
Principles of Management

Principle

A principle is a statement which provides a guide to thought and action. Principle serves as the foundation for a system of belief or behaviour or for a chain of reasoning.

Principles of Management

- Principles of management are broad and fundamental truths that establish relation between cause and their effects.
- These principles serve as guidelines for managerial decision-making and their course of action.
- It is through principles that management predicts the result of their actions.
- Management principles are not as rigid as principles of science as this deals with human behaviour and thus are to be applied creatively as the situation demands.

Nature of Principles of Management

The nature of principles of management is given below:

- **Universality:** Principles of management have universal validity. These are applicable to all types of organizations, business as well as non-business, small as well as large enterprises and at different levels of authority. As these principles are universal, it can be applied in different managerial situations.
- **Human Behaviour:** Management has to deal with human behaviour, therefore the principles aim at influencing human behaviour. They are general guidelines to action and can be applied according to the situation as they are based on complex human behaviour which cannot be controlled.
- **Created by practice and experimentation:** Scientists through research, experiments, knowledge and expertise have developed the principles. The principles are used to solve different managerial problems with the help of observation, analysis and experience.
- **Dynamic & Flexible:** These principles are not rigid and can be adapted and modified by the practicing managers depending upon the situation and changes in the business environment. They are flexible and dynamic in nature.

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- **Cause and Effect relationship:** They establish a relationship between cause and effect so that they can be used in different situations.
 - **Contingent:** The principles are relative and not absolute. Depending upon the current situation at a certain point of time, the principles are applied. As per the organization needs and prevalent situations these principles are applied.

Significance of the Principles of Management

- **Providing managers with useful insights into reality:** Through principles of management, managers get insights of real work situations. Use of principles will increase their knowledge, ability and understanding of various managerial situations and circumstances.
- **Optimum utilization of resources and effective administration:** Optimum utilization of resources means maximum benefit with minimum cost. The principles have been developed from experience of various experts so as to improve managerial efficiency. The principles guide managers to work in a systematic way without wastage of time and resources so as to avail maximum benefit.
- **Scientific decisions:** Decisions must be based on facts, and should be justified in terms of intended purpose. They should be realistic, practical, and able to be measured and evaluated. Principles are free from bias and prejudice.
- **Meeting the changing environmental requirements:** Principles of Management are flexible and dynamic in nature and thus help the organization to achieve its goal even in the changing business environment.
- **Fulfilling social responsibility:** Principles of management also provides direction to the managers in fulfilling social responsibilities along with helping them in achieving organizational goals. Principles help managers to make optimum use of human and material resources. With efficient use of resources, there is improvement in the quality of work and increase in standard of living of the society.
- **Management training, education and research:** Principles of management are the important aspect for the managers and are helpful in enhancing the knowledge, which forms the basis for management training and research.

Taylor's Scientific Management

“Scientific management is the art of knowing exactly what you want your men to do and then seeing that they do it in the best and cheapest way.”

F.W Taylor

F.W Taylor also known as ‘Father of Scientific Management’ was the first expert to lay down the foundation of management as a science consisting of fundamental principles and use of these scientific methods to solve managerial problems.

Principles of Scientific Management:

The basic principles of scientific management are as follow:

- **Science, Not Rule of Thumb:** Each and every task performed in an organization should be based on a scientific study and analysis instead of hit and trial method. There should be a scientific plan along with standardised equipment to do work efficiently and effectively. Hence to simplify the tasks, and promote ease in its performance, new techniques and methods need to be developed and the management should not keep using the age old methods and techniques.
- **Harmony, Not Discord:** There should be complete harmony between management and workers in order to achieve the organizational goals. It implies that there should be a healthy working environment. In order to respect each other’s role and avoid any kind of conflict, Taylor brought a complete revolution in management policies (Mental Revolution).
- **Cooperation Not Individualism:** There should be complete cooperation and coordination between the labour and management so as to achieve organizational goals instead of individualism. Constructive suggestions from employees must be encouraged which will also refrain workers from going on a strike and making unreasonable demands.
- **Development Of Each And Every Person To His Or Her Greatest Efficiency And Prosperity:** Taylor suggested management on scientific planning of operational work and that the workers should focus on performance of quality work. The principle suggests taking actions for the development of competencies of all people working in the organization. They should be selected through a proper scientific process and should be given rigorous training and thereafter as per the ability of the person, work should be assigned. This will increase the overall productivity by utilizing the skills of the workers completely.

Techniques of Scientific Management

- **Functional Foremanship:** Functional foreman-ship is a technique in which planning and execution are considered different. Supervision is divided into several specialized functions and each function is to be entrusted to a foreman. This principle is an extension of Fayol’s principle of division of work and specialisation. It takes place through eight personnel, namely divided under heads Planning and Production Incharge:
Planning incharge

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- Instruction Card Clerk
 - Route Clerk
 - Time And Cost Clerk
 - Disciplinarian.

Production Incharge

- Speed Boss
 - Gang Boss
 - Repair Boss
 - Inspector
- **Standardization and Simplification of work:** Standardization refers to the process of developing standards for every business activity in order to maximize output. Simplification is a process to remove unessential varieties, sizes of products or services. The cost of labour, machines and tools can be saved through simplification and standardisation. It leads to optimum utilization of resources and increase in turnover.
 - **Method Study:** The purpose of method study is to find out one best possible way of doing the job in order to attain maximum efficiency and for optimum utilization of resources and to improve quality and satisfaction of customers.
 - **Motion Study:** It is the science of identifying and eliminating wasteful movements in the process of work resulting from unnecessary, incidental and unproductive motions of the workers. This will help to complete the task in less time.
 - **Time study:** It determines the standard time needed to perform a well-defined job. The objective of time study is to determine the number of workers to be employed, frame suitable incentive schemes & determine labour costs.
 - **Fatigue study:** Fatigue study determines time and frequency of rest intervals in completing an assigned task. Workers will be able to replenish their lost energy during the rest time, avoiding accidents, rejections, and industrial illness.
 - **Differential Piece Wage System:** This differentiates efficient and inefficient workers and links wages and productivity. The standard output per day is established and two-piece rates are used: higher for those who achieve equal to or more than standard output i.e. efficient workers and lower rates for the inefficient and slow-paced workers. Thus, efficient workers will be rewarded & inefficient will be motivated to improve their performance.

For example, the standard output per worker per day is 20 units and the workers who produce more than the standard will get Rs. 100 per unit and the ones who will produce less than the standard will be paid Rs. 80 per

unit. An efficient worker making 21 units will get $21 \times 100 = \text{Rs. } 2100$ per day whereas a worker who makes 18 units will get $18 \times 80 = \text{Rs. } 1440$ per day. The difference of Rs 660 will motivate the inefficient worker to work more efficiently, and get higher wages.

Fayol's Principles of Management

Henry Fayol, a French Industrialist through his experience and study developed general theory of management. He suggested fourteen principles of management.

Principles of Management developed by Fayol

1. Division of work: Division of work means division of the total task into smaller jobs and allocating it to employees. The entire work is divided into small tasks and a trained specialist who is competent enough to perform that job does each work. Thus, it results in greater efficiency, specialization and increased productivity.

For example, to open a bank account, there are different counters in a bank, and each employee handles a different task in the same procedure.

2. Authority and Responsibility: Authority refers to the power or right to take decisions and get the work done whereas responsibility refers to the obligation to complete the job assigned on time.

These two always go hand in hand. Mere responsibility without authority makes an executive less interested in discharging duties. Similarly, giving authority without assigning responsibility may lead to misuse of power.

3. Discipline: Discipline means obedience, respect of authority and following the rules regulations. It is necessary to ensure a smooth working environment in the organization. Good supervision at all levels and an established system of penalties will help to maintain discipline in the organization.

4. Unity of Command: According to Fayol, for every individual employee there should be only one superior who can assign him responsibilities and to whom he is accountable. This will avoid confusion, conflict and duplication of work.

For example, an employee is asked by one superior to accept only cash payments, while the other superior asks him to accept both cash and credit card payments. Hence, no unity of command is there, which adds confusion to the employee's mind

5. Unity of Direction: All the units of an organization should move towards the same objectives through coordinated and focused efforts. There should be only

one head and one plan for a group of individuals having the same objective. Hence unity of action is ensured through this principle.

Difference between Unity of Command and Unity of Direction

Basis For Comparison	Unity of Command	Unity of Direction
Meaning	As per this principle , an employee should get orders from one superior only and be accountable to him only.	According to this principle, there should be one head and one plan for a group of activities having the same objective.
Purpose	To prevent overlapping of orders and instructions, duplication of work, confusion and indiscipline.	To prevent repetition of activities.
Relation	It relates to the functioning of people.	It relates to activities of the organization.
Outcome	Unity of Command results in effective and efficient functioning of both superior as well as subordinates.	Unity of direction leads to unity of action and coordination of efforts .
Relationship	Unity of command deals with the relationship of superior and subordinate.	Unity of direction deals with the relationship of activities in support of organizational plans and objectives.
Importance	Unity of command helps to fix the responsibility of each person in the organization.	Unity of direction results in efficient functioning of group activities to achieve organizational goals.

6. Subordination Of Individual Interest To General Interest: The interest of an organization should take priority over the interest of any individual employee. In simple words the organization interest needs to be prioritized over individual interest.

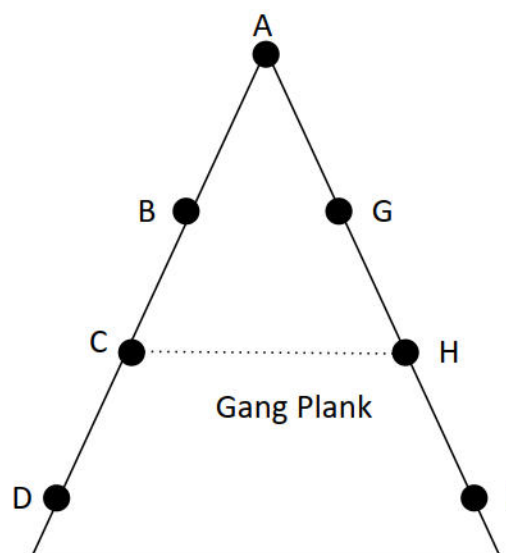
For example, the organizational objective to achieve a certain objective should be prioritised over an individual's personal objective to get higher salary with lowest work.

7. Remuneration of Employees: All the employees working in the organization should have fair pay and compensation. To establish a reasonable standard of living, the employees should be given fair wages. The remuneration should be according to the paying capacity of the organization.

8. Centralization and Decentralization: Centralization means concentration of decisions making authority with centre, whereas its dispersal among more than one person is Decentralization. No organization can be completely centralized or completely decentralized, so a balance of both must be created.

9. Scalar Chain: The formal lines of authority and flow of communication between superiors and subordinates from the highest to the lowest ranks is known as scalar chain. This chain should not be violated but in case of emergency employees at the same level can contact through Gang Plank by informing their immediate superiors in order to make quick communications.

Such as in the diagram, normally there is a certain route followed like by superior A to employee B, C, D or to employee G, H and I for communication but in case of emergency an employee C can communicate with employee H(because of same level), this is an exception to scalar chain, called as Gang Plank.



10. Order: In an organization, there must be material and social order. According to Fayol "People and material should be in suitable places at appropriate times for maximum efficiency". Material order means a place for everything and

everything in the right place and social order means a place for everyone and everyone should be at their designated place.

11. Equity: Management should treat employees with justice and equality. Good sense and experience are needed to ensure fairness to all employees who should be treated as fairly as possible without any sort of discrimination. Hence, irrelevant favoritism or penalties should be avoided.

12. Stability of Personnel: To preserve organisational efficiency, employee turnover should be kept to a minimum. Personnel should be chosen and appointed after a thorough selection process, and the chosen person should be retained for a certain amount of time to let the employee demonstrate results, as learning and getting accustomed to a new job takes time.

13. Initiative: Workers should be motivated to develop and implement improvement plans. Initiative means taking the first step with self-motivation. It entails formulating and carrying out a strategy.

14. Esprit De Corps: Management should foster team spirit, unity and harmony among employees. Hence efforts should be made to ensure group cohesion in the organization.

Fayol versus Taylor

Basis	Henry Fayol	F.W Taylor
Basis of formation	Personal Experience	Observations and experimentation
Focus	Improve overall efficiency of the management.	Increase the productivity of people working in the enterprise.
Applicability	Universal applicability	Applicable only to specialized situations.
Perspective	Top level of management	Operative level of Management
Personality	Practitioner and researcher.	Scientist (known as 'father of scientific management')
Techniques	General theory on management	Scientific Management