Summary The role of middle management in achieving continuous improvement: a demanding playing field

Many organizations in financial services and other industries are constantly trying to adapt to an ever-changing environment. Since the beginning of the 21st century, many of these organizations have been exposed to growing competition and cost pressure. As a result, these companies have been looking for ways to improve their business: that is, providing better services at lower cost, improving customer satisfaction, and staying competitive. One particular example is the Dutch banking sector, which is changing drastically in many ways. Banks are facing increased competition from technology companies outside the traditional financial sector which are offering various new financial technologies (fintech) and other services. Top managers of banks often adopt a strategy of Continuous Improvement (CI) in their organizations as a means to cope with all, or at least some of, these changes. CI practices such as Lean appear to have the potential to position financial institutions for long-term success. Studies in both industrial and service-oriented organizations demonstrate that (initial) results arising from such projects are often not sustained. Previous studies have established that making CI work is more than just the implementation of a tool box; it requires effectuating a management philosophy in combination with the help of (middle) management to make the implementation adhere.

Therefore, it is important to understand the role of middle managers in implementing organizational change initiatives such as CI. Overall, the role and influence of middle management within CI appears to be under-researched. This is remarkable because middle managers can be considered key agents in facilitating CI initiatives and can play a key role in striking a balance between continuity and change. So a better understanding can help organizations to determine what is expected of middle managers and how conditions set by top management influences middle management. As a result, organizations will have more instruments to exert influence, thereby increasing the likelihood of successfully implementing CI. This dissertation investigates how and to what extent middle managers influence CI efforts in the financial service industry.
The main research question of this dissertation is: *How and to what extent do middle managers contribute to accomplishing CI in the financial service industry?*

This dissertation contains three different studies that serve to further explore the influence of middle managers on CI (implementation) within organizations.

**Insights from study 1**

First, a systematic review of the literature is conducted to develop a mechanism-based framework that explains the success and failure of CI initiatives (incl. Lean) in which middle managers are key agents.

This first study (chapter 2) results in two frameworks. Each of these frameworks assumes that top management consistently seeks to implement a particular (archetypical) philosophy of CI: the first framework assumes an integral management approach and the second starts from the assumption that a cost-cutting strategy is adopted. Each of these two frameworks in itself reflect some of the key tensions and challenges arising from any CI change effort, especially for middle managers. In practice, the two conditions may overlap, which creates an additional level of complexity. Overall, our review provides an understanding of the (non) conditions in which continuous improvement initiatives are likely to succeed or fail, and as such also provides a starting point for future research as well as practical work in this area.

Future work in this area will not only need to test the bundle of hypotheses arising from each framework in this study, but also explore and assess the interaction between the two bundles of causal patterns in settings where these two contextual conditions appear to co-exist.

**Insights from study 2**

Secondly, an experimental vignette study (chapter 3) serves to identify the differences in adopting a CI approach as a management philosophy versus a cost-cutting program. The second study examines the effect of different ways of implementation. The vignette study was carried out at a large bank in the Netherlands.

The findings arising from this study suggest that the expectation is that CI is more likely to be integrated in the organizational culture, may enhance the customer orientation among employees, and could improve the work atmosphere when it is implemented as an integral management approach.
rather than to implementing CI as a cost-cutting tool. These findings suggest that embedding CI in the organizational culture apparently contributes to the sustainability of CI in the organization. We also found some confirmation that, if top management implements CI as an integral management approach, middle managers expect that the organization will become more customer-focused. Finally, middle managers appear to perceive less negative associations regarding the work atmosphere when CI is implemented as an integral management approach rather than as a cost-cutting tool.

Middle managers can only help reduce the risk of perceiving CI as another downsizing method focused on short-term financial targets, if top managers commit themselves to it as an integrated management philosophy, and continually communicate this in a consistent manner throughout the entire organization.

**Insights from study 3**

Thirdly, the different roles that middle managers can play in CI are analyzed and compared. A widely-cited model of Floyd and Wooldridge (1996), which links organizational performance directly to middle management, is used. The main findings from this study (in Chapter 4) suggest that middle management can be perceived as a change agent, involving both upward and downward activities. In line with Floyd and Wooldridge, our results show support for the integrative roles (implementing and synthesizing) that middle managers may play when the organization aims to adopt CI. In particular, middle managers who fulfill an implementing role within the organization are more likely to perceive CI initiatives as a sustainable cultural change and are more likely to take action in this respect.

**Overall**

The three studies conducted reveal that middle managers engage in a dynamic playing field in which they play a pivotal role in organizational change. More specifically, top management’s conceptualization of the rationale of a CI program appears to affect the role of middle management in getting CI implemented. From a practical perspective, this means that if top management perceives CI as an integral management approach, this may have a positive effect on middle management’s expectation that CI can be incorporated into the organizational culture in a sustained manner. The findings of this doctoral dissertation suggest that the middle management role is not an easy one,
because middle managers have to change their own mindset and behavior and lead by example, in order to create and sustain changes in the entire organization. We concluded that it is important that middle managers understand the purpose of the change.

While top and middle managers often deliberately try to plan change to make it more manageable, organizational realities tend to be more messy and noisy than can be effectively planned for. Cooperation between top management and middle management thus appears to be essential for accomplishing CI. Using their link between top management and shop floor, top management needs to create the conditions in which middle managers can ensure that improvements are actually implemented and guaranteed within the organization.

Organizations are undergoing major changes including the roles of all types of managers. It is expected that middle management will continue to pay an important role within them. The importance of effective management has apparently not changed, but the way one engages in management may be changing fundamentally. In response to altering customer behavior, shorter times-to-market, shifting expectations of employees, and increasing digitalization, organizations are changing rapidly and need to become more agile. Middle management is an important link in these transformation processes. This in itself requires personal adaptability and a new interpretation of the role of middle management. Thus, the impact that an agile way of working has on the role of middle management is an interesting area for future research, in particular to find out which roles (i.e. championing, synthesizing or implementing) can contribute the most to accomplishing organizational agility.

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