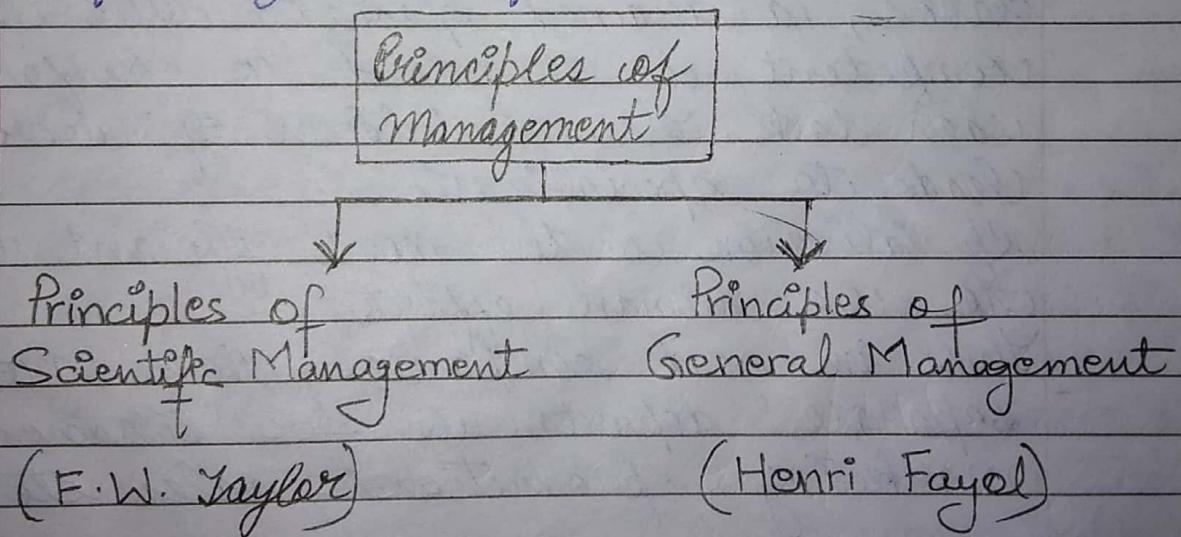


## Principles of management

The principles of management derive their significance from their utility. These provide useful insights into managerial behaviour and influence managerial practices.

These principles are guidelines to action. They denote a cause and effect relationship while functions of management (Planning, Organising, Staffing, Directing and Controlling) are the actions to be taken while practising management. Principles helps managers to take decisions while performing these functions.



## Fayol's Principles of Management

Fayol's theories deals with organisation of production in context of an enterprise that has to control its production cost. He believed that the number of management principles that might help to improve an organisation are potentially limitless. Based largely on his own experience, he developed 14 Principles of management. They are as follows:

①

### Division of work

work should be divided into small tasks, a trained specialist who is competent is required to perform each task. Thus division of work leads to specialisation.

Specialisation is the most efficient way to use human efforts.

Thus in good companies, there are separate departments for finance, marketing, production, sales etc.

②

### Authority and Responsibility

According to Fayol authority is the right to give orders and obtain obedience, and responsibility is the result of authority. There should be balance between authority and responsibility. For example: A sales

manager has to negotiate a deal with a buyer. She finds that she can offer credit period of 60 days. She is likely to clinch the deal which is supposed to fetch the company net margin say £50 more. Now the company gives power to the manager to offer a credit period of only 40 days. This shows that there is an imbalance in authority and responsibility. In this case the manager should be granted authority of offering credit period of 60 days in the interest of the company.

(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 and judicious application of penalties. In organisation, discipline applied would mean that the workers and management both honour their commitments without any prejudice towards one another.

(4)

### Unity of Command

According to Fayol there should be one and only one boss for every

Individual employee. If an employee gets orders from two superiors at the same time the principle of unity of command is violated. This principle states that each participant in a formal organisation should receive orders from and be responsible to only one superior.

If this principle is violated authority is undermined, discipline is in jeopardy, orders disturbed and stability threatened. Dual subordination should be avoided. This is to prevent confusion regarding tasks to be done.

For example: A sales person is asked to clinch a deal with a buyer and is allowed to give 10% discount by the marketing manager, but finance department advises him not to offer more than 5% discount. Now there is no unity of command. This can be avoided if there is co-ordination between various departments.

(5)

### Unity of direction

All the units of the organisation should be moving towards the same objectives through coordinated and focused efforts. Each group of activities having the same objective must have one head and one plan. This ensures unity of action and coordination.

## ⑥ Subordination of Individual Interest to General Interest

The interest of the organisation should take priority over the interest of any one individual employee according to Fayol. Every worker has some individual interest after working in a company but the company has its own objectives.

For example the company would want to get maximum output from its employees at a competitive cost (salary). On the other hand an employee may want to get maximum salary while working least. In such situations the interests of the group/company will supersede the interest of any one individual. This is so because larger interest of the workers and stakeholders are most important than the interest of one person.

## ⑦ Remuneration of Employees

The overall pay and compensation should be fair to both employees and the organisation. The employees should be paid fair wages which should 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 salary should be just and equitable.

(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.  
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.

(9)

### Scalar chain

An organisation consists of superiors and subordinates. The formal lines of authority from highest to lowest ranks are known as scalar chain.

According to Taylor "Organisations should have a chain of authority and communication that runs from top to bottom and should be followed by managers and the subordinates".

(10)

### Order

According to Taylor "People and materials must be in suitable places at appropriate time for maximum efficiency". The principle of order states that "A place for everything and everyone in its place. 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.

(11)

### Equity

Good sense and experience are needed to ensure fairness to all employees, who should be treated as fairly as possible. There should be no discrimination against anyone on account of religion, language, caste, belief or nationality etc. Equal opportunities should be available to everyone.

(12)

### Stability of Personnel

Employee turnover should be minimised to maintain organisational efficiency. Personnel should be selected and appointed after due and rigorous procedure. But once selected they should be kept at their position for the minimum fixed tenure. They should be given reasonable time to show results.

(13)

### Initiative

Workers should be encouraged to develop and carry out their plans for improvements. Initiative means taking the first step towards self motivation. It is thinking out and executing the plan. Initiative

Should be encouraged, but it does not mean going against established practices of the company for the sake of being different. A good company should have an employee suggestion system, which results in substantial cost/time reduction should be rewarded.

(14)

### Esprit de corps

(It's a French word, means group spirit)

Management should promote a team spirit of unity and harmony among employees, according to Fayol.

Management should promote teamwork especially in large organisations because otherwise objectives would be difficult to realise.

A manager should replace "I" with "we" in all his conversations with workers to foster team spirit.

This will give rise to a spirit of mutual trust and belongingness among team members.

## Principles of Scientific Management

Managing factories by rule of thumb enabled managers to handle the situation as they arose but it suffered from the limitation of trial and error approach. For this there was a need to follow an approach that was based on the method of a systematic approach including

- (a) Defining a problem
- (b) Developing alternative solution
- (c) Anticipating consequences
- (d) Measuring progress
- (e) Drawing conclusions

In this scenario, Taylor emerged as 'father of scientific management'. He proposed scientific management as opposed to the rule of thumb. It implies conducting business activities according to the standardised tools, methods, and trained personnel in order to increase the output, improve its quality and reduce cost and wastage. The Principles of scientific Management are as follows:

- ① Science not Rule of Thumb
- We have already referred to the limitations of the rule of thumb approach of management. As different managers would follow their own

rule of thumb. Taylor believed that there was only one best method to maximise efficiency. This method can be developed through study and analysis. This method so developed should substitute 'Rule of Thumb' throughout the organisation. Scientific method involved investigation or traditional methods through work study, unifying the best practices and developing a standard method.

This can result in tremendous saving of human energy as well as wastage of time and materials. The more efficient and sophisticated the process greater would be the savings.

②

Harmony, not Discord

Factory system of production implied that managers served as a link between the owners and the workers. As the managers had mandate to 'get work done' from the workers, it should not be difficult to observe that there always existed the possibility of a kind of class-conflict, the managers versus workers. Taylor emphasised that there should be complete harmony between the management and workers. Taylor called for complete mental revolution in the

part of both management and workers. It means that management and workers should transform their thinking. In such a situations even trade unions will not think of going on strike etc. Management should share the gains of the company with workers. At the same time workers should work efficiently and be willing to embrace change for the good of the company.

(3)

### Cooperation, not Individualism

There should be complete cooperation between the labour and management instead of individualism. This principle is an extension of principle of 'Harmony not discord'. Competition should be replaced by cooperation. For this management should not close its ears to any constructive suggestions made by the employees. At the same time workers should desist from going on strike and making unreasonable demands on the management.

(4)

### Development of each and every person to his/her greatest efficiency

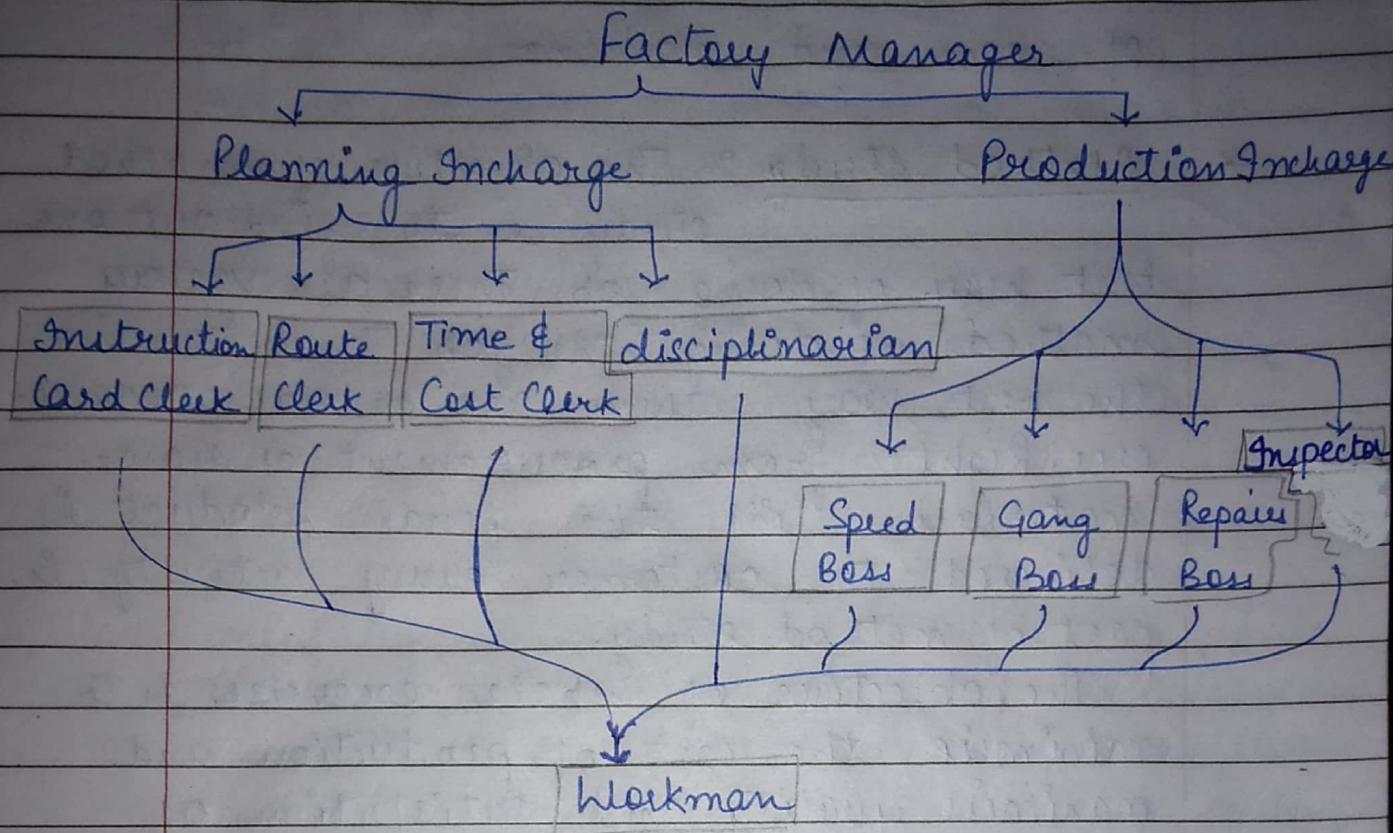
Industrial efficiency depends to a large extent on personnel competencies. Scientific Management also stood for worker development. Worker training

were essential also to learn the 'best method' developed as a consequence of the scientific approach. Taylor was of view that the concern for efficiency could be built in right from the process of employee selection. Each person should be scientifically selected. Then work assigned should suit his/her physical, mental and intellectual capacities. To increase the efficiency, they should be given the required training.

### Techniques of Scientific Management

- ① Functional Foremanship
- ② Standardisation and Simplification of work
- ③ Method Study
- ④ Motion Study
- ⑤ Time study
- ⑥ Fatigue study
- ⑦ Differential Piece Wage System

## \* Functional foremanship



## \* standardisation and simplification of work :-

standardisation refers to the process of setting standards for every business activity ; it can be standardisation of process , raw material , time , product , machinery , method or working conditions . These standards are the benchmarks , which must be adhered to during production . The objectives of standardisation are :-

- (i) To reduce given line on product to fixed types , sizes and characteristics .
- (ii) To establish interchange ability of manufactured parts and products .
- (iii) To establish standards of excellence and

quality in materials.

(iv) To establish standards of performance of men and machines.

\* Method study :- The objective of method study is to find out one best way of doing job. There are various methods of doing the job. To determine the best way there are several parameters. Right from procurement of raw materials till the final product is delivered to customer every activity is part of method study.

The objective of whole exercise is to minimize the cost of production and maximize quality and satisfaction of customer.

\* Motion study :- Motion study refers to study of movements like lifting, putting objects, sitting and changing positions etc. which are undertaken while doing a typical job. Unnecessary movements are sought to be eliminated so that it takes less time to complete the job efficiently.

\* Time study :- It determines the standard time taken to perform a well defined job. Time measuring devices are used for each element of task. The standard time is fixed for whole of

task by taking several readings. The method of time study will depend upon volume and frequency of the task, the cycle time of operation and time measurement costs. The objective of time study is to determine the number of workers to be employed; frame suitable incentive schemes and determine labour costs.

- \* Fatigue study :- A person is bound to feel tired physically and mentally if she/he does not rest while working. The fatigue study seeks to determine amount and frequency of rest intervals in completing a task. There can be many causes for fatigue like long working hours, doing unsuitable work, having cordial relations with the boss or bad working conditions etc. Such hindrances in good performance should be removed.
- \* Differential piece wage system :- Taylor wanted to differentiate between efficient and inefficient workers. The standard time and other parameters should be determined on the basis of the work study. The workers can then be classified as efficient or inefficient on basis these standards. He wanted to reward efficient

workers. So he introduced different rate of wage payment for those who performed above standard and for those who performed below standard.