

LEADERSHIP IN A BUSINESS ENTERPRISE*

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1. INTRODUCTION

The purpose of my study is to give an explanation to the problems of leadership in business context. My motive for this research is the unsatisfactory state of earlier research made on leadership. In recent decades leadership theories (that is theories of leadership traits, styles and contingency approaches) have differentiated from the more general theories of management (since Taylor and Fayol). In theories of leadership traits and styles the problem has been considered to be merely individual and psychological in nature. The contingency theories of leadership (Fiedler, House, Reddin etc.) have tried to take into account the context, the reality of leadership, but they have remained atomistic and unfruitful at the theoretical level. In order to understand and to be able to control the phenomenon we have to study it in a specific context.

2. NATURE OF BUSINESS

In this study the phenomenon of leadership is studied in the context of a business enterprise. The business activities characteristic of a business enterprise are considered to offer a basis for the explanation of the problems of personnel management (leadership). The essential points in a firm's survival are the markets, production and finance. In order to succeed with these the firm has to arrange its internal functions (division of labor, structure of power and delegation, i.e. the leadership system in general) to support the ongoing business (Normann 1977, Gowler 1969, Tainio et al. 1983). The core problems the management has with the employees are contradictory in nature: on

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the one hand, the economic efficiency interests as far as the business is concerned and on the other hand the varying individual demands. There are two ways available to the management in reaching the business targets of the firm through the employees: 1) to integrate the individual goals into the business goals and 2) to activate the employees towards the aims of the firm.

3. LEADERSHIP AS A SOCIAL EXCHANGE

The relationship between the management and the employees (also superior – subordinate) has often been studied as a social exchange. The main tradition in the social exchange theory has paid attention especially to the economic nature of the exchange: the emphasis has been on the exchange of rewards (Homans 1961, Thibault and Kelley 1967, Blau 1964). Very little attention has been paid in the economic model of exchange to the structural factors existing in the context in which the exchange takes place (Burns 1973, 1977). The structural form of the social exchange theory rests on the assumption, that social interaction processes cannot be understood apart from the social context: Consideration must be given to the normative controls, distribution of resources and the context of exchange, i.e. the structural and temporal context of social interactions. In a business enterprise the management (and a superior) has a structural domination in relation to the employees (subordinates): the leadership activities are based on the inequality in power and social exchange. The two traditions in social exchange theory (economic exchange theory and structural exchange theory) implicate also different approaches to the problems of leadership. The economic theory of social exchange is supported by the idea of the effects of rewards on human behavior. Integration into the firm and acting toward the aims of the firm are assured by emphasizing the 'mental' co-operation as a form of common interests and community spirit. The 'structural' co-operation is based on the conflicting relationship between the management and the employees. In summary, the explanation to the problems of leadership are traditionally sought on the one hand in the individuals and on the other hand in the dominant power structures.

4. APPROACH OF THIS STUDY

The claim presented in my study is that the explanation to the problems of leadership could be found through multilevel interpretation of interaction.

What these levels are and how they are assumed to give the explanation is proposed for discussion in the following. Most leadership studies are interested in the problems of the concrete, every-day communication between the superior and the subordinates. At this level the problem is between two individuals and the context is a situational factor. Thus the solutions to the problems are mostly based on certain assumptions of the human being. This is the first interpretation level of interaction.

If we want to emphasize the context-bound nature of the phenomenon, we must try to explain it through the very nature of a business enterprise and the concrete events in its functional processes. This is the second interpretation level of interaction.

A business firm is part of the society surrounding it. It functions in a reality largely controlled by this society. The rules, societal norms and values are basically determined by the dominating economic order in the society. Being interested in leadership we have to admit after all that we are dealing with human beings. But these individuals, acting agents, are at the same time members of the firm as workers and members of the society. This is the third interpretation level of interaction: awareness of the interaction between individual, firm and society.

5. METHODOLOGICAL ASPECTS

In dealing with these interpretation levels we ought to have a tool with which we could understand the formation of interaction. It is suggested here that the concept of cognitive schema could be useful for this purpose. Almost always two counterparts are involved in the leadership process: the leader and the led. They both have their own views of the surrounding world in general and the affairs and events inside the working place especially. When constructing their views the counterparts use the three interpretation levels mentioned above. These mental images can be called cognitive schemata. A schema is a mental structure, which functions as an approval and orientation system of the perceptions (Neisser 1976, Anderson et al. 1977, Mayer 1981). Obviously there are many different schemata of the problems of leadership in a firm. Because of the orientating function of a schema it is important to know or at least to be vaguely aware of the differences between schemata at the management-employee level. The orientating function of a schema can be illustrated by the following example: Workers can have a very clear idea of the bases and objectives of their participation in the decision-making of the firm. This can be explained quite easily by referring to the motivating effect

of participation (individual explanation). Yet it may be that they cannot act according to their schemata because of the power and decision-making structure of the firm (which again can be explained by referring to the dominating economic order). In summary, the schema which was based on the individual explanation, filtered through the explanations of the firm's nature and societal structure: the subjective and objective reality encounter and change the schema in interaction with the different interpretation levels. The profound differences in schemata may cause disturbances in the production process. This is why the first level interaction (every-day communication) mediates different messages between the counterparts in order to make the schemata more congruent.

It is interesting to notice that although he stands for the structural theory of social exchange, even Burns favours, at least implicitly, phenomenological approaches to the problem when suggesting possible future research programmes. Burns states that »there is a dialectical tension between processes of reproduction and processes of transformation in unequal exchange. Actors apparently utilize different perspectives or frameworks, which depend on the social and cultural context, to interpret, give meaning to and guide their exchange activities. Actors, in conceptualizing, evaluating and making decisions in their exchange activities, focus on (or select) only certain aspects of the activities and their multiple consequences. This selection is based on specific conceptual and evaluative frameworks or models of social interaction» (Burns 1977, 237–238).

On the basis of what has been said above leadership is considered here to be a multilevel interaction process operative at the individual – firm – society levels. This interaction can lead to a change. The change occurs either as a change of thinking (schema) or as a change of behavior. The role of management (or each superior) is to balance between fundamental tensions existing in the leadership in a business firm. This can be achieved 1) by generating the rules of the game for such problematic situations that are likely to be solved and 2) on the one hand by acting as a change agent and on the other hand by being sensitive to changes in situations which have many contradictory elements.

6. IMPLEMENTATION OF THE RESEARCH PROGRAMME

It has been planned to carry out this research programme in two phases. As a point of departure is the fact that different research methods reveal aspects of different levels of the phenomenon. The approach of this study is

problem-oriented. The main purpose of this study, which is to find explanation to the problems of leadership in a business enterprise, has been divided into the following objectives: 1) to find out the leadership problems in every-day communication and 2) to focus and deepen the picture of the mechanisms behind the problems. In other words, we are aiming at answering questions how and why.

The first phase was to survey the surface problems between management and employees (superior and subordinates). A questionnaire was sent to two business units and the central administration department in a quite big textile company in Finland (population in the survey was 523 persons, the sample was 220, 180 persons answered = 82 %). 125 persons of those who answered were factory workers and 55 office workers, 25 of which were foremen (13 first level foremen and 12 department managers).

The answers of the survey were made more concise with a factor analysis and the factors were compared in different interpretation groups (factory workers, office workers and foremen). The result of the preliminary factor analysis (50 variables, 180 observations, trace % 51 with 6 factors) was made more precise by making another factor analysis on the primary variables in two groups. The groups were assumed (correlation matrix) to describe on one hand the co-operation and on the other hand the climate of the working place. The following 4 factors described the co-operation (15 variables, 180 observations, trace % 56): 1) participation in the planning and decision-making; knowledge of the objectives of one's own department and those of the whole factory, 2) meaning of the work, 3) information flow especially from one's own foreman and from the workers' representatives and 4) community spirit. The following 4 factors described the climate of the working place (23 variables, 180 observations, trace % 53): 1) the attitude in the communication between the foreman and his subordinates (friendliness, trustiness), 2) the content of the communication (feed-back, direction, encouragement), 3) human relations between the workers and 4) striving forward in the job. Comparisons between the groups in different analyses (t-test, analysis of variance) pointed in the same direction: As was expected, the foremen differed positively from the employees in all respects (in all factors). The result was the same when compared the office workers and factory workers.

The second phase in gathering the empirical material was to reveal the schemata which the members of the units have of the problems found in the survey. The method in use here was the so-called concentrated interview in which the researcher has an informal dialog with the person without any questionnaire, the subject for dialog being in this case the problems revealed in the survey. About 15 persons have been interviewed up to now. They were

chosen to represent different organizational levels, departments and reference groups. All the interviewed persons represent only one of the two factories. These dialogs are aimed at gradually giving information (interviews are repeated many times) on their most important thoughts concerning the leadership problems at the surface level and also more generally in the firm. There are two important reasons for trying to find out the schemata: 1) leadership in a business enterprise is always directing by nature and 2) the directing person has better chances to control the leadership issues, if he is aware of the different views employees have of the phenomenon.

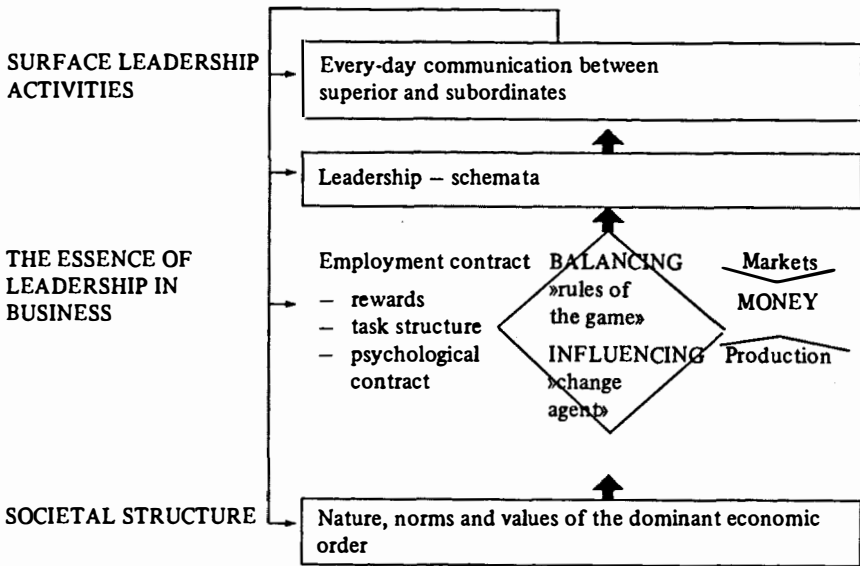
If we consider leadership as a process we have to study it as a process, too. With the survey we could get along in the process at a certain point. At that point the researcher became tied to the ongoing time and events taking place in the research units, that is in the firm in this case. The surface problems and the schemata were both affected by the general nature of a business firm and the internal events of the firm in case. The interviews have been strongly influenced by a managerial decision: the decision to shut down the other factory and move its production to another town.

There are no clear-cut results from the second phase of this research, as yet, because the interviewing is still going on. It can be said however that two of the interpretation levels (individual and firm) are clearly apparent in the schemata. The second phase of research also includes gathering numeral facts on the near past development in production, markets and financing of the firm. These data are supposed to reflect the objective reality of leadership conditions.

7. STRUCTURE OF ANTICIPATED RESULTS

It is assumed that the results of this study will fit in the following structure.

1. Leadership as part of the business process:
The dynamic nature of business activities and the concrete events in them explain through the static theory of social exchange (structural and non-structural explanations) why leadership is problematic.
2. The interpretation levels of leadership.



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