

PRINCIPLES OF MANAGEMENT

Meaning: Principles refers to a statement which reflects the fundamental truth about some phenomenon. Management principles are derived on the basis of observation and analysis of events which managers have to face in actual practice.

Definition

“Principles of management are the guiding rules or laws for managerial action” – H.G. Hicks.

Nature of Management Principles:

1. **Universal Application** - Management principles have universal application in all types of organizations and in all places like business organizations, police force, sports clubs, family etc.
2. **General Guidelines** – Management principles are derived from experience and analysis and they are in the form of mere statements. These statements are guidelines for action but not provide solution to all managerial problems.
3. **Formed by practice and experimentation**
4. **Flexibility** - Management principles never remain static; they are applied in given situations.
5. **Aimed at influencing human behavior** - Human behavior is unpredictable and it is often situational. This complex human behavior needs a sense of direction and guidance. Management Principles attempt to provide such guidance in human action. For instance **Team work** as a principle is good for attainment of organization goals, but it is a personalized intellectual task like painting a picture, individual contribution is more valid than team work.
6. **Cause and effect relationship** – Cause and effect relationship is indicated by management principles. For example, the principle “Unity of Command” states that presence of a single boss avoids confusion. Here the presence of Unity of Command is the cause and avoidance of confusion is the effect.
7. **Contingent** - Management Principles are to be applied in accordance with the situation and organizational requirements, then only it will be successful.
8. **Equal importance** – All management principle are equally important. No one is more superior to the other.

Significance of Management Principles

1. **Optimum Utilization of Resources:** Principles of Management point out how time, money, materials and human efforts can be used economically to improve productivity. This fact can be seen in the principles of division of work, delegation of authority etc.
2. **Scientific Decisions:** With the help of Management Principles, managers can take appropriate decisions in right time.
3. **Meeting changing environment requirements** – Management principles are highly flexible and therefore can be modified to meet changing requirements of environment.
4. **Fulfilling social responsibility** – Good quality products to the customers, care for environment, opportunities for employment, education for the children of employees etc. are some of the examples for social responsibilities.

5. **Management training, education and research** – A well organized and systematic body of knowledge (management principles) is essential for imparting training and education to managers for functioning efficiently.



Fayol's Principles of Management

Henry Fayol (1841-1925) – French Engineer in a mining company – became the Managing Director of the company – author of “General and Industrial Management” – his management thoughts are acceptable even today – father of Modern Management. A brief description of Fayol's fourteen principles of management is given below:-

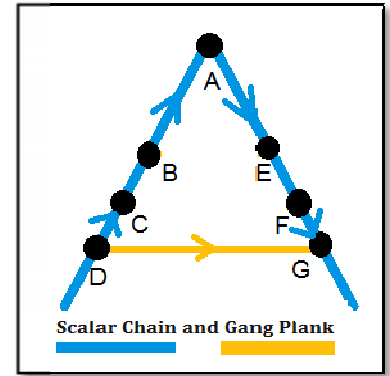
1. **Division of Work** – This principle states that a complex work should be divided into small tasks, and each task should be assigned to a particular employee. This makes each task simpler and easier to perform and results in efficiency because by doing a small part of work repeatedly, the employee acquires speed and perfection. This principle is applicable to both technical and managerial activities.
2. **Authority and Responsibility** – Authority is the right to give orders to the subordinates. Responsibility means obligation to perform the work in the manner desired and directed by authority. If authority is given to a person, he should also be made responsible.
3. **Discipline** – It means obedience, respect for authority and observation of established rules. It ensures the smooth running of the organization and applicable for workers and management.
4. **Unity of Command** – This principle states that each employee should receive orders from one superior only. More than one superior at a time leads to confusion.
5. **Unity of Direction** – This principle states that the activities, which have a common objective must be grouped together and under one head. In other words, all the operations and departments in the organization should be directed towards the common goal.

Differences between Unity of Command and Unity of Direction

Basis	Unity of Command	Unity of Direction
1. Meaning	One subordinate should receive orders from only one superior at a time	Each group of activities having the same objective must have one head and one plan
2. Aim	It prevents dual subordination	It prevents overlapping of activities
3. implication	It affect an individual employee	It affects the entire organization

6. **Subordination of Individual Interest to General Interest** – The business enterprise is superior to individuals. The interest of the business must prevail over personal interests of the individuals.
7. **Remuneration of Personnel**- The remuneration for work done must be fair and reasonable. It must inspire the employees to work hard so that the organization earns more profit.
8. **Centralization and Decentralization** - Centralization refers to concentration of authority at one place or one level in the organization i.e., top management. Decentralization means dispersal of authority to lower levels. There should be a balance between centralization and decentralization based on the nature of the job. Anyhow utmost centralization or decentralization is not good.

9. **Scalar Chain** – Scalar chain refers to the line of authority or the chain of superiors starting from the highest and moving towards the lowest rank. It is a must that communication should pass through this chain of command. But in case of urgency the established chains can be violated and Gang Plank (direct contact) between two concerned authorities may be established.



Short-circuiting the chain of command where emergency decisions are to be taken is known as **Gang Plank**.

10. **Order** – This principle is based on the general saying, “Have a place for everything and keep everything in its place”. All materials are to be kept in proper place (**Material Order**) and the right man is to be assigned the right job (**Social Order**).
11. **Equity** – (Equality) This principle says that superiors should be impartial while dealing with their subordinates.
12. **Stability of Tenure of the Personnel** – Fayol says that managers and workers should not be shifted from their positions frequently. A person needs time to adjust himself to new work environment.
13. **Initiative** – It implies the creativity in an individual which must be utilized for the development of the organization.
14. **Esprit de Corps** (Union is Strength) – The contribution of a team is more significant than that of an individual. Team spirit helps in developing an atmosphere of mutual trust and understanding.

Acronym: DADEE SURCOSISU

Scientific Management

F.W. Taylor (1856 – 1915) – father of Scientific Management – American Mechanical Engineer in Midvale Steel Company – keen analyst and critical of management for poor performance of their organization – conducted a series of experiments for more than two decades and finally launched the movement in 1910 which is known as “**Scientific Management**”.

WRITINGS: ‘The Principles of Scientific Management’ series of articles published in ‘The American Magazine’ during march-may 1911, later published in book form.



Meaning and Definition – Scientific Management refers to the application of science in management practices. He advocated a detailed scientific study of each job to determine the best way of doing it.

Definition – “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.

Aims and objectives

1. Increasing production – by the use of standardized tools, methods and devices.
2. Improved quality – by using quality control and research.
3. Reducing cost – by using scientific techniques of production.

4. Selection of right person for right work – by scientific selection and training to workers.
5. Reduction of wastages – by proper handling of resources.
6. Provision of incentive wages – by applying differential piece wage system.

Principles of Scientific Management

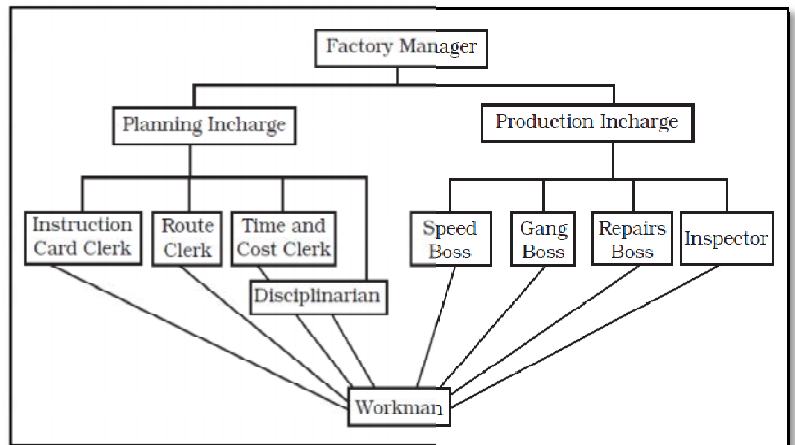


1. **Science, not rule of thumb** – Rule of thumb means Trial and Error. Taylor suggested that trial and error method is to be eliminated and a scientific study must be done before solving any problem or doing a work.
2. **Harmony, not discord** (conflict) – This principle states that there should be complete harmony between management and the workers. This can be achieved through a change in the attitude of workers and the management. Taylor calls it as “Mental Revolution”. Management should share the gains with workers and the workers should work hard and accept changes for achievement of goals.
3. **Co-operation, not individualism** – This principle is an extension of “Harmony, not discord”. This principle states that there should be complete cooperation between management and workers instead of individualism. Management should take workers into confidence and give them participation in decision making. Workers should not indulge in unnecessary strikes and raise unreasonable demands. Taylor suggested that there should be equal division of work and responsibility between the workers and the management.
4. **Development of each and every person to their greatest efficiency and prosperity** – This principle states that the efficiency of all workers is a must for which they have to be provided with maximum prosperity. For this, Taylor advocated scientific methods for selection, training and development of workers. If workers put in their best efforts, it ensures maximum prosperity not only to workers but also to the organization.

Techniques of Scientific Management

1. **Standardization and simplification of work** – It refers to the process of setting standards for every business activity.
2. **Method Study** – It is conducted to know the best method of doing a job.
3. **Motion Study** – It helps to eliminate unnecessary movements of men and material while doing a job.
4. **Time Study** – Through time study, the minimum time required for each element of work is determined. It helps in fixing a standard time for the job which will save cost, time and effort.
5. **Fatigue Study** – It seeks to determine the amount and frequency of rest intervals in doing a job. Intervals should be scientifically determined. This would help to recoup the energy lost in continuous work.
6. **Differential piece wage system** – It refers to a wage system in which dual wage rates are fixed to differentiate between efficient and inefficient workers. E.g., Standard output per day 30 units, two wage rates are Rs.10 and Rs.8 per unit. Worker Ajith produces 30 units a day and gets Rs.300. Worker Mohan produces only 28 units and he earns Rs. 224 only. Here Mr. Mohan loses Rs.76 just for a shortfall of 2 units. Taylor recommended that this system will be enough to motivate the inefficient worker to perform well or otherwise he will leave the organization.

7. Functional Foremanship – Taylor said that, specialization must be introduced in the organization. Functional foremanship is a form of organization which involves supervision of a worker by several specialist foremen.



- a. Instruction Card Clerk** – To lay down the exact method of doing a work, use of tools and equipments etc.
- b. Route Clerk** - To lay down the sequence of operation and direct the workers to follow the same.
- c. Time and Cost Clerk** – To lay down the time table for doing various jobs and maintain the records of the cost of work.
- d. Disciplinarian** – To enforce rules and regulations and maintain discipline among workers.
- e. Speed Boss** – Ensures that machines are run at their optimum speed.
- f. Gang Boss** – To assemble and set up various equipments and tools to enable the workers begin their work immediately after entering the shop.
- g. Repair Boss** – Ensures regular cleaning, servicing and repair of machines to keep them in efficient working order.
- h. Inspector** – To ensure that the workers do their work to the desired quality and that the jobs are executed as per specifications.



Fayol versus Taylor – A Comparison

No.	Basis	Henri Fayol	F W Taylor
1.	Perspective	Top level management	Floor level of a factory
2.	Unity of command	Strictly followed	Not considered as important, a worker receives orders from 8 specialists
3.	Applicability	Universal	Specialized situation only
4.	Basis of formation	From personal experience	From observation and experimentation
5.	Focus	Improving overall administration	Increasing productivity
6.	Status	Practitioner	Scientist
7.	Expression	General theory or administration	Scientific management
8.	Human element	Due regard to human element	Disregards human element

Indian Management Gurus

1. C K Prahalad – strategy guru.
2. Ram Charan – Itinerant executive coach.
3. Vijay Govindarajan – Tuck Business School Professor.
4. Rakesh Khurana – Harvard Business School.

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