1. The role of middle and top managers in the strategy process

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INTRODUCTION

Since Bower's (1970) early pioneering work in strategy process, there have been several decades of empirical, often survey-based or in-depth case-based, studies that examine middle managers' involvement in strategy (e.g., Burgelman, 1983a, 1983b; Mintzberg and McHugh, 1985; Guth and MacMillan, 1986; Schilit, 1987; Westley, 1990; Wooldridge and Floyd, 1990). Though much has been accomplished with regards to the understanding of the underlying process (e.g., Floyd and Wooldridge, 2001; Wooldridge et al., 2008), we believe there is still a need for some basic clarifications on the definitions of middle (and top) managers and the strategy process itself, a task that Wooldridge et al. (2008) previously called for. We believe the definitions we provide can open new avenues for future research with new managerial implications.

Further, in this chapter, we contend that extant research which has adopted the Bower–Burgelman (B-B) perspective tends to overemphasize the role of middle managers while it underestimates the influence that top managers can directly exert in the strategy process (Bower, 1970; Burgelman, 1984, 1991, 2002), a depiction that we believe is not always accurate from a descriptive perspective or adequate from a normative point of view (see Mirabeau and Maguire, 2013 for a recent exception).

The remainder of the chapter proceeds as follows. We first define the following key terms: “middle managers,” “top managers,” and the “strategy process.” Then, we describe what we believe is the current dominant view on the role of middle and top managers in the strategy process, which we think from a descriptive perspective has taken on a normative tone. Next, we proceed to discuss the limitations of this currently dominant perspective, and argue for the need of a more balanced and contingent view on the role of middle and top managers in the strategy process. We conclude with a summary of our contributions.

DEFINITIONS

Middle and Top Managers

In our view, one of the fundamental problems of the research literature on middle managers resides in the ambiguity or vagueness regarding the notion of middle managers and, relatedly but to a lesser extent, the notion of top management. Few studies explicitly define the notion of middle managers, or similar terms such as “middles” (Balogun and Johnson, 2004) or middle management (Floyd and Wooldridge, 2001).

As Wooldridge et al. (2008, p. 1217) noted, “The theoretical definition of middle management remains somewhat ambiguous, and the inconsistent definition of the focal unit has blurred issues of comparability across studies.” For Wooldridge et al. (2008, p. 1192), middle management:

extends to managers below top managers and above first-level supervision in the hierarchy (e.g., Dutton and Ashford, 1993; Uytterhoven, 1972). The distinguishing feature of middle management, however, is not where they sit in the organizational chart. Rather, what makes middle managers unique is their access to top management coupled with their knowledge of operations.

However, it is unclear why access to top management is always a defining trait of middle management. An exception to the ambiguity Wooldridge et al. (2008) refer to is Huy (2002, p. 38), who in a footnote states: “Middle managers are people who are two levels below the CEO [chief executive officer] and one level above first-line supervisor.” As one can see, Huy’s (2002) definition is more precise than Wooldridge et al.’s (2008) and does not imply middle managers’ direct access to the CEO, at least from a hierarchical, formal point of view. Huy’s (2002, p. 38) middle managers further include people immediately below the CEO, whom others would call top managers or senior executives.

That said, in relatively large organizations, there can be several hierarchical levels between first-line supervisors who are the lower-level managers (to whom no manager who oversees other employees reports), and executives or top managers. As Huy (2002, p. 38) recognizes in citing Uytterhoeven (1989 [1972]), there can be senior middle managers, or general managers in the middle, who play the integrative role of a function, business or a geographic region; see also Wooldridge et al. (2008, p. 1192). In other words, there is a diversity of (types of) middle managers which must be taken into account.

We define middle managers as those who are not top corporate managers but have the responsibility of supervising lower-level managers, which needs a further discussion on the notions of manager and top

manager. We will also consider below how the definition of top and middle managers might vary according to different kinds of organizations.

While managers may exert different roles (Mintzberg, 1973), there is a fundamental trait of a manager which distinguishes them from a non-managerial employee. Whereas a non-managerial employee can have responsibility over a budget and different tasks, a manager has to have at least one report (an employee reporting to them); that is, to have tasks done by others (e.g., Parker-Follett, 1960 [1925]). Thus, if we designate non-managerial employees in a given unit or structure as level 0 in a hierarchy, low-level managers would be level 1, and middle managers will start at level 2, and so on, ending with the level just underneath the CEO.

What remains unclear, however, is where middle management stops and top management begins. This is ambiguous in most of the literature on middle management, despite Huy's (2002) exceptional effort of precision (see Wooldridge et al., 2008). Top management is often associated with the upper echelons of an organization (e.g., Hambrick and Mason, 1984), that is to say, CEOs and their team of direct reports, who are usually members of the corporate executive committee, generally known as the "C suite" (e.g., Finkelstein and Hambrick, 1996). However, some of the direct reports of the CEO, like the (chief) legal counsel, are sometimes not considered part of the top management, because they are staff members rather than operational line managers and tend not to be members of the overall corporation's executive committee.

In functional structures (e.g., Chandler, 1962; Mintzberg, 1979), in addition to the chief financial officer (CFO), the executive vice-presidents (EVPs) of the key "operational" functions, such as marketing, operations, and research and development (R&D) (technology), are usually also members of the corporate executive committee. This structure is also commonly found among small and medium-sized organizations. Roles which tend to exist in large corporations, such as the VPs for human resources, for corporate, public, and regulatory affairs, and for corporate development or mergers and acquisitions (M&A) – if these staff functions exist – can also be part of the corporate executive committee.

In diversified firms, the VPs in charge of each business division (managing directors) are often also members of the corporate executive committee, unless it is a very diversified firm with many businesses, such as General Electric for a certain period under Reginald Jones as the CEO (e.g., Bartlett and Wozny, 2005 [1999]; Joseph and Ocasio, 2012). In these cases, business divisions are oftentimes grouped into strategic business units (SBUs) and it is the SBU heads who are members of the corporate executive committee rather than the divisional presidents or general managers. In multinational corporations (MNCs) in particular, and in

multinational organizations in general, the manager in charge of international operations or in more internationalized (worldwide) corporations, the heads of regional or continental areas can also be part of the corporate executive committee, such as in Nestlé in the last decades. In the most diversified and internationalized companies, SBU heads and/or continent heads represent another hierarchical level. In this case, the business heads or the country managers are not and cannot be considered top management at the level of the corporation, although they are the top management at the level of the division and the country subsidiary (e.g., Ling et al., 2005), respectively. These – business division heads and country heads together with functional heads – are considered “general managers in the middle” (e.g., Wooldridge et al., 2008).

Thus, we argue that the determination of the managerial level of a position as being middle management or not depends on the organizational perspective or level at which the issue is assessed. From a corporate point of view – that is, as regards the formulation of the corporate strategy – we contend that the label “top management” is and should be restricted to those individuals who participate in making the ultimate managerial decisions, that is, those belonging to the executive committee. From a (business-based) divisional or country perspective, divisional or country heads can be and usually are considered the top managers for their respective level.

Therefore, the question of who the middle and top managers are also depends on the activity domain (scope) and structural complexity of the organization. As a consequence, depending on the organizational scope and structure, the tasks of middle managers might differ considerably. The behavior of general managers in the middle – division, country, and functional heads – may vary substantially, as well as differ from other types of middle managers. Thus, generalization from existing research, where often we do not know the nature of the middle managers studied, must be handled with extreme care. In that regard, we reiterate Wooldridge et al.’s (2008, p.1217) call for theory-driven sampling of middle managers combined with methods that triangulate the identification of managers, and we more explicitly call for researchers – such as Huy (2002) did – to define and identify very clearly the position of the “middle managers” they study.

Strategy Process

With the terms of middle and top managers clarified, we proceed, first, to define strategy and its different levels (business/competitive and corporate), and then to address the classical distinction between strategy

formulation and implementation, in order to later have a clear discussion of the role of middle and top managers in strategy processes.

Business versus corporate strategy

The strategy literature usually distinguishes two levels of strategy: business (competitive) and corporate.¹ Business strategy refers to the competitive position that an organization aims to achieve in a given business domain vis-à-vis its competitors (e.g., Porter, 1980). Corporate strategy, on the other hand, refers to the portfolio or scope of tasks an organization chooses to engage with, in terms of business lines and the chosen activities and geographic territories in each business (e.g., Ansoff, 1968; Andrews, 1971; Collis and Montgomery, 1997).

And yet, strategy process studies are often unclear about the level of strategy they are referring to. Sometimes the same term is used to refer to different levels of strategy: for instance, the term “restructuring,” which can refer to a shift of corporate strategy through divestment, is also used to refer to initiatives concerning a single business or a functional department (e.g., Balogun and Johnson, 2004; Huy, 2002).

As a general observation, and given our definitions above, corporate strategy is often formally formulated with less direct involvement from middle managers (see, though, Watson and Wooldridge, 2005). Middle managers normally are not invited to conversations about the firm’s corporate strategy. Even in a highly diversified and divisionalized organization (e.g., Chandler, 1962), divisional managers (e.g., Gupta, 1987; Martin, 2010; Martin and Eisenhardt, 2010) should be regarded as general middle managers if they are not members of the corporate executive committee, and hence not corporate top managers. Such nuanced differentiation is fundamental to the precise understanding of various strategy processes. An exception to the general lack of clarity or specification of the level of strategy process is a series of studies on Intel made by Burgelman (1983b, 1985, 1991, 1994, 1996). His studies explicitly focus on corporate strategy, specifically on the question of the influence of middle managers on how companies actually enter or exit certain business lines, even if these middle managers did not participate in the formulation of the corporate strategy, which Burgelman describes as resulting from a retrospective recognition of changes already carried out by middle managers in application of some of the resource allocation rules.

Strategy Formulation versus Strategy Implementation

In the classic rendering, strategy is realized through two sequential steps: strategy formulation and then implementation (e.g., Hofer and

Schendel, 1978; Narayanan and Fahey, 1982; Rumelt, 1988; Schilit, 1987; Shrivastava, 1986). This implies that an intended strategy is first formulated, may be formalized through a plan, which then management tries to get executed. In this view, top executives are supposed to be the ones who formulate the intended strategy, which is mandated to middle managers to be implemented (e.g., Westley, 1990; Wooldridge et al., 2008). In this top-down view, middle managers can shape strategy only if they are invited to participate in the formulation stage (e.g., Schilit, 1987; Westley, 1990; Wooldridge and Floyd, 1990; Ketokivi and Castañer, 2004; Raes et al., 2011).

This is a “rational” depiction of the process if top managers are supposed to set the goals (ends), and middle managers to identify the means by which such goals can be accomplished (Simon, 1945). This view still persists in some research quarters (e.g., Ahearne et al., 2013; Marginson, 2002) and continues to hold sway among practicing managers. But some researchers argue that even corporate strategy results from an emergent, bottom-up process (e.g., Bower, 1970; Burgelman, 1983b; Mintzberg and Waters, 1985; Mintzberg, 1990; see also Wooldridge et al., 2008). For these authors, the realized strategy of a corporation is in fact initiated by middle managers. Top managers later approve or ratify the strategy which the implemented initiatives represent (e.g., Bower, 1970; Burgelman, 1983a, 1983b, 1996; see Bower and Gilbert, 2005 for details of these studies). According to this view, strategy formation and implementation are blurred at best, given that any corporate strategies are formulated and implemented by middle managers anyway.

In our view, there has been in the research literature a swing in describing the relative importance of middle and top managers in the strategy formulation process. In the early 1970s and 1980s, the dominant view of the strategy process was essentially rational and sequential, in a top-down fashion, with clear normative implications (e.g., Vancil and Lorange, 1975; Shrivastava, 1986; Mintzberg, 1990; Westley, 1990). But by the 1990s, based on research pioneered in the late 1970s (Bower, 1970; Bower and Doz, 1979) but mostly carried in the early-to-mid-1980s (e.g., Burgelman, 1983a, 1983b; Mintzberg and Waters, 1982; Mintzberg and McHugh, 1985), what once seemed to be contrarian view – a political, bottom-up process led by middle managers – had taken center stage in the academic discourse. Middle managers are now depicted as unsung heroes who actually influence top managers regarding different issues (e.g., Dutton and Ashford, 1993; Dutton et al., 2001), vigorously lobby for their initiatives (e.g., De Clercq et al., 2011; Lechner and Floyd, 2012), and often implement them without formal approval at the top level (Burgelman, 1983a, 1983b, 1994, 1996; see also Wooldridge et al., 2008). This descriptive view

of emergent strategy to a great extent led by middle managers is largely based on in-depth case investigations of a range of organizational settings. There are small companies (Mintzberg and Waters, 1982), large and complex organizations (Lechner and Floyd, 2012; Mirabeau and Maguire, 2013) such as Intel (e.g., Burgelman, 1983b, 1994, 1996), as well as non-profits such as Canada's National Film Board (Mintzberg and McHugh, 1985). But from a descriptive account, this research could be interpreted normatively that top managers, in addition to setting the structural and strategic context, at best can and should only retrospectively rationalize and approve successful strategies already in place.

We ask ourselves: does it make sense to take this view as a general descriptive account of the strategic role of middle and top managers? And, from a normative point of view, should top management limit its role to setting the structural and strategy context, and ratifying mostly already-implemented initiatives by middle managers? We do not believe so. We believe that even in the emergent, bottom-up view of the strategy process, the role of top managers can go far beyond setting the structural context and retrospectively rationalizing and making official the initiatives implemented by middle managers. Before developing our logic, we provide more detail on the view of strategy making as a mostly bottom-up, emergent process.

The Role of Top Management in the Bottom-Up, Emergent View of Strategy Making

Even the emergent school recognizes that top management designs the firm's formal structure – the administrative context (Penrose, 1959), organizational architecture or structural context (Bower, 1970; Burgelman, 1983a, 1983b; Ocasio, 1997) – which is reflected in the organizational chart, as well as the firm's strategic context which refers to the vocabulary and discourse about the firm's strategy (e.g., Burgelman, 1983a, 1994, 2002).

In this perspective, top management can affect, and often heavily influences, the process of the definition and selection of initiatives through the “structural context” (Bower, 1970), which encompasses both formal structures (for example, horizontal and vertical differentiation) and administrative systems for measuring, planning, budgeting, and managing the organization (for example, written rules and procedures, information used in operating and managing key activities, and the rewards and punishments used to incentivize or prevent behaviors). These formal arrangements define the explicit “rules of the game” – namely, of resource allocation – across levels and functions, and critically influence day-to-day information flow and decision making.

In the Bower and Burgelman (B-B) framework, top management sets and can alter both the structural and the strategic contexts to shape indirectly the type of strategic initiatives that middle managers come up with and push forward (e.g., De Clercq et al., 2011; Lechner and Floyd, 2012). As research has shown, middle managers tend to propose initiatives which are rather in line with the existing structure and systems so as to minimize the perceived cost in implementing the initiative (De Clercq et al., 2011), or to manipulate the strategic context (that is, the vocabulary about the firm's strategy) to make initiatives appear more consonant with it (Mirabeau and Maguire, 2013). From the intra-organizational ecology perspective (e.g., Campbell, 1969; Burgelman, 1991, 1996; Canales, 2015), top management is viewed as setting the selection criteria – that is, the rules for resource allocation (e.g., Ocasio, 1997) – through which the initiatives brought by middle managers will be evaluated, thus encouraging certain kinds of initiatives.

Towards a Broader, More Balanced, Contingent View

Our view is that top management has (and should have) a larger influence than is depicted in the “emergent school,” in two ways. First, we believe, as some research has already shown, that top management also has a role in shaping informal organization. Second, we think that there are three circumstances in which top managers do and should directly intervene in shaping strategy and introducing initiatives.

Top managers' role in influencing and shaping the informal dimension of their organization

Beyond formal structure, written rules, and procedures, managerial behavior is also deeply shaped by the informal dimension of an organization which refers to the social ties between employees, which develop from interactions within the organization (e.g., Homans, 1961; Merton, 1957; Westley, 1990; Balogun and Johnson, 2004) or outside, such as family ties, links through children's schools, gyms, sports or social clubs, or other activities which might predate their joining of the organization.

Social ties are conceptually distinct from formal ties. Formal ties are defined by role descriptions and reporting relations, due to horizontal and vertical differentiation and procedures. These ties are supplemented with a social layer, an inevitable outcome given the regular interaction that formal ties generate. But social ties, as mentioned, can also exist between formally unrelated employees.

In the embeddedness literature (e.g., Granovetter, 1985), social ties usually have a positive connotation. The fact that two individuals engage

together in some social activities (that is, they socialize) is generally assumed to generate mutual appreciation (affect) or even friendship (e.g., Granovetter, 1973). This positive sign of the relation is then expected to lead the connected individuals to collaborate within the organizational context (Blau and Scott, 1962). This can be in terms of sharing more information, volunteering helpful information, or providing advice. While the formal structure and role incumbents may change overnight during corporate restructuring, social relations can persist. But there can be a dark side to social relations: relations: (non-)job-related activities inside or outside the organization might taint a relationship, engendering antagonistic sentiments.

Top managers can also influence the informal dimension of an organization through appointment decisions (job rotations, overseas assignments) and other socialization programs (such as that at Disney which Eisner instituted), in an attempt to prompt the formation or rupture of social ties between employees. At the same time, the informal dimension of an organization tends to reflect the organizational culture, that is, the assumptions, values, norms, rituals, and artifacts that organizational members share (e.g., Schein, 1985); but it also shapes it. The structure of social relations within the organization can prompt the emergence of values and their reinforcement (e.g., Coleman, 1990). For this reason, top managers may use certain rituals, such as retreats, annual dinners, and other kinds of gatherings, as a social engineering device that may strengthen or subtly redirect an organizational culture.

A contingent view on the direct intervention of top managers

Despite the studies that show that strategic initiatives mostly emerge from levels below the organization's top management (e.g., Burgelman, 1983a, 1983b, 1991, 1994; Lechner and Floyd, 2012; Miner, 1994; see, for an exception, Mirabeau and Maguire, 2013), there is strong evidence that suggests top executives may: (1) set organizational goals; (2) directly establish new corporate strategies, in terms of adding and/or dropping businesses, such as in the cases of General Electric (entering and exiting the TV business, for instance),² Nestlé (with the acquisition in 1977 of Alcon and its final divestment in 2011),³ Nokia (entering and exiting mobile devices), or Vivendi (entering and exiting entertainment media and telecom);⁴ and (3) impose restructuring programs and other radical changes across businesses.

Further, we believe there are circumstances where top managers are required to directly intervene in the strategy process, beyond their role as context setters. The following, therefore, will describe these situations in greater detail, offering a rationale of why that occurs, as well as a

discussion concerning the role of middle managers and top management under these specific circumstances both in the strategy formulation stage as well as in the strategy implementation phase.

Top management's direct intervention in strategy formulation As in the Bower and Burgelman framework, the overall performance goals of an organization, in most situations, are the aggregation of the sub-goals set from the different operating units which, in turn, are often the result of extrapolating historical results (e.g., Bromiley, 1991; Greve, 2003). Yet at least three kinds of contexts would require top management's direct intervention.

First, under crisis situations, where performance has continuously or drastically diminished and/or the organization is threatened with being acquired or shut down (e.g., Hambrick and D'Aveni, 1988), top managers can instill a sense of urgency and formulate drastic restructuring goals (see Huy, 2002). Turnaround solutions often entail radical changes such as divestment, retrenchment, restructuring (Barker and Duhaime, 1997), or the closing-down of one or several legacy businesses (e.g., Burgelman, 1994, 1996), or reallocation of businesses across divisions (e.g., Galunic and Eisenhardt, 1996; Karim, 2006). It is unlikely that middle managers will independently come up with restructuring initiatives, particularly when these initiatives would jeopardize their own job security.

Divestment decisions are usually not the result of a bottom-up budgeting process (Sull, 1999). Gilbert's (2005) study of newspaper organizations' response to the emergence of digital media documented important top-down resource commitments made by leaders of industry incumbents to new technologies, responding to their fear of potential competition from online news. In a similar vein, starting as CEO of Disney in 1984, right after a takeover attempt, Michael Eisner established a renewal and synergy program during the four first years of his tenure which turned the corporation around (Rukstad et al., 2009 [2001]).

In crisis situations, the need for the CEO to set new goals stems in part from the need to regain the confidence of external stakeholders, shareholders in particular. The CEO (together with the board chairman, if that is another person) is the ultimate organizational representative, and as such is charged with the overall task of managing the organizational relations with external stakeholders at the top level (e.g., Mintzberg, 1973; Huy, 2002).

But the need for CEO direct intervention stems also from the fact that the CEO is the only person with the formal executive power to commit the organization to a new course, when speed has become the primary concern (e.g., Eisenhardt, 1989). Hence, the CEO is also seen as the organizational

member whose public statements can most affect the public trust about, and reputation of, the organization and instill confidence in the recovery of organizational performance and effectiveness; see, for instance, the crises generated by ecological disasters in which companies have been involved. Thus, we suggest that:

Proposition 1: Compared to munificent situations, in crisis situations, top managers are more likely to introduce restructuring initiatives than middle managers.

Still, middle managers play an important role. Huy (2002) describes the case of a more than century-old information technology (IT) corporation where, due to an external shock, the CEO was forced to impose restructuring goals and several initiatives which middle managers were mandated to implement: identifying where to cut costs and other ways to become more efficient, including employee lay-offs and relocation. Huy's (2002) study unveils a somewhat paradoxical finding: where middle managers of a given unit engaged in "emotional balancing," the initiatives they were charged with carrying out were more successful, allowing greater extent of organizational adaptation and learning. According to Huy (2002), emotional balancing in this context consists in: (1) paying attention to employees' emotions regarding the implementation of the radical change; as well as (2) displaying emotional commitment to the change as well as concern for guaranteeing operational continuity. As in most organizations under stress, such a display of emotional sensitivity appears somewhat against the rhetoric trumpeted by top management at the time. But the sort of subtle deviance displayed by middle managers as observed by Huy actually contributed to the success of a radical restructuring initiative. This observation echoes prior studies that call for allowing certain organizational members to be "deviants," that is, to engage in behaviors which are not necessarily wholly in line with top management, but which may contribute to organizational adaptation and success (e.g., Bower and Doz, 1979; Burgelman and Grove, 1996; Weick, 1979).

In addition to a crisis situation, the second instance in which we believe top managers need to directly formulate a new goal or a strategy is when they perceive the organization to be complacent, potentially resulting in a drift from its mission. When Jack Welch arrived at the helm of General Electric (GE) in 1981, despite its good financial performance the organization was seen as having become strongly hierarchical, with a business portfolio lacking much coherence. Welch spent his first years as CEO in layering GE and personally introducing several corporate initiatives towards greater productivity, sometimes with help from

consultants (e.g., Bartlett and Wozny, 2005 [1999]; Joseph and Ocasio, 2012). The same can be said for the recent CEOs at Procter & Gamble (P&G), who significantly alter or modify its corporate structure every 3–4 years to avoid organizational complacency. These top management behaviors are also observed among non-profits. In 2010, Common Ground, an association founded in 1990 to reduce homelessness in New York City, suddenly shifted its role from managing shelters to coordinating shared resources in local communities (Yu and Castañer, 2013). This radical shift had little to do with performance pressure, nor to slack, contrary to what would have been predicted by the behavioral theory of the firm (March and Simon, 1958; Bromiley, 1991; Greve, 2003). The housing units at Common Ground were in peak demand and the organization had garnered numerous professional accolades. Yet, Common Ground's president, Roxanne Haggerty, observed that there was still a group of homeless people who systematically refused Common Ground's offers (who they labeled as service-resistant). Rather than waiting for middle management to come up with strategic initiatives, Haggerty herself launched a process for measuring the situation, diagnosing its root cause, and subsequently redesigning the activities of the organization. Therefore, we claim that:

Proposition 2: When top managers sense organizational complacency, they are more likely to introduce change initiatives top-down to try to counter it.

These examples highlight the difficulty for a successful organization to instigate change and avoid complacency (e.g., Christensen and Bower, 1996). To a large extent, except for slack-based search, research on the behavioral theory of the firm (e.g., March and Simon, 1958) argues and confirms that inaction or lack of search for better solutions (satisficing) are the usual outcomes when the aspirations of the organization are met. When organizational performance is viewed internally as satisfactory, and possibly even more when it is endorsed by external constituents, it is hard to question existing organizational practices.

It is perhaps for this reason that, when confronted with a crisis representing or potentially entailing a significant drop in performance, organizational boards tend to appoint an outsider as a CEO who is seen as more likely to challenge existing practices (e.g., Helnrich and Brown, 1972; Puffer and Weintrop, 1991), whether or not this leads to turnaround (e.g., Allen et al., 1979; Brown, 1982; Grusky, 1963).

When internal members and external stakeholders consider organizational performance to be satisfactory, we believe that it takes CEOs who are motivated by the organizational mission in terms of what it delivers to its clients or beneficiaries to raise questions about the real

organizational effectiveness in terms of mission fulfillment. Middle managers are unlikely to autonomously challenge the existing strategy and practices in the name of mission fulfillment, because the accomplishment of the overall organizational mission is not their formal responsibility, despite their sometimes innovative role (e.g., Kanter, 1982; Burgelman, 1983b; Mantere, 2008). Doing so would entail a significant risk for the middle manager who would erect themselves as an interpreter of the organizational mission, for which they might not be considered legitimate by top management. Indeed, top management might perceive such behavior as challenging its power, and middle managers may anticipate such a reaction, thus leading to their silence (e.g., Dutton and Ashford, 1993). Consequently, we formulate the following proposition:

Proposition 3: When organizational performance is considered as satisfactory by internal and external audiences, a CEO motivated by his or her organization's mission towards clients or beneficiaries is more likely to introduce change initiatives than middle managers.

Top management's direct intervention in strategy implementation Top management, at times, cannot merely confine itself to strategy formulation and fully delegate implementation to middle managers. Sometimes it needs to intervene in the strategy implementation for selected initiatives. Without it, the strategic initiative might face too much resistance, and fail or be abandoned. The nature of these initiatives does not necessarily require "bet the company"-sized resources, where the CEO must absorb career risks that individual mid-level general managers would shun (Eisenmann and Bower, 2000).

An instance in which top management might need to directly intervene in strategy implementation is when: (1) the initiative refers to a new activity which significantly differs from the existing mainstream business of the organization, as it is exploratory or divergent (Burgelman and Grove, 1996; Kleinbaum and Tushman, 2007; Pappas and Wooldridge, 2007); (2) the mainstream activity is still going strong (Dougherty and Hardy, 1996); and (3) structural separation is not appropriate because of the need for resource sharing across the new and the old business (Burgelman, 1985), with the potential for the new business to renew the organization and thus become the new core activity.

In this instance, there is likely to be high resistance to the new initiative and it is not appropriate to create an isolated unit, because of the interdependence or tight coupling with the existing organization. Without top management's direct intervention, the new activities risk staying peripheral to the organization (Gilbert, 2005). A middle manager cannot

single-handedly reintegrate firm activities across distant domains that extend beyond their formal authority.

When peripheral activities are intended to reintegrate the old activities or to become core activities of the organization, the former power relations are challenged. Without direct intervention from top management, a weak unit will struggle to put its objectives ahead of those of the previously more powerful units. Hence, we offer the following proposition, a third situation where CEO direct intervention is most likely to occur:

Proposition 4: When a new activity needs to be reintegrated into or becomes the core of the organization, top managers are more likely to (need to) intervene to support it and neutralize resistance from the old core.

This type of initiative is likely to face substantive resistance from employees, because their implementation entails significant personal costs for the individuals involved along two dimensions: material and psychological. Material costs become important when the initiative is seen as demanding significant resources in terms of time and physical resources; this is usually the case when the initiative entails substantial activity rearrangements (e.g., De Clercq et al., 2011). Given that organizations – populated by individuals – try to economize on bounded rationality (e.g., March and Simon, 1958; Simon, 1945), and thus reduce change (costs) which also stem from their need to learn something new rather than keep refining their existing practices (March, 1991; Benner and Tushman, 2002, 2003), employees are likely to resist exploratory efforts, that is, initiatives which radically alter the existing practices. Moreover, the more interdependent or tightly coupled an organizational system is (Thompson, 1967), the greater the perceived costs of implementing a radical change, given that such change might be architectural (Henderson and Clark, 1990) rather than modular and, therefore, it might require altering the entire system of interdependence (e.g., Siggelkow, 2002).

The second cost dimension is psychological costs, that is, the perceived costs of departing from valued practices and activities which employees have identified with over time. Radical initiatives, that is, those which significantly depart from the existing practices, are therefore likely to be perceived as costly in terms of psychological loss – identity loss, when attachment with past practices and activities was high – and not only in terms of the material costs due to a higher learning effort. Thus, given the need for all organizations to engage in some exploration (March, 1991), thoughtful top managers might decide to intervene in the implementation

process of exploratory initiatives, to signal their support (e.g., Dutton and Ashford, 1993; Dutton et al., 1997; Dutton et al., 2001) and ease resistance.

Middle managers might resist the challenge because of self-interest, given the disruption that the challenge represents in their work (Guth and MacMillan, 1986). However, they may also express concerns because of the organizational disruption, and internal and external confusion, that such a challenge might represent, that is, a potential loss of organizational reliability (Hannan and Freeman, 1984).

One way of dealing effectively with this resistance might be recognizing that, indeed, the implementation of such initiative may be costly, but that the CEO is willing to take responsibility and finance the implementation costs. This is obviously more do-able with material than with psychological costs. This is in part what Roxanne Haggerty did in Common Ground (Yu and Castañer, 2013). First, middle managers were enlisted in diagnosing the situation and identifying the potential causes. Then, despite the fact that Haggerty as Common Ground's president mandated new organizational practices to address the potential causes, the president listened to the concerns of middle managers (the housing managers) regarding the potential additional costs that the new practices would entail, according to them. Haggerty was sensitive and responded to their concerns, asking them to keep track of costs and promising to take additional costs under her responsibility. After tracking the operating cost for 18 months, it turned out that the negative impact on building operations was almost negligible. But the act of listening was instrumental in reducing upfront the psychological cost harbored by middle managers. Thus, we suggest that:

Proposition 5: When implementing a radical or exploratory initiative, the CEO's listening and responding to middle managers' concerns about the cost of implementation is likely to improve the likelihood of initiative success.

All this is not to belittle the role that middle managers play in the strategy implementation phase. Even when top managers challenge the existing strategy despite external approval and even praise of the organizational performance, middle managers still have a very important role. Their collaboration is needed (e.g., Huy, 2002). Voicing their implementation concerns, even in part motivated by their resistance to change, might be legitimate and functional. Balogun and Johnson (2004) also describe how, given the lack of precision of a reorganization design, middle managers engaged in lateral interactions to try to make sense of the new system and develop new cognitive schemes and values which allowed them to operate in an effective manner – see also Ahearne et al. (2013).

CONCLUSIONS

In this chapter we have examined what seems to us the transformation of the dominant descriptive account of the role of middle and top managers in the strategy process into a normative view. We believe the Bower–Burgelman perspective seems to suggest, or at least has been interpreted by scholars, that the role of top managers is and should be to set the organizational context for resource allocation (see also Wooldridge et al., 2008). Within this perspective, top managers have very little role in directly intervening in the strategy formation process or proposing initiatives themselves.

By first defining the key terms – middle and top managers, and strategy process – we have identified a broader informal role of top managers in shaping the organization, as well as circumstances in which top managers do and should intervene directly in both the strategy formation and the implementation processes, for which we have formulated testable propositions.

By so doing, we not only contribute to the debate about the role of middle and top managers in the strategy process, by trying to balance to some extent the currently somewhat exaggerated dilution of the direct role of top managers, but we also provide two recommendations for future researchers which we believe will bring greater clarity and contribution in research on middle management:

1. Define and identify very clearly the position of the “middle-managers” under study, echoing earlier calls by Huy (2002) and Wooldridge et al. (2008).
2. Be explicit about the nature of the strategy level being addressed.

NOTES

1. Some authors also consider the level of functional strategy, for different functions such as operations, marketing, or R&D (e.g., Mirabeau and Maguire, 2013). We do not address this strategy level in our discussion.
2. See Bartlett and Wozny (2005 [1999]).
3. See Desay et al. (2006 [2004]).
4. See Montgomery et al. (2003 [1998]).

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