

International corporate entrepreneurship and role of middle management



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Middle management has crucial importance in the corporate entrepreneurial process but unexpectedly it has got little attention in the past research and academic literature. Middle management has great influence on organisational decision making, strategy making and in implementation of these strategies due to their central place in the management hierarchy.

This chapter encompasses the academic literature relevant to middle management and their role in the process of corporate entrepreneurship (CE). It will begin with basic concepts of middle management and corporate entrepreneurial processes, their definitions and explanations. Past literature will be presented later on in this section regarding middle management to justify the both positive and negative sides of middle management's role and influence on the corporate entrepreneurial activities by the researchers.

This will then follow a counter argument to discuss the role played other forces (higher management, first level managers and employees) in order to influence the CE process. The corporate entrepreneurial process requires innovation and change in order to remain effective in the business and this will be review in the light of previous literature to examine the process of organisational transformation.

The last part of this section will concentrate on the issues like change implementation and their failure in organisation. Also literature will be reviewed regarding drivers like organisational citizenship, organisational innovation and ambidexterity that influence organisational changes indirectly.

What is Entrepreneurship?

The term entrepreneurship was used as an economic term in the mid eighteenth century and described as a process bearing a risk of buying and selling products or services at certain and uncertain prices by Cantillon (1855) as cited in Grebel et al. (2003).

Grebel et al. (2003) further broadened the term by including and bringing together the production factors in it. But this definition raises few questions whether there was any uniqueness about the entrepreneurial functions or it was just another form of management.

Later the definition of entrepreneurship was added with the concept of innovation which includes the product innovation, process innovation, market innovation or even organisational innovation. This definition broadens the concept of entrepreneurship and describes it as the creator of new enterprises and pictures the entrepreneur as founder and innovator.

Defining Corporate Entrepreneurship

Corporate Entrepreneurship (CE) was described as a process that can be used by individuals within an organisation to create opportunities without regard to the resources they are holding (Stevenson et al., 1999).

Many researchers defined CE as a process of organisational renewal (Peterson and Berger 1972; Hill and Hlavacek 1972; Hannan 1976; Quinn 1979, and Sathe 1989), while others described it as the combined entrepreneurial efforts based on the organisational resources and commitments in order to perform the innovative functions of organisation in

order to develop the product, process or innovation (Covin and Miles 1999; Naman and slevin 1993, Miller and Friesen 1982; Burgelman 1984; Kanter 1985; Alterowitz 1988; and Zahra and Covin 1995).

According to Sharma and Chrisman (1999) there are three types of phenomena into existence for CE that may or may not be related. These are:

a) Creation of new business from an existing one

b) Transformation or renewal of an organisation

c) Innovation

The creation of new business was described as the internal corporate venturing by Zajac, Golden and Shortell (1991) while Pinchot (1985) called it intrapreneurship. On the other hand the process of renewal of organisation was regarded as strategic renewal (Guth and Ginsberg, 1990), organisational renewal (Baden and Stopford, 1994) and strategic change, transformation and revival of organisation (Shendel, 1990). By enlightening these ideas Sharma and Chrisman (1999) defines CE as the process where individuals or group of individuals create new organisation within an existing organisation or find innovation in that organisation.

The entrepreneurial efforts that result in the creation of new business organisation are known as corporate venturing and the resulted innovation could exploit the ways of product offering in the existing or new market.

The analysis of these different dimensions and approaches of CE can be concluded with the study of Gartner (1988) who describe it as a multifaceted

concept that requires some major transformational changes in order to develop the whole idea of CE.

Middle Management and the Organisation

Dobson and Stewart (1993) and Turbalull (1998) stressed on the need of a clearer definition for the term "middle managers", as the levels of middle management in a company as poorly outlined as a unit of analysis. Middle management is basically used as a tactical work force to eliminate the gaps between the senior management and the sub-ordinates at the lower end of organisational hierarchy and also to implement the organisational policies made by the senior management.

Two types of middle managers were identified by Currie (1999) in organisations: specialist middle managers for the roles like marketing, HR or finance; operation middle managers that coordinate operations between departments. Although both management types are important for any organisation but the specialist functions or boundary spanning activities get the priority. The participation of specialist middle managers in organisational activities appears more often as compared to the operation's managers who focus on internal operations more (Wooldridge, 1997).

The importance of middle management and their role as an agent in bringing the change in contemporary organisation was first drawn into attention by Bower (1970). However, the next decade or two came with a little systematic research in order to define the scope and nature of middle management and their contribution towards the organisational innovation and entrepreneurship. Although many researchers and authors (Peters and

Waterman, 1982; Kanter, 1983; Pinchott, 1985; Drucker, 1985; Burgelman and Sayles, 1986) have argued on the different aspects of middle managements' contributions towards CE while others (Schuler, 1986; Woolridge and Floyd, 1990) discussed their role in the company's strategy which is another important variable of CE (Guth and Ginsberg, 1990; Zahra, 1991).

Middle Managements' Role in Operations

According to Floyd and Lane (2000) operating-level managers absorbs the relevant ideas and information from outside the firm while also giving a positive response to the middle level managements' information which is based on the top-level management strategic ideas. Every managerial role is different from other and different actions are associated with each of them (Miller and Camp, 1985) but here the discussion will revolve around the middle management, their corporate entrepreneurial activities and their behaviour towards CE. In other words, once commitment is made by the all management levels in order to pursue the CE related activities, then its middle manager's responsibility to communicate through all organisational level for the effective flow of information for the implementation and development of project.

The role middle management and their importance in the innovation process in an organisation were recognised by Quinn (1985) and who was also among the first to point out the valued part played by the middle management CE. He also recognised that the top-level management is isolated from the daily floor operations and it is important for middle management to play crucial role in fostering the company goals and targets.

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This importance in the organisational structure gives them an opportunity to interact with the employees and encourage them towards innovation while taking the calculated risk.

Middle management and the Corporate Entrepreneurship

The literature (Floyd & Lane, 2000; Ireland, Hitt, & Vaidyanath, 2002)

suggests that in any organisation managers play vital role at all levels of organisational structure and contribute towards company success. In simple context, the top level management involves in strategic role where their job is to deal with strategic decision making and set clear direction towards company's goals and objectives. On the other hand, middle managers' job is to bridge the gap between two distinct ends of management hierarchy i. e. top-level managers and operating-level managers and their focus is the effective communication between both channels. This is not an easy job and to fulfil the requirements of their job the communication should be carried to both ends of hierarchy efficiently in order to create the innovativeness of all business units including product and service.

According to Ghoshal and Bartlett (1994) the middle managers are not only enable the entrepreneurial actions like creating new opportunities for organisation or engage in organisational renewal but also keeping the innovativeness of also these entrepreneurial actions . Other researchers (Kanter, 1985; Ginsberg & Hay, 1994; Pearce, Kramer, & Robbins, 1997; Floyd & Lane, 2000) described the middle managers as facilitator between the two managerial levels and how they play their role to shape the entrepreneurial action set by the top-level management for them. Due to the demand of their role middle managers have to reconcile the top-level

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strategies and implementation issues at the bottom end of hierarchy as these determine the competencies and also the performance of organisation. There is strong link between the firm's performance and middle managers perception about the characteristics of competency (tactics, consensus and embeddedness) and this differentiates them from the first-level managers and take them closer to higher end of organisation hierarchy (King et al., 2001).

The importance of middle managers as innovators is emphasized by the Nonaka and Takeuchi (1995) who suggested that their central position in organisation is key for them to absorb and collect the information, ideas and innovation from both inside and outside of organisation. This flow of information and ideas between both ends of organisation influence the middle-level managers to shape their entrepreneurial skills as their experience and knowledge grow.

The only comment that can conclude this whole discussion on the importance of middle managements' role in CE is that all the organisational and entrepreneurial functions are associated with them. Thus, the presence of middle management is there where CE functions are most likely to happen.

Middle managers in Strategic Roles

Middle managers have played a frequent role in providing strategic alternatives for firms and making those alternative ideas accessible for higher management (Floyd and Woolridge, 1992). The nature of middle managers' job requires them to integrate and synthesize the information and

resources by crystallizing the strategic issues faced by the organisation and also setting a platform for these strategic changes; by enhancing the old structure of organisation through implementation of formal strategy and giving feedback. This feedback can be used to make future changes in the strategy and for organisational renewal. The findings of Floyd and Woolridge (1992) gives a clearer picture when compared with the earlier work of Burgelman and Sayles (1986) that how middle management play key role in an organisation by shaping the strategic issues and influencing the entrepreneurial activities.

The observations of other authors (Peters and Waterman, 1982; Pinchott, 1985) have seen the middle management playing important in encouraging other employees to take risks while working towards innovation. Quinn (1985) and Kanter (1988) also observed similar role of middle managers in promoting the CE activities across the organisation. This can be done by introducing reward schemes that encourage employees to experiment with their innovative ideas. Also different approaches can be used by the middle management to make the whole structure of organisation less resistant towards future changes and allowing the CE activities to flourish.

Corporate Entrepreneurship and Other Forces (Actors)

Most of literature on the CE and middle management either ignored or failed to identify the important role played by other forces to gain the CE in any organisation and widely criticised by Floyd (1999). According to McMillan (1993) as far as the power is concerned both middle management and other players have equal importance in bringing the CE to the organisational structure.

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Burgelman (1983) insist that the heart of CE activities is always dependent on the initiative taken at the operational levels of a firm. He insists on the importance of the factors that play towards the success of internal corporate activities by the operational level management, middle management's ability to effectively communicate between both ends of organisational hierarchy and the higher management's trust on the lower sub-ordinates in order to flourish the CE in the organisation. According to Burgelman (1993) operative managers have more importance in organisational structure than middle managers as they have more experience and involvement in dealing with R&D and research related activities and are more aware of the corporate culture, market needs and demands.

On the other hand Quin (1980 and 1982) has also argued on different occasion about the importance of middle management but he pointed towards the power asserted by the top management to control actions of middle management. Although the organisational operation flow is bottom up but the final decisions are always in top management's hand in either acceptance or rejection of these initiatives.

Although Floyd (1999) has insisted towards the importance of middle management is vital due to their central position in the organisational hierarchy. But this literature review is evident that the other organisational forces as important as the middle management in the central role in the organisation and have equal influence on the CE related activities.

Organisational Change Implementation

Innovation in any organisation does not take place on its own or in isolation and neither in a vacuum but it happens in a system where the employees and processes work together to achieve it. According to Joe (2005) it is all about the organisation and its employees and their approach towards the implementation of change in organisation. Hornsby et al. (2002) argued on the same note and suggested that all organisations look for change and they implement these changes strategically through the help of CE. Two types of organisational changes can be found as a result of innovation and are known as deliberate strategic change and emergent strategic change and have their effect dependent on the role of middle management in them.

Types of Organisational Change

The first approach towards change is deliberate (Ansoff, 1965) and the top management's motive behind this strategy is to maximise both the organisational interest and profits at the same time. Middle management has a limited role in the deliberate or top-down change strategy and they have a very little influence upwards in order to make any change policy.

On the other hand, the incremental change approach is a vice versa of top-down change strategy (Whittington, 1993) and it is based on the idea that change should be unplanned and unintentional rather than deliberate.

This approach is based on the knowledge and outcomes of past policies which lacks in the deliberate change (Lindblom, 1959). He further argued the important role played by the middle management in order to formulate and implement the change in the organisation.

On different occasions Quinn (1882, 1978 and 1980) suggested that incremental change strategy can be considered through the implementation of sub-systems before addressing any major change issues. But there is power culture involved in Quinn's approach and points towards the higher management in order to decide which sub-system to be implemented and hence limits the role of middle management to some extent.

All this discussion leads to one conclusion that there is no single approach which can completely benefit the middle management's role towards the organisational change but the incremental approach is more suited to them as compared to the deliberate change approach and enhances their role in change process.

Middle Managements' Role in Organisational Change

There is plenty of pragmatic evidence in the past literature (Bower 1979; Kanter 1983; Burgelman 1983a, 1983b, 1983c, 1991 and 1994; Schilit and Paine 1987; Dutton and Ashford 1993; Nonaka 1988; Sayles 1993; and Schilit 1993) which shows a significant influence of middle management towards organisational change. On the same note Floyd and Wooldridge (1990) pointed towards the significant relationship between performance of an organisation and involvement of management.

They further argued how middle management is involved in both directions of organisational hierarchy; with its upward influence on policy development could help the organisation by setting up a road map for change and innovation. While downward influence sets up a smooth ground to implement the organisational strategies effectively (Shendel and Hofer 1979 and Nutt

1987). Thus it shows the importance of middle management to influence the change in the organisation in the both directions at the same time.

Human Nature, Top Management And the Organisational Change

According to Strebel (1996) and Siegal (1996) almost two third of efforts made towards organisational change see failure as a result of top management negligence and lack of ability to recognise the human nature of change. This negligence by the top management is often seen as psychological differences between employees at individual level (Coghlan, 1993). The uncertainty and difference of opinion shows how employees look at organisational change at individual levels. The organisational change and all of its processes have direct or indirect link with the employees' personal influence towards change and it is regarded as a personal change for them (Bovey, 2001). Evan (1994) has also argued on the same note by saying that employees work for OC in order to make it successful so that it can be a success for them too. According to Prastacos (2002) the OC is dependent on the acceptance and resistance levels of employees.

Bovey (2001) noted that technical changes are often seen as bit easier to approach by the top management and are more predictable towards the change issues like developing action plans, making strategies, estimating profit level and resource analysis. The communication process in another key to keep the resistance level in control among employees against the change but if the resistance against change is higher from employee then it shows the poor communication and the inability of the top management (Elving, 2005).

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The organisational change is not a one way procedure but a two way understanding between management and employee (Bulogun, 2006). He also stressed on the need of mutual consensus between both parties to implement change across organisation and this is only possible through a good communication channel. It is almost impossible for top management to identify, control or prepare for every change before it happens due to the quick nature of change and they have act while it is happening. So, the above suggests that the top management remains isolated during the change mechanism due to hierarchal structure within organisational but on the other hand, middle management remains important during this process and act as communication channel between employees and top management. Thus, middle management has more importance during the implementation of organisational change than top management.

Middle Managements' Role in Political Nature of Change

The top management has all the authorities in an organisation but this is not the case when it comes to organisational change policies and it affects their whole vision about it. The political nature of organisational structure makes the idea of change uncertain and difficult to implement. For the knowledge management the networks are often used as mechanism for to gain the required information and are used for political nature of change. The idea behind the formation of these networks is to use them politically for the change process. Hislop et al. (2000) agree with the fact there is a relation between these political networks and knowledge because of the need of appropriate knowledge is needed to form and use these network.

This study shows that due to political nature of change it is vital for middle management to gain knowledge through these networks inside as well as the outside of firm to make a ground for the change acceptance.

Organisational Change and Other Drivers

There are few other drivers of change that are worth looking at in the literature including the organisational innovation, organisational citizenship and ambidexterity. These change drivers have important link with middle managements' role in corporate entrepreneurial activities and CE process too.

The Importance of Organisational Improvisation

Organisational improvisational is another issue considered important in the reviewed literature that is connected directly with the change implementation in organisations. Different approach was adopted by the Ryle (1979) who described the process of improvisation as thought refining and most of things happen during this process are unique, hard to predict and probably might not get repeated in future. But this process is seen as an outcome from failure of first approach and is a product by accident described by Lebourne (2006).

The literature from last two decades considered is another feature of organisational activities that contribute towards the change process of an organisation (Lewin, 1998). Thus the idea of organisational improvisation contributes in the form innovation and by keeping up the market up-to-date. As far as the middle management is concerned they get the opportunity to

influence the whole process of improvisation from formulation stage to implementation stage through their time management skills.

Relationship between Organisational Change and Organisational Citizenship

There is plenty of discussion in the literature about organisational citizenship and behavioural interactions (Katz, 1964; Katz and Kahn, 1966; Organ, 1988; Cohen and Vigoda, 2000; and Padsakoff et al., 2000). Most of this literature has focused on describing the organisational behaviour and there is no discussion about organisational citizenship in the context of corporate entrepreneurship. For example Padsakoff et al. (2000) has identified seven different themes that can fit all dimensions of organisational citizenship while Katz (1964) mentioned four in his work.

Although all the literature reviewed prescribes the importance of organisational citizenship behaviour and stresses on the presence of these behaviour for the effectiveness of organisational functions. However, it needs further exploration in the context of corporate entrepreneurship and this will remain the focus throughout this research.

Ambidexterity

Observations from Literature Review

This section outlines the key observation made during the literature review and their summary of whole debate about the corporate entrepreneurship and role of middle management in the context of CE. The corporate entrepreneurship is noted as a complex concept that requires careful consideration towards the change implementation as well as the extra care

when dealing with the strategic planning. There are two types of middle management is identified during this literature review; specialist managers who deal with functions like finance, marketing and HR; and non-specialist or operational manager who coordinate functions or activities within their own department or with other departments.

The role of middle management and their future in the organisation is rather unclear in the argument by the researcher. Some of them deny the importance of middle management in the CE and point towards other forces that act in flourishing the CE activities. While other think the middle management has an enhanced future as well as importance in organisational corporate entrepreneurial activities and have more positive attitude towards their part in CE functions. But the whole debate of past literature is not sure on the role of middle management as operational managers as well as the extent of their importance in this role. The literature has pointed towards quite a few middle management functions including the functions of communication, innovation, change implementation, motivation, behaviour towards risk, business strategy etc. However, middle managements' association with these functions is due to their central position in the organisational hierarchy.

The middle management has independence of decision making in organisational innovation to reduce the strategy making period and also save the process of implementation time. This self-sufficiency of decision making is one of feature of contextual ambidexterity and make easier for organisations to implement innovation or change. The contextual

ambidexterity is also a step closer to implement innovation in organisations
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and also allow middle management to improve their role in process of organisational change. Due to explore and develop nature of structural ambidexterity which divide these functions between organisational departments and bound middle management not to raise their voice as it might be outside their job scope and thus limits the role of middle management. But organisations with behavioural citizenship are more likely to have structural ambidexterity as there will be no or little clash due to the separate organisational functions. On the other hand, the contextual ambidexterity results in the form of difference of opinion and rivalry among middle management to get the innovation and that's the reason it doesn't go with the contextual ambidexterity.

During the literature review another thing was noticed that the up-down change strategy do not allow middle management to exert their weight upwards to formulate the change development. It is also noticed that for the improved role of middle management requires a vital approach towards change and it should be emergent as well as the intentional. Thus the implementation of change process need to be combination of both approaches and political elements should also be considered in change process.

As mentioned earlier in the reviewed literature which points the improved conditions and role of middle management organisational citizenship. It also stresses on the need of deliberate and emergent strategic approach for the organisational citizenship which allows middle management to work independently in a flatter organisation with more freedom of networking across departments. The diplomacy of using these departmental networking <https://assignbuster.com/international-corporate-entrepreneurship-and-role-of-middle-management/>

allow the middle management to spot the change and innovation in the organisation. The organisational change or transformation through corporate entrepreneurship is always main motive for many organisations and leader use social networking to implement this change across organisation. But many of these efforts fail due to the lack of ability of top management to understand human nature towards change implementation and poor communication between hierarchal levels.

Weaknesses Observed in Understanding of CE

The literature reviewed earlier shows that there are number of areas in the CE which need further clarification and the research need to be more focussed on the issues of CE which are currently have a weak understanding. There are few issues that need particular focus including the understanding of CE issues including the issue how CE it is managed, encouraged as well as sustained and according to Hornsby et al. (2002) this issue is not well understood. He also emphasise on the need of research to be more focused on the dimensions that can shape and predict the environment where CE can flourish.

It was noticed during the literature review is lack of appreciation for the middle management in the processes of corporate entrepreneurship even though they have central importance in corporate entrepreneurial activities. Floyd's (1999) argument about the flatter structured organisation where nobody has a central importance and everybody exchange information between themselves free was ignored in the reviewed literature. There is no such discussion in the literature that who gets the influence in CE initiatives in the organisation in such flat organisations.

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Finally, the relation between corporate entrepreneurship and indirectly related change drivers were not studied in the existing literature and their effects on the CE related activities. The relationship between the corporate entrepreneurship and the organisation citizenship is also ignored in the current literature.

Research Focus & Research Question

The gaps in the literature needs a thorough understanding of concept of CE and needs a further exploration of the ways the organisations respond towards the implementation of CE and also how firms react for the sustainability of corporate entrepreneurial activities. So, there are few questions that will be answered during the course of this research and are as follows:

How Corporate Entrepreneurship (CE) is managed, sustained, and encouraged within the automobile industry?

How CE and Organisational Citizenship are inter-related?

What is the relationship between middle management and Corporate Entrepreneurship (CE)?

How does the hierarchal structure of an organisation influence or affect the decision making role of middle management?

How middle mangers' add value in the decision making process of CE?

Concluding Comments

The research and theories regarding the role of middle management in corporate entrepreneurship was explored during the literature review. The literature reviewed has pointed towards the presence and importance of middle management in corporate entrepreneurial processes. Although the middle management's engagement and interaction with the different interest group both inside and the outside of the organisation makes the whole process of CE complex and shows its political nature. The whole idea behind this research is to identify and fill these gaps found during the literature review and not only to contribute towards the literature on CE and also by providing clearer understanding of CE.

The followed chapter will give an understanding of the methodology used to carry out the research and also the justification behind the choice of case studies.