

## After 5<sup>th</sup> College and K.R. Plan

17 March 1961

Fred Emery

Dear Eric,

Sorry to be loading you up with my observations but there are a great many matters that I wish to discuss – it is simply not possible to find anyone willing and able in TIHR to discuss them. Elvetham<sup>1</sup> is a fine case in point – it was tremendous in its implications and yet everyone has run away from it so fast and far that I think that many acceptances of the invitations to the follow-up will be returned ‘address unknown’. I have pretty well given up trying to formulate what took place then as the conclusions are so amazing that I would drop all my detailed work once I got caught up with such a project. I am not, however, reconciled to a style of work that prevents such leads being thoroughly explored. Nor am I prepared, for long, to live in an intellectual vacuum. You had better come back or I shall come over.

Now to business.

ATM and I have had further discussions of his paper for the MIT.<sup>2</sup> He felt it too late for these to be effective and made it pretty clear that he did not wish to hear any more. As a representative of our views it is inadequate. Too bad but at least working over the inadequacies of Tommy’s paper was quite helpful for our own concepts:

1. When we are speaking of open socio-technical systems, we are referring to the general class of productive enterprises. *Our conceptualization does not, within this class, distinguish the modern corporation.* I am sorry that I did not spell this out earlier but really we have not had much of a chance to think through the obvious implications of our first steps. (The problem is clearly of first importance in talking to GEC.)<sup>3</sup>

The steps in the argument are patently obvious if we stop to think. If the productive enterprise, 18<sup>th</sup> century or now, is best characterized as an open system, then obviously *it can only be fully characterized by describing its typical*

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<sup>1</sup> ‘Elvetham’ – the 1969 TIHR Group Relations Conference. This was the first conference to incorporate the lessons learnt from the first search conference (done for BS –Bristol Siddeley Aero Engines).

<sup>2</sup> ATM – A.T.M. Wilson, previous Chairman of TIHR then advisor to chairman of Unilever. He had been invited whilst still chairman to give a paper to the M.I.T centenary (or some such).

<sup>3</sup> GEC (USA) had approached ELT about Tavy assistance with their strategies.

*habitat*. If we look at the habitat emerging with the C20th we can begin to understand the particular characteristics of the corporation. It is always difficult to decide what parts of the environment are significant dimensions of a habitat. In the case of the corporation it seems to me that certain of the key emergent features are: (1) a decline in the number of independent production units within each part of the market. Sraffa showed the consequences of this. Chamberlin and Robinson have added to this picture at some points. The major qualitative changes produced by this quantitative change are (from the viewpoint of the enterprise – we have not had enough sense to see what it means to the customers) that the enterprises become conscious of the fact that what a firm their size does effects the shape of their market; step 2, they overtly reach agreements with their fellow monsters; and step 3, they don't have to meet about strategy because there are obviously a limited set of strategies determined by their habitat and these are so clearly ordered that they can expect their opposite numbers to know the rules. When the buyers reduce to small numbers then the habitat changes, strategies become less predictable (or less related to the variables within which the 'gentlemen's competition' occurs) and the few big firms have to move back to stage 2 – 'overt conspiracy'. G.E.C. have probably noticed this.

But then to change 2.

2. *Deepening interdependence* between the productive and other units of the society. The growing size and relative importance of the individual unit not only creates the interdependence within the market that we have noticed above (and on which economist have concentrated). It also produces interdependence between what consumers want and what they think can be produced, between the citizen as consumers and as social and political animal. This greater interdependence, when matched by an increase in the power of other citizen roles means that industry is increasingly caught up in legislation about quality, advertising, monopoly practice, etc.

For the leaders of enterprises, it means that to the 'first point reaction – limited, chess-type, strategical thinking' – there has had to be added an awareness of the range of consequences relevant to their decisions. The issues involved tend to be beyond party differences and hence primarily this change has meant an increase (a significant increase) in their area of *relevant uncertainty*.

A high level of 'relevant uncertainty' has not been a common condition for enterprises but it has typically been the condition of individuals. Individuals (social individuals) have coped with this by having values. Where we are uncertain about where the consequences of our actions are likely to finish it is necessary to have something as a guide in the sense that if 'one does to others what one would have done to oneself', if 'one does not tell lies', 'worship false Gods' etc. then things will not go wrong. The manager finds himself in the same boat and also, so imbricated in the life of the community, that he must select as

guiding values some of those values accepted by the community. This selection will, of course, do him no good unless his colleagues within the corporation accept these values as a fair guide.

3. The increasing importance of R&D. This has the effect not only of increasing the rate of change (and hence of relevant uncertainty for the manager) but it also means that choices previously made by the customer, or choices not previously made but now seen as conscious choices, are now likely to be seen to be made by the manager on behalf of the customer. Put crudely B-S may eventually finish up in the dock of public opinion if they choose the blue ribbon engine and leave Britain without capacity in the low turbine engine area even though the consequences for the economy may not emerge for years. (by the way have you thought that future power requirements of aircraft may be met by multi-powered batteries, 12+, of small engines not the usual range of 1-4. Given the high of marginal increases for any single engine it is easy to calculate the potential saving when the reliability of the individual engine can be much lower and yet the reliability of the total battery can be exceptionally high provided the craft can operate  $\frac{3}{4}$  of the motors. Such small motors can be buried in the airframe thus allowing better use of the aerodynamic potential of the body and for servicing one can treat each unit as a replaceable packaged unit. An interesting speculation).

This third trend clearly interacts with the second. It is my guess that these three major environmental changes account for the emergence of what Selznick sees as the requirements for institutionalization. Leaders in industry are a bit slow in seeing that their environment requires this institutionalization of them – demands for nationalization only crudely reflect this. One area we are finding this is in recruitment of graduates for Unilever.

From Alec<sup>4</sup> I gather there is quite a strong feeling amongst these young men that the company they go to should stand for socially significant values. The key to the ‘organizational man’ problem is almost certainly that firms are demanding personal loyalties of their managers to individual top managers and to secular organisations – the rest follows. Only by shifting the loyalties to a value laden mission (Peter Drucker isn’t bad on this) can an organisation avoid the evils described by Whyte and have room for flexible delegation of initiatives and ample criticism and self criticism.

I kind of hoped that ATM would develop this point but no luck.

Moving to a further point. I have been sweating on the problem of representing the environment and enterprise. The implicit model in most writings and thought appears to be of a simple geographical type with each enterprise a fortress or encampment. Customers are lured to live in the shadow of the fortress or the

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<sup>4</sup> Allec Pollock – one of my peers. Now full-time psychoanalyst.

caravans move out to the settlements. Movement is, however, simply a question of distance and load carried. No matter how *we* think of this we finish up with postulating an inhomogeneous medium within which enterprises move and with the assumption that a stationary position is a state of dynamic equilibrium not a state of rest. The equivalent of a 'state of rest' in our model is not a stationary position but one of drifting or sinking. I think you will see that we are closer to hydro-dynamical models of self-moving bodies in fluids than to any mechanical model. One thing that we will have to watch is that any representation of the corporation must allow that the state of the medium is influenced by the bodies moving in it. Interestingly, the first study I have seen of open systems in physics has been by Thompson of hydrodynamics fame.

I am hoping to work on this model problem with Hobson Bates and Partners but for the moment this relation has been suspended because they are in competition with Bensons and Masius Ferguson<sup>5</sup> for a big Wills contract. Unfortunately (?) I have become a key in this competition because I poured cold water on the whole of Will's scheme when someone at Benson asked my advice. Quite surprisingly, they conveyed this advice to Wills and it was taken seriously. I am not used to being taken seriously although I sometimes wish people would.

[Returning to the question of institutionalization. The present trend looks like a return, at a higher level, to the position of the family owned local firm. Where those firms were deeply involved in the local community life there was a sense of values – this sense of values was lost with growth and absentee ownership (cf Lloyd Warner's study of the boot factory). Of course citizens in those days and those localities had less power].

The B-S job is held up at the moment. The aircraft engine field is in a dither of activity and Sir Arnold has told John that the chaps can't be spared just yet but he still wants it turned on.

The work on Festinger and Heider proceeds satisfactorily. I don't particularly wish to make anything of it but Leon's job on Cognitive Dissonance is shoddy and very much below professional standards. His theory stinks and his data is a farrago of misinterpretation, bad statistics and irrelevancies. I wish I was full time on this job - it really is fascinating and should provide us with a systematic social psychology (of course we won't get that far).

TIHR discussions are again getting into deep water, but only as part of its growth. The discussions had got a fair distance but were then bogging down as the next inner region was approached and Cyril and Ken<sup>6</sup> were refusing to play ball. I

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<sup>5</sup> Three of the big five advertising agencies in the UK.

<sup>6</sup> Ken Rice, acting chairman in Eric's absence at the Palo Alto Centre; Cyril Sofer, then a member of the management committee.

knew of the content of the inner region because Cyril had a late night session with me at Elvetham in which he literally said that he and Ken had formed a personal alliance that he, Cyril, would certainly beat me if I forced a struggle in which power was involved and that I must therefore also enter into a personal alliance with him. He went into considerable detail to show me the reason for the alliance and the 'object' of its hostilities and to indicate that the pay-off for the allies was to be separate commands within which each would be the lord. I should imagine your eyes are popping at this (or has Harold<sup>7</sup> seen it?) – my immediate feeling at the time was one of horrible fascination at the stark naked greed and hatred revealed. It was my hope that this was one of those freakish late night phenomena. No such luck. I was deliberately reminded of the proposition the following day and on several occasions since there has been some discussion. Ken had not given any indication till last Friday.

The object of the alliance is your chairmanship. The petty objections they raise about you over committing our resources and deciding yourself on directions of investment hide a much more real problem. They do not want the sort of scientific growth that you want – this sort of growth may leave them standing (just as they had and still have great feelings of envy and fears of being bypassed scientifically by NFU<sup>8</sup> and Bristol Siddeley) whereas they want a sheer growth in quantity which will raise them still further in status, finance and freedom to doodle. If they shared your strategical views they would have welcomed the initiatives you rightly took and would not have sought to poison the NFU and BS relations; they would have welcomed the possibility with Hobson Bates and the GE prospect.

Their only chance of a nice prosperous life is seen to be in your ceasing to be in control e.g. if you went to a fancy role appearing to cover the Man Comm and clinic-linked units or if you stayed in the States. I don't know who has been spreading the story but I have been asked by Marie Jahoda (Cyril's contact) whether you are really coming back. ATM was on about it and Ken expressed this view in an informal discussion on Friday night.

It is easy to underestimate how strongly Ken and Cyril feel about their desired future careers. Both have indicated that they would sooner resign than be put back into the position that existed before you left.

Now, that briefly is the 'secret of the inner region'.

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<sup>7</sup> Harold Bridger.

<sup>8</sup> NFU – National Farmers' Union.

Not pretty but let us remember two things: (1) the rest of the Institute do not share the feelings of that pair. Even Gurth<sup>9</sup> who has been heavily worked on by Ken still fights very hard in the discussions for the key values; (2) what has occurred is but a realization of a germ brought to size in the Institute's second phase ('money making' survival aims and an absence of the productive scientists like Adam, Ben and Elliot)<sup>10</sup>. The fruits of TIHR growth have just brought the cancer to a head. Thus this is the last blossoming, it is not something which will gain in strength and the strength it now holds (e.g. control over man committee – which I guess was in someone's mind when I was kept off it on your departure) is extrinsic to it. From this point of view, the Institute was certainly placed in jeopardy by your departure – still although a much greater risk than counted on, it may prove to have been worthwhile.

And now to tactics.

My response to the first advance (which arose only after a series of outright clashes over policy decisions or failures to decide that I could not tolerate) was simply that I would be only too happy if there was a firm and unambiguous agreement about the values and mission. As part of his game, Cyril agreed to prepare his own statement but of course since that date *nothing* has been forthcoming. I have tried to keep personal relations good and to avoid further outright clashes over specific policies in order to do the main thing. The main thing is to bring into existence 'the college' and institutionalize this as the place where 'new directions' must be sanctioned. The intense pressure I placed on Man Committee over specific policies before Xmas led Ken to agree that these meetings were necessary and Harold took his opportunity. Now the college meetings are the thing. However, it will be no college unless it includes in its web all things that may create new strategic developments. The 'inner region' had to come within its compass if we were to prevent moves being taken here that might destroy TIHR or castrate it scientifically.

I brought the matter on the agenda simply by saying at the end of the meeting before last that 'we should feel free to discuss the role of the chairman as it was not necessarily true that we were properly utilizing the resources that are in ELT'. Innocent enough but it did the trick. At this last meeting Ken and Cyril got into their ideas of reorganization for the first time and Ken's organizational chart (which he tabled just near the end of the meeting) conveyed the gist of what he and Cyril want – a smart upper class consultancy organization with you as a sort of R.T. Centre<sup>11</sup> and DSIR, RTB<sup>12</sup> and myself off in a sort of John Bowlby unit;

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<sup>9</sup> Gurth Higgin

<sup>10</sup> Adam Curle, Ben Morris and Elliot Jaques.

<sup>11</sup> R.T.? - later the term used as a Holy Ghost

<sup>12</sup> Dept of Scientific and Industrial research; RTP –Richard, Thomas and Baldwin, Steelmakers.

each to be financially independent and of course separate staffs and independent commands. It is also of interest that at this meeting we had the first statement from you – one of your letters was read in part. Prior to this we had not heard what you had written.

What I have said will probably arouse a great deal of anxiety in you but please do not act on any such feelings. Harold may personally need some support from you – because amongst others I have had to scrupulously avoid all factionalizing.

If anything can be done – and I am quite optimistic for reasons apparent above – then it will have to be done here. I do, however, think that it is essential that you come back in the summer and probably desirable that you don't get out on a limb with GE. We badly need GE but it may give those characters a fulcrum by which they can lever you out. I mentioned to Ken that if you are forced out on such an issue, I would probably be with you – he said he had taken this into his structural considerations (by which I think he means that if I do, he sees Eric Miller as heading up RTB and DSIR).

For heaven's sake, don't let this undermine or weaken your faith in our strategical aims. If you drop those then TIHR is a closed chapter of social science.

All the best,

Fred.