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# The strategic role of middle managers in the formulation and implementation of digital transformation projects

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## Abstract

Middle managers (MM) play a crucial role in implementing digital strategy. They directly influence the success or failure of an 'organisation's digital transformation. They are the enablers of digital strategy implementation and company transformation and sometimes can cast a sabotaging shadow side when not involved and engaged in the process. However, there are ways to engage them and divert their sabotaging behaviour.

**Keywords:** Middle managers; Digital transformation; Projects; Strategy, Innovation; Strategy Facilitation; Strategy Sabotage

**J.E.L classification codes:** L10; M10; L14; L16

## **1 Introduction**

Digitisation is not a new phenomenon and has been proven invaluable, especially in the ongoing global COVID-19 pandemic and is now more than ever-present across all aspects of life. A recent study by Ratten (2021) on the impact of the ongoing global COVID-19 pandemic on entrepreneurship found that “... life has evolved considerably. Human life has transformed with the use of digital technologies becoming the norm”. In recent years, many companies initiated “digital transformation initiatives”. Despite the agreed-on vagueness of the term, it is commonly used to describe all types of digital-related corporate change projects, from integrating digital tools into everyday business processes to full-scale organisational restructuring (Boutetière et al., 2018). According to (Boutetière et al., 2018), eight out of ten companies in S&P500 have undertaken digital transformation (DT) efforts between 2013 and 2018. Most vivid examples include companies like General Electric, ING, Disney, and Lego. However, historically, less than 30 per cent of digital transformational activities bring results which fulfil all the stated targets (Boutetière et al., 2018; Tabrizi et al., 2019).

Studies in the Information Systems (IS) literature imply that the core development of digital capabilities with organisations lies in the alignment of Information Technology (IT) and business strategies (Luftman & Brier, 1999). Thus, IT must be applied appropriately and timely in harmony with existing business strategies. Significant attention is given to top management support’s importance and end-users' role in the technology implementation. However, available studies lack robust research data on middle managers' (MM) role in DT. From a general management research perspective, there appears to exist research focusing on the middle management roles in different change types (Wooldridge et al., 2008), yet DT projects have been largely neglected. Studies highlight the importance of middle management for DT development, yet few have evaluated this involvement in more depth (Jaoua, 2018). Relatedly, the strategic contributions of MM have been well recognised within available academic literature. For instance, MM is positioned between the operationally focused frontline and strategically

focused executive managers. This position allows them to develop and promote innovative and actionable ideas (Dougherty & Hardy, 1996), increase the effectiveness in reaching companies' targets (Floyd & Wooldridge, 1997) and execute strategic plans (Floyd & Wooldridge, 1992). However, there is a gap in available research and knowledge on the strategic role of middle management in developing DT projects.

This research gap is confirmed in reviewing relevant literature since it appears that the only relevant paper on the subject was a case study (of a Finish public sector company) conducted by Paavola et al. (2017). Other studies on DT appear to have failed to provide an in-depth exploration of the topic of middle management's involvement, though acknowledging their role in the creation of emergent strategies (Chanas & Hess, 2016). Additionally, management's role was identified as crucial for the success of such projects and even superior to the technological issues that companies face (Kane, 2019). Furthermore, available research on MM's strategic involvement is broad, with multiple theoretical frameworks present. MM is recognised to be not only implementors of deliberate strategies developed by top management executives but also facilitators and information synthesisers. In addition, they execute strategic influence upward by championing their emergent strategic initiatives to top management.

This paper responds to both the lack of relevant studies and the research call from Wooldridge & Floyd (2012) for additional research studies about the strategic role of middle managers (MM) in transformational projects. This research aims to explore the involvement of MM in strategy formulation and implementation in digital transformation (DT) change projects and evaluate the importance of middle management strategic roles and strategic activities for projects' successful implementation. To achieve this aim, we identified the following objectives for our study:

- a) Evaluate the middle management's strategic roles in digital transformation (DT) projects.
- b) Explore the key activities of each middle management strategic role in DT projects.

- c) Evaluate the importance of middle management's strategic roles for successfully implementing digital transformation projects.

This article is structured as follows. Section 2 and 3 explore available literature on digital transformation and the strategic involvement of MM in the strategy formulation and implementation in general, with a focus on change and digital transformation projects. Section 4 describes the methodology applied in this study, followed by the results and discussion in section 5. The study concludes in section 6 with the implications, future research direction and conclusions.

## **2 Digital Transformation**

Digital transformation (DT) is commonly defined as “a change in how a firm employs digital technologies, to develop a new digital business model that helps to create and appropriate more value for the firm” (Verhoef et al., 2015). DT started gaining momentum in 2016 and was mainly focused on diversified areas within disciplines. For example, digital advertising (Lamberton & Stephen, 2016) and Omni-channelling (Verhoef et al., 2015) have become popular. While strategic management literature focused on the renewal of business models and capabilities (Foss & Saebi, 2017), available research on IS explored the adoption of technologies and their impact on business performance (Nambisan et al., 2017).

Research on DT from various perspectives, such as marketing, information systems, and operational and strategic management, concluded that all streams share similar characteristics of distinct digital stages that companies undergo, ranging from trivial ones to more persistent and transformative (Verhoef et al., 2021). Scholars have identified three stages in this transformation: digitisation, digitalisation, and digital transformation (DT):

*Digitisation* is translating information from analogous sources to digital ones (Dougherty et al., 2012), changing from analogue to digital tasks and developing more cost-efficient configurations of internal

processes using IT systems. An example of digitisation activity would be the usage of digital surveys for information gathering or integrating digital document processing systems. Therefore, digitisation usually refers to converting internal and external documentation and information processing to the digital realm without any added value activities.

*Digitalisation* uses IT to alter existing business processes in the aim of seizing new business opportunities. One example could be the development of digital communication channels to interact with customers and suppliers improving the overall quality of the service provided and speeding up procurement processes. Digitalisation allows for the improvement of processes and their coordination within the firm and with external parties. Therefore, compared to digitisation, it is focused mostly on enhancing customer experiences and not only on cost savings.

*Digital Transformation (DT)* describes the change that affects the organisation as a whole and ultimately leads to the development of new business models (Pagani & Pardo, 2017). Developing new business models increases their competitive advantage by responding to the changing conditions in the external environment or even anticipating and altering these conditions through deliberate initiatives and actions. Digital transformation (DT) is distinct from digitalisation as it not only improves the internal processes but also rearranges them, creating a new business logic or value creation processes (Li et al., 2018). Therefore, only DT is deeply linked with the organisation's core strategy as it leads to developing new business models via utilising digital technologies.

Another important factor relevant to DT is that it primarily affects established incumbent firms, which face challenges in the rapidly changing market environments due to their legacy. A vivid example is that the top 5 S&P 500 (Johnston, 2013) companies in 2000s were Exxon, GE, Microsoft and Citigroup. However, as of August 31<sup>th</sup> 2020 (Amadeo, 2020) top 5 are Microsoft, Apple, Amazon, Facebook and Alphabet. All five are truly digital compared to Johnson and Johnson and Berkshire Hathaway at numbers seven and eight. Incumbent companies are struggling to adapt fast as they have to deal with

trade-offs and internal conflicts while adapting their business models to the new environment (Christensen et al., 2016). Thus, the approach they pursue is usually gradual, they undergo all three stages one after another.

Organisational structure changes are necessary to achieve successful DT (Eggers & Francis Park, 2018) as the correct processes and human resources play a vital role in DT (Almeida & Wasim, 2022). Literature suggests that to achieve the necessary agility, adopt changes and fast exploitation of market opportunities, an organisational structure must become more flexible, composed of separate business units, more agile forms of existing structures and enable digital functional areas.

### **3 Strategic roles of middle managers**

Research on middle managers' (MM) strategic involvement is broad, with multiple theoretical frameworks present. MMs are recognised to be not only implementors of deliberate strategies developed by top management executives but also facilitators and information synthesisers. In addition, they execute strategic influence by championing their emergent strategic initiatives to top management. The role of MM in strategy implementation and formulation is well defined, and they are positioned as linking pins coordinating top and operating level activities. Therefore, MM involvement in strategy can be defined as the coordination of particular functional or divisional units' operational activities with activities of vertically integrated groups.

A study by Chaniyas & Hess (2016) has evaluated the role of middle management and identified it as a significant contributor to the development of the emergent digital strategies contributing to the organisational environment even before the topmanagement comes forward with the deliberate DT strategy. Gupta (2018) analysed organisational problems of digital transformation (DT) and proposed a collaboration betweenmiddle management and the human resources department to support and coach line managers and specialists on coping with challenges in the new digital environment.

Mintzberg (1978) gathered early findings about the role of middle management in corporate strategy and developed his framework with a focus on emergent strategy. He argued that the existing theory was incomplete and that strategy is not formulated only at the top and then executed below the top management level. MM are not only implementers and information providers but also a part of an emergent upward influencing strategy system. Therefore, strategy formulation and implementation are processes of social learning when all company's employees are adapting to the changing environment, and MM are key actors in them. Following the increased attention to the strategic role that MM play in organisations, three core motivations for their further research emerged in the literature:

First, MM serve as connectors between exclusively operational and exclusively strategic levels of the organisations, between the top and frontline managers, due to their positioning in the organisational structures (Floyd & Wooldridge, 1999). Even though this position was first regarded as a source of resistance (Guth & MacMillan, 1986), later studies indicated that middle managers (MM) play beneficial roles as agents of change (Huy, 2002). Second, even though it is clear that top management is the key source of the organisation's strategy (Hambrick & Mason, 1984), MM are perceived as complementary strategic agents. With modern organisations spanning across industries and countries, their leadership is distributed throughout the organisations and MM acts as mediators between functions, divisions and organisational levels (Balogun & Johnson, 2004). Third, due to their closer positioning to the operational activities, MM is more likely than top managers to identify gaps in the organisation's capabilities impacting the economic performance (King & Zeithaml, 2001). MM is then using this knowledge to develop initiatives to build lacking and improve existing capabilities.

Burgelman (1983) developed a model with a new perspective of how the strategy work is divided between middle and top management. In his research, he identified mechanisms that govern the allocation of resources to particular initiatives and found that idea generation for these initiatives was concentrated at the lower levels of an organisation. MM then recognised and promoted strategic



initiatives to the top management, deciding whether to allocate resources to them. In this approach, the role of top management is to create the necessary processes to facilitate adaptive strategy development. Bartlett & Ghoshal (1993) further reinforced this notion of thinking, who recognised that MM should no longer be viewed as focused exclusively on control but rather as coaches and supporters for frontline managers, empowering them for entrepreneurial activities and nourishing their initiatives. In this context, top managers now become managers of the entrepreneurial process, who develop the general approach, broad targets and performance standards. In later research of 185 organisations, Andersen (2004) confirmed that the dissolution of strategic decision-making authority across the organisational levels leads to increased financial performance for companies in dynamic environments.

Fuchs & Hess (2018) studied two cases of large-scale agile transformations in sand and identified an exclusion issue that arose with creating a designated agile department within the company. Most MM was excluded from this department's activities which later slowed down the adoption of Agile methodology throughout the company. Agility in management is defined as the ability of an organisation to adapt continuously to the constant change in the environment (Theobald et al., 2020). It is the capability of a firm to achieve competitive advantage by dynamically changing its strategic planning (Reed, 2021), making strategy fluid.

Middle managers (MM) are able to resolve the capability-rigidity paradox that emerges in organisational and entrepreneurial activities (Floyd & Wooldridge, 1992, 1997). While the goal of an organisation is to perform well on its core activities and develop its existing businesses, too much focus on it can lead to increase rigidity. Such an organisation would fail to adapt to drastically changing market conditions as its organisational learning abilities would be dampened, thus leading to lowered competitiveness. Many external factors should be carefully considered as they play a critical role in determining a firm's strategic direction to maintain its competitive advantage (Almeida & Wasim, 2022b). On the other hand, exploring non-core activities can lead to a loss of focus and result in poor organisational performance

(Hoskisson et al., 1991). MM positioning between the deliberate and emergent forces (Floyd & Wooldridge, 1997) is where the change and inertia collide. Literature highlights five key roles MM plays in the transformation strategy.

*Insert Table 1 here*

A recent study conducted by Jaoua (2018) has shown that all roles are relevant to assess the successful strategy implementation within the organisation and that middle management is indeed impactful through the behaviour expressed through implementing a deliberate strategy role. Having critically reviewed the MM roles and their connection to DT processes, we now move to the methodology section.

#### **4 Methodology**

The topic of the research is relatively new, and digital transformation (DT) is currently a buzzword in strategic management literature, creating much exciting debate. Due to the lack of existing literature examining the strategic role of MM in the strategy formulation and implementation in such projects, this study adopted an exploratory research method as it allows a broad understanding and defines the underlying concept (Zikmund et al., 2003). Thus, a qualitative multiple-case study research approach was considered as most suitable (Lee & Saunders, 2017) since it principally relies on the participants' view of the phenomenon in question and allows researchers to explore these subjective viewpoints to comprehend in-depth meanings and beliefs (Flick, 2014; Wasim et al., 2018).

Following this study's research objectives and applying deducting reasoning (Floyd & Wooldridge, 1999), this research tests whether the gathered data fits the existing middle management strategic behaviour frameworks in DT projects. In other words, viewing the gathered data through the theoretical lens of the existing frameworks (Braun et al., 2019). Reflection upon the theoretical themes that the data and literature reviews suggest will be made according to the specified approach (Saunders, 2017).

To have a homogeneous sample of respondents and exclude as many external factors affecting strategic roles of MM, purposive sampling was chosen for this research. This type of sampling allows for gathering more representative data and thus more trustworthy findings than the heterogeneous sampling with much more changes and variation (Maxwell, 2012). Using consultants as our primary data sources allowed us to incorporate features of multiple case studies in the research. The interviewed consultants have been working on multiple DT projects in the banking sector and thus share experiences across multiple cases of such projects. This approach allows tackling the single source bias (Avolio, et al., 1991) both through exposure to multiple DT cases as well as through consultants' exposure to multiple MM they have been working with on each of these projects. Consultants are a valid and trustworthy target source of primary data. They have long and diverse experience in the particular field, thus being key information holders with a holistic perspective. They regularly interact with MMs having a deep and broad understanding of how MMs behave. On the other hand, MM do impression management if directly contacted versus the consultants that offer a more objective perspective of the real picture. At the same time, their holistic perspective comes from experiences with various companies and not just one case. Thus, we get an aggregated perspective that compensates for large numbers of MM.

The semi-structured interview approach was chosen as it allows in-depth exploration of the research questions while still gathering insights that might emerge during the interview process (Longhurst, 2003). Using qualitative semi-structured interviews, which principally rely on the participants' view of the phenomenon in question, allows researchers to explore these subjective viewpoints to comprehend in-depth meanings and beliefs (Flick, 2014). Data were collected using eight in-depth interviews with management consultants to get a holistic view of the role of middle management. These consultants were involved in 12 total DT projects and closely observed MM's involvement. Consultants were interviewed using in-built Telegram audio calls as well as Zoom and Google Hangouts video conferencing software. As consultants are subject to non-disclosure agreements with their employers

and clients, they were ensured that all data is gathered only for academic purposes and no sensitive information will be disclosed in the research, including names of respondents, names of discussed middle managers (MM), consultants' employers, clients' companies and specifics of the projects.

A set of guiding activities were developed regarding the interview design and building on our research objectives (Table 2). Each activity is associated with the studied strategic role and builds on MM's five key strategic roles (Floyd & Wooldridge, 1999; Kane, 2019).

*Insert Table 2 here*

To facilitate our interview design, a facilitating diagram for implementing a deliberate strategic strategy role was developed (Figure 1). This diagram structures the activities in sequential order.

*Insert Figure 1 here*

The collected data were analysed following the six-phase thematic analysis guide similar to Ukanwa et al. (2022). Thus, we followed a process of identifying themes and/or patterns within our collected interview data (Lee & Saunders, 2017). First, we relistened to all the recordings and reread the produced transcripts to familiarise ourselves with the gathered data. Next, manual coding was conducted throughout the transcripts to identify patterns in the data by labelling relevant to the research questions data. Thirdly, searching for themes was conducted by clustering the identified codes to create a plausible mapping of the key patterns in the data. After the last stage, the process was paused to review the created themes and check whether there was a plausible fit between the coded data and identified themes. Each theme had to have a clear and distinct meaning relevant to the research questions and dataset. The review process led to several changes in the themes, further expanding on their sense (Braun et al., 2019). When themes were finalised, a final description of each theme was created, providing a roadmap for the findings section write-up. An example of the

identified themes with the relevant descriptive codes and exemplary interview statements is presented in Table 3.

*Insert Table 3 here*

The analysis results were compared among respondents to extract information and generalise conclusions about MM's strategic roles and strategic activities.

## **5 Results and Discussion**

This chapter presents findings and insights that were gathered through the thematic analysis of our interview data with consultants working on digital transformation (DT) projects in the banking industry. We are both excited and surprised by our results.

### ***5.1 Common characteristics of the projects***

The organisational component was the one that occurred the most. The most important aspects of digital transformation (DT) are preparing an organisation to react to rapid market changes, accelerating decision-making processes and equipping middle and line managers with tools that accelerate their learning and, as a result, organisational learning in general. All these three goals are impossible to achieve with the traditional strictly hierarchical and very bureaucratic organisational forms that were present in the banking industry:

The middle managers as catalysts or disablers in these processes seem crucial to reducing decision-making time.

The second most common component was “Agile education”. DT’s essence is in integrating business and IT strategies Kane (2019) and Agile have proven to be the methodological approach that allows integrating them together, additionally granting newly formed cross-functional teams with decision power to implement and test their ideas on the go. All projects with an Agile education component implemented backlog management systems and product sprints with regular feedback systems and

renewed KPIs. A significant part of these consulting projects was dedicated to the education of employees on how to work in these new paradigm conditions led by MM, which had a substantial role in these projects

The third was the adaptation of IT infrastructure. Most that went through DT were built using monolithic enterprise software solutions. Building on such solutions means that there is one main server or system of servers responsible for handling that there is one main server or system of servers responsible for handling that there is one main server or system of servers responsible for handling all queries. As a result, any change in the system leads to the reassembly and redeployment of a new version of the server part. These redeployments cannot happen when the system is down during this time. More importantly, though, it is the human factor of MM as quick fixers and facilitators speeding up the process.

Selling top management initiatives to subordinates was identified by consultants as the role that is critical for the success of DT projects. These projects have a high degree of uncertainty at the start and are usually developed on the go. This uncertainty means that without client engagement project slows down significantly, and results become obsolete after the consultants are gone. Additionally, the very nature of the project is the transformation of the whole s, which means it is critical to get approval and support from most employees, not only top managers. Here the top manager's roles as communicators in translating the top management initiatives into an action plan for lower-level employees are crucial. Furthermore, it seems that championing ideas, in the opposite direction, towards the upper management improves the quality of the project's output.

## ***5.2 Translate goals into action plans and individual objectives***

Translation of top management goals into specific action plans on most of the projects was done in close cooperation with consultants. However, on some projects, consultants were the primary driver of this interaction, while on the other, consultants served as guides who analysed middle managers' initiatives and approved or corrected their approach.

It was found that the lack of initiative from MM in coming up with appropriate action plans is the direct result of lack of proper vision translated from top management or senior MM and thus is connected with the strategic role of Champion ” “selling top management initiatives to subordinates”.

Very similar situation when MM from supporting functions did not understand the new Agile paradigm and did not approve of new KPI systems for themselves and their subordinates, thus potentially posing an obstacle to the strategy implementation acting on the opposite perspective of the facilitator role

However, KPIs do not always seem to be needed. It was interesting to discover that the rigidity KPIs bring can work as a tool for getting the work done. However, it often results in a lack of proactiveness from subordinates. They start treating transformation as a part of the job and do the minimum required amount of work. An approach that works the best is getting the commitment and sharing the vision of the transformation with employees.

### ***5.3 Implementing action plans***

Implementation of action plans, similarly to the translation from goals into action plans on the majority of the projects, was done by middle managers (MM) in close cooperation with consultants. MM seem to proactively discuss the best ways to ensure the success of the project as well as meeting the top management or senior middle management objectives, depending on who was the project’s owner. However, we confirm that in several projects, implementation leads to unsatisfying results because of poor quality of objectives posed by top management and lack of engagement of MM in the strategy design process.

Similarly, project implementation also slowed down because of the resistance from line managers and poor quality of the line managers’ communication in inspiring action. Implementation was identified as one of the most crucial activities. It was done well by MM, but at the same time, it was part of the strategy process wherein most issues persisted on several projects. Although this strategy process might

seem to confirm an existing issue on strategy implementation in general, we emphasise that a major cause is the lack of MM engagement or even the sabotaging of the process. The last fact is not caused necessarily deliberately but rather as a lack of engagement.

In summary, the consultants' answers about MM strategic behaviour on digital transformation projects as well as the assessment of the importance of strategic roles. Following the five elements, the importance of these strategic roles has been highlighted in Table 4.

*Insert Table 4 here*

Further, and following our surprising yet interesting results, it was possible to identify the most important and least important activities of MM, which are presented in Figure 2.

*Insert Figure 2 here*

Further information and evidence can be further provided extensively through the interview transcripts upon request and with relevant summarising tables. In the following section, the theoretical and practical implications are discussed and the conclusions of this research are presented.

## **6 Implications and conclusion**

This research contributes to increasing knowledge on the strategic role of middle managers (MM) in formulating and implementing digital transformation projects. Floyd & Wooldridge's (1992) seminal framework that most authors follow now requires adaptation when studying MM behaviour. First, strategic activities 'relax regulations to get new projects started, provide a safe haven for experimental programs and buy time' for experimental programs the facilitating adaptability role were identified to be overlapping with each other. This major weakness in applying what now is the classic theory on MM calls for special attention to better understand strategy design and implementation. In the digital transformation (DT) context relaxing regulations, buying time and providing a safe haven were found to always be related to the same activities conducted by MM. Therefore, the authors propose merging



them into defending new projects against established procedures and strategic activity, which should be sufficient to analyse relevant strategic behaviour in facilitating adaptability. Second, strategic activity evaluates the merits of new proposals that were identified to be excess for the championing alternative's role. Findings suggested that MM is evaluating merits in the process of justification of new and existing projects. Therefore, all relevant behaviours could be classified to the activities mentioning justification, thus creating new categorisations that could be customised per case of analysis.

Data recognised the role that MM play in DT projects, especially their impact on the development of emergent strategies, which was highlighted by Jaoua (2018), but there was a lack of understanding of which strategic roles and activities have the greatest effect. Middle management strategic behaviour through consultants' experience allowed to neglect impression management bias present when asking middle management about their strategic behaviour directly (Birken et al., 2015; Hansell, 2018; Way et al., 2018).

For practitioners and managers, this study presents a highlight into middle management strategic behaviour on digital transformation projects. Practitioners can use the findings presented in the study to lower the 84% failure rate across all digital transformation projects (Rogers, 2016). In the findings section, consultants' experiences of their interactions with MM and observations of middle management behaviour were presented. These cases provide practitioners with examples of what can go wrong on digital transformation projects and reasons for such failures in relevance to MM.

Additionally, successful implantation cases provide insight into what key activities are required from the top and middle management to ensure the successful implementation of the projects. Key decision-makers can use such examples as guidance when developing strategic processes within the companies, allocating key responsible persons and monitoring the implementation phase. By evaluating MM present in the companies on their potential impact through the described strategic activities, practitioners will be able to assign fitting MM to the positions of crucial responsibility. They know which activities they

should monitor with the most attention. For example, the study suggested that the three most crucial strategic activities are selling top management initiatives to the subordinates and implementing action plans designed to meet objectives and direction. Thus, selecting MM who can excel at these three strategic activities will increase the chances of successfully implementing digital transformation projects.

We call for future research directions that can confirm and extend our findings with a larger sample of projects, preferably across multiple industries and countries. This expansion will allow identifying whether qualitative and quantitative findings of the current study are applicable in the broader banking industry context. Further, the emergent qualitative findings from the interviews suggested the existence of correlations between middle managers' personal characteristics and their strategic involvement in different framework activities. Therefore, it would be valuable to conduct research examining the impact of personal characteristics on each strategic role and activity.

We believe that by exploring the strategic involvement of middle managers in formulating and implementing digital transformation change projects, we offered new insights into identifying what roles and strategic activities are the most important for successful implementation and future adaptation.

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