

Explain and analyze henri fayol's principles of management essay sample

[Business](#), [Organization](#)



In the today business environment, organizations are changing and the role of managers within the organizations is going to be different than what it was a couple of decades ago. One cannot help but wonder whether the elements and principles of management identified by the father of management theory, Henri Fayol is still applicable after all this while.

Henri Fayol was born in 1841 and he graduated as a mining engineer in 1860 from the National School of Mines at St. Etienne. Following that, he took up a position as an engineer in Commantry-Fourchambault, a company in the mining industry. Fayol eventually rose to the position of managing director in 1888 and at that time, the firm was on the verge of bankruptcy. However when he retired thirty years later, the company has expanded into as one of the leading mining companies with a long record of profits and dividends (Koontz and O'Donnell, 1955, p23). Fayol wrote as a practical man of business reflecting on his long managerial career and setting down the principles which he had most frequently applied into the fourteen principles of management (Fayol, 1949, p52). One must note that the principles of management are like guidelines to refer to rather than rules which must be enforced. He also identifies five elements of management that all managers perform (Koontz and O'Donnell, 1955, p24). We shall first examine the relevance of Fayol's elements of management in modern day business environment.

Fayol regarded the elements of management as functions planning, organizing, commanding, coordinating and controlling. However, these

functions have been condensed down to only four basic but very important ones: planning, organizing, leading and controlling (Robbins et al, 2003, p9).

Fayol placed considerable emphasis on the importance of planning (*_prevoyance_* in French). He held that management must be able to “ assess the future and make provision for it” and he views the “ action plan” as the most useful output of the planning

process (Koontz and O'Donnell, 1955, p26). In the past, it was believed that planning varied by organizational level. That is, top management planned in the longest time horizon and engaged in more strategic planning with middle managers spending less time in planning and are more engaged in operational planning rather than strategic ones. Today, managers at all levels are being asked to participate in strategic planning and all of them are responsible for taking a long term view of the organization as a whole (Buhler, 1998, p17).

Under the organizing function, the task of management is to build up an organization that will allow the basic activities to be carried out efficiently and effectively. There must be unity of command and direction, with clear definition of responsibilities and a precise decision making system. Hence, organizational structures in the past tend to be very mechanistic (Pugh and Hickson, 1997, p88). Since then, there has been a trend towards flatter organizations with fewer levels of management and more emphasis on teamwork so as to give credence to human values so as to ensure that the

organization can stay competitive in modern day business environment (Wren, 1994, pp430 - 431).

The leading function may be perceived as an all-encompassing function of guiding the human resource towards organizational objectives. It is also commonly referred to as directing, commanding and so forth. In early organizations, leadership was often viewed as a function of custom or as a function of the personal traits of the leader. The command philosophy of leadership is based on the notion that centralized control is needed to keep individuals in their place and it's the worker responsibility to perform the job in a certain manner as directed by the manager (Wren, 1994, pp431 - 432). The trends in today's workplace are very much different as employees and self-managed teams are empowered to make decisions with the managers more engaged in coaching and mentoring activities rather than traditional leading (Buhler, 1998, pp17 - 18).

The controlling function that is being identified by Fayol consists of ongoing, routine verification of plan implementation and principles. Controlling applies to all processes and its purpose is to identify problems so that they can be rectified and recurrences prevented (Fells, 2000, p359). Control today is often tied with technology. Some of the control has been even been replaced by computers instead of being monitored by human managers. From an ethical perspective, many employees have expressed their concern that they are being " over-controlled" (scandals in managers monitoring employees' emails or phone conversation without them knowing) and the move now is towards self-control on the part of employees (Buhler, 1998, p17).

We will now move on to determine whether the principles of management identified by Fayol are still relevance in today's organizations.

Division of work has to do with the relationship between structure and function. Fayol notes that specialization is the natural order occurring in both nature and society. The object of such specialization is to increase output by making employees more efficient (Fayol, 1949, pp52 - 53). The dominant thought in designing jobs back then was that increased efficiency can be attained if each employee performs a specific task as opposed to generalization where each employee performs multiple tasks (Rodrigues, 2001, p880).

This principle can still be seen in application at the Saturn plant of General Motors. Workers are stationed along the assembly lines, each performing a specific activity such as punching six holes in a metal plate when it passes their work station. The end result is increased production and lower costs. However one must note that too much of specialization will result in negative consequences such as boredom, monotony and sometimes even declining productivity (Duncan, 1989, pp23 - 26). Today, there are indications that the division of work principle is gradually losing its importance. Many firms around the globe have downsized their staff so as to stay competitive. As there are now fewer workers to perform the specialized tasks, these organizations have to rely on workers performing numerous tasks (generalization) (Rodrigues, 2001, pp880 - 881).

Authority and responsibility are closely linked according to Fayol. He defines authority as the “right to give orders” and this right comes from office and personal authority which involved intelligence, experience and so forth (Fayol, 1949, pp53 – 54). He views responsibility as the consequence of authority and thus both are inseparable. Organizations nowadays place less emphasis on the practice of the boss with the power to command subordinates and more on the practice of employee participation and self-managed work teams that are empowered to make decisions. The manager is like a coordinator, coordinating the work activities of different workgroups rather than a controller (Rodrigues, 2001, p881). As a matter of fact, a report by the American Management Association found that 63.7% of executives rated team building as an important tool for achieving organizational success (Stace and Dunphy, 2001, p201).

Discipline is essential to the success of any organization. It is the responsibility of management to ensure that employees obey and respect the rules that govern the organization. Fayol declares that discipline requires good superiors at all levels, clear and fair agreements, and judicious application of penalties (Fayol, 1949, pp54 – 55). The principle of discipline is still very much in use as modern workplace is pervaded by rules established by management to regulate the behaviors of workers. Workplace rules are influenced by national cultures and subcultures. For instance, there is an implied rule in Japan that employees will not leave the office until their superiors have left (Bratton and Gold, 2003).

Unity of command: holds that an employee or department should receive orders from one source only. Failure to do so might result in undermining authority, loss of discipline and instability. Fayol views this as a fundamental principle in that a social organism is incapable of adapting to dual command (Fayol, 1949, pp55 - 56). Critics of this principle, including Frederick W. Taylor argued that command should be based upon expertise rather than appointed hierarchical position. In other words, one employee might be subjected to the command of more than one authority at the same time (Pugh and Hickson, 1997, pp92 - 94). In fact, Taylor's vision is fulfilled in modern times where many decisions in organizations are made cooperatively using self-managed teams. Members of these teams are from various units within the organization and sometimes even from units located outside the organization. Thus, these members may very well need to take orders from their project leader as well as from their regular job manager (Rodrigues, 2001, p882).

Unity of direction: holds that an organization should have a single plan of action to guide managers and workers. Proper focus and co-ordination requires "one head and one plan for a group of activities having the same objective" (Fayol, 1949, p56). This principle is perceived and practiced quite differently today. Recent advances in communication, technology and transport methods enable companies to undertake exchanges of product, services and information on a global scale in just a fraction of time. Therefore, it would be better for say, a marketing department with an objective to sell the company's products globally to be served by two or

more bosses: one for the domestic market and one or more for the foreign markets. This is because different countries have different customers' needs, cultures, regulations and other important variables which is better understood by the particular manager operating in that country (Wren, 1994, pp415 - 420).

Subordination of individual interest to the general interest recognizes that the interest of individual employee or groups of employees should not take precedence over the interest of the organization as a whole (Fayol, 1949, p56). In countries such as Japan where collectivism is high, employees often place the overall interest of the organization above their individual ones. Lifetime employment is common and employees take pride in the success of the organization that they belong to (Kimberly, 2003, p55). However, in some other countries such as the United States, managers do not demand that the goals of the overall organization take precedence over individual interests. This is partly due to the dynamic environment that the organization operates in where new objectives are established frequently in response to different environmental demands. Thus, these organizations need employees who can quickly be committed to new objectives and the best way to obtain high employee commitment is to view them as valuable resources whose interests must be strongly considered (Rodrigues, 2001, p883).

Remuneration deals with paying employees for their services. Fayol emphasizes that the pay should be fair, and if possible, be satisfactory to both personnel and organization (Fayol, 1949, pp56 - 60). Since then, many

organizations have placed their emphasis on performance based pay systems where the notion of “ better workers should receive higher pay than poorer workers even though they are working on the same job” applies (Wallace and Fay, 1988, p18). This helps to motivate employees to perform at their maximum potential and is often applied in the sales industry where employees’ pay is determined by the amount of sales that they made for the company (Bratton and Gold, 2003, pp288 - 289). In fact the current incentive system resembles that of Taylor’s view where employees’ pay should be based on their motivation and quantitative output (Pugh and Hickson, 1997, pp92 - 93). In a survey of over 1, 600 US organizations, more than 75 percent indicated that they have some form of incentive pay scheme. Hence one can deduce that most organizations today use performance-based pay systems to a greater extent than in the past (Rodrigues, 2001, p883).

Centralization refers to the degree where employees are involved in the decision making process. The optimum proportion will vary from organizations and the different circumstances that the organizations are in (Fayol, 1949, pp60 - 61). A recent research done by Kim and Burton showed that the level of task uncertainty has a direct impact on the performance of the organization’s decision making structure. When the level of task uncertainty increases, it is found that an organization with low centralization (decisions are mostly made by lower level managers or employees) will perform significantly better than an organization with high centralization.

This is because employees in a decentralized organization are empowered and trained to make the necessary decisions to cope with the ever-changing

demands of the environment that the organization operates in. Thus it is certain that in modern day business environment where uncertainty is high (911 incident, widespread of downsizing and so forth), most organizations have adopted a decentralized approach or at least a niche of it in its decision making process (Kim and Burton, 2002, pp378 - 381).

Scalar chain refers to the organizational structure and lines of authority that flow from the principle of unity of command (Fayol, 1949, pp61 - 62). Modern organizations such as NASA and Chase Manhattan Bank have adopted a matrix structure to achieve organizational goals by establishing specialized projects outside the traditional hierarchy which is deemed unsuitable due to high formalization, tall organizational structure and one way authority flowing from top to bottom (Duncan, 1989, pp240 - 241). In other words, modern organizations are relying more and more on "organic" and "total quality management" ideas rather than strict adherence to the traditional mechanistic structure in order to stay competitive in today's dynamic environment (Rodrigues, 2001, pp883 - 884).

Order is the notion that both people and materials should be at the right place at the right time. Materials must be placed such that they facilitate activities as much as possible and suitable personnel should be selected for each individual job (Fayol, 1949, p62 - 63). Today's organizations still need to have their materials in the right place at the right time and have their employees in jobs best suited for them. For instance, the Just-In -Time inventory management system introduced by Taiichi Ono of Toyota after the

Second World War can still be seen in application at various manufacturing organizations such as General Motors and Ford (Archer, 1990, p19).

Equity means fairness and acknowledges the importance of treating all personnel at all levels equally so as to cultivate a sense of devotion and loyalty to the organization and its objective (Fayol, 1949, p63). As discussed earlier under principle six, an organization must seriously consider the interests of its employees so as to obtain high commitment and loyalty towards the organization. In order to enhance commitment, the organization must develop a “ sense of ownership” among its employees through various measures such as incentive scheme, profit sharing and so forth. Thus, the principle of equity has evolved to a higher level where employers are not only expected to treat employees fairly but also be committed to their welfare as well. For instance, Wal-Mart gives every employee some form of incentives to motivate them – profit-sharing, stock purchases plan and so forth (Rodrigues, 2001, p884).

Stability of tenure of personnel is Fayol's acknowledgement that personnel need time to develop necessary job skills and succeed at performing their duties. A high rate of employee turnover would be inefficient and should be avoided. It is especially important in the case of managers as they typically require more time to develop the necessary skill (Fayol, 1949, p63 – 64).

However, this principle does not seem to be very important with many modern day organizations. For instance, McDonalds rely on high employee turnover as employees with tenure demand higher wages than new employees. Another reason is also due to the global wide phenomenon of

downsizing that started during the 1980s. Many companies adopted the downsizing strategy for various reasons which include the need to flatten the organizational structure and economic reasons (lower product demand). Therefore, it is important for companies that adopt a high turnover strategy to devise certain training or development programs which can train new employees effectively, efficiently and in a timely manner (Rodrigues, 2001, pp884 - 885).

Initiative is the power to formulate a plan and successfully implement it. Fayol views initiative as one of the greatest source of strength for business and that managers should where possible, allow individual employee to exercise this behavior (Fayol, 1949, p64). Many modern day organizations rely more on problem solving groups rather than hierarchical managers' abilities to conceive and implement ideas. This is because the atmosphere of maximum creativity can only be created if organizations reduce the hierarchical elements to the minimum. Therefore one can conclude that organizations today rely more on employees who can think independently and take initiative with lesser reliance on hierarchical elements (Stace and Dunphy, 2001, pp200 - 204).

Espirit de corps: refers to the harmony and union amongst personnel. This can be a great asset to the organization. By promoting team spirit will build harmony and unity within the organization which will result in increased performance of the organization as a whole (Fayol, 1949, p64 - 65). As discussed earlier, many firms around the globe are downsizing in a bid to stay competitive in the marketplace. Downsizing will inevitably result in

lower employee morale, work productivity and dissatisfaction among the survivors towards the organization (Shah, 2000, pp103 - 104). Although maintaining high morale among all employees is important but it is not as much of an imperative as it was in the past (Rodrigues, 2001, p885).

Hence it is possible to conclude that the essence of Fayol's work stands the test of time. Fayol's findings act as a foundation for contemporary management authors to build their work upon or as a benchmark for comparison. In particular, his principles of management are still relevant today and should not be ignored until they have been superseded or refuted.

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