

Trade-offs between efficiency and legitimacy when implementing a large change program at the middle management level

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Abstract

In his Harvard Business Review article of 1972, Hugo Uytterhoeven discussed an important difference between top managers and middle managers. While both categories need to make sure that directives of change are implemented, middle managers have a two-fold task, as they also need to figure out how to actually implement the change. HBR has reprinted Uytterhoeven's article twice as an 'HBR classic'. Our study aims to investigate Uytterhoeven's claim of a difference in logic between top and middle management when implementing change. We would expect such a difference to more likely occur when performing change that would be difficult to implement and that would exhaust top management's ability to control the details. Therefore, we have investigated a case of change encompassing a multinational company and that would require organizational learning about its own processes.

Our findings show that while differences of logic occurred between top and middle management, differences of logic also occurred at the middle management level between different parts of the organization. These differences were analysed according to the dimensions of organizational legitimacy and organizational efficiency. We discuss the trade-off between the efficiency of an organizational change, and its legitimacy. We argue that an analysis of this trade-off should be included in the stakeholder analysis made by the change agents.

Introduction

A firm's ability to implement change is core to its ability to survive in a volatile market and to outperform its competitors. Central to this ability is the interplay between top and middle management when working with implementing the strategy of the firm. According to Uytterhoeven's seminal Harvard Business Review article (Uytterhoeven, 1972, 1989) on the topic, the work of a middle manager can be regarded as more difficult in comparison with a top manager. While the top manager only needs to manage relations downwards in the organisational hierarchy, a middle manager has several kinds of relationships to manage; upwards (towards their supervisor), downwards (with their subordinates), and laterally (with his/her peers). Perhaps the major reason for the popularity of Uytterhoeven's text among the readers of HBR is that it focused on middle management's role in translating strategy into operation. It identified the middle manager as the hitherto unrecognized hero of the strategy implementation of the firm; "the buck stops at the middle manager, who must assume the bilingual role of translating the strategic language of his or her superiors into the operational language of subordinates in order to get results" (Uytterhoeven, 1989 p138). The text thus gives voice to the work situation of middle managers when performing strategy implementation, and this is a role to whom the reward systems of many firms signal it being considered less difficult than a top management position.

Uytterhoeven offered two explanations for top management's push of the implementation work onto middle management. The first is based in a rational system perspective (Bolman & Deal, 1991; Scott, 1998), where the interests of the organizational members are considered to be in line with the overall interest of the firm; as the middle managers are closest to the action, they have better access to data and thus are in a better position to make the detailed decisions. It is rational to organize the strategy work in such order that top management defines the strategy, and the middle managers translate it into actions. This rational system perspective of the interface between top and middle management has been the dominant perspective in much of the performed research (see Wooldridge, Schmid, & Floyd, 2008 for a research overview). An example of theory developed in this perspective is the temporal interface model of Raes et al (Raes, Heijltjes, Glunk, & Roe, 2011) where the overall organizational performance depends on the quality of both the strategic decisions and its corresponding implementation, and where mutual trust between top and middle management is core.

Uytterhoeven's second explanation is based in a political system perspective (Bolman & Deal, 1991), where the alignment of self-interests between groups and individuals in the firm is not taken for granted. Using this perspective, Uytterhoeven observed that while it is relatively easy for top management to dictate which results it wants to see, it is much more difficult to figure out novel ways of achieving them, and with responsibility goes risk. Thus, risk-eliminating motives influence top management behavior; "it is a superior's privilege to push decision making down and let the subordinates sweat it out" (Uytterhoeven, 1989 p138). We note that when it comes to its use in practice, the political perspective of the firm is radically different from the rational one, in that the rational perspective is the agreed one between all organizational members, while political behaviour, by its definition, simply would not work if it was performed by someone being open about it (Frost & Egri, 1991). Alas, members of an organization rarely are taught how organizational politics is being played by somebody on the inside of it, and thus the readers of HBR must have welcomed the opportunity to better understand the

motives of their political opponents (in the reprint of 1989, Uytterhoeven noted that “publication of this article led to many invitations to speak to corporate gatherings” p141).

As research of political behaviour in strategy implementation has pointed out, also middle managers have opportunities to influence the strategy development of the firm (Guth & MacMillan, 1986; Olin & Wickenberg, 2001; Sims, 2003), with or without using political behavior. Uytterhoeven wrote his article in that note, advising middle managers to accept when the actual requirements of their work differ much from what is written in their work descriptions, to adapt to the actual requirements of their positions, and to understand that the drawbacks of the middle management position are inherent in a organizational structure, only to be excluded when the organizational structure is eliminated itself.

Here we see a dilemma introduced. When top management pushes the risk of strategy implementation to middle management, as described by Uytterhoeven, it replaces participative leadership with pace-setting leadership (Goleman, 2000), expecting middle management to achieve results. In their strive to achieve and report expected results, middle management would then be subjected to opportunistic motives, to some extent distorting the reporting by exaggerating successes and covering up failures (Guth & MacMillan, 1986). This, in turn, would negatively influence top management’s ability to monitor and manage the change required in the firm; in other words, to learn. Thus, the dilemma is the trade-off between having access to power to influence the organization and having access to information on the need of influencing the organization.

The purpose of this paper is to further explore this dilemma and the way it affects the organizational learning in and between the top and middle management layers. We do this by means of a case study of a large company, where top management ordered middle management to implement Business Continuity Management (BCM) processes in order to increase the company’s resilience to failures, disasters and catastrophic events.

Potential disaster as opportunity for learning and risk of embarrassment

An implementation of BCM in a firm is of course an example of strategy implementation, but there is another reason for our selecting a case of BCM implementation for this study. We note that, after BCM implementation, when the BCM processes would be functional, they encompass activities of uncertainty reduction that much resemble the uncertainty reduction required by middle management during strategy implementation.

A commonly used definition of BCM is the one provided by the Business Continuity Institute: ‘*A holistic management process that identifies potential threats to an organization and the impacts to business operations that those threats, if realized, might cause, and which provides a framework for building organizational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value-creating activities*’ (Hiles, 2011, p. p809). This process is a variant of the generic risk management process commonly used in project management; first, you identify all risks; then, you analyse and prioritize them; finally, you take steps to reduce the probability and the consequence of each prioritized risk (Maylor, 2010). Such a process would ideally prevent any project (in the case of risk management) or business (in the case of BCM) from experiencing failure. In practice, errors introduced in any step would make the process outcome deviate from the ideal, but for the sake of this study, we focus on the first step, risk identification.

Risk identification is troubled by a philosophical problem. Since the set of risks in the management of a project, just as the potential threats of BCM, is infinite, the set of unidentified risks is not depletable¹. Thus, there must be other reasons why the work of identifying risks or threats finishes. Our text-book review revealed lots of advice for identifying risks using experience, creativity and combinations thereof (e.g. Merritt & Smith, 2004). How to define criteria for terminating the identification work is never mentioned, neither is the fact that risk identification never can be exhaustive. Nevertheless, risk management is a valued activity in project management (Maylor, 2010) as is BCM in general management (Hiles, 2011) in helping organizations to learn how to improve.

From the above we postulate the following regarding BCM and the identification of potential threats:

- (1) Top management directs middle management to perform BCM;
- (2) The better, i.e. more experienced and more creative, the BCM identification work, the better the resilience created;
- (3) Top management will reward (or punish) middle management for the perceived performance of their BCM work
- (4) It is in the self-interest of middle management to influence the reporting to top management regarding the effect of the BCM work

BCM work is intended to be carried out repeatedly for different areas of responsibility:

- (5) The first time BCM is performed, it can be expected to identify a number of previously unrecognized potential threats (first-time-work making first-time-finds)
- (6) The second time BCM is performed for the same organizational unit, it has the potential of identifying a potential threat that stayed unrecognized the previous time (second-time-work making second-time-finds)
- (7) An important second-time-find will be positive for the resilience of the firm and positive for the future ability to detect such threats; thus the second-time-work will be perceived as good BCM work by top management.
- (8) However, a second-time-find will make top management perceive the first-time-work as less efficient. Thus, and drawing from (4), the responsible middle manager might be served from distorting the importance of the second-time-find in order to secure top management's perception of the first-time-work

However, middle management responsibility for organizational resilience also existed before the introduction of BCM. Thus, the self-interest that influences the middle manager to distort the reporting of the second-time-find would also influence him or her during the reporting of an important first-time-find. This self-interest might also make a

¹ There exist exceptions to this claim. When allowing the definition of a risk to expand enough to become universal, the risk set will become finite; "Something might happen" (a risk which would have the probability of 1). Also, using risk dichotomies based on inversed sets would be finite; "A technology-related issue might happen" and "A non-technology-related issue might happen". We believe the use of such definitions would be impractical, as they are too broad for the design of mitigation activities. However, they might be useful for creating typologies.

middle manager not only distort reporting but the threat identification of BCM in the first place. To continue, we postulate the following:

- (9) A BCM process designed using the rational system perspective (Bolman & Deal, 1991; Scott, 1998) would fail to recognize the need for consideration of the self-interests at play in the organization, and thus would be resisted by middle management (Buchanan & Badham, 1999; Guth & MacMillan, 1986).
- (10) A BCM process designed using the political system perspective (Bolman & Deal, 1991) would consider the self-interests and have the potential of balancing the need for efficiency of the organizational learning mechanisms (Anderson, 1994; Argyris & Schön, 1974) including top management reporting with the legitimacy-enhancing self-interests of middle management.
- (11) A development of such a politically sensitive BCM process would be difficult for top management to publicly strategize, as it could be regarded as a signal of acceptance of political behaviour. At the same time, it would be difficult for middle managers to influence the design of an overly rationalistic blueprint for a BCM process by being open about the political games they play (Buchanan & Badham, 2008). Thus, while a politically sensitive BCM process has the potential of being advantageous to a rational one, it would suffer from severe problems regarding its conception.

A brief overview of the case and the method used

CaseCompany is the development division of a multinational manufacturing corporation. The corporation reports a five-digit revenue and a four-digit income (in millions of EUR), and a five-digit staff count. CaseCompany has its facilities dispersed on a small number of locations in the Western hemisphere and employs a four-digit number.

The corporation board directed the CEO to implement BCM in the corporation by advice from the corporate accountants. The CEO cascaded the directive to the divisions including CaseCompany, and staff at CaseCompany designed a set of templates and instructions for how to further cascade the process down to the departmental level of CaseCorp (consisting of hundreds of departments, each run by a department head), how to perform BCM on the department level, and how to report on the progress of the task.

When the BCM directive was received by the department head of one of the IT departments, Alpha, she appointed a person, Adam, to take care of the task by reading the BCM instructions, making a plan for how to continue the work and then report back to her.

According to Adam's analysis, the initial BCM process (hence BCM1) had a strong focus on the reporting of the progress of the BCM work, but failed to provide sufficient guidance on how to achieve the learning necessary for building the resilience. More importantly, the BCM1 process failed to recognize the interdependence between a department that is a IT service provider on the one hand, and the customers of such a service in the other departments of the different sites on the other. Adam concluded in his reporting that the BCM1 process needed improvements in order to be viable, and that these included the cooperation with the customers of Alpha. The department head of Alpha supported the conclusions, shared them with the fellow IT department heads of CaseCorp, and assigned a small budget for the task of improving the BCM1 process.

Adam contracted a consultant, Bill, experienced in industrial risk management to help with the work. They developed a revised BCM process (hence BCM2) and performed a number of pilot tests. In order to increase the capacity of the group, a third member, Charlie was assigned. Adam and Bill's work had been mainly directed towards implementing BCM2 among the middle manager customers of the IT departments of CaseCorp, focusing on its efficiency. Charlie put an emphasis to the building of legitimacy towards top management. An indication of his success is his appointment to director of the BCM2 program, and the subsequent replacement of BCM1 in favour of BCM2 all over the company.

As of today Adam, Bill, and Charlie have all left CaseCorp. Bill and Charlie have continued to work with business continuity for other organizations.

The data sources for this study are the documentation of the BCM1 and BCM2 processes, several interviews with Adam and Bill, and a copy of a book describing BCM2 authored by Charlie. The data from the interviews has been used to form an idiographic account of the development of BCM2.

When basing research on a single case study like this one, it is important to note its limitations, such as generalizability. A case study can however be of use for helping to formulate hypotheses for further investigations (Eisenhardt, 1989), and it is with such intentions in mind which we report on this study. The quest for validity should include an effort from the researchers to investigate all aspects of their research (Alvesson & Sköldbberg, 2009); as this is a study of the influences of self-interests, it would of course be of the interest of validity to reflect upon the quality of the data received from the interviewees. The data from the study shows that at least one of the sources (Charlie) was successful at convincing top management at CaseCorp of the performance of BCM2, and researchers would need to be aware of such tendencies.

Adam and Bill on the development of BCM2

Below follows the account in the form of an interview. Our analysis is interwoven.

Q: What was the problem with BCM1?

A: Well, first of all it assumed that the department heads wanted to do this work. When we started discussing BCM1 with our clients, we quickly learned that their attitude was 'if it's an IT problem, we hold you responsible for solving it'. We don't know if their reaction was due to ignorance or their interest to save time by making us do the work, but it felt more as if they feared that allowing us to discuss the consequences of the loss of a certain IT service with them would make us reduce our level of service.

Analysis: Users of internal services has found that social pressure is needed to help service functions keep up their performance.

Another problem with BCM1 was that its documentation was written in a style that was overly formal and very pretentious.

Q: Why would a formal language prevent a BCM from coming in use?

A: BCM1 assumed that all department heads would be able to figure out of to build resilience for losses of service, not only in IT, but in all kinds of infrastructure services, such as electrical power, internal supplies, and support from external suppliers of goods and

services. In meeting with the department heads we quickly realized that their initial reaction was to find ways of not having to invest time in this work. And this reaction happened despite that the BCM1 work package came together with a directive from one of our vice presidents, I believe it was the CFO. So even the letter from the CFO together with the authoritative language was not enough to make them take action.

Analysis: includes exhibits of implementation resistance by middle management (Guth & MacMillan, 1986).

Q: *So what did you do to make it happen?*

A: *We thought that we needed to simplify the way we presented what we needed them to do. We developed a simple model to explain that, for instance, a long-term loss of a certain IT service would certainly be a headache of the IT department, but also for the client department, who would need to manage their business without the support of that particular IT service.*

We also abandoned the pompous definition of BCM used in BCM1. Instead, we defined BCM as something like; 'BCM is about investing a little time to ask ourselves "What would happen of this particular service would be lost?" "What would I be wishing I had done before, that would have helped our department able to keep up its work without costing that much of an effort in preparation"'. We noted that this change in style made a difference. We also found that many clients were relieved when we said that they were not required to cover everything, just the most important things.

Analysis: BCM1 process descriptions are written in a language intended to increase legitimacy, but it reduces the efficiency.

Q: *Were you authorized to reduce the scope of BCM to cover just the most important things?*

A: *(Hesitating) No, but we didn't regard it as such. We regarded it as us making the BCM idea work at all. And, by making the client departments invest a little time to reflect on just a few crisis situations, we understood that their learning from these situations would turn into a much improved general crisis management ability.*

Analysis: here, the set of middle managers changing a directive are Adam and Bill, and they seem not to have considered not being authorized to do so. They seem to only have the efficiency of the implementation of the directive in focus.

Q: *Why do you think the authors of BCM1 did not recognize this?*

A: *We don't know, we never got to meet them. But BCM1 was written in a style that made us think that the authors were fans of the audit trail-based quality management ideology. 'Prove to us that you are in control by stating every measure that you have done, and then prepare for a surprise audit where we will try to figure out what you forgot'.*

Q: *Why would not that work?*

A: *Well, in a way, it would work, but not produce the same outcome. At heart, BCM is about making people learn how to improve their department's crisis management ability. A report-based system on its own is about forcing compliance without offering any help to its*

subjects, and we have learned from implementations of other management reporting systems that when people regard reporting as too costly, they will instead try to evade that effort. The original scope definition of BCM1 was far too encompassing for any manager to want to certify that he or she is in control of any kind of crisis. And that was what BCM1 required them to do.

Analysis: a reinforcement of the earlier exhibit of implementation resistance by the middle management department heads.

Q: *Wouldn't the authors of BCM1 realize that?*

A: *Again, we never met them. They were working at some part of HQ where we had no connections at that time. Thinking of it now, if we had been working there instead of them, we might have developed the same kind of solution as they did. Working there would mean being close to the VIP wanting the issue ticked off, so they designed a solution that focused on making sure that reports were to be received. We, on the other hand, worked close to the action, so we focused on making sure that it would work.*

Analysis: description of a divide between a directing and controlling top management function and a designing and implementing middle management function (Uyterhoven, 1972).

But it turned out that the pressure from HQ was a blessing. Early on, we learned that the internal audit function of CaseCorp had been ordered to audit the performance of BCM1. So we contacted an old acquaintance we had there, one of their senior auditors, for an informal discussion. We told him about what we had learned from our attempts at implementing BCM1. He agreed with us that the BCM scope needed to be reduced in order for learning to occur. We in turn told him that it was paramount that internal audit would start performing BCM audits after a certain future. He supported this, and it made us able to use the threat of a possible future audit to make over-burdened department heads to schedule their BCM2 implementation.

Analysis: the BCM2 team is using informal channels to influence an important stakeholder function.

Q: *Where internal audit in on this good cop/bad cop ploy?*

A: *You are close, this was actually not good cop/bad cop, the model we used was cop/nurse. Both are legitimate roles, but they handle information very differently. Police are required by law to act upon information they receive and report it to the legal system. Nurses, on the other hand, are required by law to never convey information that their patients have trusted them with. We signalled to the departments we helped that we would include only aggregated information in our reports of the performance of BCM2.*

Analysis: BCM2 is designed to suppress details of information that would embarrass the department heads, and is thus a politically sensitive management method.

Q: *What did the director of internal audit have to say about this?*

A: *We never approached their director. We did not know him, and we have heard that he never performed any audits of his own. So we feared that he would have a more executive*

style. Our contact, the senior auditor, on the other hand, was performing audits. That fact, together with one of us having worked together a number of years earlier, made us believe he would be interested in helping us putting actual BCM into practice.

Analysis: indicates that the divide between the top and middle management logics run between the auditor and their director.

Q: *Would executive-style directors not care about making things work?*

A: *Well, of course they do, but... It's difficult to approach directors who work at HQ to discuss what they might perceive as details. They seem to be much into broad principles. When it comes to implementing a learning system such as a BCM, the devil is in the details. And he might not have enjoyed the cop/nurse analogy. It indicates that his function is a little hearing impaired.*

Analysis: indicates that the top management way of communication is unfit to deal with the design details of politically sensitive management systems.

Q: *A director of that position would not be able to understand such matters?*

A: *Of course he would. But it is our impression that directors on that level have this way of supressing descriptions of their areas of responsibility that they sense are unfavourable.*

Q: *So we have here a director of a function, designed to transfer information about the performance of departments, to top management that would supress unfavourable information about his department?*

A: *Yes, exactly. Again, we don't know the behaviour of this particular director. But we would be surprised if he didn't. People at his level always seem to care about perceptions.*

Analysis: reinforcement of the divide into efficiency and legitimacy.

Q: *You said earlier that you, when you performed BCM2, used the roles of nurses, not revealing details of information that would embarrass the department heads. Would you have revealed information to important stakeholders of the company that would have put your work regarding BCM2 in bad light?*

A: *Yes, but we would have considered how to phrase it. Stakeholders at different levels of the organization have different preferences on how to be informed.*

Analysis: consideration of legitimacy is necessary to put efficient solutions into practice.

Conclusion

Firstly, in the introduction of this article, we revisited Uytterhoeven's text on the divide between a directing and controlling top management and a designing and implementing middle management. The results from our study give support to the claim of an existence of such a divide. Secondly, we postulated that middle management implementation efforts in areas of larger uncertainty would create resistance to detailed reporting among middle management. Our results support also this.

Finally, we postulated that a politically sensitive implementation would improve the efficiency of a management system controlling an area of high uncertainty, but the

conception of such a system would neither be legitimate by top management nor by middle management. Our study reports of a case where top management introduced a rational-based system, which was legitimate but had low efficiency. The system was revised into a politically sensitive system, neither by its designers and nor by the middle managers subjected to it, but by another set of designers being used to working on the middle manager level.

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