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The mediating role of organizational capabilities in the relationship between middle managers' involvement and firm performance: A European study

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KEYWORDS

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Company performance

Summary During the recent decades, management research has paid a lot of attention to the importance of middle managers' involvement and middle managers' knowledge in the running of innovative organizations. This study is in line with a growing literature on the crucial role of middle managers in developing organizational capabilities and subsequently in improving company performance. It is suggested that the involvement of middle managers adds value not only to the implementation of strategy but also to its formulation. The objective of this study is to examine how the involvement of middle managers in the strategy making process and their autonomy contribute to developing organizational capabilities and, as a result, to improving firm performance. In other words, we tested the mediating role of organizational capabilities on the relationship between middle managers' involvement, middle managers' autonomy and company performance. To this end, we conducted a quantitative empirical study among 372 European companies that reveals that organizational capabilities play a mediating role in the relationship between middle managers' involvement, middle managers' autonomy and firm performance.

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Introduction

During the past three decades, the scope of strategy making research has expanded to include not only top managers but also middle managers and other organizational members whose activities and behaviors have become critical on how strategy is formulated in organizations (Andersen,

2004). Bower (1970) was one of the first scholars to pay attention to the importance of middle managers as change agents in contemporary organizations. Middle managers play the role of intermediaries between top managers and employees (Brubakk & Wilkinson, 1996), and are considered as one of the key drivers of organizational performance (Mair & Thurner, 2008).

The role and importance of middle managers have been researched in strategy implementation (Balogun & Johnson, 2004; Huy, 2002), and in strategy-making processes (Currie

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& Procter, 2005; Pappas & Wooldridge, 2007). Middle managers have become key actors in strategy making because they are “uniquely positioned” to gain insights on key stakeholders (Floyd & Wooldridge, 2000). They are key strategic actors necessary for the success of contemporary organizations (Currie & Procter, 2005); their involvement in the strategy making process is very beneficial to organizations (Floyd & Wooldridge, 1994). In the literature, many benefits of middle managers involvement in the strategy making process have been identified. Such benefits involve providing valuable “soft information” on key stakeholders (Mintzberg, 1994), improving quality strategic decisions (Wooldridge & Floyd, 1990), generating a sense of ownership (Kogut & Zander, 1996); enhancing employees’ attachment to the organization and to their job (Oswald, Mossholder, & Harris, 1994) and ensuring a better strategy implementation (Boyett & Currie, 2004; Floyd & Wooldridge, 2000). Also, empirical research has emphasized a lot on the role of middle managers’ involvement in improving organizational performance (Currie & Procter, 2005; Huy, 2002; Kumarasinghe & Hoshino, 2010; Wooldridge & Floyd, 1990). Strategic management is largely concerned with how firms build and sustain competitive advantage. The resource-based view (RBV) of the firm argues that resources that are simultaneously valuable, rare, imperfectly imitable and imperfectly substitutable are an important source of competitive advantage (Barney, 1995), and explain inter-firm performance differences (Hoopes, Madsen, & Walter, 2003). Recent developments of the resource-based view have emphasized the importance of dynamic capabilities to organizational performance particularly in dynamic and complex environments (Blyler & Coff, 2003; Macher & Mowery, 2009; Verona & Ravasi, 2003). Organizational “dynamic capabilities” is defined as the capacity of an organization to purposefully create, extend, or modify its resource base (Helfat et al., 2007; Winter, 2003) and as the understanding of how firms can shape, reshape, configure and reconfigure their resource base in order to respond to demands stemming from their changing environments (Teece, Pisano, & Shuen, 1997). Although the importance of middle managers and the importance of dynamic capabilities have been emphasized, researchers haven’t examined much the role of middle managers on developing such capabilities, nor have they attempted to measure the impact of such capabilities on organizational performance (Macher & Mowery, 2009). Wooldridge, Schmid, and Floyd (2008) are among the few authors who suggest that middle managers may play a greater role than top managers in activities related to the development of organizational capabilities.

Many sources of dynamic capabilities have been identified. For example, Zollo and Winter (2002), highlight the importance of deliberate learning mechanisms, such as organizational routines related to experience accumulation, knowledge articulation and knowledge codification in developing dynamic capabilities. Similarly, Rindova and Kotha (2001) argue that “the top management team and its beliefs about organizational evolution may play an important role in developing dynamic capabilities” (p. 1274). The focus of this study is to investigate middle managers’ role in the strategy making process and in the development of organizational capabilities. Our objective is to study specifically the mediating role organizational capabilities may play in the relationship between middle managers’

involvement in strategy making process and their autonomy on the one hand, and firm performance on the other. The literature in strategic management has highly emphasized the importance of a participative process in developing dynamic capabilities and in improving organizational performance. For instance, both neo-Marxist and neo-liberal perspectives consider employee participation in decision-making and employee autonomy as important in many respects, and foremost for employee own well-being (Gallie, 2003; Kalleberg, Nesheim, & Olsen, 2009).

This paper is organised as follows: in the first section dealing with the literature review, we present and discuss the different concepts that appear in our research model and formulate our research hypotheses. In the second section related to the methodology, we present, among others, our method of data collection, and the data analysis. In section methods and results, we present and discuss our results.

Literature review

The base model of this research is shown in Figure 1. It postulates that organizational capabilities have a mediating effect on the relationship between middle managers’ involvement in strategy making process and their autonomy on the one hand, and firm performance on the other. The concepts included in the model are described in the next section. They have been selected on the basis of their theoretical relevance and their use in previous researches.

Key concepts

Middle managers’ involvement in the strategy making process

There is no universally accepted definition of a middle manager. Nonetheless, middle managers’ role in the strategy development process has been recognized since the 1970s (Wooldridge et al., 2008). According to Uytterhoeven (1972), a middle manager is someone “who is responsible for a particular business unit at the intermediate level of corporate hierarchy” (p. 136). Middle managers can also be defined in a positional sense as “those below the general manager’s executive team and above the level of supervisor” (Heckscher, 1995, p. 9). Bower (1970) is among the first researchers to emphasize the contributions made by middle managers in the strategy making process, by stating that middle managers “are the only men in the organization who are in a position to judge whether (strategic) issues are being considered in the proper context” (Bower, 1970, pp. 297–298). The fundamental importance of middle managers for organizational success has been widely recognized

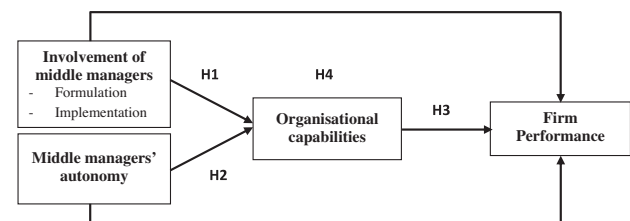


Figure 1 Research model.

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