Leadership Failure: Lack of Understanding in the Leader-Follower Relationship Results in Labor Disputes, Job Dissatisfaction and Low Productivity

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Abstract

According to the Committee on Elimination of Waste in Industry of the Federated American Engineering Societies, "The major causes of strikes are occasioned by demands for increase in wages, recognition of the union, decrease in working hours and by jurisdictional disputes." More importantly, however, the committee continues, by saying, "Incidental to these causes and often aggravating them are the working conditions, **while in almost every case the prime factor is the lack of understanding and failure of the employers and the workers to get together.**[1]. This lack of connectivity in the leader-follower relationship is a result of negative leadership styles that seek to extract production from followers without regard to their personal and individual needs and desires. Companies such as Wal-Mart or those involved in the coal wars of West Virginia in the early 20th century have used the fiduciary responsibility to the shareholder to under compensate employees in the name of efficiency. Modern leadership models indicate, however, that employees, when respected and valued, are more productive and stay with companies longer, saving the company substantial sums. This article contrasts organizations with traditionally negative leadership (in regards to employee relationships), with organizations utilizing a leadership style that is participative and employee friendly.

Introduction

On May 19, 1920, detectives of the Baldwin-Felts Detective Agency and miners of Matewan, WV engaged, arguably, in the most famous labor battle in the United States, leaving 7 detectives and two miners dead. [2] In 2004, the world's largest retailer, Wal-Mart, received a class-action lawsuit alleging Wal-Mart "avoided paying employees their full, earned wages" [3]. According to the Committee on Elimination of Waste in Industry of the Federated American Engineering Societies, "The major causes of strikes are occasioned by demands for increase in wages, recognition of the union, decrease in working hours, and by jurisdictional disputes." More importantly, however, the committee continues, by saying, "Incidental to these causes and often aggravating them are the working conditions, **while in almost every case the prime factor is the lack of understanding and failure of the employers and the workers to get together**.''[4] This "failure…to get together"[5] occurs in the vacuum of effective and positive leadership left by both the employing and labor organization as neither adequately addresses the needs of the leader-follower relationship. The purpose of this article is to examine the leadership methodologies of six notable US companies (both positive and negative in perceived leadership qualities) drawing a correlation to labor disputes, job dissatisfaction and low productivity.

Labor Disputes and Job Dissatisfaction

Although labor disputes were more prominent in manufacturing and mining related industries in the first half of the 20th century, employee dissatisfaction and labor disputes continue in the United State even as the economy became more service oriented. Labor disputes grew throughout the 20th century and continue to do so in the 21st century without regard to job classification, employee educational level or era of time. What is consistent, however, is that the treatment of employees by management (leaders to followers) has an effect on productivity which ultimately effects profitability. As discussed in the following six companies, anecdotal evidence suggests a correlation between leadership style and connectivity with the outcomes of job satisfaction, employee turnover and productivity.

Sample Organizations With Negative Leadership Attributes:

Since the beginning of the industrial revolution (and likely before), tension between management and labor has been a factor affecting production and productivity. In the late 19th century as industrialization led to production in enormous facilities such as steel plants and large coal mines, the tendency of management to mistreat laborers in an attempt to lower production cost and increase profits escalated. By the early 20th century, organized labor was active throughout much of the U.S. and would eventually bring workers rights to the forefront of American politics. Many organizations, recognizing the need for employees to be treated with respect and decency, found productivity increasing as employees became more satisfied with their jobs and stayed in a company for longer periods of time. However, the seeds of discontent, sown in the early days of manufacturing expansion continue to provide a steady harvest of tension and labor disputes. In addition, as the U.S. has become more service oriented, the large box stores (such as Wal-Mart, K-Mart, and Target) wages of the average worker have gone down since the 1950's when compared to the consumer price index.[6] This erosion of wages, while seeing corporate profits increase adds fuel to the fire causing a further tension between the parties. The following is a sample of three companies, Matewan Coal Company, U.S. Steel and Wal-Mart, who each in their own way has led in a negative fashion, causing the disconnect between management and labor to grow.

The Battle at Matewan (Coal Wars of the Early 1900's)

As a result of an expansion in iron production, the need for coal from the mountains of West Virginia increased in the 20th century and resulted in several independent coal mine operations in southern West Virginia by the early 1920's. The mistreatment of laborers in the mines is legendary with the Battle of Matewan bringing the coal wars to the national spotlight. The coal companies, having "significant influence with politicians, newspapers and the school system"[7], dominated life in coal towns, and exercised significant control over the miners and their families.

This poor treatment of laborers in the coal industry and other industries throughout the nation led to a social upheaval resulting ultimately in unionization of many mining operations. Today, many mining operations are unionized, but more are not. What is notable, however, is that even though union numbers are in decline, productivity of workers is increasing as leadership in the mines becomes more progressive and more nurturing in the leader-follower relationship. It is this connectivity that was lacking in the early years of coal which ultimately lead to years of strife and the death of many laborers and their families.

U.S. Steel

U.S. Steel is the seventh largest steel producer in the world employing over 49,000 people and producing 31.7 million net tons of raw steel each year.[8] "U. S. Steel had its origins in the dealings of some of America's most legendary businessmen, including Andrew Carnegie, J.P. Morgan, and Charles Schwab." "At the turn of the century, a group headed by Gary and Morgan bought Carnegie's steel company and combined it with their holdings in the Federal Steel Company. These two companies became the nucleus of U. S. Steel".[9]

After long years of strife between U.S. Steel and organized labor, US Steel capitulated in 1937, recognizing the Steelworkers Organizing Committee.[10] Although the decades long battle for recognition was over, the labor union and U.S. Steel would continue to fight throughout the 20th century in myriad wild-cat strikes (an unauthorized work stoppage) and the steel industry at large would see major strikes in nearly every decade. Today U.S. Steel and labor unions have both seen declines in influence as global economic pressures increase. Mounting pressure to cut costs to be competitive on the world stage causes tension between U.S. Steel and laborers. This nearly constant tension creates a disconnect between the parties requiring leadership to find new avenues of communication in order to avoid future strife.

Wal-Mart

Wal-Mart, the world's largest corporation (when ranked by revenues), is known for its efficiency in logistics supplying consumers with a large range of items at "Every Day Low Prices". Started by Sam Walton in 1962, Wal-Mart has grown to employ more than 1.65 million people in the world. In the United States alone, Wal-Mart employs 1.3 million people.[11] Originally Wal-Mart prided itself in employee involvement and satisfaction, advertising its employees as associates, a term of endearment and participation. However, as Wal-Mart has grown to its present colossal size, employees have become more and more discontented. "Some 50% of Wal-Mart workers employed at the beginning of 2003 had left the company by the end of the year. At the retailer Costco…turnover was just 24%."[12] While priding itself as "enjoy(ing) labor economies of scale"[13] allowing it to carry a large range of goods at low prices, Wal-Mart is awash in accusations of sexual discrimination and off-time-clock work requirements. One lawsuit, called the Dukes case, "is brought on behalf of 1.6 million females of Wal-Mart past and present, the largest civil rights case of its kind in US history".[14] Yet another case, regarding unfair employment practices was "granted class certification to a class of approximately 40,000 current and former Wal-Mart employees." This "case is scheduled to commence on April 27, 2009."[15]

The controversy of Wal-Mart's employment practices will be debated for years to come. What is less debated, however, is the decrease in employee satisfaction and productivity as a result of these practices, perceived or real. This precipitous drop in employee satisfaction, evidenced by the high employee turnover may be attributed to the inability of leadership to connect or "get together"[16] with employees, causing strain in the leader-follower relationship.

Common Leadership Methodology

Although there are significant differences in each of the companies (and industries) mentioned above, each have negative leadership attributes that defined the relationship between the company and laborers. Regardless of the organization of labor, commonalities between the leader-follower relationships are significant. Each company was aggressive in growth, while cutting labor costs to the bare minimum, regardless of workers needs. Company management was strongly authoritarian with laborers having little or no voice at any point. Modern leadership concepts such as Robert Greenleaf's servant leadership, or the more common participative leadership style, play only a small part in these companies who appear to value the employees more as a part of a machine than as having intrinsic value as human beings. This lack of perceived value plays an important part in the treatment of employees as work hours, pay rates and working conditions take a back seat to bottom line profits for shareholders. Job satisfaction rates were and still are high for each company (those still in existence). Although it is important to note that reliable figures on employee turnover, job satisfaction and productivity are difficult to find for the early days of the coal and steel industries, anecdotal evidence would suggest that employees were highly dissatisfied working 12 hour days 6-7 days per week for poverty wages. As jobs were difficult to find at any pay rate and quitting a job could mean starvation for your family, laborers had little choice but to stay, but likely longed for better conditions and pay, evidenced by the longing for unionization. Wal-Mart, a more contemporary example of employee dissatisfaction, has seen employee turnover go to unprecedented levels at between 45 and 70 percent in some years.[17] Today, as more statistics are available, it is increasingly evident that these companies, who have a shareholder as opposed to a stakeholder viewpoint, are seeing more and more strife in labor relations due to this disconnect in the leader-follower relationship. Wal-Mart has in recent years refused to participate in annual ranking reportedly due to poor employee surveys.[18] Table 1.3 indicates a strong correlation of negative leadership attributes to poor performance outcomes. Although this is not an empirical study of the subject matter, strong anecdotal evidence suggests the accuracy of these findings.

Sample Organizations With Positive Leadership Attributes:

Although a correlation of poor leadership to labor disputes can be seen in the previous examples, the correlation between companies with positive leadership and positive outcomes can also be seen. Three positive examples are Toyota, Patagonia and Southwest Airlines. Just as in the three companies with negative leadership methodology, commonalities exist in the three companies with positive leadership regardless of job classification, educational level or skill set.

Toyota

The Toyota (Toyoda) company began in 1890 when Sakichi Toyoda invented the handloom with automobile operations starting in 1933.[19] Today, Toyota Motor Corporation is the number three car company in the world in sales revenue and number one in the US in dependability. Although a Japanese company for much of its existence, Toyota came to the US in 1957 with the Toyota Crown and expanded aggressively in subsequent decades, building dealerships and factories that employ nearly 30,000 across the U.S. Marty Bernstein of The Auto Channel wrote **"**The first fifty years of growth, success and profitability of Toyota in the United States is unrivaled in the annals of modern business history and especially in the history of the automobile industry". Toyota prides itself as a having mutual trust with employees and states on its company web site that "Toyota's labor-management relations are based on mutual trust between labor and management. Following a labor dispute in 1950, mutual trust between labor and management was adopted as the foundation of labor-management relations in the joint labor and management declaration concluded in 1962. Since then, repeated discussions have led to deeper understanding and trust between labor and management."[20] One Toyota executive states that in some US Plants employee turnover is 2% annually. Overall, Toyota's internal surveys show high employee satisfaction even though the company prides itself in the lean model of production, making its cars affordable and with a target of zero defects when leaving the assembly line.

Patagonia

Patagonia, which was founded by Yvon Chouinard, is located in Ventura, California selling outdoor clothing and equipment, is a company "that has a reputation as an enlightened employer and champion of the environment".[21] The company inspires its 1275 employees with the goal of producing "the highest-quality products while doing the least possible harm to the environment".[22] Patagonia offers its employees on-site day care, full medical benefits to all employees, and receives on average of nearly 900 resumes for each position filled. Patagonia prides itself in being different than most workplaces, encouraging employees to take surf breaks occasionally. This sense of fun and purpose is one reason Patagonia has an employee turnover rate in the "single digits"[23] and is rated number 7 out of over 5,000 companies in reputation scores, including employee and customer satisfaction.[24] Even with such unconventional attitudes towards employees, Patagonia enjoys net profit performance in the "high end of the industry average".[25] The leadership models used at Patagonia are entrenched in the company's culture, allowing management and employees to work together harmoniously. This harmony, which exists in part due to the small size of the company, creates an environment of connectivity between leaders and followers, allowing for a free flow of ideas and information while focusing aggressively on performance.

Southwest Airlines

Southwest Airlines was started in 1971 by Rollin King and Herb Kelleher as a small Texas airline. Today, Southwest prides itself in being "The only short-haul, low-fare, high-frequency, point-to-point carrier in America."[26] Known for its fun loving crew and unusual boarding procedures, Southwest is the only airline to show profitability for 31 straight years. Although unionized, Southwest has an open and positive relationship with employees. Raj Sisodia (et.al.) referring to Jody Hoffer Gittell's *The Southwest Airlines Way: Using the Power of Relationship to Achieve High Performance* [27] writes in the book *Firms of Endearment* "At Southwest, the company's relationship with the Pilots Union is refreshingly devoid of finger pointing. Both sides share opinions openly. There is respect for everyone involved.[28] Management, with a highly participative style of leadership, involves employees and union representatives at many levels. This symbiotic relationship between management and employees encourages connectivity in the leader-follower relationship, decreasing management-labor tension and increasing productivity. Even throughout the tumultuous period after the terrorist attack on the United States on September 11, 2001, Southwest Airlines continued to show a profit as employees worked with management in order to implement new safety procedures required by the Federal Government.

Table 1.3

	Attributes		Outcomes			
	Leadership Methodology	Leadership Connectivity	Job Satisfaction	Employee Retention	Labor Relations (lack of lawsuits and strikes)	Productivity
Matewan	Authoritarian	Low (Anecdotally)	L	U	L	U
U.S. Steel	Authoritarian	Moderately low on average	L	ML	ML	M
Wal-Mart	Moderately Authoritarian	Low	L	VL	VL	M
Toyota	Moderately Participative	High	H	VH	G	VH
Patagonia	Participative	Very High	VH	VH	E	H
Southwest Airlines	Highly Participative	Very high	H	H	G	H

U=unavailable data L=Low M=Moderate H=High G=Good E=Exceptional

Common Leadership Methodology in Positive Leadership Organizations

In each of the later three organizations, management's attitude toward employees is positive and the leadership style is participative, at varying degrees. In Southwest, which has high amounts of employee participation, employees have open communication with superiors, allowing the most junior employees to make suggestions, increasing buy-in to the company's mission. While less true in Toyota, each employee is still valued and is encouraged to make suggestions to streamline operations and increase efficiencies at any time. Patagonia, while much smaller as well as being unusual in almost all comparisons, sees employees as individuals with needs and wants the company can help them meet. It's surfs-up and environmentally responsible attitude has created a coveted place to work yet continues to produce net profits at the high end for the industry. Regardless of their methodology, however, each of these companies involves its employees in business processes and shows value through good compensation plans and respect in the workplace. It is through this value that a positive connection between management and employees is forged resulting in positive outcomes such as productivity and job turnover, both of which can be very costly to any company.

Conclusion: Impact of Leader-Follower Connectivity

Throughout the 20th century and into the 21st, evidence has mounted that leadership, positive or negative, can determine employee satisfaction, turnover and productivity. Although there is no one-way to lead and manage an organization, it is evident that employees (i.e. followers) desire to be treated with respect and valued for their contribution to a company's mission. While the employee must accept some responsibility for the relationship, it is the role of the leader to create an environment conducive to positive outcomes. Jim Collins, in Good To Great writes of the level 5 leader as an executive who "builds enduring greatness through a paradoxical blend of personal humility and professional will."[29] Collins summarizes this leadership in part by writing that a level 5 leader "looks out the window, not in the mirror, to apportion credit for the success of the company-to other people, external factors, and good luck."[30] This level of humility and understanding of each person's contribution to the organization is what makes a leader with positive attributes connect with followers, creating an environment of positive outcomes which are critical to an organizations profitability and/or functionality, regardless of size or industry.

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