How the Middle Managers make sense in context of the new strategic vision imposed by the parent company?

By Hala Alioua, Alberic Tellier

Many research in organization focus mainly on the relationship between the Headquarters and its subsidiaries; by using different approaches such as inter-organizational networks, R&D activities of MNCs, and technology alliances (Birkinshaw, and al. 1998; Ghemawat 2001; Baglieri, and al. 2010). We will analyze in this research the role of the middle managers in the implementation of new strategic vision imposed by the parent company. The objective of the research is to find how the middle managers at subsidiary give sense to the new vision and how they implemented into concrete actions in the workplace in order to ensure a company's strategy implementation.

We undertake a survey and study about a subsidiary of one of the biggest German companies in manufacturing automotive parts and systems. Respecting the request of confidentially we will designate this company as "Delta" that we have changed its name according to the agreement of confidentiality is a manufacturer plant that belongs to two divisions. The Automotive Electronics and the Electronic Drive divisions which develop produce and market electronics, mechatronics components. The « Delta Company » is a manufacturing plant located in France which makes electronic and mechanic products for almost all the car manufacturers. Our survey covers research work started in September 2012 to September 2015 in the framework of Cifre contract. Delta plant experienced several transitions during the last years. The two main changes which impacted on the Delta plant are:

- The implementation of the activity « lead plant » in 2011: It evolved to become a pilot plant in the activity consists into start, stabilize and transfer new products towards to low costs or emergent countries and to support them.
- A change of the strategic vision in 2014 : The corporate strategy doesn't have new and innovative products for its strategy business unit (SBU). They have decided a new strategic vision to the plant that consists of a starting a new business that consist of seeking for new products by the managers of Delta plant and to market it to the customers. These new products cannot be in direct competition with the products portfolio of the group divisions but they can be or not in the traditional business sector of the group.

These two successive changes impact the mission of the middle managers at subsidiary who are in charge of the strategic deployment and have naturally generated many concerns for the employees. Noticing the difficulties the Delta managers raise the following questions :

How the middle managers at subsidiary make sense of the vision change imposed by the parent company? How they share the new vision and deploy it into actions on the ground?

Hala Alioua* is a PhD Student at department of Strategy and innovation at laboratory of NIMEC, IAE of Caen, University of Caen Basse-Normandie, France. Her research focuses on strategy, the relationship between parent company and its subsidiary.

Alberic Tellier is a Professor at UFR of Economic Science and Management at University of Caen Basse-Normandie, France. His research focuses on innovation and strategy.

This research was funded by the ANRT (French association of innovation and technology).

Address correspondence to: Hala Alioua, IAE of Caen, 3 rue Claude Bloch, 14000 Caen, France. E-mail: hala.alioua@yahoo.fr.

Introduction

The role of the middle managers in multinational companies was not approached although there are works of Burgelman (1983) which showed the importance of the roles of middle managers in the implementation of the strategy. A recent study revealed that middle managers play several roles that allow an organization's performance and success : change manager, staff manager, corporate agent, communicator, implementer of corporate strategic decision (Balogun 2003; Balogun, and Rouleau 2007; Mantere 2007; Osterman 2008). We are going to analyse in this study the particular role of the middle managers as key liaison agent between parent company and its subsidiary by using their sensemaking in context of change.

Literature Review

The strategic vision

Several authors consider that the strategic vision is a key element allowing the success and the creation of added value of a company (Filion, and Lima 2011; Abell 1993). The vision is the representation of the plan which guides the company in its long term projection and which allows to maintain its competitiveness. For Filion, and Lima (2011) : "A vision can be seen as being a projection or an image of a future wished state maintained by a manager about the place which he wants to see occupied by his products or services on the market and of the configuration wished." We define the vision as the representation of the future of an organization at the strategic level. The vision must have a sense and engages the individuals in a clear and drive road allowing reaching the objectives of the market positioning in term of its products and services with a profitability orientation. Its purpose is to guarantee the perpetuity of the organization in a permanent change environment. The vision can be a source of ambition and tension in the relationship between parent company and its subsidiary. Parent company by analysing the strengths and weaknesses of their strategic capacities can identify, locate, plan the resources to use them better and face the outside constraints. So, the firm thus holds a competitive advantage to face its direct and potential competitors in a dynamic environment. Nevertheless, if the ambition proposed in the vision supposes a gap between the present and the future, then the tension can become a creative tension. This gap noticed between the present and future resources can slow down the subsidiary because it is in lack of resources. At this level, the headquarters will be in the obligation to look for new resources and to use them in a totally different way which it has to remain competitive of its subsidiary on the market. Meschi (1997) adds : " the more this gap create by the difference between the resources and the skills of the company on one hand and its ambitions of other one is big, the more the company is brought to develop and to organize its skills in an audacious way to fill it ". The survival in an unstable environment requires the capacity to learn quickly, to create discontinuities and to enlarge the manoeuvring capacity of the subsidiaries managers in terms of taking decision in their business area (Ferner, and al. 2004).

The Sensemaking in Managing the strategic vision change

To understand the change of the strategic vision, we will mobilize the sensemaking concept which studies the interactivity of the individuals in situations of crisis within the organizations (Weick 1979, 1993, 1995). According to Weick (1995), the sensemaking "is extremely applied when people are in front improbable event that they hesitate to be frightened of it, they do not believe on it". He explains that the incomprehension of a situation is due to the failure of the construction of the sense : the individual ignoring significant indications of the environment underestimate the risks and so give an inaccurate meaning which can mislead and carry thus confusion (Weick 1988, 1990, 1993).The sensemaking concept is very connected to the cognitive and emotional and social representations of the actors. Maitlis,

Vogus, and Lawrence (2013) argue that "different emotions will have different impact on sensemaking process". It has for objective to explain on one hand the thoughts and on the other hands to interpret, analyze the information and the relations, as well as the individual's actions. In the context of change, the middle managers SBU's have difficulties to make sense and to interpret the signals of environment. However, they need to get more information's about the goals, directions, guideline, structure from the central headquarter unit information. In this process of change, the corporate management must reduce doubts among the SBU's managers by making sense through decisions that facilitate their performance. The parent company must facilitate the process of understanding the complexity of the environment by giving information's and significant interpretations: "because the modern organizational environments are complex and dynamic, one of the key roles of the management today consists in giving significant interpretations to ambiguous information (…) Often, these interpretations are considered important for the success and even the survival of organizations for the influence which they exercise on the alternatives of action and the subsequent results"(Thomas, and al. 1993). Bayad, and Courteret (2002) agree on the importance to give a collective meaning to reduce the feeling of insecurity and ambiguity among the individuals. The interaction and the comparison of interpretations allow the actors of the organization to acquire new knowledge. So, thus it influences and improves the organizational learning through their sensemaking of the different situations which they are confronted.

The key role of the middle managers in context of vision change

In the literature, many works shed light on the role of the middle managers in the context of change (Kanter 1982; Nonaka 1988, 1994; Floyd, and Wooldridge 1994, 1997; Balogun 2003, 2008; Rouleau 2005; Guilmot, and Vas 2011). Osterman (2008), explain that the task of the middle managers is aligned with the leaders on strategic decisions making; nevertheless the difference is in the hierarchical level which they occupy. They are in a lower level and as a consequence they are in the incapacity to have a clear vision and be able to lead the necessary actions. The role of the middle managers at subsidiary is to manage the change by making and giving-sense of their actions, by explaining the decisions authority role of the corporate management. For Buss, and Kuyvenhoven (2011), the middle managers are the key players in the implementation of the strategy change: 'Their knowledge of the organization and business processes is helpful in defining the right planning of strategic change". For that, they have to adjust their actions by taking the necessary measures in order to reduce the risks. They must communicate honestly, openly and clearly the goals of the corporate company. They have to motivate all the associates to participate in this new process through collaboration, transparency and sharing information in order to avoid ambiguity and doubts : "the complexity and the ambiguity of the real world rise not only diverse interpretations, but also contradictory ….It is sometimes suggested to move forward on this point by engaging individuals who tolerate the uncertainty and the ambiguity; a recommendation of more immediate application consists in organizing the debate of ideas (network of exchange, transverse meeting, thematic seminar)" (Koenig 1996).

Methodology of research

This research will be done using one case study through a qualitative method. For this purpose, the collected data will provide the necessary information for decision making. In a preoccupation with exhaustiveness, we selected several sources (observations, and secondary data…) while having a relationship with our objective of research. The object of research was

carried out by the interaction between the theory and the characteristics of the case “Delta Company”. We use abduction as a methodological approach. We first of all carried out an exploratory approach with eight members of the Management committee’s decision and nineteen heads of services. Our goal is as well as possible to understand the history of the company, its activity and relationship between the divisions in Germany and at regional headquarters, the context of the vision change and to define thereafter the level of the analysis of the appropriation of the strategic change through the middle managers. We chose the individual technique interview through open-ended questions as source of data collection. We are using the qualitative analysis software Atlas.Ti in order to code the text and to bring out the main theme by making an analysis of their occurrence and visualizing the different interrelations between them.

Results

In this research we will use two series of interviews. The first results of the exploratory phase aim to give an overview of the situation. It shows that exist is a divergence of opinion between the Committee's Managers decision and the middle managers concerning the interpretation of the new strategic vision change and its appropriation. Some of the managers interpret, the strategy established in 2011 is not a real priority for the company. The company is a manufacturer plant and has to focus on its basic business. For others, the success of the lead plant strategy deployment is primary important to guarantee the confidence, support of the parent company by giving new projects which insure the workload of Delta company. Nevertheless for the middle managers, this strategy arouses many concerns because they don’t have enough vision on the future in mi-long-term within the framework of this new function. For them, the lead plant strategy means direct competition with other division’s plants. It’s provokes a lack of resources when they support the other plants manufacturers that are located in the low cost countries or in the emergent countries. Moreover, it’s creating a tension and stress among the employees because it takes time in the detriment of their main jobs as manufacturer plant. Some of middle managers interpret the new strategy as an opportunity for the plant to face the competition of low cost countries. Others give another sense to this new strategy, they view it as threat for the survival of plant. They don’t understand the new strategic decision of the parent company that have announced in 2014 that the plant must act as start up by seeking for new products in order to maintain the workload.

Conclusion

In spite of the good results and the cost improvements of the plant in 2014, for the corporate strategy the plant manufacturers located on the Western Europe especially in France still are very costly. The corporate company doesn’t have new products for the next years. The strategy for the Delta plant is to seek for new businesses in order to maintain the workload without having the possibility to recruit new resources even if it’s necessary. The managers don’t understand the decision of the parent company. They feel threatened against this strategic decision because they don’t have enough experience in starting a new business, seeking for new clients and having new products. Furthermore, they don’t have enough resources and they don’t have any idea about the new organization. This new strategy vision raised many questions among the middle managers and employees. The managers at subsidiary are wondering how to monitor the new business activity in term of financial, technical and logistic process in the steering plant. They don’t know how to explain this new strategy to the others employees and make them motivated. Moreover in 2015, the parent company has announced to downsize the plant in spite of the good results during the four last years. Thus, some of the middle managers are confused about the interpretation of this new strategic decision. They don’t know how to implement this new strategy and how they will share it and implemented into actions.

References

Abell (1993). 'Managing with Dual Strategies: Mastering the Present, Preempting the Future', The Free Press.

Baglieri, E.V., Bruno, M.A.C, Vasconcellos, E.P.G., Grondo, A. (2010): 'The parent-subsidiary relationship. International technology cooperation: the fiat auto case study'. *Revista de Administraçao*, Sao Paulo, 7(3), 198-218, July.

Balogun, J. (2003), 'From Blaming the Middle to Harnessing its Potential: Creating Change Intermediaries'. *British Journal of Management*, 14, 69-83.

Bayad, M., and P. Couteret (2002). 'L'entrepreneur face au développement de sa firme : De la communication à la vision partagée', Actes du 6ème Congrès International Francophone sur la PME, Montréal.

Birkinshaw, J.M., Hood, N., Jonsson S. (1998). 'Building Firm-Specific Advantages in Multinational Corporations: The Role of Subsidiary Initiative ', *Strategic Management Journal*, 19(3), 221-241.

Buss, C.W, and Kuyvenhoven, R. (2011): 'Perceptions of European middle managers of their role in strategic change, *Global journal of Business Research*, 5(5).

El-Namaki, M.S.S. (1992). 'Creating a Corporate Vision', *Long Range Planning*, 6 (25).25-29, December.

Ferner, A., Almond, P., Clark, I., Colling, T., Edwards, T., Holden, L., and Muller-Camen, M. (2004): ' the dynamics of central control and subsidiary autonomy in the management of human resources : case study evidence from US MNCs in the UK, Organisation Studies, 25, 3, 363-91.

Filion, L.J., and Lima, E. (2011). 'Le partage de la vision dans les très petites entreprises', *Entreprendre et innover*, 9(10), 7-20, Juin, HEC Montréal.

Floyd, S.W., and Wooldridge, B. (1997). 'Middle management's strategic influence and organizational performance'. *Journal of Management Studies*, 34 (3): 465-85.

Garreau, L. (2009). 'Exploring the suffering of project managers through the lens of sense: the case study of shopping centers development by Auchan', 24th Cardiff Employment Research Unit (ERU) Annual Conference, Cardiff, Pays de Galle.

Ghemawat, P. (2001). 'Distance still matters. The hard reality of global expansion', *Harvard Business Review*, 79(8), 137-147.

Guilmot, N., and Vas, A. (2011). Les cadres intermédiaires au cœur du processus de création et de diffusion de sens en contexte de changement organisationnel, Louvain School of Management, Working Paper Series, Editor : Prof. Per J. Agrell, June, Belgium.

Koenig, G. (1996). *Management stratégique*. Paradoxes, interactions et apprentissages, Nathan, Paris.

Mantere, S. (2008). 'Role Expectations and Middle Manager Strategic Agency, *Journal of Management Studies*, 45(2), 294-316, March.

Meschi, P-X. (1997). 'Le concept de compétence en stratégie, perspectives et limites', Actes de la 6ièmeConférence Internationale de Management Stratégique, Montréal.

Nonaka, I. (1988). 'Toward middle-up-down management: accelerating information creation'. *Sloan Management Review*, 29, 9-18.

Osterman, P. (2008). *The truth about middle managers*, Who they are, How They Work, Why They Matter, Harvard Business School Press, Boston, MA.

Thomas, J.B., Clark, S.M, and Gioa, D.A. (1993): Strategic Sensemaking and Organizational Performance: Linkages among Scanning, Interpretation, Action, and Outcomes, *The Academy of Management Journal*, 36(2), 239-270.

Weick, K.E. (1995). 'Sensemaking in Organizations, Thousand Oaks', Ca: Sage Publications.

Weick, K.E., Sutcliffe, K., Obstfeld, D. (2005). 'Organizing and the process of sensemaking'. *Organization Science*, 16(4), 409-421.