

# LEADERSHIP WITHIN INDUSTRIAL ORGANIZATIONS

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**T**HE first thing for any leader to be clear about is the character of his task. What is he to lead? For what purpose is he leading? And what is the nature and the measure of his control? Perhaps these questions sound elementary, but a little consideration will show that a failure to answer them is responsible for much of the prevalent industrial confusion.

What is the industrial executive to lead? Certainly not the several hundred or thousand employees under his nominal control, for no human being could direct intelligently such a number of separate individuals. Any executive depends on a following organized into a coherent system of integrated groups, each with its logical purpose and its accustomed activities.

A well integrated body of men is capable of being effectively led, but not a disintegrate rabble. Thus an executive has two functions to perform at one and the same time. He has to integrate his followers and he has to assist them to achieve some common purpose. In a sense these two functions are really one, for a group will integrate to an extent measured by its satisfaction in work. The present lack of adequate integration in industry suggests an examination of the ways in which labor's present occupations fail to measure up to the standard of their needs.

## *Obstacles to Leadership: Non-economic and Economic*

Our thoughts at once turn to economic considerations, and quite clearly these are important matters; but experienced executives know how much in-

dustrial friction centers around matters other than merely economic. In this connection trade agreements are most illuminating; these so-called agreements are documents presented by one party—usually a union—for acceptance by the other party—the employers. Almost everything under the sun is the subject matter of some trade agreement or other, even down to the provision of adequate clocks in workshops. Presumably every matter regulated by a trade agreement has seemed of importance to someone, and the scope of these matters is so bewilderingly wide that at first sight nothing can be made of it.

One thing clearly emerges from a study of trade agreements; the worker is not confining his attention to strictly economic considerations, although he is thinking of these, too. The worker is thinking of his entire range of activities and interests, and evidently these matters do not seem to him to be adequately guarded by the ordinary industrial procedures. Of course, any one trade agreement will only mention a very few items, apparently chosen at random. One agreement will specialize on clocks and conditions of dismissal, whilst another will minutely regulate the conditions under which the worker may be paid by check, a third will specify the apportionment of types of work as between grades of workers, and a fourth will determine at what place in a worker's daily travel he shall be deemed to be "on the job." And so on; the list is endless.

If they did nothing else, trade agreements would remind us that firms are associations of men and women, organ-

ized for an economic purpose but necessarily involving, either directly or indirectly, the whole range of its workers' interests, hopes, intentions, and acts. There is no escape for industry from a full participation in the life of the community. This is a hackneyed statement, for everyone realizes that industry penetrates into the homes of a civilized community. What is not so well understood is that the community has entered into the workshops and offices of industry. In other words, industry is peopled with men and women bringing with them their entire stock of interests and sentiments, and above all their social sentiments, which are among the oldest and deepest sentiments they possess.

This is the real starting point of our problem. For industrial relations involve social sentiments in the same degree as do relations in any other sphere of activity; and leadership in industry cannot be effective unless it takes full account of those social sentiments which give to industrial groups their capacity for integration.

### *Management and Group Integration*

At one time it would have been very difficult to discuss the practical functioning of associations or groups for lack of systematic research in this direction; but more recently a number of careful studies of actual groups have been made. These reach all the way from primitive tribes, trading and manufacturing bodies, political groups, national groups, city groups, down to small industrial groups within a single workshop; and certain generalizations seem to apply to them all.

Every successful enduring group of whatever kind is found to be performing two related services for its mem-

bers. In the first place, the group is organized for some explicit purpose, and this purpose is broadly economic in character. This is the avowed object of every enduring group, and this is the function of leadership that is invariably recognized.

But human interests and needs are also social. It is the economic motive *within a social setting* that is of importance to human beings. Very little expenditure but is heavily conditioned by the habits, customs, and sentiments of those around us; the very range of our furniture, the food we eat, the arrangement of our days is the outcome of social conditioning and sentiment. So no group can remain integrated for long unless it is so led as to satisfy its members' social sentiments. That is to say, the group must find in its work activities some satisfaction based on inter-human relationship.

Moreover, it is repeatedly found that the integration of a group depends primarily on habitual actions performed in common. Integrating sentiment is built up just in so far as these habitual social acts are encouraged and maintained; while any blow to accustomed collaboration proves equally a blow at integrating social sentiment.

It is important to be clear as to exactly what constitutes a social act. This may take the form of a conversation or a dinner party, but these are not the types of social acts that integrate working groups. What are referred to in an industrial situation are the routine actions performed by one man to fit in with the actions of some other member of the group. When a worker bares the end of an insulated wire to enable his neighbor to solder that wire to a terminal, that is a social act. Socialization of activity occurs when it is guided or modified by the activities of others. In

this sense very little activity is entirely devoid of a social element.

Endless examples might be quoted to illustrate the connection between social routine and group integration. For investigation shows that social behavior is exhibited at levels far below explicit attention or knowledge, and on these levels of behavior are built up sentiments supporting group integration.

This constitutes a first generalization with respect to group behavior: *Group integration depends on routine relations between people developed over a period of time.*<sup>1</sup>

Conversely, the interruption of routine relations is the surest method of causing disintegration within a group. The social sentiments, friendships, loyalties, and work interests, are cut off from their roots; for no sentiment is wholly without relation to action, although the connection is often hidden from easy view. Moreover, stable social sentiments are of comparatively slow growth for the most part, and when broken down not only do they rebuild slowly, but their decay is apt to be associated with antisocial or disruptive sentiments.

This leads to a second generalization, for sentiments once aroused have a life of their own and they resist violent extinction.

A group will quite unconsciously resist any threat to its own cohesion. The Western Electric Company, in their Hawthorne researches, have contributed to our knowledge on this matter. A study was made of a group of skilled workers, men, who were behaving in such a manner as to isolate themselves from the apparent vagaries of managerial control. Management, for no doubt adequate logical reasons, is prone

to rearrange the working conditions of its workers with scant regard for the social routines and sentiments it is unwittingly breaking. In consequence, industrial groups develop a series of routines designed to nullify the effects of managerial activity. These routines are not logically evolved, and for the most part are explained by the workers on entirely different grounds; nonetheless they are only found in groups fearful for their own survival. I refer to such matters as eliminating fluctuation of output, which is closely related to restriction of output; a failure in passing information up the supervisory line; and generally a lack of cooperation in the economic purposes of management.

The Western Electric researches are very relevant to this problem, but the same behavior has been observed in studies of other industrial groups. Mathewson in his investigations into "Restriction of Output among Unorganized Workers" draws a similar picture.

Clearly management's concern should be to assist group integration among its workers, and to be in some sense included within that group. At all costs the management must avoid action which may seem to threaten the habitual routines of a group, for in that case the group will react by putting itself beyond the possibility of intelligent leadership. Anyone who has watched the fate of so many logically adequate motivation devices will know exactly what happens when a group resists its appointed leaders.

So the second generalization amounts to this: *A group will resist any outside threat to its own integrity by withdrawing into a self-made shell, and so ceasing to collaborate effectively with the larger so-*

<sup>1</sup>This matter is discussed at greater length in a previous article, "Human Relations within Industrial

Groups," XIV HARVARD BUSINESS REVIEW I, Autumn, 1935.

ciety around it. This is group integration at a low level; it maintains some sort of internal integrity at the cost of its external integration. In particular, if a group feels itself to be threatened by the activities of management, the group will, so far as is possible, exclude the purposes of management from the scope of its intelligent consideration, and it will blindly fight every effort of leadership from that quarter.

There are a number of ways in which management could do something to avoid threatening the integrity of the groups within their control. For instance, management might adopt a wholehearted belief in the value of social integration. For, curious to relate, in spite of endless talk about the value of "*esprit de corps*," "morale," and the like, many executives become visibly uneasy when this sentiment begins to build up in the only way possible to it. What is asked of the worker is a vivid loyalty to some high abstraction variously referred to as "Company Policy," "The Firm," or even "The Principles for Which We Stand."

But loyalty is a social sentiment and it is built on routine collaboration, starting with quite small groups within the structure, and gradually spreading outwards as these groups begin to integrate among themselves. The progress of loyalty is from small to larger associations; this is the story of American Federalization; it represents the historical growth of most large companies, and it is the story of integration in any wide association of human beings.

What is feared of integration within a small group is that the group may organize itself in opposition to the larger whole—and this it will certainly do if its existence be threatened; but equally, a protected group will en-

deavor to satisfy its wider interests by collaborating with the organization of which it is a logical part.

Talking is usually discouraged among workers, and undoubtedly when over indulged such behavior leads to inefficient work. On the other hand, there is evidence to show that, in some circumstances at least, permission to talk not only makes it more possible for a group to integrate itself, but the very fact of permission is visible evidence of management's attitude toward group integration. Western Electric experience suggests that, in so far as the group is collaborating freely with the management, the group itself will control talking and any other activity when the work shows signs of suffering thereby. Again, rest pauses have not only a direct effect on work habits but also facilitate interhuman contacts. In such ways management not only encourages group integration, but also captures the loyalty of the group by a demonstration of interest in its well-being.

However, it is not always possible in a progressive firm to avoid breaking down groups as a result of technological advance or for other reasons; and in any firm draughtsmen can be seen with plans of available floor space working out some improved arrangement of machine tools or of office desks. But every tool or desk presupposes a worker, and it is relevant to suggest that not only is there a better and a worse spatial arrangement for the stage property, there are also better and worse dispositions of the actors themselves. Yet it would be very exceptional to see a planning department spending its time in devising arrangements to secure continuity of existing groups. I have never witnessed this sort of planning, and yet it would be well worth the trouble.

*Leadership to Meet Necessary Change*

Probably we are all ready to admit that the maintenance of integrated industrial groups lies somewhere at the root of successful employer-employee relations, but the main problem has yet to be faced. It is possible to go a long way in the direction of encouraging group integration, both inside the group, and as between groups; but only to a very limited, though important, extent is it possible to prevent frequent changes in the social routines of each individual or small group. Coöperative sentiments are slow to build and easily broken, and if their existence in a firm were to depend on the rigid maintenance of the *status quo*, then the outlook for industrial leadership would be black indeed.

And so the real problem for industry amounts to this. If we assume every assistance on the part of management for the building and guarding of intra- and inter-group integration, under what conditions will the workers accord their management the right to lead them through the continuously changing path of economic efficiency?

This is after all the common need of all ranks from bench hand to president; not one of these men is working for the pure joy of the activity. They all wish for a successful economic issue to their labors, but they wish for economic efficiency *as an essential aspect of their social framework*. The bulk of these men's lives is spent within the walls of the factory. If in the process of securing economic efficiency the social framework is destroyed, then the situation becomes intolerable; and equally, if in securing a full measure of interhuman activity, the economic purposes are neglected, again the situation collapses. Leadership is required to promote both

the economic and the interhuman aspects of activity. Each depends for its value upon the other, and together they constitute social living.

If the history of any group with a record of successful and enduring integration be carefully examined, two things will be noticed. First, the group is at its best during those periods in which the leadership is vigorous. And, secondly, when the group is being effectively led its character and functions are undergoing marked change.

Of course, we must not be misled by names and formal descriptions. One of the unconscious devices by which a changing organization preserves its continuity is in the adoption of a formal description which will cover the extending range of its activity. For instance, consider the Supreme Court of the United States. This group has a long and honorable history, and its formal description would cover that record from the beginning to the present day. But every school boy knows that the Supreme Court began with a strictly legal objective, the last court of appeal in a hierarchy of essentially similar institutions, and it has emerged as the guardian and interpreter of its country's governing activities—a complete and far-reaching evolution of function. One of the finest periods of the life of the Supreme Court took place under the leadership of Mr. Justice Marshall, a vigorous leader during a period of great change. Another successful institution has been the British Parliament during the nineteenth century, and here again its most effective activities have been during periods of strong leadership and marked change.

Any group or institution, from religious bodies to industrial companies, will show the same relation between effectiveness, leadership, and change.

The outstanding period of American Trades Unionism, under the vigorous leadership of Samuel Gompers, was not marked by a pedantic maintenance of the *status quo* in union activity. Precisely the same thing applies to industry; firms disintegrate as soon as they cease to evolve. Finally, in small industrial groups, involving only a handful of workers, their periods of effective integration are found to depend on change guided by competent leaders.

After all, this is the barest common sense; a ceaseless struggle to maintain an unvarying situation would be a dreary prospect. People, in so far as they are happy and active, hope for a positive outcome to their labors in the form of acceptable change.

And this is a third generalization. *Change to be acceptable to a group must come from within, and must appear as the visible need of its present activities.* Change imposed from without is a disaster, comparable to an earthquake, breaking rather than assisting integrated evolution. So management in industry can lead its groups to just that extent to which it is itself a member of those groups, and it can lead no further; anything beyond that will be resisted as compulsive interruption to social living.

Management in the past has made many and sincere attempts to capture the loyalty of its industrial groups; often the attempt has been disappointing, and even when successful the leaders have never succeeded in stating quite explicitly the basis of their achievement.

It is the business of the leaders to secure not only the social but also the technical, logical procedures on which the activity of their groups depends. At this level the leaders are rightly considering activity in terms of economic

abstraction. Their mistake lies in supposing that the actual daily integration of a group of workers can be made to depend on a logical proposition, rather than on habitual routines sensibly adapting themselves to meet a visible situation.

Any executive from his own experience can cite instances where some needed change in routine has been patiently and clearly explained to a group, only to find in the end that the group has ruined its chances by resisting the change. At first the group seems to acquiesce, impressed by the logic, but soon resentment or some similar sentiment indicates a reversal of attitude. Neither management nor the workers themselves can usually explain what has happened. The fact is, nothing in the workers' daily experience has indicated the need for change; it presents itself not as a sensible adaptation to a visible situation, but as a blow from management wrapped up in a tissue of unanswerable logic. The better the logic the more irritating is the blow.

At times of crisis nations accept a leadership which would ordinarily provoke the most violent opposition. Witness, for example, the actions of Mr. Roosevelt's Administration during the banking crisis of 1933, or the loss of personal liberty cheerfully accepted by belligerent nations during the World War. But then the crisis was visible to every individual, and the remedial changes inaugurated by their leaders only expressed the sound sense of the society. Yet another example can be seen in the millions of employees who were laid off by management during the late depression. On the whole this action was accepted by employees because their experience indicated the necessity. This was no question of abstract logic but of visible circumstance.

Any such action on the part of management in normal times would inevitably lead to a social revolution.

Men actually welcome a leader who will organize them for the purpose of adequately meeting visible situations, for this involves the satisfaction of a need: integrated social living, and its effective continuance. But no one enjoys a disturbance to his social living if the need is not apparent in terms of his life, even though supported by the best of arguments. So it is quite useless for industrial leaders to attempt to sell their policies to labor on the basis of reasoned statement alone, even though the need for those policies was originally detected by logical thinking. What is required is that a firm be so organized that the need for change is visible to the relevant groups in terms of their own daily activities, and this is not so difficult of achievement as may appear at first sight.

Naturally it is not suggested that no change should ever take place without the whole background being familiar to those involved. If this policy were pushed to its logical limit, then practically evolution would come to an end. We all submit to a certain amount of direction the object of which is not clearly apparent to us. But in industrial situations the worker is subjected to an unusual amount of unintelligent restriction—unintelligent in the sense that *his* intelligence can make nothing of it in terms of familiar fact; equally his opportunities for experiencing intelligible leadership are far too few.

#### *Management and the Shop Foreman*

The object of management should be to redress this balance; for in so far as the worker is habitually being led to achieve adjustments, which his own sense requires, to that extent will he

have confidence in his leaders, and he will give management the benefit of the doubt in those changes for which daily life cannot possibly have prepared him. Let us consider the possibilities of such an organization of industry a little more closely, for we have reached the very core of our problem. One line of approach is through the junior supervisor. Management, to an employee in a large establishment, is a vague abstraction somehow connected with well furnished offices. The worker hardly knows his managers as real human beings; even if he is on nodding terms with his president they have no routine activities in common.

The true representative of management for the employee is the junior supervisor, or foreman as he is sometimes called. This is the only end of management with which the worker has real contact, in the sense of daily interpersonal work relations. So it falls to the foreman to make visibly intelligent the policies of management to labor, and also to make equally visible to management the situation at the workers' level. If the foreman fails in this task, the organization will fall into two unconnected groups, one of which will be issuing unintelligible orders to the other.

Thus, in many ways the foreman has the most critical job in the whole organization. Equally in the nature of things his is the least experienced and least tested of all the ranks of management. And yet in spite of this the foreman is probably required to display a wider range of personal capacities than any other rank. Here is a description of the foreman's duties. "The all-round foreman is still, especially in smaller plants, required to assume the most multifarious tasks. He has been expected to fix rates, fix costs, supervise machine in-

stallation and repair, hire workers, keep production records, inspect work, train new employees, advise on progress changes, and secure the required output. He would indeed be a paragon who in this confusion of duties could be solicitous about the niceties of human relations. Inevitably in the past there has been overwork, on the one hand, and neglect of important functions, on the other."<sup>2</sup> In larger organizations some of these functions are taken over by specialized departments, although as the authors point out there has been a swing away from overdepartmentalization of the foreman's functions. In any case the foreman remains a "jack of all trades" rather than a master of one of them.

Nevertheless the all-round foreman has one great merit, assuming that he could perform his functions; he integrates the multifarious factors of his workers' activities at the working level, that is, within full sight of his group. His problems present themselves in terms of his group around him, and his solutions are drawn from the texture of his group's daily life. Unfortunately, it is nearly hopeless to expect the foreman to evolve suitable adjustments unless his duties are simplified.

The departmentalization of the junior supervisory function does effect such a simplification, but at the expense of removing the task of integration, and therefore of initiation, from the workers' level. Under such a system this takes place in the offices of the higher executives, and the outcome makes its first appearance on the floor in the form of executive orders. So, of these two systems, the first secures some measure of initiation at the workers' level, but

places an intolerable burden on the foreman; the second relieves the foreman, but at the expense of removing all initiative from the level of the working groups.

It is a well-known fact among industrialists that the lines of authority in an organization are mainly vertical, from the worker to the president, but the lines of collaboration tend to run horizontally between officials of approximately level rank. This second line of collaboration has usually no recognition in the formal set-up of the company, it is an unofficial activity held in check by the formal organization built on more or less vertical lines. These two organizing principles correspond to a fundamental difference in the place at which initiative is exercised. Horizontal lines of collaboration, in so far as they are effective, result in daily adjustments being elaborated at the level at which the problems arise. Thus initiative remains in the hands of those whose daily activities have shown the need. On the other hand, when the process of collaboration is forced up the lines of formal authority, then integration and initiative take place above and are brought down to the relevant level in the form of orders.

The all-round foreman is an instance of horizontal collaboration, only, as in the case of certain foreign dictators, he happens to contain all the collaborators within his own person—he collaborates with himself in his various capacities; there lies his weakness, and implicitly he seems to know it. For anyone with a first-hand experience of factory life will recognize the many unofficial ways in which a foreman creates a small group of collaborators officially denied to him.

John, an elderly mechanic, shows some aptitude for training novices and he, unrecognized by the formal organi-

<sup>2</sup> Tead, Ordway and Metcalf, H. C., *Personnel Administration*. Second edition. New York: McGraw-Hill Book Company, Inc., 1926, p. 169.

zation, is the *de facto* trainer for the shop. Tom is quick at figures and he looks after the foreman's paperwork. Someone else can fix the machines and keep them working; and so on. These men are the foreman's unofficial collaborators, and they represent him in his many capacities. Without such a shadow staff the position of the foreman would be quite hopeless; but he very reluctantly admits to such assistance, for it is not recognized and is often not tolerated by the senior executives.

Thus the foreman, on his own initiative and in concert with his group, has elaborated a modification to meet a visible situation; visible, that is, to the working group. But management, so far from assisting this display of initiative at the relevant level, is usually blankly ignorant of it and tends to discourage what it sees. And yet a development on these lines is worthy of considerable thought, for it does make possible a modification within a group to meet the circumstances that arise there, and it simultaneously relieves the foreman of an impossible combination of tasks. The Western Electric Company is engaged in a careful survey of the extent to which such unofficial organizations have taken place, and the tentative findings are exceedingly interesting. They illustrate the continual tendency for adjustments to take place at the level at which the need becomes evident, and the degree in which a formal organization can easily act as a check on such natural growth. Thus, management unwittingly holds back its employees from effecting technical changes to meet needs visible to them. And this brings us to our last generalization. *No society or organization is averse to change provided the initiative for that*

*change takes place at the relevant level—at that level where the daily activities have shown the need. Under those conditions change will present itself not as an interruption, but as the natural flow of social living.*

#### *Questions of Company Policy*

Large questions of company policy do not usually disclose themselves in the daily activities of the workers. Such questions are visible only to the senior executives, and all ranks are willing to leave the initiative there. But most, not all, of the changes introduced by management into a working group concern small matters which have arisen from within that group. The group is failing on delivery, has high operating costs, has neglected quality, or is careless of company property; circumstances like these give rise to most of the small detailed changes which are resisted so bitterly when initiated in the offices of the executives. And yet experiments and exceptional organizations here and there have shown that it would not be impossible to reorganize working groups, so as to enable them to supply much of the integration and initiative needed to cure their own ills. To the extent to which this is accomplished, management would represent itself as a body assisting their groups in working out their own visible problems, rather than as disturbers of social living. Management would be called upon to effect an integration as between small groups.

This is not a scheme for employees' representation, though that has its place; it amounts to suggesting that initiative should not be too exclusively concentrated at the top, but should be encouraged at every level in those matters relevant to that level. More-

over, the form of the encouragement should be that of evolving an organization which will enable each level to obtain a perspective of its own problems and then to handle them effectively.

One last point arises in this connection. Any large and enduring organization must possess a formal structure and forms of procedure. In the case of a nation this comprises its constitution and its laws. A commercial company functions under the relevant laws supplemented by its own constitution and regulations. These latter require continual modification to meet changing conditions; but where the formal structure attempts to force new procedures not arising from the situation visible to those affected, or worse, hampers attempts at natural growth, then poor integration is almost bound to result. An example in point is the habitual failure of the formal structure to accommodate itself to the existing horizontal collaboration. It should be the object of company regulation to give form and assistance to such a growth, and to insure its orderly evolution.

### *Conclusion*

A study of groups and human organizations has led to the formulation of four generalizations.

1. Group integration depends on routine relations among people developed over a period of time.

2. A group will resist any outside threat to its own integrity by withdrawing into a self-made shell, and so ceasing to collaborate effectively with the larger society around it.

3. Change to be acceptable to a group must come from within, and must appear as the visible need of its present activities.

4. No society or large organization is averse to change provided the initiative for that change takes place at the relevant level—at that level where the daily activities have shown the need. Under these conditions change will present itself not as an interruption, but as the natural flow of social living.

These findings go some way toward determining a desirable attitude for management in the handling of its working force. Thus it follows that all such devices as profit sharing and the like, whether desirable or not, cannot in themselves create integrated employer-employee relations. To suppose otherwise would be to commit the old mistake of thinking that human relations rest on logical concepts, rather than on daily social routines directed toward a logical end.

Again the Russian system of control by Soviet Councils is obviously beside the point. It will not help to free the employee to have him breaking into the president's office, for the proper activities of senior management do not declare themselves at the worker's bench. In fact at this very time the Russian factory worker is rebelling against a speeding of production nominally inaugurated by himself. A Russian factory makes provision for the interruption of the president by the worker, but it does not provide for the latter to exercise initiative at his own level.

And that indicates our main conclusion. A contented, integrated organization accepts progressive leadership, because each group exercises some initiative in those matters which concern its own activities and arise out of them. It is quite untrue to suppose that under such a system most individuals feel constrained because some of their circum-

stances are clearly beyond their own effective control. No sensible citizen wishes to erupt spasmodically into the councils of the Department of State at Washington, but he does wish for a voice in those matters which arise directly from his own activity.

Finally we should do well to remember that by far the largest part of the changes promoted by management and resisted by employees do not arise

from major decisions of policy intelligible only to the former, but from petty considerations springing directly from the daily activities of the employees themselves. In so far as working groups are organized to handle their own affairs, to that extent will management find itself within those groups, and so welcomed as their natural leaders in matters outside the group's control.

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