Organizational Change and Temporal Myopia

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Abstract: Managers are required to eliminate resistance for making organizational changes. Previous studies have suggested that managers with sufficient power should be aware of the need for an organizational change and promote such changes. However, these factors alone are inadequate. This study presents a comparative case study of an organizational change effected by two dealership managers with identical levels of power at the Japanese auto dealer company X. Results revealed that the dealership manager who succeeded at an organizational change took a long-term perspective and was process oriented. In contrast, when the manager focused on short-term results, the dealership fell into temporal myopia and failed at an organizational change. Myopia is not always a problem, but it impedes an organizational change in sales organizations where results are easily quantifiable and feedback is rapid.

Keywords: organizational change, temporal myopia, sales organization

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1. Introduction

Members of an organization often resist an organizational change (Coch & French, 1948; Oreg, 2003; Piderit, 2000). In particular, an organizational change that encompasses changes in the work process is linked to a departure from the existing organizational identity; ¹ thus, a change must begin with changing the organizational identity.

Therefore, the manager’s role is critical (Sato, 2014a). However, not everyone can accomplish the role of promoting a change once they become a manager. They must have the power to change the behavior of their subordinates.

French and Raven (1959) identified the five bases of power as reward power, coercive power, legitimate power, referent power, and expert power. In addition, Yukl and Falbe (1991) suggested other bases such as information power, persuasive power, and charisma.

Sales organizations such as those discussed in this study have a very clear metric for individual performance: the number of products sold by a person. Thus, higher sales results—in other words, sales expertise—becomes a source of power, for those with good sale results become the ones who are in power.

Therefore, the possibility of success is high when people who have achieved results in the past become managers and promote an organizational change with an awareness of its importance. ² However, in the case of the auto dealerships discussed in this study, two individuals who had previously enjoyed success in the same company became managers. Despite having similar levels of

¹ See Albert and Whetten (1985), Dutton and Dukerich (1991), Gioia, Schultz and Corley (2000), Sato (2014b), and Yamashiro (2015) for more on organizational identity.

² Sato (2013) discusses the difficulty that managers who have been successful in the past have been working on an organizational change.
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Awareness regarding the importance of an organizational change, one dealership manager succeeded in implementing an organizational change, whereas the other failed.

To explain this phenomenon, this study focuses on temporal myopia (Levinthal & March, 1993) as a cause of failure in effecting an organizational change.

2. Participants and Methods

This study examines an organizational change in the dealerships of the auto dealer company X in Japan. Company X has more than 40 new car dealerships and numerous used car dealerships. Each dealership performs various types of activities, including car inspections and maintenance, sales of new cars and car paraphernalia, insurance sales, and so on. Of these, this study focuses on an organizational change within the sales organization.

This study was mainly based on semi-structured interviews of dealership managers and sales staff. In addition, some internal

|                  | Interviewee            | Year of joining |
|------------------|------------------------|-----------------|
| Store Y          | A store manager        | 1989            |
|                  | B                      | 1992            |
|                  | C                      | 2002            |
|                  | D                      | 1995            |
| Store Z          | E store manager        | 1991            |
|                  | F vice store manager   | 1981            |
|                  | G                      | 1995            |
|                  | H                      | 1997            |
|                  | I                      | 1998            |
documents relating to sales staff and dealership performance were used. Dealership managers rise to their position because of their success as a sales staff. Thus, they have the power that accrues from their experience and expertise.

Nine people comprising two dealership managers, one assistant manager, and six dealership staff were selected for this study. Two dealership managers were selected because they both held power and desired for an organizational change. For the sales staff, we selected a wide range of participants that included staff with high and low performance levels from each dealership (Table 1).

3. Process Changes via Operational Improvements

Sales staff have developed their own individual sales styles and have created as well as maintained personal lists of customers in traditional Japanese auto dealerships. Therefore, no activities focused on stabilizing performance throughout the dealership.

For sales staff, their interaction with customers was particularly important to their work. For them, results are measured by the amount and number of units sold, and differences in results among the staff were very distinct. For example, some sales staff sell several times more cars than others, which is probably due to their interaction with customers. Thus, the focus of their organizational identity was that sales staff excel at sales because of their interaction with customers.

In contrast, Company X implemented a system for making recommendations to customers to ensure stable, high-level customer relations as an organization. This “approach standardization system” is to perform activity that was traditionally performed by individual sales staff by dealership as an organization. The system did this by categorizing activities into recurring activities, such as car and other inspections, and other activities, such as tire and oil changes, that
would be recommended to customers during communication. Customers would then be approached regarding these activities at predetermined intervals for each to occur.

More specifically, the dealership had a shelf with the names of the sales staff and the date on each sales floor. In each shelf, some sheets were filled with recommendations to be made to customers on that specific day. This system enabled the dealership to be aware of the timing of recommendations to be made to customers, and the sales staff would contact customers based on that timing and recommend to them whatever had been determined in advance.

4. Case of Dealerships Y and Z

Manager A of Dealership Y was proactive in implementing this new system and worked with the sales staff in various ways to facilitate this implementation. Although implementation of this new system was a company-wide initiative, a mere command from headquarters does not automatically translate into adoption and customary use on the sales floor. Rather, the company had to repeatedly demonstrate that working with the system led to the desired results. Manager A expanded the number of proactive staff working under him by motivating them to use the system based on his experience and the success stories of his staff. When performing staff evaluations, he looks not only at the results but also at work processes. Staff members are forgiven for temporary declines in sales performance, and the manager encourages their initiatives.

This manager believes that the new system is effective as a means of supporting the work of his staff, and he feels that it reduces wasted efforts and oversights as it manages the timing of various tasks performed by the sales staff.

The influence of the system on the overall dealership is witnessed in more stable performance because the quality of sales staff's work
will exceed a certain level. In the past, these tasks were performed in various ways, depending on individual work styles; thus, large differences exist between those who were making sales and those who were not. Those who were previously unsuccessful found it easier to improve their performance to a certain level because of the implementation of this new work process, which caused the performance of the overall dealership to become more stable.

Staff B, who works under Manager A in Dealership Y, is an active user of this system. However, at the beginning, B did not recognize the system’s effectiveness. In the process of using this system in his work, B began having regular interactions with customers. B states that while communicating with customers over the phone or at other times, he sometimes felt that these activities were a waste of time. Thus, B did not intend to be a proactive user of the system. However, B’s attitude began to change as he continued using the system as per the manager’s policy. Of particular importance was his realization that using the system would improve his performance. B began to feel that the system was useful approximately a year after he began using it, and he was convinced that the system was effective after approximately three years. In particular, he felt that the system was effective in improving the timing for making recommendations to his customers.

Staff C, who works at the same dealership, is also using the system. In the beginning, C was skeptical regarding the effectiveness of the system at improving sales; thus, he was not especially proactive in using the system. Rather, C felt that his boss was mandating the use of the system. However, continued use of the system also led C to feel that it was effective, and he recently felt that the system is significant for approaching customers and gathering thorough data.

C’s manager advised him to learn from those who had witnessed success through using the system so that C could find good models
in those earlier successes. This led C to the opinion that continued use of the system would produce results, thereby leading him to use it continuously.

Similarly, D, also an employee at Dealership Y, felt that using the new system would require him to discard some of the old approaches to customer interaction that he was using previously; thus, he did not have a strong desire to use the system in the beginning. However, under the direction of the current dealership manager, D began to recognize the importance of using the system. When the study was conducted, D had not yet witnessed the results. Even so, D intended to continue using it based on the wishes of the dealership manager.

Dealership Z was in a different position than Y. At Dealership Z, the manager was proactive in implementing the new system, but this attitude did not filter down to the sales staff. This is probably because the dealership still had a strong tendency to focus on short-term results.

Dealership Manager E at Dealership Z was proactive in implementing the new system. E asked the sales staff to use it continuously; however, the sales staff in turn felt pressurized by the manager.

Staff G, who works at Dealership Z, recognized that the dealership manager was intent on using the system because the manager communicated that daily. However, G actually used the system only for certain tasks. The system caused a temporal decline in his performance by half. Due to this and other factors, G was confused regarding the effectiveness of the system. The dealership manager during that time, who was E’s predecessor, ordered staff to continue using the system as per the headquarters’ demand. However, as the manager did not see improvement in his performance using the system, G found it difficult to follow the manager’s instructions because they were not persuasive. Some of G’s colleagues currently working at the dealership do not use the
system at all, but they have no problem in using the system if it helps them to deliver high performance.

Staff H still does not use the system significantly, even though H is aware of the dealership manager’s strong desire for the sales staff to do so. H wants to perform well as a sales staff, and he claims that “results are everything” and focuses on performance despite recognizing the importance of work processes. H uses a personal list for work and feels that work is difficult without it. The dealership manager is forceful in demanding the use of the system, but H is confident in his personal style because of his sales results.

Staff I had also been using a personal list for work, despite knowing the desires of the dealership manager. I had been using the system at the dealership manager’s behest, although it was a mere formality. I made all customer approaches from his own list in advance. I had developed a personal work style prior to the new system’s implementation. He was more comfortable with checking his list and felt uncomfortable when he saw that colleagues were only using the new system. I felt that he was having an appropriate level of communication with customers using his own work style, and he faced no problems in using that style.

| Table 2. Comparison between Store Y and Store Z |
|-----------------------------------------------|
| Store Y | Store Z |
| Organizational change | Success | Failure |
| Manager’s attitude toward organizational change | Positive | Positive |
| Manager’s power | Powerful | Powerful |
| Time perspective | Long term | Short term |

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In this case of Dealership Z, the manager was proactive in tackling an organizational change and worked with the sales staff daily. For their part, sales staff were well aware of the manager’s objective. However, the dealership’s sales staff were keenly aware of the need to increase their individual sales performance in the short term. This was indeed their top priority, which led to the sales staff continuing with their own individual work styles. Table 2 presents a comparison of these two cases (Table 2).

5. Temporal Myopia as the Cause of Failure

The cases presented in this study suggest that changes may not go well even when powerful managers recognize the importance of an organizational change. When managers’ short-term result orientation causes temporal myopia in dealership, the dealership fails at an organizational change.

An organizational change can lead to an unforeseen decline in performance when it changes work styles (Ye, Marinova, & Singh, 2007). In addition, even when performance will improve in the future, it may sometimes decline before it improves (Ahearne, Lam, Mathieu, & Bolander, 2010).

From the perspective of the sales staff, individual performance is most important. Even when the performance of the organization is deteriorating, an individual who can generate good results will be viewed favorably. Thus, getting staff that is proactive regarding new initiatives when the performance of an organization may deteriorate is difficult.

Thus, staff tend to focus more on tried-and-true work styles rather than on new initiatives when managers are oriented toward short-term results. This leads to temporal myopia at the dealership level.

Temporal myopia does not look into the future. Rather, it prioritizes
exploitation over exploration (Levinthal & March, 1993; March, 1991).

Sato (2012) noted that myopia results from mechanisms to promote organizational learning, and situations in which myopia becomes a problem are limited. However, temporal myopia can impede an organizational change in cases such as changes to sales organizations, which have easily quantifiable results and provide rapid feedback.

To avoid temporal myopia, managers must allow for a decline in short-term performance to achieve long-term stability.

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