

PRINCIPLES OF MANAGEMENT

MANAGERIAL PRINCIPLES

A managerial principle is a broad and general guideline for decision making and behaviour.

Principles of management	Principles of Pure Science
They are not as rigid as principles of pure science because they deal with human behaviour and had to applied in a creative manner.	Principles of Pure Science are rigid and cannot be modified.
Principles of Management – Principles of Management are guideline to take decisions or actions while practicing techniques.	Techniques of management – Techniques are procedures or methods which involve series of steps to be taken to accomplish desired goals.
Principles of management – Principles are basic truths or guidelines for Managerial behaviour.	Values – Values are general rules for behaviour accepted or desirable by the society

Derivation of Management Principles.

- 1) **Observation** – Management principles are derived on the basis of observation and analyses of events which managers have to face in actual situations. For e.g. The principle of “division of Work “says that if the work is divided among people, it will lead to efficiency. This principle was developed when it was observed that dividing the work results in improved performance.
- 2) **Experimentation** – Another method of deriving management principles is conducting experimental studies. We may take 2 groups of employees, one group having one boss while other group having 2 or 3 bosses. Now, if the performance of the two groups is noted and it is found that first group is doing better than the other. The Principle of **Unity of Command** is derived.

Nature of Principles of Management

- 1) **Universal Applicability** – The principles of management can be applied to all types of organisations, i.e.
 - Small as well as large
 - Private sector as well as public sector.
 - Manufacturing or service industries.
 - However, the extent of their applicability depends on the nature of the organisation.
- 2) **General Guidelines** – The principles are guidelines to action but do not provide readymade solutions to all managerial problems.
 - It is because real business situations are very complex and dynamic.
- 3) **Formed by practice and Experimentation**- The principles of management are formed by experiences and wisdom by managers.
 - For e.g. Principle of “Discipline”, has been formulated after experience while Motion Study has been formulated after a lot of experimentation.
- 4) **Flexible** – The principles of management are not rigid prescriptions which have to be followed absolutely.
 - These principles are flexible and can be modified by the managers according to the situations.

- 5) **Mainly Behavioural**- Management principles aim at influencing behaviour of human beings. Therefore, these principles are behavioural in nature.
 - These Principles enable a better understanding of the relationship between human and material resources in the organisation.
- 6) **Causes & Effect Relationship**- The principles of management establish relationship between cause and effect, so that they can be used in similar situations in different cases.
 - They tell us if a principle is applied in a situation, what would be its likely effect.
- 7) **Contingent** – The application of management principle is contingent or dependent on the prevailing situations at a particular point of time.
 - The application of principles has to be changed as per the requirements.

IMPORTANCE OF PRINCIPLES OF MANAGEMENT

1. **Providing managers with useful insight into reality** – The principles of management provides the managers with useful insight into real world situations.
 - These principles with add to their knowledge. Ability and understanding of actual situations and circumstances. Thus, they result in increasing the efficiency of the managers.
2. **Optimum utilisation of resources and effective administration** –Resources, the men and material are available with the company, but they are always limited. They have to be put to optimum use.
 - Knowledge of principles help the managers to use the resources in an optimum manner.
- 3) **Scientific decision**- Decisions must be based on fact. They must be timely, realist and logical. Management principles help in scientific decision making. They stress on logic rather than blind faith.
 - Management decisions taken on the basis of these principles are scientific and free from bias and prejudice.
 - **Meeting changing environment requirements**- Although, the principles are in the nature of general guidelines but they can be modified according to the changing environment. e. g. Management Principle of division of work has been extended to the entire business in modern times.
3. **Fulfilling social responsibility** – Management principles are not only the guidelines for achieving organisational object but these principles also guide the managers to perform social responsibilities.
4. **Management training, education and research** – Management principles are used as a basis for management, education, training and research.
 - Professional courses such as BBA and MBA also teach these principles as a part of their curriculum.

SCIENTIFIC MANAGEMENT BY TAYLOR

Scientific Management means knowing exactly what you want men to do and seeing that they do it in the best and cheapest way.

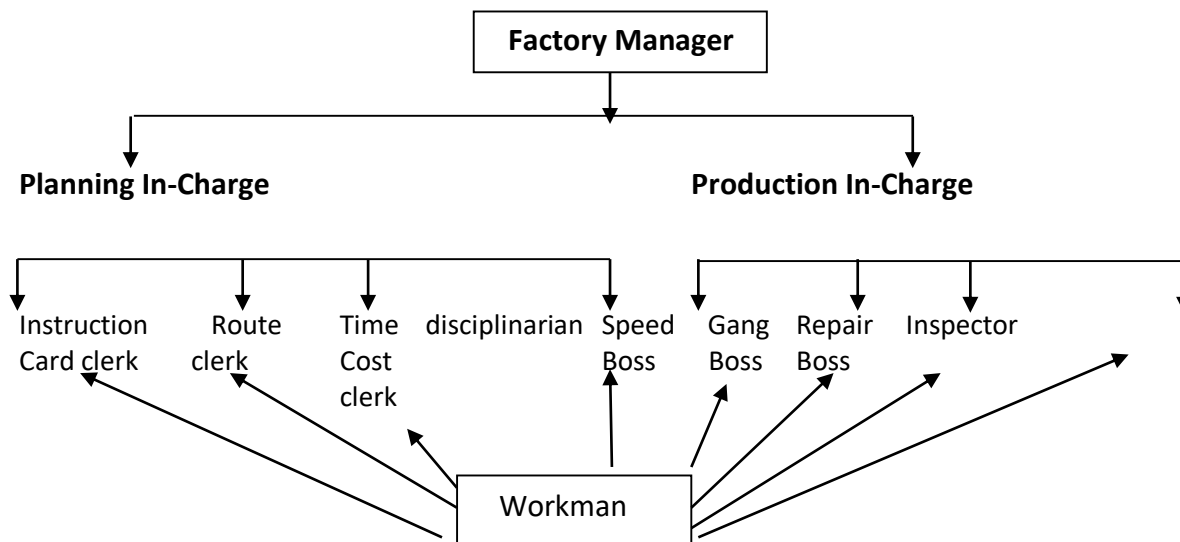
Principles of Taylor

- 1) **Science not rule of thumb** – Taylor introduced the method of scientific inquiry into management instead of rule of thumb, i.e. trial and error method.

- Taylor believed that there was only **one best method** to maximise efficiency. This method can be developed through study and analysis.
 - According to Taylor, even a small production activity like loading of pigs of iron into box car can be scientifically planned and managed resulting in efficiency.
- 2) **Harmony, not Discord** – In a factory system of production, managers act as a link between owners and the workers. It is the responsibility of the manager to get the work done through workers. Thus, there is always a conflict between workers and managers.
- Taylor recognised that this conflict helped none. He emphasis that there should be complete harmony between the manager and workers. To achieve this state, Taylor called for complete '**Mental Revolution**'
 - According to Mental Revolution, management should share gains of the company with the workers and the workers should work hard and accept the changes for the good of the company.
- 3) **Cooperation not Individualism**- There should be complete cooperation between the workers and the management, instead of individualism. Competition should be replaced by cooperation. Both should realise that they need each other.
- **Management** should listen to the constructive suggestions of the workers and the workers should be taken into confidence before taking important decisions.
 - At the same time, **workers** should not go for strikes and communicate openly with the management about their problems.
- 4) **Development of Each and Every Person to His/hers Greatest Efficiency and Prosperity** – Industrial efficiency depends on the skills and talents of the employees. Thus, scientific management advocated for **workers development**.
- **Workers Training** is essential to learn the best method of doing the jobs.
 - Taylor also suggested the use of **scientific approach** in the process of employee selection.
 - Work should be assigned to workers according to their physical, mental, intellectual capabilities to increase the efficiency. This will ensure greatest efficiency and prosperity for both, company as well as employees.

TECHNIQUES OF SCIENTIFIC MANAGEMENT

- 1) **Functional Foremanship**- In the factory system, Taylor advocated separation of planning and execution function. This concept was known as functional foremanship. Under the factory manager, there were planning in-charge and production in-charge.



Under planning in-charge, four supervisors should be working

- **Instruction Card Clerk**-would be drafting instructions for the workers.
- **Route clerk** will specify the route of production.
- **Time and cost clerk**-prepares time and cost sheets.
- **Disciplinarian** ensures discipline in the factory area.

Under production incharge:-

- **Speed Boss** is responsible for timely and accurate completion of job.
- **Gang Boss** is responsible for keeping machines and tools ready for operation by workers.
- **Repair Boss** insures proper working conditions of machines
- **Inspector** checks the quality of work.

Functional Foremanship is an extension of the principles of Division of Work or specialisation. Every worker will have to take orders from these eight foreman.

Foreman should have intelligence, education, tact, judgement, energy, honesty and good health. Since, all these qualities could not be found in a single person. So Taylor proposed eight foremen. Each of them is a specialist and is assigned work according to his capabilities.

2) Standardisation and Simplification of Work-

Standardisation refers to the process of setting standards for every business activity. It can be standardisation of process, raw materials, time, product, machinery, materials and working conditions.

The **objectives** of standardisation are:

- To reduce a given line of production to fixed types, size and characteristics.
- To establish interchangeability of manufactured parts and products.
- To establish standards of excellence and quality in materials.
- To establish standards of performance of men and machines.

Simplification means elimination of superfluous varieties, sizes and dimension. It helps in eliminating unnecessary diversity in products.

- It results in saving of cost, labour, machines and tools.
- It helps in reducing inventories, achieves fuller utilisation of resources and increased sales.

For e.g. : Many large companies like Samsung, Microsoft Limited, etc. have successfully implemented the techniques of standardisation and simplification.

3) Method Study- The objective of method study is to find one best way of doing the job.

- According to Taylor, there are various methods of doing the job. The best method should be determined and used.
- The objective of the method study is to reduce the cost of production and maximize the quality and satisfaction of the customer.

For e.g.: Taylor advised the concept of Assembly line by using method study Ford Motor Company used this concept very successfully. Even now automobile companies are using.

4) Motion Study- Motion study refers to the study of movements like lifting, pulling objects, sitting and changing position etc., which are undertaken for doing a difficult job.

- The objective of motion study is to eliminate unnecessary movement, so that it takes less time to complete the job efficiently.
- One close examination of body movements, it is possible to find out three types of movements, i.e. Unproductive motions, Productive motions and Incidental motions [for e.g. going to the stores].
- Taylor used stop watches and various symbols and colours to identify different motions. Through this study, he was able eliminate unnecessary motions with the help of suitable equipments and tools for the workers.
- For e.g.- Taylor was able to reduce motions in brick layering from 18 to just 5 and thus, productivity was increase by four times.

5) Time Study – It determines the standard time taken to perform a well-defined job. The objective of the time study is to determine

- The number of workers to be employed.
- To frame suitable incentive schemes
- To determine labour cost.

Time measuring devices such as stop watches are used to determine the time for each element of the task for e.g. it is determined that standard time taken by the worker to make one cardboard box is 20 minutes. So, in one hour he will make three boxes. If the worker works for seven hours, then he will make 21 boxes in a day, now, this is the standard task that a work has to do.

6) Fatigue Study: - Fatigue study aims at determining the amount and frequency of rest intervals in completing a task. A person is bound to feel tired physically and mentally, if he does not take rest while working. The rest intervals will help the worker to regain his stamina and work again with the same capacity.

There can be many causes for fatigue like:

- Long working hours.

- Doing unsuitable job.
- Having bad relations with the boss.
- Bad working conditions etc.

Such hindrances in good performance should be removed in order to achieve efficiency.

7) **Differential piece wage system** – Taylor was a strong supporter of piece wage system. He wanted to differentiate between efficient and inefficient workers. He wanted to reward efficient workers. So, he introduced different rates of wage payment for those who performed above standard and for those who performed below standard.

For e.g. : It is determined that standard output per worker is 10 units.

- Wage rate is Rs. 50 for above standards production.
- Wage rate is Rs. 40 for below standard production

Now , let us suppose:-

- Worker 'X' produces 11 units, his earning will be $11 \times 50 = \text{Rs. } 550$.
- Worker 'Y' produced 9 units, his earning will be $9 \times 40 = \text{Rs. } 360$.

Difference is equal to Rs. = 190/-

According to Taylor, the difference of Rs. 190/- should be enough for the inefficient worker to be motivated to perform better.

MENTAL REVOLUTION

Mental revolution involves a **change in the attitude** of workers and management towards each other. Both should realise that they require each other.

- Management should share the gains of the company with the workers and should have an enlightened attitude towards workers.
- Workers should work hard and be willing to accept any change for the good of the company.

FAYOL'S PRINCIPLES OF MANAGEMENT

- 1) **Division of Work** – Work is divided into small tasks or jobs and is assigned to a trained specialist who is competent to perform it. Thus, **division of work leads to specialisation**.
 - In Business, work can be performed more efficiently if it is divided into specialised tasks, each performed by a specialist or a trained employee. This results in efficiency and effectiveness.

For e.g. : In a company we may have separate departments for production, finance, marketing, human resources, etc. Fayol applied this principal to all kinds of job. i.e. Managerial as well as technical.

Positive effects

- It results in efficiency and effectiveness
- It leads to specialisation.

Adverse effects of violation

- There will be lack of specialisation.
- Wastage of Resources due to inefficiency

2) **Authority and Responsibility** :- **Authority** is the right to give orders and obtain obedience.

Responsibility is the obligation [duty] of a subordinate to properly perform the assigned task.

- According to Fayol, there should be a balance between authority and responsibility. If more authority is given then the misuse of managerial power is done. While more responsibility will result in ineffectiveness of the subordinate. Thus, a balance has to be maintained between the two.
- For e.g.: A sales Manager has to make a deal with the buyer. She finds that if she can offer a credit period of 60 days, then she can finalise the deal. The company gives power to her to offer a credit period of only 40 days. This shows that there is an imbalance between authority and responsibility.

Similarly, if manager gives a credit period of 100 days, although it was not required, then she may misuse her authority.

Positive Effects

- It results in effective performance of the subordinate.
- It helps in performing duties on time without delay.

Adverse effect of violation

- If authority is less, then subordinate will not be able to perform his duties. If he is given excess authority, then he may misuse it.

3. **Discipline** - Discipline is the obedience to organisational rules and employment agreement which are necessary for the working of the organisation.

- According to Fayol, discipline requires:-
 - **Good superiors at all levels**
 - **Clear and fair agreements**
 - **Judicious application of penalties.**

For e.g.: Suppose Management and Labour unions have entered into an agreement where workers have agreed to put in extra hours without any additional payment to revive the company out of losses. In return, the management promised to increase wages of the workers when this mission is accomplished. Now, if the company want to maintain discipline then the workers and the management should honour their commitments.

Positive Effects

- Smooth and systematic functioning of the business
- Improves efficiency.

Adverse Effects of violation

- Disobedience of the rules and regulations of the enterprise.
- Unsuccessful work performances.

4) Unity of Command - According to this principle, an employee should receive orders and instructions **from one and only one boss or superior**.

- Dual subordination should be avoided if any employee gets orders from two superiors at the same time, then he will remain in confusion regarding whose tasks to be done. Thus, there can be conflict among the superiors.
- According to Fayol, an employee should receive **orders from only one boss**.

For eg: Suppose a sales person is asked to make a deal with the buyer and is allowed to give 10% discount by the marketing manager. But, the finance department tell him not to offer more than 5% discount. Now, there will be chance of confusion and conflict.

Positive effects

- It prevents confusion regarding tasks to be done.
- It helps in co-ordinated working and achievement of organisational objectives

Adverse effects of violation

- Dual subordination may cause confusion and frustration among workers.
- It may result in conflict among the superiors.

5) **Unity of Direction** – This principle means that there should be **‘one head and one plan’** for group of activities having same objective.

- All the sections or departments of the organisation should be moving towards the same objective through coordinate e.g. focused efforts. Its aim is to increase the efficiency of the organisation.
- For e.g:- if a company is manufacturing motor bikes as well as cars then it should have two separate divisions. Each division should have its own resource; plans and objectives.

Positive Effects

- Increase efficiency of the organisation.
- Ensures unity of action and co-ordination

Adverse effects of violation

- If the principle is violated efficiency of the organisation will be adversely affected.
- There will be unnecessary duplication of effort and wastage of resources.

6) **Subordination of Individual Interest to General Interest**- According to this principles, the interest of the organisation should take priority over the interest of any one individual or employee.

- In all the situations, the **interest of the group or company should be considered superior** than the interest of any one individual. That is why, interest of various stakeholders such as owners, shareholders, creditors, customers, employees and the society cannot be sacrificed for one individual or a group of individuals. A manager can ensure this by his\her exemplary behaviour.

For eg. A manager should not fall into the temptation of misusing his power for individual or family benefit at the cost of general interest of workers or company

Positive Effect

- Will lead to betterment of both workers as well as organisation.
- Achievement of organisational goals.

Adverse Effect of violation

- It may lead to aggressiveness and frustration if this principle is being imposed in excess.
- The organisational objectives will not be achieved.

7) **Remuneration of Employees** – The overall pay and compensation **should be fair** to both employer as well as the employees.

- The employees should be paid wages which could 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, remunerations should **be just and equitable**.
- This will ensure cordial relationship between workers and management.

Positive Effects

- Fair remuneration ensures cardinal relations between employees and employer.
- Fair remuneration help the employee to live a reasonable standard life.

Adverse effects of violation

- Unfair remuneration will lead to dissatisfaction among the employees.
- 8) **Centralisation and Decentralisation** – The concentration of decision making authority is called centralisation. Whereas, its dispersal among more than one person is known as decentralisation.
- According to Fayol, there is a need to **bring balance between centralisation and decentralisation**. The degree of centralisation will depend upon the circumstances in which the company is working. In general large organisations have more decentralisation than small organisations.

Positive Effects:-

- Decentralisation eliminates delays in decision making leading to efficiency in operations.
- Involvement of middle and lower levels in decision making helps to ensure loyalty and belongingness.

Adverse Effects:-

- Excessive centralisation lead to huge burden of work on top level.
- Excessive decentralisation results in misuse of power and authority.

9) **Scalar Chain** – An organisation consist of superiors and subordinates. **This formal lines of authority from highest to lowest ranks are known as scalar chain.**

- According to Fayol, organisation should have a chain of authority and communication that runs from top to bottom and should be followed by managers and the subordinates

Let us consider a situation where there is a head 'A' whose has two lines of authority under him. One consist of B, C, D, E, and F while other consist of L, M, N, O and P. If 'E' has to communicate with 'O', who is at the same level of authority then the route will be.

This is due to the principle of Scalar chain. According to Fayol, this line should not be violated under normal circumstances.

- **Gang Plank** – According to Fayol , if there is an emergency, then ‘E’ can directly contact ‘O’ through Gang plank. This is a shorter route provided by Fayol, so that communication is not delayed.

Positive Effects:-

- It helps to avoid confusion and chaos in communication.
- Promotes Unity of Command.

Adverse Effect of violation

- If scalar chain is not followed then it may result in confusion, chaos and misunderstandings in communications.

10) **Order**- According to Fayol, People as well as material must be in suitable place at appropriate time for maximum efficiency.

- The principle of order states that “A place for everything [material order] and everyone [social order], and everything and everyone at its own place”. Essentially, it means orderliness.
- If there is a fixed place for everything and it is present there, then there will be no hindrance in the activities of business. This will lead to increased productivity and efficiency.

Positive Effects:-

- Principle of order helps in saving time and efforts
- Orderliness also helps in increasing productivity and thus achieving a organisational goals.

Adverse Effect:-

- Its violation will adversely affect efficiency and productivity.
- Its violation will also result in confusion and chaos.

11) **Equity** – Good sense and experience are needed to ensure fairness to all employees. Employees should be treated as fairly as possible.

- This principle emphasises **kindliness and justice** in the behaviour of manager towards workers. This will ensure loyalty and devotion.
- There should **be no discrimination** on account of gender, language, religion, caste, nationality etc.
- Fayol does not rule out use of force sometimes. He says lazy personnel should be dealt strictly but otherwise, there should no discrimination at all.
- For e.g.: India born Arun Sareen become CEO of Vodaphone limited, a British Telecom Company.

Positive Effects

- Fair treatment will help and encourage the people to work whole heartedly.
- This will ensure cordial relations between workers and managers.

Adverse Effects of Violation:

- Unfair treatment will result in dissatisfaction among the workers and thus less output and productivity.

12) **Stability of Personnel-** Employee turnover should be minimised to maintain organisational efficiency.

- Personnel should be selected and appointed after rigorous (tough and lengthy) procedure. But once selected they should be kept at their post or position for minimum fixed period or tenure. They should have stability of tenure. They should be given reasonable time to show their results.
- Lack of stability results in insecurity among employees. They would tend to leave the organisation. Recruitment selection and training cost will be high. So, stability in tenure of personnel is good for the business.

Positive Effect

- Stability of personnel results in cordial relation between employer and employees.
- Employees would be more experienced, loyal and devoted to the organisation.

Adverse Effect of Violation

- If violated, it will result in high cost of employee turnover.
- It will result in insecurity among employee.

13) **Initiative-** workers should be encouraged to develop and carry out their plans for improvement

- Initiative means taking the **first step with self-motivation**. Initiative should be encouraged employees but, it does not mean going against the established practices of the organisation.

For e.g. : A good company should have an employee suggestion system, whereby initiative or suggestion which result in cost or time reduction should be awarded.

Positive Effects

- This principle gives new ideas for betterment.
- It also make employee feel that they are a part of the organisation and their ideas are valued by the company.

Adverse Effect of Violation

- If violated, workers may feel inferior and disappointed.

14) **Espirit De Corps-** Management should promote a team **spirit of unity and harmony** among employees. According to Fayol, Management should develop team work otherwise, objectives would be difficult to achieve.

- A manager should replace '**I**' with '**We**' in al his conversations with workers to create team spirit. This will give rise to the spirit of mutual trust and belongingness among the team members.

Positive Effects

- Develops team spirit.
- Achievement of organisational goals.

Adverse Effects of Violation

- Conflicts among the managers and workers
- Difficult to achieve organisational goals.

Extra Questions

Q 1) – Which principle of Fayol is contradictory to a technique of Taylor? Discuss.

Ans – ‘Unit of Command’, principle of Fayol is contradictory to ‘functional Foremanship’ technique of Taylor because:- ‘Unity of Command’ states that there should be only one boss for a group of objective having as same objective one Functional Foremanships an extension of the principle of division of work at specialisation. Every worker will have to take orders from eight formen.

Q 2) - Which technique of Taylor is an extension of a principle of Fayol. Discuss.

Ans – Functional foremanship is an extension of the principle of division of work at specialisation. Every worker will have to take orders from eight foremen.

Q 3- Differentiate between Unity of Command and Unity of Direction.

Basis	Unity of Command	Unity of Direction
Meaning	The subordinate should receive orders from and should be responsible to only one superior	Each group of activities having same objective must have one head and one plan
Plan	It prevents dual subordination	It prevents overlapping of activities.
implications	It affects an individual employee	It affect the entire organisation.

Q 4.- Differentiate between contributions of Taylor and Fayol.

Basis	Fayol	Taylor
Objective	Top level of management	Shop floor level of a factory
Unity of command	Staunch Proponent	Did not feel that it is important as under functional foremanship a worker received order from eight specialists
Applicability	Applicable universally	Applicable to specialised situations
Basis of information	Personal experience	Observations and experimentation
Focus	Improving overall administration	Increasing productivity
Personality	Practitioner	Scientist
Expression	General theory of Administration	Scientific Management.

Q5) Contributions of Fayol and Taylor are complementary to each other. Discuss.

Ans 5) Their contributions are complementary to each other:

- Taylor gave the concept of **Scientific Management** whereas Fayol emphasized on **Administrative Principles of Management**.
- Taylor’s Principles were suggested with **bottom upward approach** whereas Fayol’s principles are based on **top downward approach**.
- Taylor’s principles and techniques are relevant mainly with respect to **production** activities whereas Fayol’s principles have **wider relevance** in all functional areas.
- Taylor’s techniques are more **specific** whereas Fayol’s principles are more **general** in nature.
- Taylor’s principles and techniques are focussed on **worker’s efficiency** while Fayol’s principles are focussed on **managerial efficiency**.