

Chapter -2
Principles of Management

Meaning: - Management principles are the statements of **fundamental truth** which act as **guidelines** for taking **managerial action and decisions**.

Management principles are broad and general guidelines for decision making and behaviour.

Characteristics of Principles of Management: -

1. **Universal applicability** – The principle of management are universal in nature that means they can be applied to all type of organisation irrespective of their size and nature. Their result may vary and application maybe modified but these are suitable for all kinds of organisations.
2. **General guidelines** – They are general guidelines to action and decision making however they do not provide readymade solution as the business environment is ever changing or dynamic
3. **Formed by practice and experimentation** – The principles of management are formed by experience and collective wisdom of managers as well as experimentation.
4. **Flexible** – Management principles can be applied differently under different conditions. Some changes can be made in application of principles according to the requirement of the company. These are not set of rigid statements. These can be modified by the managers who are using them.
5. **Mainly behavioural** – Management principles are formed to guide and influence the behaviour of employees. These principles insist on improving relationship between superior, subordinates and all the members of organisation. They also establish relations between human and material resources.
6. **Cause and effect relationship** – These principles tell us if a particular principle is applied in a situation, what might be the effect. Although these principles cannot state perfectly absolute result because these are applied on human being but it helps in knowing some idea about the effect. When principles are applied in similar situation in different organisations then their effects can be known with more perfection.
7. **Contingent** – The application of principles of management is contingent or dependent upon the prevailing situation at a particular point of time. The application of principles has to be exchanged as per requirements

Importance of principles of management: -

- **Providing managers with useful insights into reality** – Management principles act as guidelines for the managers. These principles improve knowledge, ability and understanding of managers under various managerial situations. The effects of these principles help the managers to learn from their mistakes. These principles guide managers to take right decision at the right time.

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- **Optimum utilization of resources and effective administration** – Management principles facilitate optimum use of resources by coordinating the physical, financial and human resources. They also help in better administration by discouraging personal prejudices and adopting an objective approach.
- **Scientific decisions** – Decisions based on management principles tend to be more realistic, balanced and free from personal bias. The result must be measurable and subject to evaluation.
- **Meeting changing environment requirements** – Management principles provide an effective & dynamic leadership & help the organisation to implement the changes.
- **Fulfilling social responsibility** - Principles of management not only help in achieving organisational goals but also guide managers in performing social responsibilities.
- **Management training, education and research** – Principles of management are at the core of management theories. These act as base for management training & education. Professional courses such as BBA, MBA also teach these principles as part of their curriculum. The entire management institute takes aptitude test & these tests are based on management principles only.

F. W. Taylor

Principles of scientific management

1. Science not rule of thumb

- This principle states that management is not static i.e. there is no fixed rule or rule of thumb.
- Management principles must be developed through repeated experimentation to find out the best method that maximizes efficiency.
- The method developed as above should substitute the rule of thumb and become a standard method to be followed throughout the organisation.
- It helps in saving human energy & wastage of resources.

2. harmony not discord – This Principle state i.e.

- There must be harmony i.e. unanimity among the objectives of worker & managers
- If it is not done there may be class conflict between worker & managers where both try to achieve their individual objective
- Both worker & managers must realize i.e. each one is important. There must be mental revolution where management and workers both should work for each other. Management should share gain of the company while workers should work hard and change for the good of the company.

3. Cooperation not individualism

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- This principle is an extension of harmony not discord
- Competition should be replaced by cooperation between worker & managers i.e. both should realize the need of each other
- Management must invite constructing suggestion and reward them if it leads to cost reduction.
- Worker must be part of management and their suggestion must also be taken
- Worker must also try to desist from going on strike and making unreasonable demands on the management.

4. Development of each & every person to his or her greatest efficiency and prosperity – This principle state i.e.

- Worker must be develop in such a way that he works to his best efficiency
- This can be done with the help of training and giving work to employees according to their competence.
- Hence, each person must be scientifically selected as per his/ her physical mental & intellectual capability.
- It ensures efficiency & prosperity for company as well as workers

Techniques of scientific management: -

- **Functional foremanship**

- It is one the technique of scientific management according to which the function of management must be divided to the lowest level among eight foremen.
- Foremen are the manager with lowest ranking who directly interact with the workers. Single foremen could not do all the work. Hence function of management must be performed through eight person
- A factory manager had to managers under him – planning in-charge & production incharge.

Under the planning incharge –There were 4 foremen

1. **Instruction card clerk** – draft instruction for the workers
2. **Route clerk** – specify route of production
3. **Time & cost clerk** – prepares time & cost sheet
4. **Disciplinarian** – ensures discipline among workers

Under the production incharge – There are following foremen

1. **Speed boss** – ensures timely & accurate completion of job.
2. **Gang boss** – keeping machine & tool etc ready for workers
3. **Repair boss** – ensures proper working condition of machine & tools
4. **Inspection** – checks quality of works

Each worker takes command from foremen regarding their respective function

- ❖ Standardization & specification of work –

Standardization –

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- There must be one best method of production that should be developed with the help of work – study technique throughout the organisation like time study, motion study, fatigue study & method study.
- Business process, reengineering, kaizen (continuous improvement) & benchmarking are done for work standardization
- Standardization meant setting standard every business activity like raw material, product, method of working etc.

Objectives of standardization are –

- Reduce a given line or product to fixed types, sizes and characteristics
- Establish interchange ability of manufactured parts and product
- Establish standards of excellence and quality
- Establish standards of performance

Simplification – It means eliminating unnecessary diversity of products. It helps in saving cost of labour machine.

Method study: -

- According to this technique of scientific management there is only one best method of doing a job.
- To find the best way there are various method of analyzing the different methods of doing the job
- Its objective is to minimize cost, maximize quality customer satisfaction.

Motion study: - It means study of each & every movement of the employees with an object to minimize and eliminate unnecessary movement.

- It helps in doing the job in less time and with efficiency
- Three kind of motion were identified & marked with the help of different symbols.
 - i. Productive motion
 - ii. Incidental motion (performed along with productive motion & cannot be eliminated)
 - iii. Unproductive motion

Time study: -

- It is method to determine the standard time to be taken for performing a well defined job
- Average time for performing each task is measured using various devices.
- Its objective is to determine the no. of workers to be employed, frame incentives scheme and determine labor cost

Fatigue study: -

- Every employee feels tired physically & mentally.
- Hence, appropriate rest must be given at appropriate interval otherwise the productivity of employees may decline.
- Its objective is to determine the amount and frequency of rest intervals in completing a task
- Long working hours or unsuitable work or bad working condition increase the fatigue of employees hence, such hindrances must be removed.

Differential piece wage system: -

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- As per this method efficient & inefficient worker must be differentiated. Efficient worker must be rewarded more than inefficient ones
- To decide efficient or inefficient worker, standard time must be fixed for performing a particular job.
- Those who perform within the standard time are efficient & those who do not are inefficient.

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Mental revolution –

- It mean a change in attitude of workers and management towards each other
- Both should realize each other needs and work for increasing organisational profit.
- Management must share the profits to motivate workers and ensure there well being.

Henry Fayol: -

1) Division of work

- As per this principle work must be divided into small task/ jobs.
- Specialised worker must be trained for each job. It helps in creating specialization in job
- It increases the efficiency and effectiveness of organisation.
- Hence, there must be separate department for every function like human resource, finance, marketing etc.

2) Authority & Responsibility

- Authority means the right to give orders obtain obedience.
- Responsibility is an obligation for performing a task that comes along with authority.
- There must be balance between authority and responsibility.
- Excess authority but lower responsibility leads to misuse of power and unthoughtful decisions by managers.
- Excess responsibility but no authority makes it difficult for the managers to perform their task.

3) Discipline

- As per this principle both worker and management must obey organisational rules and terms of employment agreement.
- For applying this principle terms of agreement must be clear and penalties must be imposed if discipline is not maintained.
- Discipline basically means doing the work in the pre decided manner.

4) Unity of command

- There should be one and only one boss for every individual employee.
- If an employee gets orders from two superiors at the same time the principle of unity of command is violated.
- Each employee should receive orders from and be responsible to only one superior.
- This is to prevent confusion regarding tasks to be done.
- Receiving orders from more than one superior may also create ego clashes

5) Unity of direction

- As per this principle all the units of an organisation should have the same objective and that must be the organizational objectives.
- The efforts must be coordinated in one direction for achieving organisational goal.
- The work of two units must not overlap.

6) Subordination of individual interest to general interest

- As per this principle organisational objective must be given priority over individual objective.
- The worker and managers may have different objectives; the manager must try to bring a balance between both these objectives. In any case when there is a conflict in organisational and individual objective, organisational objective must supersede.

7) Remuneration of employees

- The overall pay and compensation should be fair to both employees and the organisation.
- The employees should be paid fair wages, which should give them at least a reasonable standard of living.
- At the same time it should be within the paying capacity of the company. In other words the remuneration should be just and equitable.

8) Centralization and decentralization

- The concentration of decision making authority is called centralization whereas its dispersal among more than one person is known as decentralization.
- Since a manager cannot perform all the work himself hence, it must be decentralized to subordinates. Also, the final authority and responsibility must be with a superior manager through centralization.
- The degree of centralization will depend upon the circumstances in which the company is working.

9) Scalar chain

- An organisation consists of superiors and subordinates. The formal lines of authority from highest to lowest ranks are known as scalar chain.
- Organisations should have a chain of authority and communication that runs from top to bottom and should be followed by managers and the subordinates.
- According to Fayol this chain should not be violated in the normal course of formal communication.
- The scalar chain can be violated in case of emergency. Gang plank is the line of communication between workers of same level; gang plank can be used for communication in case of emergency.

10) Order

- As per this principle people & material must be in suitable places at appropriate time for maximum efficiency.
- Order means a fixed place for everything, present at the right time so that there is no hindrances in activities.
- It helps in increasing productivity & efficiency.

11) Equity

- As per this principle there must be not biasness discrimination against anyone on account of sex, religion, language, caste belief or nationality etc.

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- Each & every employee must be treated as fairly as possible and must be given equal opportunities.

12) Stability of personnel

- As per this principle, employee turnover should be minimized to maintain organisational efficiency.
- Personnel should be appointed after following rigorous and should be, kept appointed for a minimum period of time.
- They must have stability of tenure so that it creates feeling of security among the employees

13) Initiative

- Worker must be encouraged to take initiative & suggest measures for improvement of business activities.
- Organisation must welcome initiatives from workers, it is not necessary to adopted.

14) Esprit de Corps

- Management must promote a team spirit of unity in harmony among employees.
- Management should promote team work especially in large organisation because otherwise objectives would be difficult to realize.
- This will give rise to a spirit of mutual trust and belongingness among team members. It will also minimize the need for using penalties.

Difference between Time Study and Motion Study

Basis	Time Study	Motion Study
1. Meaning	Time study is conducted to find out the standard time for performing a task	Motion study is conducted to find out total movements of workers while they are performing the task.
2. Purpose	The purpose of time study is to find out standard time to fix a fair day's work for the workers	The purpose of motion study is to eliminate wasteful and unproductive movements of workers to increase their efficiency level.
3. Method of conducting	It is conducted with the help of a stop watch.	It is conducted with the help of a movie camera which keeps eye on worker's movements.

Difference between unity of command and unity of direction

S. No.	Basis	Unity of command	Unity of direction
1)	Meaning	One subordinate should receive orders from and	Each group of activities having same objective

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		should be responsible to only one superior	must have one head and one plan.
2)	Aim	It prevents dual subordination	It prevents overlapping of activities
3)	Implications	It affects an individual employee	It affects the entire organization.

Background and History of Fayol

Henry Fayol was born in France in 1841. He got degree in mining engineering in 1860 and started working as engineer in a coal mining company. In 1888, he was promoted as the managing director of the company. At the same time the company was in the situation of insolvency. He accepted the challenge and applied his managerial techniques to bring out the company from this situation and he succeeded. When he retired after 30 years the company was a leading coal-steel company with financial background.

Background and history of F.W. Taylor

F.W. Taylor was born in 1856 in USA. In 1878 joined Midval Steel Company as a mechanical engineer. Using his engineering background Taylor set out scientific studies and techniques. He was primarily concerned about the efficiency of workers and optimum utilization of resources. Taylor's principles and techniques were based on the observations he concluded in factories where methods of production lack planning and working methods were haphazard.

Fayol versus Taylor – A comparison

S. No	Basis of difference	Henry Fayol	F.W. Taylor
1.	Perspective	Top level of management	Shop floor level of a factory
2.	Unity of command	Staunch proponent	Did not feel that it is important as under functional foremanship a worker received orders from eight specialists.
3.	Applicability	Applicable universally	Applicable to specialized situations
4.	Basis of formation	Personal experience	Observations and experimentations
5.	Focus	Improving overall administration	Increasing productivity
6.	Personally	Practitioner	Scientist
7.	Expression	General theory of administration	Scientific Management

Similarities between Taylor and Fayol

Taylor and Fayol's principles are complementary to each other because both have relevance in the business due to following reasons.

- 1) The main aim of Taylor's as well as Fayol's principle is maximizing the efficiency.
- 2) Both insist on cooperation between employees and employers.
- 3) Both give more importance to organizational interest over the individual interest.
- 4) Both suggested division of work for specialization.
- 5) The principles of both are used as basis for research in the field of management studies.

Advantages of Scientific Management

Scientific management bring following benefits:

- (a) Improves efficiency of business through simplification and specialization.
- (b) Helps in reducing cost of production by eliminating all types of wastages.
- (c) Due to decrease in price firm is enable to capture a bigger share in the market.
- (d) Mutual understanding and cooperation brings workers and management closer.
- (e) More trainings to improve the skill of workers.

Enables the workers to earn more with the introduction of differential piece wage system.