

Resources and capabilities in intra and inter-organizational processes

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ABSTRACT

Strategic development is generally supposed to emanate from headquarters to be implemented by other units (Delany, 2000). Accordingly, strategy research often does not provide insights into the sources of middle managers' influence in relation to their head offices (Ambos et al., 2010). Researchers such as Priem and Butler (2001) have called for research on how valuable resources are built in order to open up the black box of processes. We extend previous research on the micro-processes underpinning middle managers' strategic agency through a case study showing intra-organizational positioning processes through inter-organizational relationships. The case study is a longitudinal, interpretive case study based on participating observations, informal talks and interviews with middle managers. In the case study new unique relationships with resourceful actors together with a more informed and positive view of the local branch office and the region among head office managers were regarded as means to improve the local branch office' intra-organizational position. We contribute by showing how an external network of competitors was created and drawn upon by middle managers for intra-organizational strategizing. The paper furthermore contributes to research on business capabilities by illustrating how resources are created and firm's capabilities developed by middle managers through their external networks.

Key words: middle managers, micro processes, network, capabilities

Competitive paper

INTRODUCTION

As Kuhn (2008, p. 1231) pointed out, companies are “not merely economic actors or bundles of resources, but complex social systems that incorporate a variety of interests”. It is thus no surprise that within companies there is competition between local branch offices (LBOs) about limited internal resources. This vulnerability creates a need to prevent adverse changes and stimulate positive ones. Managerial agency (Giddens, 1979; 1984) by LBO managers can render the LBO more tasks and resources, which in turn can change the intra-organizational power balance. A subunit’s bargaining power is increased by (a) possession of critical resources, (b) legitimization by alignment of practices to organizational values and norms and (c) personal relationships with decision makers and a strong intra-organizational position (Gammelgaard, 2009). In the words of Salancik and Pfeffer: “a subunit instrumental in obtaining critical resources for the organization is in a better position to obtain the critical and scarce resources of the organization” (1974, p. 453). In spite of the large number of middle managers acting to improve their LBOs’ internal position by developing various resources and capabilities, our knowledge of how they do it, and the tools they use is still limited (Mitrega, Forkmann and Henneberg, 2015; Johnson et al. 2003). More knowledge is still need to expand our understanding of how middle manager can influence organizational transition by acting as change agents (Balogun and Johnson 2004; Pettigrew, Woodman and Cameron 2001) and in how they interact with senior management (Hope, 2010).

Access to location-bound resources that are hard to imitate since they stem from socially complex interactions has been identified as a source of competitive advantage (Barney, 1991). Furthermore, the importance of networks, both internal and external, for unique resource access has been stressed, for instance by Forsgren and Holm (2010, p. 421):

[...] researchers acknowledge that important value creation occurs in lateral corporate relationships below the head office (head quarter) level, and that external relationships, beyond the legal boundary of the firm, may be crucial for such value-creation processes.

The underlying logic is that a network is an inimitable resource in itself (Gulati, Nohria and Zaheer 2000). But in their review of the middle management perspective on strategy process, Wooldridge, et al. (2008, p. 1213) conclude that “there are still too few studies that investigate how middle managers actually realize and renew intra-organizational and external

relationships”. Acting in external networks can thus be an important resource for middle managers in their strategic intent to create valuable resources and thereby affect the internal power balance (Schotter and Beamish 2011). Important in strategizing thereby becomes one of recognizing the scope for action in the network context, and “about operating effectively with others within the internal and external constraints that limit that scope” (Håkansson and Ford 2002).

The case study presented in this paper addresses the gap related to how middle managers realize and renew relationships by focusing on a group of middle managers who initiated network cooperation among competing companies in order to affect their head offices’ business-localization strategies. Applying a middle manager perspective, our purpose is to contribute to an increased understanding of middle managers’ strategic agency and in particular to how they used an external network to create valuable resources intended to affect their units’ intra-organizational domains. By focusing on the strategic actions of middle managers this paper adds to research on micro-processes in strategy formulation by providing detailed descriptions of what the managers actually did and the motives they gave for it. Adhering to the recommendation by Boconcelli and Håkansson (2008) to address the interplay between internal and external conditions, we furthermore show how external resources may be drawn upon in intra-organizational strategizing; a perspective that so far has largely been neglected (Wooldridge, Schmid and Floyd 2008).

In the following section previous research on middle management’s sources for intra-organizational influence and issue selling are presented. We thereafter present the chosen method, the case, our analysis, and conclusions. Finally some managerial implications are suggested.

MIDDLE MANAGERS’ INTRA-ORGANIZATIONAL CONTEXT

Managers of local branch offices (LBOs) act under constant threats of closure, relocation, or downsizing of tasks and employees. Different LBOs within a company might even perform the same kind of tasks, implying that the region that a single office covers rather easily can be taken over by another unit. Although being in charge of the LBO, the manager has a middle manager position in relation to the head office. The vulnerability implied by not having the

final decision on the future of the LBO creates a need to prevent adverse changes and stimulate positive ones. Strategic development is generally supposed to emanate from headquarters to be implemented by other units (Delany, 2000). Accordingly, strategy research often does not provide insights into the sources of middle managers' influence in relation to their head offices (Ambos et al., 2010). It has however been shown that middle managers strive to improve their unit's intra-organizational position by defending, developing, and consolidating (Delany, 1993) their domains through various proactive activities.

Inclusion in the head office's decision-making process is needed if the middle manager is to be able to champion any new ideas (Mantere 2008; Westley 1990). Inclusion can result from invitation by top managers (Mantere 2008) but the middle manager can also proactively aim at inclusion through, for instance, issue selling. Issue selling means that the middle manager attempts upward influencing by affecting the strategic agenda and the views of strategic alternatives held by superiors (Dutton and Ashford 1993). However, for such proactive initiatives to be positively received by head offices, the middle manager needs to show commitment and loyalty to the company as a whole to offset potential fears of sub-optimization or local empire building. This is especially the case when the actions go beyond role expectations, which has been recognized as important for bringing about strategic organizational change in an emergent way (Dutton and Ashford 1993; Morrison and Phelps 1999). The agency of middle managers and its impact on the organizational strategy process has resulted in a growing body of literature (e.g. Balogun and Johnson 2004; Floyd and Wooldridge 1997; Wooldridge, Schmid and Floyd 2008). Previous research has nevertheless not dealt much with how such actions are performed and what resources that might be drawn upon. On the contrary, it has been noted that two central traditions of strategy research, diversification and design, both leave out action and that also in 'the process tradition' there has been a tendency to focus on the organizational level "at the expense of the practical activity of those who actually constitute the processes" (Johnson, Melin and Whittington 2003). Several researchers have therefore argued for the importance of increased understanding of how middle manager can influence organizational transition by acting as change agents (e.g. Balogun and Johnson 2004; Pettigrew, Woodman and Cameron 2001). In the same vein others call for studies of micro processes focusing on what managers actually do, how they do it, and the tools they use (Mitrega, Forkmann and Henneberg, 2015; Johnson et al. 2003). This paper addresses these calls by enriching the depiction of why LBO

managers engage in external networking addressing organizational strategizing and how they go about it.

From a middle manager perspective, the motives for action may vary as different outcomes may be sought for. The motives remain a sparsely researched topic (Dutton and Ashford 1993; Morrison and Phelps 1999), but Delany (2000) suggests three categories; domain developing, domain consolidating, and domain defending. *Domain developing* includes pursuing new business opportunities, bids to become the chosen object for upcoming corporate investments, attempts to extend the unit's mandate by adding new activities, and prompting of resource reconfiguration in favour of a specific unit. *Domain consolidating* encompasses performance improvements and input into corporate decisions whereas *domain defending* implies strives to retain operations under a threat of closure as well as to retain reporting to head office and search for new corporate customers.

Relating this to LBOs, domain-oriented actions may result in considerable changes in the roles and mandates but it has to be kept in mind that they can be zero-sum games or even have negative effects for the organization as a whole if a specific unit gains increased importance at the expense of one, or several, other(s). The head offices both encourage and are suspicious towards middle manager initiatives since a problem for the head office is to know in advance which of a middle manager's initiatives will have a positive effect and which will have a negative effect on the corporation as a whole. It needs to monitor and control that each middle manager acts in line with head office directives, but also give them autonomy to be innovative and free to develop ways of working that can be useful for the company as a whole (Astley and Zajac 1991; Delany 2000; Ghoshal and Nohria 1989). The intersection of the sometimes conflicting needs of head offices and LBOs, as well as between LBOs, can, in other words, be understood as a dynamic bargaining process on resources (e.g. Ambos, Andersson and Birkinshaw 2010; Astley and Sachdeva 1984; Mudambi and Navarra 2004).

Valuable resources and capabilities

Bouquet and Birkinshaw (2008) argue that possession of critical resources and increased centrality in important internal strategic networks will increase a subunit's influence on the head office. They add, however, that also external strategic networks may bring such benefits.

One such critical resource is knowledge, which has been identified as a resource that is key to a company's competitive advantage (Kogut and Zander 1993). From network interaction, knowledge can not only be developed or acquired but also accessed (Grant and Baden-Fuller 2004) in a more informed manner. The relationships imply possibilities for resource sharing and joint attempts at business development (Ford, Håkansson, & Johanson, 1997; Snehota, 1990). Furthermore, location-bound knowledge resources are hard to imitate since they stem from socially complex interactions (Barney 1991) and are hard to transfer. Links between LBOs and universities and research institutes is an example of knowledge resources that can be used to build capabilities, which in turn can be a source of influence vis-à-vis the head office (Young and Tavares 2004). By building specific capabilities and creating locally bound knowledge through external networks the middle manager becomes a boundary-spanner (Burt 1992) between the head office and the external knowledge. Research has found that managers in such boundary spanning positions tend to have more strategic influence on the organizations as a whole compared to those local branch offices that lack this capability (Wooldridge, Schmid and Floyd 2008).

However, access to critical resources is not enough to secure middle managers' inclusion in head office strategic decision-making. In order for resources and capabilities to be considered in such processes they have to be known to the head office.

Attention gaining micro processes

To be considered as an alternative when decisions are taken middle managers (and their LBOs) need to be within the awareness zone of top management and to create change they need to act to draw others' attention to, and affect, top management's understanding of issues (Dutton and Ashford 1993). Based on previous research (mainly by Dutton & Ashford, 1993; Dutton, Ashford, O'Neill, & Lawrence, 2001), Ling et al. (2005) identified four basic strategies that can be taken into consideration in how to draw attention to and affect others understanding of a specific issue; packaging, choosing selling channels, cooperation, degree of formality. Firstly, packaging - how to frame or present an issue linguistically, for instance in terms of threat or opportunity. Secondly, the selling channels which, for instance, may be public or private. Public channels often carry more personal risk due to greater exposure, but can, on the other hand, for the same reason (greater exposure) increase the likelihood that the

issue is seen as important which increases the legitimacy of the issue selling topic as well as of the issue selling process. Dutton and Ashford (1993) argue that the more public the occasion, the greater the likelihood that superiors will spend time on the issue since they will feel obliged to pay attention to subordinates' concerns and ideas. Thirdly, there is an option whether to engage in issue selling as a solo process or in cooperation with others. Issue selling in cooperation with others may bring more impact to the message through greater visibility and collective influence but multiple voices runs the risk of distorting the message. Finally decisions have to be made on the degree of formality, whether to use official processes and procedures or act in an informal manner on informal occasions. Notably, Dutton and Ashford (1993) regard the amount of time and attention devoted to an issue by top managers as an indicator of issue-selling success.

Engaging in the above activities can however put the middle manager's personal reputation and position within the organization at stake if the head office does not approve of the initiative. Other consequences can be a loss of trust, or reduced responsibilities. As noted by, for instance, Ling et al. (2005) there are thus two stages in issue selling: (1) the decision to sell an issue and (2) decisions on how to sell an issue, that is, issue selling strategies. Favouring decisions to engage in issue selling may be potential personal rewards such as the sense of being important or in the form of a promotion. Potential gains thus need to be put against the risk of negative effects. Not surprisingly, it has been noted that potential issue-sellers often feel stress in the process of deciding whether to enter into issue selling or not (Dutton and Ashford 1993).

METHOD

It has been recognized that small sample, in-depth studies are vital to strategy research as they allow for a holistic approach and contextual understanding (Johnson, Melin and Whittington 2003). We followed this recommendation in using a longitudinal, interpretive case study approach (Eisenhardt 1989; Yin 1994). However, unlike most research on strategy which examines middle managers' strategizing in a single organization, our research setting is a group of cooperating middle managers representing different (competing) companies. The choice of case was theoretical. We do not claim that the case is representative but that it offers insights of theoretical and empirical significance.

Addressing intra-organizational micro-politics is a challenging and sensitive task in terms of gaining access (Fischer 2004). A researcher has to develop trustful interaction with the respondents to make them willing to talk openly about delicate topics such as intra-organizational tension and personal ambitions and strategies. Employment of a longitudinal approach based on participation allowed development of a trustful dialogue between the researcher and the middle managers that paved way for informal talks, ample opportunities for observations, as well as overhearing of talks of analytical, relational and social character. The activities of the middle managers were thus studied in context at the micro-level (Jarzabkowski, Balogun and Seidl 2007).

Multiple methods of data collection were used, but the study is primarily based on participating observations (on 20 occasions) and informal talks (55) during network activities (1-2 per month) by one of the authors during 2003-2004. The activities were of varying types, for instance seminars at the university or at the middle managers' organizations, jointly arranged conferences, study-visits, social activities, and various meetings. There were also informal conversations between meetings. In addition interviews and secondary data have been used.

The observations were participatory in the sense that one of the authors took part in the activities together with a colleague, with their role as researchers openly revealed as recommended by Saunders et al. (2000). The intention was to elicit the meanings attributed to the observed behavior (Bryman 2008). In return for research access, feedback on the networking process was provided by the researchers who discussed and analyzed the observations and conversations during and after the activities. This method has certain connotations to action research as the researchers thus assisted in bringing about change (Brydon-Miller, Greenwood and Maguire 2003), but the influence was mainly indirect as comments, not directives, were given. Meetings were not tape-recorded due to the at times confidential nature of strategy topics, but notes on the essence of the conversations were taken as suggested by Pettigrew (1992b).

The weaknesses of the observation method are that irrelevant details may come into focus due to inadequate understanding, and that the observer may seek to legitimate and confirm his/her interpretation, disregarding existing knowledge (Silverman, 2005). To avoid such pitfalls,

closeness, trusting relationships, and dialogue were established with respondents to increase the relevance of the observations (Jönsson and Lukka 2007). In addition, the participating researcher discussed not only with her colleague at the time, but also during the work on this article with the co-authors who had not participated in the observations and talks. We tried to capture how the middle managers perceived their actions, their strategies, and their reasons for acting as they did.

The observations and talks furthermore worked as a basis for the interviews as they provided insights that enabled development of relevant questions. Twelve interviews were conducted on four occasions – in 2004, 2006, 2009 and 2011. In addition four middle managers were interviewed in 2012 for a follow-up. The interviews were semi-structured and the middle managers were selected as they had taken part in the network cooperation for many years. The quotes used in the paper emanate from the interviews and have been chosen as illustrations of the feelings, actions, and strategies of the middle managers. The managers wished to remain anonymous.

Data was also gathered from memorandums of differing quality, extent, and form - mainly from web-sites, brochures and invitations to differing sorts of more extensive meetings (30), newsletters (10) and articles on the network in trade-related magazines (5). We used these sources to cross-check interview data and to control for biases in retrospective accounts. It was also used to guard against memory failure. In line with previous research, the agency of middle managers is considered ‘strategic’ if they present organizational interests as a motivator for their actions (Mantere, Schildt and A. Sillince 2012).

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For the analysis we used an iterative abductive-like approach (Dubois and Gadde 2002; Järvensivu and Törnroos 2010), moving back and forth between theory and empirical data (Langley 1999). Initially, the data was analyzed during the network development process by the two participating researchers. Thereafter, motives, actions, and strategies were identified in a manual process and further discussed among the authors of this article. After performing

additional interviews and checking with documentary data a chronological narrative of the case was developed, focusing on the major events (Langley 1999). In this process we iterated between the narrative, the data, and theory to develop a deeper understanding of, and evidence for, aspects that consistently appeared pertinent. In order to ensure construct validity (Seale 1999), the results were further explored in informal talks with some of the middle managers.

A CASE OF MIDDLE MANAGERS' CREATION OF LOCALLY- BOUND RESOURCES

Motives for forming an external network

Addressing the first stage of issue selling, *the decision to sell an issue* (Ling, Floyd and Baldrige 2005), we sat out to understand motives. In order to create new, strong arguments for why their LBOs should be favoured the 15 middle managers of our case, mainly representing LBOs within the bank and insurance industries, wanted to create something new. They therefore responded favourably to a suggestion from the local science park to initiate network cooperation. In May 2003 they met for the first time, together with representatives from the local university supporting the initiative. Network participation came with no commitments, except for a minor membership fee, and no formal contracts were signed. To regularly interact with competitors was however something completely new to them. It was regarded as having to be treated in a delicate manner in relation to their head offices. "What you do when you commit yourself is that you take a risk – because it's not a case of committing yourself to your ordinary work", one manager explained. The competitive situation was jokingly voiced in statements such as: "He is not to carry my briefcase – it contains our new market strategy and that's top secret!" In order to play it as safe as possible, they therefore decided to identify and cooperate on competition-neutral issues and, in spite of the competitive situation, they enthusiastically moved on.

Their behaviour was driven both by fear and opportunity seeking, both on an organizational and individual level, but also by altruistic motives based on fear and opportunity seeking on a regional level. These motives were not independent but showed strong interdependencies. For some, the cooperation was spurred by fear that their business operations might be relocated or reduced. They spoke in terms of "there is tough competition for resources within the

organization”, “there is a tendency to centralize – but it is not forbidden to be inventive” and “we want to keep what we have”. Others focused on possibilities like a chance to mobilize further development-related resources and/or improve their unit’s intra-organizational position, for instance through relocation of highly qualified positions to their LBO. This was for instance expressed as: “I want to attract further tasks to our town from our head office”.

Some managers saw possibilities to reach personal recognition within their organizations for recognizing opportunities and developing resources whereas other looked for personal development. They saw an opportunity to gain new valuable social and business-related contacts and to improve their position in the social network of local managers within their field, but also to benchmark their operation and improve their managerial skills. For instance, one middle manager said: “I see it as a personal opportunity to get a network” and another “I look for people to talk to on management issues”.

Also regional development motives were given. They believed that their cooperation would benefit the region as a whole. This was for instance expressed as “I want to ‘put our town on the map’” and “I want to create a business climate that is unique and makes it attractive to operate here”. Regional development was an objective shared by the university representatives and, in addition, there was a common interest in skill enhancement through tailor-made university courses and further research on these industries.

In sum, although acting under structural constraints, threats and opportunities made them take the step to initiate external network cooperation in order to defend, develop and consolidate their units’ intra-organizational domains.

Developing resources and capabilities and convincing internally

Addressing the gap in knowledge on interactions between senior and middle management in strategic change (Hope 2010) and what sources middle managers can use to gain attention and influence (Ambos, Andersson and Birkinshaw 2010; Balogun and Johnson 2004), it is also important to understand *how* the middle managers acted to catch top managements’ attention and the strategies chosen for this. When the decision to engage in affecting the intra-organizational strategies in this way was made, the middle managers’ knew that to create an impact they had to catch the attention of their head offices and direct this attention to their promising cooperation initiative.

In November 2003 they agreed on a vision: "to create the prerequisites required for this region to become Scandinavia's most important knowledge centre in the field of banking, insurance and pensions". They wanted to become well known in the Swedish financial sector in general, but also in their own companies and head offices. Cooperating with competitors was a signal believed to be strong and original enough to catch the attention of the head offices. They hoped that the network initiative would present themselves and their offices as development oriented, active, and innovative, as well as having unique access to critical resources through these relationships – for instance tailor-made university courses and plans for research focusing these business sectors. In addition they could show that the municipality and the county paid increased attention to, and were more willing to support, these business sectors after noticing their aspirations for future growth.

They 'packaged the issue' by developing marketing materials, for instance a brochure on their cooperation that was distributed to all their employees through e-mail and exposure on intranet sites, as well as to the public media through press releases. The press releases proved successful as the uniqueness of the cooperation among competitors within these lines of business gained national attention in a well-known Swedish financial newspaper, Dagens Industri. This attracted the attention of the head offices. For instance, after having read about the cooperation in the paper, a head office manager called one of the middle managers to make certain that their company took part in the cooperation: "We are in that network – aren't we?"

In order to further convince their head offices that the local network was a resource that could be drawn upon, the middle managers decided to invite their head office managers to a joint meeting in Stockholm in order to present their cooperation and the advantages of being localized in their hometown. Stockholm was chosen as site so that the time for travelling would not restrict head office managers from attending. A list showing the advantages of (re)location to their hometown was developed as a preparation for the invitation to the meeting (some arguments were presented in the invitation) but also as a preparation for the interaction during the meeting. The list was extensive, factual – and strategic in the sense that it was made up of 'one-liners' that had a 'selling' wording that was easy to remember. They thus chose a packaging strategy focusing on opportunities. They also took a strategic decision regarding the selling channel as the invitation was sent from the local municipality and was

signed by the vice chairman of the municipality. This served as a direct manifestation of the municipality's support resulting from the shared interest in regional development.

The middle managers used several issue selling channels and also lobbied personally for the meeting in their own organizations, thus using both formal and informal processes. With the list of arguments at hand, they contacted head office managers in person *before* the invitation was distributed. One of them explained:

It wasn't difficult to make them attend – but it wasn't obvious either – I needed to pad out the text – it was important to explain what might come out of it. Everyone is short of time and a whole day had to be set aside.

In total 30 representatives from 12 of the 15 LBOs' head offices attended the meeting, accompanied by the head of the municipality, the vice chancellor of the university and the LBO managers. At the meeting, the head of the municipality emphasized his positive view of the cooperation and LBO managers presented their vision and their achievements so far. The vice-chancellor of the university presented the university's vision for cooperation with trade and industry in the region. After the meeting, the middle managers brought their head office representatives for lunch for further discussions.

It has been observed that the outcome of a strategy process is much influenced by “who talks to whom, why they talk, what they talk about, and when these conversations take place” (Roos and Von Krogh 1996). By creating direct, face-to-face meetings (before, during and after the main event), they created arenas for interaction and two-way communication allowing for real-time questions and answers that could reduce the potential threats of misunderstanding or even conflict (Jarzabkowski and Seidl 2008). But also indirect channels were used such as articles in the national press, information on internal websites, newsletters, etc.

The degree of formality varied. There were formal invitations and presentations but also informal invitations and the meeting was followed up in an informal manner. In sum, the middle managers chose to use many alternative strategies for communication in order to increase the chances of successfully reaching out to the head quarters.

The member representatives regarded the meeting as a success on the grounds that so many top-executives had participated and been positive about the network initiative, the meeting, the achievements of the network so far, and the potential benefits of future cooperation. Their way of evaluating the meeting was thus in line with Dutton and Ashford (1993) who regard the amount of time and attention devoted to an issue by top managers as an indicator of issue-selling success.

The middle managers felt that a key success factor for the high attendance rate had been the move to add a list of the names, titles and organizations of the invited ones to the invitation and to the programme presented at the meeting: “We handled the invitations in a smart way as we exposed the ones invited with name and title.” Their opinion thus confirms Dutton and Ashford’s (1993) claim that the more public the occasion, the greater the likelihood that superiors will spend time on the issue. It created awareness in the head offices of ‘being part of something important’ and generated legitimacy for participation at the meeting.

CONTRIBUTION

The purpose of this study is to gain increased understanding of how resources are created and how companies’ capabilities are developed by middle managers through external networks. In providing this example of how middle managers entered into unprecedented cooperation with their competitors in order to develop unique resources and strengthen their LBOs, we add to research on change agents and micro processes.

It has been suggested that the propensity to influence strategies depends on individual factors such as values, attitudes, and experience, as well as on contextual factors. (Wooldridge, Schmid and Floyd 2008). We contribute by adding another factor: the altruistic/geographical dimension. Not only could personal (attention and advancement opportunities) and organizational motives (favour the LBO) be identified in the studied case, there was moreover a wish to support the local community by proactively trying to keep and expand regional employment opportunities, even to the extent of supporting the expansion of a competitor.

Based on the four basic strategies for convincing others about a local branch office importance some core strategies could be identified in the case. Firstly, regarding packaging, the middle managers chose the opportunity approach, putting forward as many advantages of

the location as possible. Secondly, they used several and varied forms of selling channels in order to draw the attention of their superiors to this matter in several and varied ways and occasions. They used direct, face-to-face meetings with superiors but also indirect communication channels, both internal channels in the form of intra-organizational information channels like newsletters and external channels like the national press, to spread their message of an exciting new form of cooperation and the value that a location in their hometown could bring. Furthermore, they did not only develop resources in cooperation with others (the external network), they also used the external network and other external actors (the vice chairman of the municipality) in order to achieve a greater impact of, and trustworthiness in, their issue selling on the main interaction event. Finally they chose a rather formal approach for the direct interaction with their superiors during the meeting but combined it with an informal approach in inviting their superiors to an informal lunch after the meeting.

In identifying the details of these strategies our research adds to the research on how middle managers manoeuvre internally. In describing how they designed the setting we also contribute with new insights into how orchestration of the setting in which conversations are embedded may be performed (Rouleau and Balogun 2011).

In our case, the middle managers addressed their LBOs lack of critical resources by initiating cooperation with competitors and the local university. Through this cooperation they were able to access new, unique, resources. The network furthermore turned out to be an asset in itself as it was unique enough to, for instance, catch the attention of national media, and thereby, in turn, of the head offices.

Researchers such as Priem and Butler (2001) have called for research on how valuable resources are built in order to open up the 'black box of process'. We contribute by showing how an external network of competitors was created and used for intra-organizational strategizing. We thereby also addressed the gap identified by Wooldridge, et al. (2008) who concluded that "there are still too few studies that investigate how middle managers actually realize and renew intra-organizational and external relationships". In the case, new unique relationships with resourceful actors together with a more informed and positive view of the LBOs and the region among head office managers were regarded as means to improve the LBOs' intra-organizational positions in terms of status and attractiveness. An improved intra-organizational position facilitates defending the LBO but may also lead to development of

responsibilities through future corporate investments in the specific LBO. We argue that by better understanding the underlying micro processes of organizations, an improved understanding of how strategic activity emerges may be achieved.

Managerial implications

LBOs are generally seen as part of hierarchical, centralized organizations in which the strategic thinking emanates from the head office and is executed by the LBOs. This organizational form mirrors the competencies of the head office but runs the risk of neglecting potential supplementary or complementary competences in the LBOs. Head offices will gain from maximizing the contributions of their LBOs and have to strike a balance between regimentation, in the form of administrative routines focusing on economies of scale and scope, and encouragement of subunit initiatives (Bartlett and Ghoshal 1995). Subunit managers, such as LBO managers, on the other hand, have to stir away from the compliant mindset that a centralized structure often implies and act in a more proactive and entrepreneurial fashion in order to fully develop the potential contribution of their unit to the corporation as a whole.

This paper illustrates that subunit managers can strive to affect both their personal position within the organization and the unit's position within its organization by forming or activating external relationships and networks. Nevertheless, it is important to keep in mind that certain behaviour also can have negative effects. For instance, activating a network to strengthen the position can also be perceived by the head office as a threat or otherwise be interpreted in other ways than intended. Hence, when local branch office managers bring their superiors' attention to a particular issue, the actions taken by the superior may not be the intended one. It is thus a risky game that needs to be carefully played. If the activities are perceived as negative the result may be that the manager is released of his/her authorities and that the autonomy of the subunit is decreased instead of increased. Further studies are needed emphasizing factors that affect if, and under what circumstances, various kinds of initiatives reach the intended end or not.

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