The Functions of Management

If governance and management are different systems within an organisation, they will have different purposes and functions; therefore, if something is a management function by definition, it is not a governance function (and the reverse also holds true). The purpose of this White Paper is to define what management is and what management does; to provide the counter point to our other papers discussing governance[1].

Governance and management are different systems[2] that, working together, enable an organisation to achieve its objectives. The six functions of governance[3] are:

- Determining the objectives of the organisation.
- Determining the ethics of the organisation.
- Creating the culture of the organisation.
- Ensuring compliance by the organisation.
- Requiring accountability from management.
- Designing and implementing the organisation's governance framework.

Fayol's Functions[4] of Management

Henri Fayol (1841 – 1925) defined the five functions of management in his 1916 book *Administration Industrielle et Generale,* which defined his *general theory of business administration* and surprisingly, this text is still seen as a one of the basic definitions of management. He defined five primary functions of management and 14 principles of management: The five functions are:

- ***To forecast and plan***. Planning is the function of management that involves determining the best course of action for achieving the objectives of the organisation defined by the governing body[5]. It requires managers to be aware of environmental conditions facing their organisation, the capacity and capability of the organisation, and to forecast future conditions and trends. There are many different types of plans and planning.
  - **Strategic planning** involves analysing competitive opportunities and threats, as well as the strengths and weaknesses of the organisation, and then determining how to position the organization to best achieve its objectives. Strategic planning has a long time frame and is the link between governance and management with a shared responsibility to develop the 'right strategy' to ***ethically*** achieve the organisation's ***objectives***.
  - **Tactical planning** is intermediate-range planning that is designed to develop relatively concrete and specific means to implement the strategic plan.

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[1] For a full listing of our ***governance papers*** see: http://www.mosaicprojects.com.au/PM-Knowledge_Index.html#OrgGov1

[2] For more on ***governance and management systems*** http://www.mosaicprojects.com.au/WhitePapers/WP1084_Governance_Systems.pdf

[3] For more on the ***six functions of governance*** see: http://www.mosaicprojects.com.au/WhitePapers/WP1096_Six_Functions_Governance.pdf

[4] This White Paper assumes a hierarchy of terms starting at the highest level and working sequentially: Objectives, Functions, Principles, Practices, Process, Methods, Tools.

[5] The ***governing body*** is defined as the person, group or entity accountable to the organisation's owners, and the wider society, for the performance and conformance of the organisation.

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- **Operational planning** is short-range planning that is designed to develop specific action steps that support the strategic and tactical plans.
- **Project and program planning** is short to medium term focused on achieving the objectives the project or program has been created to deliver.

- ***To organise***. Organising involves developing an organisational structure (hierarchy, divisions, departments, etc) and allocating human and other resources to ensure the accomplishment of the organisation's objectives and implementation of its strategic plan.

  The structure of the organization is the framework within which effort is coordinated and is shaped by the ***ethical*** and ***cultural*** requirements of the governing body. It involves the design of individual jobs within the organisation and striking a balance between the need for worker and management specialisation and the need for people to have jobs that entail variety and autonomy. Many jobs are now designed based on such principles as job enrichment and teamwork. The management framework needs to support the needs of the ***governance framework***, and be ***accountable*** to the governing body for the actions and achievements of the organisation.
- ***To command or direct*** subordinates. Providing direction and leadership to lower level managers and workers so that they are aware of their obligations and are willing to carry them out efficiently and effectively.
  - Leading[6] involves influencing others toward the attainment of organisational objectives. Effective leading requires the manager to motivate subordinates, communicate effectively, and use his/her power and authority[7] judiciously. If managers are effective leaders, their subordinates will be enthusiastic about exerting effort toward the attainment of the objectives.
- ***To coordinate***. Coordination is inherent in the other aspects of management and is primarily focused on organization of the different elements of the organisation, or an activity, so as to enable them to work together effectively:
- ***To control*** (French: contrôller). A manager must receive feedback about a process in order to analyse any deviations from the plan and make necessary adjustments to correct negative deviations and prevent future deviations[8]. Controlling consists of three basic steps, plus the requirement to provide assurance that the controlling process if functioning effectively :
  - Establishing the plan or required performance standards;
  - Comparing actual performance against the required standards at appropriate intervals, and
  - Taking corrective or preventative action when necessary.
  - Providing ***assurance*** to the organisation's governing body that all levels of management and staff are held ***accountable*** for their actions and are performing and conforming to the organisations objectives and governing principles.

Inherent in all of these functions is decision making[9]! The primary role of management is to make decisions and value judgements within the framework set by the governing body, including the organisation's ethical and cultural standards, to achieve the objectives set by the governing body. This required the delegation of appropriate levels of responsibility and authority to decision makers and the decision makers being prepared to accept this responsibility and be accountable for their actions.

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[6] For more on ***leadership*** see: http://www.mosaicprojects.com.au/WhitePapers/WP1014_Leadership.pdf

[7] ***Management power and authority*** are discussed in ***WP1095 Understanding Power and Authority*** http://www.mosaicprojects.com.au/WhitePapers/WP1095_Understanding_Power_Authority.pdf

[8] For more on the ***functions of project controls*** see: http://www.mosaicprojects.com.au/WhitePapers/WP1093_Project_Controls.pdf

[9] For more on ***decision making*** see: http://www.mosaicprojects.com.au/WhitePapers/WP1053_Decision_Making.pdf

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The primary output from management can be defined as information and instructions that have to be communicated to others. The communication is firstly to the workers so they understand what has to be produced, where and when; secondly to the governing body to provide assurance that the right decisions have been made and the right things are being produced in the right ways applying the organisation's policy framework correctly.

Fayol's Principles of Management

The principles of management define some of the ways the functions of management can be implemented. Some of these original principles need adjusting to remain effective in some modern organisations, but the most of the concepts are still valid:

1. **Division of work**. This principle is the same as Adam Smith's 'division of labour' and Taylor's 'scientific management'[10]. Specialisation increases output by making employees more efficient. Division is still important, but modern trends are towards teams and self-managed work groups.
2. **Authority.** Managers must be able to give orders. Authority gives them this right and flows from their position in the hierarchy. Responsibility arises wherever authority is exercised and effective leadership reinforces authority[11].
3. **Discipline.** Employees must obey and respect the rules that govern the organisation. Good discipline is the result of effective leadership, a clear understanding between management and workers regarding the organisation's rules, and the judicious use of penalties for infractions of the rules.
4. **Unity of command.** Every employee should receive orders from only one superior, from top to bottom in an organisation. This is not practical in matrix organisations and allowance needs to be made for the increased complexity of the working environment[12].
5. **Unity of direction.** Each group of organisational activities that have the same objective should be directed by one manager using one plan.
6. **Subordination of individual interests to the general interest.** The interests of any one employee or group of employees should not take precedence over the interests of the organisation as a whole. One outcome of effective leadership is the willingness of people to cooperate for the greater good.
7. **Remuneration.** Workers must be paid a fair wage for their services. This picks up one of the key tenets of Henry Gantt's work[13].
8. **Centralisation.** Centralisation refers to the degree to which subordinates are involved in decision making. Whether decision making is centralised (to management) or decentralised (to subordinates) is a question of proper proportion. The task is to find the optimum degree of centralisation for each situation.
9. **Scalar chain.** The line of authority from top management to the lowest ranks represents the scalar chain. Communications should follow this chain. However, if following the chain creates delays, cross

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[10] For a discussion on the different ***schools of management*** mentioned in this section see ***The Origins of Modern Project Management*** (p7 - p11): http://www.mosaicprojects.com.au/PDF_Papers/P050_Origins_of_Modern_PM.pdf

[11] The sources of ***management authority*** are discussed in ***WP1095 Understanding Power and Authority*** http://www.mosaicprojects.com.au/WhitePapers/WP1095_Understanding_Power_Authority.pdf

[12] Matrix organisations deliberately flout this convention, people in a matrix organisation have more than one manager and conflicting lines of authority. For a matrix orgniasations to function efficiently, establishing *'unity of direction'* becomes critically important, which in turn requires effective governance, motivation and leadership by the executive, see: http://www.mosaicprojects.com.au/WhitePapers/WP1014_Leadership.pdf

[13] For more on the work of ***Henry Gantt*** see: http://www.mosaicprojects.com.au/PDF_Papers/P158_Henry_L_Gantt.pdf

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communications can be allowed if agreed to by all parties and superiors are kept informed. This picks up the concepts of the bureaucratic school of management.

10. **Order.** People and materials should be in the right place at the right time. Another key tenet of Henry Gantt's work.
11. **Equity.** Managers should be kind and fair to their subordinates. This picks up the concepts of the humanistic school of management.
12. **Stability of tenure of personnel.** High employee turnover is inefficient. Management should provide orderly personnel planning and ensure that replacements are available to fill vacancies.
13. **Initiative.** Employees who are allowed to originate and carry out plans will exert high levels of effort. The concept of 'bounded initiative' can be traced to concept of 'auftragstaktik', or directive command[14].
14. **Esprit de corps.** Promoting team spirit will build harmony and unity within the organisation. This picks up on Karol Adamiecki's focus on harmonisation and team work[15].

Whilst some authorities have added to and changed some aspects of Fayol's work in the intervening 100 years, these additions and changes have generally expanded and clarified the concepts outlined above. In general terms Fayol's work has stood the test of time, has been shown to be relevant and appropriate to contemporary management and defines what management is and does. A person undertaking any of the five functions, or employing any of the 14 principles is engaged in management (not governance)[16].

How managers really work

Some academics have suggested the functions of management as described by Fayol and others of the Administrative (or Process) School of management are not an accurate description of the reality of managers' jobs. The functions of management such as planning, organising, leading, and controlling do not depict the chaotic nature of managerial work in post bureaucratic organisations.

Based upon an observational study of five executives in the 1970s, Henry Mintzberg concluded that the work managers actually performed could best be represented by three sets of roles, or activities:

- interpersonal roles consisting of figurehead, leader, and liaison;
- informational roles consisting of monitor, disseminator, and spokesperson; and
- decision-making roles including entrepreneur, disturbance handler, resource allocator, and negotiator.

Mintzberg's challenge to the usefulness of the functions of management and the process school attracted a tremendous amount of attention and generated several empirical studies designed to determine whether his or Fayol's description of the managerial job was most accurate. While this research did indicate that managers performed at least some of the roles Mintzberg identified, there was little in the findings that suggested that the functions of management were not a useful way of describing managerial work. Research by David Lamond suggests that both approaches had some validity, with Fayol's approach describing the ideal management job and Mintzberg describing the day-to-day activities of managers.

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[14] For more on ***auftragstaktik*** see: http://mosaicprojects.wordpress.com/2010/07/30/command-or-control/

[15] For more on Karol Adamiecki see ***A Brief History of Scheduling***: http://www.mosaicprojects.com.au/PDF_Papers/P042_History%20of%20Scheduing.pdf

[16] For more on Fayol's theory see: http://www.mosaicprojects.com.au/WhitePapers/WP1094_Foundations_Fayols_Theory.pdf https://en.wikipedia.org/wiki/Henri_Fayol

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Upper Echelons Theory

Upper Echelons Theory (UET – Hambrick & Mason 1984) explains organisational behaviour from the perspective of its top decision makers (top management). Strategic choices are made based on the cognitive biases of the organisation's 'dominant coalition'. This coalition of dominant 'actors' in an organisation makes decisions based on its perceptions of the situation. These personalised interpretations are based on the experiences, values and personality traits of each individual in the dominant coalition. In summary organisations become reflections of their top executives. The 'dominant coalition' is generally a wider group of people than just the CEO or 'C-Suite', is likely to be fairly fluid in its makeup, but can easily exclude important people with divergent view to the 'majority'.

The key functions of the governing body is the appointment of the senior executives to an organisation and setting the culture and ethical framework of the organisation. UET emphasises the importance of ensuring these appointments deliver diversity, and focus on ethical standards and behaviours (to underpin the desired culture) as well as capability. The natural effect of UET (without effective governance intervention) will be to see the upper echelons increasingly populated by 'people like us' creating a strong homogeneous 'dominant coalition', easily blinded to strategic threats and opportunities by the limitations of 'group think[17]' – diversity is important!

Summary

The general conclusion in both academia and practice seems to be that whilst Mintzberg offered a genuine insight into the daily activities of practicing managers, Fayol's functions of management still provide a very useful way of classifying the activities managers engage in as they attempt to achieve organisational goals.

These functions and principles apply to all management roles including roles and entities associated with project, program and portfolio management such as the sponsor, steering committees, and of course project and program management. And, if something is a management function by definition, it is not a governance function. The six functions of governance are discussed separately[18].

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http://www.mosaicprojects.com.au/PM-Knowledge_Index.html

It is also included in our ***PM History archive***, see:
http://www.mosaicprojects.com.au/PM-History.html

[17] For more on '***group think***' and ***bias*** see:
http://www.mosaicprojects.com.au/WhitePapers/WP1069_Bias.pdf

[18] For more on the ***six functions of governance*** see:
http://www.mosaicprojects.com.au/WhitePapers/WP1096_Six_Functions_Governance.pdf

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