Caught in the Middle: Why Developing and Retaining Middle Managers Can Be So Challenging

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Almost every company has them. They may number six or 6,000 and they all share the same job category -- middle managers. They are often referred to as the "glue" that holds companies together, bridging the gap between the top management team and the lower level workers. They implement strategy and organizational changes, keeping workers engaged during both good and bad economic cycles.

However, middle managers also can be a challenging group of employees to develop and retain. According to a 2007 Accenture survey of middle managers around the world, 20% reported dissatisfaction with their current organization and that same percentage reported that they were looking for another job. One of the top reasons cited was lack of prospects for advancement.

"Many companies are seeing significant turnover in middle management ranks, and with significant turnover, they don't have the ability to execute strategy," says vice dean of Wharton Executive Education Thomas Colligan. "Top management can spend all their time creating strategy, but without someone there to implement it, where are you at the end of the day?"

In addition to strategy implementation issues, the cost of turnover is extremely high for companies. Colligan noted that one large partnership facing a 20% turnover rate did a calculation in which it concluded that for each 1% it could reduce turnover, it would increase partner earnings by $80,000. "Middle managers are very important to attract, develop and retain, and some companies are becoming painfully aware of that."

These observations are even truer in a down economy that is struggling with higher gas and food prices, reduced consumer spending, downsizing and a degree of uncertainty that is affecting industries across the board.

David Sirota, co-author of *The Enthusiastic Employee: How Companies Profit by Giving Workers What They Want,* predicts that middle managers will "again bear a significant part of the pain that the current economic conditions will bring." After the last downsizings in the 1980s and 1990s, many of the middle management positions that were eliminated have reappeared. These could be likely targets again, he notes.

Joe Ryan, adjunct professor at Wharton Executive Education, agrees. As companies go through economic cycles like the current one, middle managers get hit with the elimination of rewards and incentives and, in some cases, layoffs. This is particularly true now in the financial services industry, he says. "In cost-cutting times, knee-jerk reactions happen. There is a paradox where middle managers are essential, but end up sacked when restructuring occurs. It's a rough situation because the people needed to run the most important projects are in the middle."

If companies don't manage change well, they will confront a "frozen" middle management and "vicious

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cycles of low morale and low engagement," Ryan says. "Regardless of the economic climate, companies need to build a resilient workforce and engage the middle to go forward, because this is where change occurs."

Lack of Advancement

Middle managers are essential in organizations, in part because they link senior management and the rest of the company. Sirota describes them as "the glue across upper and lower levels as well as horizontally with other departments."

According to Jane Farran, a senior fellow in Wharton Executive Education and managing partner of the consulting firm C4, with the economy under siege these days, "a lot of belt tightening is occurring. Many companies are nipping and tucking to make their numbers." That's not a good strategy, she suggests. Indeed, when companies have tried flattening their hierarchies in the past -- thinking that middle managers are extraneous and a few layers of them could be eliminated -- the result was not what they expected.

"These intermediaries have a very important role," she says. "The middle managers translate strategy and the big picture so that it makes sense and is applicable for the day-to-day workers." At the same time, middle managers are taking note of workers' needs, making their own observations of client interfaces and shop floor activity, and relaying that information up to the senior managers. In addition, "they are a buffer between the top managers" and lower-level employees.

If middle managers are so valuable, why would they report dissatisfaction and leave their companies? A primary reason is lack of advancement opportunity, says Sirota. "When companies downsize, they will often cut middle management ranks. But even if companies just stagnate, advancement opportunities are limited. This hits people very hard, particularly people in their late 30s and 40s."

Bringing in new people -- as opposed to promoting from within the company -- can also present a "tremendous frustration" to middle managers, says Sirota. The track records of external people are typically not as good as internal employees who have a deeper knowledge of the company. "And when someone new comes in, he or she often has a view of existing middle managers, [one that says], 'If you were already working here, then you can't be too smart and we need to clean house.' This has a detrimental effect on a workplace."

In addition, using search firms to fill top positions from outside can send a message that "maybe middle managers shouldn't stay at that company any longer," says Colligan. He describes one company which historically brought in top-level leaders from the outside, resulting in the departure of managers one level below, many of whom went on to become CEOs and CFOs at other companies. "The company had great people who knew they would never become CEO if they stayed. I'm not suggesting that there is never a time to use search firms, but for some companies, the search firms are almost their human resources department."

Whether they aspire to be a CEO or not, middle managers need a plan that will take them to the next level, Colligan adds. "If a middle manager sees that ... there are opportunities to grow, then retention is increased versus a company that sticks someone in a slot with no development or discussion about moving him into another position, even if it's a lateral move to expand experiences."

Thousands of boutique search firms are calling middle managers these days to entice them to take a job at another company. If people are not on a track, or are unsure of where they are going in the next couple of years within a company, they are more vulnerable to being picked off by a competitor. "People tend to be tweaked by these calls," Colligan says. "You don't have to be totally dissatisfied. You might be doing okay, but see that this new opportunity could improve your station in life and offer more compensation. People compare jobs more quickly today than ever before and there is more of a willingness to change."

Other top reasons for dissatisfaction among middle managers include micromanagement by senior managers and lack of respect, says Sirota. "And sometimes the senior leader is just really ineffective; middle managers don't want to be in a company that is run by that type of person."

Then there is the stereotypical situation in which middle managers have no authority but all of the

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accountability, according to Wharton management professor Jennifer Mueller. These managers must navigate "the upward hierarchy extremely well and also influence people beneath them," she says. "This can be complicated and frustrating because the ways in which these things happen are often not codified in terms of the relationships people have."

Navigating the various relationships upward, downward and horizontally can be an emotional management challenge, adds Wharton management professor Sigal Barsade. "This is particularly noticeable with organizational change. If you are a middle manager, there may be a change that you didn't have much to do with, but you need to translate it to your people and make them feel protected and valued. However, you are also someone being impacted by the change. Because you didn't design the change, you might be left feeling like you don't know what to do yourself, but you still need to comfort, protect and inspire your people."

Indeed, middle managers are often torn in two because of the need to play a translation role -- listening to the top and being responsive to the bottom, says Farran. "When you talk to them, they feel that strategic thinking is the last thing they have time for, and they almost always feel unappreciated and misunderstood."

The 60/20/20 Rule

"When people come in the door, 20% will make partner no matter what you do; 20% will not make partner no matter what you do, and 60% will make partner if you do the right things," says Colligan, referring, for example, to law firms and investment banks. In other words, the highest performers will succeed and the lowest performers will not succeed. However, for those 60% in the middle, "the right things" can make a big difference.

Given the high cost of turnover and the importance of middle managers in implementing strategy and change, how do you "do the right things" to help those people move up?

Individual development plans that are connected to corporate goals, and access to educational opportunities can play a big role in increasing retention rates, Colligan states. "While many companies don't have robust education programs, they can send employees for an executive education program on marketing, strategy or finance -- something that enhances their skills as a middle manager. It tells the manager that the company cares about him or her. Companies that do this on a regular basis tend to find turnover lower."

While most organizations don't readily admit to neglecting middle managers, it can happen because senior managers tend to be so consumed with strategy, particularly in today's rapidly changing markets, Colligan says. "I can understand top management focusing on strategic initiatives, but they need to be careful not to spend all of their time doing that. Some time should be spent on the development and retention of middle managers."

Another solution gaining popularity today is coaching, Colligan adds. Coaches are no longer brought in only for remedial reasons. Today it's more like having a personal trainer. "The example is, 'You don't think you need a coach? Tiger Woods has three.' They are mostly used for top managers, but you are starting to see them used for middle managers as well. Those employees may get group coaching, or they might do a 360-degree review and self assessments with Myers-Briggs types of tests to learn their leadership styles. Most middle managers who go on to top management positions certainly go through that, with more individual coaching coming in later as they move up."

Part of this group coaching might include learning about the dynamics of being in the middle, suggests Farran. "We often advise middle managers to first, recognize the dynamic and second, not get drawn into trying to solve all the problems of both top and lower managers. It helps middle managers immensely when they feel that they aren't the only ones who feel this way.... We recommend that they meet with their peers across an organization to compare notes about messages from the top and issues from the bottom, to help with problem solving and to gain perspective."

Barsade notes that participation can also be key in reducing turnover. "Really involving middle managers and allowing them to participate in a change decision, design and implementation will lead them to have more buy-in and ownership so when they have more accountability, they can step up to that."

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Ryan stresses communication as a key element for finding ways to engage midlevel managers in understanding a company's new strategic initiatives -- "helping people at the middle understand in more tangible terms what they need to do. This may include more concrete objectives, examples and messages so that people who interface with customers or run processes understand where the company is and what it needs to do differently."

As for tools to retain middle management, Mueller suggests that bonuses and incentives aren't that helpful. "These are things that happen once a year or are relatively small." Instead, what's important is treating employees with fairness and recognizing their contributions. "When people perceive inequity in their environment because they put in more than they are getting, or inconsistencies where others are putting in less and getting more, this can create all sorts of dissatisfaction," she says. "Also, all of the different things that middle managers do aren't necessarily being recognized because they are working with so many people across the organization who aren't necessarily communicating with each other. Recognizing value is part of how fairness translates for this group."

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