CHAPTER - 2

PRINCIPLES OF MANAGEMENT

CONCEPT MAPPING

Concept: Principles of management are general guidelines which can be used under certain situations.

Nature: (a) universal applicability (b) formed by practice (c) flexible (d) mainly behavioural (e) cause and effect relationships (f) general guidelines contingent

Importance: (a) useful insights into reality (b) optimum utilisation of resources (c) scientific decisions (d) meeting changing environment (e) management training and research (f) fulfilling social responsibility

Principles of Scientific Management: (a) science not rule of thumb (b) harmony not discord (c) cooperation not individualism (d) maximum not restricted output (e) development of each person to greatest efficiency.

Techniques of Scientific Management: (a) functional foremanship (b) differential piece rate system (c) work study - time study, motion study, fatigue study, method study (d) standardisation and simplification of work.

Fayol's Principles: (a) division of work (b) authority and responsibility (c) discipline (d) unity of command (e) unity of direction (f) subordination of individual interest to common interest (g) remuneration (h) centralisation and decentralisation (i) scalar chain (j) order (k) equity (l) stability of tenure (m) initiative (n) esprit de corps

Taylor vs. Fayol: Their contributions are complementary in nature despite several differences.

KEY CONCEPTS IN A NUTSHELL:

1. MEANING: - The principles are broad statement of fundamental truth which provide guidelines for management decision and action. These guidelines are derived through experimentation and observation.
2. **NATURE OF PRINCIPLES OF MANAGEMENT**

1. **Universal application** - can be applied to all kind of organisations, irrespective of their size and nature.

2. **General guidelines** - the formulated guidelines to action which need to be adjusted and used as per the demands of the situation.

3. **Formed by practice and experimentation** - derived through experimentation and Observation.

4. **Flexible** - principles are not rigid like science but are modified according to the business environment needs.

5. **Behavioural** - the principles aim to influence the unpredictable, complex and dynamic human behaviour.

6. **Cause and effect relation** - they aid in predicting the outcome of management actions.

7. **Contingent** - the management principles are dependent upon the prevailing Conditions/situations at that particular time hence amended accordingly.

3. **SIGNIFICANCE/ IMPORTANCE OF MANAGEMENT PRINCIPLES**

   i. **Provides managers with useful insights into reality** - through improved knowledge, ability, understanding and improved guidance to the managers.

   ii. **Optimum utilisation of resources** - and effective administration through coordinated use of physical, financial and human resources.

   iii. **Scientific decision** - they lend to be more realistic, thoughtful, justifiable and free from personal bias.

   iv. **Meet the changing environmental requirements** - by providing effective and dynamic leadership in implementing changes.

   v. **Fulfil social responsibility** - guides the manager in fulfilling the social responsibility.

   vi. **Management training, education and research** - the principles help in increasing knowledge which is used as the basis for management training and research.

4. **FAYOL’S PRINCIPLES OF MANAGEMENT**

   1. **Division of labour** - work could be divided into small specialised task and performed by a trained specialist

   2. **Authority and responsibility** - there must be a right balance between authority (right to give orders) and responsibility (obligation to perform the assigned task).
3. **Discipline** - obedience to organisation rules and employment agreement.

4. **Unity of command** - receive orders from one boss.

5. **Unity of Direction** - all the units of the organisation should aim and move towards achieving the organisational goal.

6. **Subordination of individual interest to general interest** - the organisation interest to be prioritised over individual interest.

7. **Remuneration** - pay should be fair and satisfying to both employee and the organisation.

8. **Centralisation and decentralisation** - there should be a proper balance between centralisation (concentration of decision making powers with top management) and decentralisation (dispersal of decision making power among more than one person).

9. **Scalar chain** - orders or communication should pass from top to bottom and follow the official line of command.

10. **Orders** - A place for everything/ everyone and every one in its place


12. **Tenure stability** - frequent displacement of employee from their position should be avoided. They should be given sufficient time to show their results

13. **Initiative** - Employees to be encouraged to develop and carry out their improvement plans

14. **Espirit de corps** - need for team work, spirit and harmony.

5. **SCIENTIFIC MANAGEMENT:**

   **Meaning:** Conduct of business activities according to standardised tools, methods and trained personal so as to have increased output through effective and optimum utilisation of resources. Hence it stresses that there is always one best way of doing things.

   **Principles of Scientific Management**

1. **Science not rule of thumb** -

   There should be scientific study and analysis of each element of job rather than adopting old rule of the thumb approach on a hit and miss method. Encourage “thinking before doing”.

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2. Harmony not discord -

There should be complete harmony and proper understanding between management and workers in achieving the organisation goals.

3. Cooperation not individualism -

Taylor emphasised on the importance of cooperative group effort between the management and workers in achieving the organisation’s goals and not individualism.

4. Development of workers to their greatest efficiency and prosperity:

The management should scientifically select the workers; assign job as per their physical, mental and intellectual capability and potential; and train them as per the job requirement.

**Techniques of scientific management**

a) Functional

- Supervision is to be divided into several specialized functions and each function to be entrusted to a special foreman.
- Each worker will have to take orders from eight foremen in the related process of function of production.
- Stress on separating planning function from executive function.

b) Standardisation and simplification of work

- Process of setting standards for every business activity to maximise output.
- Simplification is eliminating unnecessary varieties, sizes and grades of product manufactured in the organisation.

c) Method study

- Finding one best way of doing a job.
- Critical analysis is made for plant layout, product design, material handling and work processes using techniques like process charts, operations research etc.

d) Motion study

- Making a thorough analysis of various motions being performed by a worker while doing a particular task.
- Identifying and determining the ideal productive movement.
- Eliminate the unproductive movements and equipments.

e) Time study
- It is the technique used to determine the standard time taken by the workman with reasonable skill and ability to perform a particular task.
- Here the job is divided into series of elements and the time required to complete each element idealistically is recorded using a stop watch.

f) Fatigue Study
- Determines the amount and frequency of rest intervals required in completing a task.

g) Differential Piece wage system
- Evolve a system wherein the efficient and inefficient workers are paid at different rates, as financial incentives act as motivators.
- First a standard task is established with the aid of time and motion study, then two rates are established. Higher when standard outputs is produced and lower when the standard is not met.

<table>
<thead>
<tr>
<th>Basis</th>
<th>Henry Fayol</th>
<th>F.W Taylor</th>
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</thead>
<tbody>
<tr>
<td>1. Basis of formation</td>
<td>Personal Experience</td>
<td>Observations and</td>
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<tr>
<td>2. Focus</td>
<td>Improvement in the overall administration</td>
<td>Concentrates on improving the productivity</td>
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<tr>
<td>3. Applicability</td>
<td>Universally applicable</td>
<td>Applicable only to specialised situations</td>
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<tr>
<td>4. Perspective</td>
<td>Top level management</td>
<td>Lower level - shop floor level</td>
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<tr>
<td>5. Personality</td>
<td>Scientist and known as father of scientific management</td>
<td>Practitioner and known as the father of General management</td>
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<td>6. Human element</td>
<td>More importance attached to increasing the production than to the human element</td>
<td>More importance given to human element; e.g. principle of equity, stability of tenure</td>
</tr>
</tbody>
</table>
7. Emphasis
Greater emphasis on tools and standardisation of work i.e. General Theory of Administration
Emphasis on principles and theory of general administration i.e. Scientific Management

8. Unity of Command
Staunch proponent that orders should be received from one boss.
Did not feel that it is important as under functional foremanship a worker received orders from eight specialists.

**VERY SHORT ANSWER TYPE QUESTIONS (1 MARK)**

1. **How are management principles derived?**
   Ans. Management principles are derived through observation and analysis of events.

2. **Give anyone difference between Principle and Technique.**
   Ans. Principles are guidelines to take decision whereas techniques are methods to take action.

3. **What is meant by 'Universality of management principles'?**
   **Or**
   **Why is it said that management principles are universal?**
   Ans. This it means that they are applicable to all kinds of organizations.

4. **The principles of management aren't rigid and can be modified when the situation demands. Which nature of principles is being discussed here?**
   Ans. Flexibility.

5. **Define scientific management.**
   Ans. Application of a scientific approach to managerial decision making.

6. **List any two principle of 'Scientific Management' formulated by Taylor for managing an organization scientifically.**
   Ans. (i) Science, not Rule of Thumb. (ii) Harmony, not Discord.

7. **Factory owners or managers relied on personal judgment in attending to the problems they confronted in the course of managing their work. Which principle of Taylor is it referring to ?**
   Ans. 'Rule of thumb'

8. **What do you mean by Mental Revolution?**
   Ans. Mental Revolution means revolutionary change in the attitude of both
workers and managers from competition to cooperation.

9. Principle of cooperation, not individualism, is an extension of which principle given by Fayol?
   Ans. Principle of Harmony, not discord.

10. What is the aim of Method study?
    Ans. Aim is to find one best method of doing the job.

11. What is the aim of doing motion study?
    Ans. The aim of this study is to eliminate unnecessary movements so as to ensure timely completion of work.

12. What is the purpose of time study?
    Ans. To estimate/determine a fair day's work.

13. Name the techniques of Taylor which is the strongest motivator for a worker to reach standard performance.
    Ans. Differential Piece Wage system.

14. The directors of XYZ limited, an organisation manufacturing computers, want to double the sales and have given the responsibility to the sales manager. The sales manager has no authority either to increase sales expense or appoint new salesmen. Hence, he could not achieve this target. Identify the principle violated in this situation.
    Ans. Principle of Authority and Responsibility.

15. A company manufacturing motorcycles and cars should have separate divisions for both, headed by separate divisional managers, separate plans and resources. Identify the principle with the help of this example.
    Ans. Unity of Direction.

**SHORT ANSWER TYPE QUESTIONS (3 OR 4 MARKS)**

1. What do you mean by management principles?
   Ans. Principles are statements of fundamental truths about some phenomena and serve as a guide for thoughts and actions. They establish cause and effect relationship.

   Management Principles are the fundamental statements of truth that provide guidelines to the managers for decision making and actions. These enable the managers to manage the enterprises in "3E way" viz 'economically', 'effectively' and 'efficiently'. These act as guide for managers and sharpen their skills and competence.
For example, principle of division of labour increases the efficiency of workers which ultimately leads to economy and effectiveness in the organization.

2. **How are management principles derived?**

"Management principles are evolutionary." Explain.

"Derivation of management principles may be said to be a matter of science." Explain.

Ans. Management principles are not made in heavens; they have emerged gradually, through an evolutionary process of combining deep observations and experimental studies.

(i) **Observation method**

Under this method, practical events are observed and analyzed by managerial researchers to derive management principles.

For example, it was observed that by dividing the work into different units, efficiency of employees improved. As a result, it led to formulation of principle of 'division of labour'.

(ii) **Experimental method**

Under this method, experiments are conducted so that management principles can be derived and their validity can be tested. For example, two units, one unit involving one superior and one subordinate and other unit involving two superiors and one subordinate, were taken. It was found that unit having one superior and one subordinate performed better. As a result, it led to formation of principle of "unity of command."

From the above it can be concluded that observations and experiments result in the formulation of management principles which therefore are evolutionary. Hence, derivation of management principles can be said to be a matter of Science. It is worth mentioning here that even though derivation of management principles is a matter of science, their application remains a matter of art. The success of managers depends upon how skillfully they put these principles into practice.

3. **Give three points reflecting the nature of management principles.**

Ans. Management principles are

(any three):

(i) Universal in application.

(ii) General guidelines.
(iii) Flexible and can be applied differently under different conditions.
(iv) Formed by practice and experimentation.
(v) Establish cause and effect relationships.

4. "Principles of management achieve results economically." Explain?
Ans. Management principles help in setting realistic objectives for the business because the objectives are set with the participation of employees. Hence, the employees work to their full potential and their commitment level increases because objectives of organisation become their own objectives.

For example, the principle of maximum output rather than restricted one ensures more output. More output lowers cost per unit and hence profit per unit increases.

5. Define scientific management and name any three of its principles.
Ans. According to Taylor, “Scientific management means knowing exactly what you want your men to do and seeing that they do it in the best and cheapest way”.

Three principles of scientific management are as follows: (i) Science, not rule of thumb
(ii) Harmony, not discord.
(iii) Cooperation, not individualism.

6. Explain the objectives of standardization.
Ans. Standardisation is done for the following reasons:
(i) To ensure that a given product range has fixed types, sizes, characteristics etc.
(ii) To bring about interchangeability, for manufactured parts, output, developments etc. among various branches.
(iii) To set uniform standards of performance for men, machines etc.

7. Which technique of Taylor suggests that each worker should be supervised by specialists? Give the designations of any four specialists suggested by him.
Ans. The technique of functional foremanship suggests that each worker should be supervised by specialists. These specialists’ designations are follow.

(i) Instruction Card Clerk
(ii) Route Clerk
(iii) Time and Cost Clerk
(iv) Disciplinarian

8. ‘Discipline is double-edged tool’ Comment.
Ans. Discipline is a double-edged tool. It is expected to strike a balance between enforcing the discipline on one hand and motivating employees on the other. Personnel entrusted with enforcing it are expected to be competent and capable of achieving this balance. Employees must honor the commitment made by them and management must meet its promises to increase wages declaration of bonus etc. To achieve proper discipline, skilled superiors at all levels, clear and fair agreements and judicious application of penalties etc. are required.

9. Explain the principle of unity of direction.
Ans. This principle suggests that in an organization there should be one head and one plan for a group of activities having the same objective. This helps in bringing unity of action and coordination in an organization. If a company is manufacturing two different products then it should have two separate divisions or departments for both the products. Each division or department should have their separate in-charge, plans and execution resources etc.

10. An organization follows the principles of management. What are the adverse effects of each of the following principles of management on the organization?

(i) Unity of Command
(ii) Order
(iii) Stability of tenure of personnel
Ans. Adverse effects of said principles are:

(i) Unity of Command: If this principle is followed, work gets delayed which results in wastage of time and cost.

(ii) Order: It creates boredom among the employees due to rigidity provided by this principle.

(iii) Stability of personnel: If employees are not rotated on different jobs frequently, they can specialize only in a small part of the whole process of production and thus can never become versatile.

11. Explain how principles of management (cbse 2012)
i) Help the managers in taking scientific decisions
ii) Provide the managers with useful insights into real world situations
Ans. Explanation of relevant sub-headings from significance of principles of management.

**LONG ANSWER TYPE QUESTIONS (5 OR 6 MARKS)**

1. **Explain the nature of management principles.**
   
   Ans. Nature of management principles can be described as follows:
   
   (i) **Universal Applicability:** The principles of management are applicable to all types of organisations irrespective of their size and nature.
   
   (ii) **General Guidelines:** They are only guidelines for action and don’t provide direct or readymade solution for a managerial problem.
   
   (iii) **Formed by practice and experimentation:** The principles of management have been developed through experimentation as well as experience and wisdom of managers.
   
   (iv) **Flexible:** They are flexible i.e. they can be modified by the managers according to a given situation.
   
   (v) **Mainly behavioural:** They are mainly behavioural in nature since they are devised to influence human behaviour.
   
   (vi) **Cause and effect relationship:** The principles of management establish relationship between cause and effect. They guide us as to what would be the effect if a particular principle were to be applied in a given situation.
   
   (vii) **Contingent:** The use of principles of management is contingent or dependent upon the prevailing conditions.

2) **Explain the importance of management principles.**
   
   Ans. The importance of management principles can be understood by considering the following points:
   
   (i) **Provide useful insight to manage:** Principles of management help in increasing managerial efficiency by adding to their knowledge and ability to understand the various situations more objectively.
   
   (ii) **Optimum Utilization of Resources and effective administration:** Management principles help in organizing various activities in such a way that results in elimination of unwanted activities and consequent wastage. Management principles help in managing organizations effectively.

   For example, Unity of Command helps to avoid confusion and conflicts Unity of Direction ensures unity of actions to facilitate coordination

   (iii) **Scientific decisions:** They help the managers in taking the decisions based on the objective assessment of a situation. Thus decisions taken are
logical and free from any bias and prejudice

(iv) Meeting changing environment requirements: Though the principles are only guidelines for action yet they can be modified according to the need of changing situations. Thus principles of management help in meeting changing requirements of the environment.

(v) Fulfilling social responsibilities: Principles of management have been devised in such a way that they help in fulfilling social responsibilities.

(vi) Management training, education and research: Principles of management are the fulcrum of management theory so that they are used as a basis for management training, education and research.

3. Taylor's principles of scientific management and Fayol's principles of management are mutually complementary." Do you agree with this view? Give any four reasons in support of your answer.

Ans. Yes, Taylor's principles of scientific management and Fayol's principles of management are mutually complementary because of the following reasons:

<table>
<thead>
<tr>
<th>Basis</th>
<th>Taylor</th>
<th>Fayol</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Personality</td>
<td>Taylor was a scientist</td>
<td>Fayol was a practitioner</td>
</tr>
<tr>
<td>2. Perspective</td>
<td>Taylor's principles &amp; techniques are based on bottom upward approach</td>
<td>Fayol's principles are based on top downward approach</td>
</tr>
<tr>
<td>3. Scope and Applicability</td>
<td>Taylor's principles &amp; techniques are relevant mainly with respect to production activities</td>
<td>Fayol's principles have wider relevance in all functional areas</td>
</tr>
<tr>
<td>4. Focus</td>
<td>Taylor's principles &amp; techniques are focused on workers' efficiency and production.</td>
<td>Fayol's principles are focused on improving overall management efficiency.</td>
</tr>
<tr>
<td>5. Modifications</td>
<td>Taylor's techniques are more specific in nature and should be applied without any modification and only in specific conditions</td>
<td>Fayol's principles are more general in nature &amp; can be applied in most of the organizations with some modifications.</td>
</tr>
<tr>
<td>6. Expression</td>
<td>Taylor expressed his thoughts and views under the theory of scientific management</td>
<td>Fayol expressed his ideas as the general theory of management</td>
</tr>
</tbody>
</table>
QUESTIONS WITH DIFFERENT DIFFICULTY LEVELS

1. 'Principles of Management are different from those used in pure science'. Write any one difference. - 1 Mark

   Ans. | Basis of Difference | Principle of Management | Principles of Science |
        | 1. Nature           | They are flexible       | They are rigid.       |

2. Which principle does functional foremanship violate? - 1 Mark

   Ans. Unity of command

3. Give any one effect of principle of division of work? - 1 Mark

   Ans. Specialization, speed, accuracy.

4. A sales person is asked to finalize a deal with customer. The marketing manager allows him to give a discount of up to 10% but the Finance Manager allows him to give discount of up to 25%. Which principle is violated here? - 1 Mark

   Ans. Unity of Command.

5. "Workers should be encouraged to develop and carry out their plans for development." Identify the principle of management formulated by Fayol. - 1 Mark

   Ans. Principle of Initiative

6. State any three reasons as to why proper understanding of management principles is necessary. - 3 or 4 Mark

   Ans. Proper understanding of management principles is necessary because of the following reasons (any three):

   (a) They provide managers with useful insight into reality.
   (b) They help in optimal utilization of resources and effective administration.
   (c) They help in meeting environment requirements.
   (d) They are used as basis for management training, education and research.

7. How do management principles ensure optimum utilization of resources and effective administration? - 3 or 4 Mark

   Ans. In every organization, resources such as men, machine, material and money play a vital role. Management principles are designed in such a way that maximum benefits from these resources can be achieved with minimum resource wastage. Along with this, the principles of
Management also helps in establishing effective administration by limiting the boundary of managerial discretion so that their decisions may be free from personal biases.

For example, while deciding the annual budget for different departments, a manager is required to follow the principle of contribution to organisational objectives and not personal preferences.

8. Explain briefly the technique of fatigue study? - 3 or 4 marks
Ans. Fatigue study determines the amount and frequency of rest intervals in completing a task. Workers cannot work at a stretch. After putting in work for a certain period of time, they feel tired which affects their performance. If they are allowed rest intervals, they will regain their stamina and will resume their work with greater efficiency.

9. Give positive effects of the principle of ‘discipline’. - 3 or 4 marks.
Ans. Positive effects of the principle of ‘discipline’ are as under:
   i) Improves efficiency of the employees.
   ii) Systematic work in the organisation.
   iii) Ensuring that penalties are imposed judicially.

10. Explain the Principle of centralization and decentralization. - 3 or 4 marks.
Ans. Centralization means concentration of authority in the hands of few people at the top, whereas decentralization means appropriate distribution of power at every level of management. According to Fayol, company must be properly balanced i.e. it should neither be completely centralized nor decentralized. There must be some element of both depending upon the profile of the organization. The panchayat system in our country is a very good example of decentralization at the national level.

11. Ms. Ritu and Mr. Mohit are Data Entry Operators in a company having same educational qualifications.
   Ritu is getting Rs. 5,000 per month and Mohit Rs. 6,000 per month as salary for the same working hours.

   Which principle of management is violated in the case? Name and explain the principle.

Ans. The principle of ‘equity’ is violated in this case. According to this principle, employees should be given kind, fair and just treatment and there should not be any discrimination based on caste, creed, colour, sex etc. Apparently, Ritu is getting less in view of being a female which is against this principle.
12. **Explain the technique 'Functional Foremanship'.** - 5 or 6 Marks

Ans. Functional foremanship is the extension of the principle of specialization. This technique emphasises on the separation of planning from execution. To facilitate it, Taylor suggested setting up of "planning in charge" and "production in charge".

**FUNCTIONAL FOREMANSHIP**

**Planning Incharge:** The main function of "planning in charge" is to plan all aspects of a job to be performed. It consists of four positions:

(i) **Route clerk:** He determines the sequence to perform various mechanical and manual operations.

(ii) **Instruction card clerk:** He issues instructions to the workers to be followed by them.

(iii) **Time and cost clerk:** He is concerned with the framing of time schedule on the basis of determined route. Also, he keeps the record of the cost of operations.

(iv) **Disciplinarian:** He is concerned with the coordination in each job from planning to successful execution. He enforces rules and regulations and maintains discipline.

**Production Incharge:** It consists of following four specialists who are concerned with the execution of plans.

(i) **Speed Boss:** He checks whether work is progressing as per schedule. He ensures timely and accurate completion of jobs.

(ii) **Gang Boss:** He arranges machines, materials, tools, and equipments properly so that workers can proceed with their work.

(iii) **Repair Boss:** He ensures that all machines, tools, equipments are in perfect working order.

**Inspector:** He ensures that the work is done as per the standards of quality set by planning department.

13. **Name and explain that principle of Fayol which suggests that communication from top to bottom should follow the official lines of command.** - 5 or 6 Marks

Or

**Explain the 'Principle of Scalar Chain' with an example.**
Ans. In an organization, the formal lines of authority, from highest to lowest level of all superiors and subordinates, are known as scalar chain. The principle of scalar chain suggests that there should be a clear line of authority from top to bottom, linking superiors and subordinates at all levels. The scalar chain serves as a chain of command as well as communication. In normal circumstances, the formal communication is required to be made by following this chain.

Scalar Chain and Gang Plank

Example: The above figure shows the scalar chain linking managers at lower levels with the top management. If D has to communicate with G, the message should ordinarily move up through C and B to A, and then down from A to E, F and G.

Above mentioned chain has following disadvantages:

(i) It causes delay in reaching communication to the required level.

(iii) Creates the possibility of distortion of information flow as various levels are involved.

To avoid delays and to remove hurdles in the exchange of information, concept of Gang Plank has been suggested by Fayol, shown by the dotted line joining D and G.