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MIDDLE MANAGERS IN A MEDIUM-SIZED FIRM: THEIR INVOLVEMENT IN THE INTERNATIONALIZATION STRATEGY PROCESS

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Abstract

While prior research has emphasized middle managers' important role in the strategy process and the benefits of their involvement, little is known about their role in the strategy process in medium-sized firms and, specifically, their participation in the internationalization strategy process (ISP). Our analysis of interviews conducted with the complete layer of middle managers at a medium-sized firm sheds light on these issues by examining the extent and effect of middle managers' involvement in the 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 behaviour toward internationalization by managing perceptions.

Keywords Middle managers, internationalization strategy, small and medium-sized companies

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Introduction

Research has emphasized the importance of middle managers' involvement in the strategy process of larger firms (Bower, 1970; Burgelman, 1983a; Kanter, 1986; Dutton and Jackson, 1987; Floyd and Wooldridge, 1997). Bower (1970: 297-298) even argues that "managers in the middle… are the only (ones) in the organization who are in a position to judge whether issues are considered in the proper context". Yet, the literature remains silent about middle managers' role in the strategy process in small and medium-sized firms (SMEs) (Merz and Sauber, 1995). Likewise, relatively little is known about middle managers' involvement in internationalization strategy, or only about their involvement in the implementation phase of internationalization (Boyett and Currie, 2004). In this paper, we focus on these gaps and examine middle managers' involvement in formulating an international strategy in a medium-sized family-owned firm.

In 2004, ALPHA, a medium-sized Italian company, decided to enter new markets in Eastern Europe and Russia. At that time, ALPHA already had international activities, but they were oriented mainly toward culturally similar areas relatively close to Italy, where managers had no need to acquire new language skills. Therefore, 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.

Qualitative analysis of semi-structured interviews conducted with all middle managers at ALPHA allowed us 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 on middle managers has shown that middle managers' perception of their environment has a direct impact on their actions (Mair, 2005) and that, therefore, perceptions are an important predictor of middle managers' actions and attitudes. Furthermore, we found that involvement had direct implications for middle managers' attitude toward internationalization. Given that internationalization, as a type of strategic change, requires middle managers to act as change agents (Huy, 2002), it is in the firm's interest that they have a positive attitude toward it, so as to ensure successful strategy

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implementation (Nonaka, 1988). We suggest that firms can influence middle managers' attitude toward internationalization by managing their level of perceived involvement in the strategy formulation phase of the internationalization strategy process (ISP). With this paper, we contribute to existing literature by extending knowledge about middle managers' role in the strategy process in the context of internationalization. We highlight that internationalization, as a special type of strategic change, has a particular impact on middle managers. Several authors have described 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), stronger attachment to the organization and to their job (Oswald *et al*., 1994), and a more favourable perception of the quality of strategy. We propose another positive outcome, specifically an outcome of middle managers' involvement in the ISP: involved middle managers are more opportunity-oriented with respect to internationalization than their non-involved colleagues.

The paper is organized as follows. First, we review existing literature on internationalized medium-sized firms and middle management. Second, we describe the research design and analyze the data gathered at ALPHA. Next, we develop a framework for middle managers' involvement in the ISP. We conclude with managerial implications and possible future research directions.

Background Literature

In this section we present an overview of the literature relevant to our examination of middle managers' involvement in the internationalization strategy process of medium-sized firms. We first review the existing literature related to internationalized medium-sized firms. In a second step we review selected research streams on middle managers. More specifically, we review literature on 1) the role of middle managers in medium-sized firms, 2) middle managers in internationally active firms, and 3) middle managers' involvement in the strategy process. The objective of this paper is to bridge and integrate these different streams of literature.

Internationalization and SMEs

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 opportunity to engage in international activities (Boter and Holmquist, 1996; Coviello and McAuley, 1999; Kalantaridis, 2004). To date, however, research on the ISP has focused mainly on large firms (Melin, 1992; Andersen, 1992), while studies of medium-sized firms remain relatively scarce (Boter and Holmquist, 1996). 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 (Analoui and Karami, 2003; Mintzberg *et al*., 1998). 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 (Melin, 1992), which can advance by trial and error, as the "firm will proceed along the presented stages regardless of whether strategic decisions in

[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.

this direction are made or not" (Melin, 1992: 104). This view of strategy is consistent with Mintzberg *et al*.'s (1998) understanding of strategy development.

Previous research on the internationalization process of firms suggests that medium-sized firms pursue a different approach than 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; Fujita, 1998; Boter and Holmquist, 1996), medium-sized firms encounter specific difficulties in their efforts to internationalize (Fujita, 1998; Boter and Holmquist, 1997). 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, describes a 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. Middle managers, the "linchpins" of the organization (Floyd and Wooldridge, 1992), have received considerable attention in the literature in recent decades (Burgelman, 1983a; Dutton and Ashford, 1993; Geisler, 1993; Marginson, 2002; King *et al*., 2001). Their outstanding importance for organizational success has been widely acknowledged. While Chandler (1977) argued that middle managers' job is almost exclusively to supervise the lower hierarchical level, there is now a large body of literature discussing their role in the strategy process (Floyd and Wooldridge, 1992, 1994, 1997, 2000; Schilit, 1987).

Middle Management in Medium-Sized Firms

Research on middle managers in medium-sized firms remains relatively scarce. According to Analoui and Karami (2003), in SMEs the CEO or owner-manager often monopolizes the three levels – functional, business and corporate – of the strategic decision-making process. Having fewer managerial levels obviously means there will be fewer middle managers, who will be differently organized and distributed throughout the organization. Due to SMEs' inherently flatter hierarchy, middle managers can hold positions that are relatively more important than those of their equivalents in large firms (Dopson and Stewart, 1990).

Medium-sized firms are a different environment for middle managers than large firms. Advantages include direct contact with the owners, facilitating 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).

Middle Managers in Internationally Active Firms

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 will feel that the change in corporate strategy offers them an enriched and more demanding job (Dopson and Stewart, 1990). Personal characteristics such as age, gender and acceptance of responsibility influence middle managers' reaction to changes in their environment (Dopson and Stewart, 1990; Spreitzer and Quinn, 1996; Vouzas *et al.*, 1997). Language skills may also influence managers' perceptions, as managers realize that foreign languages are essential assets, especially for a multinational business in Europe (Marschan *et al*., 1997).

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, as radical change – such as internationalization – often triggers intense emotions and anxiety. Second, middle managers who are open to change may prevent organizational inertia (Huy, 2002). Finally, middle management is critical to actually implement the strategic vision developed by top management. Therefore, for successful strategy implementation, a committed layer of middle managers is essential (Nonaka, 1988). Boyett and Currie (2004) find that this is equally true for the implementation of an international strategy. Middle managers are especially important here because their local know-how acquired in the foreign market allows the firm to bridge cultural and geographic distance.

Middle Managers' Involvement in the Strategy Process

An increasing body of literature highlights middle managers' essential role in the strategy process (Floyd and Wooldridge, 1992, 1994, 1997, 2000; Schilit, 1987). 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 towards certain issues (Dutton and Ashford, 1993). Middle managers are usually portrayed as having considerable influence on strategy decision making (Dutton and Jackson, 1987). By labelling 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. Although the literature is clear about middle managers' decisive influence on the strategy process, top managers "often fail to make distinctions about the variety of contributions made by middle managers, and, in particular, overlook the possibility that middle managers play strategic roles" (Floyd and Wooldridge, 1994:48). Obviously, not all middle managers are equally involved in the strategy process – previous research suggests that involved middle managers often have long tenure and occupy a more senior position (Schilit, 1987). Schilit (1987) also describes three characteristics of middle managers' involvement: First, middle managers exercise influence mainly in less risky issues. Second, middle managers are more involved in

implementation than in formulation. And finally, middle managers mostly use rational arguments to convince top managers of their views.

Impact of Middle Managers' Involvement and Non-Involvement

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 their job (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. On the one hand, it can reduce organizational inertia, prevent political manoeuvring 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 Questions

Using an internationally active, medium-sized family firm as our setting, we developed two research questions. 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. As indicated above, middle managers tend to base their decisions and actions on their perception of certain events. Therefore, the same objective reality may lead to different perceptions of the situation by middle managers (Mair, 2005). Considering this special characteristic in middle managers' behaviour, we wanted to find out what determines middle managers' perception of involvement. The second research question was designed to discover the impact of middle managers' involvement or non-involvement in the formulation of internationalization strategy. Existing research already highlights several benefits of middle managers' involvement in strategy formulation. At the same time, it points to certain benefits of their non-involvement. Still, the advantages of involvement seem to outweigh the disadvantages. In our paper, therefore, we were interested in the specific impact of middle managers' involvement in the strategy formulation phase of the ISP.

Methods

We chose a qualitative case study approach. Our goal was to refine existing knowledge about middle managers' involvement in strategy formulation and its impact, by extending it to medium-sized firms. We deliberately chose to rely on qualitative data because this approach enables the collection of data in "naturally occurring, ordinary events in natural settings, so that we have a strong handle on what 'real life' is like" (Miles and Huberman, 1994: 10). Middle managers' perceptions are crucial in understanding their attitudes toward internationalization and their involvement in the ISP, and a qualitative data approach is best suited to such complex behavioral situations in extensive case study research (Eisenhardt, 1989; Miles and Huberman, 1994). Furthermore, internationalization, as a "contemporary phenomenon within some real-life context" (Yin, 1994: 1), makes the use of case study research preferable and advantageous, since otherwise investigators lack control over events. Finally, available official company data describing strategic choices is often relatively scarce or non-existing in smaller firms, reinforcing our choice of the interview method.

Research Design

In order to analyze middle managers' involvement in the ISP in the context of medium-sized firms, we chose a one-firm approach. 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 is semi-structured interviews, but we also included company documents, as suggested by Yin (1994). Therefore, as a secondary data source we included and analyzed any information provided by the company concerning the direction and functioning of its internationalization strategy. Using interviews as a primary source of data had the advantage of allowing us to collect information in a targeted manner, as we could focus directly on our topic and obtain insightful information (Yin, 1994).

Data Collection

One of the authors conducted interviews with all 15 middle managers and two top managers of a medium-sized firm. A table showing the tenure, age and revenue accountability of the managers interviewed is displayed below. These 15 middle managers represented the whole population of middle managers in this firm. We were able to achieve a 100% response rate – all middle managers agreed to the interview. Interviews lasted between 20 minutes and one hour 15 minutes, with an average of 38 minutes. We conducted the interviews in German, as this was the mother tongue of all those interviewed, and promised confidentiality. We taped all interviews and transcribed them after each site contact, reaching a volume of 129 single-space pages. For further use, we independently translated parts of the interviews to avoid translation bias.

The interviews were semi-structured and followed a script aimed at eliciting the interviewees' involvement in the ISP, in both the formulation and the implementation stages, and the subsequent impact of that involvement. We formulated the questions based on an in-depth review of the existing literature. They were grouped in five sections: 1) background information, such as tenure and role in the firm; 2) perceptions of working in

this medium-sized firm; 3) opinions regarding the most important changes in the firm in recent years, and the middle managers' own role in the internationalization strategy formulation process; 4) involvement in the implementation of the internationalization strategy; 5) motivation and commitment to the internationalization strategy, including the interviewees' overall assessment and possible criticisms. Despite this catalogue of questions, emerging discussion themes were included in the data analysis as soon as they appeared likely to contribute new insights.

Data Analysis

The data analysis took place in two main stages. In the first stage, we worked on the interviews immediately after the first write-up. We recapitulated the information we had gathered and tried to figure out concepts to be tested in the upcoming interview sessions, thereby including dynamic elements of data analysis into the data collection process. In order to capture information on emergent themes, existing questions were adjusted and new ones were added. This adding and altering questions is not only a legitimate form of data collection but a desirable one, as it assists in-depth understanding (Eisenhardt, 1989).

In the second stage, following Miles and Hubermans' (1994) advice, we coded and identified patterns in the interviews. At the beginning of this stage, uncertainty prevailed concerning the definition of a framework for middle managers' involvement in the ISP. We then coded the transcribed interviews in two phases. In the first phase, we coded the interviews based on terms emerging from the data (e.g. "perception of internationalization", "motivation", "communication about internationalization", etc.). In the second phase, we aggregated the emerging patterns into a framework by reworking the coded interviews and reviewing existing literature (Eisenhardt, 1989). In the following sections, we quote excerpts from these interviews, translated into English.

Research Setting: ALPHA – a Medium-sized Family Firm

We chose to conduct interviews at ALPHA, headquartered in Bolzano, Italy. Bolzano is the capital of South Tyrol, a bilingual region in the north of Italy. Both Italian and German are official languages and the culture contains both Austrian and Italian elements. The 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 fact, with ten more employees, ALPHA would officially be considered a large firm. Still, both top managers emphasized that, in structure, communications system and culture, they saw ALPHA as a truly medium-sized firm. Middle managers reported both advantages – less bureaucracy and family-like relationships with other employees – and disadvantages – lack of an institutionalized communication system.

A focus on quality (ALPHA received the ISO 9001/2000 certificate in 2001) led to the 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. The first affiliate was in Innsbruck, Austria, but later relocated to Salzburg, about 200km from headquarters. After that, ALPHA opened a subsidiary in Munich, Germany, about 350 km north of Bolzano. These affiliates in Austria and Germany assured further, more direct penetration of the Austrian, German and Swiss markets. But although at this point in time ALPHA had locations in three different countries, the absolute distance between headquarters in Italy and the subsidiary in Germany was only about 350km. Furthermore, within all these markets ALPHA did not have to acquire new language skills but could rely on the firm's existing knowledge. Cultural distance among these three countries 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. Also, middle managers reported that the impetus for the internationalization strategy came from top management and was clearly associated with the generational change and the entry into the business of Mr. ALPHA Jr. 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. This decision clearly affected the company's usual business practices, as these countries have a different culture and different product requirements, and make different demands on managers. Many middle managers also faced the challenge of doing business and carrying out projects in a foreign language – which is something they were not used to doing before. Therefore, the decision to move business activities beyond ALPHA's "natural" borders was a major strategic change for the whole firm. Senior management officially communicated this decision to all middle managers in the firm in autumn 2004 in an attempt to inform employees about the new strategic direction. Even before that date, ALPHA acquired the 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. As two middle managers explained: "I don't think we had a strategy when we decided to internationalize our activities. Nobody said Germany isn't enough

anymore". "There wasn't a lot of strategy, it was more of a coincidence (…) it had a lot to do with contacts, maybe you knew a certain agency, and it just went on from there."

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 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. One middle manager described the senior top manager in the following terms: "The senior manager has the firm under control; even today, everything has to be seen by him. He's not used to delegating."

Interestingly, top and middle management had different perceptions about the extent of middle managers' involvement in the strategy formulation phase. One senior manager, for example, explained that all middle managers were involved in formulating the internationalization strategy. "The internationalization decision was made at a strategy meeting with the participation of all middle managers. Only operating personnel and secretaries were not involved in that meeting. We made the decision together." 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 concerns middle managers' involvement in the ISP in a medium-sized firm. More specifically, we 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 (Floyd and Wooldridge, 1992, 1994, 1997, 2000; Schilit, 1987) and the view that middle managers are involved mainly in strategy implementation (Schilit, 1987; Vouzas *et al*., 1997; Boyett and Currie, 2004).

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 managers normally do not attempt to change their environment but, rather, accept it (Collier *et al*., 2004; Dutton *et al*., 1997). 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 involvement, 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-report of involvement in the ISP contrasted with top management's perception of their involvement. Whereas middle managers experienced low involvement, top management reported high middle management involvement and the inclusion of all middle managers, even in strategy formulation. 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 manager did not recall this meeting or did not perceive it as vital for the strategy formulation process towards internationalization. Therefore, the objective reality surrounding middle managers seemed to be the same, but middle managers' perceptions about the real extent of their involvement differed (Mair, 2005).

One distinctive feature of the involved middle managers emerged. In general, middle managers 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 foreign affiliates in a foreign country, "Yes, I was definitely strongly involved. I could say I was 100% involved. I developed strategies together with the top managers". Top managers reported strategy formulation as one of their primary tasks. 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 at 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). Therefore, not only actual measurable attributes influence an individual's involvement in the ISP, because "people actively *perceive* those environments and are influenced by their perceptions rather than by some objective reality" (Spreitzer, 1996: 485). Spreitzer (1996) also emphasizes 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 focuses on the impact of middle managers' involvement in strategy formulation. Several positive outcomes of middle managers' involvement in the strategy process of the firm have been described in the literature (Wooldridge and Floyd, 1990; Westley, 1990; Oswald *et al*., 1994; Collier *et al*., 2004). In our paper, we are therefore specifically interested in the impact of middle managers' involvement in the case of internationalization strategy. More specifically, we address the importance of middle managers' involvement in the formulation of internationalization strategy that represents a radical change. 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 opportunities 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 of middle managers' perception of internationalization, we determine middle managers with a positive attitude toward internationalization to be opportunity-oriented, whereas middle managers with a negative attitude are 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.

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 so 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 (Boter and Holmquist, 1997; Baird *et al*., 1994; 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 translating a manual into a foreign language, had to be accomplished at great effort by a smaller number of employees, as reported by the head of the sales department: "Slovenia is a very small country and niche product suppliers do not have documentation for their product in the languages of these small countries. But then the customer says he has built a

swimming pool in Slovenia and therefore wants documentation in Slovenian. And that's when things very often fail".

Third, middle managers reported implementation problems, such as difficulties in monitoring subcontractors, the danger of copying of technological know-how by local partner firms, and subsequent competition from those firms. These new competitors might then start to enter ALPHA's domestic market, benefiting from lower labour 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.

Among the most reported risks were financial risks. 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.

Middle managers' personal misgivings about internationalization concerned a variety of issues. As many of them 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. One manager who otherwise had a generally positive attitude toward internationalization wanted more time to devote to it: "Internationalization would be nice, I would appreciate that. But it calls for a lessening of the workload in other areas, because you're still left with the bulk of the paperwork. You quickly reach capacity. That's why I'd appreciate more internationalization, but I would like to have more time for 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 their family. Most middle managers reported a certain 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. 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". "Unfortunately, we often have family problems when the wives find that you're gone for a whole week. A certain hostility sets in. And then we have to repair our relationships, with varying degrees of success."

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. This was seen as a threat: "If you're all on your own in Russia…, small things start to seem important, like who am I talking to after work while I'm drinking my beer? If I sit there all day by myself, I get bored. Then I think to myself, I must be crazy, I could get a job at home, and then I'd be with my family. But if you have a few friends with you, people you get on with and you can talk to, then being away from home is more bearable".

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 (Analoui and Karami, 2003; Boter and Holmquist, 1997; Fujita, 1998). In contrast, top management and middle managers with P&L responsibility assumed a very positive position towards internationalization, especially as they forecasted a huge untapped market in Eastern Europe.

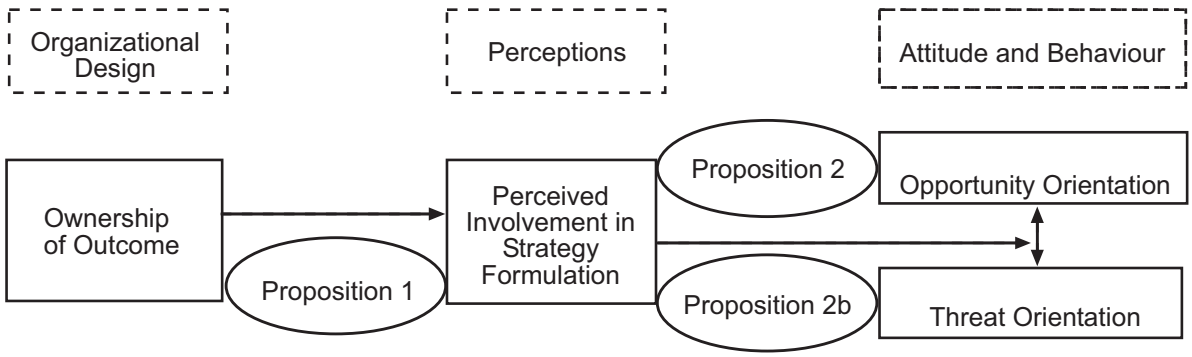
Based on our analysis of the data, we found that middle managers who perceived themselves to be involved in formulating the internationalization strategy had a more opportunity-oriented attitude toward internationalization. In contrast, those who did not perceive themselves to be involved in strategy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

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

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

Figure 1 summarizes and illustrates the main propositions we put forward



Discussion

Our analysis of the data gathered at ALPHA revealed that not all middle managers perceived themselves to have been involved in the formulation phase of the firm's internationalization strategy. The perception of involvement was dependent on middle managers' ownership of the outcome – middle managers who had revenue accountability perceived themselves to be involved in both strategy formulation and strategy implementation, whereas middle managers who lacked revenue accountability did not report any involvement in the formulation phase of the ISP. Furthermore, we found that middle managers' perceptions of involvement in the formulation phase of the new strategic direction affected their attitude toward internationalization. Involved middle managers looked at internationalization in an opportunity-oriented way, while their non-involved colleagues adopted a threat-oriented approach towards internationalization.

One of our contributions lies in generating an understanding about the antecedents of middle managers' perceived involvement in the strategy formulation phase. 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 the 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 (17.4) and a lower average age (46.1). In sum, at ALPHA, the older middle managers had a more favourable attitude toward internationalization than the younger ones; and middle managers with a longer average tenure favoured internationalization. Furthermore, based on our findings, ownership of outcome in terms of revenue accountability was the main indicator of perceived involvement in strategy formulation. 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.

Middle managers who have revenue accountability may experience internal pressure and a lack of environmental obstacles, which may increase their involvement in strategy formulation (Burgelman, 1983b; Guth and MacMillan, 1986; Huy, 2001; Kanter, 1982).

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 favourable perception of the firm's strategy. Furthermore, supporting Oswald *et al*. (1994), the involved middle managers showed more commitment than the excluded ones. Our findings suggest that involvement in the ISP influences managers' perceptions of threats and opportunities in internationalization.

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.

Limitations and Directions for Further Research

The validity of our findings is limited by the sample size and certain special characteristics of our sample firm. First, the sample (17 interviews) is relatively small because of the one-firm, full sample approach we adopted and the fact that any one medium-sized firm will inevitably have only a small number of middle managers. Second, ALPHA is a unique research setting, unlikely to be found in other firms, because it 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. Consequently, the transferability of our conclusions needs to 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, thereby examining the validity of our findings. On the one hand, research could focus on middle managers' involvement in the ISP in a larger firm. On the other hand, research on middle managers' role in the ISP could be extended to a multi-case analysis, including more than one medium-sized firm in the sample. Further research could also investigate the importance of middle managers' individual characteristics in determining their involvement in the ISP.

Conclusion

The main aim of this paper was to investigate middle managers' involvement in the ISP in a medium-sized firm. 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: accountability for the firm's revenue emerged as an important factor that determined whether middle managers saw themselves as involved or not. These perceptions of involvement, in turn, had a decisive impact on middle managers' behaviour and attitude toward internationalization. We found 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 may cause severe problems for the firm. Non-involved middle managers may hamper the correct implementation of the strategy (Guth and MacMillan, 1986), as implementation effectiveness depends on middle managers' attitude toward deliberate strategy (Schilit, 1987). It is obviously in the firm's interest that middle managers recognize and support the strategy, because "middle managers should understand the strategy better, so 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 to the decision-making process (Collier *et al*., 2004), it may be critical in order to induce a favourable perception of internationalization. This study complements

existing research in this area, as it emphasizes the importance of perceived exclusion and involvement. Managing perceptions may be equally important to ensure the involvement of middle managers in the strategy process.

Middle management is a highly debated topic in the literature. On the one hand, middle managers are seen as one of the key drivers of organizational performance; on the other, they are seen as being reluctant to change (Livian and Burgoyne, 1997). One could argue that it is difficult to change middle managers' attitude 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 may 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 on 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.

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Appendix

Questionnaire

The following selected questions represent a sample of questions used to assess middle managers' involvement in the ISP and the outcomes associated with their involvement:

- What do you think were the most salient changes at ALPHA in the last five years?

- In what sense were you involved in strategy formulation concerning internationalization? Did you make any suggestions to influence strategy formulation?

- Do you perceive your company culture as being open enough for you to put forward ideas about internationalization?

- Did internationalization change your everyday work?

- How did you communicate the internationalization decision to your subordinates?

- Are you convinced of the need for internationalization?

Table 1

Distribution of Interviewed Middle Managers by Tenure, Age and Revenue Accountability[2]			
	Years in firm	**Age[3]**	**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	

[2] 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.

[3] Where exact information about middle managers' age was lacking, estimates were used.