Middle managers and hermit crabs

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Boris Maciejovsky is an assistant professor of management at University of California Riverside. Credit: UC Riverside

Ideas from mid-level managers that can benefit an organization are less likely to be passed up to superiors as hierarchy in the organization increases, according to a just published paper by an assistant professor at the University of California, Riverside.

"I like to call this hermit crab syndrome," said Boris Maciejovsky, an assistant professor of management at UC Riverside's School of Business Administration. "When mid-level managers feel their ideas are not reflected in top management decisions they withdraw, like a hermit crab retreating into its shell."

Maciejovsky co-authored the paper, "Corporate Hierarchy and Vertical Information Flow Inside the Firm: A Behavioral View," which was just published online in the *Strategic Management Journal*, with Markus Reitzig, a professor of strategy at the University of Vienna.

The researchers set out to study how corporate hierarchies influence managers' propensity to pass information upward within an organization. Two research fields arrive at seemingly conflicting and untested conclusions on this question.

Information economists argue that middle managers pass more suggestions up the firm's line of command as the corporate hierarchy increases to avoid "omission errors," that is dismissing ideas that could have been profitable.

In contrast, organizational psychologists assume, and have some preliminary evidence, that mid-level managers shy away from promoting risky ideas because if they turn out to be non-profitable there is fear of negative repercussions. Researchers call this evaluation apprehension.

The second thing that might happen according to psychologists is that if superiors weed out these ideas, managers might feel detached from the organization and no longer contribute. Researchers call this lack of control.

In both cases, organizational psychologists predict the more hierarchical an organization, the fewer ideas that are passed on.

In the just published paper, the researchers study these two points of view by using three methods.

First, they used a dataset based on nearly 10,000 observations from employees at a large, multi-national consumer good firm headquartered in Europe. Second, they conducted simulation studies to outline the mechanisms that increase or decrease the propensity of managers to pass up information to their superiors. Finally, they conducted an experimental study with business students that tested whether people are more likely to be characterized by the informational economics view or the organizational psychology view.

The researchers' findings add to the more refined picture developing of the true role of middle managers. Specifically, the findings back up previous research that highlights the challenges of using middle managers to counterbalance the actions of CEOs who pursue overly narrow strategic trajectories.

The researchers argue the most interesting practical consequence is that organizational designers can promote or counterbalance their employees' behavior.

"Ultimately, top management needs to decide how the costs of screening ideas compare to the costs of omitting good ideas," Reitzig said. "What we can tell them, however, is how they can adjust the idea funnel to either see more or fewer suggestions from their subordinates end up on their table - by understanding the effects hierarchies have on the behavior of their employees."