Summary

Although, in today’s dynamic and complex business environment, corporate entrepreneurship is often seen as a necessity, understanding the entrepreneurial behavior of organizations poses many challenges, one of which is that, despite the merits of existing theories with regard to corporate entrepreneurship, they often fail to explain why, even under favorable organizational conditions, many new ideas that have business potential fail to find their way onto the corporate agenda. Research shows that the behavior of managers, in particular top and middle managers often plays a pivotal role in entrepreneurial initiatives, and understanding that behavior can provide answers to this challenge.

Conceptualizing the entrepreneurial process as a system of social exchanges between managers involving new ideas finding their way in existing organizations provides new insights into the role top and middle managers play in the outcome of the entrepreneurial process. Role-oriented theories suggest that the influencing behavior of top and middle managers determines how new business ideas enter an organization and ultimately affect its entrepreneurial behavior. However, such theories are often unable to explain why some types of influencing behavior are more effective than others and why convincing arguments for new business ideas may face rejection, even under favorable conditions. The research issue addressed in this thesis is that existing theories insufficiently explain how top and middle managers try to influence one another to steer initiatives towards a desired outcome and the way this affects initiatives and the entrepreneurial behavior of the firm.

Different theoretical perspectives are applied in this thesis to shed light on this issue. Social exchange theory and interpersonal relationship theory are applied, because they suggest that the interpersonal relationships between different actors may play a role. Relational trust, as a characteristic of such interpersonal relationships, is considered to be crucial and provides clues as to why convincing arguments for ideas are accepted. When looking at interpersonal conflict, as a particular manifestation of influencing behavior, interpersonal conflict and conflict management theory tells us why some of the types of influencing behavior of top and middle managers are more effective than others. Especially within the context of entrepreneurship, incompatible views and behaviors between new and old appear to be inevitable and can lead to interpersonal conflict.

The research objects in this study are entrepreneurial initiatives and the interpersonal relationships, influencing behaviors and conflicts between top and middle managers involved in them. The corresponding research question is: How does interpersonal conflict between top and middle managers over new business ideas affect the entrepreneurial or initiative process and how do processes of conflict management and relational trust between top and middle managers affect this relationship?
This research is designed in accordance with the principles of the grounded research strategy. Information is collected primarily by studying a series of cases that consist of in-depth interviews with top and middle managers, as well as staff managers, relevant internal company documents, on-site observations and publicly available information. The following steps were taken in the research design stage: a brief exploratory literature research, followed by the development of a tentative theoretical framework and of a topic list. The data collection process consisted of the following stages: extensive interviews with the respondents about initiatives and interpersonal relationships between top and middle managers. A second set of resources that was used are internal company documents. The documents in question reflect situations, events and opinions of a variety of members of the organizations about the business strategy, initiatives and related processes. In addition, publicly available resources are used. In a limited number of cases, personal observations and field notes were also gathered and analyzed. The complete dataset was labeled and coded to bring themes to the surface. To identify patterns and mechanisms, the interviews, internal documents, public documents, field notes and observations were converted into diagrams. At the same time as the diagrams were developed, the data were analyzed again. Based on the outcomes of these different stages, a conceptual framework was constructed.

In this study, many top-down and bottom-up initiatives were identified, which were surrounded by clearly described interpersonal relationships and interpersonal conflicts between top and middle managers. Clusters of initiatives, interpersonal relationships and conflicts indicated patterns involving the type of initiative, the driver of the initiative, top and middle managers, interpersonal conflict and relational trust. From the data analysis, it became clear that interpersonal conflicts between the top and middle managers driving entrepreneurial initiatives can play out in different ways. These pathways are associated with the managers who are driving the initiatives and with the hierarchical direction of the decision-making and implementation process involved. Two patterns were identified and a series of propositions were formulated that describe, in detail, the way interpersonal conflict between top and middle managers, relational trust between the two and the entrepreneurial process could be related.

The first pattern shows a top manager driving an entrepreneurial initiative in an organizational context in which an administrative steering and control system is used. To push the initiative through the organization, the top manager looks for ways to influence the behaviour of middle management, using the administrative organizational steering and control system, in combination with the
interpersonal relationships with middle management. Within the context of administrative control systems, top management sees interpersonal relationships as supplementary to the existing organizational steering system. In its efforts to move the initiative process forward, top management often encounters resistance from middle managers, who have different views about new ideas, related to the different role middle managers play in that process, often leading to interpersonal conflicts, which can be caused by the initiative as such, but also by the organization’s strategy or even the interpersonal relationship itself. Top managers want to manage such conflicts. The level of trust plays an important role in the way interpersonal conflicts are managed. Relational trust is important in the way interpersonal conflicts play out in terms of the effects they have. High levels of trust steer the outcome of conflicts in a positive direction. Conflict promotes information sharing, adaption and improvement, but also the acceptance of new ideas and opportunities. The chances that new ideas fit the internal and external environment increase and the outcome can be an improvement of the initiative involved. The firm’s entrepreneurial behavior becomes more effective in terms of the fit with its business environment. Interpersonal relationships between top and middle manager show improvement. However, conflict can also slow down the initiative process.

When there are low levels of relational trust, top management manages interpersonal conflict by assertively imposing its views on middle management. Knowledge input from middle manager is ignored and the chances of adaptation and acceptance deteriorate. The entrepreneurial actions of the firm in terms of the environmental fit do not improve and can even deteriorate. In these circumstances, conflict worsens the interpersonal relationship and slows down the initiative process. In this pattern, there are also situations in which normal levels of relational trust have the upper hand. In such cases, top management will look for ways to compromise. Both top and middle managers give in to one another to create workable solutions in a process of give and take. Solutions can be positive or negative. The result is that initiatives can modestly improve or deteriorate, depending on the determination, negotiation skills and power of the parties involved, keeping in mind that top managers often have the upper hand in this process. The entrepreneurial behavior of the organization can become more or less effective, while interpersonal relationships between top and middle managers can improve or worsen. The interpersonal conflict can slow down the initiative process.

The second pattern starts with a middle manager driving an initiative in an organizational context in which the steering and control system being used is primarily culture- and value-based. To push a business idea through the organization, the middle manager is looking for ways to influence the behavior of top management. To drive the initiative, middle management uses the firm’s values and
beliefs, together with the trust middle management has in top management. Interpersonal relationships are seen as complementary to the organizational steering and control system being used.

Middle managers are aware of the importance of interpersonal relationships and trust, which are important in bottom-up initiatives, because trust often plays a decisive role in culture- and value-based organizational steering and control systems.

In their efforts to move the initiative forward, middle managers can encounter resistance from top managers, who can have different views about new ideas, related to where and how to look for opportunities, which opportunities to select and how to implement them. Through their actions and behavior, middle managers challenge the existing strategy. Conflict can be related to the initiative as such, the organization’s strategy or even the interpersonal relationship itself. Middle managers try to manage any interpersonal conflict that may arise. The level of relational trust in top management moderates the way such conflicts are eventually managed and solved, as well as how they affect the initiative, the firm’s entrepreneurial behavior and the interpersonal relationships between middle and top management.

High levels of trust have a positive effect on conflicts. Middle management tries to work together with top management. In this context, conflict is linked to information sharing, mutual understanding, adaptation, and improvement of business ideas. These changes are associated with the acceptance and endorsement of initiatives by top management and the extent to which the ideas in question align with the organization’s strategic agenda. The firm’s entrepreneurial behavior becomes more effective. Interpersonal conflict and a strengthening of interpersonal relationship are also linked. In this sense, interpersonal conflict is functional, although conflict can also slow down the initiative process.

Middle managers can also have less trust in top management. Views and information are not shared. The initiative is stopped or blocked, the firm’s entrepreneurial behavior stagnates and the interpersonal relationship between middle and top manager suffers. Some middle managers, by avoiding confrontation with top management, go underground and develop their ideas and opportunities under the radar.

There are also situations, however, when normal levels of relational trust have the upper hand, in which case middle management looks for compromises with top management. The exchange of information and knowledge is a matter of give and take and negotiation. The resulting compromises can either improve or deteriorate the alignment with the business strategy and the firm’s entrepreneurial behavior. Interpersonal relationships remain intact and the initiative process can slow down. Interpersonal conflict can be either functional or dysfunctional.
This research shows that entrepreneurial initiatives are often accompanied by interpersonal conflict between top and middle managers. Conflicts in both bottom-up and top-down initiatives are the rule rather than the acceptance, and interpersonal conflict can increase the effectiveness of an organization’s entrepreneurial behavior. This research also shows that it is not the influencing behavior of top and middle managers as such that matters, but its effectiveness. Relational trust between top and middle managers affects the effectiveness of their entrepreneurial roles and is important when there is interpersonal conflict between top and middle managers.

The results of this study provide a more thorough understanding of management behavior as an explanatory factor for the entrepreneurial behavior of established organizations. It emphasizes the importance of several aspects of managerial behavior, such as building, developing and maintaining interpersonal relationships and trust, as well as conflict management. These aspects of management behavior provide new and deeper insights into variations in the generation, selection and implementation of new business ideas.

The results of this research show robustness, the patterns that were identified can be seen in a variety of organizations in terms of size and industry, as well as in the context of different initiatives and interpersonal relationships. There are, however, limitations to this study. The number of cases involved limits the external validity of the findings, while the organizational processes in this study were described on the basis of the perceptions and experiences of the respondents, as well as on the basis of (internal and external) documents and observations. The influencing behavior of top and middle managers, as well as their interpersonal relationships and interpersonal conflicts, were described from the perspective of only one of the parties involved in a given relationship. The data from this study, which included interview transcripts, company documents and public data, was labeled, coded and analyzed by only one researcher, which may have introduced a certain bias and could affect the reliability of this research.

This study has several implications for managers. The findings indicate that entrepreneurial initiatives often go hand in hand with interpersonal conflict, something for which both top managers and middle manager should be prepared. Conflict is part of the ‘entrepreneurial game’, and avoiding or minimizing conflict, or continuously promoting consensus or harmony may not always be the best way to let entrepreneurial processes find their way in organizations. On the contrary, accepting interpersonal conflict, or even staging conflict as part of organizational life, may be very helpful when it comes to promoting entrepreneurial behavior within the organizational context, which stimulates entrepreneurship. Another implication of this study is that, since interpersonal conflict appears inherent in the entrepreneurial process, and the quality of the initiatives appears to depend on the
way parties handle conflict, developing the skills and competences needed to manage interpersonal conflict could improve the initiative process and the way initiatives affect the entrepreneurial behavior of organizations. Furthermore, organizations should develop structures and processes through which interpersonal conflicts are channeled and the negative effects of conflict on individual managers and organizations could be mitigated. Developing and maintaining relational trust between managers, and developing the necessary skills and competences, will help managers be more productive in effectively managing entrepreneurial initiatives. Developing good interpersonal relationships, with high levels of relational trust, can help managers be effective in managing interpersonal conflict and, in the context of entrepreneurial initiatives, turn entrepreneurial endeavors into a success.