CHAPTER – III

STRATEGIC MANAGEMENT PROCESS AND MIDDLE MANAGER

Section 3.1 of this chapter introduces strategic management process and its historical perspectives. Section 3.2 examines the concept of strategy and the steps involved in the strategic management process. Section 3.3 examines the role of middle managers in the strategy process, whereas Section 3.4 makes an attempt to identify the effectiveness of manager’s role in the SM process. Section 3.5 examines the evolution of middle management. Section 3.6 and 3.7 highlight the role of middle manager in the new millennium, their importance in organizations and fundamental differences in the strategy process across private and government sectors. Section 3.8 examines strategy process in public and private sector organisations.

3.1 Introduction

Corporate strategy is a bundle of decisions, which answers questions like what business to get in to, which business to retain or to hive off, and making value added decisions which have future implications\(^1\). In order to have sustainable competitive advantage, firms need to align their human resource policies with organizational strategies. Roots of competitive advantage as identified by Porter can be traced to generic strategy alternatives\(^2\).


The four core sources of competitive advantages are namely, superior efficiency, superior quality, superior customer responsiveness and superior innovation. The competitive advantage can be achieved through developing competencies. The distinctive capabilities are built through capabilities\textsuperscript{53}. Over a period of time, capabilities get embedded into organization’s system. Capabilities based on technology can be easily imitated by copycats, whereas capabilities based on people are very difficult to copy.

### 3.2 The Concept of Strategy

The concept of strategy originated from the war front. It asked and answered questions as to gain advantage over opponents in a war type of situation\textsuperscript{54}. In his five P’s model, Mintzberg defines strategy as a plan, a ploy, a pattern, a position, and a perspective\textsuperscript{55}. Plan is defined as a consciously intended course of action, or a guideline to deal with a situation. Ploy means a specific “manoeuvre” intended to outwit an opponent or competitor\textsuperscript{56}. While plan and ploy refer to intended strategies, that is, looking forward, pattern is a stream of actions or consistency in behaviour over time, or, looking back.

Strategy as a position looks outside an organisation, seeking to locate the organisation in its environment, whereas strategy as a perspective looks inside the organisation and inside its members’ heads, referring to a shared way of perceiving the world.


\textsuperscript{54} Tzu, S. (1944), \textit{The Art of War}, The Military Service Publishing Company, Pennsylvania


\textsuperscript{56} Quinn, J. B. (1980), \textit{Strategies For Change: Logical Incrementalism}, Homewood, IL: Irwin
The definitions middle managers gave, fell in most cases into the plan category of Mintzberg’s five P’s model. Definitions at ranks 2 to 5, that is, goal, objective, vision, or direction, means to achieve them, and plans and planning, belong clearly to the plan’s view of strategy. The most common single group of definitions, policy, line of action, or operational principle seems to fit best to the Mintzberg’s pattern category. Strategy definitions fitting to Mintzberg’s position view were quite few and references to the ploy and perspective views were close to zero. Chakravarthy has argued that strategy process can be used for corporate self-renewal\textsuperscript{57}. The objective of strategic management process is to achieve competitive advantage. All organizations make possible efforts to increase effectiveness of strategy process to gaining and sustaining competitive advantage.

Competencies are the keys to competitive advantage. Competencies that an organization develops should match with mission and strategic intent of the company. Development of adequate competence is a prerequisite to operationalize the strategic intent. Hitt, Hoskisson and Ireland define competencies as a combination of resources and capabilities\textsuperscript{58}. This leads to the recall of concept of core competence developed by Prahalad\textsuperscript{59}. The synergy between resource and capabilities result in emergence of core competence. A firm derives its core competence from technology, process and expertise or combination of any of them. An organization becomes competent strategically through competency building. Human resource management endorses that the competencies are associated with people.


Typically strategic management process involves the following steps:

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Setting objectives
  ↓
External analysis
  ↓
Internal analysis
  ↓
Strategic alternatives
  ↓
Strategic choice
  ↓
Strategy implementation
  ↓
Corrective action
  ↓
Competitive Advantage
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**Fig. 3.1 : Strategic Management Process**

Several attempts in the literature depict the attempt of firms to increase effectiveness of strategy process by connecting the process with corporate performance.\(^{60}\) This further gets reflected in the works which established relationship between strategic planning and performance.\(^{61}\) Another very interesting angle on strategic planning is the involvement of top management team.\(^{62}\) The different levels of managers and their cooperation for strategy formulation and implementation are an equally important dimension to discuss.\(^{63}\) The role of innovation adds an important dimension to the strategy process.\(^{64}\) The above research has identified five different characteristics of strategy process. Existing strategy process research should benefit from more carefully developed theoretical work, theory driven data analysis and less emphasis on immediate applicability of results.\(^{65}\)

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Organizations in the emerging economies have faced with the problems of implementation or execution of their strategies for survival. The infinite untapped opportunities force them to jump from one strategic course to the other without getting adequate mileage from any of them. Partly the problem lies in the formulation of a strategic course of action, but the chances of strategy derail is more in the implementation stage. Companies which consider their key people as part of factors of production have landed in premature death. This has some implications on career management in the organizations.

3.3 Role of Middle Managers in Strategy

Organizations which have failed in carving out career paths for their employees have seen higher degree of employee turnover. The dynamic environment has forced employees to go through work transition. General Managers in many organizations have taken worst hit of this syndrome and have become endangered species. The role of middle manager has gone through dramatic changes. Series of reorganizations, retrenchment have resulted in high degree of uncertainty for middle managers. Several well established studies highlight the importance of the role played by middle managers in the strategy process.

Traditionally, middle management refers to that layer of management in an organization that lies in between the upper-level management and the lower-level management. At one hand they play the role of superiors to the personnel and on the other hand they are the subordinates to the top management. The primary job responsibility of the middle management is to monitor activities of subordinates while reporting to upper management i.e., their superiors. Middle management would
collect information from junior management and reassemble it for senior management. The generally accepted belief is that middle managers are the product of the organizational differentiation process to the extent that it developed out of the increasing complexity of internal division of labour.

Kay\textsuperscript{66} identifies middle managers as ‘those who manage managers, supervisors or professional and technical people; who are not vice presidents of functional or staff, area or general managers, meaning that they have no profit or loss responsibilities’.

Brennan\textsuperscript{67} defines them as ‘general operational managers responsible for all operational decisions and the progress of the department, they have a number of supervisors below them and work closely with the department manager’. Decision-making focus is the criterion that Breen\textsuperscript{68} uses and according to his definition middle managers are ‘people who are largely responsible for keeping the wheels of industry and commerce rolling. They do not necessarily make the big decisions, but they help or harm their organization’. When we observe the aforesaid definitions we understand that though all subject experts except Breen identify and associate the middle managers with operational issues and responsibilities, they do not address the issue of their contribution to the overall strategic drive of the organization, and thereby narrow down the scope of middle management.

Guth and Mac Millan study based upon 90 middle managers and their possible interventions in top level decisions claim the evidence of middle managers involvement in strategy.  

The relationship between strategic consensus and firm’s performance is elaborated by analyzing strategy process. The role of middle managers in strategy process is evaluated critically by Wooldridge and Floyd. The work was conceptual in nature and the focus was on strategic decision making.

Wooldridge and Floyd studied middle managers involvement in strategy and found that there is association between middle managers consensus and performance. Study was concentrated on manufacturing and banking sector.

Floyd and Wooldridge proved that the middle management plays a strategic role in organizational decisions. Factor and correlation analysis was used to arrive at the results. Middle managers ability to sell issues to top management is determined by their upward influence according to Dutton and Ashford. Burgelman used longitudinal case study on a major player in the hi-tech industry and went on to prove the involvement of middle managers role in redefining the corporate strategy and core-competencies.

Floyd and Wooldridge concluded middle manager’s dominant upward and downward influence in strategy process. The study used regression analysis on a sample of 259 middle managers from 25 organisations.\textsuperscript{75}

Floyd and Wooldridge examined the role of upward and downward influence in the strategic role of middle managers. Another work in the same year by above authors showcased the role of middle managers seen through the lens of evolutionary theory. Middle managers play a vital role in nurturing corporate entrepreneurship through their upward influence.\textsuperscript{76}

Floyd and Lane made another attempt to study the strategic role of middle management through the theoretical lens of organizational learning.\textsuperscript{77} Middle managers are more likely to experience conflict between strategic roles and their managerial roles.

King and Zeithaml studied the strategic roles of middle management taking a sample of 224 executives in 17 organisations. The study used correlation analysis to arrive at a conclusion that middle managers demonstrate high degree of consensus regarding linkages between competencies and performance.\textsuperscript{78}

Huy studied strategic role of middle managers to find their ability to help the groups to adopt to individual change projects during the time of radical change.\textsuperscript{79}


\textsuperscript{76} Floyd, S. W., & Wooldridge, B. (1999), Knowledge creation and social networks in corporate entrepreneurship: The renewal of organizational capability. Entrepreneurship Theory and Practice, Spring, pp.123-143.


Mair used structural equation model with a sample of 118 managers to prove middle managers strategic activity is related to business unit performance. Mantere argued that the role expectations have the potential to both enable and constrain middle manager strategic agency. The number of middle managers has been reduced by the downsizing and re-engineering carried out by organizations in the 1980s and 1990s, although opinions vary as to the extent of reduction. Middle managers have also been subjected too much criticism. In particular they are considered to have a negative impact on change. However, middle managers still exist, although their roles may be changing as responsibility is delegated downwards in the flatter organizations of today. Furthermore, an alternative point of view is developing which suggests that these managers may be a strategic asset.

Yet there is still little research examining what middle-managers can contribute and what can help them to fulfill these roles. Most research has concentrated on the impact of downsizing and restructuring on middle-manager morale, workload and responsibilities. Although a key strategic task of these managers is implementing strategy, little research has examined the role they take during change implementation, and what helps or hinders them in fulfilling this role. The findings suggest that middle managers are best characterized as change intermediaries fulfilling four inter-related roles during change implementation — undertaking personal change, helping others through change, implementing necessary changes in their departments and keeping the business going. A key but often overlooked aspect of the change intermediary position for managers is interpretation.

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of the change intent, which informs their actions and impacts on the implementation outcomes. These findings expand what is known about the middle-manager role during implementation, provide an explanation for perceived middle-manager resistance, and have implications for the way those leading change conceive of the middle-management challenge.

Graeme Currie and Stephen J study builds upon existing theory by highlighting that the experience of middle managers in organizations is one that is dynamic.\(^{82}\) They are experiencing a role transition associated with which there are considerable problems of role conflict and role ambiguity. Floyd and Wooldridge’s work under-emphasizes these problems. To understand the problems of transition and potential ways in which these can be mediated we have drawn upon role theory to develop Floyd and Wooldridge’s work by viewing the antecedents that frame the transition from two perspectives.

First, antecedents can be viewed as cues provided by key stakeholders regarding their expectations of the middle manager role. Role conflict and role ambiguity are the consequence of contradictory expectations of key stakeholders about middle managers’ roles, which may inhibit role transition. Specifically, within a professional bureaucracy in public services, middle managers’ strategic contribution is inhibited by the power of the professional operating core of the organization and by centralized government policy with financial parsimony having a particularly visible effect.

Representing middle manager’s experiences as a role transition framed by contradictory expectations invites researchers to consider the response of middle managers when faced with role conflict and role ambiguity. While the key stakeholders may vary, the logic in which contradictory expectations lead to role conflict and role ambiguity and middle managers’ responses to this may be extended to other settings beyond a professional bureaucracy.

There is a group of antecedents that mediate the responses by middle managers to problems of role conflict and role ambiguity and develop the capabilities of middle managers to make a greater strategic contribution. Middle managers need to develop greater understanding of the organization’s strategic context, and exert influence upon strategy, particularly help socialize middle managers into their new roles. This is a process in which middle managers’ characteristics prior to enacting a more strategic role should be valued and their expertise leveraged to contribute towards a more context sensitive strategy. To deny and strip away these characteristics is likely to encourage a dysfunctional response from middle managers towards role transition. Further supporting contingent factors are putting middle managers in contact with the environment so they can proactively contribute to strategy and conceiving formal strategy as relatively broad in the first place to allow middle managers to make a contribution. Again the logic of putting these supportive contingencies in place to enhance the middle managers’ contribution is likely to extend to other organizations beyond professional bureaucracies.

Specifically research is required that examines the interplay of the two groups of antecedent factors – cues from key stakeholders regarding their expectations of the middle manager role, and interventions that develop the capability of middle
managers to make a strategic contribution. Study suggests the continuation of fine
grained investigations of middle managers’ role transition towards more strategic
behavior in other settings, particularly those adopting a methodological approach that
combines rich description with a comparative logic through multiple cases. There is
also a need for large-scale surveys, similar to Floyd and Wooldridge’s approach, to
establish statistical association between antecedents, moderators and consequences of
implementation behavior of middle managers.

The key to broadening middle management's participation beyond the
implementation role is to bring them into the strategic communications loop.
Unfortunately, most senior managers think of communicating strategy "to the troops"
as an annual or quarterly effort handled in large auditoriums or in a video conference.
The idea of discussing strategy eye to eye with middle managers, much less engaging
in an ongoing strategic dialogue, seems like an unnatural act.

Interpretative analysis of these routines and conversations highlights four
micro-practices of strategic sense-making and sense-giving: translating the
orientation, over-coding the strategy, disciplining the client, and justifying the change.
Middle managers are often closer to external stakeholders, in particular to clientele,
than are top managers. Being on the front line of change, they have to explain to
people from the outside, in their own words and in various everyday situations, why
the company has decided to change its strategy and what its new strategy is. Success
or failure in strategic change depends on how managers interpret and enact the new
orientation during their interactions and conversations. Middle manager’s proximity
to key stakeholders makes their role strategic.
Sense-making has to do with the way managers understand, interpret, and create sense for themselves based on the information surrounding the strategic change. Sense-giving is concerned with their attempts to influence the outcome, to communicate their thoughts about the change to others, and to gain their support.

**3.4 Effectiveness of the Middle Manager in the Strategy Process**

The way middle managers participate in strategic change is different. Given their hierarchical position, they do not share the same level of consciousness of corporate strategy as top managers. Moreover, they often have to be fire fighters during the implementation of change, much of their action calls on their practical consciousness. An interesting way of understanding how tacit knowledge is a part of strategic sense-making and sense-giving processes is to closely examine middle managers’ participation into these processes.

Middle managers orientation of strategy process is influenced by different groups which exist within the organizational setup. When the two middle managers explain why the company has decided to make a new collection, they never relate all of the events that led to this strategic decision. They never mention that the decision was difficult to make. Instead, they choose elements that give a positive image of the new orientation.

The effect of micro-practices of translation in strategic sense-making depends on the ability of actors to use their stock of tacit knowledge to grasp the meaning of events at the moment that they happen and reflexively evaluate the consequences of even their most ordinary gestures and words.
In practice, middle managers participate in reproducing this context while they are using structures as resources to create meaning around strategic change. The act of inscribing words and actions around the strategy in the appropriate professional and socio-cultural codes of the interlocutor is called over-coding. Beyond the clothing being described or the idea that is sent out, using other socio-cultural codes is intrinsic to interaction and communication in order to create meaning.

In fact, sense-making in everyday life is created through this amalgam of a finished set of information related to an organization’s resources.

To communicate the new orientation, they combined their tacit knowledge of sales and design in a goal to ‘discipline’ clients and to subtly gain their support. Discipline in the strategy process comes from a meticulous organization of gestures, words, and objects that permits optimal use of space, bodies, and thought. Disciplining the clients means that middle managers, through their routines and conversations, produced subjective and emotional effects whose objective is insidiously to ‘sell’ the new strategic orientation to the client. This is more apt in the case of consulting firms.

Disciplining clients therefore consists of using diverse tactics – symbolic, corporal, and discursive – to subjectively influence them and succeed in convincing them to adopt the new product embodying strategic change. Through their implicit knowledge of sales and design, these managers are creating sense for others and diffusing meanings around the change. This management of meanings is not a coherent, clear, or even a conscious project. It results from a web of tactics which are intricately interwoven in the multiple routines and conversations that produce and
reproduce a complex engineering of selling products and issues in the enterprise. Strategic sense-making and sense-giving processes have traditionally been studied by taking into account two orders of explanation:

A first-order explanation of strategic sense-making and sense-giving refers to objective facts and events that describe the structural phases of change. A first-order explanation aims to reveal how the central features of the strategic plan have been defined in the initial phases of change. A second-order explanation tries to discern a deeper comprehension of these processes by looking at the evolving patterns of narratives, stories, and discourses presented by top management to different stakeholders about strategic change. The third-order explanation explores how strategic sense-making and sense-giving processes are constituted through communication and action in daily routines and conversations. The focus is on the way managers – not only top management but middle and lower teams and by extension every organizational member – provide information and influence people around them by modifying their daily routines and adjusting their discourse to the new strategic orientation. All the three orders have three different implications to strategy process.

Strategic sense-making and sense-giving in practice means looking at how these processes are routinely constituted, how they are accomplished on a daily basis, and how they occur over time throughout the organization. Strategic change is a continuous process, a chronic feature of organizational life, it is therefore important to take into account the third-order explanation that holds practical dimensions which are intractably related to strategic outcomes. Middle managers involvement in the strategy process should not be restricted to quarterly results, instead it should be considered as a continuous process.
Even though micro-practices are invisible for managers and researchers, everyday interactions and conversations matter as much as formally orchestrated events or strategy documents when it comes to change. Floyd and Wooldridge, who have examined the external boundary-spanning role of middle managers, demonstrated that middle managers with formal positions in boundary-spanning sub-units reported higher levels of strategic influence activity than other managers.

In a fast moving economic environment, it is necessary to recognize that every interaction that a middle manager has with an external constituency is potentially relevant to how the external actor interprets the focal organization’s strategy. Helping middle managers understand the socio-cultural mapping of their industry would make them better navigators in the selling of strategic change to clientele and others. The organization should recognize the importance of tacit knowledge, particularly at its interface, and support formal and informal practices established by middle managers with shared experience and local collective knowledge for ensuring the implementation of strategic change.

Middle managers' strategic influence arises from their ability to mediate between internal and external selection environments. In addition, positive effects on organizational performance appear to depend on:

1. Whether the overall pattern of upward influence is conducive to shifts in the network centrality of individual managers; and
2. Whether the pattern of downward influence is consistent with an appropriate balance between the organization's need for control and flexibility.
In general, the purpose of middle management is to take responsibility for, and control of, the managerial problem. Middle managers perform a co-coordinating role where they mediate, negotiate, and interpret connections between the organizations’ institutional (strategic) and technical (operational) levels. Put differently, middle managers link vertically related groups, and as Likert argued, these 'linking pins' connect the overall direction provided by top managers with the day-to-day reality of lower-level managers. Middle management's upward influence activities have the potential to alter the firm's strategic course by providing top management with unique interpretations of emerging issues and by proposing new initiatives.

In the synthesizing role, middle managers interpret ambiguous, diverse data related to the strategic situation, framing the perceptions of other managers and changing the strategic agenda. In championing new initiatives, middle managers have the potential to redefine the strategic context, and in so doing, reshape the strategic thinking of top management. With downward influence, middle managers become change agents, fostering adaptability and implementing deliberate strategy.

Burgelman evolutionary process view identifies middle managers as the ones who often recognize the need for divergence and who initiate change. Middle managers serve as buffers between initiatives at the operating level and top management scrutiny, providing resources and cover for programmes that diverge from the official course. When the 'timing is right', middle managers champion initiatives to upper management. Middle managers are actors, who are both subordinates and superiors, that is, between the organisational levels of management and personnel. This view on strategy implementation was more consistent with the communicational and cultural aspects than the view that emphasizes structure and systems.

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Bill Wooldridge and Steven Floyd further suggest that involvement in the formulation of strategy is associated with improved organizational performance. Consensus among middle-level managers, defined as strategic understanding and commitment, is related to involvement in the strategic process but not to organizational performance. For top management, these findings have related implications. First, the involvement of middle managers should be substantive rather than nominal, i.e., the purpose of increasing strategic involvement should be to improve the quality of decisions, not to facilitate implications.

Second, top management should clearly define the strategic context. Interviews revealed that middle managers expected top management direction but often felt that they were in a better position to initiate and assess alternate course of action. Finally, top management should expect middle level managers to question strategic decisions. The results show no relationship between middle managers' consensus on strategy and organizational performance and apparently substantive involvement can be achieved best in organizational context where individuals are comfortable, critically welcoming strategic decisions.

3.5 Evolution of Middle Management

In the past when a company needed to grow, management simply added workers to the bottom and then filled-in management layers above. This focused managers' attention on planning and control and provided the rationale for legions of middle managers. With increased competition and technological advancements in the late 1980s, priorities shifted to higher quality, lower cost, increased flexibility, and most importantly, speed. Yesterday's middle managers who were often part of bloated
bureaucracies slowed a company's reaction time and formed an outdated career progression model that defined success as moving up the rungs of a corporate ladder. Middle managers were seen as obstacles to getting things done. Growth slowed dramatically. Apparently, people in the middle slowed things down, increasing the distance between the customer and the corporate response.

The current wave of reengineering is aimed at removing this obstacle by rethinking the division of work and reorganizing around "horizontal" processes. As part of this, "de-layering" has entered the management jargon to represent the expected reduction in hierarchical levels.

For the middle managers; the shift in emphasis from planning and control to speed and flexibility may mean the end of an epoch. Roughly twenty percent of the job losses since 1988 have come from middle management positions. There is growing evidence, however, that de-layering often has unanticipated, adverse consequences. Some firms lose valuable skills in the de-layering process. Kodak, for example, slashed 12,000 positions between 1988 and 1992 - many of them middle managers - but failed to achieve lasting performance improvement. Instead, innovation and creativity declined, and the company fell behind in the crucial race for new products.

There are many things that can undermine successful organizational restructuring. But, at the heart of the problem in de-layering seems to be the stereotypical, "plan and control" view of middle management work. Seeing all middle managers from an operational viewpoint, top managers often fail to make distinctions
about the variety of contributions made by middle managers, and, in particular, overlook the possibility that middle managers play strategic roles. Across-the-board or random influences (like attrition) become the de facto criteria for eliminating positions. As a result, de-layering has the effect of "throwing the baby out with the bath water", curtailing vital strategic capability while eliminating middle management layers.

3.6 Middle Management in the New Millennium

The new middle management plays a crucial role in directing self-managed teams. They will become the vital glue that enables a corporation to achieve its objectives and maximize the productivity of its new workforce. To be successful, middle management must move from a command-and-control hierarchical management style to a coaching model, leading empowered teams but holding them accountable for results. Middle management has become more strategic than ever before, constantly keeping the objectives of their self-managed teams aligned with overall corporate goals. They will need to be flexible and multitasking, maneuvering easily between projects and working with different people as they move in and out of the corporation.

The Misunderstood Middle Manager

Typically, Middle managers have been seen as part of an organization's control system. Middle management does things which translate strategies defined at higher levels into actions at operating levels. This involves defining tactics and developing budgets for achieving a strategy; monitoring the performance of individuals and subunits; and taking corrective action when behavior falls outside expectations. This description, or major elements of it, has applied for decades to the
organization members we call middle managers, including functional department heads, project or product managers, brand managers, regional managers, and the like. In the language of strategic management, their role has been defined or rather misunderstood as implementation.

In the reengineered organization, however, senior managers rely less and less on middle managers. Information and communications technologies make it easier for those at the top to monitor and control activities directly. In addition, empowerment and cross-functional teams allow operators to take responsibility for defining their own roles. The emphasis on business processes vastly reduces the relevance of functional departments and the accompanying managerial hierarchies. Such "stove pipes" gave rise to middle management in the first place, and as the layers disappear, so does the rationale for middle managers.

The withering of middle management's operating responsibilities undeniably justifies reductions in the number of middle managers. But, the performance of middle managers' strategic roles remains as a crucial factor in organizational success. Middle managers involvement in the formulation of strategic decisions was associated with higher financial performance.

Sustaining an adaptive balance between industry forces and organizational resources depends on the strategic roles of middle management. The recognition of these roles fosters a discriminating approach to de-layering that increases the organizational influence of surviving middle managers.
**Middle Managers as a Blockage to Change**

Middle managers are traditionally seen as a linking pin between the strategic apex and the operating core, supplying information upwards and consuming strategic decisions passed down. Through mediation, negotiation, and interpretation activities they connect the organization's strategic and operational levels. As such, middle managers play an important role in the change process. They are part of the implementation chain, and act as change implementers but can be both the target and agents of change. Their duty is to take senior manager plans and put them into place in their division to align organizational action with strategic intent. Their role is to act out senior manager orders, but with limited discretion. They are to deploy existing resources effectively and efficiently. This view of the middle manager fits traditional top-down, directive models of change and also has implications for the types of skills middle managers need. It suggests that they need to be trained in techniques to do with control, such as budgeting and project management.

**Middle Managers’ Different Roles**

Middle management is one of the actors in strategy implementation, and in organizational change in general. In early 90s, many authors, e.g. in management philosophies like lean management (Womack 1990), questioned the function of middle management. There are also those who argue for the importance of the middle managers’ role. Middle managers have key role in organizations, as they have both “the ability to combine strategic and hands-on information”. Middle managers have a crucial role in formulating new strategies and trying to convince the top management of them.
Further, Guth and Macmillan (1986) studied strategy implementation versus middle management self-interest, and suggested that “middle managers who believe that their self-interest is being compromised can not only redirect a strategy, delay its implementation or reduce the quality of its implementation, but can also even totally sabotage the strategy”.

Middle managers’ work is more demanding, there is more of it. Their personal autonomy has increased as has feedback and greater skill and accuracy requirement. Almost without expectation, these changes were seen by the middle managers making their jobs and work more enriching and satisfying.

3.7 Importance of Middle Management in Strategic Management

Kanter is perhaps the strongest advocate of the need to recognize the increasing importance of middle management when she states that a company’s productivity will increasingly depend on the degree to which it allows its middle managers to be innovative and to combine ideas with action.\(^{85}\)

Studies of middle managers’ role in strategy, also suggest that they play more of a role than the pessimists describe. Schilit in a study of 60 middle managers representing 57 organizations found that middle managers frequently participate in strategic decisions and are more influential in low risk decisions. Such ‘upward influence’ is more frequent in the private sector than in the public sector.\(^{86}\) Guth and Macmillan note that their sample of 60 middle managers, who were working for a part-time business degree, were more prepared to intervene in strategic issues when their self-interest was at stake even when such decisions had an impact beyond their own department, and felt frequently successful in their intervention attempts.

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The main role of middle managers is to serve as team leaders who are at the intersection of the vertical and horizontal flows of information in the company. The most important knowledge creating individuals in this model are neither charismatic top management nor the entrepreneur-like lower managers, but every employee who works in association with middle managers. It is the middle manager that takes a strategic position at which he or she combines strategic, macro, universal information and hands-on, micro, specific information. They work as a bridge between the visionary ideals of the top and often chaotic reality on the frontline of business. By creating middle-level business and product concepts, middle managers mediate between "what is" and "what ought to be". They even make reality according to the company’s vision.

In addition, middle management forms the strategic knot that bind the top-down and bottom-up models. As the self-organizing team, headed by middle management moves up and down the organization, much redundancy and fluctuation can be created. As such, the organization with the middle-up-down management naturally has a strong driver of self-reorganization. The middle management sometimes plays the role of "change-agent" for the self-revolution of the organization.

In sum, middle managers synthesize the tacit knowledge of both frontline employees and top management, make it explicit, and incorporate it into new technologies and products. They are true "knowledge engineers" of the knowledge creating organizations. The middle managers are not limited to the task of merely
implementing the plans and policies of the top management. There is significant proportion of literature that indicates that the middle managers have an important role in the formulation, implementation of the organization’s strategy. Although theoretically it could be argued that the middle managers are one of the chief actors in the strategy process of any organisation, empirical evidence in this regard is very limited. However, today with the dynamic changes in the business environment, the role of middle managers has seen a paradigm shift from just being someone who provides information and directs implementation to the one who is actively involved in strategic process. The various literatures on middle management and its role in the strategic process validate this fact. Middle managers are the only people who are in a position to judge whether strategic issues are considered in proper context or not.

Considering the magnitude of changes occurring across the geography, the middle managers task of merely implementing the decisions made centrally does not hold good any longer. Proactive organisations, be it a multi-domestic, global, international or transnational, would not want to transform their middle managers to mere executives. Although the basic understanding of the function of the middle managers is mainly to achieve results, with the aforesaid changes in the organisations themselves, there is a change in the way these goals are achieved. In simple, of the two dimensions of managerial tasks of a middle manager namely, Executive implying all the activities that fall in the manager’s direct executive responsibility.

- Advisory implying all activities that fall in the manager’s shared responsibility with that of the organization’s strategic business units.
The latter as assumed greater significance as the middle managers not just implement the strategic direction to the organisation but also need to negotiate, interpret and adopt the strategy of the organisation. Therefore it is very important that the organisation takes special interest to understand how strategies are communicated, interpreted and adopted by the various actors at the various levels in the organisation. What is required is to understand the strategy from the organisation wide perspective and to understand what the different roles are played by the various actors in the organisation.

**Middle Managers as a Strategic Asset**

Opinions vary as to the impact the restructuring has actually had on middle managers. Some research paints an optimistic view of the future and other research a more pessimistic view, identifying ‘reluctant’ middle managers less motivated to make sacrifices or take initiatives for their organizations. The basic argument for the pessimistic view is that organizational restructuring has threatened the traditional psychological contract of loyalty in return for job security and career prospects.

There is an increasing workload, a broader range of tasks required, and more performance pressure with fewer job and promotion opportunities as hierarchies flatten. Competitive pressures are forcing organizations to adopt flatter and more flexible structures. Survey evidence suggests that many British organizations have restructured. Fifty per cent of the managers surveyed also reported an increase in workloads and responsibilities, yet they were not pessimistic about their future prospects.
Alternatively, it may be that both points of view are partially true. Middle managers experiencing greater job satisfaction and empowerment, but also increased pressures. Running alongside this debate is a growing stream of research dating from the 1970s that shows that although middle managers have traditionally been viewed as conduits for senior manager orders, they can also play a strategic role. Middle managers are important. In addition to playing a role in the implementation of deliberate strategy, they also use their position within the organization and their contacts externally to gather and synthesize information for senior managers on threats and opportunities, encourage fledgling projects within their own department to help facilitate adaptability within the organization, use resources at their disposal to champion innovative ideas and business opportunities to senior managers.

It is therefore argued that if organizations continue to conceive of middle-management in purely operational terms, then they may fail to draw on the strategic potential of the middle. There is a danger that the middle-manager’s role could become devalued to such a degree that organizations fail to capitalize on what else these people can offer. If middle managers are not included in the strategic activities of the organization, and senior managers do not become more sensitive to the cynicism that exists among them, they will fail to be responsive and become paralyzed instead. Furthermore, the very pressures leading to changes in middle-manager roles and numbers may also be making organizational survival more dependent on these managers.
Thakur, rightly concluded the strategic role of middle manager as follows: Undaunted by the dysfunctional behavior that they experienced, the executives iterated that their most pressing problem was to implement the firm’s strategic direction, and without the assistance from middle managers, implementation remained a persistent problem.87

3.8 Strategy Process in Public and Private Organisations

Ramnarayan in his study on changing mindset88 of middle managers in government organizations concludes that managers take up the role of spectators, not actors, and this orientation is rooted to the organizational characteristics, nature of relations with the superiors, way the work is performed and the nature of the middle managements role. Middle level manager’s involvement is hindered by numerous anomalies, paradoxes, and contradictions in organizational decision making: multiple power groups pulling in different directions, resource scarcity, poor concern for performance, free-riders, vicious cycle of ineffective implementation. Public sector organizations claim they have formal planning systems which make involvement of all levels of managers effective.

Strategic management is non-existence in public and other not-for-profit organizations. The application of strategic management principles were developed from private sector studies. Constitutional draftsman divided policy formulators from the implementers. This has resulted in formulation and implementation gap. General

management functions in public sectors are constitutionally spread out across central, state and local bodies. Public sector bodies are set up by government, whereas the private sector has its roots to entrepreneurship. The implications mentioned above decide the organizational conduct of private and public organizations. When it comes to private sector organizations it is difficult to think of situations in which top management teams are prohibited by corporate charter from engaging in strategy implementation. The direct link between formulation and implementation and the active involvement of all related parties is deemed to be essential to effective public sector policy making.

Government organizations are open to external environment. The interface between the organization and many constituents force a government organisation to incorporate the interest of stakeholders, whereas a private organisation may ignore most of constituents' demands during strategy formulation and implementation. Government organisations have established formal processes like ethics committees and code of conduct for monitoring the conduct of officials which are rarely found in the private sector89.

The literature review confirms the role played by middle managers in the strategy process. More the involvement of middle managers in the strategy, better the organisational performance. Middle managers ability to build consensus among different levels of management is directly proportional to their involvement in the strategy process.

Figure 3.2: Schematic Diagram on Middle Manager’s Involvement in Strategy Process