

Development of management principles have helped to attain social responsibilities by increasing efficiency in the use of scarce resources, providing good quality products and services at the lowest costs and also helping in taking up social causes.

2.4 HENRY FAYOL'S PRINCIPLES OF MANAGEMENT

Henry Fayol was born in France in 1841. He joined as a junior executive in 1860 in a mining company and rose to the position of its Chief Managing Director in 1888. His workshop experience contributed a lot to his thoughts on management. He felt that there could be a single administrative science whose principles are universally applicable, irrespective of the type of organisation and managerial situation. Fayol developed a general theory of management. In 1916 he published the book *Administration Industrielle et Générale* in French which was translated into English in 1929. It was only in 1949 that this book titled *General and Industrial Management* was freely available in United States.

Major contributions of Fayol

Fayol contributed as follows :

1. To identify and classify business activities.
2. To identify management as a separate set of skills or functions.
3. To classify functions of management into five elements
4. To develop universal principles of management.
5. To emphasise managerial qualities.

Fayol classified all industrial or business activities into six groups as follows:

- | | |
|----------------------------|----------------------------|
| (i) Technical activities | (ii) Commercial activities |
| (iii) Financial activities | (iv) Security activities |
| (v) Accounting activities | (vi) Managerial activities |

Fayol concentrated on the analysis of sixth category i.e., managerial activities.

Fayol's Principles of Management

Fayol suggested 14 principles of management for running the business efficiently. These principles are studied as follows :

1. Principle of Division of Work (Specialisation). Division of work implies division of the total task in order to lighten the total burden and promote specialisation in such a way that one person does only one thing rather than doing everything himself. This helps to avoid the waste of time and effort caused by changes from one work to another.

Fayol has opined that this principle of division of work and specialisation should be applied to all kinds of work - technical as well as managerial.

For example, in a furniture manufacturing industry, one person may be asked to cut pieces of wood, another may be asked to join them, the third one to paint the furniture and so on. When one person repeats the same work again and again he will become a specialist in that work and his efficiency will improve, instead of one person undertaking up all the stages of the work.

Positive Effects

- (i) **Specialisation.** When a person repeats the same work again and again he will become specialised in that work. He will be able to handle the same very well.
- (ii) **Higher Efficiency.** While repeating the same work again and again, a person will perform better and will improve his efficiency.

Limitations

- (i) **Monotony.** While doing the same work again and again, one starts feeling monotonous.
- (ii) **Lack of Initiatives.** A person goes on doing only one activity, he will not be able to do any new thing. The persons will not take new initiatives in improving the work.

2. Principle of Parity between Authority and Responsibility. This principle states that authority and responsibility should go side by side. A person can be accountable for certain activities only if he has been given authority for getting the work done. Responsibility and authority should be commensurate with each other. Fayol viewed that people seek authority and fear responsibility. But a good leader must have courage to accept responsibility. Authority without responsibility leads to irresponsible behaviour while responsibility without authority makes a person ineffective.

For example, if a foreman is given a target to produce 500 units in a week, he should be given authority to employ persons as per needs and procure materials required for the targeted object. The responsibility given for production should be associated with the authority to arrange requisite inputs.

Positive Effects :

- (i) **Better Results.** When authority and responsibility are matched then the results will be better. No body will be able to complain of lack of authority for getting the things done.

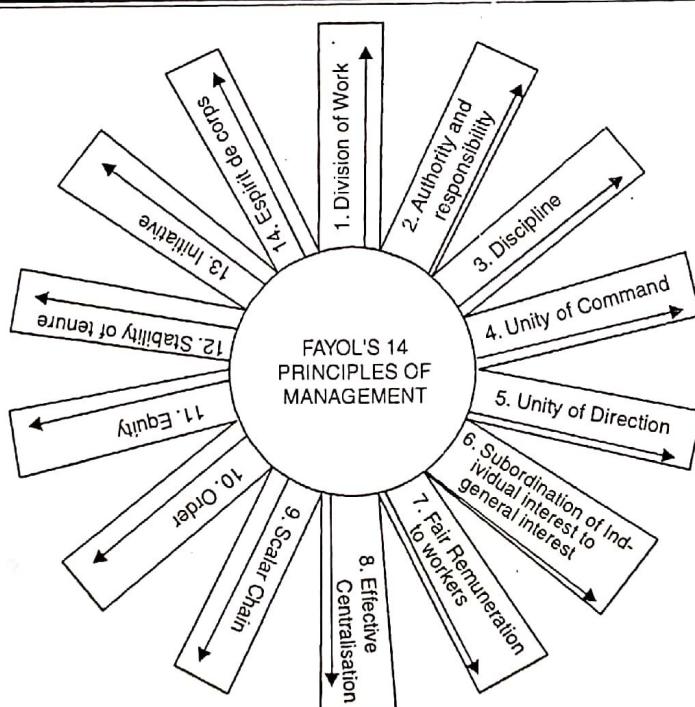


Fig. 1 Fayol's-Principles of Management

- (ii) **Meeting Targets.** The targets will be met in time because there will be no reason to complain.

Limitations :

- (i) **Misuse of Authority.** There may be a fear that authority may not be misused. A person may also lack ability to use authority.
- (ii) **Overburden.** More responsibility may overburden the persons and performance may be adversely affected.

3. Principle of Discipline. Discipline means obedience, respect of authority and observance of the established rules. Discipline is essential for the smooth running of business and without it no business

n prosper. According to Fayol, good supervision at all levels, clarity of rules and built in system of ward and punishment help to maintain discipline.

For example, the employees should meet their commitments towards the organisation and help it in achieving the objectives. The superiors should also take care of employees and meet their demands of fair wages, increments, incentives, promotions, etc.

Positive Effects

- (i) **Enhances Efficiency.** When workers obey discipline and follow rules and regulations properly, their efficiency will improve.
- (ii) **Proper working.** The observance of discipline in an organisation helps in systematising the work. Everybody will take its responsibility seriously which will help in improving the working environment.

Limitations

- (i) **Chaos and Confusion.** In the absence of discipline, there will be chaos and confusion in the organisation.
- (ii) **Delay in work.** Lack of discipline will delay every activity because nobody will take its responsibility seriously.
- (iii) **Wastage of resources.** In the absence of proper discipline there is a likelihood of wastage of resources.

4. Principle of Unity of Command. This principle states that one person should receive orders from only one superior, in other words, one person should be accountable to only one boss. If one person is under more than one boss then there can be contradictory orders and the subordinate fails to understand whose orders to be followed.

If the principle of unity of command is not observed, the authority is undermined, discipline weakened, loyalty divided and confusion and delays are caused.

For example, when more than one person gives orders to a subordinate then there is a possibility of giving contradictory orders. If boss A asks his subordinate to complete a particular work to day and boss B gives another assignment to the same subordinate. The subordinate will be confused and will not be able to decide to whom to follow. It will create a problem of lack of direction among subordinates.

Positive Effects

- (i) **No Confusion in Direction.** When one person directs the activities then there will not be any confusion about the command.
- (ii) **Improves Efficiency.** Every employee knows to whom to obey and ask for instruction, it will improve efficiency of employees.
- (iii) **No Ego Problem.** Proper decision about hierarchy will help in avoiding ego problem among employees.

Limitations

- (i) **Centralisation of Powers.** Unity of command brings centralisation of power and brings delays in decision making.
- (ii) **Communication Delays.** When order and instructions come in line from above to bottom there is a likelihood of delay in communication. Such delays may result in late implementation of decisions.

5. Principle of Unity of Direction. The principle of unity of direction means that there should be one head and one plan for a group of activities having the same objectives. Each group of activities with the same objective must have one plan to active and must be under the control of one supervisor. This principle will lead to co-ordination among different activities.

For example, if a textile unit is dealing with ginning, weaving and spinning activities, all the three activities should have common goals and be directed to achieve the objectives. In order to have unity of direction among three segments of the business, there should be separate supervisors looking after and co-ordinating their own activities.

Positive Effects :

- (i) **Achieving of Organisation Goals.** Unity of direction helps in achieving organisational goals in a better way.
- (ii) **Co-ordinated Efforts.** The efforts of all employees are directed in same direction for achieving targeted results.

Limitations :

- (i) **Individual Initiatives Curtailed.** Since everybody has to act according to the given directions, individual initiatives are not encouraged even if these may bring good results.
- (ii) **Difficulty in Achieving Goals.** This principle may bring problems in achieving organisational goals. Every activity will have its own targets and there may be a lack of co-ordination among different activities.

Differences Between Unity of Command and Unity of Direction•

Principle of Unity of Command	Principle of Units of Direction
<ol style="list-style-type: none"> 1. This principle insists on one boss on one subordinate. 2. This principle is concerned with the functioning of people. 3. The emphasis is on one command and fixing of responsibilities. 4. It helps in improving efficiency by deciding hierarchy. 	<p>There is an emphasis on one unit and one plan.</p> <p>This principle is related to the activities.</p> <p>The emphasis is on directing the efforts of one department for helping in achieving its goals.</p> <p>The effort is to achieve co-ordination among different people.</p>

6. Principle of Subordination of Individual Interest to General Interest. It is an essential function of management to make people realise the objectives of the group and direct their efforts towards the achievement of these objectives. The interest of the group must always prevail over individual interests. This principle implies harmony of personal interest and common interest. Fayol was of the opinion that the interest of one employee or a group of employees should not prevail over the interest of the enterprise as a whole. When the individual interest and the common interest differ, it is the duty of the manager to reconcile them. In order to achieve this, managers must set a good example and must be firm but reasonable in dealing with subordinates. Fair agreements with subordinates and constant supervision are essential to prevent promotion of individual interest at the cost of general interest.

For example, the organisation may be improving the quality of products for better image and workers may be interested to produce more and more products for earning more wages, sacrificing quality standards for increasing their output. In this case the object of the organisation for improving quality will prevail against the workers' objective for rushing through production for producing more products.

Positive Effects

- (i) **Achieving organisational Goals.** When organisational goals have priority over individual goals then it will be easy to achieve them.
- (ii) **Co-ordination.** There will be a co-ordination between organisational and individual goals as the former will get priority.

Limitations

- (i) **Difficulty in curbing individual Aspirations.** It is very difficult to curb personal priorities in real situations.

(ii) **Organisational Goals Suffer.** Individuals try to achieve personal goals by ignoring organisation goals.

7. Principle of Fair Remuneration to Workers. Fayol was of the view that the remuneration paid to workers should always be just and fair and should afford maximum satisfaction to both employees and the employees. The management must ensure fair reward for the work and decide the most equitable method of calculating wages. The rates of wages depend upon a number of factors such as the cost of living, the demand for labour, general economic conditions, the current state of business and the value of the employee. It should provide sufficient incentive to the well-directed effort but over payment beyond reasonable limits is undesirable.

For example, if the organisation earns higher profits then it should distribute some of it to the workers in the shape of production bonus, it will motivate workers to further improve their work.

Positive Effects

- (i) **Motivation of Employees.** When employees get fair remuneration for their work, they will be motivated to work more and more.
- (ii) **Commitment of Employees.** The employees will be committed to the organisation and will feel part of it.

Limitations

- (i) **Raises Hopes of Employees.** The employees will raise hopes for getting more and more wages. If the management is not able to satisfy the employees' hopes then they will feel demoralised and their performance will be adversely affected.
- (ii) **Higher Wage Costs.** There may be higher financial burden on the organisation. The wage bill is an important element of total cost, any increase in it will affect financial position of the organisation.

8. Principle of Effective Centralisation and Decentralisation. Centralisation means concentration of authority in the hands of few, i.e., top management. Everything which goes to increase the importance of subordinate's role is decentralisation and everything which goes to reduce it is centralisation. Fayol was of the opinion that centralisation and decentralisation is a simple question of proportion and this proportion of finding the optimum degree should be decided keeping in view the circumstances of the particular case. The degree of centralisation may be different in different cases, but a balance must be maintained between centralisation and decentralisation of authority to attain the best possible result.

A small company may have more centralised system but in a large company decentralisation will be necessary to carry out the activities properly. So Fayol advised not to have complete centralisation or complete decentralisation but a combination of both.

For example, there may be centralisation for deciding plans, policies and major decisions but decentralisation may be allowed for day to day activities and routine activities such as fixing of targets for workers etc.

Positive Effects

- (i) **Benefits of both Centralisation and Decentralisation.** When both centralisation and decentralisation are used as per the needs of the situations and activities, one may have the advantages of both.
- (ii) **Quick Decision Making.** Since decision making is at top level, decision making will be quick. Operational decisions will be taken quickly at decentralised level.

Limitations

- (i) **Reason for Confusion.** When both centralisation and decentralisation are used then there may be some confusion at different levels for taking decisions.

(ii) **Misuse of Authority.** There is a likelihood of misuse of authority at different levels. People may use an authority which they are not authorised to use.

9. Principle of Scalar Chain. Scalar chain refers to the chain of superiors ranging from the ultimate authority to the lowest ranks. Fayol felt that a hierarchic channel called the scalar chain is necessary to ensure unity of command and effective communication. Communication should follow through the established chain of command. However, a 'gang plank' may be created by passing the established line of authority to facilitate quick communication. Fayol illustrates this point with the help of the following example :

Suppose, the scalar chain in an organisation is represented by the double ladder. Any communication from F to P will flow upwards to A through E, D, C and B; and then downwards through L, M, N and O. It will obviously take a long time. Hence, in order to minimise the delay involved in communication, a gang plank between F and P may be created as shown by a dotted line.

However, Fayol was of the opinion that the gang plank should not be a normal practice as it undermines the established lines of authority. But whenever it is necessary to do so in order to avoid delays and distortions, the subordinates should use the gang plank.

Positive Effects

- (i) **Systematic flow of Information.** The information flows in a proper hierarchical way to first upwards at the top and then lower where it is to be sent.
- (ii) **Quick Information through Gang Plank.** When quick communication is needed at same level of different segments then it can take place directly by avoiding the scalar chain.

Drawbacks

- (i) **Time Consuming.** Communication through scalar chain is time consuming and causes delay.
- (ii) **No clarity in Authority Responsibility Relationship.** The information is sent through various layers without establishing any authority-responsibility relationship. Many layers come between unnecessarily and cause delays.

10. Principle of Order. Principle of order does not mean command but it refers to orderly arrangement of men and material, there is a fixed place for everything and everyone in the organisation. Fayol was of the opinion that there must be a fixed place to keep every material and other things used in the organisation. Similarly, there should be a fixed place, cabin or seat for every employee in the organisation. This order will ensure that no time is wasted in locating any material or any person.

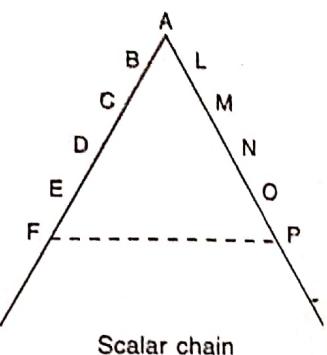
For example, if a worker needs some guidance from a supervisor, he should know where supervisor's cabin is so that he should go to that place without wasting any time for searching the supervisor. Similarly, if a worker needs a tool, he should know where the tool box is kept and if a material is required then the place where material is required should be known.

Positive Effects

- (i) **Avoiding wastage of time.** When materials or persons are available at fixed places then there will not be any wastage of time in locating them.
- (ii) **Smooth working.** When men and materials are properly arranged, there will be a smooth working in the organisation.

Drawbacks

- (i) **Avoiding Proper Order.** There is a tendency to avoid proper order for men and materials. People may follow their whims and fancies.



(ii) **Causing Delays.** The issue of materials or other things may be delayed due to excess paper work, defeating the basic purpose of this principle.

11. Principle of Equity. Equity means justice and kindness. Fayol was of the opinion that to encourage workers to fulfil their duties with devotion and loyalty, management should deal with employees with equity-based on kindness and justice. There should neither be nepotism nor favouritism and all should be given just and fair treatment. However, Fayol says that equity does not mean a total absence of force or harshness or equity does not mean equal salary to a peon and a supervisor but equity means application of same disciplinary and other rules in the same way irrespective of their grade, gender, position etc.

For example, all the employees should be treated similarly while applying various rules and regulations

Positive Effects :

- (i) **Employee Satisfaction.** When all the employees are treated similarly, they will be happy and satisfied.
- (ii) **Motivation.** The employees will feel motivated and their morale will be boosted.

Limitations :

- (i) **Dissatisfaction.** There may be dissatisfaction among some sections of employees who feel themselves better than others.
- (ii) **Increased Turn over.** The equity among employees may discourage some of them and labour turnover may increase.

12. Principle of Stability in the Tenure of Personnel. Stability in the tenure of personnel is very essential because it takes time to get used to a job. Fayol was of the view that instability of tenure of personnel is both the cause and effect of bad management. A very high rate of labour turnover or change of personnel increases cost of selection and training and creates a bad name for the organisation. It also causes instability and insecurity in the minds of the workers. To secure loyalty of workers, it is very essential to provide security of service to the workmen.

For example, if there is a regular turnover of workers, the new employees will take time in understanding the environment and adjusting to new situation, there will be loss of production due to frequent changes of workers.

Positive Effects :

- (i) **Improves Efficiency.** The stability of tenure of employees will improve their efficiency and performance.
- (ii) **No wastage of Time.** The time taken by new employees in settling down to the job will be avoided.

Limitations :

- (i) **No new Initiatives.** The same employees may not have new ideas and initiatives.
- (ii) **Brings Lethargy.** When employees are ensured of stable employment, they may become lethargic.

13. Principle of Initiative. Initiative implies the power of thinking out a plan and ensuring its successful implementation. The manager should encourage or inspire the confidence of his subordinates so that they show initiative. For this, Fayol suggests that the manager should sacrifice his own vanity. Initiative is a powerful motivator of human behaviour and a source of strength for the organisation.

For example, before deciding a plan if the manager asks for suggestions from subordinate employees and discusses their pros and cons before finally reaching a conclusion, the employees will feel encouraged and motivated. It will be easy to implement a decision, if it is taken after consulting the employees.

Positive Effects

- (i) **Feeling of Belongingness.** When employees suggestions are given due weightage, they will develop a feeling of belongingness to the organisation.

- (ii) **Encouraging Employees.** The employees will feel encouraged if they are given a chance to give suggestions on different aspects of the business.

Limitations

- (i) **May cause Dissatisfaction.** If the suggestions of employees are not accepted then they may feel discouraged and dissatisfied.

- (ii) **May adversely affect Work.** When workers are encouraged to take initiatives, then day to day work may be adversely affected.

14. Principle of Esprit de Corps. The principle implies that there should be co-operation and teamwork among the members of an organisation. Literally speaking, esprit de corps means the spirit of loyalty and devotion to the group to which one belongs. The manager must always make a constant effort to ensure harmony, cohesiveness and esprit de corps among his subordinates to ensure unity and high morale which is very essential for the success of an enterprise. Fayol suggested to discard two temptations for this (i) to divide and rule, and (ii) abuse of written communication.

Management should try to develop a sense of belongingness among the employees and work with a team spirit to achieve organisational goals.

For example, if a group is assigned a task to achieve, the group may divide the work among group members, the spirit should be that the work is to be achieved by the group and not by individuals.

Positive Effects

- (i) **Develops Team Spirit.** This principle helps in developing a team spirit for undertaking various tasks.
- (ii) **Improves Performance.** A work done in a team spirit will bring better results and improves performance.

Limitations

- (i) **Avoiding work.** When work is done collectively, then some persons may not contribute wholeheartedly while others may have to work more.

- (ii) **Discourages efficient Persons.** Efficient persons may feel discouraged since the credit for good performance goes to all and not to individuals.

CONCLUSION

Henry Fayol's principles have helped in systematising management. These principles are very effective and their application will depend upon the persons applying them. Fayol has clarified that since management is related to human beings, there may not be a sense of finality. It is the decision of the manager to use these principles. He will decide the use with regard to the situation and need. The principles of Fayol have an element of flexibility.

2.5 SCIENTIFIC MANAGEMENT

In ancient times, it was thought that management is a matter of experience. A businessman managed his affairs by using his experiences or 'hit or miss' methods. No deliberate attempt was made to improve the skills of management. Industrial revolution in England around 1850 had a significant impact on management practices. There were inventions of new machines and methods of production were radically changed. A great need was felt for the development of scientific management to cope with the increased industrial pace.

F.W. Taylor made a significant contribution in the development of management science. He is rightly called the **Father of Scientific Management**. It is essential to have a look at the life sketch of Taylor for getting a better understanding of scientific management.