

Henri Fayol and the managerial point of view

A review of *Henri Fayol, the Manager* by Jean-Louis Peaucelle and Cameron Guthrie, Pickering & Chatto publishers, 2015

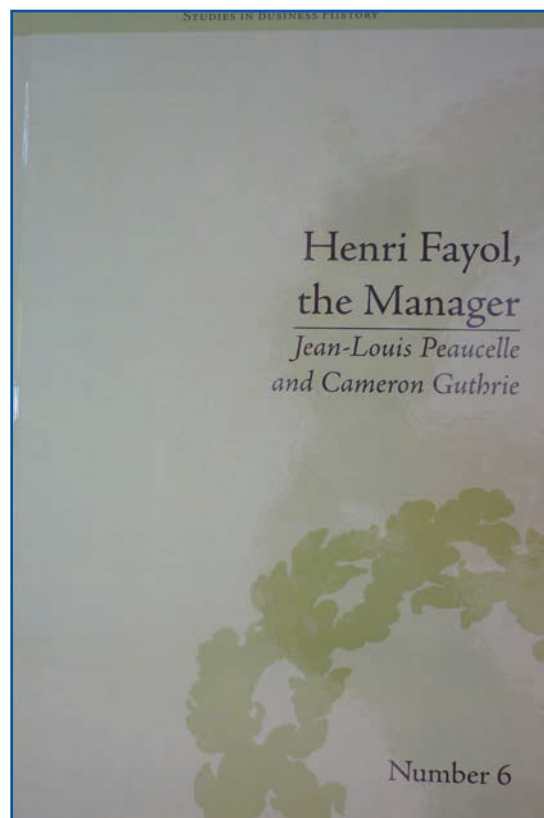
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Henri Fayol, the Manager (Pickering & Chatto, Studies in Business History, Vol. 6) by Jean-Louis Peaucelle and Cameron Guthrie not only sheds new light on a leading figure but also opens the prospects for further revelations by referencing and examining archival data that document Fayol's business practices as well as previously untranslated works of great importance, notably a section intended for his classic text, *Industrial and General Management* (IGM, 1916).

As Daniel Wren, a distinguished business historian and author of a widely used text in the field, states in his introduction, Fayol codified "much of our modern understanding of the activities of managerial work." Wren signals that this is the first "full-length, fully documented" book about Fayol's "life, work, and contribution to management knowledge" in English. Fayol, managing director of the Commentry-Fourchambault et Decazeville Company (CFDC) from 1888 to 1918, is one of a very few top executives who also wrote management theory. With Peaucelle and Guthrie's new work, he becomes the first one whose business practices are not only probed and codified but also examined in relationship to their management theory.

The authors' stated objective is to "describe Fayol's actions and compare them with his doctrinal

thought." They organize the book according to the ten "major aspects" of Fayol's theoretical structure as set forth in IGM: the five elements of management, i.e. planning, organizing (structuring the company), commanding,



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coordinating (ensuring the coherence of action), and verifying (the authors replace the previously used "control") and the six functions of the company, i.e. accounting, sales, financial, technical, security, and administration.

Illuminating IGM, the authors point out in Fayol's principles a "temporal logic that he did not personally explain." Planning focuses on the long term, organizing on the medium term, and commanding and coordinating on the near term. Verifying is done upon completing an action. Different tools accompany each step: the business plan for planning; the organizational chart for organizing; meeting minutes for commanding and coordinating; and "regular reports" for verifying. Comparing IGM's theory and Fayol's practices, a noteworthy finding is an absence of attention to sales in IGM. In reality, Fayol paid much attention to this function: he built up a sales organization and personally negotiated some of the larger contracts.

The chapters also show Fayol confronting the challenge of cooperating with the many entities and policies with which he patently and even adamantly disagreed. Fayol opposed linking wages to coal prices, but he followed other employers when they did so. He opposed labor unions and resented public authorities' intervention in labor relations, but he made decisions based on how unions would perceive him and he respected the law. One noteworthy exception was a strike in 1901 following Fayol's

“dogmatic” decision to pay workers by piece rate. Fayol “played the role of an intransigent Parisian director by refusing the compromises suggested by his engineers” and “this stubbornness” dearly cost the factory. He tended to “face down the unions” at “significant” expense. Yet on the producers’ side, he favored collective price agreements and trade syndicates. He founded and led several such initiatives with mixed success. He cultivated ties with local politicians and supported local Catholic parishes and schools. This point is especially interesting because not only was Fayol an atheist, but also he criticized Catholicism for spreading an “absence of will, of initiative.” Within the company, Fayol’s major disagreements and battles transpired with his board of directors. The authors regard Fayol’s large capital projects as victories in persuading a conservative board to be more ambitious.

The book also brings out Fayol’s heavy emphasis on documenting and distributing information.

“The entire company was involved in collecting data.” Foremen kept “personal notebooks” where they recorded observations made during daily rounds. Registers documented the upkeep and repair of equipment. Fayol had a system called “circulation of documents” that referred to record-keeping and the flow of reports related to meetings. He instituted the company’s custom of detailed annual reports; a noteworthy example is a 1912 report from the Decazeville site that was 450 pages long. Fayol ordered that special reports be written for “all major decisions.” Fayol wrote detailed organization charts as well as exhaustive descriptions for 20 jobs “from the director down to the concierge.”

Fayol recruited and developed talent carefully. In addition to promoting from within, he established career paths for technicians to move into management. He insisted that they keep up with their fields, join learned societies, and publish. He established a library, subscribed to

scientific journals, and paid for their trips to attend conferences and visit other companies and sites.

Fayol’s scientific achievements include his contributions to preventing mine fires and land collapses at excavation sites as well as his theory and research on locating prospective mine sites. He sought operational improvements, such as reducing the cost of manufacturing, and product improvements, such as increasing the quality of coal. At Imphy, Fayol established a large applied research program that “experimented with all possible combinations” of iron and nickel and developed highly specialized steels, which opened profitable new markets in military equipment and in precision instruments. Imphy was a “collective” organization drawing not only on the engineers’ knowledge but also that of workers, technicians, and foremen. Fayol recruited leading engineers and scientists to become collaborators; one, Charles Edouard Guillaume, won a Nobel prize in physics in 1920. Fayol was an early adopter of new technologies for the office, such as electrical lighting, typewriters, and the telephone.

The authors are systematic in their approach; each chapter considers the historical data from the perspective of Fayol’s five managerial elements and the six company functions, with the exception of the administrative function, which the table of contents does not reference. This lens provides not only the book’s organizational structure but also its analytical method. However, the authors take the approach more as a given than a test. Although they mention inconsistencies between Fayol’s theory and his practice, such as Fayol’s deviation from his theory as to the number of correct reports, they do not systematically compare the theory and the reality but rather emphasize how the latter clarifies the former. The book thus opens a research challenge on a basic level: What explains the relationship between Fayol’s actions and his theory? What was his practice of theory building in management? The authors

state that Fayol “believed that his nomination to managing director and the deployment of management tools were experiments equivalent to scientific experiments in a laboratory.” But the data do not show that Fayol developed his management theory in this way. He wrote IGM in 1916 at the age of 75. He reflected on his experience retroactively. This is not a scientific process. However, there are a few intriguing indications suggesting otherwise.

In the unpublished Part III of IGM (appendix 1), Fayol references some notes that he kept in the early 1860’s. The brief quotations show a probing mind at work. For example, when Fayol’s orders to open a site were contradicted by the managing director, Fayol quotes from his notes: “[it] is not a good way to give prestige and initiative to young engineers.” When a worker rejected an order given by Fayol because normally the director, who was absent, issued such orders, Fayol quotes, “After similar incidents, I wrote some months later: ‘A replacement should always be named in advance to replace the absent or delayed director. Authority must always be represented.’”

Over time, Fayol succeeded in gaining authority: “April 1862. The direct instructions from the director to my subordinates are few and far between. Is it because he trusts me or because I have always defended - very respectfully yet firmly - the instructions I had given? Nevertheless, my initiative is now rather encouraged.” Two months later, he writes: “I had some difficulty in the beginning to have my authority accepted by two or three senior employees; this has been achieved. But one must admit that the discipline that reigns here greatly helped. By devotion, or by simple obedience, or by fear, everyone is under the influence of the director who is as hard on himself as he is on others and who is always the first to deal with laborious or dangerous chores.”

Fayol also worried about conflicting orders: “This lack of unity of direction is a perpetual source of

conflict. Business suffers from it.” These references raise questions about Fayol’s learning process. He suggests that the winning of great trust in tandem with assuming great responsibility is the crucial task and that the continuous pursuit of management knowledge is key to achieving this goal.

The authors’ approach also raises questions about how the elements and functions work together. The book’s title denotes this missing dimension by calling Fayol a manager, whereas the point must also be made that Fayol was a managing director (or, in English, a chief executive). Fayol had to be acutely sensitive to the difference between being an engineer, as he was at Commentry from 1860 to 1865, to running Commentry, which he did from 1865 to 1888, to bearing responsibility for the total company. In this respect, the authors bring out a background story over several chapters, which could also serve as a foreground story: Fayol was not the board’s first choice to take charge of CFDC because although he knew mining, he did not know metallurgy, which was a key part of the business. Also, Fayol stated that he himself initially withdrew his name from consideration because he did not want to close Fourchambault as mandated by the board. But Fayol took the job, and Fourchambault was shut down -13 years later. The various chapters contain fragments of this life-and-death story that defined Fayol’s

career; as he said in Part III of IGM, Fourchambault was his great “management experiment” and achievement because it was the only case where he could isolate management ability, as distinct from technical and financial ability, as the decisive factor.

What happened? The board “appealed to [his] devotion” and Fayol “gave in” on the condition that he would not close the factory until he was “assured, through personal investigation, that the closure was absolutely necessary for the common good.” In this context, Fayol’s emphasis on investigation, documentation, and report-circulation takes on a vital meaning.

Could Fourchambault serve as an organizing principle for understanding Fayol? Fayol always defended his position rationally: Fourchambault helped pay for CFDC’s overhead and boosted total profit because other sites bought its output. The authors do explain this point of view: CFDC was “a vertically integrated group, the mines sold part of their coal production to the factories as coke, the Montlucon factory sold its iron to Fourchambault and Imphy, Fourchambault sold its steel to Imphy and the iron mines sold iron ore to the factories.” Thus Fayol recognized that transfer pricing was crucial, which explains his occasional practice of terminating employees to solve what appeared

to be accounting problems. To give his board members a larger point of view, which he called an “industrial” view in contrast to its predominantly “financial” view, Fayol had them read reports written by the different site directors. In this regard, when the authors state that Fayol’s efforts to save Fourchambault show a “chaotic planning practice” that clashed with his theory in IGM, the question arises: Is “chaos” the best description of Fayol’s management of Fourchambault? Fayol saw the parts of CFDC, including Fourchambault, as an interacting whole. Based on his 1916 writings, he also saw Fourchambault as a personal crucible: He did not want to experience the “moral anguish” and to drink “the bitter cup” of declaring the end of enterprise.

This leads to a final point - Fayol’s compelling voice. When the authors quote him at length, a strong personality rings through, such as in 1913 when he reflected on his career: “At a time when I feel that the lessening of my strength will soon no longer permit me to stay at the helm, it’s pleasant for me to see and tell you that the personnel from the top to the bottom of the ladder is today much superior to that it has been for a long time. With such personnel the company can confidently look to the future.”

Thanks to Peaucelle and Guthrie’s work, readers can confidently look forward to better knowing Henri Fayol, the manager - and the scientist, leader, and man.