The Corporate Entrepreneurship Role of Middle-Level Managers in Organizational Strategy

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Abstract

The debate on what strategic role middle-level managers play in an organization continues to rage. The popular perception that middle-level managers do not get any opportunity to be part of organizational strategy development is not without empirical evidence. However, leading management theorists and researchers have shown that middle managers actually play a more meaningful role in corporate entrepreneurship than what has been perceived or what research hitherto shows. Managers identify opportunities, develop initiatives, and renew organizational capabilities which help to create and integrate knowledge in the corporate entrepreneurship process. A just reward and recognition system, support from top management, availability of resources, a supportive organizational structure and tolerance for risk-taking and failure motive middle managers to follow an entrepreneurial approach. Entrepreneurship is marred by poor speed as well as quality of decision-making in most organizations. The middle-level is the pivot around which to create an entrepreneurial culture in a large organization. Middle managers are most comfortable with change, fully aware of the organizational dynamics and politics, and persuasive, persistent and tactful – characteristics that make them ideal champions of entrepreneurship. The paper concludes that there is ample scope for a meaningful engagement of middle-level managers in strategy development as well as deployment in organizations.

Keywords: Middle Managers, Corporate Entrepreneurship, Strategy.

Introduction

Woodridge et al. (2008) found that, till the 1970s, the role of middle management in strategy was considered limited to only providing inputs and implementation². Henry Mintzberg strongly denounced early literature on strategy which was centered on the premise that it was a ‘top-down analytical process’ wherein decision-making was divorced from action. Middle management role in strategy was considered limited to only providing inputs and implementation, till then. Since then, lot of water seems to have flown down the rivers of the world. Today, middle manager involvement in designing, developing and implementing strategy in organizations is widely appreciated and practiced. In a dynamic environment, and even otherwise, an effective strategy is not separate from an organization’s day-to-day operations; it surrounds, permeates and guides them according to Brache, who has cautioned against keeping middle managers disengaged from an organization’s strategy³. Westley highlighted the debilitating effects of keeping middle managers away from inclusion from strategy-related conversations, resulting in ‘alienation, lack of motivation to implement strategies, and intra-organizational conflict’⁴.

Leading management researchers like Kanter, Schilit and Locke and Schilit have advocated a more engaging role for middle managers in development of organizational strategy⁵.⁶. According to Wooldridge and Floyd, middle management influences strategy by enhancing either the quality of decisions, or the efficiency of implementation⁷. Raes et al. too have underlined that the top management and middle managers need to become partners in effective strategy formulation and implementation⁸. Hart cautioned against confining strategy-making to ‘the chief executive or the top management team’; but conceptualized as an organization-wide phenomenon, with top managers and organizational members playing complementary roles⁹.

The Corporate Entrepreneurship Role of Middle Managers

Managers identify opportunities, develop initiatives, and renew organizational capabilities which help to create and integrate knowledge in the corporate entrepreneurship process¹⁰.

Hornsby et al. found the following factors that facilitate entrepreneurship: i. a just reward and recognition system, ii. unflinching support from the top management, iii. availability of resources, supportive organizational structure, and iv. ability to take risks and tolerance for failure.

The factors listed above encourage middle managers to initiate corporate entrepreneurship activities which encompass the
development and implementation of new ideas into the organization.

Bartlett and Ghoshal utilised Hart’s theory to re-define and re-align the strategic roles played by different levels in Asea Brown Boveri.

A Re-Definition and Re-Alignment of Strategic Roles by different levels: Bartlett and Ghoshal’s research set the stage for a redefinition and realignment of the strategic roles performed at various levels of management. The frontline managers became the ‘primary source of entrepreneurial initiatives’ from being ‘mere implementers’. Middle managers relinquished their ‘control’ orientation to become ‘a resource for frontline managers, coaching and supporting their entrepreneurial activities’. Top managers after delegating both operational decision making and strategic initiative, began focusing more on managing the entrepreneurial process by developing broad objectives and setting performance standards.

Davenport et al. have reminded organizations that ‘middle managers bring in (hot) new ideas’ and exhorted companies to respond. But are companies listening? Pettersson and Vlak found middle managers hold the key to incremental technological research.

State of Entrepreneurship Study in Bhilai Steel Plant

A questionnaire (Annexure-I) was designed and administered to a group of frontline and middle managers to assess the state of entrepreneurship in a large organization, i.e., Bhilai Steel Plant, a flag-bearer of Steel Authority of India Limited by Puri and Sinha. The findings of the study have been summarised in Annexure-II. The responses indicate that i. Approx. 10% is the average amount of work is a result of innovative thinking. ii. The fear of being laughed at or being exposed as ignorant is at the back of the mind of the frontline and middle managers. iii. The organizational culture does not encourage constructive dissent and that seniors may feel their authority is being questioned. iv. The organization has a low level of failure tolerance.

The average low level of time spent on creative work may either be due to lack of spare time to think and do things differently or the lack of motivation to do so. The same question was put to seniors in the second questionnaire asking them the amount of time spent by their subordinates on innovative ideas. Even in that group this figure was low, thereby showing little time and thus encouragement for entrepreneurial efforts.

The responses clearly indicate that most people in the organization are too bogged by their own work to think of collaborating with even those in other sections but within their department. To find the senior management viewpoint on key tenets of entrepreneurship, a separate questionnaire was designed and administered to them. The questionnaire and the findings thereof can be referred to in Annexure-III. It could be inferred from the analysis of the responses that the organization was lacking in speed of decision making - a key pre-requisite for entrepreneurship. Their decisions have to be fast and involving risk. The potential for entrepreneurial culture was evident as creativity was rated highly. However the other areas facilitating innovation and new ideas i.e., cross-functional appreciation came forth as lacking.

The top management was of the opinion that openness and trust was fair among the organization. But in the light of responses received from frontline and middle managers this was poor and one of the constraining factors leading to lack of failure tolerance. Also as is evident from the responses empowerment or delegation of decision making to lower levels could be improved to a large extent.

Hindrances to Entrepreneurship

Large organizations are plagued by a number of obstacles that stifle entrepreneurship. Internal structural problems – too many levels of hierarchy, compartmentalisation of work, lack of ownership culture, poor delegation and empowerment, lack of communication, inadequate climate for entrepreneurship, etc. – obstruct the flow of fresh ideas.

Even those organizations which once began as innovative start-ups, like Nokia, become unmanageable behemoths as they expand into large organizations as a natural consequence of their growth.

Respondents to the questionnaire mentioned the following points: i. Organizational inertia – slow decision-making process, rigid mind-set, resistance to change – requires a lot of energy to rejuvenate. ii. Risk-aversion - failure fear, not accepting failure, punishing failure, fear of accepting ignorance – as the impact of failure in a large organization would be tremendous, thereby reducing the scope for innovation and creativity. iii. Lack of ownership and initiative- people unwilling to take additional responsibility; difficult to create ownership culture as number of people is large. iii. Excessive thrust on operational efficiency - insistence on meeting targets and completing routine jobs, time constraint. iv. Lack of support in sustaining change from seniors / top management in a large organization – not all leaders align with entrepreneurial values equivocally. v. Inadequate delegation and empowerment - little responsibility/authority given to employees. vi. Lack of communication between employees across different functions. vii. Absence of entrepreneurial role models - failure of leaders to demonstrate the entrepreneurial spirit. viii. Lack of proper incentives for entrepreneurship - rewards, recognition and promotions inappropriate for entrepreneurial working, no mechanism to identify and nurture creative people, lack of resources for innovative experiments; majority of the resources consumed by a host of routine requirements.
The Entrepreneurial Tinge

Rosabeth Moss Kanter described The Middle Manager as Innovator in an article of the same title in the July-August 1982 issue of the Harvard Business Review (HBR). She strongly backed them to spur innovative growth in organizations as they are the best people to tell what (entrepreneurial) skills organizations need to survive and grow.

Kanter had found that middle managers were most comfortable with change. They are fully aware of the organizational dynamics and politics. They are also persuasive, persistent and tactful – characteristics that make them ideal champions of entrepreneurship. Kanter further elaborated the key characteristics that middle managers possess, making them best suited for the role of change agents: i. Comfort with Change: Confident that uncertainties will be clarified, Foresee unmet needs as opportunities, View setback(s) as temporary. ii. Know the organization: Know what support they will get and from whom. Aware of organizational politics. iii. Persuasiveness, Persistence and Discretion: Encourage subordinates to put in their maximum and be part of a team, Persevere till the goals are met, Use tact.

The middle managers are happy working within their resources without much external help. These very qualities enable them to become the pivotal change-agents of the organization. However they cannot excel in isolation. They act as a bridge between the top and frontline, involving both in the change process for creating value for the organization.

Puri and Sinha also proposed a model (Figure-1) based on their findings and the initiatives taken in the Rail and Structural Mill of Bhilai Steel Plant.

The Entrepreneurship Model: The entrepreneurship model essentially explains how to evolve and sustain entrepreneurial culture in large organizations. It identifies leaders’ involvement at all levels and creating conditions for adaptability to change as the pre-requisites of building this culture. In its nascent stage the culture has to be nurtured through information sharing, openness and trust, risk tolerance, aligning individual goals with those of the organization and having a just reward and recognition system. Alignment of individual and organizational goals is the basis for building an ownership culture - the very essence of entrepreneurial culture. Empowering employees across the organization to take decisions to attain the organizational objectives is proposed as a key component of building entrepreneurial culture. Once this basic groundwork is over it is time to place a challenge in the form of an overarching goal transcending functional boundaries or job enrichment / enlargement which provides individuals opportunities beyond their conventional spheres of influence. Developing leaders at all levels through succession planning is of paramount importance so that this culture can be sustained permanently, as is developing values like pride, need for achievement (nAch) and strengthening of belongingness.

![Diagram of Entrepreneurial Culture](image-url)

**Figure-1**

Building an Entrepreneurial Culture
A Ray of Hope

Puri and Sinha found that some factors which facilitate building of entrepreneurial culture in large organizations like SAIL are: Building a sense of ownership is easier especially in the public sector where unlike the private sector there is no single owner. Hence inculcating ownership towards achievement of organizational objectives is easier as individuals believe that everything is being done for organization’s good rather than the betterment of a well identified owner, as in the private sector.

No hire and fire policy in the public sector organizations like SAIL. Hence it is easier to take more risks and exhibit entrepreneurship.

Risks in large organizations get distributed at different levels. Moreover large organizations are sheer giants capable of sustaining small setbacks. Once on course, a big flywheel would take a very big force to stop and hence more risks can be taken. They also have a large pool of people whose creative talents are waiting to be tapped given the right opportunities and they are empowered to take decisions. A recent report by the CII-Exim Bank Excellence Award (2014-15) team of assessors has found that the young managers in Bhilai Steel Plant feel their creativity and potential are under-utilised.

Overcoming the Hindrances

Large organizations have a huge web of command and control systems. This leads to failure to challenge the status quo and encourage a diversity of opinion. There also is the failure of disagreeing with seniors and making any failures undiscussable. Failure fear was identified as one of the major hindrances to entrepreneurship in the study. People are afraid of failure and the organizational culture reinforces this. This inhibits people from thinking beyond their routine set of jobs and established ways to perform them. The fears may be embarrassment, loss of esteem/stature, or any other punitive action.

To counter this hindrance, inculcating a failure tolerant culture is crucial. Leaders should reduce fear of failure through their words as well as actions, so as to create a culture of intelligent risk taking so that an entrepreneurial culture is sustained in the organization. They should break down bureaucratic barriers existing within the organization, openly admit their own mistakes, destroy ‘destructive competitiveness’ within the different functions in the organization and emphasize that success and failure are complementary and hence failures should be taken as learning opportunities equivocally.

Beware of the ‘culture’

Every organization has a set of unwritten rules and beliefs. One would find similarity in the way people think, assume and behave with each other. Common cultural hindrances to entrepreneurship identified in the study by Puri and Sinha were – fire-fighting rather than planning, rigid mind-set, resistance to change, conformity, lack of initiative, lack of belongingness, etc. There also is similarity in the way people interpret signals. For example, transfers in the organization (SAIL) are taken as punishments. People fail to see the opportunities that come with the new assignment. Thus there is an invisible yet pervasive wall that blocks entrepreneurship.

Encourage divergent thinking

A good way of instilling divergent thinking is having a cross-functional team having creative people from across the organization. Thus we have a diversity of opinion and mental blocks can be taken care of. However teams should guard against the deep-rooted functional loyalties that the incumbents bring with them which could ruin the desired problem solving.

Encourage the seekers

He who is ashamed of asking, is ashamed of learning, according to a Danish Proverb, quoted by Hari and Mahanty17. Nobel laureate Isaac Rabi attributed his success to the question his mother would ask him every day upon his return from school – “Did you ask any good questions today Isaac?”. The same holds good for organizations. Not that questions aren’t asked. There is plenty of questioning in an organization, but mostly in a top-to-bottom direction. There are hardly any questions asked of the management by the workforce or even the middle managers. Peter Senge attributes this to the ‘macho’ culture that discourages people from ‘asking for help’. People asking for help are considered incompetent. This kills any entrepreneurial thinking. Organizations need to have systems that encourage questioning so that new creative ideas keep flowing all the time18. Openness and trust were identified as key factors to encourage creative dissent by respondents to the questionnaires mentioned earlier in this paper.

Time Constraint

One of the blocks to entrepreneurial culture is the lack of time. It is evident from the responses that most of the time of the managers, particularly the frontline managers, is spent in run of the mill routine jobs or troubleshooting/fire-fighting. Unfortunately these people are more open to new ideas but do not get sufficient time really to do creative work. And the organization loses out in the long run.

Initiative

Enthusiasm is everything. It should be taut and vibrating like a string. - Pele

It would be worth to have a look at what Henry Fayol19 had to say about initiative more than a century ago:
Thinking out a plan and ensuring its success is one of the keenest satisfactions for an intelligent man to experience. One of the most powerful stimulants of human endeavour. This power of thinking out and executing is called initiative, and freedom to propose and to execute belongs too in a way, to initiative.

The initiative of all added to that of the manager, and supplementing it if need be, represents a great source of strength of businesses. Hence it is essential to encourage and develop this capacity to the full. Much tact and integrity is required to inspire and maintain everyone’s initiative, within the limits imposed, by respect of authority and for discipline. The manager must be able to sacrifice some personal vanity in order to grant this sort of satisfaction to subordinates.

Lack of initiative was identified as one of the blocks to entrepreneurship in the study. Managers need to create an atmosphere wherein initiative is rewarded with all the necessary support for risk-taking and failure. Only then can an organization expect an entrepreneurial response from its employees in everything they do.

Conclusion
Organizations can exploit the reservoir of knowledge, experience and practical approach of middle-level managers to play the role of an entrepreneur in determining the future course of the organization. For years middle managers have felt the need to usher in change. As people who have sufficient authority and knowledge of the organization’s systems and dynamics, they are best suited to instilling a corporate entrepreneurship culture in their organization which translates into strategy development. Adequate empowerment, a fair and transparent reward and recognition system, and a climate of failure-tolerance will help middle managers become the bulwarks of change. The middle managers should lead the change by leveraging the advantages that they have and work around the obstacles. Like a start-up that grew on innovation, all organizations can only survive and prosper if they have entrepreneurism written into their DNA.

Annexure I

The State of Entrepreneurship in Bhilai Steel Plant

Dear Madam / Sir

The following questionnaire has been designed by the undersigned for the purpose of a research paper titled Creating an Entrepreneurial Culture in Large Organizations for the SAIL Chairman’s Trophy for Young Managers. Please print your viewpoints in the space provided or tick the options, as applicable.

Pankaj Puri Saurabh Sinha
Sr.Mgr./RSM Sr.Mgr./PSD, Bhilai Steel Plant

1. What percentage of your work is a result of innovative thinking? %

2. Are you afraid of asking questions? (tick one option)
   - Always  - Sometimes  - Never

3. Do you believe that the organization you are working in dislikes failure?
   - Always  - Sometimes  - Never

4. On an average, in an eight-hour working day, how much time do you / your subordinates spend on new and creative ideas? hours

5. Do you discuss job-related problems with members of your team?
   - Always  - Sometimes  - Never

6. Are your subordinates forthcoming when it comes to offering solutions to problems or new ideas?
   - Always  - Sometimes  - Never

7. In your viewpoint who are members of your team? (tick the correct option)
   i. Your immediate boss and your subordinates, ii. All employees of your department, iii. All employees of your organization

8. Do your subordinates question your decisions?
   - Always  - Sometimes  - Never
9. Rank the following in their order of importance for fostering an entrepreneurial culture in an organization.

10. Do you feel free in discussing work-related problems with your seniors?
    - Always - Sometimes - Never

11. What makes you happy and satisfied at the work-place?

12. What motivates you to achieve your best?
    i. Support from seniors, ii. Good team work, iii. Clear Communication, iv. Goal Clarity, v. Challenging task

**Annexure II**

**Responses and Analysis**

1. What percentage of your work is a result of innovative thinking?
   The responses can be classified as follows:

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<thead>
<tr>
<th>% of work result of innovative thinking</th>
<th>% of respondents falling in this category</th>
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<tbody>
<tr>
<td>0-5%</td>
<td>18%</td>
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<tr>
<td>5-10%</td>
<td>46%</td>
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<td>10-15%</td>
<td>23%</td>
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<td>&gt;15%</td>
<td>13%</td>
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</table>

   (Taking a value of 20% as average for >15% and mean values for remaining ranges)
   The responses indicate that 9.375% as the average amount of work which is a result of innovative thinking.

   Note: Questions 2 and 8 were intended to gauge the amount of transparency and trust in the organization.

2. Are you afraid to ask questions?
   The responses were Always-8%; Sometimes-67%; Never-15%; No response-10%

3. Do your subordinates question your decisions?
   The responses were Always-4%; Sometimes-82%; Never-14%
   Although most of the responses fell in the Sometimes category but the extreme answers of Always(8%) for Question 2 and Never (14%) for Question 8 indicate the fear of being laughed at or being exposed as ignorant or that the culture does not encourage constructive dissent or the senior may feel his authority is being questioned.

4. Do you believe that the organization you are working in dislikes failure?
   The responses were Always-35%; Sometimes-57%; Never-8%
   The high responses in Always (35%) and Sometimes (57%) indicate the low level of failure tolerance in the organization.

5. On an average 8 hour working day how much time do you or your subordinates spend on new creative ideas?
   Responses can be classified as follows: 0 hour -7%; ¼ hour-36%; ½ hour -31%; 1 hour- 26%
   The average low level of time spent on creative work may either be due to lack of spare time to think and do things differently or the lack of motivation to do so. The same question was put to seniors in the second questionnaire asking them the amount of time spent by their subordinates on innovative ideas. Even in that group this figure was low, thereby showing little time and thus encouragement for entrepreneurial efforts.

   Note: Questions 6, 7 and 8 were asked to gauge the level of teamwork, openness and problem solving capabilities.

6. Do you discuss job related problems with members of your team?
   The responses were Always-23%; Sometimes-66%; Never-3%; No response-8%

7. Are your subordinates forthcoming when it comes to offering solutions to problem or new ideas?
   The responses were Always-29%; Sometimes-63%; Never-5%; No response-3%

8. Do you feel free in discussing work related problems with your seniors?
   The responses were Always-11%; Sometimes-77%; Never-12%
9. In your viewpoint who are the members of your team?
The responses were i. Immediate boss and subordinates- 67%, ii. All employees of the department-24%, iii. All employees of the organization-9%
The responses clearly indicate that most people in the organization are too bogged by their own work to think of collaborating with even those in other sections but within their department.

10. Ranking the factors for fostering entrepreneurial culture
The factors as prioritised by the respondents (No.i. for most important and so on) are i. Top management support, ii. Trust, iii. Organizational culture, iv. Openness, v. Autonomy, vi. Learning environment, vii. High education level of employees, viii. Risk tolerance

11. What makes you happy and satisfied at the workplace?
The responses were Achieving results-65%; Challenge-21%; Setting self targets-16%; Innovativeness-14%; Trust-34%; Solving a problem-24%; Safe working-12%
Other responses – acknowledgement of contribution and trust shown by top management, tension-free, friendly and interactive work atmosphere, clean, safe and orderly workforce, team work, recognition by seniors, reward, appreciation, etc.

12. What motivates you to achieve your best?
The responses were Recognition/Praise/Self-satisfaction-65%; Trust/support of seniors-48%; Good teamwork-26%; Clear communication-23%; Goal clarity-28%; Challenge-29%; Achievement-34%; Innovation-8%

Annexure III

Leading Change: Towards S-12

A feedback questionnaire was distributed to top management of BSP in a strategic workshop titled ‘Leading Change – Towards Corporate Strategy 2012’ held at Bhilai on 18th September 2004. The questions relevant to the study are in bold:

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<th>Parameter</th>
<th>Very Good</th>
<th>Good</th>
<th>Fair</th>
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<th>Very Poor</th>
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<td>Strategic planning initiatives</td>
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<td>Preparedness for facing competition</td>
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<td>Organizational Culture</td>
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<td>- Culture of learning</td>
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<td>- Creativity</td>
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<td>- Empowerment</td>
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<td>Speed of decision making</td>
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<td>Systems procedures and policies</td>
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<td>Employee welfare measures</td>
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Responses to top management questionnaire: The responses of 32 members of top management (MD, EDs, GMs and HODs) were collected. The responses were analysed and classified on a 5-point scale in categories ranging from very good to very poor. Key parameters analysed were
Figure-1
Creativity

Figure-2
Openness & Trust

Figure-3
Communication

Figure-4
Culture of Learning

Figure-5
Empowerment

Figure-6
Cross-Functional Appreciation

Figure-7
Speed of Decision Making
It could be inferred from the analysis that the organization was lacking in speed of decision making - a key feature for entrepreneurship. Their decisions have to be fast and involving risk. The potential for entrepreneurial culture was evident as creativity was rated highly. However the other areas facilitating innovation and new ideas i.e., cross-functional appreciation came forth as lacking. The top management was of the opinion that openness and trust was fair among the organization. But in the light of responses received from frontline and middle managers this was poor and one of the constraining factors leading to lack of failure tolerance. Also as is evident from the responses empowerment or delegation of decision making to lower levels could be improved to a large extent.

References