

Chapter 2

Principles of Management

Principle: A principle refers to a statement which reflects the fundamental truth about some phenomenon based on cause and effect relationship.

Management Principles: Management principles are broad and general guidelines for decision making and behaviour of managers.

Nature / Features / Characteristics of Management Principles:

Various features of management principle are given as below:-

1) Universal Application:- The principles of management are (Pervasive) universal in nature that means they can be applied to all types of organisations irrespective of size and nature.

2) General Guidelines: Management principles are guidelines to actions but these principles does not provide readymade solution for any problem.

3) Formed by practice and experiments: The management principles are developed only after deep and thorough research work. They are not developed overnight. Therefore they are evolutionary in nature.

4) Flexible: Management principles can be applied under different conditions. Some changes can be made in application of principles according to the requirements of an organisation.

5) Mainly behavioural: Management principles are formed to guide and influence the behaviour of employees. These principles insist on improving relations between superior, subordinates and members of organisation.

6) Cause and effect relationship: Management principles are based on cause and effect relationship that means these principles tell us if a particular principle is applied in a situation, what might be the effect.

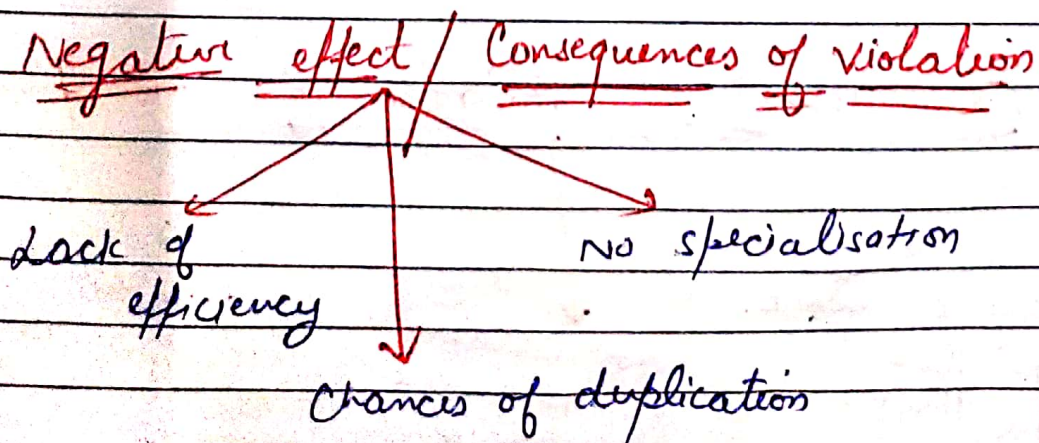
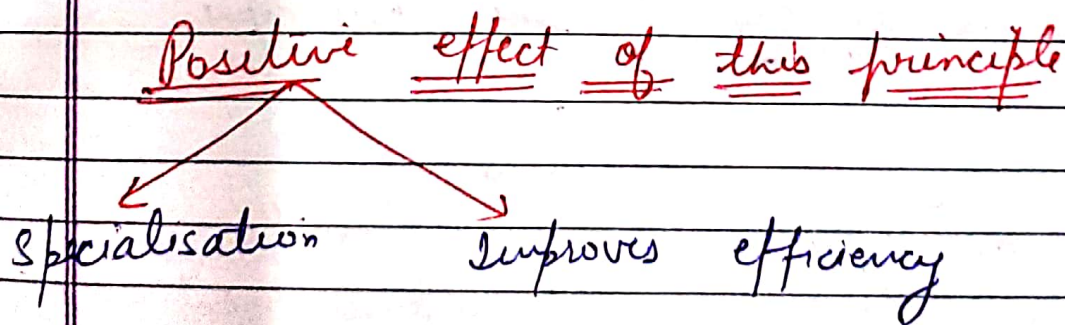
7) Contingent: Management principles are dependent upon the prevailing situation in the organisation, nature of organisation.

Principles of Management Developed by Fayol.

14 Principles of Management developed by Fayol are given as follows:

① Division of work:- According to this principle the whole work must be divided into small tasks or units instead of assigning the whole work to one person. One unit of work should be assigned to one person according to the capability, qualification and experience of the person.

For example: in bank one person is receiving cash, other is making entry in pass book, another is giving loan.



2. Authority and Responsibility - Authority means power to take decisions. Responsibility means obligation to complete task on time. According to this principle there must be balance between the authority and responsibility.

If Authority $>$ Responsibility

There will be misuse of authority.

If Authority $<$ Responsibility

It will not allow employee to complete work.

Favourable situation

→ Authority = Responsibility

Positive effects of this principle

No misuse of authority

Completion of task without delay.

Consequences of violation of this principle

Delay in work due to less authority

Overburden due to more responsibility

Misuse of authority due to excess authority

3.

Discipline :- Discipline refers to

* Following code of conduct, rules and regulations.

* Good supervisors at all levels.

* Clear and fair agreement among subordinate & superior.

* Meeting commitments at all levels.

* Judicious application of penalties.

Example: ABC Ltd made commitment with its customer to supply goods on 15th April. So if ABC Ltd is unable to deliver goods on specified date, it is considered as violation of discipline.

Positive effects of this principle

Systematic working

Improves efficiency

Negative effects / consequences of violation

Disorder, confusion and chaos

wastage of resources

Delay in work.

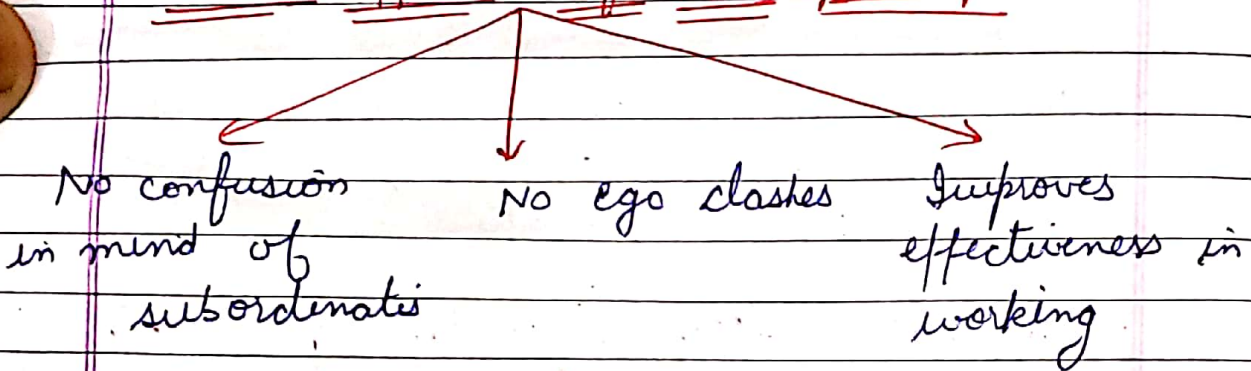
(one subordinate, one boss)

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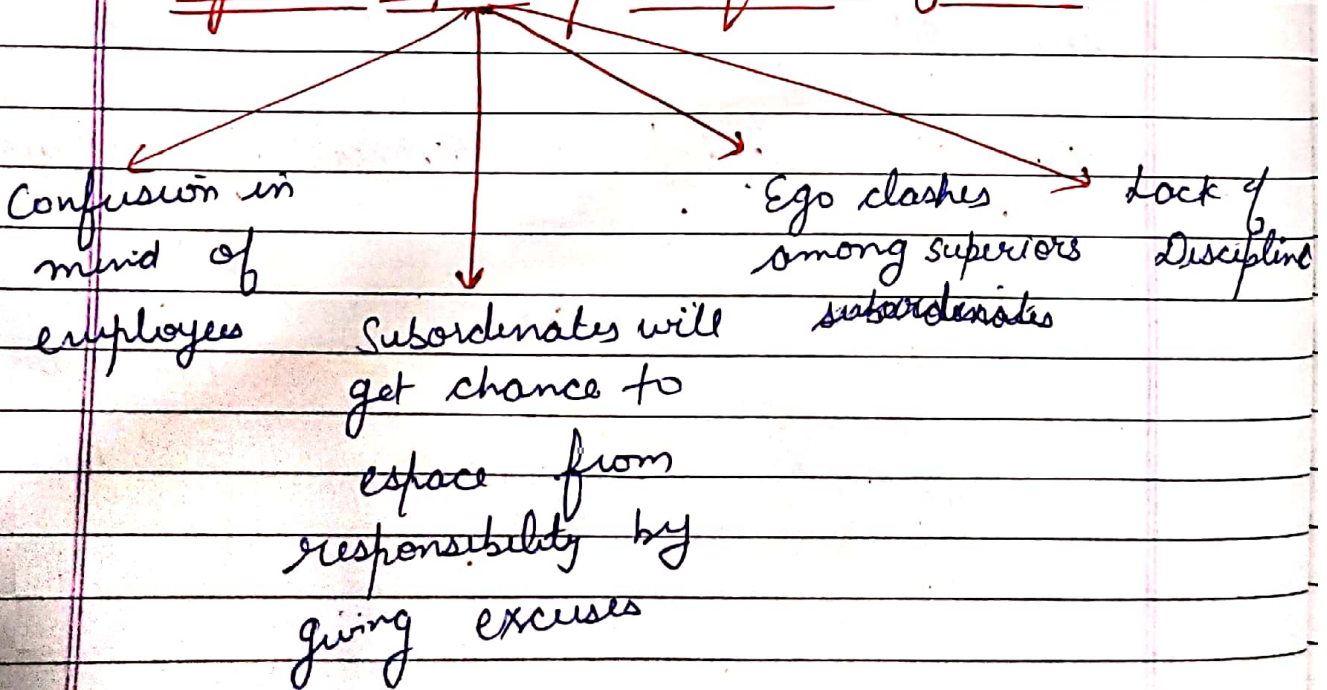
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4. Unity of Command: According to this principle an employee should receive orders from one boss superior and should be accountable to one superior only because if he/she is receiving orders from more than one boss then he/she will get confused that whose orders must be executed first.

Positive effects of this principle



Negative impacts / Consequences of violation



(one unit, one plan)

5. Unity of Direction According to this principle

"one unit one plan" that is the efforts of all the members and employees of an organisation must be directed towards one direction that is achievement of common goal. This principle leads to coordination.

Positive effects of this principle:-

Achievement of organisational goal

efforts of all employees unified in one direction only.

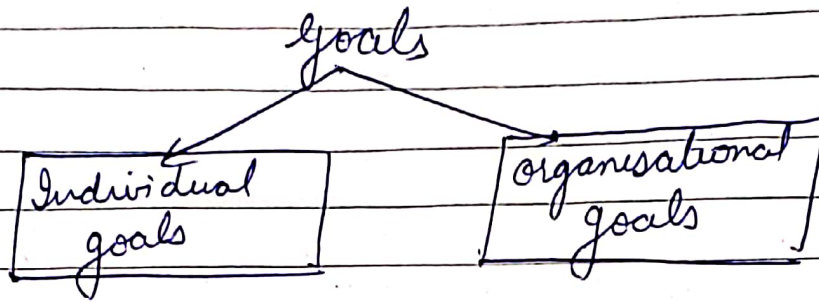
Consequences of violation of this principle:-

Lack of coordination

wastage of efforts and resources by working in different directions.

Difficult to achieve organisational goal.

⑥ Subordination of Individual Interest to General Interest: According to this principle, the interest of organisation must supersede the interest of individuals or employees.



If the above goals are in same direction, then there is no problem and if the above goals are in opposite direction then organisational goals must be achieved first then individual goals will be achieved.

Positive effects of this principle

Achievement of organisational goal

Coordination between individual and common goal.

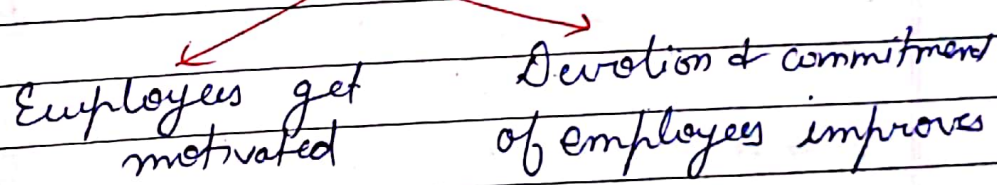
Consequences of violation of this principle

No achievement of organisational goal

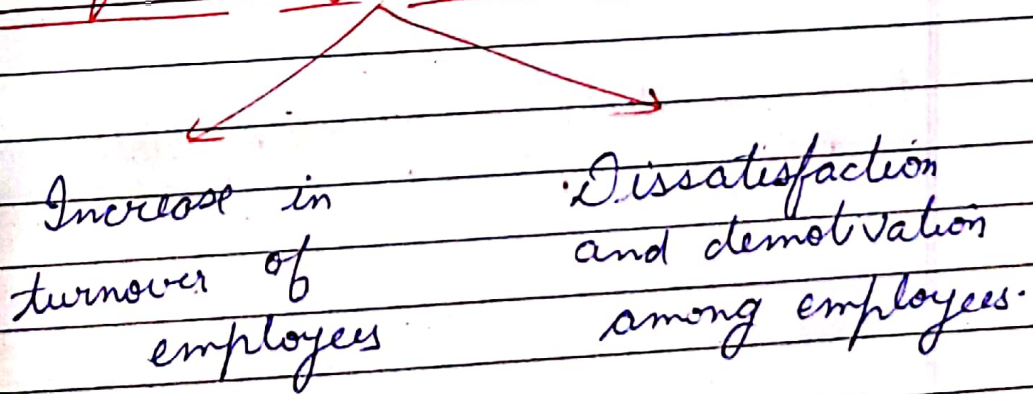
Even employees will suffer in long run.

⑦ Remuneration of Persons: According to this principle, employees in the organisation must be paid fairly or adequately to give them maximum satisfaction. The employees should be paid fair salaries, which would give at least a reasonable standard of living. At the same time it should be within paying capacity of the company.

Positive effects of this principle:



Consequences of violation of this principle:



8. Centralisation and Decentralisation

Centralisation refers to concentration of power in few hands at top level.

Decentralisation means evenly distribution of power at every level of management. According to Fayol company must not be completely centralised or completely decentralised but there must be combination of both depending upon the nature and size of organisation.

Positive effects of this principle

Benefits of centralisation & decentralisation

Fast decisions at operational level & strict control by top level.

Negative effects / Consequences of violation

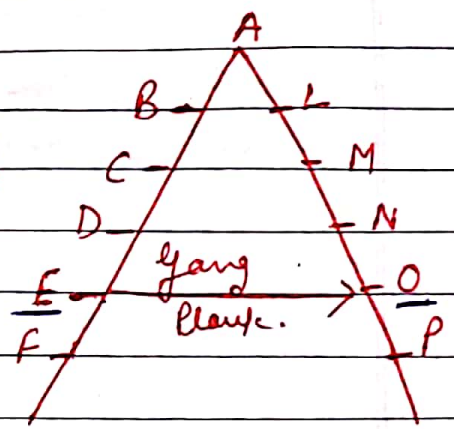
Complete centralisation will result in delay in decision making

Complete decentralisation will result in misuse of authority.

9. Principle of scalar chain: Scalar chain means line of authority or chain of superiors from highest to lowest rank. Fayol insists that this chain must be followed strictly in organisation. Every information must pass through every key of this chain, no skipping of any key should be allowed.

For example!

Acc. to this principle if E wants to contact O he has to move through E → D → C → B → A → L → M → N → O

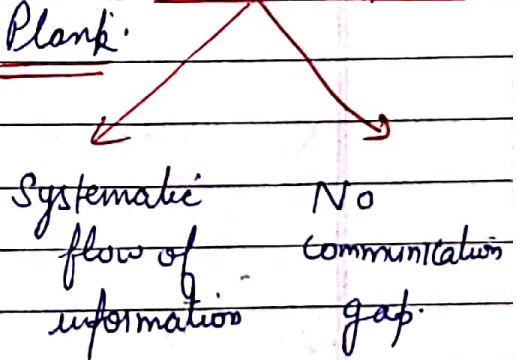


If this chain is broken then there are chances of communication gap.

Fayol permitted a short cut in chain which is called Yang Plank.

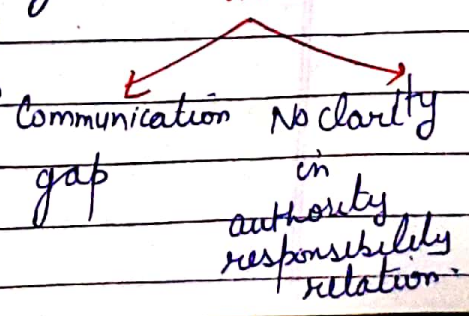
Yang Plank permits direct communication between the employees working at same level at different positions without following the scalar chain.

Positive effects



If E wants to pass some urgent information to O he can directly communicate to O by constructing Yang Plank. Generally workers cannot communicate directly to CEO but through Yang Plank it is possible.

Negative effects on violation



(10)

Principle of Order: In this principle order does not mean command

but it refers to orderly arrangement of men and material that is fixed place for everything and everyone in organisation. Fayol insists that there must be a fixed place to keep every material and thing used in the organisation and fixed place or seat or cabin for every employee of the organisation so that no time and energy is wasted in search of any material or any person.

For example: There must be a toolbox to keep tools, likewise there must be a proper cabin for manager and other employees.

Positive effects of this principle:

No wastage of time
in search of men/material

Smooth and systematic
working of an organisation

Consequences of violation of this principle:

Wastage of time and
energy in search of
men and material

Not able to
contact the people
at right time.

(11) Principle of Equity: Equity refers to kind, fair and just treatment to employees. Employees will put their maximum efforts only when they are treated with kindness and justice. If a manager is biased in dealing with employees then employees will get dissatisfied and will not contribute to their maximum capacity.

Equity does not mean equal salary to peon and supervisor but equity means application of same disciplinary rules, leave rules in same way irrespective of their grade, position and gender.

Equity means no discrimination on account of sex, religion, language, caste, belief or nationality.

For example: Both sister and brother are working in some organisation at same profile but brother is getting more salary as compared to sister. Principle of equity is violated.

Positive effects of this principle

Employees gets satisfied

Boost the morale of employees.

Consequences of violation of the principle

Dissatisfaction in employees

unhealthy relation between superior & subordinates.

(12)

Stability of Tenure of Personnel: It refers to no

frequent termination and transfer of employees. According to this principle, the management must provide the feeling of job security among the employees. Because with the feeling of insecurity of job, the employees cannot contribute their maximum.

Frequent turnover of employees is bad for organisation and such decision must be taken when they are almost unavoidable.

Not only turnover but frequent transfer or rotation should be avoided because it takes some time to a person to learn and get settled on a job and by the time he gets settled to other position then it will be wastage of resources and employee will not be able to contribute his best for organisation.

Positive effects of this principle

Improves efficiency

No wastage of time

Consequences of violation of this principle

Wastage of resources in learning new jobs again & again

Frustration & dissatisfaction among employees.

(13)

Initiative :- Initiative refers to taking the first step with self motivation.

Fayol suggested that employees in organisation must be given an opportunity to take some initiative in making and executing a plan.

It gives immense satisfaction to employees. So managers must welcome the suggestions and ideas of employees before framing the plans.

Positive effects of this principle:

Develops feeling of belongingness in employees

Achievement of targets on time

Consequences of violation of this principle:

Employees will not work to the best of their ability

Demotivation among employees

(14)

Esprit De Corps: According to this principle, management must encourage and promote team spirit, unity and harmony. This will bring coordination and cooperation in organisation. A manager should replace "I" with "we". This will give rise to mutual trust and belongingness among team members. For example: If manager assigned task of producing 100 units to 10 members (10 units each). Principle of esprit de corps says that each member should not concentrate only on achieving individual target of 10 units but they must concentrate on achieving group target of 100 units.

Positive effects of this principle:-

Develops team spirit

Achievement of group goal.

Consequences of violation of this principle

Team goal may not be achieved

No team spirit and more stress on individualism

Scientific Management

Scientific Management can be defined as application of science for each and every element of management.

⇒ Scientific management means knowing exactly what you want men to do and seeing that they do it in the best and cheapest way. — F.W Taylor

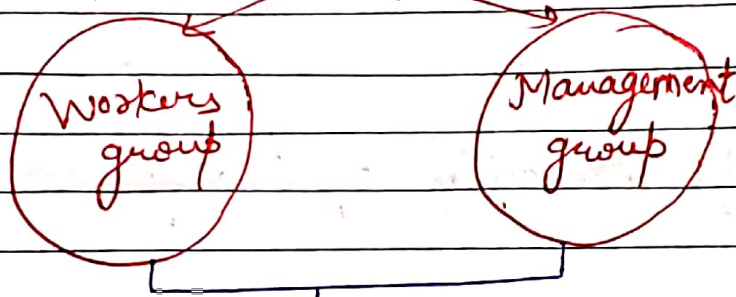
Scientific Principles of Management

Taylor formulated four principles of scientific management which are explained as follows:-

- ① Science, not rule of thumb:- According to this principle Taylor insists that each job performed in an organisation should be based on scientific enquiry and not on intuition, experience and hit and miss method. Thinking before doing is needed. Rule of thumb means dictatorship of manager whereas scientific decisions are based on cause and effect relationship. Taylor believed that there is only one best method to maximise efficiency, this method can be developed through work study and analysis. The method so developed should be substitute of rule of thumb.

(2) Harmony, not discord: According to this principle, those who work together in an organisation must work in harmony that is with mutual give and take and proper understanding.

Generally in every organisation there are 2 groups of people



Both are rivals of each other. Workers feel that they are underpaid and overburdened and management always feels that workers are good for nothing.

Taylor insists that there is need for both the groups to change their attitudes for each other. He insists on mental revolution which means complete change of attitude and outlook for each other. They must develop positive thinking for each other. Management should share the gains of the company with the workers at the same time workers must contribute to their best level.

③. Cooperation not individualism: This principle is the extension

of the harmony not discord. According to this principle work must be carried on in cooperation with each other, mutual confidence and understanding for each other.

The manager must take workers in confidence before setting up standard task for them because when standards are set up in consultation with workers, then they will try their best to achieve it.

To have cooperation management should welcome suggestions of employees and should be rewarded for the same.

④. Development of workers to their greatest efficiency and prosperity: Industrial

efficiency depends upon efficiency of workers and worker's efficiency depends upon proper training and their selection. Taylor insisted due care should be taken while selecting the employees and they must be given proper training from time to time to update their knowledge.

This will ensure greatest efficiency and prosperity for both company & workers.

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Scientific Techniques of Taylor

Along with scientific principles, Taylor developed some scientific techniques by conducting various experiments at his work place.

The common techniques are:-

- (1) Functional Foremanship:- In this technique, Taylor suggested that division of factory in two departments:
- : planning department & production department

as Taylor felt that workers must be free from the burden of planning and they must concentrate on work and production.

Taylor suggested under each department there must be some functional experts to supervise, guide and instruct the workers. Taylor stressed on minimum eight specialists or functional experts to supervise and give orders to workers. Each boss will be specialised in one aspect of work which leads to specialisation. So this technique is the extension of principle of division of labour.

Reason: one foreman cannot be specialised in all aspects.

→ The eight functional experts suggested by Taylor are
Under Planning department

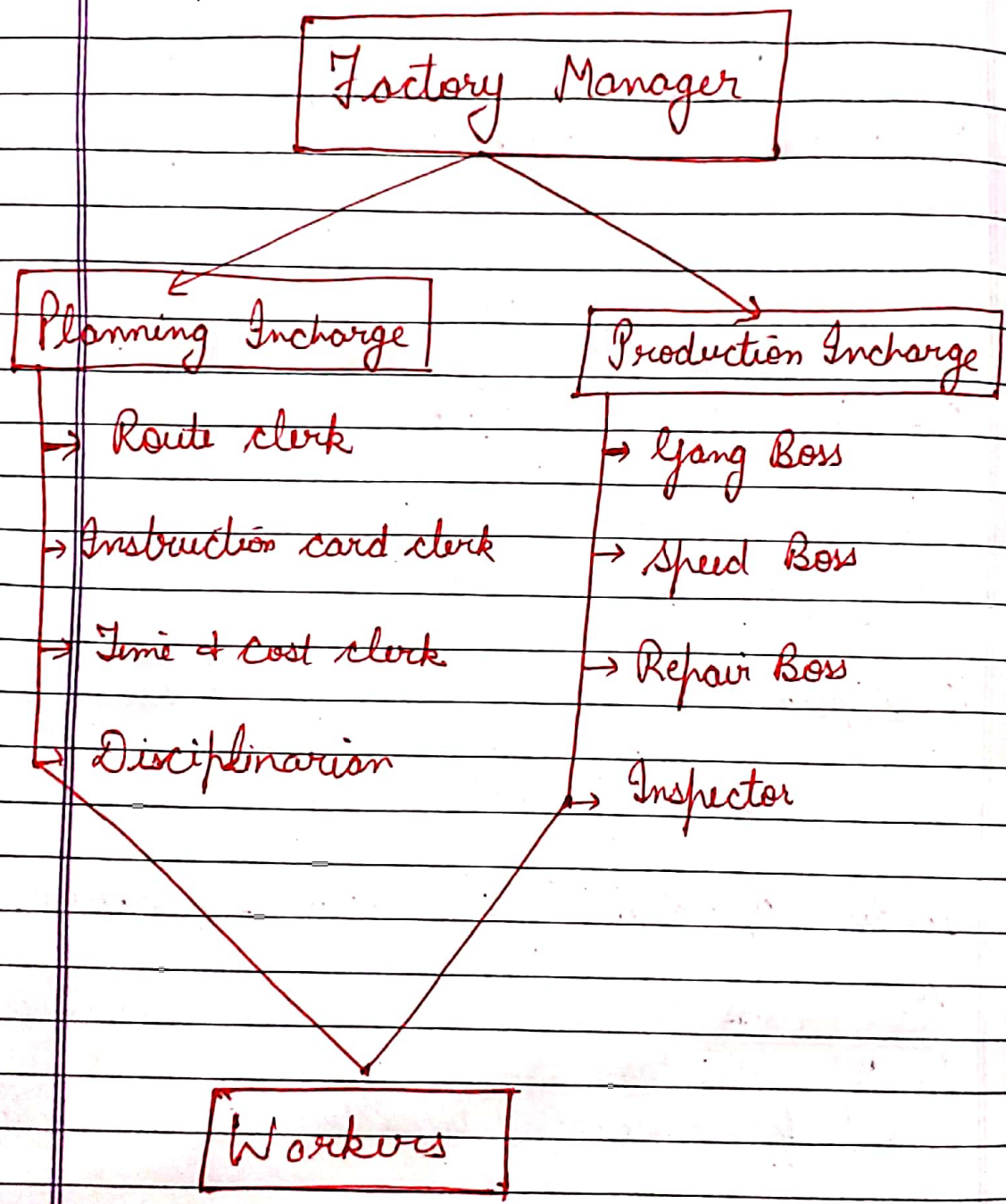
- (a) Route clerk: This foreman is responsible to fix up the sequence of steps for performing mechanical or manual job.
- (b) Instruction card clerk: This foreman is responsible for giving general instructions necessary to carry on the job in specified manner.
- (c) Fixes Time and cost clerk: This foreman is responsible to fix up the time for starting and completion of job. He also prepares cost sheet for every job.
- (d) Disciplinarian: This foreman is responsible for performance of job in orderly and systematic way.

→ Under Operational / Production department

- (a) Gang boss: He arranges all the machines, tools and other resources required for performance of job so that there is no delay.
- (b) Speed boss: This foreman assures timely completion of job.
- (c) Repair boss: This boss ensures that machines

and tools are kept in working conditions.

(d) Inspector:- This boss keeps a check on quality control of the output.



Functional Foremanship

(2) Standardisation and Simplification of Work:

Scientific management always emphasises on maintaining standards relating to every step of business operation. Standardisation of output is possible if standard is maintained right from selection of tools, equipment and machine to use, maximise the output by keeping in the mind the quality standards. Standardisation does not mean only quality standard but it refers to setting up standards for size, type, weights, measures. According to Taylor scientific methods of production must be selected to develop standard.

Objectives of standardisation

- (a) to reduce given line of product to fixed type, size and characteristics.
- (b) to maintain quality standards.
- (c) to set up performance standards of men/material
- (d) to allow interchangeability of manufactured parts and output among different departments/branches.

Simplification emphasises on elimination of unnecessary diversity of products, size and types.

For example: A paper manufacturing company in USA reduced its varieties from 2,000 to 200 which brought positive results for the company.

(3) Fatigue Study: This scientific technique of scientific management is conducted to find out:

Purpose:

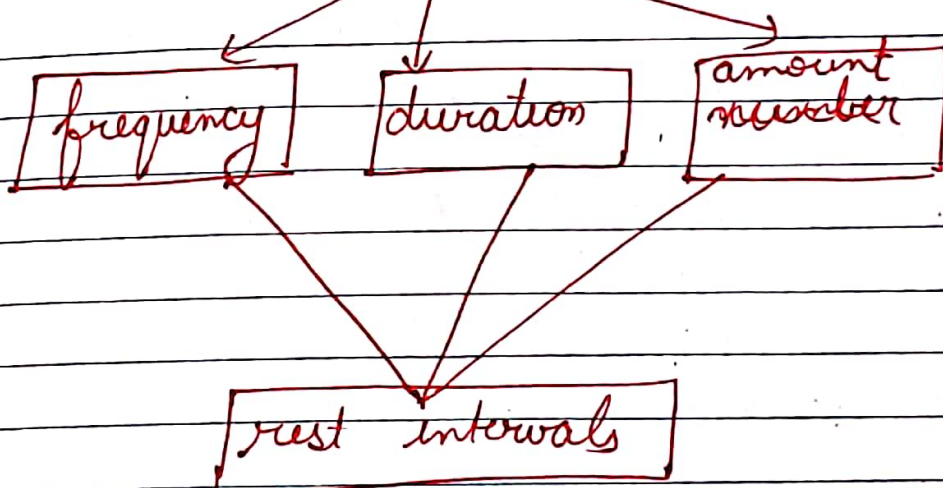
- (a) the frequency of rest intervals.
- (b) the duration of rest intervals.
- (c) the ^{amount} number of rest intervals.

The rest helps to regain stamina and increases productivity. A person is bound to get tired when he/she is performing a job for long period of time. There is always need for rest interval. Taylor suggested that the time period and frequency of rest interval should not be decided by the wish and experience of manager but to give a scientific approach, fatigue study must be conducted.

Procedure: To conduct fatigue study Taylor suggested to observe an average worker when he/she is performing a job and note down the time when that worker starts getting tired and when his/her efficiency level starts decreasing, then give him/her break. This time can be noted to decide frequency of rest interval and during break after how much time the worker became fresh to rejoin the work can be time for rest interval. So if frequency and time for rest interval is fixed by observing workers definitely it will be more scientific.

For example: If there are three shifts of work, tired he/she if after one shift worker gets shift and given rest interval in 2nd shift. During one shift also small pauses of rest intervals can be given if it is observed that within a shift worker becomes more fresh with small breaks.

Glance of Fatigue Study



(4) Method Study: The method study technique of scientific management is conducted to find out one best method or way of performing the job which keeps production cost minimum and makes maximum use of resources of the organisation.

Procedure: Taylor suggested that method of production should not be decided by rule of thumb method but all the methods must be tried in the organisation and one which brings maximum benefits with minimum cost must be selected. To determine the best way there are certain parameters right from procurement of raw material till the final product is delivered.

Example: For production of shoes there can be labour intensive and machine intensive method. To find out which is best method, management must evaluate the cost of production with both the methods and compare both methods with the available resources of company. The method which involves minimum cost and exploits maximum resources must be selected as the best method of production.

(5) Time Study: This technique of time study is conducted to determine:-

Purpose: (a) The standard time required to perform a job.

(b) Setting up the standard target for workers.

(c) Determining the number of workers required to perform a job.

(d) Categorising the workers in efficient and inefficient workers.

Procedure: To conduct time study Taylor suggested to observe an average worker when he is performing the job with a stop watch in hand and note down the average time taken by the worker in completion of job. Taylor suggested to repeat the same observations for 100 times and take out the average time.

This time should be considered the average time for performance of the job. Keeping this time in mind the targets for workers should be fixed and the workers who are able to achieve their targets in standard time are average workers.

This study is also to determine the number of ^{workers} employees to be employed in the organisation.

(6) Motion Study :- This scientific technique is conducted :-

- Purpose:-
- (a) To determine the movements of workers when they are performing the job.
 - (b) To differentiate between productive and unproductive movements.
 - (c) For cutting down unproductive and wasteful movements.
 - (d) To design suitable equipment and tools to minimise the unproductive movements of workers.

Procedure:- To conduct motion study Taylor suggested to observe an average worker when he is performing the job and note down all the movements he is doing. How many times he is getting up from his place, how many times he is bending down etc. Repeat it for 100 times with different workers. After writing all the movements classify them in productive and unproductive movements and make the strategy to cut down or minimise unproductive movements.

Example:- If it is observed that worker has to bend frequently to pick up the tools box placed under the table, then a stool can be placed near his seat to keep tool box so that worker does not waste his energy.

(7) Differential piece wage system: Taylor was the strong

Purpose: advocate of piece wage system. He wanted to differentiate between efficient and inefficient workers. He wanted to reward efficient workers. So he introduced different rate of wage payment for those who performed above standard and for those who performed below standard.

Procedure: To conduct differential piece wage system Taylor suggested that the company must fix a standard rate of wage for workers producing standard output. The workers who produce more than standard target must be paid with a higher rate of wage and those who are producing less than standard output must be paid with a rate less than standard rate.

Example: - If the standard target is 10 units/day and standard rate is ₹ 50 per unit.

Worker A produces 10 units must be paid @ ₹ 50/unit.
 $[10 \times 50 = ₹ 500]$

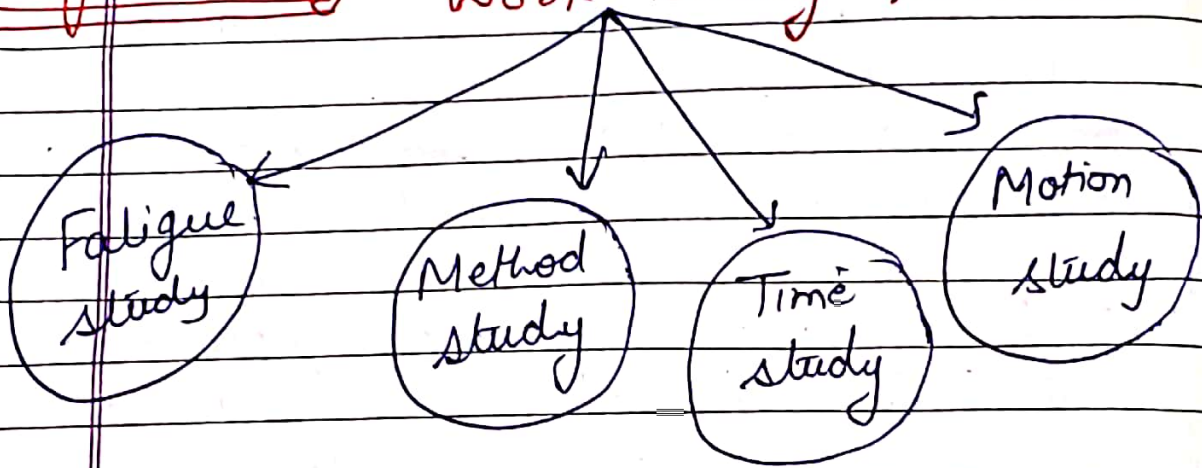
Worker B produces 12 units must be paid @ 60 per unit
 $[12 \times 60 = ₹ 720]$.

Worker C produces 8 units must be paid @ ₹ 40/unit.
 $[8 \times 40 = ₹ 320]$

This difference in wages will motivate the workers to become efficient and earn more.

(8) Work study ÷ It ensures maximum production at minimum cost and getting best contribution from every factor.

Diagrammatically Work study includes



Algebraically

$$\text{Work study} = \text{Time study} + \text{Motion study} + \text{Method study} + \text{Fatigue study}$$

Importance of Management Principles:

➔ Various points of importance of Management principles which are given as follows:

① Providing managers with useful insight into reality: The principles of management provide the managers with the useful insight into real world situations. These principles add to their knowledge, ability and understanding of managerial situations and circumstances. It helps the managers to learn from their mistakes and guide managers to take right decision at right time.

② Optimum utilisation of resources: The management principles insist on planned activities and systematic organisation of men and materials in the organisation. Principles are designed to get maximum benefits from the human efforts and other resources.

③ Scientific decisions: Decisions must be based on facts, thoughtful and justifiable in terms of the intended purposes. They must be timely, realistic.

and subject to measurement and evaluation. Management principles help in thoughtful decision making. They emphasise logic rather than blind faith.

④

Meeting changing environment requirement:

Although the principles are in the nature of general guidelines but they are modified and as such help the managers to meet changing requirements of the environment. Management principles train the managers in implementing the changes in the right direction.

⑤

Effective administration: Administration is

the function of top level management. In this function, major plans and policies are framed. The management principles act as a guidelines and base to form various administrative policies to have systematic working in the organisation.

⑥

Fulfilling social responsibilities: A business

is creation of society and makes use of resources of society so it must do something for society also by performing some social responsibilities. Management principles not only act as guidelines for achieving organisational goals

but these principles also guide the managers to perform some social responsibilities.

Example: the principle of fair remuneration insists on adequate salary to employees and take care of interest of employees also.

7. Management training, education and research:

The management principles stress on scientific judgements and logical thinking. As a result these principles act as a base of doing research and development in management studies. As these principles provide organised body of knowledge to perform research work and generate more and more knowledge, they have provided new ideas.

Principles of management are at the core of management theories. These act as a base for management training and education. Professional courses like MBA, BBA also teach these principles as part of their curriculum. So it is a base of education also.

Conclusion: In a nutshell, it can be concluded that management principles are the base of management practices which support the various activities of organisation and makes the organisation a successful venture.

Comparison between Taylor and Fayol

	Taylor	Fayol
<u>Basis</u>		
① <u>Concern</u>	concerned with worker's efficiency.	concerned with management's efficiency.
② <u>Level / Perspective</u>	Taylor started his studies from lowest level.	Fayol started his studies from highest level.
③ <u>Emphasis</u>	Taylor laid emphasis on standardisation of work.	great emphasis on functions of managers.
④ <u>Focus</u>	Increase in productivity.	Improving overall organisation.
⑤ <u>Major Contribution</u>	scientific techniques & principles.	fourteen Principles of management.
⑥ <u>Personality</u>	Scientist and became famous as father of Scientific Management.	Practitioner + Researcher and became famous as father of general management.
⑦ <u>Unity of Command</u>	Did not follow.	Strictly followed.
⑧ <u>Expression</u>	Taylor's techniques are expressed as scientific management.	Fayol's contributions are expressed as ^{general} theory of administration.
⑨ <u>Applicability</u>	Applicable to specialised situation.	Applicable universally.