

CHAPTER - 2

Principles of Management

- ❖ ***The principles of management*** are guidelines for taking management decisions. They are the general premises that are applicable in different situations and may vary in terms of applicability and creativity of different managers.
- ❖ **Management Principles vs. Principles of Pure Science**

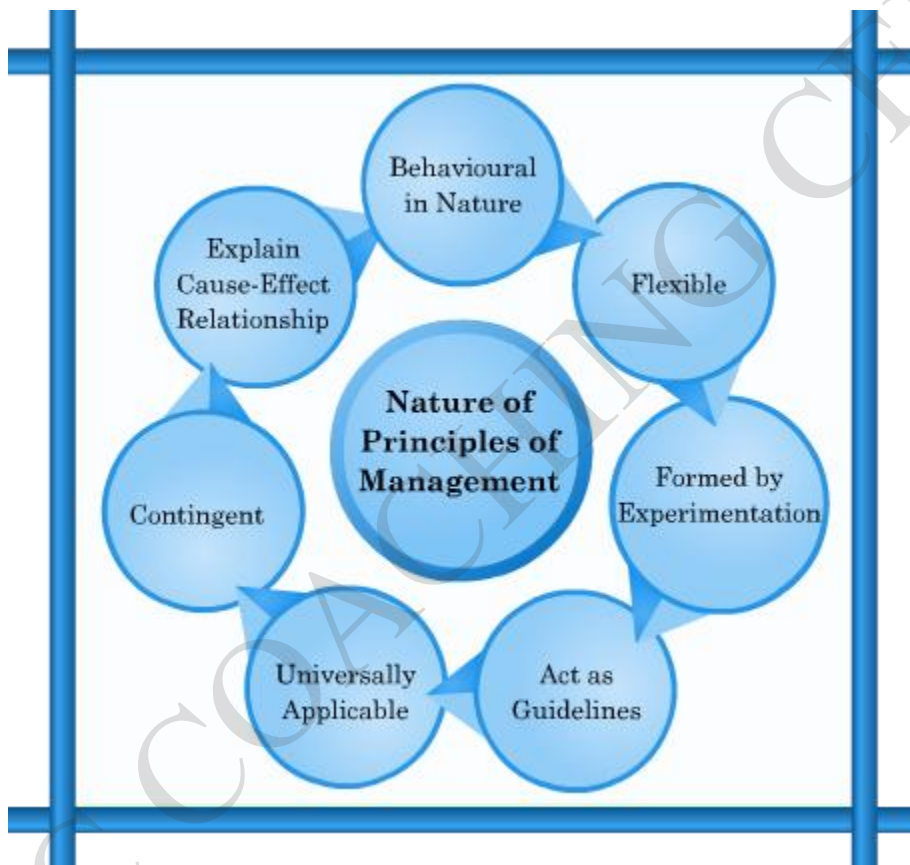
Management principles are ***not as rigid*** as the principles of pure science. Management principles are ***based on human behaviour***, and therefore, their applicability varies from manager to manager (depending on the creativity of the manager) and from situation to situation. In contrast, the principles of pure science are ***based on cause-and-effect relation*** and always have a specific result.
- ❖ **Values vs. Management Principles**

Values are general beliefs that govern and influence the behaviour of individuals in society. Management principles are the basic truths that govern the managerial behaviour of managers.
- ❖ **Techniques of Management vs. Management Principles**

Techniques of management are procedures consisting of a series of steps to be followed in order to accomplish a given task. Management principles are guidelines that are followed while making decisions and practising management techniques.
- ❖ ***Nature of Principles of Management***
 - ***Universally applicable:*** Management principles can be applied anywhere and everywhere by all types of organisations irrespective of their size, nature and region.
 - ***Guidelines:*** Management principles act as guidelines and are considered to be the general premises for decision making. However, they do not provide straitjacket solutions to problems.
 - ***Formed by experimentation:*** Management principles have been developed over years of research and experimentation and are technical. They pertain to different working situations and can be modified by the manager as per the situations and the requirements.

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- ***Flexible:*** Management principles are not rigid. They are flexible enough to be used and moulded by the manager as per the need of the hour.
- ***Behavioural in nature:*** Management principles aim at influencing the behaviour of individuals, and their applicability vary as per human nature.
- ***Indicative of cause-effect relationship:*** As management principles are based on years of experimentation conducted in similar situations, they provide a definite relationship between cause and effect.
- ***Contingent:*** Management principles are contingent as they can be used in different situations depending upon the nature of the manager and the requirement of the situation.



❖ Importance of Principles of Management

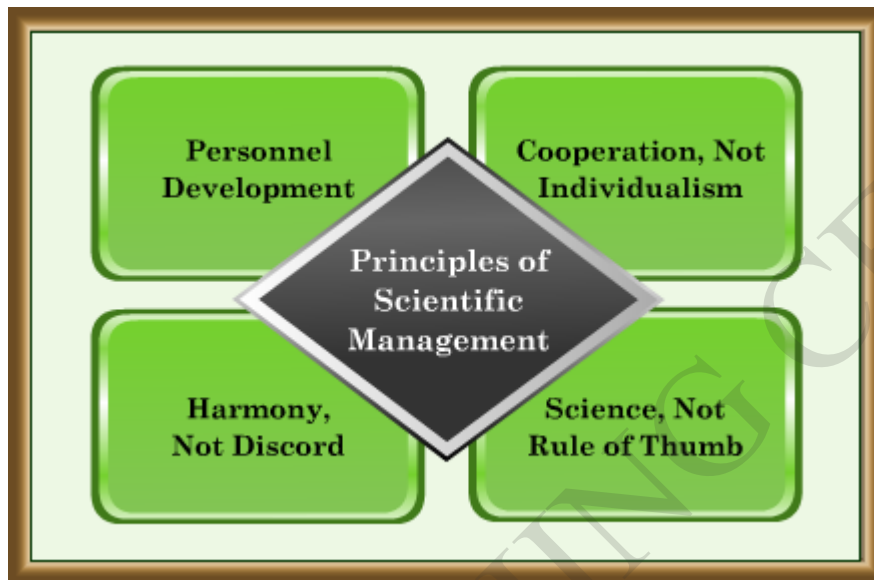
- ***Insights to reality:*** As management principles are based on years of experimentation and experience, they guide the managers in facing real-world problems in a more effective manner.
- ***Optimum utilisation of resources:*** Management principles provide an exact cause-and-effect relationship of the manager's decisions, thereby minimising the risk of wastages of resources that may be associated with the trail-and-error method.

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- ***Logical decisions:*** Management decisions should be based on reason and proof rather than beliefs and intuitions. As the principles of management were developed from experiments on real-life problems, they stand the test of logic and reasoning.
 - ***Suitability to dynamic environments:*** The application of management principles depends on the situation and the manager's creativity. These principles can be moulded as per the requirements and are, thus, flexible.
 - ***Social responsibility:*** By taking care of customers' values and business dealings, management principles help the managers and the entire organisation in fulfilling their social responsibilities.
 - ***Assistance in management training:*** By acting as the crux of business theory and management, management principles provide the basis for management training and development.
- ❖ ***Fredrick Winslow Taylor:*** Fredrick Winslow Taylor, a mechanical engineer and scientist from the US, is known as '***the father of scientific management***'. He introduced the term ***scientific management*** or ***Taylorism*** in 1911. His principles are based on improving the conditions of the floor-level workers.
- ❖ ***Scientific Management:*** Scientific management refers to the classical outlook of management which focuses on devising the best way of completing a task, to increase effectiveness and efficiency. It implies working according to standardised techniques and tools to improve the product quantity and quality at reduced costs.
- ❖ ***Principles of Scientific Management:***
- ***Science, not rule of thumb:*** Instead of rule-of-thumb methods, scientific management practices should be followed. Under rule-of-thumb, a manager uses the trial-and-error method to find solutions to a problem. Instead, Taylor suggested that a study of traditional methods should be made and the best method/solution among them adopted by all managers.
 - ***Harmony, not discord:*** Both managers and workers should contribute to maintaining a harmonious working environment. Taylor emphasised a complete mental revolution—that is, the management of an organisation should take care of the needs of the workers, and the workers, on the other hand, should work to the best of their efficiency.

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- ***Cooperation, not individualism:*** Cooperation among the managers and the workers is stressed, rather than their individual interests. The managers should take care of the workers and, similarly, the workers should work willingly, making their best contribution to the company.
- ***Personnel development:*** Personnel development aims at improving the capabilities of the employees to the maximum. This will in turn enhance the overall efficiency of the organisation as it depends on the individual competencies.



❖ Important Terms Related to Scientific Management

- ***Foreman:*** The foreman who is in-charge of the operational level workers.
- ***Functional foremanship:*** Functional foremanship refers to the technique in which eight persons are employed to perform the functions of a foreman. Taylor introduced this technique to improve the efficiency of the foreman. In this technique, the manager has two subordinates, namely, planning in charge and production in charge, and each of them has four personnel under his or her supervision.

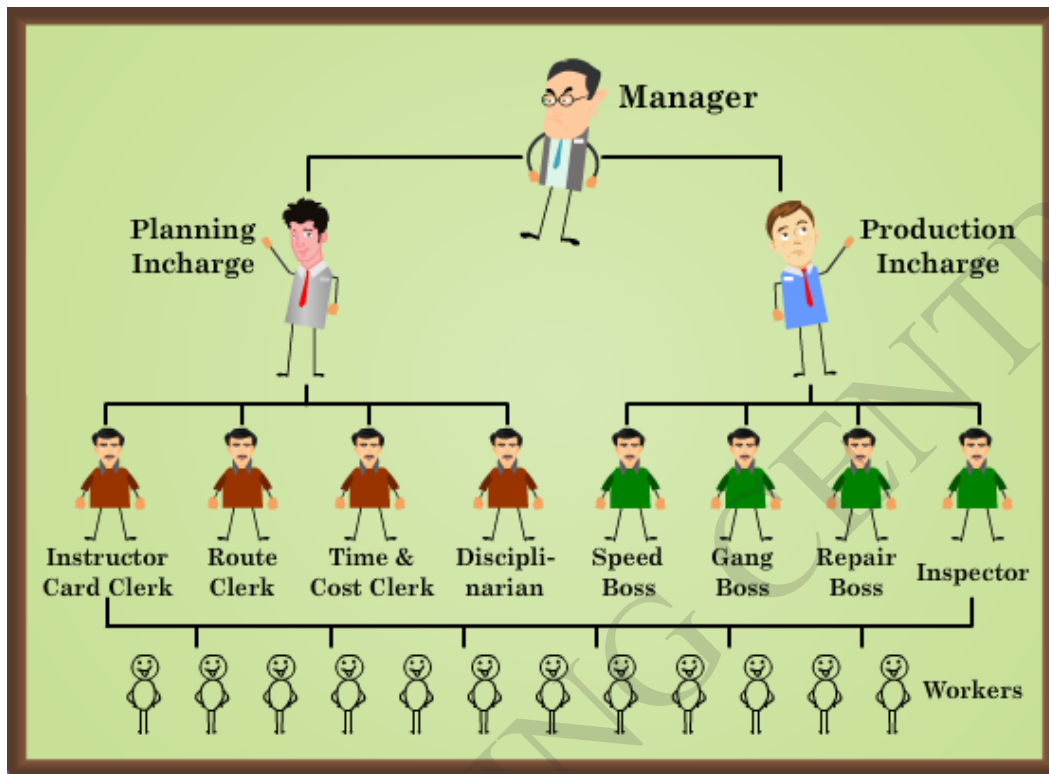
(i) Under *planning in charge*:

1. ***Instruction card clerk:*** To give instructions to the workers
2. ***Route clerk:*** To show the route of production
3. ***Time and cost clerk:*** To take care of the time taken and costs involved in production
4. ***Disciplinarian:*** To ensure that discipline is maintained

(ii) Under *production in charge*:

5. ***Speed boss:*** To ensure the timely completion of tasks
6. ***Gang boss:*** To keep the machines and tools ready for use by the workers

7. *Repair boss*: To ensure that the machines work properly
8. *Inspector*: To control the quality of work done

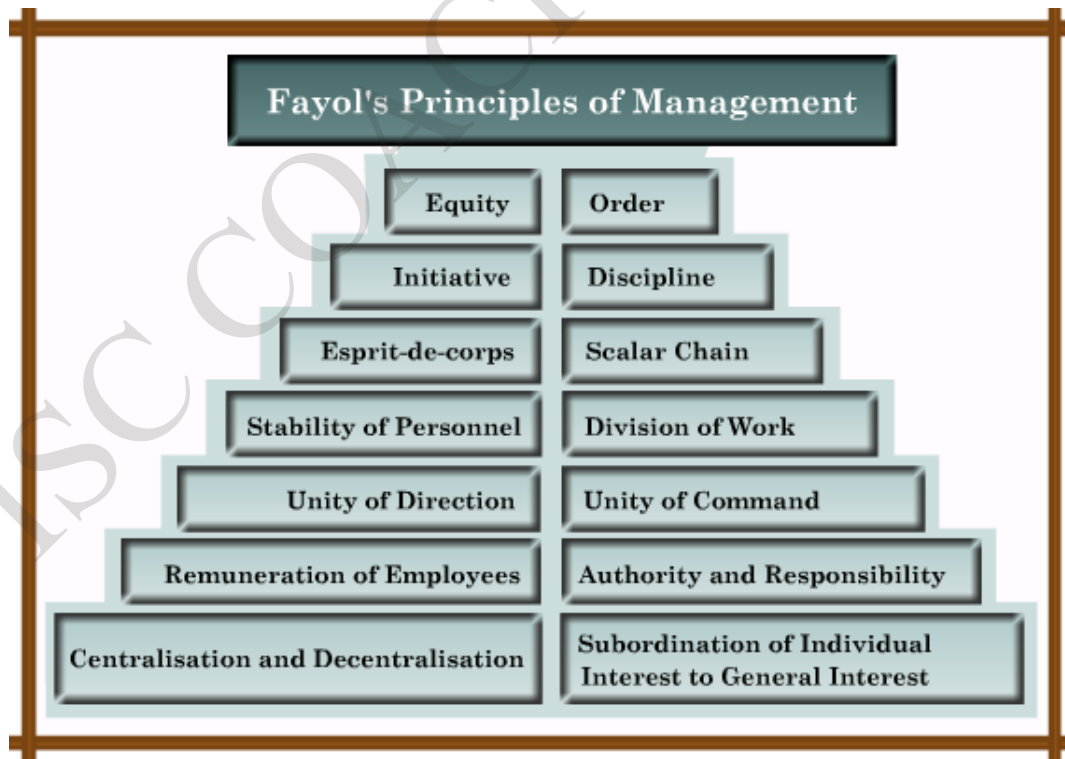


- **Standardisation of work:** Standardisation of work implies setting milestones or benchmarks for any work or activity. It aims at establishing standards of excellence against which actual performance can be measured.
- **Simplification of work:** Simplification of work involves eliminating unnecessary diversifications in the product. It aims at fuller utilisation of the resources, reducing the inventories and increasing the turnover. It also helps in reducing the costs of labour and machines.
- **Method study:** Method study focuses on finding out the best possible method for completing a task. It takes into account every activity involved in the task with a view to reducing the costs and maximising customer satisfaction.
- **Motion study:** Motion study refers to the study of motion (or movements) of a worker involved in a given task. The study aims at identifying the unwanted actions or motions and eliminating them so that the work can be completed in less time.
- **Time study:** Time study emphasises setting a standard time limit for completing a particular job. The time taken for completing the job is measured for setting the standard time limit. This helps decide the number of workers to be employed for a particular task, determine their wages, etc.

- **Fatigue study:** Fatigue study studies the requirement of rest or a break while performing a task. The study identifies the intervals required while completing a task and suggests standard break timings for improving the workers' performance.
- **Differential piece wage system:** Under this technique, wages are decided according to a set standard. The workers who perform better than the set standards get higher wages than the workers who perform below the standards. Taylor introduced this system to differentiate the efficient workers from the inefficient ones and reward them accordingly.
- **Mental revolution:** Mental revolution implies changing the attitude of the workers and the managers. According to the concept, the workers and the managers should improve their thinking, and each should realise the others' importance while working for the accomplishment of the common organisational goals.

❖ **Henri Fayol:** Henri Fayol was a French mining engineer and practitioner who is also known as '*the father of general management*'. He introduced the '*general theory of administration*' or '*Fayolism*' in 1916. His principles were based on improving the functions of the higher level managers.

❖ **Fayol's Principles of Management**



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- ***Division of work:*** Division of work means that a given task is divided into small groups or units in order to perform the task in a competent manner. This principle leads to specialisation of work.
- ***Authority and responsibility:*** ‘Authority’ means the power to give orders and assign duties, whereas ‘responsibility’ refers to someone’s obligation to perform the assigned duties. According to this principle, managers should strike a balance between power and obligation.
- ***Discipline:*** Discipline implies that an organisation should follow the rules and regulations and ensure conformity to the set rules and policies. It is important for both the management as well as the workers that they honour their commitments and clear and fair agreements.
- ***Unity of command:*** According to the concept of unity of command, any employee should be answerable to only one boss. If an individual receives commands and directions from two or more superiors, then this principle is violated, and there will be chaos and conflicts.
- ***Unity of direction:*** Unity of direction means that each unit of an organisation works towards the accomplishment of one common organisational objective. According to this principle, different units having common goals should have a single head and should frame plans and carry out tasks accordingly. This system ensures elimination of overlapping and duplication of work.
- ***Subordination of individual interest to general interest:*** Organisational goals should have priority over personal interests of any individual. The individuals of an organisation should make sure that their personal interests do not affect the organisational interests in any manner.
- ***Remuneration of employees:*** Compensation should be fair and just to both the employees and the management. This implies that the employees should get fair wages and salaries, which will help them to enjoy a reasonable and decent standard of living.
- ***Centralisation and decentralisation:*** Centralisation refers to the consolidation of power and authority in one or a few hands. Here, the power of decision making and other subsidiary powers remain exclusive to the top management of an organisation. On the other hand, decentralisation refers to the delegation of authority to more than one level. Here, the vital powers remain with the centre and the subsidiary powers are managed by the middle-level and lower level of management. As per this principle, management must strike a balance between what areas to decentralise and what responsibilities can be retained with the top management.
- ***Scalar chain:*** Scalar chain refers to a pre-defined, formal path of authority and communication in the order of the highest to the lowest. Every individual in an organisation follows this chain of authority for communication.

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- **Order:** ‘Order’ focuses on the right arrangement of things at their respective places, i.e., ‘the right people at the right place and at the right time’. Order helps in carrying out tasks smoothly, and violation of this principle leads to chaos and delays in work.
- **Equity:** Equity focuses on treating each employee fairly and all employees equally. According to the principle, all employees should be equal in the eyes of the management. All workers should be regarded as equal in term religion, language, caste, etc.
- **Stability of personnel:** ‘Stability’ means that the management should follow a rigorous procedure for the selection of potential candidates and should work towards retaining employees for the maximum period. This principle ensures stability of personnel over a longer period.
- **Initiative:** ‘Initiative’ implies that the workers should be given enough motivation and incentive to work. They should be inspired to come up with suggestions regarding their work, which should be in line with the practices and rules of the organisation.
- **Espirit de corps:** Espirit de corps is a concept that recommends that all employees should work in unity with one another. In other words, team spirit should be promoted by the managers, and each employee should have a sense of his or her belongingness in the organisation.

❖ Difference between Unity of Command and Unity of Direction

Basis of difference	Unity of command	Unity of direction
Meaning	This principle suggests that a subordinate should receive orders from only one superior.	This principle suggests that all organisational activities that have the same objectives should be grouped together and carried out as per one common plan under the supervision of one supervisor.
Objective	The main objective is to avoid dual subordination.	The main objective is to avoid overlapping and duplication of work.
Focus	The focus is on the individual.	The focus is on the organisation as a whole.
Aim	The aim is to prevent confusion in the functioning of the individual employees.	The aim is to unify the efforts of the individual employees towards the achievement of departmental goals.
Result	Following this principle results in systemised functioning of the organisation.	Following this principle results in better coordination among different individuals to carry out tasks.

Example	Suppose Mr. A (sales manager) assigns Mr. B (subordinate) a task that has to be completed in five working days. At the same time, Mr. C (finance manager) asks Mr. B to complete the same task in three working days. This will lead to confusion in terms of target, and the principle of unity of command gets violated.	Suppose an organisation deals in two product lines—cosmetics and accessories. In this scenario, the principle of unity of direction suggests that the organisation should have two separate departments, and each will focus primarily on its respective product.
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❖ ***Difference between the Contributions of F. W. Taylor and Henri Fayol***

Basis of difference	Contributions by Taylor	Contributions by Fayol
Contributions	The scientific management theory, or ‘Taylorism’, was evolved by Taylor in 1911.	The general theory of administration, or ‘Fayolism’, was propounded by Fayol in 1916.
Personality	Taylor was a mechanical engineer and scientist.	Fayol was a mining engineer and practitioner.
Principles and techniques	Taylor introduced the principles of scientific management and functional foremanship along with various techniques such as method study and motion study.	Fayol introduced 14 principles of management that include order, equity and esprit de corps.
Application of principles	Taylor’s principles are applicable to specialised and particular situations.	Fayol’s principles are accepted everywhere and have universal applicability.
Perspective	Taylor’s principles are aimed at improving the conditions of floor-level workers first.	Fayol’s principles are based on the functions of the higher level managers.
Emphasis and focus	The focus is on improving the overall administration of an organisation.	The focus is on increasing the productivity and the workers’ efficiency.
Title	Taylor is popularly known as ‘the father of scientific management’.	Fayol is regarded as ‘the father of general management’.