

## Economic theories of middle management : monitoring, communication and the middle managers's dilemma

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### Abstrak

This article aims at summarizing several organizational functions of middle management, and clarifying their tradeoffs. Comparing a three-tier (top-middle-bottom) organizational structure with a two-tier (top-bottom) structure, we show the following results: (1) middle management benefits the organization only if middle managers have higher information gathering capabilities than top, as well as they serve effective monitoring and communication roles; and (2) more communication from middle to top is not necessarily desirable for the organization, because of its detrimental effect on bottom. Result (2) arises from a tradeoff between communication and incentives: While more communication improves project implementation by top, it discourages bottom to exert effort to generate proposals.