

BUSINESS STUDIES



Principles of Management

Topics Covered

- ✚ Concept of management
- ✚ Characteristics of management
- ✚ Taylor’s scientific management
- ✚ Fayol’s principles of management
- ✚ Fayol v/s Taylor and inter-temporal comparisons

Concept of Management Principles

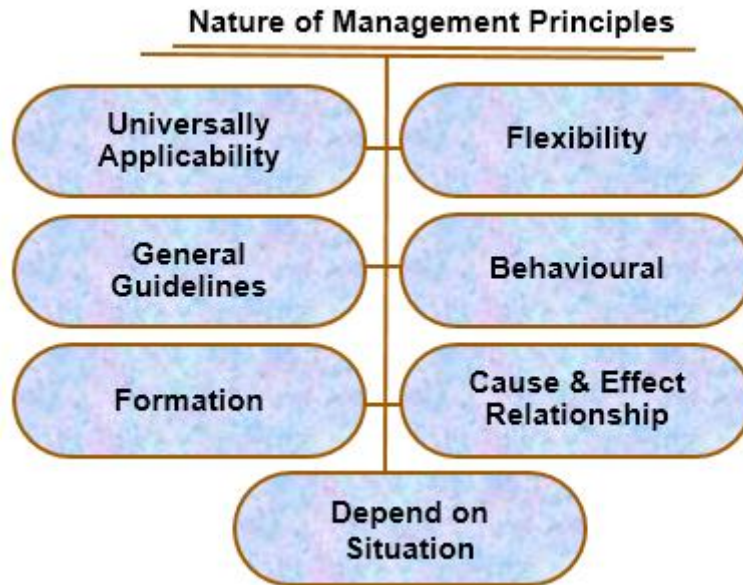
Principles of management refer to the **guidelines for managerial behaviour in various situations and problems**. The principles of management **guide managers in decision making**. That is, the principles of management are not applied as they are in real business situations; rather, they need to be modified by the manager according to the situation and the requirement.

Management Principles	Pure Science Principles
<ul style="list-style-type: none"> • Flexible • Applied with <i>creativity</i> • Based on <i>human behaviour & cannot</i> be tested in <i>laboratories</i> 	<ul style="list-style-type: none"> • Rigid • Applied in <i>absolute or in static manner</i> • Based on <i>cause & effect relationship &</i> can be tested in <i>laboratories</i>
Management Principles	Management Techniques
<ul style="list-style-type: none"> • Guidelines for <i>managerial actions</i> • Flexible 	<ul style="list-style-type: none"> • Methods involving <i>steps to be performed to achieve the goal</i> • Rigid
Management Principles	Values
<ul style="list-style-type: none"> • Guidelines for <i>managerial actions</i> • <i>Technical</i> in nature 	<ul style="list-style-type: none"> • <i>Rules for behaviour</i> of individual in society • <i>Ethical</i> in nature

Nature of Management Principles

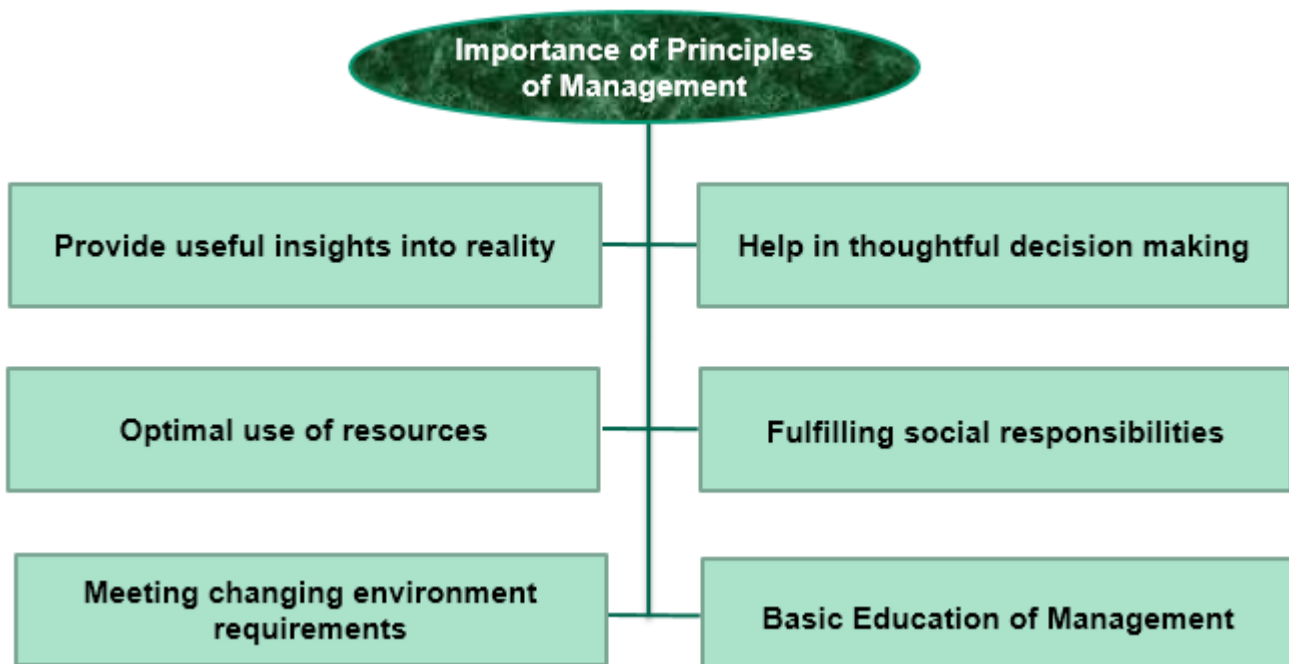
- 1) **Universally applicable:** The principles of management are universally applicable in the sense that they are **applicable to all organisations irrespective of their nature and size**. However, the extent of application may vary from one organisation to another.
- 2) **General guidelines:** The principles of management are **general guidelines for managerial behaviour and actions in various problems and situations**. However, as real business situations are very complex, these principles do not provide straightforward solutions. In other words, the principles are just guidelines for actions and decision making which can be modified **according to the situation**.
- 3) **Formation:** The principles of management were formed by **continuous observation and experimentation by managers in different situations**.
- 4) **Flexibility:** The principles of management are **flexible** and can be **moulded by managers according to a specific situation and circumstance**.
- 5) **Behavioural:** The principles of management are behavioural in the sense that they influence human behaviour and **help in understanding the relationship between human resources and material resources** in an organisation.

- 6) **Explains the cause and effect relationship:** The principles of management **explain the effect of their application in different situations**. In other words, they help in explaining what would be the effect of application of a principle in a particular situation. However, as the principles of management deal with human behaviour, the effect of their behaviour cannot be predicted accurately.
- 7) **Dependent on situation:** The application of the principles of management depends on the particular situation. In other words, the **principles must be moulded according to the needs of the specific situation**.



Points describing the importance of the Principles of Management:

- 1) **Provide useful insights into reality:** The principles of management were developed over the years on the basis of **continuous observation and experimentation of managers in real business situations**. Accordingly, these principles act as a guide to managers in dealing with various business problems. They can be used by managers to deal with recurring business situations.
- 2) **Optimal use of resources:** One of the basic aims of management is the optimum utilisation of resources. The principles of management require the organisation to work on planned and systematic activities which help to utilise resources efficiently.
- 3) **Meeting changing environment requirements:** All the businessmen stay alert and make changes according to the changes prevailing in the business environment. The management principles are **useful to train managers in moving in the right direction and at the right level in the organisation**. However, management principles are broad guidelines which require modification to bring about a change in the organisation according to the changing business environment.
- 4) **Help in thoughtful decision making:** As the principles of management are developed on the basis of **continuous observation and experimentation**, they are **based on logic and reasoning**. Thus, by following the principles of management, managers approach problems scientifically and are able to take logical and rational decisions.
- 5) **Fulfilling social responsibilities:** A business is operated in society with the use of resources available in society and hence should stay **responsible for performing social responsibilities**. Management theory and principles ensure that managers are achieving organisational goals along with **fulfilling social responsibilities**.
- 6) **Basic education of management:** These principles **form the base for management education**. They form the most important part of management studies. Moreover, they form the base for further research on management.



Scientific Management: F.W. Taylor



- Scientific management implies **knowing exactly what is to be done** and devising the best ways of doing it
- This term was given by **Frederick Taylor (1856–1915)** in **1911**.
- It suggests that work should be done according to standardised techniques and tools and with the help of specialised personnel
- So as to **improve the quantity and quality of the product** and at the same time reducing costs i.e. scientific management **improves the effectiveness and efficiency of work**.

Principles of Scientific Management

1) Science, not Rule of Thumb

- Before Taylor developed the Principles of Management, the **Rule of Thumb was a widely used** concept.
- Under the rule of thumb, **each manager handled a situation or problem based on his/her** understanding as and when it **arose using a trial and error method**.
- It was an **easily applicable process** but was a very **vague and inaccurate technique** of determining solutions to problems.
- Taylor fostered the introduction of scientific methods. He believed that for every work, there is **only one best method of doing it**.
- He wanted managers to take **decisions on the basis of logic and science rather than the rule of thumb**.

- He proposed that various **traditional methods used by managers** should be studied and the best method/solution among them should be adopted and followed by all managers in the organisation.
- With such scientific management, he was **able to increase efficiency to a large extent**.

2) Harmony, not Discord

- Taylor emphasised that managers and workers should maintain a **harmonious work environment**.
- They should **realise their interdependence and work in amity**.
- He introduced this principle for the peaceful co-existence of the workers and employees which will help to improve efficiency of work.
- In all types of organisations, there is always a conflict of thoughts between workers and management.
- Workers generally feel that they are overburdened and underpaid, whereas the management feels that workers are not focussed or do not work efficiently.
- To dismiss such a situation, Taylor showcased a need to bring about a mental revolution. It implied on bringing **a change in the thinking/attitude of both workers and managers**.
- Hence, this will help to build a **friendly working environment which will develop harmonious relations between them**.

3) Cooperation, not Individualism

- This principle emphasises on **cooperation among managers and workers over individualism**.
- It is closely related to the principle of 'Harmony, not Discord'.
- According to this principle, workers and managers should work with **mutual understanding and cooperation**.
- The manager should take care of workers and determine plans after taking their suggestions. This will help workers to work efficiently and achieve goals.
- Managers should also **share the gains of the company with workers**, awarding them with sufficient incentives to work.
- Similarly, the workers should **willingly work, giving their best contribution** to the company.
- This will **build mutual trust** and a feeling of belongingness in both.
- Prosperity of any organisation cannot exist without prosperity of the worker.

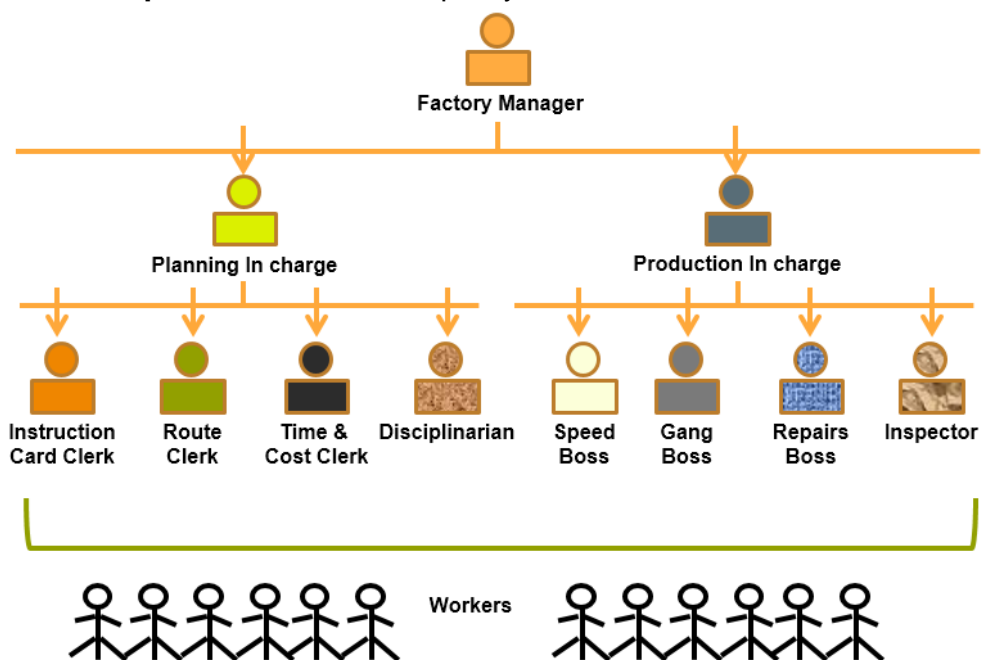
4) Development of Workers to their Greatest Efficiency & Prosperity

- Any organisation should focus on the **development of its workers** along with the company's growth.
- This is because the efficiency of a company is directly proportional to the efficiency of its workers.
- Workers can be equipped with the required skills through various training programmes conducted by the organisation.
- **Efforts towards increasing efficiency** should begin at the very first step, i.e. while hiring workers.
- Employees should be recruited in a scientific manner.
- They should be assigned work according to their **mental/physical qualities**.
- For increasing efficiency, workers should be given **proper training**.

Techniques of Scientific Management

Functional Foremanship

- Taylor suggested the division of the factory into two departments:
- Planning department
- Production department
- Each department consists of 4 functional experts to guide, supervise and instruct workers.
- **Experts in the planning department:**
 - **Instruction card clerk:** Provides instructions to workers
 - **Route clerk:** Shows the route of production
 - **Time and cost clerk:** Takes care of the time and cost involved in production
 - **Disciplinarian:** Ensures that discipline is maintained
- **Experts in the production department:**
 - **Speed boss:** Ensures timely completion of tasks
 - **Gang boss:** Keeps machines and tools ready for use by workers
 - **Repairs boss:** Ensures that machines work properly
 - **Inspector:** Controls the quality of work done



Standardisation

- Setting **standards** for any work or activity
- Standardisation can be of process, raw material, time, product, machinery, methods or working conditions
- Objectives:
 - **Brand building** by assigning fixed categories, sizes and features to the products supplied by any particular company
 - Making manufactured components/products **interchangeable**
 - Achieving **standards of quality** and reliability of products
 - Achieving **standards of performance** of men and machines

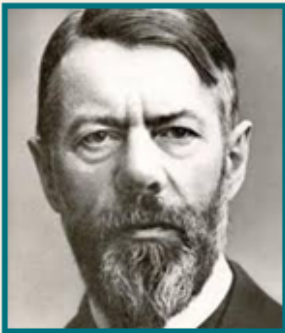
Simplification of Work

- **Eliminates** unnecessary varieties, sizes and dimensions of products
- **Reduces** labour and machinery costs
- Aims at **fuller utilisation of the resources, reducing inventories**

	and increasing turnover
Fatigue Study	<p>Determines the</p> <ul style="list-style-type: none"> • Frequency of rest intervals • Duration of rest intervals • Number of rest intervals required while completing a task <p>Causes for fatigue:</p> <ul style="list-style-type: none"> • Long working hours • Doing unsuitable work • Bad working conditions • Bad relations with boss
Method Study	<ul style="list-style-type: none"> • Objective: To find the best way of doing the job among all other methods. • Best Method Results in: Reduction in the cost of production and increase in the quality and satisfaction of customers.
Motion study	<ul style="list-style-type: none"> • Refers to the study of motion/movements which are undertaken while performing a particular job and it aims at eliminating unnecessary movements so that work can be completed efficiently and in less time. <div style="background-color: #c8e6c9; padding: 5px; margin-bottom: 5px;"> <p>Step 1: To determine movements of workers while performing the job</p> </div> <div style="background-color: #e0f2f1; padding: 5px; margin-bottom: 5px; border: 1px solid #ccc;"> <p>Step 2: Differentiate between productive, unproductive and incidental movements</p> </div> <div style="background-color: #e1bee7; padding: 5px; border: 1px solid #ccc;"> <p>Step 3: Eliminate the unwanted movements</p> </div>
Time Study	<ul style="list-style-type: none"> • Determines the time taken to perform a particular job • Standard time required to complete a particular task is determined • Determines the number of workers required to complete the task and accordingly determines wages
Differential piece wage system	<ul style="list-style-type: none"> • Wages are set as per the standards, and efficient workers, i.e. workers who perform as per the set standards or better than the set standards get higher wages as compared to inefficient workers, i.e. workers who perform below standards. <p>Example: Standard target = 15 units per day Standard rate = Rs 100 per unit</p> <p>Efficient worker who performs better than the standards set</p> <p>Standard Rate: Rs 100 Output produced: 17 units</p> <div style="border: 2px solid red; padding: 5px; width: fit-content; margin-left: auto;"> $(17 \times 100) = \text{Rs. } 1700$ </div> <p>Inefficient worker</p> <p>Lower rate: Rs 80 Output produced: 12 units</p> <div style="border: 2px solid red; padding: 5px; width: fit-content; margin-left: auto;"> $(12 \times 80) = \text{Rs. } 960$ </div>

	<p>Here, the difference of Rs 740 between the pay of an efficient worker and an inefficient worker is enough to motivate the inefficient worker to perform better.</p>
<p>Mental Revolution</p>	<ul style="list-style-type: none"> • There is a gap between management and workers as <ul style="list-style-type: none"> Management thinks workers <ul style="list-style-type: none"> ○ Have a careless attitude ○ Don't want to work ○ Always complain Workers think management <ul style="list-style-type: none"> ○ Overburdens workers with work ○ Pays them less ○ Exploits them • Managers and employees must change their attitude towards each other. • There should be cooperation between workers and management. • They should work for organisational objectives.

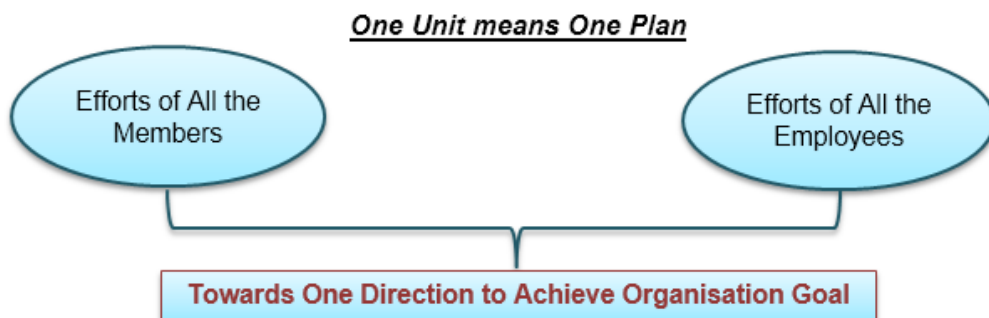
Fayol's Principles of Management



- **French management theorist** & concerned with **scientific organisation of labour**
- Famous as '**Father of Management Studies and Thoughts**'
- First to identify 4 **functions of management** – **planning, organising, directing and controlling**
- Made a distinction between – **technical and managerial skill**
- Developed **14 principles of management** – guidelines for managers to perform managerial activities

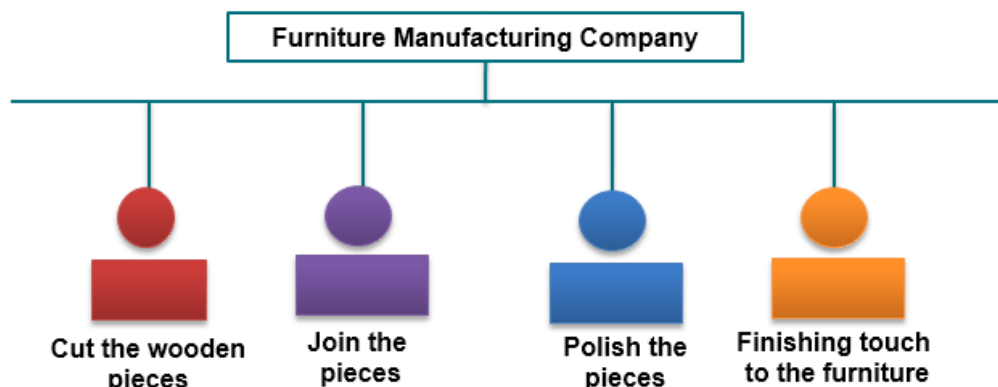
14 Fayol's Principles of Management

<p>Principle of Unity of Direction</p>	<ul style="list-style-type: none"> • Must have common direction of work in the organisation. • Direction of work is determined by the common objectives of the organisation. • Each unit should have a head and a defined plan. • Helps in avoiding overlapping of tasks and activities • If an organisation deals in manufacturing more than one product, then various activities related to each product should be handled by separate departments.
---	--



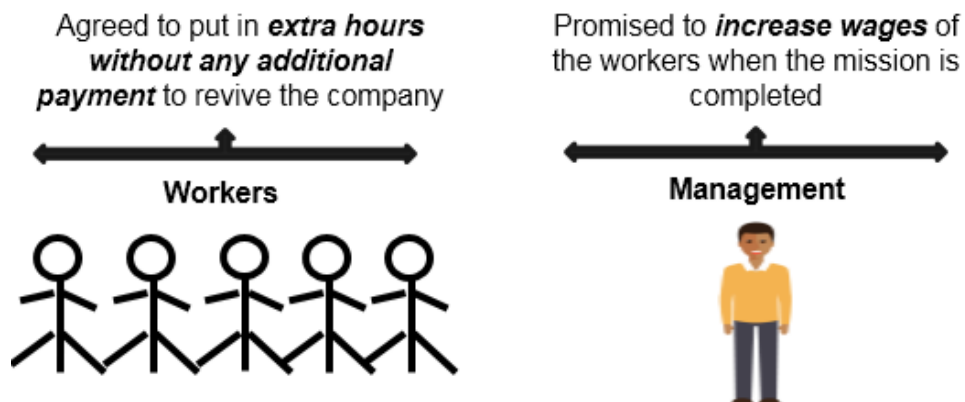
Principle of Division of Work

- The whole work is divided into **small units/tasks** which leads to **specialisation** of the assigned work.
- Specialisation helps to produce **more and better work** for the same effort.
- It enables each person to become specialised in his/her part of work and **improves his/her effectiveness and efficiency**.
- Not only the factory work but **technical, managerial and skill jobs** should also be divided into small units for specialisation.



Principle of Discipline

- Refers to **rules and regulations** of systematic work
- Not only rules and regulations but also **developing commitment** in the employees towards the organisation as well as towards each other
- Insists that discipline is required at the superior and subordinate levels



Principle of Authority and Responsibility

- Authority refers to the **power to take decisions** and responsibility refers to the **obligation to complete the work**.

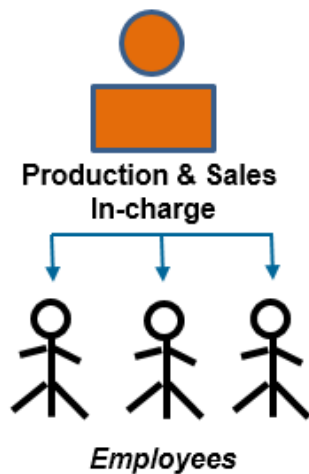
- There must be **balance or parity between the two commands**, i.e. authority and responsibility.
- This helps an organisation to prevent the misuse of managerial power.



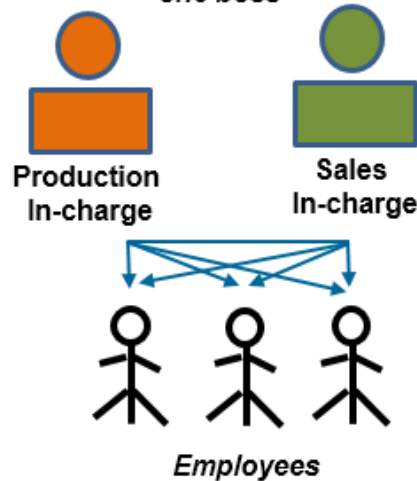
Unity of Command

- One subordinate should **receive instructions/commands from only one superior**.
- The principle is said to be **violated** if the subordinate is **answerable to more than one superior**.
- Following this principle is important for the organisation as its **violation leads to confusion and chaos**, which in turn leads to **instability and disturbance**.

Receive orders from one boss



Receive orders from more than one boss



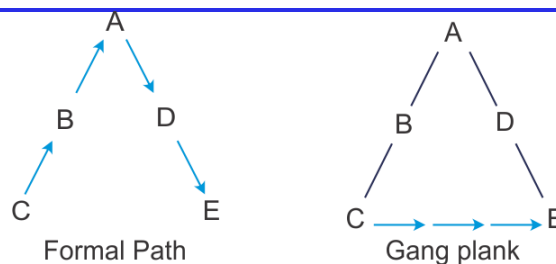
Principle of Subordination of Individual Interest to General Interest

- **Interest of an organisation must supersede the interest of individuals** or employees.



- Organisational goals **must not be sacrificed** because individuals will be able to achieve their objectives only when the organisation prospers.

<p>Principle of Remuneration of employees</p>	<ul style="list-style-type: none"> • Employees in the organisation must get <i>fair and adequate pay</i>. • Only when employees are <i>satisfied</i> with their pay, they will be <i>motivated to work efficiently in the organisation</i>. • It also ensures <i>congenial atmosphere and good relations</i> between workers and the management. <div style="text-align: center;"> <pre> graph TD A[Remuneration to Employees] -- based on --> B[Financial Capacity of the Concern] A -- based on --> C[Minimum Wage Act of Government] A -- based on --> D[Wages & Salaries paid by the Competitors] </pre> </div>
<p>Principle of Centralisation and Decentralisation</p>	<ul style="list-style-type: none"> • Centralisation: <i>Power and authority</i> in an organisation is concentrated in only a <i>few hands (Top level of management)</i>. • Decentralisation: <i>Power and authority</i> is delegated <i>to all levels of management</i>. • In any organisation, there must be a <i>balance between centralisation and decentralisation of authority</i>. • Degree of centralisation and decentralisation <i>depends on the nature and size of the organisation</i>.
<p>Principle of Scalar Chain</p>	<ul style="list-style-type: none"> • Refers to the <i>formal line of authority</i> (in the order of rank) as followed in the organisation. • Formal communication in an organisation follows the scalar chain—a <i>pre-defined, formal path of authority and communication in the order of highest to lowest</i>. • For example, A is the project manager in an organisation, and he further has a project lead (B) and a team member (C) reporting to him. So, the chain of <i>communication would be A-B-C</i>. • Suppose there is <i>another hierarchical order</i> wherein he has a team manager (D) and a team member (E), i.e. the chain of communication is A-D-E. • Now, if C wants to communicate with E, then he would follow the communication path <i>C → B → A → D → E</i>. • However, in case of an emergency situation, C may <i>directly communicate</i> with E through '<i>Gang Plank</i>'. • Gang plank refers to a <i>shorter emergency route</i> through which workers/employees can directly communicate with each other.



Principle of Order

- **Proper arrangement of things** in the organisation, i.e. material things and people should be at the fixed place.
- This helps in **smooth operations and improves efficiency**.
- For instance, files and other data must be arranged in the proper order so that they can be easily located and used when required.

Principle of Equity

- **Equal and fair treatment** of various employees in an organisation.
- **Biasness** of a manager leads to **dissatisfaction of employees**.
- There **must not be any discrimination** on grounds such as religion, gender and caste.
- **Force or kindness in behaviour** as required may be used equally for all employees.
- Such **equality in treatment promotes** in building a healthy and friendly work environment.

Principle of Stability of Personnel

- **No frequent termination and transfer**.
- Management must provide a **feeling of job security among employees**.
- If a particular employee is insecure about his/her job, then this feeling might affect **his/her efficiency when doing work**.
- Steps like **termination or transfer** must be taken only when they are **unavoidable**.

Principle of Initiative

- The organisation must **encourage employees** to come up with **new ideas and suggestions**.
- However, it must be ensured that the new initiatives and ideas are in accordance with the generally **followed rules and practices in the organisation**.
- In addition, good initiatives can be suitably **rewarded by managers**.
- For example, employees can be asked to **provide inputs regarding how to improve sales**.

Esprit de Corps

- Management must work towards **promoting team spirit** among employees, i.e. unity in work.
- Employees must have a **feeling of belongingness and mutual trust towards each other**.
- Following this principle is specifically important for **large organisations**

where team work is essential for the achievement of objectives.

- Working together as a team helps in ***building mutual understanding***, which in turn helps in ***improving efficiency***.

<i>Basis of Difference</i>	<i>Fayol</i>	<i>Taylor</i>
Represent	Fayol's principles of management are concerned with the top level management.	Taylor's scientific management are concerned with the lower level of management
Applicable to	Fayol's principles of management are universally applicable.	Taylor's principles of scientific management are primarily applicable only to the factory system.
Focus	It focuses on improving the overall management and administration in the organisation.	It focuses on improving productivity in work.
Personality	Fayol was an engineer.	Taylor was a scientist.