

CHAPTER -2

PRINCIPLES OF MANAGEMENT

Every discipline has its own principles and management has its own principles. A Managerial principle is a broad and general guideline for decision making and behavior. Management principles are statement of fundamental truth. These principles serve as guidelines for decisions and actions of managers.

Principle of management is different from technique of the management. Principles are guidelines to take decisions whereas techniques are procedures or methods, which consist of a number of steps to be taken to attain the desired goal. Principles are differing from values. Principles are basic truth or guidelines for behavior. Values are general rules for behavior of individuals in society formed through common practice

Definition

“Principles of management are the guiding rules of laws for management action”

- Herbert G Hicks

“ Management principles are fundamental truth of general validity” -Koontz and O’ Donnell

NATURE OF PRINCIPLES OF MANAGEMENT

Management principles are fundamental truth. They denote a cause and effect relationship. These principles are guidelines to thought and action. Important features of the principles are:-

- 1. Universal applicability:-** Management principles are applicable to any type of organisations in any part of the world. They are applicable in all spheres of human activity- even if it is business or non-business
- 2. General Guidelines:-** The principles are guidelines to action. But it does not provide readymade solution to all managerial problems as real business situations are not alike. However general guidelines help to solve a given problem.
- 3. Formed by practice and experimentation/ Evolutionary:-** The principles of management are formed by experience and collective wisdom of managers as well as experimentation

4. **Flexible:-** Management principles are elastic or flexible in nature. They are prepared to adapt to different situations and changing environment. In this sense they are dynamic also.
5. **Influencing human behaviour:-** Management principles are formulated mainly to regulate and direct the human beings in an organization. They are supposed to influence human behavior so that people give their best to the organization.
6. **Cause and effect relationships:-** The principles of Management are intended to establish relationship between cause and effect so that they can be used in similar situations in a large number of cases. The principles of management are less than perfect since they mainly apply to human behavior.
7. **Contingent (Relativity):-** The application of principles of management is contingent or dependent upon the prevailing situation at a particular point of time. Eg: The principles of Fair remuneration suggest that employee remuneration should be based on paying capacity of the employer and contribution made by the employee. Since the paying capacity of the employer and contribution of the employee keep on changing, employee remuneration should also change

SIGNIFICANCE OF PRINCIPLES OF MANAGEMENT

Management principles derive their significance from their utility. Principles guide managers in taking and implementing decisions.

The following points highlight the importance of management principles

1. Providing managers with useful insights into reality

The principles of management provide the managers with useful insights into real world situations. When a manager follows sound managerial principles, decisions based on them will be perfect and accurate.

2. Optimum utilization resources and effective administration:- Management principles help managers in taking proper decisions in proper time. It points out how time, money, materials and human efforts can be used economically to improve productivity.

By following certain principles like unity of command, scalar chain etc. managers can manage their respective area effectively. This removes confusion and ambiguity in the mind of employees.

3. Scientific Decisions:- Management decisions taken with the backing of management principles are free from bias and prejudice. They are based on the objective assessment of the situation.

4. Meeting changing environment requirements:-

Management principles are highly flexible and therefore can be modified to meet changing requirements of environment. For eg: by following the principle of division of

labour , managers are able to identify where and for what activity the technology has changed.

5. Fulfilling Social responsibility:- A business enterprise is an integral part of society. It has to supply quality products at reasonable price to the customers and fair wages to

the employees. Proper understanding of management principles would enable the managers take realistic view of organizational situations and their social relevance.

6. Management training, education and research:- Principles of management are at the core of management theory. As such these are used as a basis for management training, education and research

TAYLOR'S SCIENTIFIC MANAGEMENT

*** F.W. Taylor was the first person to introduce scientific methods in the management process. F.W.Taylor was born in Philadelphia in 1856. He started his career as a mechanist and rose to the position of chief engineer of Midvale steel works. He published his studies through his entitled “ a piece rate system “ and “shop Management”. His famous book “principles and methods of scientific management’ was published in 1911. That is why; Taylor is regarded as father of scientific management.”

SCIENTIFIC MANAGEMENT- MEANING AND DEFINITION

Scientific management refers to the application of science to management practices. It involves the replacement of rule of thumb or trial and error method by scientific and systematic approach in decision making.

“Scientific management means knowing exactly what you want men to do and seeing that they do it in the best and cheapest way.”-Fredrick Winslow Taylor (F.W.Taylor)

Principles of Scientific management

Taylor formulated the following principles for managing the organization scientifically

1. Science, Not rule of Thumb The development of science for each element of man’s work which will replace the old rule of thumb method.(trial and error method). The basic principle of scientific management is the application of scientific method in solving business problems. Through scientific analysis and investigation, the best method of doing a work can be developed.

2. Harmony , not Discord (close co ordination between management and workers)
Taylor emphasized that there should be complete harmony between the management and workers. Taylor believed that the basic interest of the workers and management are same ie. To get more. Management should share the gain of the company if any with the workers . Workers on their part should work hard with discipline and loyalty. both should be part of the family.

3. Co -operation, not individualism

There should be complete co- operation between the labour and the management instead of individualism. Competition should be replaced by co –operation. Both should realize that they need each other. This can be achieved through a change in mental attitude of workers and the management towards each other.

The responsibility of both the managers and the workers should be clearly defined. Planning and organizing the work should be the responsibility of managers. The execution of the planned work is the responsibility of workers.

4. Development of each and every person to his or her greatest efficiency and prosperity

Under scientific management right men are selected for right jobs. The procedure for selection of workers should be designed scientifically. Management is responsible for their scientific education and training. The management and the workers should try to achieve maximum output in the place of restricted output. This will be beneficial to both the parties.

Mental Revolution

The basic idea behind the principles of scientific management is to change the mental attitudes of the workers and the management towards each other. Taylor called it '**mental revolution**' .

Mental revolution has three implications

- All efforts for increase in production
- Creation of spirit of mutual trust and confidence
- Developing a scientific attitude for solving problems

The management and workers should realize they require one another. Management should share a part of surplus with workers. Workers should perform their jobs with ultimate loyalty and discipline This attitude will be good for both of them and ensure the prosperity of the business.

Techniques of scientific management

To bring scientific management into practice, Taylor suggested the following techniques

1. Functional foremanship

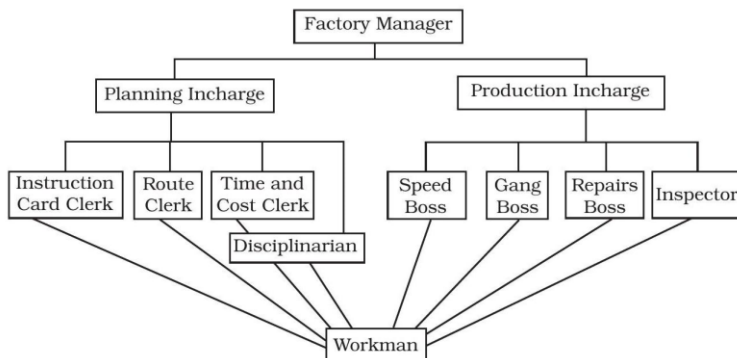
F.W.Taylor suggested that specialization should be introduced in the factory. He advocated 'Functional foremanship' for this purpose. Under this system planning and execution are separated from each other. According to this, eight supervisors are supervising the the same worker on eight different aspect of the work. **The supervisors from planning / office levels are**

- i. **Instruction Card Clerk:-** To lay down the exact method of doing work

- ii. **Route Clerk**:- to lay down the sequences of operations and direct the workers to follow the same
- iii. **Time and cost clerk**:- To lay down the timetable for doing various jobs and to maintain the cost of the work.
- iv. **Disciplinarian**:-To enforce rules and regulations and maintain discipline among workers.

The supervisors in the production/shop level are

- i. **Speed boss**:- to determine appropriate speed to run the machines
- ii. **Gang boss**:- To assemble and set up machines and tools for a particular job.
- iii. **Repair Boss**:- To responsible for keeping the machines and equipment in working order.
- iv. **Inspector**:- To check the quality of the work done



Reduce spoilage and wastage of materials
Improve the quality of work
Diminishing cost of production
Reduce fatigue of workers

Simplification means elimination of superfluous sizes ,varieties and dimensions . Its aim is to eliminate unnecessary diversity of products and thereby reduce costs.

3. Method study

The objective of method study is to find out one best way of doing a job. It helps a lot in handling, transporting and storage of raw materials and goods. The aim of this study is to maximize efficiency in the use of materials, machinery and other factors of production by improving work methods.. Taylor devised the concept of assembly line by using method study

4. Motion study

Motion study involves close observation of movements of the workers and machines to perform a particular job. It helps to eliminate wasteful movements and to select the best method of doing a job.

5. Time study

It is the determination of time required to complete a particular study. i.e. Fixing standard time for each job. Time measuring devices are used for each element of work. The objective of time study is to determine the number of workers to be employed, frame suitable incentive schemes and determine of labour costs.

6. Fatigue study

Continuous work causes physical or mental fatigue. Fatigue study tries to identify the amount and frequency of rest required in completing the work. Rest pauses and intervals should be scientifically determined.

Work study is the term used to embrace the techniques of method study, motion study, time study and fatigue study.

Work study = method study + motion study + Time study + Fatigue study

6. Differential Piece Rate System

Taylor suggested the use of a differential piece rate system in order to motivate workers to produce the maximum quantity. He wants to reward efficient workers. Under this system of wage payments two piece rates are laid down

1. A low piece rate for those who are below the standard
2. A high piece rate for those who are at or above the standard task

Standard task is determined after the time and motion study. Suppose a fair day's work is 10 units and two workers A and B produce 8 units and 12 units respectively. If the two piece rate re.1 and Rs.1.50 per unit. Worker A will get Rs. 8 (8X1) and worker B will get Rs 18 (12 X1.50).

FAYOL'S PRINCIPLES OF MANAGEMENT

Henri Fayol is popularly known as the Father of Modern general management. He was born in 1841. He started his career as a coal mine engineer in the French Coal mining company and later become the managing director of the company. In the year 1916 , he published his well-known book ' Industrial and General administration' in French language.

Fayol was the first to identify four functions of management – planning, organizing, Directing and controlling although his version was bit different- Plan, organize, command, coordinate and control. According to Fayol, all activities of an industrial undertaking could be divided into: Technical, commercial, Financial, security, Accounting and managerial. he also

suggested that qualities a manager must possess should be-physical, moral, education, knowledge and experience

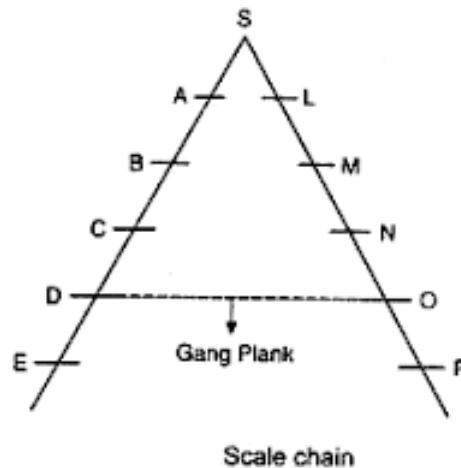
Henri Fayol suggested 14 principles of management for the running the business effectively. They are as follows

1. **Division of work:-**Work is divided into small tasks/jobs .Division of work promotes specialization and avoid waste of time and effort By doing the same work again and again as the worker gains speed and accuracy. This principle is applied to technical as well as managerial duties.
2. **Authority and Responsibility:-** Authority is the right to give orders to the subordinates and responsibility is the duty in which the subordinates are expected to perform. This principle states that authority and responsibility are co-existing. If the authority is granted to a person he should also be made responsible. Similarly if anybody is made responsible for a task , he should sufficient authority for getting the work done. Thus there must a parity between authority and responsibility.
3. **Discipline** : Discipline means getting obedience to rules and regulations of the organization it is essential for the smooth running of the business
4. **Unity of Command:** This principle states the employee should receive order from one superior only. He should be accountable to only one superior only. He should be accountable to only one superior. The violation this principle will leads to the following consequences
(a) Overlapping of orders and instructions (b) difficulty in maintaining discipline and (c) permanent source of conflict.
5. **Unity of direction:-** This principle states that for a group activities having the same objective, there should be one head and one plan. It helps in the effective management of the organization. If the principle is not followed, there will be unnecessary duplication of efforts and wastage of resources.
6. **Subordination of individual interest to general interest.-**An organization is superior to individuals. This principle states that harmony of personal interest and common interest. When the individual interest and common interest differ it is the duty of the manger to reconcile them. Thus interest of group must always prevail over individual interest.
7. **Remuneration of employees**
Remuneration should be just and equitable. It should be satisfactory both to the employer and employee. Fair remuneration motivates and keeps up the morale of workers.
8. **Centralisationand Decentralisation:-** The concentration of decision making authority at the top level is called centralization where as it dispersal to the lower levels is known

as decentralization. According to Fayol an organization should strive to achieve a balance between centralization and decentralization.

9. **Scalar chain:-** scalar chain refers to 'the chain of superiors ranking from the ultimate authority to the lowest level in the concern'. It states superior-subordinate relationship throughout the concern and is necessary to ensure unity of command and effective communication. This chain should not be violated in the normal course of formal communication.

However fayol is not in favour of very rigid scalar chain. He had suggested short circuiting the chain of command where emergency decisions are to be taken. This process of short circuiting is called **gang plank**



Suppose 'D' wants to communicate 'O' under scalar chain. D should first of all communicate with 'S' through C, B, A and 'S' has to communicate with 'O' through L, M and N. In gang plank 'D' allowed to communicate with 'O' directly. This is used in urgent situation only.

10. **Order:-** Order is the arrangement of things and persons in the proper place. According to Fayol, there should be a place for everything and every one. I.e. The right man and the right thing must be in the right place. Order, according to fayol has two components. (a) material order (b) social order. Arrangement of things is known as material order. Arrangement of people is known as social order.
11. **Equity:-** The principle suggest that a fair and just treatment is assured to people in similar positions. Eg. Worker doing the same job should have equal pay. It implies that superiors should be impartial while dealing with their subordinates. Favoritism and nepotism should be avoided.
12. **Stability of tenure of personnel:-** According to Fayol a worker should not be moved from one job to another frequently. Time is necessary for employee to adapt his work

and perform it effectively.. Frequent changes of personnel increases cost of selection and training .

13.**Initiative**:- according to this principle , subordinates should be given an opportunity to take initiative in making and executing the plans. It will increase the zeal and energy of employees and help them to be creative.

14.**Esprit de corps (union is strength)**:-This principle implies that there should be coordination and team work among the members of an organization. Management must take steps to develop a sense of belongingness among the members of the work group. Team spirit helps in developing an atmosphere of mutual trust and understanding. It inspires people to work harder and improve the quality of work.

Difference between unity of command and unity of direction

Basis	Unity of command	Unity of direction
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
Aim	It prevent dual subordination	It prevent overlapping of activities
Implications	It affect an individual employee	It affect the entire organisation

FAYOL VERSUS TAYLOR – A COMPARISON

BASIS	HENDRY FAYOL	F W TAYLOR
1. status	Father of administrative (General) Management	Father of scientific Management
2. Attention	Focuses on the top level management	Focuses on the operational level management
3. Applicability	Applicable universally	Applicable to specialized situations(factories)
4. emphasis	Improve overall administration(stress on human aspect)	Stress on increasing productivity (not the human aspect)
5. personality	practitioner	Scientist
6. Results	Personal experience	Observation and experimentation
7. Unity of command	Strictly followed	Not considered as important. Under functional foremanship a worker receives order from 8 specialists