Middle Managers - Leading for Performance
The case of a major Australian retail business
Background

The Centre for Workplace Leadership was invited by a major Australian retail business to conduct research on the company. The CEO wished to have a solid basis of evidence on which to improve communication, innovation and decision-making in the company.

The research took place over a year between mid-2014 and mid-2015. It involved interviews with staff at all levels, from CEO to frontline business staff.
Key Findings

The analysis of communication, innovation and decision-making processes found three main issues that were impacting organisational effectiveness. These were:

- shifting to hierarchical leadership had reduced employee engagement;
- increased bureaucracy had reinforced organisational silos;
- top-down decision-making had crowded out collaboration and innovation.

Each of these findings is described in more detail below, along with quotes from the interviews.¹

¹ The quotes have been edited and anonymised to protect identities.
Finding 1

HIERARCHICAL LEADERSHIP REDUCES EMPLOYEE ENGAGEMENT

A shift to an increasingly authoritative leadership style seemed to boost confidence in the company overall. But this was at the cost of engaging employees and reducing the flow of upwards communication important for decision making. Employees felt loyal to the organisation and mostly supported its efforts to improve coordination and efficiency. But the perception of top-down authority reduced employees’ willingness to communicate messages that would provoke negative reactions.
The company had recently moved from a network-based organisational model, where authority was widely distributed within teams and across different regional sites. It had become more centralised, with stronger corporate leadership and hierarchy, emanating from the board downwards.

“I’m a strong believer of, you know, strong leadership comes from the top down… (the CEO’s style) is very much lead from the front, put a flag on the hill, follow me… (He) is decisive, and that permeates through the business.”

Decisions were made at headquarters and issued to regional entities as clear top-down directives. There was approval from many of the interviewees of the direction taken by the leadership, but at the same time, some commented that the new management style tended to squeeze out debate and consensus-building, even at senior management levels.

“Without beating around the bush, a lot of ideas would come from (the CEO) and they will be ideas/direction/directives… And so we all agree with him.”

This more directive style of leadership had developed in in the Global Financial Crisis, during which the company came close to collapse, leaving executives and staff with significant personal losses from owning company shares. Given this context, a firm leadership team with a clear focus on restoring profitability was welcomed, even though it limited local decision-making.

“During the global financial crisis, the tendency of the organisation was to pull back authority, to bring it back to the centre… But one of the priorities now is to find a way of delegating more of that authority downwards, of giving some more power away to people (to) feel more connected and more able to make their voices heard”
Another effect of this directive style of leadership highlighted by some interviewees was that the style was replicated through the organisation:

“It sends a message to the other people that’s probably the way it cascades down. As soon as you get somebody at the top that starts ripping people...for fun, then that just gets passed down the line. There’s been times when I’ve copped it, and I’ve thought, ‘Where did that come from?’ You just walk into a hail of bullets and you think, ‘I didn’t see that coming,’ because I’ve copped it. The pressure gets fed down the line... If it’s handled better at the top, it’s definitely going to flow through to us the same way.”
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Finding 2

INCREASING BUREAUCRACY REINFORCES ORGANISATIONAL SILOS

Employees recognised the need for more systematised formal functions compared to the past. Nonetheless, there was a feeling that the increased bureaucracy was creating barriers to local decision-making. A significant effect of this was increased functional divisions within local centres with more geographically distant managers. Employees had a feeling they were working in silos, while local teamwork was being eroded.
Many middle managers found that the company had become more systematic and efficient in its information-gathering and decision-making: issues that had previously been dealt with at local level were now assessed and authorised by head office. Some welcomed what they saw as increasing professionalism and modernisation within the company:

“Where before our organisational chart would have been a lot (flatter), now the company has a lot more buffering tiers above where we sit. Which is kind of good for standardisation of documentation and all of those regimes you’d expect to see in a big organisation. So, which is good for us, ‘cos, it was always, like, ‘what are you doing?’ ‘oh, well, what have you got?’ you know. (Well) let’s share that information so we can start to standardise it.”

However, this increased distance had also increased anxiety and the perception of political game-playing. There were for example fears of repercussions for those that didn’t accurately read and follow the hidden “rules” that underlay the formal decision-making process.

“In the old organisational structure, you’d send it to your regional (level), he’d probably speak to the national (level) and go, ‘We need to spend this money, it’s a no-brainer… let’s do it.’ Maybe it’s just that things are a little bit shaped more, people are more paranoid these days about the way we communicate. With more layers comes more caution… it’s a bit of a political game. So there’s politics in everything, you need to take the right channels, otherwise you’ll create yourself a political nightmare.”

One consequences of increasingly formalised communications was that informal networks and information sharing - a valued aspects of the original organisational culture - were being eroded, thereby dampening the potential for local creativity and knowledge-sharing. Some staff had an increased sense of “them and us”, with head office seen as living in a separate world, and little opportunity for social and informal interactions with staff and senior managers at head office.
“On a day-to-day basis, we’re not based in the same place, we don’t have a need to communicate unless there’s something (formally) going on… They actually have separate Christmas parties for the (site) teams and the head office team”.

There were cases where staff in regional and local offices still had frequent face-to-face engagement with each other and their senior managers, regardless of the hierarchical relationships. Many of these commented that they found these continuing connections energised them emotionally, creating a sense of shared purpose and commitment that helped counter-balance the wider shift to a more bureaucratic and hierarchical organisation.

“It’s very lucky actually that (this) team is very efficient at communicating because what happens in a lot of places, internally, departments don’t communicate well with each other and as a result, there’s a lot of missed deadlines and a lot of conflict. I think what makes this team different is we tend to gel well. We work with each other, it’s a very free environment where no one is intimidated to speak or to say that they cannot do something. So I’d say in terms of communication, the communication is very open, very open.”

This sense of emotional connection extended to senior managers where they engaged directly with teams. However, the opportunities for such engagement were being eroded by the increasing centralisation of management functions.

“I think when you exchange conversations with some of the top senior people, when you hear the message of what’s the constant drive of the company on a more regular basis one on one, or in small groups, or in state luncheons, that’s an added zing.”
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Finding 3

TOP-DOWN DECISION-MAKING CROWDS OUT COLLABORATION AND INNOVATION

An unintended consequence of centralised managerial decision-making was of crowding out grassroots innovation and collaboration. This finding was particularly significant as the unwillingness of employees to innovate was seen as a major obstacle to the organisation’s development. Innovation was poorly supported and largely invisible to head office.
One of the most significant impacts of the organisational change at this retailer was the effect on how ideas and innovation emerged and were communicated. Decisions made at central level and sent down to regional sites tended to over-ride the experience of the middle managers of those sites, who already had well-developed networks with colleagues. The motivation of those managers to communicate with and learn from colleagues in their networks was being dampened by the increasing centralisation of decision-making. As one marketing manager commented:

“Definitely, there is a sharing of ideas between (middle) managers if I’m having an issue, I’ll call (another site): ‘What do you think will work?’ ‘Oh we’ll send photos of what might work…’ It’s done on a smaller, much more informal scale. But I think they’re gonna formalise this whole sharing of successful campaigns and ideas’ processes.”

Other middle managers expressed frustrations that efforts to develop local initiatives or adapt to interests and events within their local communities were being hampered by increasingly centralised decision-making by senior management.

“You can waste a lot of time kicking the can around. We did a marketing initiative that’s gone through our (local) marketing (manager), the regional marketing manager, the regional manager, and now the corporate communication department, and then someone overarching who apparently needs to have a look at it as well! I’ve got this this bloody $35,000 and I’ve got to spend it, but I can’t – do you know how hard it is to spend somebody else’s money?”
Emphasis on vertical communication channels tended to push innovation into the margins of the organisation. There were examples of local efforts at innovation and commercialisation, pursued informally by individual employees driven by their personal values and commitment to the organisation. One example was a middle manager whose personal interest in environmental issues led him to introduce a new system of green waste disposal:

“(My colleague) is majorly big on this sort of stuff, they’re ahead of the game. I didn’t realize until I started cross-collaborating with someone, and I’m like, ‘you’re already doing this, mate. Whoa, give me your learnings, what do you find better and easier here? How do you get ...the clean, green waste and not contaminate it with plastic?’ You know, he’s done that, and there’s the way I’m doing it, and he’s like, ‘Maybe you should try the way I did.’”

Although there were impressive examples of local innovation to be found, the managerialist communication channels tended to hinder rather than encourage knowledge sharing and organisational learning. The tendency was for innovation to be localised and shared informally, often “against the tide” of official, top-down communications. One employee’s long-standing personal efforts to work with his network on waste management were eventually noticed and adopted by his company only after an incidental exchange with a senior manager’s relative outside work.

“So (our contractor said)...‘we can within the space of a week, save you $400,000 on waste.’ Well you’ll be interested to know (we’ve) been jumping up and down about that for a long time... Then this guy happens to play basketball with (my senior manager’s) relative and pitched to him: ‘I can save him $400,000 if he gives me nothing.’ And the next week he had a meeting... So then you get the ‘top down’.”
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Possible lessons
FOR OTHER ORGANISATIONS

While it is possible to overstate the lessons from one organisation, this research does suggest some lessons for the leadership of companies undergoing similar change.

Pay careful attention to the negative effects of hierarchy.
Increasing formal managerial authority is likely to reinforce a culture of hierarchical decision-making and reduce employee voice and engagement.

Communications should not be a one-way flow.
Top-down directives reduce opportunities for meaningful exchange and engagement.

Support collaboration and organisational learning.
Without senior management support, learning will not happen effectively across organisational boundaries. Strengthening corporate functions alone is likely to develop hierarchies that reinforce silos and reduce collaboration.

Create opportunities for ideas to surface.
Senior managers wishing to increase innovation should leave space for ideas and experimentation, and create safety for employees to learn from mistakes.

Break down organisational silos.
Senior managers should undertake activities that encourage and support communication and networks that straddle organisational boundaries.
For more information:
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