**	-0.142	-0.150	-0.044	0.087	0.063						
11	3.700	0.569	0.393**	-0.102	-0.071	-0.069	0.011	-0.115	-0.241*	0.296**	0.064	0.052					
12	3.741	0.683	0.416**	0.020	0.115	0.026	0.047	0.066	-0.115	0.371**	0.151	0.050	0.265*				
13	4.317	0.527	0.359**	-0.091	0.067	0.138	-0.045	0.088	-0.182	0.301**	-0.005	0.052	0.108	0.478**			
14	3.193	0.835	0.460**	-0.108	0.005	-0.180	0.022	-0.055	0.059	0.183	-0.032	0.006	0.209	0.530**	0.010		
15	3.093	0.909	0.141	-0.147	0.056	0.079	-0.022	0.004	-0.015	0.040	-0.022	-0.104	0.022	-0.048	0.038	-0.112	
16	2.235	0.807	0.205	0.007	0.130	0.027	-0.070	-0.143	-0.023	-0.121	-0.070	-0.087	0.128	0.172	-0.187	0.371**	0.281**

Notes: $n = 81$. 1, Headquarters attention; 2, gender; 3, industry knowledge; 4, contextual knowledge; 5, subsidiary size; 6, subsidiary age; 7, industry; 8, subsidiary performance; 9, subsidiary influence; 10, ownership; 11, relationship quality; 12, organizational benefits; 13, legitimacy; 14, novelty; 15, threats of likely loss; 16, control-reducing threats. * $p < 0.05$; ** $p < 0.01$ (two-tailed tests)

How to win
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Table III.
Means, standard
deviations, and
correlations

Because of a limited sample size, we used three different CFA nested models to conduct the analysis, following Paiva *et al.* (2008). All models were tested using AMOS version 17.0. The first CFA model was estimated for the issue's characteristics (i.e. organizational benefits, legitimacy and novelty). The results indicated a good model fit ($\chi^2/df = 1.51$, RMSEA = 0.08, CFI = 0.95, NFI = 0.88, PGFI = 0.53, PNFI = 0.64). The second CFA model integrated the construct of headquarters' attention. The results revealed an acceptable fit between the predicted model and the data set ($\chi^2/df = 1.60$, RMSEA = 0.09, CFI = 0.91, NFI = 0.80, PGFI = 0.58, PNFI = 0.63). Finally, on the basis of the two models, we ran a full CFA model that included all constructs and the measures of fitness were within reasonable levels ($\chi^2/df = 1.44$, RMSEA = 0.07, CFI = 0.90, NFI = 0.74, PGFI = 0.59, PNFI = 0.60). The nested model orientation helps reduce the possibility of interpretational confusion common in complex models which may result from the limitation of a small sample (Burt, 1976). Additionally, the minimum ratio (5:1) between the number of subjects and parameters (Paiva *et al.*, 2008) was ensured due to our procedural method of collecting data from separate respondents in each corporation.

4.2 Common method bias

Following Podsakoff *et al.* (2003), we integrated both procedural methods and statistical techniques to reduce the potential of common method bias. For procedural methods, as previously mentioned, we invited two different respondents from each corporation for data collection. This procedure eliminated the effects of consistency motifs, implicit theories, social desirability and tendencies that could systematically bias raters' responses (Podsakoff *et al.*, 2003).

Regarding statistical techniques, we used Harman's single-factor test to check for the common method variance of the proposed constructs (Podsakoff *et al.*, 2003). Significant common method variance would result in one general factor accounting for the majority of the covariance among the measures. The multi-item constructs were loaded into an EFA. The analysis resulted in four factors with eigenvalues greater than 1, with the first factor accounting for 30.43 per cent of total variance, less than the recommended threshold of 35 per cent by Podsakoff *et al.* (2003). This result indicated that there is no significant common method variance between the analysed scales. Moreover, additional evidence could be provided if our interaction hypotheses were supported because the respondents would unlikely bias their responses to produce significant interaction results (Aiken and West, 1991).

4.3 Tests of hypotheses

We used the hierarchical regression method to test our hypotheses. First, as suggested by Aiken and West (1991), we can compare the results (e.g. R^2) of the interaction model which including the interaction construct with the main effects model to test the interaction effects in our hypotheses. Indeed, hierarchical regression is widely used by scholars in testing interaction effects (Bouquet and Birkinshaw, 2008b; Guo and Cao, 2014).

Second, hierarchical regression method can also enable us to examine the relative influence of particular predictor variables (Cohen, 2001). Table IV contains the analysis results.

We mean-centred the independent and moderating variables to minimize the possibility of multicollinearity (Aiken and West, 1991). Moreover, we conducted a statistical test that indicated that the highest variance inflation factor was 7.02 and the

Variables	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Gender dummy (1 = male)	-0.174	-0.173	-0.143	-0.076	-0.037	-0.024
Industry knowledge	0.003	-0.032	-0.031	-0.092	-0.220*	0.306**
Contextual knowledge	0.148	0.141	0.166	0.193	0.246*	0.259*
Subsidiary size	-0.014	-0.005	-0.054	-0.008	0.044	0.102
Subsidiary age	0.012	0.011	0.028	0.068	0.165	0.170
Industry dummy (1 = manufacturing)	-0.084	-0.056	-0.001	-0.070	-0.084	-0.083
Subsidiary performance	0.347**	0.269*	0.196	0.196	0.047	-0.038
Subsidiary influence	0.088	0.077	0.078	0.152	0.219*	0.212*
Ownership dummy 1 (state)	-0.030	-0.022	-0.012	-0.016	-0.144	-0.188
Ownership dummy 2 (foreign)	-0.013	-0.019	-0.053	-0.074	-0.154	-0.152
Relationship quality	0.260*	0.224*	0.234*	0.201*	0.112	0.111
Organizational benefits		0.242*	0.238*	-0.114	-0.028	-0.021
Legitimacy			0.180	0.354**	0.408***	0.455***
Legitimacy squared			-0.282**	-0.077	-0.090	-0.055
Novelty				0.360**	0.435**	0.453**
Novelty squared				-0.242*	-0.285**	-0.489**
Threats of likely loss					-0.068	-0.059
Threats of likely loss × legitimacy					0.086	0.085
Threats of likely loss × (legitimacy) ²					0.128	0.039
Threats of likely loss × novelty					0.401**	0.331**
Threats of likely loss × (novelty) ²					0.319*	0.428**
Control-reducing threats						-0.076
Control-reducing threats × legitimacy						0.163
Control-reducing threats × (legitimacy) ²						0.485**
Control-reducing threats × novelty						0.167
Control-reducing threats × (novelty) ²						-0.248
R^2 (adjusted R^2)	0.301 (0.190)	0.348 (0.233)	0.425 (0.303)	0.547 (0.434)	0.684 (0.571)	0.741 (0.616)
ΔR^2		0.047	0.077	0.122	0.137	0.057
ΔF		2.702**	4.889*	4.417*	8.648***	5.103**

Notes: $n = 81$ for all models. ^aStandardized coefficients are reported. * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

Table IV.
Results for
hierarchical
regression analysis^a

lowest tolerance value was 0.14. These results suggest that multicollinearity does not appear to be a significant threat in our data set (Mason and Perreault, 1991). Model 1 presents the control coefficients predicting headquarters' attention.

As shown in Table IV, Model 2 indicates that $H1$ is supported ($\beta = 0.242$, $p < 0.05$), which predicted that an issue's organizational benefits would be positively related to headquarters' attention. From results in Model 3, $H2$ is supported ($\beta = -0.282$, $p < 0.01$), indicating that an issue's legitimacy has an inverted U-shaped relationship with headquarters' attention. Model 4 shows that $H3$ is supported ($\beta = -0.242$, $p < 0.05$), which similarly proposed that an issue's novelty has an inverted U-shaped influence on headquarters' attention. Jointly, considerations of an issue's characteristics accounted for 43.4 per cent of the explained variance in headquarters' attention compared with 19.0 per cent for the baseline controls included in the models.

The results presented in Models 5 and 6 offer tests for the remaining hypotheses with the addition of moderating variables. $H4$ is supported ($\beta = 0.319$, $p < 0.05$), indicating that threats of likely loss mitigate the decline in headquarters' attention to a highly innovative issue. Stated differently, although a higher level of novelty tends to

decrease the attention that an issue receives from headquarters, this negative effect diminishes with an increasing degree of threats of likely loss. Model 6 shows that $H5$ is supported ($\beta = 0.485$, $p < 0.01$). Similarly, as expected, control-reducing threats mitigate the decline in headquarters' attention to a highly legitimate issue. These interaction effects contributed approximately 19.4 per cent of additional variance in total. Moreover, as shown in Models 5 and 6, the interaction between an issue's legitimacy and threats of likely loss is not significant, as well as that between an issue's novelty and control-reducing threats.

To further analyse the moderating effects, we followed Aiken and West's (1991) graphical procedure to draw Figures 2 and 3. We assigned to threats of likely loss and those of control-reducing the values of one standard deviation above and below their means to plot their moderating effects. As shown in Figure 2, at a lower degree of likely loss, headquarters' attention increased initially, and then decreased rapidly as an issue's novelty increased. However, at a higher degree of likely loss, the negative effect of an issue's extreme novelty on headquarters' attention was mitigated.

Figure 2.
Moderating effects of likely loss on the relationship between an issue's novelty and headquarters' attention

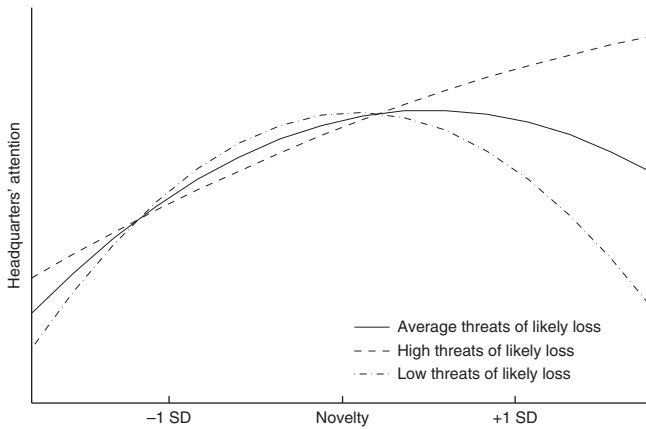


Figure 3.
Moderating effects of control-reducing on the relationship between an issue's legitimacy and headquarters' attention

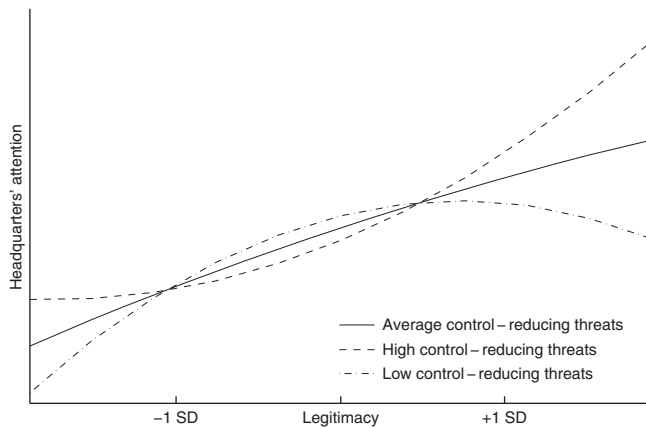


Figure 3 indicates that a similar interpretation is applicable to the moderating role of control-reducing threats in the relationship between an issue's legitimacy and headquarters' attention.

5. Discussion

This study tends to answer the question of how two key factors, in terms of an issue's characteristics and environmental threats, jointly influence the attention of top executives at headquarters in the initiation of a bottom-up change. Three critical characteristics were identified, including organizational benefits, legitimacy and novelty. Our empirical results show that these characteristics have substantial influences on headquarters' attention. An issue's organizational benefits have a positive effect on the attention of top executives.

The other two characteristics, legitimacy and novelty, depicted more complicated relationships to the headquarters' attention, i.e. inverted U-shaped curves. These results suggest that there is a trade-off between an issue's legitimacy and novelty. An issue with an increasing degree of legitimacy indeed draws headquarters' attention. However, this influence on attention becomes negative after a certain point. This means that the positive effect of an issue's legitimacy on headquarters' attention begins to diminish if it is over-stated or over-emphasized.

Moreover, the relationship between an issue's novelty and headquarters' attention shows a similar relationship as that of legitimacy. Our empirical findings suggest that headquarters' attention increases if an issue presents certain degrees of creativity, innovation and newness. However, if an issue becomes unfamiliar or too new to top executives, it might be rejected or excluded from the organizational change agenda.

In addition to an issue's characteristics, we also identified a moderating effect of two types of environmental threats, namely, likely loss and control reducing, on the above curvilinear relationships. Specifically, threats of likely loss have a negative moderating effect on headquarters' attention to a highly innovative issue. This means that although an issue with a higher degree of innovation or newness to headquarters might be at risk of rejection, when top executives are under the pressure of potential loss of resources, they will be more likely to accept it.

Similarly, threats of control-reducing have a negative moderating effect on headquarters' attention to a highly legitimate issue. That is, when subsidiary managers plan to propose an issue with a higher level of legitimacy, it would be more successful for them to announce the proposal to top executives in threats of control reducing.

In summary, there are three main findings. First, headquarters' attention to an issue is greater when the organizational benefits of the change issue are high. This finding presents support for Dutton and Ashford's (1993) suggestion that sellers would be more successful to the extent that the issues are strategically important.

Second, a trade-off between legitimacy and novelty is necessary for an issue to gain more headquarters' attention. This finding is consistent with Howard-Grenville (2007), who noted that an effective issue-selling kept a balance between representing novelty with the issue and appealing to dominant schemas.

Third, a particular issue may gain more attention from headquarters when it being proposed in a more appropriate circumstance. This result echoes arguments by Ren and Guo (2011) that a control-related threat situation can be leveraged as an opportunity window to sell entrepreneurial initiatives that fit the firm's core strategy, while a resource-related threat situation facilitates initiatives with a lesser degree of fit with the firm's core strategy.

5.1 Theoretical implications

Our research findings have important implications to theory development of organizational change and issue-selling. First, we contribute to the literatures on organizational change by focusing on the process of issue-selling, which is the key component part of a more general change. Previous research in organizational change mostly focused on the implementation of change, and change recipients' reactions to change (Oreg *et al.*, 2011). Issue-selling as an early stage in the initiation of a bottom-up change is not paid enough attention to in exist organizational change literatures.

The concept of attention also helps us to develop rich insights into the dynamic interactions between subsidiary managers and top executives at headquarters in the initiation of a bottom-up change. Because it enables us to provide a general model that integrates two complementary processes through which a change issue gains enough attention. There is a top-down process whereby attention is allocated according to the benefits of an issue to the organization, as well as a bottom-up process whereby attention can be earned by subsidiary managers' proactive strategies (i.e. proposing the right issue in the right circumstance) in large corporations.

Second, we examined the important role of an issue's characteristics in capturing headquarters' attention, hence facilitated the understanding of why issues with some characteristics are more significant than issues with other characteristics. In previous studies, an issue has been treated as a black box and its characteristics were not examined. Therefore, it remained unclear how an issue's characteristics influenced headquarters' attention. Our study fills in this gap by showing that the issue itself is important for the attraction of headquarters' attention. After all, a strategic issue will be treated differently from a minor or normal issue by top executives at headquarters.

Additionally, and perhaps more importantly, issues *per se* are the key factors which influence what to change in an organization. We found that the organizational benefits of an issue are positive for headquarters' attention. This finding highlights the importance of the benefits of a related change, and subsidiary managers should present an issue's significant impact on organizational goals, performance and image in the marketplace. According to legitimacy and novelty, which are the two characteristics related with risks in organizational change, the inverted U-shaped effects show the challenge of balancing innovation against conformity in the process of initiating a change.

Third, we provide a valuable extension to prior research by revealing two moderators which are derived from contingencies associated with environmental threats, i.e. likely loss and control reducing. The role of environmental threats in moving issues to formal agendas is recognized in policy agenda setting research (Kingdon, 1984). Our findings suggest that perception of environmental threats can also leverage a change agenda in organizational level. Moreover, the distinction between likely loss and control reducing provides an understanding of the question that in which circumstances subsidiary managers should propose legitimate rather than innovative issues, and vice versa.

5.2 Practical implications

This study is applicable to practitioners at headquarters and subsidiaries. For subsidiary managers, our findings suggest several levers available to facilitate the initiation of bottom-up changes, that is, to gain attention from top executives for their desired issues. First, subsidiary managers can actively seek a match between issues and surrounding environments, namely, proposing a right issue in an appropriate circumstance. Specifically, in control-reducing threats, subsidiary managers should present issues with higher levels of legitimacy. On the contrary, issues with higher levels of novelty should

be proposed in threats of likely loss for greater success. Further, given the long duration of the process for initiating a change, it is important for subsidiary managers to be persistent to an advantageous time (Dutton *et al.*, 2001).

Second, our study supports Ren and Guo's (2011) suggestion that sometimes opportunity can be created in response to a particular issue. For instance, subsidiary managers could strengthen or perhaps change the existing preferences of top executives by providing relevant information to influence top executives' perception of environmental threats.

Third, integrating the conclusions by Dutton *et al.* (2001), suitable selling strategies can be used to highlight an issue's specific characteristics in order to capture top executives' attention. Subsidiary managers can propose an innovative issue in an incremental and continuous way to obtain legitimacy in control-reducing threats, whereas a legitimate issue can be proposed in radical ways or portrayed with novel information to acquire novelty in threats of likely loss.

Headquarters' practitioners can also take steps to facilitate bottom-up change processes. For example, the strong effect of organizational benefits highlights the importance of top executives at headquarters, thereby defining and effectively communicating organizational goals and problems to subsidiary managers. Although written in the context of business groups, our findings also have broader applicability as well for understanding how an organizational change is initiated from lower levels in large organizations.

5.3 Limitations and future research

This study's limitations provide several directions for future research. First, the study collected data at a single point in time through a survey method. A longitudinal research would facilitate researchers to obtain a more sophisticated understanding on the complex relationships between subsidiaries and headquarters in organizational change. And qualitative methods such as case studies are also called to use more frequently in organizational change research (Garcia and Gluesing, 2013).

Second, the demographics of our sample may limit the generalizability of our findings. Specially, our sample is from China, hence the concern that the external validity of our empirical findings might be restricted. Nevertheless, we focused on the process and activities at the organizational level and expected to minimize cultural and geographical influences. However, future research should be conducted with samples from other countries in order to test and extend the generalizability of our findings.

Third, we examined two important factors, i.e. an issue's characteristics and environmental threats, critical to attention decisions in business groups. A useful extension would be to examine the characteristics of the change initiators in business groups (i.e. subsidiary managers) and their implications for change initiation. For example, if subsidiary managers come from corporate headquarters, they are better at understanding the rules at headquarters which may positively influence the possibility of success to initiate a change.

6. Conclusion

We identified three critical characteristics of an issue in change initiation and examined their interaction effects with environmental threats on headquarters' attention. Theoretically, we suggest that issue-selling can be used more effectively as a mechanism in a bottom-up change process when environmental conditions are met. Empirically, we found that subsidiary managers should propose the right issue in the right circumstance in initiating a change, i.e. proposing legitimate issues in control-

reducing threats while taking action to push innovative issues in threats of likely loss. The present study, therefore, helps answer the question on how subsidiary managers take charge of the destiny for their proposed issues, and how top executives at headquarters allocate their attention more productively.

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Appendix

Change issues are defined as the events, developments or trends that are critical to organizational performance. Examples of the issues proposed in our study include but not limited to: a new product development plan or modifications in product design, a redesign project on organizational process or an advanced management tool that make organization more efficient.

1. *Headquarters' attention* (adapted from Dutton and Ashford, 1993; Bouquet and Birkinshaw, 2008b)

AT1. Top management at headquarters engaged in frequent conversations about the issue

AT2. Top management at headquarters created either roles or task forces devoted to the issue

AT3. Top management at headquarters collected issue-relevant information

AT4. Compared with the other issues from the same subsidiary, top management at headquarters devoted more attention to this issue

AT5. Compared with the same kind of issues from other subsidiaries, top management at headquarters devoted more attention to this issue

2. *Organizational benefits* (adapted from De Clercq *et al.*, 2011)

OB1. This issue could deal with an important problem of your organization

OB2. This issue could have an important impact on the firm's profitability

OB3. This issue could improve the organization's image in the market

3. *Legitimacy* (adapted from Suchman, 1995; Kostova and Zaheer, 1999; Lu and Xu, 2006)

LM1. This issue was perceived as consistent with the parent company's values

LM2. This issue was perceived as consistent with the parent company's norms and current practices

LM3. This issue was perceived as consistent with the parent company's strategic objectives

4. *Novelty* (adapted from Plambeck and Weber, 2009; Plambeck, 2012)

NV1. The issue was highly new to your organization

NV2. The issue has unique features

NV3. The issue was one of the first of its kind proposed in your organization

5. *Environmental threats* (adapted from Dutton and Jackson, 1987)

5.1 Threats of likely loss

TLL1. The situation would result in negative outcomes

TLL2. There was a high probability of losing a great deal in such environment

5.2 Control-related threats

CRT1. You felt that the situation became more controlling

CRT2. You had little control over such situation

6. *Subsidiary influence* (adopted from O' Donnell, 2000)

SF1. The subsidiary's activities influence other subsidiaries' outcomes (a)

SF2. Other subsidiaries depend on this subsidiary to effectively perform their tasks (b)

SF3. Work in this subsidiary is connected to that in other subsidiaries (c)

SF4. This subsidiary depends on the effective functioning of other subsidiaries to keep performing its own tasks effectively (d)

SF5. Other subsidiaries' activities influence this subsidiary's outcomes (e)

7. *Relationship quality* (adopted from Ashford *et al.*, 1998)

RQ1. You knew your immediate superior at headquarters

RQ2. You felt socially close (i.e. as a friend) to him/her

RQ3. You engaged in social activities outside work with him/her

Note: ^aAll items are measured using five-point Likert scales with 1 = not at all and 5 = very much

Table AI.
Constructs and
measurement items^a

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