Going global: How middle managers approach the process in medium-sized firms

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Going global: how middle managers approach the process in medium-sized firms

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- *Prior research has emphasized middle managers' important role in the strategy process and the benefits of their involvement, but little is known about their role in medium-sized firms and their participation in the internationalization strategy process (ISP). This article aims to fill these gaps.*

- *Our analysis of interviews conducted with the complete layer of middle managers at a medium-sized firm is intended to shed light on these issues by examining the extent and effect of middle managers' involvement in the strategy formulation phase of the ISP. The medium-sized Italian firm chosen for our sample was going through a period of radical change as it expanded its international activities beyond its cultural boundaries.*

- *We found that not all the firm's middle managers perceived themselves to be involved in formulating the internationalization strategy. The perception of involvement was dependent on ownership of the outcome of internationalization. Middle managers with revenue accountability perceived themselves to be involved in strategy formulation. Furthermore, this perception of increased involvement was tightly linked to a more opportunity-oriented attitude toward internationalization.*

- *We suggest that medium-sized firms can actively manage middle managers' attitudes and behavior toward internationalization by managing perceptions.*
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Middle managers and the internationalization strategy process in medium-sized firms

With the creation of common markets such as the European Union and the gradual abolition of restrictions on foreign trade, an increasing number of SMEs[1] face the need and the oppor-tunity to engage in international activities (Boter and Holmquist, 1996; Coviello and McAuley, 1999; Kalantaridis, 2004). To date, however, research on the international strategy process (ISP) has focused mainly on large firms (Andersen, 1992; Melin, 1992), while studies of medium-sized firms remain relatively scarce (Boter and Holmquist, 1996). Many studies have emphasized the importance of middle managers' involvement in the strategy process (Bower, 1970; Burgelman, 1983a; Kanter, 1986; Dutton and Jackson, 1987; Floyd and Wooldridge, 1997), but all of these are based on large firms. Our research addresses these gaps by examining middle managers'

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[1] According to the European Commission's (2003) definition, firms are medium-sized if they employ between 50 and 250 people and their turnover is less than 50 million euros.
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involvement in formulating an international strategy in a medium-sized Italian, family-owned firm: ALPHA.

In 2004, ALPHA decided to enter new markets in Eastern Europe and Russia. At that time it already had international activities, but they were oriented toward culturally similar areas close to Italy where managers had no need to acquire new language skills. Entry into Eastern Europe and Russia was a radical change for middle managers at ALPHA in terms of cultural differences, geographical distance, product adaptation, and personal challenge. It called for new strategies and behavior, beyond what had been required in previous foreign ventures.

> *Entry into Eastern Europe and Russia was a radical change for middle managers at ALPHA in terms of cultural differences, geographical distance, product adaptation, and personal challenge*

The research was designed to investigate why some middle managers perceived themselves to be more involved in strategy formulation than others, and whether their perceived involvement mattered. Earlier work has shown that the perception of their environment has a direct impact on middle managers' actions (Mair, 2005). Perceptions are therefore an important predictor of actions and attitudes, and indeed we found that perceived involvement had direct implications for middle managers' attitudes toward internationalization. We suggest that firms can influence middle managers' attitudes toward internationalization by managing their level of perceived involvement in the strategy formulation phase of the internationalization strategy process (ISP). We

further highlight that internationalization, as a special type of strategic change, has a particular impact on middle managers. In addition to the positive outcomes of middle managers' involvement in the strategy process — such as enhanced organizational performance (Wooldridge and Floyd, 1990), enhanced middle manager satisfaction (Westley, 1990), and stronger attachment to the organization and to their job (Oswald *et al.*, 1994) — we propose that middle managers involved in the ISP are more opportunity-oriented with respect to internationalization than their non-involved colleagues.

The next section reviews the literature on internationalization in medium-sized firms and the work that has been done on middle managers in various streams including their role in medium-sized firms, in internationally active firms, and their involvement in the strategy process more generally. Following a description of our research design and setting, we then analyze the data gathered at ALPHA and develop a framework for middle managers' involvement in the ISP. We conclude with managerial implications and possible future research directions.

What the literature says

Internationalization and SMEs

Existing theory on strategy processes would suggest that the ISP can be divided into two phases: the formulation phase — the decision about what to do — and the implementation phase — how to actually do it (Mintzberg *et al.*, 1998; Analoui and Karami, 2003). Mintzberg *et al.* (1998) argue that these two phases are closely interrelated, with decisions being interwoven. For many SMEs, the internationalization decision neglects full-fledged planning and instead follows a strategy process based on small steps. For SMEs, learning is therefore a key element in the internationalization process, which advances by trial and error (Melin, 1992). This view of strategy is consistent with Mintzberg *et al.*'s (1998) understanding of strategy development.

> *For many SMEs, the internationalization decision neglects full-fledged planning and instead follows a strategy process based on small steps*

Previous research on the internationalization process of firms suggests that medium-sized firms pursue a different approach to large firms (Coviello and McAuley, 1999; Wolff and Pett, 2000; Bijmolt and Zwart, 1994; Kalantaridis, 2004; Campbell, 1996). Owing to specific characteristics such as limited financial and managerial resources, the personal influence of the owner-manager, and the lack of an institutionalized planning and control system (Baird *et al.*, 1994; Boter and Holmquist, 1996; Fujita, 1998), medium-sized firms encounter specific difficulties in their efforts to internationalize (Boter and Holmquist, 1997; Fujita, 1998). For example, smaller firms are less able to deal with language differences among countries because their limited pool of human resources often does not include language skills for the chosen target markets.

Middle managers

There is no universally accepted definition of a middle manager. Uyterhoeven (1972), for instance, characterizes the middle manager as one 'who is responsible for a particular business unit at the intermediate level of corporate hierarchy' and suggests a direct correlation between the number of divisions and the number of middle managers (Uyterhoeven, 1972: 136). Middle managers are also sometimes defined as those positioned two or three levels below the CEO (Dutton and Ashford, 1993) and one level above the operating level (Huy, 2001), in the middle of the corporate hierarchy. As the 'linchpins' of the organization (Floyd and Wooldridge, 1992), middle managers have received considerable attention in the literature in recent decades (Burgelman, 1983a; Dutton and Ashford, 1993; Geisler, 1993; King *et al.*, 2001; Marginson, 2002). Their fundamental importance for organizational success has been widely acknowledged.

Research on middle managers in medium-sized firms remains relatively scarce. Having fewer managerial levels obviously means that SMEs have fewer middle managers, differently organized and distributed throughout the organization. Yet due to the flatter hierarchy of SMEs, middle managers can have positions that are relatively more important than the equivalent positions in large firms (Dopson and Stewart, 1990). Other advantages include direct contact with the owners, and higher levels of concern and caring for employees (Hodgetts and Kuratko, 1998). Stability and continuity in leadership may elicit increased motivation, commitment, and identification with the firm on the part of middle managers. Disadvantages include owner-managers' unwillingness to delegate authority to lower levels. Middle managers who do not receive adequate authority in their unit are easily frustrated and see their career opportunities as limited (Hodgetts and Kuratko, 1998).

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The decision by a medium-sized firm to internationalize its activities can have different effects on middle management. On the one hand, managers who are reluctant to change may be afraid of the new situation (Huy, 2002; Ogbonna and Wilkinson, 2003). In contrast,

despite the fact that internationalization may put extra pressure on middle managers, increase their workload, and create difficulties of adaptation, some feel that the change in corporate strategy offers them an enriched and more demanding job (Dopson and Stewart, 1990).

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In this study, we understand internationalization as involving strategic and radical change, a 'qualitative alteration of an organization's rules of organizing — the fundamental rules that members use to interact cognitively and behaviourally with the world around them' (Huy, 2002: 31). Middle managers tend to play a special role in times of radical change because they are both recipients and implementers of change, while top management delegates to them the task of integrating operational details (Balogun and Johnson, 2004). Although middle managers are often portrayed as being reluctant to change (Huy, 2001), they play three important roles during any alteration of a firm's focus from its domestic market to a foreign one. First, by giving their subordinates some sense of continuity, they prevent chaos from breaking out in the organization at a time when such radical change may trigger intense emotions and anxiety. Second, middle managers who are open to change might prevent organizational inertia (Huy, 2002). Finally, middle management is critical to

actually implementing the strategic vision developed by top management.

An increasing body of literature highlights middle managers' essential role in the strategy process (Schilit, 1987; Floyd and Wooldridge, 1992, 1994, 1997, 2000). Middle managers can influence strategy formulation in a variety of ways: they can sell issues to top management, modify information on the issue, frame issues in a particular way, or mobilize others to shift top managers' attention toward certain issues (Dutton and Ashford, 1993). Middle managers are usually portrayed as having considerable influence on strategy decision-making (Dutton and Jackson, 1987). By labeling issues either as opportunities or as threats, they are able to influence strategy and top managers' propensity to react to positive or negative information on those issues.

The literature describes several positive effects of middle managers' involvement: effects on organizational performance (Wooldridge and Floyd, 1990), on middle managers' satisfaction (Westley, 1990), on middle managers' psychological attachment to the organization and to their jobs (Oswald *et al.*, 1994), and on middle managers' perception of the strategy (Collier *et al.*, 2004).

Non-involvement of middle managers in the strategy process can have ambiguous effects

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Non-involvement of middle managers in the strategy process can have ambiguous effects. On the one hand, it can reduce organizational inertia, avoid political behavior in the strategy process, and remove decision-making constraints faced by the firm (Collier *et al.*, 2004). On the other hand, non-involvement may lead middle managers to take up opposition, act ineffectively or, in the worst case, sabotage implementation of the strategy decided by top management (Guth and MacMillan, 1986).

Non-involvement may also lead to strategic role conflict, as when middle managers' perceptions of a strategic issue differ from those of top management (Floyd and Lane, 2000). Floyd and Lane (2000) argue that beyond merely understanding the new strategy, middle managers need to show commitment and give up old routines and habits in order for the new strategy to be incorporated successfully. In general, firms are unable to prevent strategic role conflict, but minimizing it may be an achievable corporate goal.

On the whole, research suggests that the negative effects associated with middle management involvement are negligible compared with the positive effects (Collier *et al.*, 2004).

Research, design, data, and methods

We developed two research questions to examine the effects of middle managers' involvement or non-involvement in the ISP. The first was designed to find out why some middle managers perceive themselves to be more involved in the formulation of an international strategy than others. Keeping in mind that the same objective reality could lead to different perceptions of the situation (Mair, 2005), we wanted to find out what determines middle managers' perception of involvement. The second research question aimed to probe the impact of middle managers' involvement or non-involvement on the formulation of internationalization strategy.

Using a qualitative case study approach in order to capture the behavioral complexity and context of the situation (Eisenhardt, 1989; Miles and Huberman, 1994), we decided to study only one medium-sized firm for two reasons. First, we wanted to pursue our research question — why some middle managers perceive themselves to be more involved than others — while keeping constant other variables, such as management structure, communication system, and firm culture. Second, rather than analyze *some* of the middle managers of several firms, we preferred a sample consisting of *all* the middle managers of one firm.

Our primary data source was semi-structured interviews, but we also included company documents where relevant, as suggested by Yin (1994). Interviews were conducted with all 15 middle managers and two top managers of ALPHA. **Table 1** gives information about the tenure, age, and revenue accountability of our interviewees. These 15 middle managers represented the whole population of middle managers in this firm and we were able to achieve a 100% response rate. We conducted the interviews in German, as this was the mother tongue of all those interviewed, and transcripts were independently translated to avoid translation bias. Semi-structured interviews were aimed at eliciting the interviewee's involvement in the ISP in both the formulation and implementation stages, and emerging discussion themes were both incorporated into new interviews and included in the data analysis as soon as they appeared likely to contribute new insights. The second stage consisted of coding the data and identifying patterns in the interviews, which evolved into a framework through iteration between the interview data and the existing literature (Eisenhardt, 1989). In the following sections, we quote excerpts from these interviews, translated into English.

Research setting: ALPHA

ALPHA is headquartered in Bolzano, Italy which is the capital of South Tyrol, a bilingual region in the north of Italy. Both Italian and German are official languages and the culture entails both Austrian and Italian elements. This medium-sized family-owned firm was founded in 1932 by Mr ALPHA as a small installation service company. Nowadays, ALPHA is still active in the same sector but provides high-quality installation engineering on a larger scale. Revenues of slightly over 70 million euros and a workforce of 250 people in three countries — Italy, Germany, and Austria — place ALPHA among the largest of medium-sized firms in the region.

A focus on quality (ALPHA received the ISO 9001/2000 certificate in 2001) led to the

Table 1. Tenure, age, and revenue accountability of the interviewees[1]

	Years in firm	Age[2]	Revenue accountability
Top Management			
Senior Manager	50	67	yes
Junior Manager	2	39	yes
Middle Management			
Head of Department	34	57	yes
Head of Department	7	45	yes
Head of Department	37	55	yes
Head of Affiliate	26	60	yes
Head of Affiliate	36	60	yes
Sales Representative	21	50	yes
Average	26.8	54.5	
Planning Engineer	31	60	no
Site Manager	26	55	no
Logistics Manager	2	30	no
Assistant	7	30	no
Resource Manager	29	60	no
HR Manager	5	55	no
Purchasing Manager	10	35	no
Service Engineer	20	40	no
Project Manager	27	50	no
Average	17.4	46.1	

[1] Revenue accountability was tightly linked to middle managers' role and function in the firm. Heads of departments and affiliates were accountable for their performance, and sales representatives were expected to generate new business for the firm.
[2] Where exact information about middle managers' age was lacking, estimates were used.

establishment of a strong market position in Northern Italy, Southern Germany, and Austria. In general, ALPHA is active in four business areas: environment — installation of garbage incinerators; energy — development of district heating systems; water — swimming pool installations; and building automation — including traditional installation tasks such as local heating systems for large buildings. Of these four areas, water is especially important as ALPHA is among the most highly reputed engineering firms producing technology for large swimming pools in Italy, Germany, and Austria.

Internationalization as a natural extension of ALPHA's business

It was in the water sector that ALPHA began its internationalization in 1975, establishing affiliates in Austria and Germany. Located in Salzburg and Munich, these were 200 and 350 km away from headquarters in Bolanzo, respec-

tively. These affiliates assured further, more direct penetration of the Austrian, German, and Swiss markets but ALPHA did not need to venture far from headquarters in Northern Italy, nor did the firm have to acquire new language skills. Cultural distance among these three regions was considered to be small, and the only problem was customs formalities, until EU legislation made cross-border business less bureaucratic. Once the affiliates were firmly established in Austria and Germany, ALPHA took further internationalization steps, seizing opportunities in Sweden and Slovenia. However, these projects were considered exceptions to the firm's prevailing strategy and no further explicit efforts were undertaken to continue activities in non-German or non-Italian speaking countries.

Internationalization as strategic change

The most recent internationalization step, one that could be considered to mark the second

phase of internationalization, is tightly linked to a generational change in the firm — the founder's grandson is gradually replacing his father as CEO. Middle managers reported that the impetus for the internationalization strategy came from top management and was clearly associated with the generational change two years ago: 'The second stage can be clearly associated with the business entry of Mr Alpha Jr, who sees the whole world in front of him.' 'It was exclusively his idea.'

In 2004, ALPHA decided to focus on Russia and Eastern European countries such as Poland, Czechoslovakia, and Hungary, which clearly affected the company's usual business practices. Different product requirements and different cultures made new demands on managers, and many also faced the challenge of doing business and carrying out projects in a foreign language, something they were unfamiliar with. The decision to move business activities beyond ALPHA's 'natural' borders was a major strategic change for the whole firm. In an attempt to inform employees about the new strategic direction, senior management officially communicated this decision to all middle managers in autumn 2004 but even before that date, ALPHA had acquired its first contract in a non-EU country and started to implement a swimming pool installation in Moscow, Russia.

The ISP at ALPHA

Strategy formulation was not an explicit activity at ALPHA. Some managers even doubted there was such a thing as a strategy — activities and movements were perceived as being based on coincidences that led to the establishment of activities abroad, rather than on deliberate reasoning. The strategy process was described as optimal in terms of flexibility and directness and the speed of the decision process. Managers attributed this advantage to the limited number of people involved in decision- and strategy-making in the firm. Ideas were generated based on a top-down approach, and middle managers were often excluded from strategy formulation. Consistent with

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Vouzas *et al.* (1997), middle managers' involvement in strategic decisions was reported to be limited to offering suggestions and comments, rather than outlining a complete strategic direction or idea. Top managers at ALPHA were not depicted as being willing to delegate tasks to middle managers. Interestingly, top and middle management had different perceptions about the extent of middle managers' involvement in the strategy formulation phase. Although top management insisted that middle managers were involved, middle managers themselves reported contradictory evidence. This finding corroborates Van der Velde *et al.*'s (1999) suggestion that perceptions about activities may differ between top and middle management.

Findings

Middle managers' involvement in the ISP

Our first research question asked why some middle managers perceived themselves to be involved in the ISP while others did not. Although top management reported that all middle managers were involved in strategy formulation, in our survey only six out of 15 middle managers at ALPHA reported some kind of involvement in the ISP. For the middle managers who reported no involvement, strategic decision-making seemed to belong

to the realm of top management, as stated by the following respondent: 'The decision was made within the ALPHA family' or 'At this level, we are not directly involved in decision making.' Our finding that few middle managers are involved in strategy formulation confirms the conclusions of previous studies (Schilit, 1987; Floyd and Wooldridge, 1992, 1994, 1997, 2000) and the view that middle managers are involved mainly in strategy implementation (Schilit, 1987; Vouzas *et al*., 1997; Boyett and Currie, 2004).

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Although involvement was often reported to be low or non-existent, non-involved middle managers did not challenge this division of tasks. Personal contact with top management appeared to boost trust in top management's decisions, as one middle manager said: 'I think the top managers know what they are doing.' Findings from ALPHA corroborate the view that middle managers normally do not attempt to change their environment but, rather, accept it (Dutton *et al*., 1997; Collier *et al*., 2004). One middle manager explained his attitude toward involvement: 'No, I did not miss any involvement in strategy formulation. I think that the idea should not be diluted by too many people.' Citing their lack of the necessary skills for strategy formulation, managers

preferred not to engage actively, perceiving it as an additional workload outside of their functional realm (Vouzas *et al*., 1997).

Interviews revealed that middle managers' self-reporting of involvement in the ISP contrasted with top management's perception of their involvement. Top managers claimed that a strategy meeting in 2004 officially included all middle managers in the joint formulation of an international strategy. However, most middle managers did not recall this meeting or did not perceive it as vital for the strategy formulation process toward internationalization. While the objective reality surrounding middle managers seemed to be the same, their perceptions about the real extent of their involvement differed (Mair, 2005).

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One distinctive feature of the involved middle managers emerged: generally those who were responsible for revenue generation reported involvement in strategy formulation — both in strategic decision-making and in idea generation. The head of the water treatment department, for example, reported high involvement in strategy formulation. Having been in the firm for 34 years and holding responsibility for 70–80 employees, he explained his involvement as follows: 'I think I was quite involved in formulating the internationalization strategy. It might well have been me who acquired and implemented the first projects in Germany.' The head of one of ALPHA's early foreign affiliates maintained, 'Yes, I was definitely strongly involved. I could say I was 100% involved. I developed strategies together with the top managers.'

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Top managers reported strategy formulation as one of their primary tasks, and their involvement in strategy implementation was tied to non-routine activities such as building contacts with possible partners in foreign markets. Middle managers without revenue accountability did not report any kind of involvement in strategy formulation for the internationalization process, as can be seen from the following quotes. One middle manager, the head of the logistics and purchasing department, said: 'I was not involved and I won't be involved in the future. It's none of my business. I am responsible for logistical processes to ensure that our transportation is effective. I have to guarantee that the parts are in the right place at the right time.' Similarly, the head of the human resource department, with 29 years' service at ALPHA, explained: 'No, I did not make any suggestions concerning internationalization, because that is not in my job. My job is to make resources available once we get the project.'

Based on our data, for middle managers to perceive involvement in strategy formulation, it is essential that they perceive themselves as owners of the outcome associated with internationalization. This empowerment — often defined as 'giving people the power to make decisions in an organization' (Randolph and Sashkin, 2002: 103) — enables employees to participate actively in the strategy formulation phase of the ISP. Empowerment may be determined by structural characteristics, such as prevailing managerial practices in a firm, or psychological characteristics (Spreitzer, 1995). As Spreitzer (1996) observed, it is not only the measurable external attributes (objective reality) of a situation that influence an individual's involvement but the active perception of one's own environment. Spreitzer (1996) also emphasized that involvement triggered by empowerment has reinforcing effects, as empowered managers tend to influence their environment in proactive ways, although the environmental influence on managers is still more powerful.

Following this argument leads us to formulate our first proposition:

Proposition 1. *Middle managers possessing ownership of the outcome of internationalization will tend to perceive themselves as being more involved in the strategy formulation phase of the ISP.*

Impact of middle managers' involvement in strategy formulation

Our second research question focused on the impact of middle managers' involvement in the formulation of an internationalization strategy, in particular one that represented a radical change for the firm. Before trying to identify a specific impact of middle managers' involvement in the ISP, we considered it crucial to thoroughly understand middle managers' view of internationalization in general, and its meaning in the context of a medium-sized firm. We therefore inquired into middle managers' perception of the need for internationalization and their view of the dangers it involved, in terms of threats and opportunities.

Dutton and Jackson (1987) define the basic categories of threat and opportunity as follows: opportunities are perceived as positive situations 'in which gain is likely and over which one has a fair amount of control', whereas threats relate to negative situations 'in which

loss is likely and over which one has relatively little control' (Dutton and Jackson, 1987: 80). Following this categorization, we determine middle managers with a positive attitude toward internationalization to be opportunity-oriented whereas middle managers with a negative attitude to be threat-oriented.

Many middle managers did not see any obvious need to internationalize ALPHA's activities. Some stated that the firm should first intensify its operations in its domestic and culturally related markets — Italy, Germany, and Austria — or focus on countries such as Spain and Portugal, which they regarded as being culturally closer than Eastern European countries.

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According to the interviewees, the perceived threats — both for the firm and for the individual middle manager — far outnumbered the perceived opportunities. The problems mentioned had to do with the business sector, firm size, and implementation of the internationalization strategy. First, ALPHA's business — installation engineering — involved providing maintenance services, and therefore distance was reported to be a major problem. Second, ALPHA's relatively small size meant it had less capital and so was less able to meet challenges such as having to comply with a completely new set of regulations, standards, and certificates (Baird *et al*., 1994; Boter and Holmquist, 1997; Fujita, 1998). The diversity of standards among the foreign countries increased the demands and the workload for

middle managers. Because ALPHA was not a large company, some tasks — such as translation of a manual into a foreign language — had to be accomplished at great effort by a smaller number of employees. Third, middle managers reported implementation problems, such as difficulties in monitoring subcontractors, the danger of copying technological know-how from local partner firms, and subsequent competition from those firms. These new competitors might then start to enter ALPHA's domestic market, benefiting from lower labor costs in their home countries.

Middle managers attributed many problems to differences in mentality and mindset, as they perceived foreign business cultures and practices as being different from those of their home country. Distance and ignorance of local business customs were perceived as obstacles to ALPHA's success in foreign countries.

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Among the most reported risks were financial ones. One middle manager explicitly mentioned a case of fraud in Slovenia, where ALPHA was currently suing a customer in a Slovenian court: 'With internationalization, you find you don't know exactly how the payments system works, and that is what

happened to us in Slovenia — we did not receive the last 30%. Now we have to go to court in Slovenia. And suing a Slovenian firm in Slovenia is probably as difficult as suing a Russian firm in Russia. Although very likely it would also be difficult for a Russian firm to sue ALPHA in Bolzano, they would find it difficult. The local firm normally has the advantage when the case goes to court.'

Middle managers also expressed concern about a lack of skilled personnel, as the firm had not hired more experienced personnel for the foreign markets. Even in the domestic market, managers reported a lack of personnel, which they said could not be remedied by subcontracting work to other firms, as knowledge in this sector was very specific. Furthermore, in line with Marschan *et al.* (1997), the middle managers showed great concern at the lack of language skills among ALPHA's employees.

Personal misgivings about internationalization concerned a variety of issues. As many middle managers already had a heavy workload, any addition was unwelcome (and viewed as a threat), and the extra work associated with internationalization was described as very time-consuming and challenging. For example, one manager who otherwise had a generally positive attitude toward internationalization wanted more time to devote to it. Middle managers were also worried about security problems in foreign countries. One middle manager, who was supervising the assembly of an installation in Moscow, had suffered violence and aggression, leaving him partially disabled. This incident naturally had influenced middle managers' perception of security and uncertainty in foreign countries.

Obviously, internationalization requires middle managers to work abroad and increases the time they spend away from their home and family. Most middle managers reported a home bias. Financial remuneration for foreign assignments and family problems was a trade-off for them, as one lower-level middle manager explained: 'I have to admit that I'm the sort of guy who likes to stay at home. I have a family and two kids. But I'm open to whatever comes

along. But it's a question of remuneration, whether or not it's worth being away from home for six months. Overall, though, I'd rather stay at home.' Middle managers were also reluctant to accept assignments in foreign markets unless other ALPHA employees were assigned as well. No middle manager wanted to be the only ALPHA employee in a foreign country, working exclusively with external or locally hired personnel and possibly being unable to speak their language.

> *While middle managers typically stressed threats related to the new strategic direction, some also mentioned opportunities arising from internationalization*

While middle managers typically stressed threats related to the new strategic direction, some also mentioned opportunities arising from internationalization. For example: margins were higher in foreign countries due to the lack of competition; the firm and its employees could broaden their horizons; and the firm could establish a second main pillar to guarantee its survival. Of course, middle managers involved exclusively in implementation faced different tasks than those who designed the strategy in the first place. Having had to deal with the hands-on work of carrying out projects in a foreign country, middle managers emphasized a range of problems consistent with the kind of problems mentioned in other studies of SME internationalization (Boter and Holmquist, 1997; Fujita, 1998; Analoui and Karami, 2003). Top management and middle managers with P&L responsibility, on the other hand, assumed a very positive position toward internationalization related to their perception of a huge untapped market in Eastern Europe.

Based on our analysis of the data, we found that middle managers who perceived themselves as involved in *formulating* the internationalization strategy had a more opportunity-oriented attitude toward internationalization, while those who did not had a problem-oriented attitude. Of course, all middle managers had some awareness of the risks involved in entering a foreign market, but only those who were open to the opportunities saw themselves as being involved in the ISP.

This argument leads us to formulate our second set of propositions:

Proposition 2a.   *Middle managers who perceive themselves to be involved in strategy formulation of the ISP tend to see internationalization in an opportunity-oriented way.*

Proposition 2b.   *Middle managers who do not perceive themselves to be involved in strategy formulation of the ISP tend to see internationalization in a threat-oriented way.*

Figure 1 summarizes and illustrates the main propositions we put forward.

Discussion

In the existing literature there is no clear answer to why some middle managers feel involved in the ISP whereas others do not.

Prior research suggests that middle managers' attitude toward strategic change is shaped by personal characteristics such as gender, age, and willingness to accept responsibility (Dopson and Stewart, 1990; Spreitzer and Quinn, 1996; Vouzas *et al.*, 1997). According to our data, the most salient determinant of perceived involvement was middle managers' accountability for the firm's revenue growth — i.e., middle managers' ownership of the outcome of internationalization. This finding complements previous studies. For example, Schilit (1987) emphasizes middle managers' tenure and hierarchical level in the firm as factors affecting their involvement in the strategy process. Involved middle managers at ALPHA had, on average, a longer tenure in the firm than their non-involved colleagues, with 26.8 and 17.4 years, respectively. Also, middle managers who were inclined to focus on the opportunities deriving from the firm's strategic reorientation mostly were older (54.5 years). In contrast, the middle managers who tended to focus on threats had a shorter average tenure and a lower average age (46.1). However, our findings are also in line with Nutt (1990), who states that neither age nor experience alone serve as reliable indicators of middle managers' perception of risk. Rather, it is middle managers with revenue accountability and therefore ownership of the outcome who perceive themselves to be involved in the ISP. This could be because they experience internal pressure and a lack of environmental obstacles, which may increase their involvement in strategy formulation (Kanter, 1982;
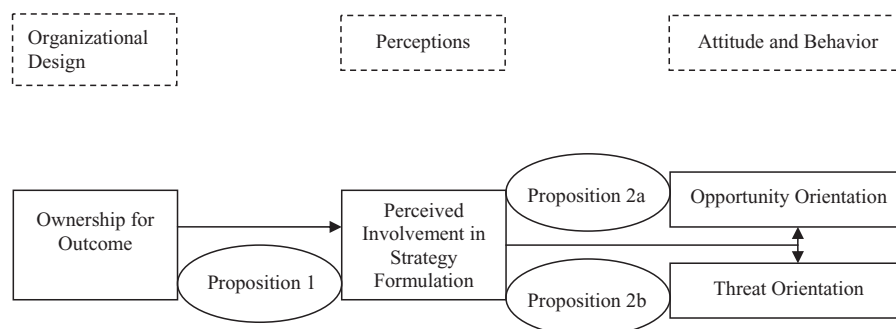
Figure 1. Summary of the main propositions.

Burgelman, 1983b; Guth and MacMillan, 1986; Huy, 2001).

Our findings also specifically corroborate Collier *et al.* (2004) and Dutton *et al.* (1997): in the case of internationalization, involvement in strategy formulation increases middle managers' tendency to realize the opportunities associated with the internationalization process. Involved middle managers generally had a more favorable perception of the firm's strategy. Supporting Oswald *et al.* (1994), the involved middle managers in our study showed more commitment than the excluded ones. Our findings suggest that involvement in the ISP influences managers' perceptions of threats and opportunities in internationalization.

> *In the case of internationalization, involvement in strategy formulation increases middle managers' tendency to realize the opportunities associated with the internationalization process*

According to Floyd and Lane (2000), non-involved middle managers may also experience strategic role conflict associated with neglect of the intended strategy. In this case, perceptions about the necessity and importance of the new organizational orientation may differ and result in flawed strategy implementation. Findings from ALPHA confirm this. However, absolute congruence between personal self-interest and corporate goals is hard to achieve, so strategic role conflict probably cannot be eliminated, merely reduced to a minimum.

Two main limitations of our study were the relatively small sample (17 interviews) generated by the one-firm, full-sample approach and

certain special characteristics of the research setting that would be unlikely to be found together in other firms. The fact that ALPHA is in the middle of a generational change, has already established affiliates in foreign countries, and operates in a business that requires customized internationalization behavior, makes it relatively unique. Consequently, the transferability of our conclusions should be assessed with caution. Of course, we cannot generalize the findings of a single case study to the whole world, but that is not our aim — we want our conclusions to be 'generalizable to theoretical propositions and not to populations or universes' (Yin, 1994: 10).

Further research could focus on a larger database to interrogate the validity of our findings. One approach could be to examine middle managers' involvement in the ISP in a larger firm. Research on middle managers' role in the ISP could also be extended to a multi-case analysis, including more than one medium-sized firm in the sample. Further studies could also investigate the importance of middle managers' individual characteristics in determining their involvement in the ISP.

Conclusion

In summary, our analysis of the qualitative data revealed that middle managers were involved in the ISP, but that their perceived involvement in the formulation phase was dependent on their ownership of the outcome. These perceptions of involvement in turn had a decisive impact on middle managers' behavior and attitude toward internationalization in that involved middle managers had a more opportunity-oriented attitude toward internationalization, while their non-involved colleagues focused on the threats associated with internationalization.

Exclusion of middle managers from the strategy formulation phase could cause severe problems for the firm. Given that implementation effectiveness depends on middle managers' attitude toward deliberate strategy (Schilit, 1987), non-involved middle managers may hamper correct implementation (Guth and

MacMillan, 1986). It is obviously in the firm's interest that middle managers recognize and support the strategy as their understanding of it means 'that they can 'own' it and implement it more intelligently, without detailed direction' (Vouzas *et al.*, 1997: 65). Therefore, although getting middle managers involved in strategy formulation adds complexity in the decision-making process (Collier *et al.*, 2004), it may be critical in order to induce a favorable perception of internationalization. This study complements existing research in this area as it emphasizes the importance of perceived exclusion and involvement. Managing perceptions might be equally important to ensure the involvement of middle managers in the strategy process.

Exclusion of middle managers from the strategy formulation phase could cause severe problems for the firm

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Middle management is a highly debated topic in the literature. On the one hand, it is recognized as one of the key drivers of organizational performance; on the other hand, middle managers are seen as being reluctant to change (Livian and Burgoyne, 1997). One could argue that it is difficult to change middle managers' attitudes toward internationalization and participation in the strategy process in the short term. At ALPHA, given the generational change and its influence on the firm's culture, any attempt to change managerial practices in a short period might be too challenging. Managing people is a social and interactive undertaking (Van Gils, 1997), and organizational change comes slowly (Livian and Burgoyne, 1997), especially in smaller firms focused around the owner-manager. To conclude, we think that, in practice, it may be possible to completely reorient middle managers' attitude toward the opportunities

associated with internationalization. Hands-on work in implementing the international strategy will always trigger the emergence of problems, such as language difficulties, separation from the family, security, etc. But rather than trying to eliminate such problems, which is impossible, firms might consider promoting middle managers' involvement in the strategy formulation phase as a viable way of minimizing the negative consequences of their non-involvement.

Biographical notes

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