

# From Fayol's Mechanistic To Today's Organic Functions Of Management

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## ABSTRACT

*This paper reviews Fayol's original five managerial functions, demonstrates that they are still being taught in today's management courses, and offers a new set of organic management functions more applicable to today's turbulent business environment.*

**Keywords:** organic management functions, managerial functions, management principles, management theory, organic organizations, Henri Fayol

## INTRODUCTION

*T*his paper demonstrates the following:

1. The basic elements of management (planning, organizing, commanding (leading), coordinating, and controlling) were developed by Henri Fayol over 90 years ago.
2. The type of organizational structure that he created with his five management elements and his 14 principles of management was "Mechanistic" in Burns & Stalkers terms.
3. Today's business environment is much more complex than the one Fayol experienced.
4. Today's authors of basic management textbooks still prescribe Fayol's five elements.
5. Today's businesses can best be described as Burns & Stalkers' "Organic".
6. Organic management functions are synthesized from the works of today's practitioners, consultants, theorists, and researchers.

## HISTORICAL ORIGINS OF TODAY'S MECHANISTIC MANAGEMENT PRINCIPLES

### Fayol's Life & Times

Henri Fayol (1841-1925) was a French engineer and director of mines. He was little known outside France until the late 1940s when Constance Storrs published her translation of Fayol's 1916 *Administration Industrielle ET Generale*. This monograph, which was published in 1916 during his retirement, sought to synthesize his managerial experiences and knowledge. His theorizing about administration was built on personal observation and experience of what worked well in the organizations with which he was familiar. In the main, his theories deal with production-oriented organizations that have control of production costs as their key concern. In the second part of this work, he described the five functions or elements of administration. These 5 elements then became recognized and referenced by others in the growing discourse about management.

These five elements deal with planning, organizing, commanding (leading), coordinating, and controlling. He is frequently seen as a key, early contributor to a classical or administrative management school of thought. Fayol's five functions (elements, principles) are still relevant to today's discussions about management roles and actions. (see [bola.biz](http://bola.biz))

**Fayol's 5 Elements (Principles, Functions, And Duties) Are Summarized Below:**

Fayol believed that the number of management principles that might help improve an organization's operation was potentially limitless. (Note: We will create more of them for today's turbulent environment which requires "Organic" Management principles). We will now review definitions of Fayol's five management functions. (see references a, b, c & d)

1. Ideas associated with planning and forecasting:  
To forecast and plan: purveyance, examine the future and draw up plans of action, could also be translated as foresight, complete a plan of action for the future, planning requires a forecast of events and, based on the forecast, the construction of the operating program.
2. Ideas associated with organizing:  
To organize: build up the structure, material and human of the undertaking, Fayol included both the design and staffing of the organization in this element, the structuring of activities, materials, and personnel for the accomplishing the assigned tasks.
3. Ideas associated with commanding (leading):  
To command: maintain activity among the personnel, Fayol's term for directing, leading, supervising, etc., commanding encompasses the art of *leadership* coupled with the goal of putting the organization into motion.
4. Ideas associated with coordinating:  
To co-ordinate: bind together, unify and harmonize activity and effort, harmonizing the activities of the organization, coordinating provides the unity and harmony needed to attain organizational goals.
5. Ideas associated with controlling:  
To control: see that everything occurs in conformity with policy and practice, seeing that everything occurs in conformity with established rule and expressed command, checking on performance to identify and make corrections if necessary, entails seeing that everything is done in accord with the adopted plan.

**Fayol's Functions And Burns & Stalker's Mechanistic Structure**

Mechanistic forms:

Burns and Stalker (1961) distinguish between mechanistic and organic organizational firms. By 'mechanistic' they meant organizations characterized by a number of attributes including the following: (Ref. Burns T and Stalker G, *The Management of Innovation*, Tavistock, London 1961)

- Specialized differentiation of functional tasks, a tight division of labor
- Precise definitions attached to each functional role
- Clear delegation of responsibility
- Centralization of knowledge and decision making
- Hierarchic structure of control, authority and communication
- Appropriate to conditions of relative stability
- Highly structured, in which members have well-defined, formal job descriptions/roles, and precise positions
- Direction is from the top-down through the hierarchy. Communication is similarly vertical
- The organization insists on loyalty and conformity from members to each other, to managers and to the organization itself in relation to policies and methods

Mechanistic organizations clearly have many features in common with bureaucratic organizations. Both are closed, highly formalized structures and are, by definition, less suited to turbulent changes in the operating environment than informal organic structures. In Burns and Stalker's terms these are *mechanistic organization structures* - a form of organization that seeks to maximize internal efficiency. The businesses that Fayol knew and wrote about were in the mechanistic form to use Burns and Stalker's topology.

### **Environmental Assumptions Required By A Mechanistic Bureaucratic Structure**

Traditional bureaucratic structures assume a stable environment. This presupposes perfect knowledge of: what the organization will need to do in a known & predictable future, the availability of the optimal system, and efficiency as the over-riding criterion

Chapter 2 of “Images of Organizations” (Ref. e) examines the image of organizations as machines and illustrates how this style of thought underpins the development of bureaucratic organization. "Set goals and objectives and go for them. Organize rationally, efficiently, and clearly. Specify every detail so that everyone will be sure of the jobs that they have to perform. Plan, organize, and control, control, control. These and other similar ideas are often ingrained in our way of thinking about organization and in the way we evaluate organizational practice. For many people, it is almost second nature to organize by setting up a structure of clearly defined activities linked by clear lines of communication, coordination, and control."

Mechanistic approaches to organization work well only under conditions where machines work well: (a) when there is a straightforward task to perform; (b) when the environment is stable enough to ensure that the products produced will be appropriate ones; (c) when one wishes to produce exactly the same product time and again; (d) when precision is at a premium; and (e) when the human "machine" parts are compliant and behave and they have been designed to do. "Mechanistically structured organizations have great difficulty adapting to changing circumstances because they are designed to achieve predetermined goals; they are not designed for innovation."

### **A Summary Critique Of Fayol & Mechanistic Structures: (Ref. F)**

- Best used in simple, stable organizations
- Appropriate for the past where environment was relatively stable and predictable
- Today’s environments are more turbulent and unpredictable
- Control-oriented approach creates an inflexible, mechanistic organization
- Viewed employees as tools rather than resources
- Organizational creativity and effort can focus on internal problems only - systems and procedures
- Heavy administrative overhead – internal procedures consume more resources than external customer-focused operations
- Slow in responding to external change - lose touch with customers and external stakeholders
- Parochialism, defend-my-patch behaviors occur. Organizational members can develop unhelpful, bounded mind-sets - perceptions of external and internal.
- Job and departmental boundaries can lead to the rational-legal organization becoming bogged down in a spaghetti of tortuous processes and "need-to-consult" everyone
- The status quo is defended rather than changed to meet new circumstances

### **Fayol’s Five Functions And His Fourteen Principles Lead To A Bureaucratic Hierarchical Structure:**

Fayol’s five functions of management and his 14 principles of management lead to an organizational structure that is administrative, hierarchical, bureaucratic, and oriented towards command and control. It has a simple objective of minimizing costs and assumes that principles existed which all organizations - in order to operate and be administered efficiently - could implement. This type of assertion typifies a "one best way" approach to management thinking. (Ref. <http://www.analytictech.com/mb021/fayol.htm>)

### **Today’s Functions Of Management As Found In Textbooks Are Still Fayolian In Nature**

In order to substantiate this claim, an examination of the functions of management as found in today’s college textbooks now follows:

1. Essentials of Contemporary Management 2 Ed. Gareth R Jones, Texas A&M University & Jennifer M George, Rice University , Soft cover with access card ©2007, ISBN-139780073011226

- “The planning, organizing, leading and controlling of human and other resources to achieve organizational goals effectively and efficiently.”
2. Management Eighth Edition, Ricky W. Griffin, Texas A&M University, Copyright 2008 Houghton Mifflin Company ISBN 13 978-0-618-76795-3  
 “A set of activities (including planning and decision making, organizing, leading, and controlling) directed at an organization’s resources with the aim of achieving organizational goals in an efficient and effective manner.”
  3. Management, Tenth Edition, Kreitner © 2007 Copyright Houghton Mifflin Company ISBN 13-978-0-618-60772-3  
 “Formally defined, management is the process of working with and through others to achieve organizational objectives in a changing environment.”
  4. Management: Leading & Collaborating in the Competitive World, 7th Edition, Thomas S Bateman, 2007 McGraw-Hill Higher Education ISBN 0073254623  
 “These fundamentals include the four traditional functions of management: planning, organizing, leading, and controlling.”
  5. Management: Skills and Applications, 12/e, Leslie W. Rue, Georgia State University & Lloyd L. Byars, Georgia Institute of Technology, 2007 McGraw-Hill Higher Education ISBN 13-9780073530147  
 Planning: deciding what objectives to pursue during a future period and what to do to achieve those objectives. Organizing: grouping activities, assigning activities, and providing the authority necessary to carry out the activities. Staffing: determining human resource needs and recruiting, selecting, training, and developing human resources. Leading: directing and channeling human behavior toward the accomplishment of objectives. Controlling: measuring performance against objectives, determining causes of deviations, and taking corrective action where necessary.
  6. Fundamentals of Management, 6/e Robbins • DeCenzo, Publisher: Prentice Hall Copyright: 2007 ISBN: 013600710410  
 Planning: Includes defining goals, establishing strategy, and developing plans to coordinate activities  
 Organizing: Includes determining what tasks to be done, who is to do them, how the tasks are to be grouped, who reports to whom, and where decisions are to be made  
 Leading: Includes motivating employees, directing the activities of others, selecting the most effective communication channel, and resolving conflicts  
 Controlling: The process of monitoring performance, comparing it with goals, and correcting any significant deviations
  7. Modern Management, 10/e Certo Copyright © 2006, Pearson Education, Inc., publishing as Pearson Prentice Hall ISBN 10:0131494708  
 The Management Process: Management Functions => Planning, Organizing, Influencing, Controlling

**A Summary Of Current Functions Of Management As Found In College Textbooks:**

A Comparison of the Functions of Management									
		Author							
Function	Fayol	Robbins	Jones	Griffin	Certo	Kreitor	Bateman	Rue	
Plan	X	X	X	X	X	X	X	X	X
Organize	X	X	X	X	X	X	X	X	X
Command	X								
Coordinate	X								
Control	X	X	X	X	X	X	X	X	X
Lead		X	X	X		X	X	X	
Decision Making				X					
Influencing					X				
Motivating						X			
Staffing						X		X	
Communicating						X			

An “X” indicates that the managerial function was identified by the particular author

What we observe from the comparison above is that the functions of management as found today are essentially the same functions first identified by Fayol. This is made even more clear, if we acknowledge that “Commanding” and “Leading” are synonyms. What is interesting is that the Fayolian function of “Coordinating” has been entirely left out by today’s writers.

### **Today’s Businesses Require Burns & Stalker’s Organic Structure**

Organic forms:

Burns and Stalker (1961) distinguish between mechanistic and organic organizational firms, arguing that organic firms are better suited to change. Organic organizations are characterized by the following factors: (ref. f)

- Much greater flexibility
- Adjustment and frequent redefinition of tasks
- Spread of commitment throughout the organization
- Lateral communication consisting of information and advice rather than instructions or decisions from on high
- Suitable to unstable, turbulent and changing conditions
- The organic firm tries to re-shape itself to address new problems and tackle unforeseen contingencies
- Rather than a rigid, highly specialized structure - a fluid organizational design is adopted which facilitates flexibility, adaptation, and job redefinition
- Organizational members are personally and actively committed to it beyond what is basically operationally or functionally necessary

In Burns and Stalker’s terms *organic organization structures* - an organization form that emphasizes flexibility in which people work more as teammates than as subordinate and who break away from the traditional bureaucratic form.

### **Environmental Assumptions And Changes Required By Organic And Chaordic Structures**

"Changing circumstances call for different kinds of action and response. Flexibility and capacities for creative action become more important than narrow efficiency. It becomes more important to do the right thing in a way that is timely and "good enough" than to do the wrong thing well or the right thing late."

"The hierarchical organization of jobs builds on the idea that control must be exercised over the different parts of the organization (to ensure that they are doing what they are designed to do), rather than being built into parts themselves. Much of the apathy, carelessness, and lack of pride so often encountered in the modern workplace are thus not coincidental: it is fostered by the mechanistic approach."

"A final set of problems relate to human consequences. The mechanistic approach to organization tends to limit rather than mobilize the development of human capacities, molding human beings to fit the requirements of mechanical organizations rather than building the organization around their strengths and potentials. (Ref: e)

### **An Synthesis And An Identification Of Today’s Organic Functions Of Management**

Today’s organic structures may require an additional set of organic management functions other than those provided by Fayol. But, as we have seen above, the management functions as found in today’s management texts are still ‘Fayolian’ in their nature. Also recall that Fayol believed that the number of management principles that might help improve an organization’s operation was potentially limitless. In this section, we will examine and synthesize a set of organic management principles from some of today’s writers, practitioners, and researchers who are trying to deal with today’s turbulent environment. This synthesis attempts to determine the common patterns found in these writers’ views of today’s managerial world. It should be noted that although these writers worked independently of one another, the patterns of their principles and concepts are remarkably similar. In addition to providing these principles and concepts, many suggestions as how to implement them are also offered. The writers we look at are referenced at the end of this paper:

**A Brief Summary Of Today's Organic Management Functions:**

- A. Create your vision (Purpose)
- B. Establish your values (Principles)
- C. Create your competitive advantage & define your strategy
- D. Lead
- E. Develop, grow, and improve your people
- F. Design, build and structure an organization that can operate and change in today's chaotic competitive environment
- G. Fayol's Coordinating Function

An in depth elaboration of today's organic management functions as based upon current writers, practitioners, and researchers now follows. It is an attempt to synthesize the ideas of these people into a coherent and meaningful whole. It is structured as follows:

- 1. The identification of today's organic management function
- 2. The identification of the main components of the organic management function
- 3. The identification of ideas, concepts, suggestions and guidelines from today's writers dealing with the organization's implementation of the specific organic management component

**An In-Depth Synthesis And Analysis Of Today's Organic Management Functions:**

**A. Create Your Vision (Purpose)**

The first organic function of management deals with the establishment of the vision and the purpose of the organization. It requires the manager to engage in the following: knowing what the vision is, being responsible for it, communicating the vision throughout the organization, and living it (i.e. walking the talk). Support for this and the other organic management function and its managerial requirements are based on the references dealing with today's organic organizations.

**1. Know What It Is**

- **Know yourself and what you want out of business. (R4)** The Small Giants' owners and leaders are remarkable, first and foremost, for the clarity they have about their goals in business. They can decide not to go for maximum growth because they know what else they are looking for and why.
- **A company's vision is built from two components: a core ideology and envisioned future. A core ideology cannot be word crafted into existence in an afternoon. ... (R5)**
- **Set a definitive strategic direction and make sure that the vision is articulated throughout the organization (R3)**
- **Embrace *vision* as an invisible field that can enable us to recreate our workplaces and our work (R6)**
- **What is deeply meaningful? A clear, commonly understood statement of that which identifies and binds the community together as worthy of pursuit. (R8)**
- **Create a sense of mission (R11)**
- **The Management of attention - the need for a vision to focus minds (R12)**

**2. Be Responsible for It**

- **Setting the mission is top management's responsibility. (R2)**
- **A mission can not be delegated to anyone except people held accountable for it. (R2)**

**3. Communicate It**

- **Articulate your vision (R1)** "Leaders inspire people with clear visions of how things can be done better." The best leader does not provide a step-by-step manual for workers. The best leaders are those who come up with new idea, and articulate a vision that inspires others to act.

- **Set a definitive strategic direction and make sure that the vision is articulated throughout the organization (R3)**
- **The Management of meaning - the need to communicate the vision (R12)**

**4. *Live It***

- **Love your business. (R4)** The Small Giants' leaders are unusual for the passion they bring to their companies. They absolutely love whatever it is that the company does, and they care deeply about doing it as well as it can be done.
- **Create a vision (R1) and then ignite your organization to make this vision a reality.** Get people so passionate about what they are doing that they cannot wait to execute this plan. Have great energy, competitive spirit and the ability to spark excitement and achieve results. Search for leaders who have the same qualities.
- **Don't only walk the talk => Talk the talk with rewards and punishments (R2)**

**B. Establish Your Values (Principles)**

The second organic function of management deals with the establishment of the values and the principles that will guide the organization. It requires the manager to engage in the following: determining the primacy of the organizations values, determining the values of the organization's relationships, and determining the consistency of the organizations values.

**1. *Determine the Primacy of Your Values***

- **Put values first (R1)** Don't focus too much on the numbers. "Numbers aren't the vision; numbers are the products." Focus more on the softer values of building a team, sharing ideas, and exciting others
- **In business, lack of candor is the biggest and dirtiest secret (R2)**  
Candor means being sincere, frank, and open. It focuses on truth, honesty, and being real.  
It gets more people involved in the conversation; more ideas, people open up and learn.  
It generates speed and it cuts costs. You need to: reward it, praise it, and talk about it.  
You must demonstrate it yourself in an exuberant and even in an exaggerated way.
- **Make sure that there is a stated set of values to guide the company (R3)**
- **Mission & Values should reinforce each other (R2)**
- **Values can not be vague & generic (R2)**

**2. *Relationships and Values***

- **Values: => Treating the customer the way we want to be treated (R2)**  
Never let organizational conflicts get in the way of doing what is right for the customer  
Give the customer a good, fair deal  
Always look for ways to make it easier to do business with us
- **Values are the right relationships. They are clear, commonly understood statements of how participants will conduct themselves in pursuit of purpose. (R8)**
- **It is characteristic of participant relationships that all can trust to be just, equitable and effective in achieving the purpose in accord with the principles (R8)**

**3. *Are Your Values Unique and Unchanging?***

- **You need a fundamental set of core values upon which to build a great institution. These values are not open to change. But it doesn't matter what these values are (R5)**

**C. Create Your Competitive Advantage & Define Your Strategy**

The third organic function of management deals with the establishment of the competitive advantage and the strategy that will guide the organization in its competitive environment. It requires the manager to engage in the following: defining the organization's competitive advantage and determining the strategy that will set the organization apart from the competition.

**1. Define Your Strategy**

- **Strategy: => It's all in the sauce (R2)** When it comes to strategy => ponder less, do more. Strategy means making clear-cut choices about how to compete. You can not be everything to everybody. Come up with a big "AHA" for your business – a smart, realistic, relatively fast way to gain sustainable competitive advantage. Then put the right people in the right jobs to drive the big aha forward. Finally, seek out the best practices to achieve your big aha => whether inside or out, adapt them, and continually improve on them
- **A Hedgehog Concept is not a goal to be the best, a strategy to be the best, an intention to be the best, a plan to be the best. ... It is knowing what you can be the best at. (R5)**
- **Be number 1 or number 2 (R1)** "When you're number one, you control your destiny. The number fours keep merging; they have difficult times. That's not the same if you're number four, and that's your only businesses. Then you have to find strategic ways to get stronger. But GE had a lot of number ones."
- **Forget the number crunching that guru's say you have to do to get strategy right. (R2)**
- **Place the customers at the epicenter of the business model (R3)**
  - Spend more time with the customers
  - Invite key customers in to speak to key units
  - Use the internet and other no intermediated means to create an ongoing customer relationship

**2. Define Your Competitive Advantage and Determine What Sets You Apart from the Competition**

- **Live quality (R1)** "We want to change the competitive landscape by being not just better than our competitors, but by taking quality to a whole new level. We want to make our quality so valuable to our customers, so important to their success that our products become the only real value choice."
- **Focus on innovation (R1)** "You have just got to constantly focus on innovation. You've got to constantly produce more for less through intellectual capital. Shun the incremental, and look for the quantum leap." Now the fundamentals have got to be more education. More information knowledge, faster speeds, more technology across the board.
- **Live speed (R1)** "Speed is everything. It is the indispensable ingredient of competitiveness." Speed, simplicity and self-confidence are closely intertwined. By simplifying the organization and instilling confidence, you create an organization that incorporates speed into the fabric of the company.
- **Make speed, flexibility, and innovation a reflex (R3)**
- **From Peters Speed is Life (R7)**
  - Speed is life => live and breathe speed
  - Super lean management => the staff is thin; most of work is on the line
  - It's voice, not memo => simple, straight, fast, communication
  - Simplify to deal with ambiguity => do not spend a lot of time with formalities and with procedures
  - Broadly skilled people => do not stick to narrow job definitions; pitch in where needed
  - State of the art information technology AFTER the systems are developed
  - Self managing teams => our group can run its own business
  - Accurate, real time information for everybody => everybody knows everything around here
  - Leadership that is bold, open, and trusting
- **Follow up (R1)** Follow up on everything. Follow-up is one key measure of success for a business. Your follow-up business strategy will pave the way for your success.
- **Focus on the customer (Ref 7)**
  - The overwhelming purpose is to 'help' customers and to provide services that are truly distinctive
  - Have a collective focus on generating solutions for our customers that lead to their success
  - Measure characteristics that generate people and customer loyalty
  - Use close customer relationships to find and exploit new business opportunities-FAST!!
- **Get results (R11)**



**D. Lead**

The fourth organic function of management deals with the establishment of the leadership that will guide the organization. It requires the manager to engage in the following: focusing on leading more and managing less, growing the organization's leaders and leading the organization's people to do great things.

**1. Lead More**

- **Lead (R1)** Managers muddle - leaders inspire. Leaders are people who inspire with clear vision of how things can be done better. "What we are looking for are leaders at every level who can energize, excite and inspire rather than enervate, depress, and control."

**2. Manage Less**

- **Manage less (R1)** "We are constantly amazed by how much people will do when they are not told what to do by management." In the new knowledge-driven economy, people should make their own decision. Managing less is managing better. Close supervision, control and bureaucracy kill the competitive spirit of the company. "Weak managers are the killers of business; they are the job killers. You can't manage self-confidence into people."

**3. Grow Your Leaders and Lead Your People to Do Great Things They Think They Cannot Do**

- **Cultivate leaders (R1)** Cultivate leaders who have the four E's of leadership: Energy, Energize, Edge, and Execution; leader who share values of your company and deliver on commitments.
- **Leadership: => It's not just about you => It Is About What Leader Do! (R2)**
  - Relentlessly upgrade their team, using every encounter as an opportunity to evaluate, coach, and build self-confidence. Use ample Praise, the more specific the better.
  - Make people see, live & breathe the vision
  - Have the courage to make unpopular decisions and gut calls; you are not here to win a popularity contest, you are here to LEAD!!
  - Establish trust with candor, transparency, and credit
  - Inspire risk taking and learning by setting the example
  - Leaders Celebrate!! => Work is too much a part of life not to recognize moments of achievement.
- **Level 5 leaders channel their ego needs away from themselves and into a larger goal of building a great company. (R5)**
- **It is true leadership; leadership by everyone; leadership in, up, around, and down this world so badly needs, and dominator management it so sadly gets. (R9)**
  - People are not "things" to be manipulated, labeled, boxed, bought, and sold. Above all else, they are not "human resources." They are entire human beings, containing the whole of the evolving universe, limitless until we start limiting them. We must examine the concept of leading and following with new eyes. We must examine the concept of superior and subordinate with increasing skepticism. We must examine the concept of management and labor with new beliefs. And we must examine the nature of organizations that demand such distinctions with an entirely different consciousness.
- **Develop leaders (R11)**

**E. Develop, Grow And Improve Your People**

The fifth organic function of management deals with the growth, development and the improvement of the people within the organization. It requires the manager to engage in the following: creating a learning organization, growing and developing all of the organization's people and obtaining everyone's full potential. In addition, it requires the manager to understand the value of information, creating responsibility and ownership within the organization, and guiding and coaching your people.

**1. Create a Learning Organization**

- **Create a Learning Culture (R1)** Turn your company into a learning organization to spark free flow of communication and exchange of ideas. "The desire, and the ability, of an organization to

- continuously learn from any source, anywhere - and to rapidly convert this learning into action - is its ultimate competitive advantage
- **Create an Authentic Learning Organization (R3)**
    - Lead by example by incorporating the best ideas into your organization
    - Reward the employees who bring in the best ideas
    - Learning is emphasized and valued
    - Mistakes or failures are not punished
    - People are expected to learn constantly
    - Reward behaviors and actions that promote a learning culture
2. **Grow and Develop All of Your People**
- **Get good ideas from everywhere (R1)** New ideas are the lifeblood of business. "The operative assumption today is that someone, somewhere, has a better idea; and the operative compulsion is to find out who has that better idea, learn it, and put it into action - fast."
  - **Make the head of "People" as important as the head of "Money" (R2)**
  - **People management: => You've got the right players. Now what? (R2)**
    - Elevate HR to a position of power and primacy in the organization and make sure HR people have the special qualities to help managers build leaders and careers.
    - Create effective mechanisms => money, recognition, and training – to motivate and retain. Without money, rewards lose a lot of their impact
    - Treat the middle 70% as the heart and soul of the organization
  - **The key point of this idea is not just about assembling the right team—that's nothing new. The main point is to first get the right people on the bus. ... (R5)**
  - **People Management: => The evaluation system (R2)**
    - If your evaluation system involves more than 2 pieces of paper per person => something is wrong.
    - The Evaluation system should:
      - Be clear and washed clean of time-consuming gobbledegook
      - Measure people on relevant, agreed upon criteria directly related to performance
      - Be done face-to-face twice a year
      - Include a professional development component
      - It is a rigorous, non-bureaucratic evaluation system monitored for integrity
  - **Establish an environment of trust and openness (R3)**
  - **Identify all participants. With clarity about purpose and principles, the next step is to identify all relevant and affected parties - the participants whose needs, interests and perspectives must be considered in conceiving (or re-conceiving) the organization. (R8)**
  - **Generate and sustain trust (R11)**
  - **The management of trust - the need to be consistent and honest (R12)**
3. **Obtain Everyone's Full Potential**
- **Energize others (R1)** Genuine leadership comes from the quality of your vision and your ability to spark others to extraordinary performance. Getting employees excited about their work is the key to being a great business leader. "We now know where productivity - real and limitless productivity - comes from. It comes from challenged, empowered, excited, rewarded teams of people."
  - **Harness the intellect of every employee => Gates (R3)** Make sure that the organization has an infrastructure and culture that foster ideas from everyone. Host company retreats to focus on key initiatives and help the management team correct its course. Make sure that your customers and suppliers have the same access to information as your employees
  - **Develop a rich diversity of relationships that are around the organizations members in order to energize its teams' activities. This diversity needs to extend within and between organizational units, and go outside the organization's boundaries (R6)**
  - **Involve everybody (R1)** Business is all about capturing intellect from every person. The way to engender enthusiasm is to allow employees far more freedom and far more responsibility

- **Make everybody a team player (R1)** Managers should learn to become team players. Middle managers have to be team members and coaches. Take steps against those managers who wouldn't learn to become team players.
  - **Stretch (R1)** Stretch targets energize. "We have found that by reaching for what appears to be the impossible, we often actually do the impossible; and even when we don't quite make it, we inevitably wind up doing much better than we would have done."
  - **Instill confidence (R1)** Create a truly confident workforce. Confidence is a vital ingredient of any learning organization. The prescription for winning is speed, simplicity, and self-confidence. Self-confident people are open to good ideas regardless of their source and are willing to share them. "Just as surely as speed flows from simplicity, simplicity is grounded in self-confidence."
  - **Have fun (R1)** Fun must be a big element in your business strategy. No one should have a job they don't enjoy. If you don't wake up energized and excited about tackling a new set of challenges, then you might be in the wrong job.
  - **There is just not enough celebrating going on at work – anywhere (R2)**
  - **Voice & Dignity: => Every brain in the game (R2)**
    - Every person wants voice and dignity, and every person deserves them.
    - VOICE => Opportunity to speak their minds and have their ideas, opinions, and feelings heard
    - DIGNITY => Respected for their work, effort, and individuality
    - All people are different. But everyone should be heard and respected.
  - **Involve everyone in creating value for the customer (R3)** Organizations and product managers cannot, and should not, impose their views on the marketplace. Involve customers as early in the process as possible and get as many people as possible inside the company involved in satisfying customers.
  - **Engage and motivate others (R11)**
4. **Realize that in this Emerging Information Age, the Critical Scarce Resource is Knowledge. (R14)**  
Unlike capital, knowledge is most valuable when it is controlled and used by those on the front lines of the organization. In a fast-changing, competitive, global environment, the ability to exploit knowledge is what gives companies their competitive advantage. (R14)  
The implications for top-level managers are profound. If frontline employees are vital strategic resources instead of mere factors of production, corporate executives can no longer afford to be isolated from the people in their organizations. (R14)  
Today's top-level managers recognize that the diversity of human skills and the unpredictability of the human spirit make possible initiative, creativity and entrepreneurship. The most basic task of corporate leaders is to recapture those valuable human attributes by individualizing the corporation. To do so, they need to adopt a management philosophy that is based on purpose, process and people. (R14)
5. **Create responsibility and ownership within your organization**
6. **Guide and coach your people**
7. **Rely on internal methods of creating order (freedom, love, care and responsibility) rather than on external methods of forcing order (power, fear, command and control)**
- F. **Design, Build And Structure An Organization That Can Operate And Change In Today's Chaotic Competitive Environment**

The sixth organic function of management deals with the establishment of the appropriate organization's structure for today's turbulent environment. It requires the manager to engage in the following: dealing with reality, change, accepting and thriving in chaos, simplifying and removing bureaucracy from the organization, focusing on customer related performance, viewing the organization as a living system, undertaking fundamental changes in organization's human, structural, and competitive relationships, and designing, structuring and relating the components of the organization.

**1. Deal with Reality**

- **Face reality (R1)** Face reality, and then act decisively. Most mistakes that leaders make arise from not being willing to face reality and then acting on it. Facing reality often means saying and doing things that are not popular, but only by coming to grips with reality would things get better.
- **All good to great companies began the process of finding a path to greatness by confronting the brutal facts of their current reality. ... (R5)**
- **Competition: => What the playing field looks like now (R2)**
  - Who are the competitors in this business?
  - Who has what share in the global market?
  - Where do we fit in?
  - What are the strengths and weaknesses of each competitor?
  - How good are their products?
  - How performance driven is their culture?
  - Who are this business's main customers and how do they buy?
- **Competition: => What the competition has been Up to? (R2)**
  - What has each competitor done last year to change the playing field?
  - Has anybody introduced any "Killer" products, technology, or logistics?
  - Are there any new entrants? What are they up to?
- **Competition: => What have you been up to? (R2)**
  - What have you done last year to change the playing field?
  - Have you brought out a new product, technology or sales program?
- **Competition: => What Is around the corner? (R2)**
  - What scares you most in the year ahead?
  - What could your competitor do to nail you?
  - What new "Killer" products or technologies could your competitors launch?
- **Competition: => What Is your winning way? (R2)**
  - What can you do to change the playing field?
  - What can you do to make customers stick to you more than ever before and more than to anyone else?

**2. Deal with Change**

- **See change as an opportunity (R1)** Change is a big part of the reality in business. "Willingness to change is strength, even if it means plunging part of the company into total confusion for a while... Keeping an eye out for change is both exhilarating and fun."
- **Prepare the organization for drastic change => Grove (R3)**
  - Listen to alarmists
  - Encourage rigorous discussion and debate
  - Examine- and be skeptical – about the data
  - Let chaos reign and then reign in chaos
  - Instill a culture that despises complacency
  - Keep experimenting with new products/services
- **Create a new organizational concept (R8)** Have your organizational members creatively search for and develop a general concept for the organization. In the light of purpose and principles, seek innovative organizational structures that can be trusted to be just, equitable and effective with respect to all participants, in relation to all practices in which they may engage. People often discover that no existing form of organization can do so and that something new must be conceived.
- **Some chaordic organization principles: (R8)**
  - Establish limits to centralized command-and-control
  - Strive for innovation and creativity at all levels
  - Develop open, flexible structures of activity and governance
  - Create highly adaptive processes for information and knowledge management
  - Develop fluid webs of competition and collaboration
  - Search for meaning in work
  - Transform the concepts of leadership

3. *Accept and Thrive in Chaos and in Crises*

- **Accept chaos as an essential process by which natural systems, including organizations, renew and revitalize themselves. (R6)**
- **Regard information as the primary organizing force in any organization and share information as widely as possible. (R6)**
- **Crisis management: 5 Assumptions to keep in mind during a crisis (R2)**
  - The problem is worse than it appears
  - There are no secrets in the world, and everybody will eventually find out everything
  - You and your organization's handling of the crisis will be portrayed in the worst possible light
  - There will be changes in process and in people. Almost no crisis ends without blood on the floor.
- **Develop activities, products and services through which participants pursue the organization's purpose and create value. (R8)**
  - Foster Innovative Practices: Develop a structure that will harmoniously blend cooperation and competition within an organization trusted by all. Purpose is then realized far beyond original expectations, in a self-organizing, self-governing system capable of constant learning and evolution.
  - On-going Tasks: Build a set of people who can communicate the potential of the effort to those not currently involved. Stay rigorous to the principles and process, and train your technique and that of key leadership and passion).
  - Create a Chaordic Organization (R10) Principally, a chaordic organization is a self-organizing and self-evolving entity, which ends up looking more like a neural network (like the Internet) than a hierarchically-organized bureaucracy in which decision-making power is centralized at the top and trickles down through a series of well-regulated departments and managers. Chaordic organizations do not fear change or innovation. They are, by their very nature, supremely adaptive. They also tend to be inclusive, multi-centric and distributive and, ultimately, strongly cohesive due to their unshakable focus on common purpose and core principles.

4. *Simplify and Remove Bureaucracy in Your Organization*

The great power - and fatal flaw - of the strategy-structure-systems framework lies in its objective: to create a management system that could minimize the idiosyncrasies of human behavior. The doctrine held that if the three elements were properly designed and effectively implemented, large, complex organizations could be run with people as replaceable parts. Over time, as corporate size and diversity expanded, strategies, structures, and reporting and planning systems became more and more complex. Employees' daily activities became increasingly fragmented and systematized. (R13)

The most basic problem for companies that depend heavily on formal controls is the assumption that those at the top are the most competent to act on the data and analyses that the system generates. Many corporate executives have recognized their dwindling ability to make good judgments on the basis of abstract and outdated information about operations of which they have little understanding. (R14)

- **Simplify (R1)** Keeping things simple is one of the keys to business. "Simple messages travel faster, simpler designs reach the market faster and the elimination of clutter allows faster decision making."
- **Get less formal (R1)** "You must realize now how important it is to maintain the kind of corporate informality that encourages a training class to comfortably challenge the boss's pet ideas."
- **Get rid of bureaucracy (R1)** The way to harness the power of your people is "to turn them loose, and get the management layers off their backs, the bureaucratic shackles off their feet and the functional barriers out of their way."
  - Bureaucracy is the enemy...
  - Drop unnecessary work...
  - Delayer; create a flat responsive organization...
  - Cross-pollinate to make faster and better decisions...
  - Encourage employees to identify problems and come up with solutions...
  - Make your workplace more informal...

- **Eliminate boundaries (R1)** In order to make sure that people are free to reach for the impossible; you must remove anything that gets in their way. "Boundarylessness" describes an open organization free of bureaucracy and anything else that prevents the free flow of ideas, decisions, etc. Informality, fun and speed are the qualities found in a boundary less organization.
- **Behave like a small company (R1)** Small companies have huge competitive advantages. They people, "are uncluttered, simple, and informal. They thrive on passion and ridicule bureaucracy. Small companies grow on good ideas - regardless of their source. They need everyone, involve everyone, and reward or remove people based on their contribution to winning. Small companies dream big dreams and set the bar high - increments and fractions don't interest them."
- **Design the organization chart to be as flat as possible, with clear relationships and responsibilities (R2)** Hierarchies tend to make little generals out of perfectly normal people who find themselves in organizations who respond only to rank. Make your company flatter.
- **Build an adaptive and agile social architecture (R11)**
- **Avoid bureaucracy and hierarchy and instead create a culture of discipline. (R6)**
- **The purpose of a bureaucracy is to compensate for incompetence and the lack of discipline (R6)**

5. *Focus on Customer Related Performance*

- **Create a performance driven culture => Herb Kelleher of Southwest Airlines (R3)**
  - Focus upon the world of competitors, customers, and societal change
  - Reduce the number of organizational layers from bottom to top
  - Require all managers to spend time actually working with employees and customers
  - Recognize that all papers and reports produced are impotent unless they lead to action.
  - Eschew inflexible rules and ponderous manuals which regulate corporate life and customer interaction
  - Value ideas on their merit, not on status, relationships, or credentials
  - Create a definable and understandable "niche".
  - Hire good attitudes and train people in leadership and customer service
  - Let your people be themselves at work and celebrate achievements of your people
  - Clearly delineate what your company is doing and why
  - Address employee concerns individually, promptly, and specifically
  - Honor excellence in spirit as well as performance
  - Titles are unimportant; Leadership qualities are all important
  - If you are not on-fire about what you are doing, why you are doing it, and the people you are doing it with, then you can not kindle their hearts, minds, and devotion to the cause.
- **Structure the organization around the customer (R3)** Organize around the customer, not by function. If possible, segment the firm by both product and customer, or create cross-functional teams that do so. Get your company to move with the responsiveness of a small company.

6. *View Your Organization as a Living System*

- **Determine your organizational identity (R6)** Who are we? Who do we aspire to become? How shall we be together? Life organizes around identity. In organizations, if people are free to make their own decisions, guided by a clear organizational identity for them to reference, the whole system develops greater coherence and strength. The organization is less controlling, but more orderly. If a living system can maintain its identity, it can self-organize to a higher level of complexity; a new form of itself that can deal better with the present. When this happens, the following occur:
  - Disruption initiates self-organization.
  - The more freedom in self-organization, the more order.
  - Every person maintains a clear sense of its individual identity.
  - Every person helps shape a system's identity.
- **Understand information (R6)** What else do we need to know? Where is this new information to be found? Information is an essential nourishing element for all systems. It is a fundamental yet invisible player in a constantly evolving, dynamic universe. All life uses information to organize itself into form.

7. ***Undertake a Fundamental Change in the Human, Structural, and Competitive Relationships Found in Your Current Organization*** They need to place less emphasis on following a clear strategic plan than on building a rich and engaging corporate purpose. They need to focus less on formal structural design and more on effective management processes. **(R13)** They need to be less concerned with controlling employees' behavior than with developing their capabilities and broadening their perspectives. **(R13)** They need to move beyond the old doctrine of strategy, structure and systems to a softer, more organic model built on the development of purpose, process and people. **(R13)**
8. ***Design, Structure, Link and Relate the Components of Your Organization***
  - **Cultivate relationships with employees, customers, and suppliers.** **(R4)** With customers and suppliers, the Small Giants emphasize personal contact, one-on-one interaction, and mutual commitment to delivering on promises. The effect is to create a sense of community and common purpose. The companies treat their employees in the way that the owners think people ought to be treated--with respect, dignity, integrity, fairness, kindness, and generosity.
  - **Potential and reality in relationships** What potential becomes reality, depends on the relationships created between multiple elements=> people, events, and the moment. None of us exists independent of our relations with others. Neither the system nor the individual is the more important influence of behavior. Each organism in a system maintains a clear sense of its individual identity within a larger network of relationships that help shape its identity. Power is the capacity generated by our organizational relationships. **(R6)**

#### **G. The Seventh Organic Function Of Management Re-Introduces Fayol's "Coordinating" Function**

The seventh organic function of management deals with the establishment of the coordination required for today's turbulent environment. It requires the manager to engage in the following: binding together, unifying and harmonizing the activities and efforts of the organization, needed to attain the organization's goals.

#### **SUMMARY**

This paper has shown that the mechanistic management functions originally developed by Henri Fayol over 90 years ago are still being taught today and were not designed to be applicable to today's turbulent business environment which requires an organic set of managerial functions.. This paper concludes by providing a new set of organic management functions applicable to today's environment. This set of organic management functions was synthesized from the works of today's practitioners, consultants, theorists, and researchers.

We also believe, as Fayol, that the number of management functions that might help improve an organization's operation is potentially limitless. From a living systems perspective, this development of today's organic management functions is just a beginning. The true set of these functions is a living and breathing document. To help us further develop this living and breathing document and in order to further refine and improve upon the set of organic functions of management provided in this paper, please provide me with any or all of the following:

1. Suggestions for improvement
2. Identification of new organic functions of management
3. Identification of new components for the organic functions of management
4. Further ideas, concepts, suggestions, and guidelines

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