

Organizational Inertia and Attention Co-evolution of Enterprises in Transition

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Abstract: In this study, exploratory case study method and grounded theory were adopted to analyze organizational inertia and attention structure in the strategic behavior and cognitive process, and construct the co-evolution model of attention allocation and inertia. It is found that organizational inertia varies with antecedent variables in each stag, and it is both transformative and stable, and has the characteristics of evolution. The initial attention configuration guides the path of inertia generation, and with the development of the enterprise, the dominant inertia will shape the strategic model in the later stage. Corporate change and transformation need to balance the relationship between inertia and attention. The research expands and improves the related studies of inertia and attention, and provides enlightenment for the transformation practice of traditional enterprises.

1. Research background

Organizational ecology school notes that it is inertia as opposed to dynamic capability and organizational flexibility that pervades in organizations^[1]. As a result, the organization is not able to immediately generate response mode in pace with environmental changes. Especially for the leading enterprises in a certain field for a long time, when faced with discontinuous and breakthrough changes, large-scale incumbents are often difficult to overcome inertia in a timely and effective way, which leads to the "incumbent curse"^[2]. Inertia is often not presented in a single way, but rather a combination of different inertial antecedents, such as based on past experience, or conventional processes, or historical path and executive perception. Therefore, it is particularly important to tease out the specific role played by the sources or antecedents of structural inertia. Attention-Based View (ABV) defines enterprise strategy as a mode of attention. Its core argument is that the behavior of a firm is the result of how the firm guides and distributes decisions and attention. Ocasio points out that ABV by itself cannot provide a complete answer, but it must be supplemented by other perspectives and theories. The ABV of the enterprise provides a unified process-based explanation for the contradictory results of inertia and successful adaptation in the organization^[3-5].

The strategic position of the manufacturing industry and the characteristics of the digital economy times urgently require the high quality development and transformation of traditional manufacturing enterprises. Many traditional enterprises' long-term strategies are influenced by specific executives, and there are few attempts to combine the attention studies on strategic behavior and cognitive processes with the perspective of inertia. Therefore, it is more difficult to form a model of organizational behavior difference under the action of inertia in the allocation of executive attention based on the local transition situation in China. In view of this, this study integrates the research framework of inertia and ABV, and tries to answer the process mechanism of the co-evolution of inertia and attention in the transition period.

2. Research Design

2.1 Research method and case selection

The research mainly adopts the case study method, meanwhile, the content analysis method is used in the measurement of attention, and the grounded theory is used in the extraction of antecedents. TCL is selected as the case mainly based on four points: First, this enterprise is a

typical representative of electronic home appliance enterprises in China's mature industry; Second, TCL, which implemented its internationalization strategy earlier and took greater steps, took various measures to reemerge after the disastrous merger and acquisition. However, the previous study on TCL's internationalization only regarded it as a negative case. Third, China's manufacturing industry faces greater pressure from core technology issues, cross-border impact of Internet companies, digital transformation and other aspects. TCL is an enterprise that actively responds to this. Fourth, the founder follows the development of the enterprise and plays a leading role in the strategic decision-making of the enterprise.

2.2 Data source

Case data mainly came from secondary data and is supplemented by first-hand interview data. The sources of secondary data are: First, the company's website, WeChat official account and annual report data; Second, published books, public reports and other publicly published web materials, including financial channels and home appliance channels of major websites, speeches and series of company leaders, interviews and reports; Third, published academic research. Since the respondents in the interview data are not the main participants of key strategies, and most of the materials provided are partial business conditions at the present stage, so the integrity of the first-hand data is extremely limited, triangle verification is provided in the screening part.

2.3 Initial research framework

According to the research questions and literature review, the initial research framework of this study is shown in Figure 1 below.

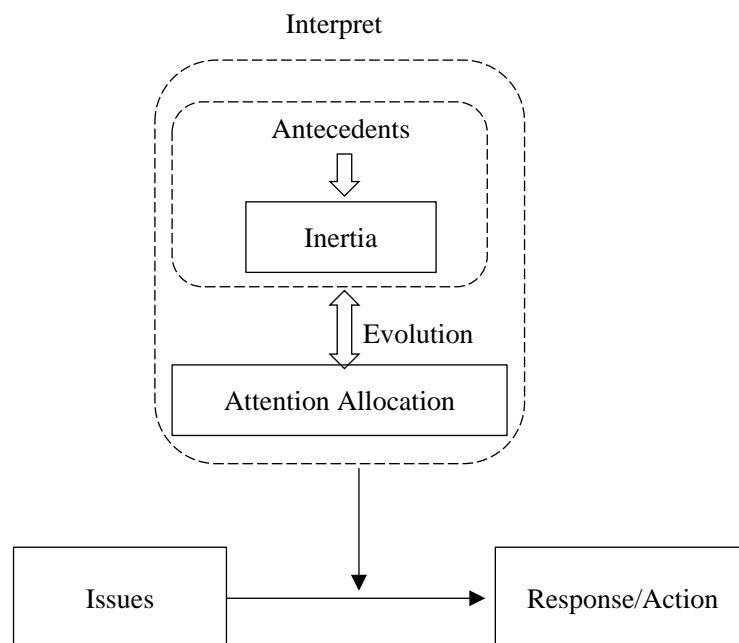


Fig. 1 Initial research framework

3. Case Analysis

TCL has gone through four stages since its establishment: (1) the initial stage (1981~1998). (2)Marketization period (1999 ~2003).(3)Internationalization period (2004~2012).(4)The new model of Internet strategy(2014~2019).(5)Strategic restructuring(2020-present). Among them, the first and second stages mainly rely on the development of market economy, and are dominated by environment and opportunities. The third, fourth and fifth stages are the transformation TCL has made in the face of its own development problems and changes in the external environment after the relatively mature market-oriented development. According to the annual report, after the cross-border impact of the Internet, a column of "Chairman's Speech" was added to the company's

annual report. In 2013, TCL mentioned the impact of the Internet for the first time and explored countermeasures. The annual report data were intercepted from the "Chairman's Speech" section during 2013-2019 and coded to investigate the allocation of executives' attention.

3.1 Identification and evolution of antecedents of inertia

The inertia category is encoded according to its antecedent variables by means of grounded theory. An example of open coding is shown in Table 1.

Tab. 1 Brief table of open coding of antecedents of inertia

Typical evidence cited from original sources	Initial concept	Category
Li didn't follow the speculative bubble of quick money, and his main business maintained steady growth, and the related diversification and expansion of new fields became strong .Maintaining steady growth of the main business, related diversification and expansion of new areas to grow stronger and bigger. Industrial capacity and core technology of main business need to continue to be strengthened. In the face of opportunities and temptations, there must be a correct, solid, simple thinking" Correct first, and then surprising.	Main business Identification Be focused	Identity inertia

The final result of the encoding is shown in Figure 2.

3.2 Attention measurement

TCL mainly experienced the focus and transfer of the following business modules: tape, telephone, audio and color TV, electrician, mobile phone, computer, TV and mobile phone business (under the international strategy), content services, semiconductor display and materials.

QSR NVivo 11.0 was used to analyze the "Chairman's Speech" from 2013 to 2020, and the matching statements of the three nodes (globalization, Internet under organizational structure and Huaxing) were coded, and the "total coding from child nodes" was added. Finally, the coverage of each node is counted and the coding band of the reference point distribution is displayed to assist the case analysis and conclusion. The measurement results are shown in Table 2.

Tab. 2 Attention measurement of TCL

Keywords/Node	Key words in the original context	Reference point	coverage
Globalization (child nodes: internationalization, overseas, global)	We firmly believe that globalization is the only way for enterprises to develop. Improve the international business layout, take advantage of the national "One Belt And One Road" strategy, and vigorously increase the overseas market share and benefits.	14	9.19%
Organizational structure (267 reference points;80.83 % coverage)	Internet (Internet, Double +)	60	25.23 %
	Huaxing (semiconductor, display, main business, industrial, industrial chain, technology, restructuring)	207	72.54 %

3.3 Attention allocation and inertial action mechanism in each stage

(1) Initial stage, marketization transition to internationalization stage (transformation I)

Issues are mainly based on the background of the transition from planned economy to market economy. The efficiency brought by network relationship (local government, employee social relationship, etc.) has a "preference" for cooperation and alliance, which guides enterprises to gradually form specific cognition, knowledge and strategy. The knowledge inertia with the reference of Japanese and Korean enterprises strengthens the cognitive and strategic inertia. In the initial cognition, they adhere to their own initiative and the theory of "speed and scale", and tend to rely on quality, performance and marketing tactics, and take the way of cooperation and alliance to acquire resources and rapidly expand the business field. In addition, inertia of inaction is occasional at the beginning of the whole stage, leading to the follow-up "inaction" of enterprises in computers and white electricity.

Issues are mostly driven and dominated by external environment, which makes the attention quality of some issues not high and has stage characteristics. Finally, they are replaced by the next issue in the development, and the acquisition of core resources tends to rely on third parties. Business modules that have gradually formed their own core capabilities are endowed with high quality of attention, such as electrician, color TV and mobile phone business, which have the characteristics of continuous attention. Even if they are transferred (such as electrician), they are forced by special events. Issues such as computers and the white electricity business are short-lived and withdrawn or marginalized by inaction inertia.

(2) Internationalization Transformation and "Double+" Strategic Stage (Transformation II)

Large-scale international mergers and acquisitions have brought TCL a painful lesson, but it has also gained essential resources and channels for future development. After the transformation of "Eagle Culture" and the turnaround of internationalization, the cultural inertia is reshaped and updated. At the same time, the cognitive inertia is changed to pay more attention to quality rather than scale, and the cognitive concept of focusing on core technology. The issue is mainly from the traditional business consolidation to the "double+" Internet strategy balance. Identity inertia is adhere to the "first keep the right and then surprise", presenting that "we will be very tired without transferring", "not to transform into an Internet enterprise, but just into the Internet thinking". This also reflects the incumbent inertia facing brand aging.

In this stage, the allocation of attention is reflected in the strengthening cycle of "color TV" and "mobile phone" issues. In the face of environmental changes and new issues of "Internet", "Eagle culture" prompted Li Dongsheng to respond quickly. TCL's new transformation strategy was timely and bold, and a series of important decisions of "+ Internet" were proceeded. However, the aforementioned antecedents of inertia make it difficult to match the thoroughness and mode of the transformation with the strategic goals. Finally, the cognitive and identity inertia make it return to the essence. The structural inertia makes the two business segments operate independently, and Li pointed out that the Internet strategy only served as the role of "icing on the cake".

(3) Reorganization focus and globalization layout (Transformation III)

In the process of strengthening quality of attention and accumulating inertia, TCL rectified the deviation, returned to the essence, adhered to the industry, and distributed to the upstream of the industrial chain. The uncertainty caused by external environmental pressure (foreign dominance of technology) strengthens the enterprise's sense of crisis and re-identification of opportunities. The long-term accumulated identity, incumbent inertia and "eagle" cultural inertia contribute to the focus reorganization of the main business to give up the cross-border business and determine the core position of the semiconductor business. At the same time, strategies of "taking root locally", sports marketing, and entertainment marketing have been used to open up the global market and further get through the industrial chain to operate in the global market.

Issues transferred from "color TV and mobile phone", "Internet" to "the upstream core components of color TV and mobile phone". TCL, which has been in the traditional home appliance industry for a long time, shows strong identity of manufacturing industry and cooperation inertia for the new Internet strategy. However, the subsequent performance of the new strategy fails to meet

expectations, which further deepens the enterprise's reflection on the implementation of the strategy. Therefore, identity and incumbent inertia urge TCL to focus on the upstream industry chain of main products, while the "eagle culture" inertia and gradually strengthening cognitive inertia of core technologies push TCL to transform.

4. Case study results: co-evolution model of attention and inertia

To sum up, in the development process of TCL, attention allocation and evolution process of inertia of issues such as main business and related diversification, trans-boundary unrelated diversification and main business focus are comprehensively analyzed, and the issues are transferred from focus to interpretation. First, participants structural position, game rules, and resource of enterprise attention structures in each stage get matched and feedback, to generate a set of value system to prioritize, issues and answers are collectively interpreted by selective attention of the key executives and promoting action in procedural and communication channels. Attention structure at the same time provides a structured interests and identity, and then form the corresponding proposal, interpretation and response. Dominate inertia and decision maker's attention in each stage influence and shape each other and decide the issue generation process, corporate decision and interpretation, and finally, in turn, generate a new set of decision-making premise and motive, as well as feedback to the issue of the next round of configuration, It is also regulated by the feedback of organizational performance and environmental factors. The co-evolution model of attention and inertia is summarized as shown in Figure 3.

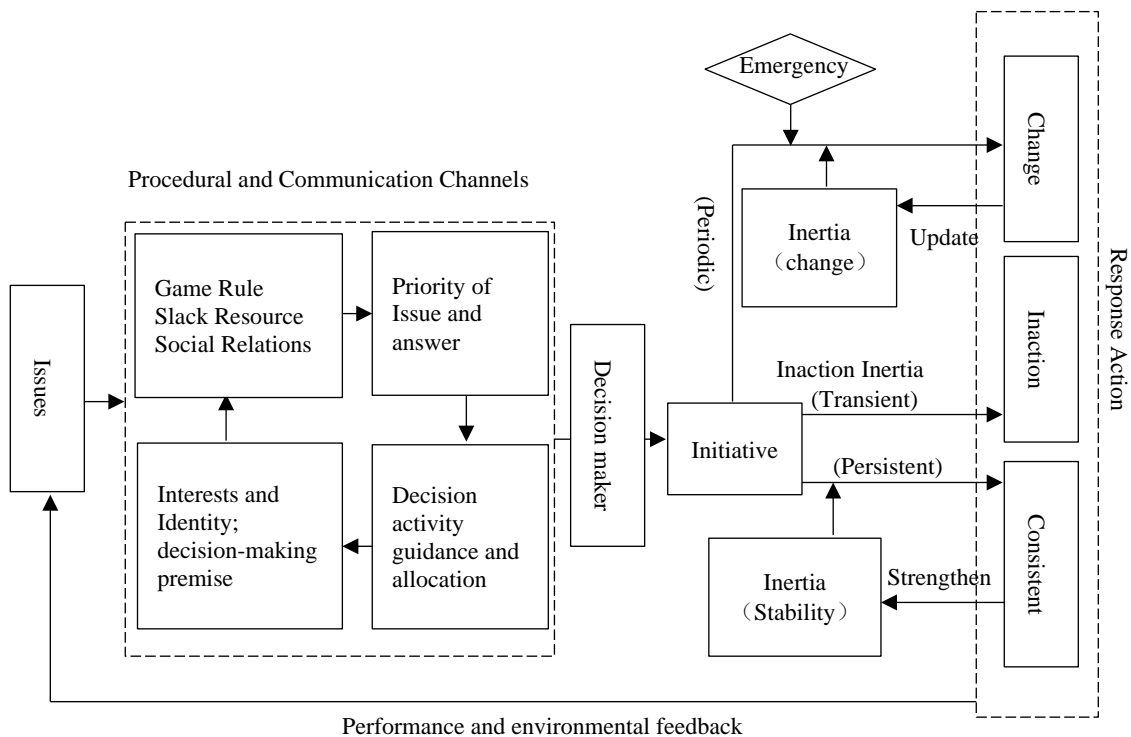


Fig.3 Co-evolution model of attention and inertia of TCL

5. Conclusions

Conclusions can be drawn from the above analysis as follows.

(1) Inertia displays and accumulates in many aspects in the development process of enterprises, which presents various types as well as interacts and relates with each other, and even the dominant inertia in different stages will evolve. Inertia and the process of attention, interpretation and responding action to issues shape and influence each other and co-evolve.

(2) Organizational inertia has its change side and stable side, which have different effects on the results of attention allocation, and can shape the later inertia pattern from different paths.

(3) The research also shows that clarifying the antecedent variable of inertia is the key to analyze the action of inertia and solve the cause of inertia problem.

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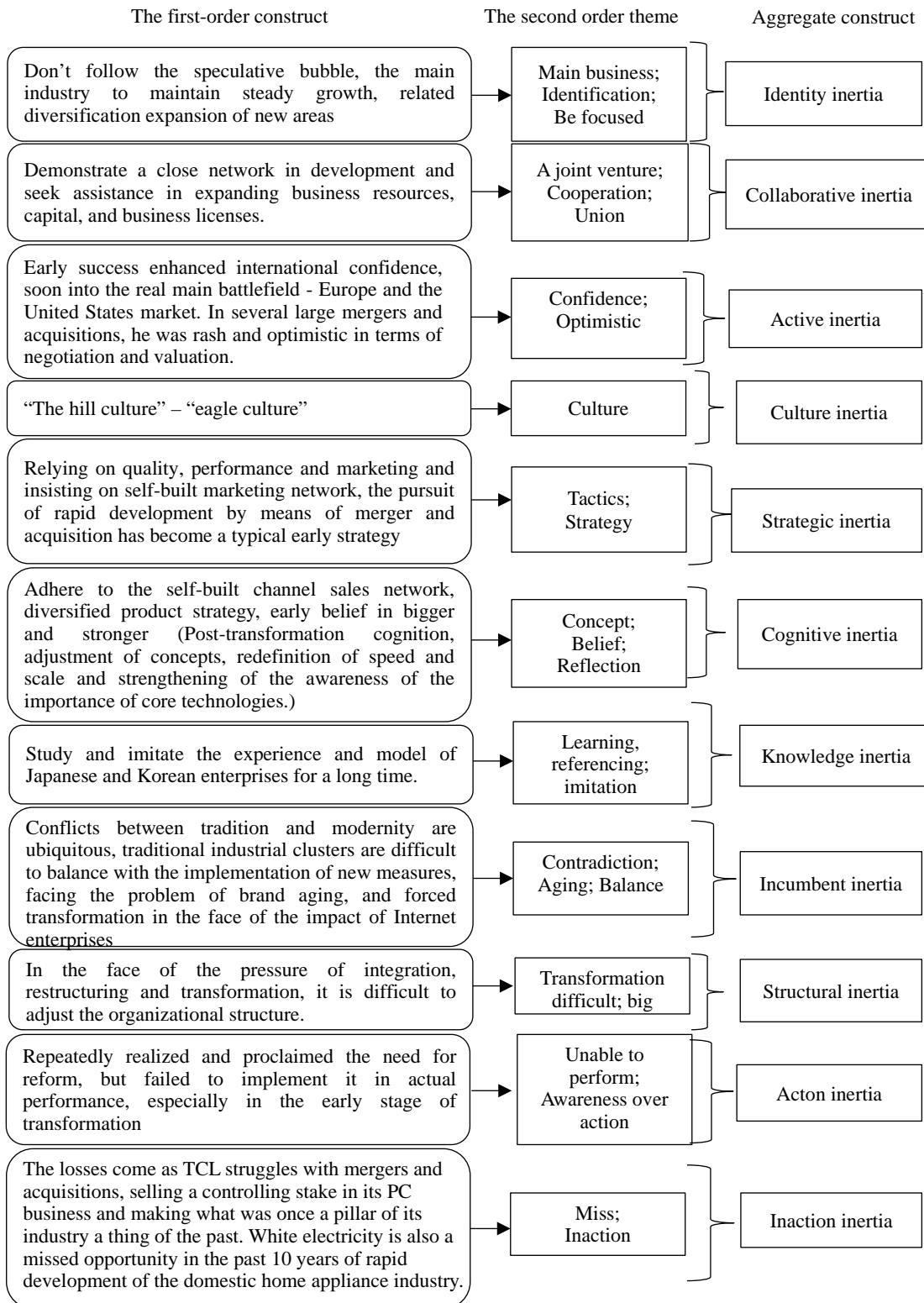


Fig.2 Coding results of inertia of TCL