

CHAPTER - II

PRINCIPLES OF MANAGEMENT

A principle is a basic statement that provides understanding and guidance to thinking and action. Management principles are statements of fundamental truths that provide guidelines for managerial decision making and action. Management principles are defined as the guiding rules or laws for managerial action. These are fundamental truth of general validity.

PRINCIPLES OF MANAGEMENT BY HENRY FAYOL

Henry Fayol is considered as father of general management.

1. Division of Work

Work is divided into small tasks and is assigned to each individual worker according to his ability and qualification. Division of work makes task simpler and leads to specialization.

2. Authority and Responsibility

According to this principle, authority and responsibility should go hand in hand ie there should be a balance between authority and responsibility. Authority is the right to give orders and instruction and the power to get them executed. Responsibility means the obligation to complete the job assigned as desired by the authority.

3. Discipline

Discipline means obedience to the rules and regulations of the organization and respect to authority. It must be followed by the employees and personnel at all levels of management.

4. Unity of Command (One man one boss)

According to this principle, an employee should get the orders and instructions from only one superior at a time. It helps to avoid confusion and delay and to maintain discipline in the organization.

5. Unity of Direction (One unit, one plan, one head)

Each group having the same objective must have one head and one plan. This ensures unity of action and co-ordination.

6. Subordination of Individual Interest to the General Interest

Interest of an organization should take priority over the interest of any individual employee. The interest of the organization should never be sacrificed to satisfy the individual interest.

7. Remuneration of Employees

Remuneration should be just fair and equitable. It should act as a source of satisfaction and means of motivation. It should be within the paying capacity of the company.

8. Centralisation and Decentralization

The concentration of decision making authority is called centralization where as its dispersal among various levels are known as decentralization. Fayol advised that there should be a balance between centralization and decentralization.

9. Scalar Chain – (Chain of Command and Chain Communication)

The formal lines of authority from highest to lowest ranks are known as scalar chain. The chain shows its relation between the superiors and the lower ranked employees.

Fayol insists that the communication should always be through this chain.

Scalar chain has the following drawbacks

1. Time consuming (delay)
2. Distortion of messages

To overcome these drawbacks Fayol suggest ‘gang plank’ which permits two officers of the same level to communicate with each other.



10. Order

The principle of order states that a place for everything (everyone) and everything (everyone) in its (his/her) place. This will lead to increased productivity and efficiency.

11. Equity

The management should treat all the employees of the institution without any discrimination. This will ensure loyalty and devotion.

12. Stability of Personnel

Employees should not be shifted from their position frequently. This helps them to work with self confidence. It will reduce employee turnover.

13. Initiatives

Initiative means taking the first step with self-motivation.

It means eagerness to start action without asking to do so. This can be achieved by giving a chance to the employees in the decision making process of the organization.

14. Espirit De corps (Team Spirit) - Union is Strength

This is based on the general truth that ‘union is strength’. This will give rise to a spirit of mutual trust and belongingness among team members (extension of unity of direction).

Difference between Unity of Command and Unity of Direction

Unity of Command	Unity of Direction
One subordinate should receive orders from and be responsible to one superior	Each group of activities having same objective must have one head and one plan
Its aim is to prevent dual subordination.	Its aim is to prevent overlapping of activities.
It affects an individual employee	It affects the entire organization

Principle	Positive Effect	Negative Effect
Division of works	Leads to specialization Improve efficiency	Lack of Efficiency No specialization
Authority and Responsibility	No misused of authorities Meeting responsibility on time	Delay in work completion Misuse of authority
Discipline	Improve efficiency Systematic working in the organization	Disorder, confusion and chaos (complete disorder) Wastage of resources Delay in work
Unity of Command	No confusion in the mind of subordinate no clashes	Confusion in the mind of employees Ego clash among superiors

	Improve efficiency	Difficulty in achieving organizational goals
Centralization v/s Decentralization	Fast decision at department level and strict control Benefit of both	Complete centralization result in delay, over load, dissatisfaction etc. Complete decentralization leads to anarchy
Remuneration	Employees get motivated Initiative and commitment among employees	Increase in employee turnover Dissatisfaction among employee
Scalar chain	Systematic flow of information Maintain discipline and Unity of command	Communication gap No clarity in authority responsibility relationship
Order	No wastage of time Smooth and systematic working	Wastage of time in search of men and material May lead to indiscipline
Equity	Employees get satisfied Motivate the employees and boost up their morale	Dissatisfaction in employees Increase in labour turnover Unhealthy relations
Stability of Tenure	Improve efficiency level Employee satisfaction	Wastage of resources in learning new job Dissatisfaction among employees
Initiative	Develop feeling of belongingness in employees Healthy relation Satisfaction and completion of job on time	Employees work below their capacity De motivation among employees
Espirit De corps	Development of team spirit Achievement of group goal	Team goal may not be achieved No team spirit Stress on individualism

**** Scientific Management ** (F. W. TAYLOR)**

Scientific management means applying scientific tools, method and trained personnel in order to increase the output.

Principles of scientific management

1. Scientific methods not Rule of Thumb

Taylor advocated that traditional rule of thumb method should be replaced with scientific methods. At every stage of work scientific methods should be adopted. This is the basic principle of scientific management

2. Harmony, not discord

This principle emphasized that there should be complete harmony between management and workers. To achieve this state, there should be a revolutionary change in the attitude of both workers and managers. Taylor called it as ‘mental revolution’.

3. Co-operation, not individualism

This principle is an extension of principle of harmony, not discord. There should be complete cooperation between labour and management instead of individualism. Both should realize that they need each other.

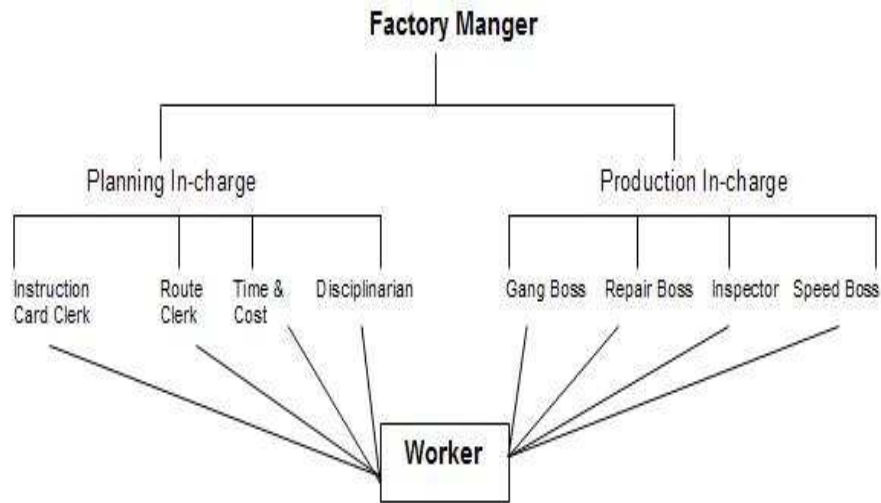
4. Development of each and every person to his/her greatest efficiency and prosperity

Industrial efficiency depends upon the efficiency of workers. Employees should be scientifically selected. Work should be assigned to each to suit his physical, mental and intellectual capabilities. Employees should be sent for training from time to time to update their knowledge. This will ensure greatest efficiency and prosperity for both workers and management.

Techniques of Scientific Management

1. Functional Foremanship

To improve the quality of supervision and control of work, Taylor Suggested the technique of functional foremanship. Under this scheme task of supervision is divided into several specialized functions and each function is entrusted to a specialist foreman. Taylor believed that a single supervisor cannot be competent to supervise all functional matters. Under functional foremanship – planning and execution are separated. Each worker will have to take orders from these eight foremen.



Route Clerk

Lay down the sequence of operation.

Instruction Clerk

Prepare detailed instruction regarding different aspects of work such as machines and tools used, techniques etc.

Time and Cost Clerk

Sends all information relating to the pay of the workers and to secure proper return of work from them.

Disciplinarian

Deal with cases of breach of discipline and absenteeism .

Gang Boss

Assembles and setup tools and machines and teach the workers to make all their work motions in the best way.

Repair Boss

ensures that each worker keeps his in good order.

Speed Boss

Ensures that machines and run at their best speed and job completion on time.

Inspector

Ensure the work of right quality of right standard.

2. Standardisation and simplification of work

Standardization refers to the setting standards for every business activity. It can be standardization of raw material, machinery, method, process, product etc. These standards are the benchmarks which must be adhered to during production.

Simplification aims at eliminating unnecessary diversity of products. It results in saving of cost of labour, machines and tools.

3. Method Study

The main objective of method study is to find out *one best way* of doing the job. Its aim is to minimize the cost of production, maximize the quality and satisfaction of the consumer.

4. Motion Study

Motion study refers to the *study of movements* (men, materials, machines) while doing a typical job. Its aim is to eliminate unnecessary movements.

5. Time Study

It determines *standard time taken to perform a well defined job*. The Objective of time study is to determine the number of workers to be employed, frame suitable incentives schemes and determine labour cost.

6. Fatigue Study

Fatigue study seeks to determine the amount and frequency of rest interval in completing a task. This will result in increased productivity.

7. Differential Piece Wage System

Differential piece rate system is a method of wage payment in which efficient and inefficient workers are paid at different rates. This system rewards an efficient worker by paying him a higher wage rate and penalises the slower worker by paying him a lower wage rate.

Nature of Management Principle

1. Universal Applicability

The principles of management are applicable to all types of organizations (business, non-business, large, small etc.) at all levels and at all times.

2. General Guidelines

Principles of Management are general guidelines to managerial action. They do not provide readymade solution to all managerial problems.

3. Formed by Practice and Experimentation

The principles of management are formed by experience and experimentation. They are derived on the basis of observation and analysis of events and by conducting experimental studies.

4. Flexible

The principles of management are not rigid prescriptions. They are flexible and can be modified as per the demands of the particular situation.

5. Mainly Behavioral

Management principles are mainly behavioral in nature, because they aim at influencing behavior of human beings.

6. Cause and Effect Relationship

The principle of management establishes relationship between cause and effect. They tell us what will be the result of certain actions, decisions.

7. Contingent

Management principles are not static or absolute in nature. Their application is contingent or dependent upon the prevailing situation at a particular point of time.

SIGNIFICANCE / IMPORTANCE OF MANAGEMENT PRINCIPLES

1. Provide useful insights into reality

The principles of management help managers in understanding real world situations. It increases their knowledge and ability. It enables managers to learn from past mistakes and solve recurring problems quickly. Thus managerial principles increase managerial efficiency.

2. Optimum utilization of resources and effective administration

Management principles aim at optimum utilization of human and physical resources for the attainment of organization goals. By optimum we mean, maximum benefit with minimum cost.

3. Scientific Decision

Management principles enable managers to approach various problems systematically and scientifically and help them in taking scientific decisions.

4. Meeting Changing Environment Requirement

Principles of management help managers to meet the requirements of the changing environment.

Eg: equity – Social Environment

5. Fulfilling Social Responsibility

Management principles are helpful in meeting social obligations.

Eg: Fair remuneration

Equity

6. Management principles are used as a basis for management training, education and research. These principles form a part of the graduate and postgraduate courses in management.