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### Working Paper

## Managing the Future: CEO Attention and Innovation Outcomes

*Manjit S. Yadav, Jaideep C. Prabhu, and Rajesh K. Chandy, 2007 [07-110]*

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The current literature presents a mixed view of top managers, often characterizing them as an impediment to innovation, irrelevant for innovation, or at best having an indirect effect on innovation. Here, authors Yadav, Prabhu, and Chandy argue that CEOs have a positive, direct, and long-term impact on innovation outcomes. They propose an "attentional" perspective to studying innovation, suggesting that CEOs' choice of what to focus on has significant implications for how firms detect, develop, and deploy new technologies over time.

The authors test their arguments on longitudinal data from 176 public firms in the U.S. retail banking industry, using a methodology that allows a separation between CEO attentional focus (1990–1995) and subsequent innovation outcomes (1996–2004). They show that CEO attention is a critical driver of innovation even: (1) when the target of attention is not innovation per se, but simply future events and external events in a generic sense, (2) when the innovation outcomes occur far in the future (sometimes several years in the future), (3) when the innovation outcomes are conceptually, empirically, and temporally distinct, and (4) in an empirical context—banking—that is not traditionally viewed as "high-tech" and thus innovation-centric. These results, besides questioning many prevailing views on how CEOs affect innovation in their firms, also begin to address the issue of leadership that is widely recognized as one of the central problems in the management of innovation.

While the potentially significant role of managerial cognition on firms' innovation outcomes is frequently noted in the business press, little is actually known about the link between how leaders think and the specific innovation outcomes that occur in the marketplace. This research effort, with a focus on CEO cognition, represents a first step toward fully understanding the nature of this link.

### About the authors

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