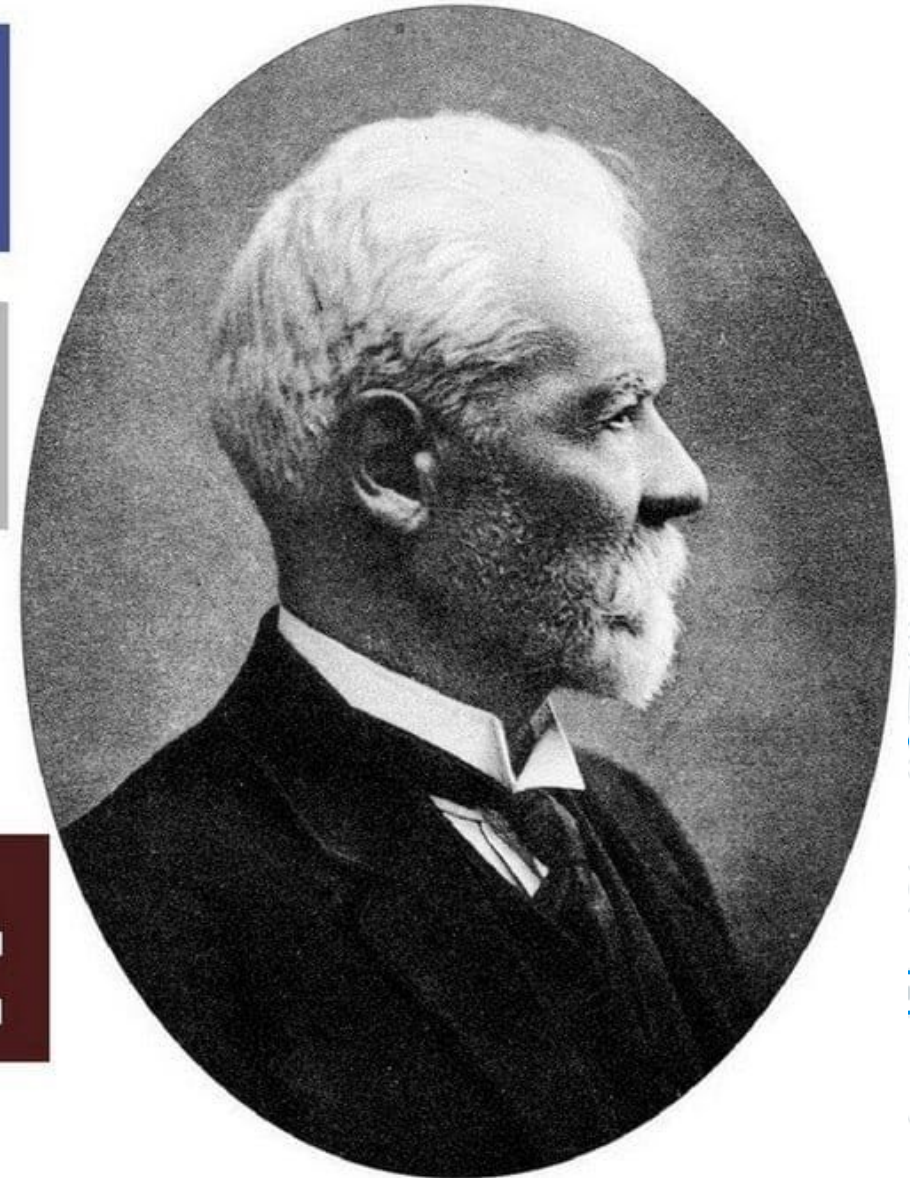


Henry Fayol

14 Principle

Of

Management



FAYOL'S PRINCIPLES OF MANAGEMENT

1. In the development of classical school of management thought, Fayol's administrative theory provides an important link.
2. While **Taylor** succeeded in revolutionising the working of **factory shop-floor** in terms of devising the best method, fair day's work, differential piece-rate system and functional foremanship; **Henri Fayol explained what amounts to a managers work and what principles should be followed in doing this work.**
3. If **workers' efficiency mattered in the factory system**, so does the **managerial efficiency**. Fayol's contribution must be interpreted in terms of the impact that his writings had and continue to have improvement in managerial efficiencies.
4. His theories deal with organisation of production in the context of a competitive enterprise that has to control its production costs.
5. Fayol was the first to identify four functions of management - **Planning, Organising, Directing and Controlling** although his version was a bit different - Plan, Organize, Command, Coordinate and Control.



FAYOL' S PRINCIPLES OF MANAGEMENT

6. According to Fayol, all activities of an industrial undertaking could be divided into:

- a. Technical;
- b. Commercial;
- c. Financial;
- d. Security;
- e. Accounting and
- f. Managerial

7. He also suggested that qualities a manager must possess should be - Physical, Moral, Education, Knowledge and experience.

8. Based largely on his own experience, he developed his concept of administration.

9. For his contribution he is also known as the 'Father of General Management'

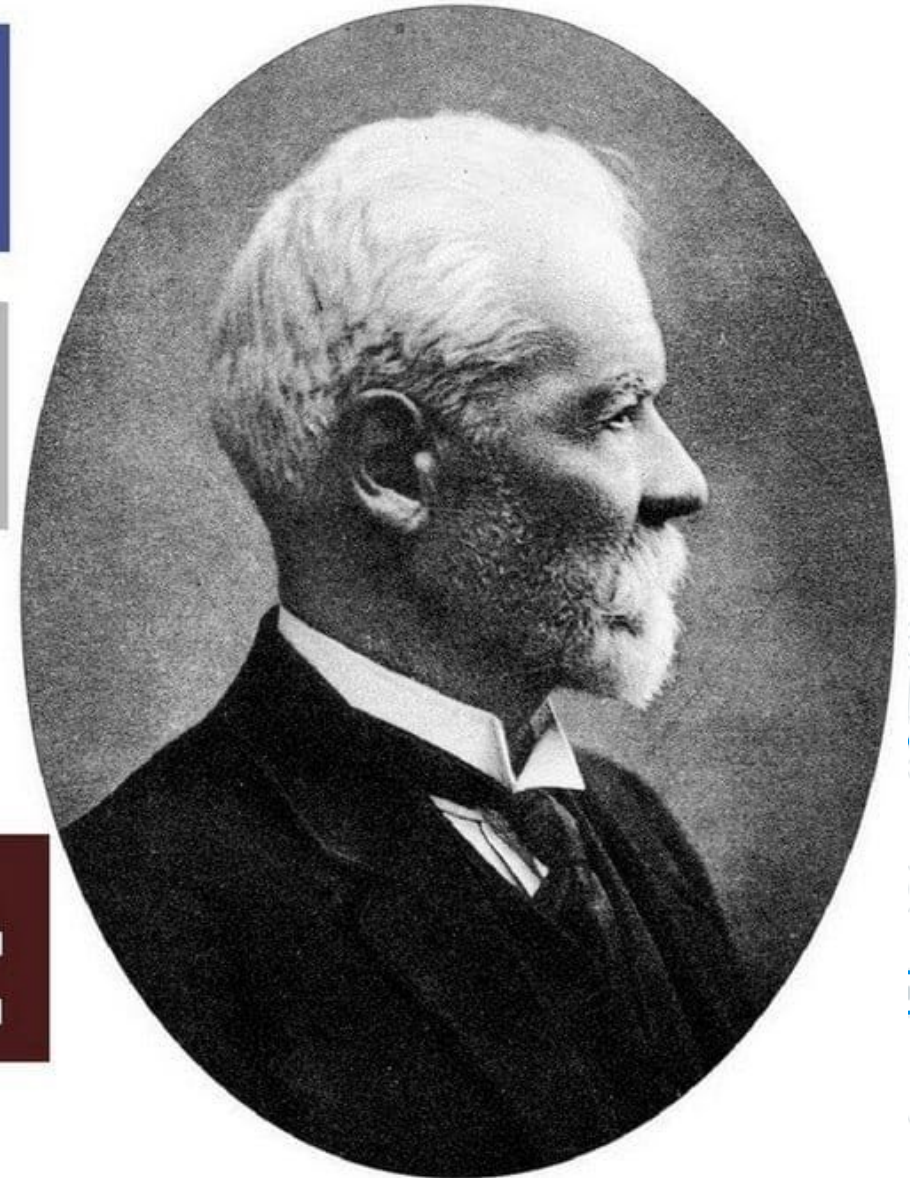


Henry Fayol

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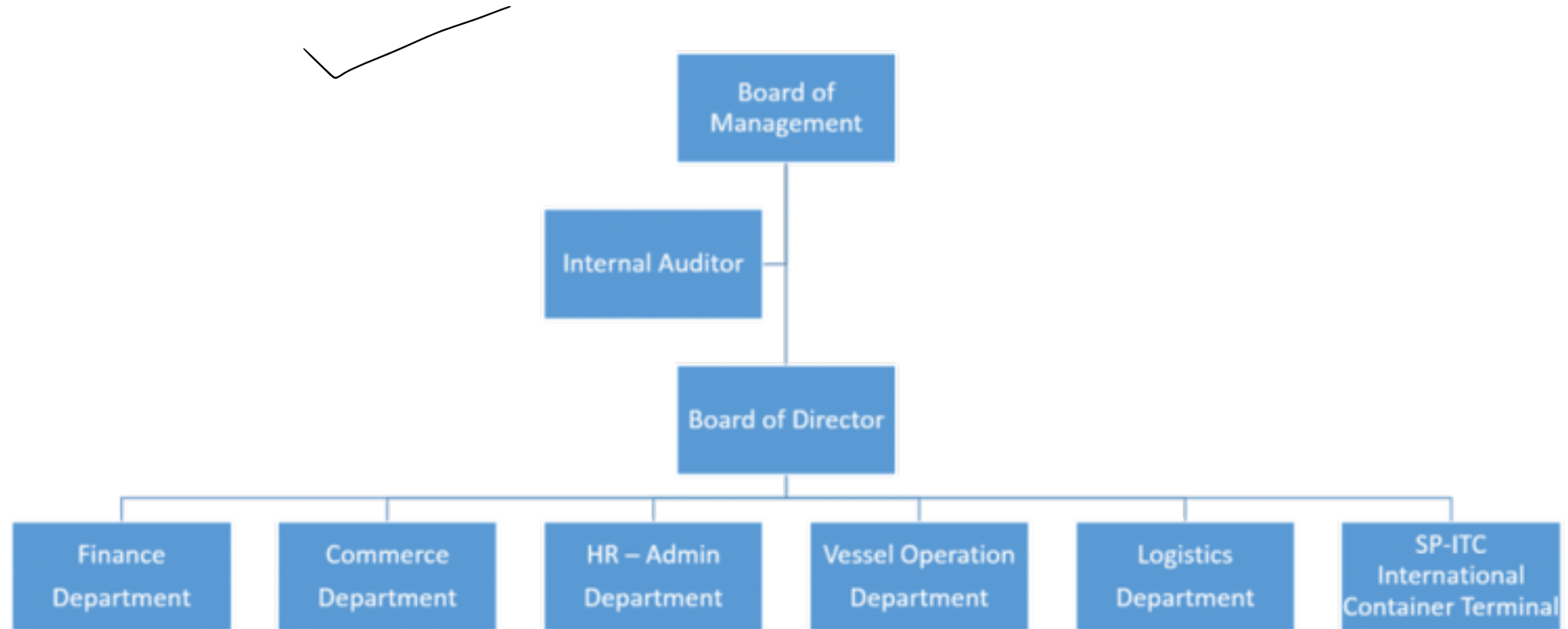


(i) Division of Work:

1. Work is divided into small tasks/jobs. A trained specialist who is competent is required to perform each job. Thus, division of work leads to **specialisation**.
2. According to Fayol, "The intent of division of work is to produce more and better work for the same effort. Specialisation is the most efficient way to use human effort."
3. In business work can be performed more efficiently if it is divided into specialised tasks; each performed by a specialist or trained employee. This results in efficient and effective output. Thus, in a company we have separate departments for finance, marketing, production and human resource development etc. All of them have specialised persons. Collectively they achieve production and sales targets of the company. Fayol applies this principle of division of work to all kinds of work - technical as well as managerial.



(i) Division of Work:



(ii) Authority and Responsibility:

1. According to Fayol, "**Authority is the right to give orders and obtain obedience, and responsibility is the corollary of authority.**"
2. **Managers require authority commensurate with their responsibility.**
3. There should be a balance between **authority and responsibility.**
4. **An organisation should build safeguards against abuse of managerial power.** At the same time a manager should have necessary authority to carry out his responsibility.



(ii) Authority and Responsibility:

- For example, a sales manager has to negotiate a deal with a buyer.
- She finds that if she can offer credit period of 60 days she is likely to clinch the deal which is supposed to fetch the company net margin of say Rs. 50 crores.
- 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.
- Similarly, in this example this manager should not be given a power to offer a credit period of say 100 days because it is not required. A manager should have the right to punish a subordinate for wilfully not obeying a legitimate order but only after sufficient opportunity has been given to a subordinate for presenting her /his case.



(iii) Discipline:

1. Discipline is the **obedience to organisational rules and employment agreement** which are necessary for the working of the organisation.
2. According to Fayol, discipline requires good superiors at all levels, clear and fair agreements and judicious application of penalties.

For example, **Suppose management and labour union** have entered into an agreement whereby workers have agreed to put in extra hours without any additional payment to revive the company out of loss. In return the management has promised to increase wages of the workers when this mission is accomplished. Here discipline when applied would mean that the workers and management both honour their commitments without any prejudice towards one another.



(iv) Unity of Command:

1. 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.
2. The principle of unity of command states that each participant in a formal organisation should receive orders from and be responsible to only one superior.
3. Fayol gave a lot of importance to this principle. He felt that if this principle is violated "authority is undermined, discipline is in jeopardy, order disturbed and stability threatened".
4. The principle resembles military organisation.
5. **Dual subordination should be avoided**. This is to prevent confusion regarding tasks to be done.

Example, Suppose 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 tells her /him not to offer more than 5% discount. Now there is no unity of command. This can be avoided if there is coordination between various departments.



(v) Unity of Direction:

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

For example, if a company is manufacturing motorcycles as well as cars then it should have two separate divisions for both of them. Each division should have its own incharge, plans and execution resources. **On no account should the working of two divisions overlap.**

Now let us differentiate between the two principles of unity of command and unity of direction.



Unity of Command vs Unity of Direction:

Difference between Unity of Command and Unity of Direction

Basis	Unity of Command	Unity of Direction
1. Meaning	One 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.
2. Aim	It prevents dual subordination.	It prevents overlapping of activities.
3. Implications	It affects an individual employee.	It affects the entire organisation.

(vi) Subordination of Individual Interest to General Interest:

1. The interests of an **organisation** should take priority over the interests of any one individual employee according to Fayol.

2. Every worker has some individual interest for working in a company. The company has got 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 the least. In another situation an individual employee may demand some concession, which is not admissible to any other employee like working for less time.

3. In all the situations the interests of the group/ company will supersede the interest of any one individual. This is so because larger interests of the workers and stakeholders are more important than the interest of any one person.

For example, interests of various stakeholders i.e., owners, shareholders, creditors, debtors, financiers, tax authorities, customers and the society at large cannot be sacrificed for one individual or a small group of individuals who want to exert pressure on the company.

7. A manager can ensure this by her /his exemplary behaviour. For example, she/he should not fall into temptation of misusing her /his powers for individual/ family benefit at the cost of larger general interest of the workers/ company. This will raise her/his stature in the eyes of the workers and at the same time ensure same behaviour by them.

(vii) Remuneration of Employees:

1. The overall **pay and compensation** should be **fair** to both **employees and the organisation**.
2. 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.
3. In other words, remuneration should be **just and equitable**. This will ensure congenial atmosphere and good relations between workers and management. Consequently, the working of the company would be smooth.



(viii) Centralisation and Decentralisation:

1. The **concentration of decision-making authority is called centralisation** whereas its **dispersal among more than one person is known as decentralisation.**
2. According to Fayol, "There is a need to balance subordinate involvement through decentralisation with managers' retention of final authority through centralisation."
3. The degree of centralisation will depend upon the circumstances in which the company is working.
4. In general large organisations have more decentralisation than small organisations.

For example, panchayats in our country have been given more powers to decide and spend funds granted to them by the government for the welfare of villages. This is decentralisation at the national level.



(viii) Centralisation and Decentralisation:



Apple is an example of a business with a **centralized management structure.**

Within Apple, much of the decision-making responsibility lies with the Chief Executive Officer (CEO) Tim Cook, who assumed the leadership role within Apple following the death of Steve Jobs.



(viii) Centralisation and Decentralisation:

Johnson & Johnson

Johnson & Johnson

Johnson & Johnson, well known for its decentralized structure, has over 200 units that function autonomously. Some focus on particular components of a product, requiring cooperation between such units.



Case: Johnson & Johnson

1. **Nothing is more important than the health and well-being of those we love.** Founded in 1866 as a family business, Johnson & Johnson now has over 130,000 employees in 60 countries worldwide (Johnson & Johnson Services Inc, 2017).
2. What started off as a small, three-person business, the company has now expanded across the globe and was named a “2017 Fortune’s Most Admired Company” (Bell, 2017).
3. One may wonder, how did brothers Robert, James, and Edward Johnson set the foundation for the next 130 years to come? This success can be attributed to Johnson & Johnson’s Strategic Framework, which is at the root of all decision-making.
4. The company’s Strategic Framework is comprised of three main components: The Foundation, Strategic Principles, and Growth Drivers (Johnson & Johnson Services Inc, 2017). All three sections of the Strategic Framework include insight to Johnson & Johnson’s Management Approach, which guides the company’s philosophy for continuous success.



Case: Johnson & Johnson

5. The Foundation includes the **Credo**, which establishes the values incorporated into the decision-making process (Johnson & Johnson Services Inc, 2017). The Credo can be seen in every single office and corner of Johnson & Johnson facilities. The Credo is a reminder of the standards that are upheld in correspondence with the company's aspirations.
6. The **Strategic Principles** include the company's organizational approach, which is a decentralized structure in management for the long-term (Johnson & Johnson Services Inc, 2017).
7. Lastly, the **Growth Drivers are the areas of focus for growth and innovation**, which include the Leadership Imperatives of Connect, Shape, Lead, and Deliver (Johnson & Johnson Services Inc, 2017). These four Leadership Imperatives are considered the "4 Pillars" of Johnson & Johnson, and are the main attributes the company looks for when seeking employment.
8. The company is leadership driven, and needs leaders of employees to act as such. These three components support why Johnson & Johnson's Strategic Framework is at the core of the business' continued success for the past 130 years.



Case: Johnson & Johnson (Organizational Structure)

1. Since the company has vastly widened geographically to 250 different operating units, it makes sense for Johnson & Johnson to delegate more freedom to its managers and employees in each unit (Vault, 2017).
2. Johnson & Johnson's facilities incorporate a **decentralized structure with more empowerment for its workers** in various levels of management (Bedeian, 1993).
3. Implementing a decentralized structure allows each operating unit to adapt to the needs of the people in each differing location (Schwenker & Botzel, 2007).
4. In a decentralized structure, authority is delegated down the organizational chain.
5. Since Johnson & Johnson is so massive with over 130,000 employees, the pyramidal structure is also quite tall. Having a tall organizational structure means that there are various levels of management and reporting relationships (Nickels & McHugh, 2015).
6. Generally tall, decentralized structures are inefficient because of the lack in communication across multiple segments and levels (Nickels & McHugh, 2015).



Case: Johnson & Johnson (Organizational Structure)

7. However, Johnson & Johnson is one of the few large companies that has used this structure to its advantage by adapting to the local needs in proximity to each operating unit. The company's diversified organizational structure is affiliated with the Strategic Principles of Johnson & Johnson's Strategic Framework of a long term decentralized organizational approach.

8. The two main **advantages of a decentralized structure include higher morale and faster decision making** (Nickels & McHugh, 2015). Imagine if a low-level manager had to ask its boss' boss' boss' boss for approval on a decision. Increasing empowerment in its various levels of employees improves **time management and provides employees** with higher levels of satisfaction (Bedeian, 1993). However, the main disadvantage of a decentralized structure is that it leads to less top-management control.



Centralisation and Decentralisation:



Subway

Subway gives local stores control over hiring, but a centralized headquarters makes decisions about things such as menu and marketing.

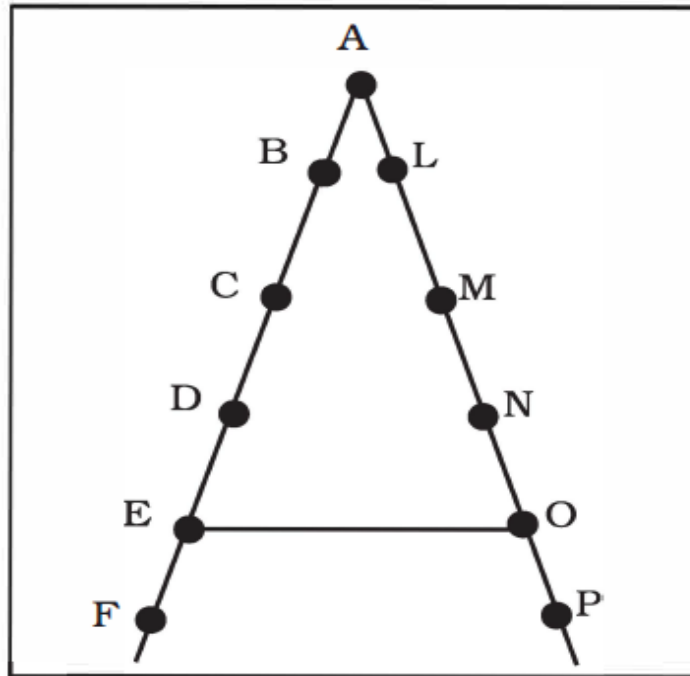


(ix) Scalar Chain:

1. An organisation consists of superiors and subordinates. **The formal lines of authority from highest to lowest ranks are known as scalar chain.**
2. According to Fayol, "Organisations should have a chain of authority and communication that runs from top to bottom and should be followed by managers and the subordinates."



(ix) Scalar Chain:



Fayol's Scalar Chain

Let us consider a situation where there is one head 'A' who has two lines of authority under her/ him. One line consists of B-CD E-F.

Another line of authority under 'A' is L-M-N-O-P.

If 'E' has to communicate with 'O' who is at the same level of authority then she/he has to traverse the route E-D-C-B-A-L-M-N-O. This is due to the principle of scalar chain being followed in this situation.

According to Fayol, this chain should not be violated in the normal course of formal communication.

However, if there is an emergency then 'E' can directly contact 'O' through 'Gang Plank' as shown in the diagram. This is a shorter route and has been provided so that communication is not delayed.

(1) The technique of management which is followed here is **Standardization** (Each bulb which is manufactured is of standard size and quality) and **Simplification** (Further if there is any unrequired type of bulb manufactured then its production is stopped).

(2) The principle of management which is followed here is **Scalar Chain**.

(3) However he finds that his company's policies only allow him to give the message to his immediate boss who will further pass this message to his boss.

The option which is now available to Suresh is the use of Gang Plank as this is an emergency situation. Suresh knows that this information should be given immediately to the production department.



(x) Order:

1. According to Fayol, "People and materials must be in suitable places at appropriate time for maximum efficiency."
2. The principle of order states that 'A place for everything (everyone) and everything (everyone) in its (her /his) place'.
3. 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/ factory. This will lead to increased productivity and efficiency.



(xi) Equity:

1. Good sense and experience are needed to ensure fairness to all employees, who should be treated as fairly as possible," according to Fayol.
2. This principle emphasises kindness and justice in the behaviour of managers towards workers. This will ensure loyalty and devotion.
3. Fayol does not rule out use of force sometimes. Rather he says that lazy personnel should be dealt with sternly to send the message that everyone is equal in the eyes of the management.
4. There should be no discrimination against anyone on account of sex, religion, language, caste, belief or nationality etc. In practice we can observe that now a days in multinational corporations people of various nationalities work together in a discrimination free environment.



(xi) Equity:

India-born Google and Alphabet CEO **Sundar Pichai**



(xii) Stability of Personnel:

1. "Employee turnover should be minimised to maintain organisational efficiency", according to Fayol.
2. Personnel should be selected and appointed after due and rigorous procedure. But once selected they should be kept at their post/ position for a minimum fixed tenure. They should have stability of tenure. They should be given reasonable time to show results.
3. Any adhocism in this regard will create instability /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.



(xiii) Initiative:

1. Workers should be encouraged to develop and carry out their plans for improvements according to Fayol.
2. Initiative means taking the first step with self-motivation. It is thinking out and executing the plan. It is one of the traits of an intelligent person. Initiative should be encouraged. But it does not mean going against the established practices of the company for the sake of being different.
3. A good company should have an employee suggestion system whereby initiative/suggestions which result in substantial cost/time reduction should be rewarded.



(xiv) Espirit De Corps:

1. Management should promote a team spirit of unity and harmony among employees, according to Fayol.
2. Management should promote teamwork especially in large organisations because otherwise objectives would be difficult to realise. It will also result in a loss of coordination.
3. 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. It will also minimise the need for using penalties.



FAYOL VERSUS TAYLOR - A COMPARISON

Sl. No.	Basis of difference	Henri Fayol	F. W. Taylor
1.	Perspective	Top level of management	Shop floor level of a factory
2.	Unity of Command	Staunch Proponent	Did not feel that it is important as under functional foremanship a worker received orders from eight specialists.
3.	Applicability	Applicable universally	Applicable to specialised situations
4.	Basis of formation	Personal experience	Observations and experimentation
5.	Focus	Improving overall administration	Increasing Productivity
6.	Personality	Practitioner	Scientist
7.	Expression	General Theory of Administration	Scientific Management

Case Study:

Rajeev is a middle lever manager. He keeps all his subordinates under a lot of discipline. His employees however complain of wastage of time and efforts as they feel that nothing is being assigned in a proper way and a proper place, also no proper schedule is made for working.

Which principle of management is violated here?

The principle of management which is violated here is the Fayol's principle of 'order'.

Fayol's principle of order says that everything has a place and everything should be at its place.



Case Study:

Suresh works in a bulb manufacturing company. Each bulb which is manufactured is of standard size and quality. Further if there is any unrequired type of bulb manufactured then its production is stopped. Last month when the company came to know that 10 watt bulbs were no more liked by customers, their production was stopped. He works in the purchase department. His job is to purchase the filaments required to make bulbs. This time when he purchases the filament he gets the instruction from the seller that some special care needs to be taken in the first hour of fixing the filaments inside the bulb. Suresh knows this information should be given immediately to the production department ~~before~~ before the assembling process starts. However he finds that his company's policies only allow him to give the message to his immediate boss who will further pass this message to his boss. The passing of this message will continue till it reaches the desired person in the production department.

- (1) Which technique of management is followed here?
- (2) Also name the principle of management followed here by the company?
- (3) Which option is now available to Suresh since the company is not allowing him to interact with the concerned worker in the production department?



Case Study

Aditi who is heading the campus recruitment program of the firm that she is working in, gets an immediate order from the marketing head of the organization. Mr. Rupesh asks her to hire only those candidates who have two years' experience in the field of marketing and offer them a higher package. Moments later when she is about to enter the campus she gets another call from the HR head who asks her to hire candidates with zero experience. He gives her the logic that such candidates would be expecting lower packages in comparison to the candidates having experience in the industry.

Which principle of Fayol stands violated here? What is the immediate outcome of the violation of this principle? State the principle.

Answer. The principle of Fayol which is violated here is 'Unity of command'. The Unity of command states that an employee should take orders only from one boss. The immediate outcome of the violation of this principle is dual subordination.



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Thank You.....

A decorative network diagram in the bottom-right corner, featuring a complex web of interconnected nodes and lines. Some nodes are highlighted with blue circles, and others with solid blue dots. The diagram is rendered in a light gray color.