Application of the Henri Fayol Principles of Management in Startup Organizations

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Abstract: This paper solely focuses on the fourteen principles established by Henri Fayol and its application in a startup business and further analyze its implications. Published works done previously relating to this study were reviewed extensively. This however produced vigorous on the concept of the principles, better understanding and further modifications. The importance, benefits, strengths and weaknesses of these principles were tested in order to determine how best they are suited in startup businesses. Data was drawn from startups in Lagos, Nigeria which gives this study a directional perspective. Based on literature and results gotten from the data, it was concluded that Fayol’s principles of management are as relevant to startup businesses as they are in other existing organizations. The paper, further recommends that Startup Organizations should always maintain a sense of direction and carry the staff along by reminding them of the organizations goals and objectives, offer them a sense of importance to the organization and treat staff with utmost objectivity.

I. Introduction

Principles of management is quite an area put into consideration in running a business. It refers to a broad and general guideline that provides a blueprint for decision-making in an organization. It could be used to decide staffs who are to be promoted in an organization, based on the managers discretion, one manager could consider seniority, while another may for the principle of merit. Management principles deal with human behavior and are implemented productively based on the situation at hand. Human behavior is ever changing and so also is technology, organizational structure, business strategies, etc. and all of which affects the operations of a business. Hence, it is eminent all the principles are kept abreast with these changes (NCERT, 2015).

All organizations require management to succeed. It is the judicious use of means to accomplish an end (Stroh, Northcraft, & Neale, 2002). Management is the process of achieving goals and objectives effectively and efficiently through people. It involves designing and maintaining an environment in which individuals work together in groups. F.W. Taylor viewed Management as the art of knowing what you want to do and seeing that they are done in the best and cheapest way. Fayol (1916) “To manage is to forecast and plan, to organize, to command, to coordinate and to control”.

A startup business is referred to as a newly developed company, which aims at meeting the needs of a targeted market by providing innovative products and/or services. A startup likewise other existing business is a company, it most times comes as a small business, sometimes a partnership or an organization which is established to develop fast. It is a company working to provide solutions to a problem of which the solution is not clear and their success not guaranteed (Blumenthal, 2014). They are different from older existing businesses mainly because they are designed for fast growth. This means they have something to offer to a very large market. To startup a business, a large market is not always needed. All you need is a reasonable market size that can be captured with the product or service offered and the ability to reach the market and serve all of those within your market. To grow rapidly, you need to make something you can sell to a very big market.

Most startups this days are technology oriented. Online businesses are one which can easily reach a large market in a short period of time because they crisscross space and time. This days, online business is rapidly growing, people can reach your product or services regardless of the location and time. That said, not all technology companies have a very large market.

The importance of management being a factor that determines an organizational success is one which has long been studied, therefore it cannot be over-emphasized (Robinson, 2005). Several reputable scholars of management including likes of F. W. Taylor, Max Weber, Elton Mayo, and Henri Fayol whose principle is based on in this study have dedicated their time in experimenting several theories toward a successful management process. They are today regarded as the forerunners of management scholarship. Their results of experiments carried out led to the theories of several management principles. However, one of the most popular
among the several management principles postulated is the Henri Fayol’s ‘14 principles of management’ (Witzel, 2003) Henri Fayol was nicknamed the father of modern management due to the popularity and wide adoption of his management principles(Witzel, 2003; Wren, Bedeian, & Breeze, 2002). In 1916 Henri Fayol published the ‘14 principles of management’. Management researchers over the years opine that these principles advocated by Fayol is what transformed to the present-day management and administration. It is believed that every organization today one way or the other implement the Fayol’s principles of management. This paper therefore, looks to critically analyze the application of the Fayol’s 14 principles of management highlighting their implications to a startup business.

**Henri Fayol's 14 Principles**

**Division of work**

This is the first principle postulated by Henry Fayol. It states that staff perform better at work when they are assigned jobs according to their specialization. Hence, division of work to smaller elements turn out to bedominant. Specialization is important as staff perform specific tasks not only at a single time but as a routine duty also (Uzuegbu&Nnadozie, 2015).

It is applicable to organizations that have many employees as well as those that have few. The principle states that work should be divided amongst people that are capable of doing the job and not be over loaded to a concentrated few. This principle also denotes that, work should not be diluted by giving the same work to too many people. It helps ensure proper utilization of labor, keeps them focused, and industrious.

Fayol, argued that efficiency and effectiveness can be achieved if one staff member is doing one thing at a time and another doing a different thing. In startups, there exist divisions of work, However, as observed in various startups analyzed, Work is divided into departments ranging from the finance department where all financial transactions are carried out and they keep record of the financial statements to be able to predict the financial position of the organization, and as the principle predicts, not all people in the department will carry out the same job, someone can be assigned to carry out bank duties, another prepare vouchers, while others could be in charge of disbursements. It is the job of the Head of Departments to allocate jobs to employees in that department based on specialization. Also in the organizations, they have the administration department of which majority classifies as both admin and Human resource. In this department, they have staff that major in employee welfare, filing of documents allocate jobs as directed by the top management, then there is the marketing & sales department where skilled labor is employed to market and promote sales of the company product. Being that they are startups, most of them depend mostly on the marketing department as this department determines most customer base they get and how far their product can go into the market. finally, it was observed that they have the IT departments. In contemporary companies, I.T. (Information Technology) department is considered vital, as they handle most of the operations that deal with the internet, they also save data and information of the organizations stakeholders, their jobs are considered pivotal and requires skilled people to carry out. Fayol however was indeed correct in this principle in the sense that all jobs cannot be done together by all staff at the same time, there is need for division of labor to exercise specialization. This observation can however be backed by the suggestion of (Uzuegbu&Nnadozie, 2015) that the amount of jobs executed for a day can be more meaningful when divided amongst staff in various departments than when every staff member is clustered for each of the job elements, one after another. Therefore, permanent duties are assigned to staff and they make daily reports on their performance.

**The principle of Authority**

This refers to the right to issue commands, along with which must be a balanced responsibility for its function. This principle suggests that there is a need for managers to have authority in order to command subordinates so they can perform their jobs while being responsible for their actions. (Pathak, 2015), sees it as the power to give orders and get it obeyed or in other words it is the power to take decisions. The principle is both formal and informal of which is most recommended for managers. The formality being the responsibilities, this is the expectation of the organization for the manager, whereas the informality being the authority, refers to the manager’s autonomy to command, direct, and ensure that he performs his responsibilities successfully. (Pathak, 2015) also suggest that both Authority and responsibility must go hand in hand. Meaning, proper authority should be delegated to meet the responsibilities. Fayol suggests that, only few people show have the power and responsibility to give orders. One of the common errors of large companies is that management encompasses too many people, thereby giving rise to conflict. When few selected people have the power to vote, the authority is carried down the chain and the process gets implemented. With such authority comes responsibility. Fayol believed that since a manager must be responsible for his duties, he should as well have authority backing him up to accomplish his duties. This is vital for organizational success.

As observed in studied startups, the case is similar. Heads of departments are responsible for the affairs of their departments and however have the authority to oversee operations in their departments. In the case of
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subordinates, it was observed that each employee has the prerogative to make decision all dependent on the severity of the decision. However, certain decisions must be made by the heads of departments and if the classified information goes beyond the portfolio of the head of the department, then the general manager steps in. This in turn allows for smooth operations. Its fortunate that most departmental heads in the startups do not become so arrogant and vain with their status, level of authority and they also deem it necessary to sometimes interact and relate with their staff. As a result, it develops a good and productive working environment. This argument can be approved by Blackburn and Rosen (1993) that successful organisations apply participatory management and staff empowerment against the authority and responsibility principle. It was observed that with this style, managers are more of coordinators rather than dictators. Hence, Startup businesses may not need an autocratic type of management but preferably a participatory. Such will bring about ideas, innovation, freedom of expression from junior staff, which research has shown to have positive contributions to the growth and success of an organisations (Blackburn & Rosen, 1993).

Principle of Discipline

This principle promotes clearly-defined rules and regulations intended to achieve good employee discipline and obedience. It is often a part of the core values of an organization in form of good conduct, respectful interactions, proper dress code, etc. This principle is essential and seen as the engine oil to make an organization run smoothly. It goes without saying that management is responsible for the way discipline is maintained in an organization. This discipline upon promotion, saturates down the line, to the end of the employee chain as well. Fayol observed the natural human tendencies to lawlessness and perceived the level of organizational disorder which could erupt if employees are not strictly guided by rules, norms, and regulations from management. (NCERT, 2015) depicted that discipline requires good superiors at all levels, clear and fair agreements and judicious application of penalties. This is true and has all along resulted in staff control in organisations.

In studied startups, it was observed that there are sanctions and penalties for negative actions portrayed by employees and they are made to appear before a disciplinary committee pending the degree of default and such committee is set up by the Human Resource to investigate the issue and there are strategies to enforce such which include; deduction of salaries, suspension, termination of appointment.

Unity of Command

Fayol believes that subordinates/employees should have only one boss. If an employee gets orders from two superiors at the same time, then the principle of unity of command is breached. It simply puts that, employees should receive orders from and report directly to one boss only.

Fayol found this principle to be very important. “He felt that if it were violated, then authority is dented, discipline is in peril, directive disturbed and stability threatened”.

A peek into predominant situations in most organisations this days where work is done in groups and teams, it simply suggests that each group will have a coordinator or supervisor whom orders are gotten from. And, this coordinator is not the sole or overall manager (Uzuegbu&Nnadozie, 2015). Their study argued that this principle is rigid and needs modification, especially in consonance with current realities in many organisations and felt “Fayol was not explicit to show if it means that only one person can give orders or whether two or more persons can give instructions/directives to employees but not at the same time”.

Looking at some establishments, staff belonging to a team would likely take orders from numerous coordinators or supervisors at a time for example, the head of Admin can give instructions to a finance staff. Thus, it is not unusual for a staff member to receive instructions from superiors outside his/her immediate units/sections or departments (Nwachukwu, 1988).

Looking at prevalent situations in many startups, work is done in groups and teams, as depicted by (Uzuegbu&Nnadozie, 2015), it means that each team will have a supervisor who gives orders. It was also observed that in most startups, there is unity of command because most of this organizations have a small but reasonable employee base and they tend to work with each other with members of top management involve themselves in the operational aspect of the organization.

Unity of Direction

Everyone in an organisations should have onedirection, move toward the same objectives through coordinated and focused efforts (NCERT, 2015). Each group of activities having the same objective must have one head and one plan. This principle ensures unity of action and coordination. It proposes that there should be only one plan, one objective, and one head for each of the plans. Organisations run on established objectives (Drucker, 1954). But, this should not be conflicted with departments that seemingly have their specific objectives. Fayol observed that an organization will naturally have central objectives which need to be followed and as well departmental and unit goals which also need to be reached in order to meet the unified objective.
Subordination of Individual Interests to Organization’s Interests

This principle simply states that a staff interest must not supersede that of the organization. This means, there is a need for employees to sacrifice their personal interests for the organization’s good. In other words, if any staff goes against the objectives of the organizations and fails to establish a positive civic virtue of the organization, such staff should not be tolerated. (Uzuegbu&Nnadozie, 2015) claimed that this is one hard way of pursuing organizational or corporate success. They also argued that the principle has ran obsolete due to so many reasons. Backing this argument was Mayor (1933) and McGregor (1960) who proved that employees work better when they are valued and given a reasonable sense of belonging.

In present startup organizations, it is observed that most employees tend to be after their personal interest over that of the organization and they tend to use it as a stepping stone to a better and bigger organization, it was also observed that besides the fact that they put their interests first they still are productive at their job.

Remuneration

Fayol insists that there is nothing like a perfect system, employees always have a motivator when involved in work, wages is one vital motivator. Fayol suggests that, the significant process of remuneration paid to employees should be fair, reasonable, satisfactory to both employer & employees, and rewarding their efforts (Mtengenzo, 2009).

Remuneration should be deserved and determined on basis of job role of employee, financial state of organization, cost of living, etc. as this reduces tension at work place, increase productivity, reduce conflict and differences amongst staff and promote a synergized working environment. Fayol further added that benefits such as free education, rent allowance, medical allowances, and other fringe benefits, be added to an employee’s package as this boosts motivation at work.

According to (Uzuegbu&Nnadozie, 2015) A supervisor should receive more pay than an operational staff. Therefore, by virtue of article of association and level of responsibilities supervisors appointed by management is supposed to earn more than the subordinates. Justas it is in the startups analyzed, they confirm that they give their staff reasonable remuneration which depicts the organizations standard and likewise the management.

Centralization and Decentralization:

This refers to the amount of control lying with people in an organization. It is the concentration of decision making authority in an organization (Bhasin, 2016). Centralization is when there are few selected people in control of making decisions in an organization, especially when the concentration of control of an organization is under a single authority, this occurs mostly in large organizations. On the other hand, Decentralization is when there is larger amount of people with decision making authority in the organization. It is when decision-making authority is distributed throughout a larger group, mostly in smaller businesses.

Most large companies always have several Strategic Business Units which in a way form some sought of decentralization. Therefore, there is a need to strike a balance between centralization and decentralization because these SBU’s are given their own decision-making power (Bhasin, 2016). Similarly, with small businesses and startups, authority is shared in a decentralized manner to enable them get work done faster. However, choosing the best decision-making method is best decided on the business the organization is into.

In startups used for the purpose of this study, it was observed that they tend to strike a balance between both as there is need for employees to make decisions. It is noticed that in contemporary management, employees’ initiative tends to be encouraged. In the studied startups, they have employees make decision all dependent on the severity of the decision. However, certain decisions made have to be from the top management and heads of departments.

Scalar Chain

This is known as the formal lines of authority from highest to lowest ranks. (NCERT, 2015). It is a hierarchy principle which is essential to initiate unity of direction. The principle emphasizes on communication means in an organisations being vertical, therefore insisting that there should be one single uninterrupted chain of authority existing in the organisations. According to Fayol, “Organisationsshould have a chain of authority and communication that runs from top to bottom andshould be followed by managers and the subordinates”. Scalar chain depicts there should be a clear line of authority in an organization so that when one sees the need to “Escalate things” then you know the line of authority (Bhasin, 2016). When faced with emergencies or in catastrophic situations, one should know the right line of authority to handle such situations.

Considering a situation where in an organization, there exists one head/boss ‘A’ who has two lines of authority under her/him. One involves B-C-D- E-F making up Line 1. Line 2 of authority under ‘A’ includes L-M-N-O-P. In the diagram presented below, it shows that both lines have employees in two units or departments,
but with same level of authority. If ‘E’ has to communicate with ‘O’ who shares the same level of authority, he/she has to pass through the other routes: D-C-B-A-L-M-N-O. This is due to the principle of scalar chain being followed in this situation.

![Diagram of management structure]


Fayol stated that this chain should not be sullied in a standard formal communication process. However, in case of an emergency then ‘E’ can directly contact ‘O’ through an overpass as shown in the diagram which is a shorter route and has been provided to avoid delays in communications (NCERT, 2015).

It was observed in the startups that the vertical arrangement of communication and organizational structure is conventional, and employees of the organization have direct communication with their boss’s boss which in a way does go against the scalar principle.

**Order:**

This does not mean, there is a boss sitting at the top in the order of command and dishing orders to people on what to do or not to do. It simply means, things in the organization should be done in an orderly manner, so therefore, if work is not done in an orderly manner in an organization, there will be chaos.

According to Fayol, “People and materials must be in suitable places at appropriate time for maximum efficiency.” This principle however states that every material in an organization should be put in its right position in the organization and the right job be assigned to the right employee (Rodrigues, 2001).

The maintenance of order is an important principle in Henri Fayol’s 14 principles of management. If an organization maintains a policy of providing in every aspect of the organization everything needed to carry out the job in the right manner, there will be no interruption in the events of their business and it will promote increased productivity and efficiency.

Whichever the case maybe, in startups mostly those studied, they try to maintain a code of conduct. It was observed that they prefer work being done according to a pre-set schedule, they try to represent the books of account in an orderly manner, showing the cash flows, every transaction carried out by staff of the organization, financial positions, etc.

**Equity**

The principle of equality should be followed and applied at every level of management. Thus, there should not be any form of discrimination as regards status, sex, religion, etc. (Okpara, 2016). Fairness can be said to be in similar context with Equity. According to (Mtegenzo, 2009), Equity means combination of fairness, kindness & justice towards employees. It simply means for commitment and loyalty to be expected from employees, they should be treated fairly and similarly to people of their level of position and authority, most importantly, their Managers should be less impartial.

Fayol was of the opinion that managers should be fair to their staff but at times exhibiting power and harshness might come in handy for the sake of equity. (Bhasin, 2016) argued that, the most common complaint of employees in organizations is that another employee was preferred over them in the case of promotion or better remuneration. He however stated that a fair organization is one that maintains equity amongst everyone.

In startup organizations as observed, they have the drive to be successful organizations, so therefore they develop the habit of accommodating staff, making them feel at home, bolster communication links, maintain a more democratic style of management, share staff feelings, and identify with staff personal/family
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challenges. This helps evade partiality, promote an employee when right, motivate and encourage employees who are weak and vulnerable. The study of (Ohadinma&Uwaoma, 2000) also insists that it further distributes equal and fair treatment amongst staff, train employees and mentor them on how well to go about the job, build an unbiased system and attitude toward employees, reward and punish employees based on their productivity, commitment, attitude toward civic virtue, etc.

Stability of tenure

This principles linked with long tenure of personnel in the organization. It depicts the need to employ the right staff and train on the job with anticipation to retain them for a long period of time. This principle has been posited one of the critical principles Fayol suggested. Fayol said that an organization stands a better chance to grow faster if its employees are stable. For example, most large companies take employee turnover very seriously. They employ various measures to ensure that they retain their employees especially when such employee is said to be indispensable.

This principle is established based on the belief that a staff with a secured long-term tenure will use his experience and knowledge gotten from working in the organization to initiate innovation, productivity, help with the organizations growth and further increase the organizations profit base. However, it can be debated to be considered an old-fashioned way of approaching management. Management in the modern day suggests recruiting ready-made employees with experience and the right qualifications. As a matter of fact, Modern day firms are not keen on recruiting staff they invest so much in training before they understand how work is supposed to be done in the organization. As suggested by (Uzuegbu&Nnadozie, 2015), “this is the era of recruiting the best qualified staff, because, they believe from the beginning, they will make work very easy and productive and afterwards get trained to improve on what they already know how to do. This therefore becomes a problem for startup organization because many staff just see working in a startup as a stepping stone to a better workplace. Most employees seeing working for startups are either people on Industrial Training (IT) or graduates who got rejected from a recruitment pool because of lack of work experience whichever the case may be. This however provokes them to pick up a job in a startup looking to grow and can do with any staff so far, they are employable and able to carry out the assigned task and as soon as they get the required working experience needed by a larger organization, while on the job, they plan to leave. It has become a culture for many workers to always job hunt for better jobs while on a current job. They believe in having several opportunities, and also, they believe that new and better jobs can offer improved pay, job satisfaction, promotions, job security, societal recognition, etc.

It was observed that in startups, they have little or no motive to whatsoever to retain staff in the organization because likewise the larger firms, they most times do not have necessary finance to train such staff or the fear of losing such staff after so much spent in training them. Most times, members of startups that are involved in training, higher pay, etc. are those in the managerial level.

But this is not healthy for startup businesses. Staff generally should be developed on the job, engage them in training sessions, conferences and workshops, mentoring, and based on development and performance get increase in pay, etc. this will help the organization develop employees faster and by so doing developing the organization which can help keep the employee longer because they feel they are a vital part of the growth of the business and are driven by the purpose of the firm.

Initiative

It is stated under this principle that management should provide from time to time creative ideas, skills and more convenient methods to carry out tasks in the organization. For this principle to be successfully executed in a startup, it entails Managers being creative to initiate new ideas and also implement them, give room for employees to contribute to the innovation and productivity of the organization.

This principle was directly relating to Managers in organizations but in the Contemporary age, staff have in turn become the idea-house and bedrock of organisations. It however has been observed in Western countries that group problem-solving systems are patronized against dependence on top level management as the problem-solving point (Magjuka, 1991 & 1992). Management should therefore encourage employee’s initiative. It is practiced in modern day organizations especially those rendering services, they urge employees to apply their initiatives in rendering quality services to their customers. However, there are always processes, procedures and policies in place to guide the employees to ensure successful implementation and prevent abuse of the privilege (Okpara, 2015).

It is however observed by (Robinson, 2005) that managers of these days seem to be less initiative as they are often preoccupied with so many other related and unrelated commitments. It is advisable to startup firms especially to the management to encourage and empower employees and give them the level authority required to initiate and implement new ideas. Take for instance Google, Apple and Facebook, these are some of the companies that have implemented this principle. At google, developers and engineers are given their own time
and leisure to work out innovative ways that can be developed as products for google itself. Same goes for Facebook and apple as well. As the employees are encouraged to be innovative, the innovation level of these companies is high.

As suggested by Fayol, a good company should always have an employee suggestion system whereby tangible initiative/ suggestion should be rewarded.

**Esprit de Corps**

This principle emphasizes on team work and team spirit. For an organization to achieve the best result, there should be a unified and effective integration and coordination of both individual and group effort. However, unity is the strength of this principle. According to Merriam Webster, esprit de corps is the common spirit existing in the members of a group and inspiring enthusiasm, devotion, and strong regard for the honor of the group. William et al. (2005) sees esprit de corps as the level to which employees obliged to common goal and to one another in the organization. Also added by (Homburg et al., 2002) “esprit de corps is valued asset among organizational members who do not have formal authority over each other”. Esprit de Corps is the intensity and depth of feelings which brings job and fosters support amongst members of a group (Boyt, et. al. 2005).

Fayol suggested that for an organization to be successful, there should be team spirit amongst employees of the organization of which all of them must consider themselves as members of the organisations further maintaining high morale and unity amongst themselves. (Pathak, 2014) insisted that the principle is based on two theories “Unity is strength” and “Unity of staff is the foundation of success in any organization”. Thus, the principle states that both the staff and management should work together to accomplish the objectives. (William, wee-Lim & Cesar, 2005) further contributed that, Esprit de corps is the key for success in the organization. While (Homburg, Workman &Jensen, 2002) contemplates on it being a valuable asset for team members as well as an organization. (Boyt et al. 2001) further suggested that an increased team spirit in an organization will yield better employee performance.

It was observed in the studied startup businesses that they promote this principle very well in their organizations and make it a vital part to their success, they make it a culture to mark birthdays of staffs, and use that as an opportunity to connect with one another, in terms of business operations, they form committees to handle certain parts, involve every member in one decisional role or the other, throw in challenges on weekly bases to task every member of the organization and make them work together.

Espirit de Corps however applies to startups. It promotes staff unity and co-operation. However, it does not completely eliminate the chances of conflict and disagreement amongst some staff members but it will be at a minimal as it is human to experience disagreements amongst oneself. In this case, strategies must be applied to ensure such conflicts and disagreements amongst staff don’t affect common goals of the organization. According to Fayol (1949), management should promote teamwork especially in large organisations, if otherwise it will be difficult to achieve organizational goals. It could also lead to loss of coordination. He also suggests manager to replace ‘I’ with ‘We’ in conversations with workers to foster team spirit as this gives rise to a spirit of mutual trust and belonging amongst team members.

**II. Conclusion**

Having analyzed the ‘14 principles of management’ as proposed by Henri Fayol. It can be brazenly said that they are needed in Startup organizations as they are being applied in others. It can also be argued that due to occurrence of diverse managerial styles, some of this principle have been subject to alteration and redefining, but with the aim of making them better and more effective to organisations upon application. All organizations tend to have something similar amongst themselves in some way, which is management practice. It doesn’t matter whether profit is made or not, the size of the organization or industry they belong. What makes them differ, is the approach toward managing such organization. A startup organization is not any different from other organizations and therefore, the need for the application of the 14 principles in their managerial practice is paramount. This paper however, has presented an application of each of Fayol’s 14 principles and its consequences of which certain recommendations have been further suggested in order to further improve managerial practices in startup organizations.

**Reference**


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