



# *Business Studies Notes PDF*

*On*

*Principles of Management*

*(Class - 12 / Chapter- 2)*

## **PRINCIPLE**

A principle is a statement which provides a guide to thought and action. Principle serves as the foundation for a system of belief or behaviour or for a chain of reasoning.

### **Principles of Management:**

- Principles of management are broad and fundamental truths that establish a relation between cause and their effects.
- These principles serve as guidelines for managerial decision-making and their course of action.
- It is through principles that management predicts the result of their actions.
- Management principles are not as rigid as principles of science as it deals with human behaviour and thus are to be applied creatively as the situation demands.

### **Nature of Principles of Management:**

The nature of principles of management can be described in the following points:

- 1. Universal applicability** i.e. they can be applied in all types of organizations, business as well as non-business, small as well as large enterprises.
- 2. General Guidelines:** They are general guidelines to action and decision making however they do not provide ready-made solutions as the business environment is ever changing or dynamic.
- 3. Formed by practice and experimentation:** They are developed after thorough research work on the basis of experiences of managers.
- 4. Flexible:** Which can be adapted and modified by the practicing managers as per the demands of the situations as they are man-made principles.
- 5. Mainly Behavioral:** Since the principles aim at influencing complex human behaviour they are behavioral in nature.
- 6. Cause and Effect relationship:** They intend to establish a relationship between cause & effect so that they can be used in similar situations.
- 7. Contingent:** Their applicability depends upon the prevailing situation at a particular point of time. According to Terry, "Management principles are 'capsules' of selected management wisdom to be used carefully and discretely".

### **Significance of Principles of Management:**

- Providing managers with useful insight in to reality
- Optimum utilisation of the resources
- Scientific decisions
- Meeting changing environment requirements
- Fulfilling social responsibility
- Management training, education and research

## **TAYLOR'S SCIENTIFIC MANAGEMENT**

"Scientific management is the art of knowing exactly what you want your men to do and then seeing that they do it in the best and cheapest way." - **F.W. Taylor**

F.W. Taylor also known as 'Father of Scientific Management' was the first expert to lay down the foundation of management as a science consisting of fundamental principles and use of these scientific methods to solve managerial problems.

### **Principles of Scientific Management:**

The basic principles of scientific management are as follows:

- 1. Science, Not Rule of Thumb:** Each and every task performed in an organisation should be based on a scientific study and analysis instead of the hit and trial method. There should be a scientific plan along with standardised equipment to do work efficiently and effectively. Hence to simplify the tasks, and promote ease in its performance, new techniques and methods need to be developed and the management should not keep using the age-old methods and techniques.
- 2. Harmony, Not Discord:** There should be complete harmony between management and workers in order to achieve the organisational goals. It implies that there should be a healthy working environment. In order to respect each other's roles and avoid any kind of conflict, Taylor brought a complete revolution in management policies (Mental Revolution).
- 3. Cooperation not individualism:** It is an extension of the Principle of Harmony not discord whereby constructive suggestions of workers should be adopted and they should not go on strike as both management and workers share responsibility and perform together.
- 4. Development of each and every person to his or her greatest Efficiency and Prosperity:** It implies development of competencies of all persons of an organization after their scientific selection and assigning work suited to their temperament and abilities. This will increase productivity by utilizing the skills of the workers to the fullest possible extent.

### **Techniques of Scientific Management:**

**1. Functional Foremanship:** Functional foremanship is a technique in which planning and execution are considered different. Supervision is divided into several specialised functions and each function is to be entrusted to a foreman. This principle is an extension of Fayol's principle of division of work and specialisation. It takes place through eight personnel, namely divided under heads Planning and Production In charge:

#### **Planning In charges:**

- 1. Route Clerk:** to specify the exact sequence and route of production.
- 2. Instruction card clerk:** is responsible for drafting instructions for the workers.
- 3. Time and cost clerk:** to prepare time and cost sheet for the job.
- 4. Shop Disciplinarian:** to ensure discipline and enforcement of rules and regulations among the workers.

#### **Production In charges:**

- 1. Gang boss:** is responsible for keeping tools and machines ready for operation.
- 2. Speed boss:** is responsible for timely and accurate completion of job.
- 3. Repair boss:** to ensure proper working conditions of tools and machines.
- 4. Inspector:** to check the quality of work.

**2. Standardisation and Simplification of Work:** Standardisation refers to the process of developing standards for every business activity in order to maximise output. Simplification is a process to remove unessential varieties, sizes of products or services. The cost of labour, machines and tools can be saved through simplification and standardisation. It leads to optimum utilisation of resources and an increase in turnover.

**3. Method Study:** The purpose of the method study is to find out one the best possible way of doing the job in order to attain maximum efficiency and for optimum utilisation of resources and to improve quality and satisfaction of customers.

**4. Motion Study:** It is the science of eliminating wastefulness resulting from using unnecessary, ill-directed and inefficient motions by workers and machines to identify the best method of work.

**5. Time study:** It determines the standard time taken to perform a well-defined job. The objective of time study is to determine the number of workers to be employed, frame suitable incentive schemes & determine labour costs.

**6. Fatigue study:** Fatigue study seeks to determine time and frequency of rest intervals in completing a task. The rest interval will enable workers to regain their lost stamina thereby avoiding accidents, rejections and industrial sickness.

**7. Differential Piece Wage System:** This differentiates efficient and inefficient workers and links wages and productivity. The standard output per day is established and two-piece rates are used: higher for those who achieve equal to or more than standard output i.e. efficient workers and lower rates for the inefficient and slow-paced workers. Thus, efficient workers will be rewarded & inefficient will be motivated to improve their performance.

**For example,** the standard output per worker per day is 20 units and the workers who produce more than the standard will get Rs. 100 per unit and the ones who will produce less than the standard will be paid Rs. 80 per unit. An efficient worker making 21 units will get  $21 \times 100 =$  Rs. 2100 per day whereas a worker who makes 18 units will get  $18 \times 80 =$  Rs. 1440 per day. The difference of Rs 660 will motivate the inefficient worker to work more efficiently and get higher wages.

**8. Mental Revolution:** It involves a complete change in mental outlook and attitude of workers and management towards one another from competition to cooperation. The management should create pleasant working conditions & workers should work with devotion and loyalty. Instead of fighting over distribution of profits, they must focus attention on increasing it.

#### **Principles of Management developed by Fayol:**

**1. Division of work:** Work is divided into small tasks/jobs and each work is done by a trained specialist which leads to greater efficiency, specialization, increased productivity and reduction of unnecessary wastage and movements.

**2. Authority and Responsibility:** Authority means power to take decisions and responsibility means obligation to complete the job assigned on time. Authority and responsibility should go hand in hand. Mere responsibility without authority, makes an executive less interested in discharging his duties. Similarly giving authority without assigning responsibility makes him arrogant and there is fear of misuse of power.

**3. Discipline:** Discipline means obedience, respect of authority and following the rules and regulations. It is necessary to ensure a smooth working environment in an organisation. Good supervision at all levels and an established system of penalties will help to maintain discipline in the organisation.

**4. Unity of Command:** According to Fayol, for every individual employee there should be only one superior who can assign him responsibilities and to whom he is accountable. This will avoid confusion, conflict and duplication of work.

For example, an employee is asked by one superior to accept only cash payments, while the other superior asks him to accept both cash and credit card payments. Hence, no unity of command is there, which adds confusion to the employee's mind.

**5. Unity of Direction:** All the units of an organisation should move towards the same objectives through coordinated and focused efforts. There should be only one head and one plan for a group of individuals having the same objective. Hence the unity of action is ensured through this principle.

**Difference between Unity of Command and Unity of Direction:**

Basis	Unity of Command	Unity of Direction
<b>Meaning</b>	It means that a subordinate should receive orders and instructions from one boss only.	It advocates 'one head, and one plan for a group of activities having the same objectives. The activities should be directed towards the common goals.
<b>Scope</b>	This principle is related to the functioning of personnel	This principle is related to the functioning of a department or the organization as a whole
<b>Purpose</b>	The main purpose of unity of command is to avoid confusion and fix up the responsibility of the employee.	The purpose of unity of direction is to direct the efforts of employees of one department in achieving the main objective of that department.
<b>Results in</b>	Systematic working and improved efficiency by removing confusion and chaotic conditions	Co-ordination within a particular department and overall; by preventing overlapping of various activities.

**6. Subordination of Individual Interest to General Interest:** The interest of an organisation should take priority over the interest of any individual employee. In simple words, the organisation's interest needs to be prioritised over individual interest.

For example, the organisational objective to achieve a certain objective should be prioritised over an individual's personal objective to get higher salary with lowest work.

**7. Remuneration of Employees:** All the employees working in the organisation should have fair pay and compensation. To establish a reasonable standard of living, the employees should be given fair wages. The remuneration should be according to the paying capacity of the organisation.

**8. Centralization and Decentralization:** Centralization means concentration of decisions making authority in a few hands at the top level. Decentralization means evenly distribution of power at every level of management. Both should be balanced as no organization can be completely centralized or completely decentralized.

**9. Scalar Chain:** The formal lines of authority between superiors and subordinates from the highest to the lowest ranks are known as scalar chains. This chain should not be violated but in emergency employees at same level can contact through Gang Plank by informing their immediate superiors.

**10. Order:** A place for everything and everyone and everything and everyone should be in its designated place. People & material must be in suitable places at appropriate time for maximum efficiency.

**11. Equity:** The working environment of any organization should be free from all forms of discrimination (religion, language, caste, sex, belief or Basis Unity of Command Unity of Direction nationality) and principles of justice and fair play should be followed. No worker should be unduly favoured or punished.

**12. Stability of Personnel:** To preserve organisational efficiency, employee turnover should be kept to a minimum. Personnel should be chosen and appointed after a thorough selection process, and the chosen person

should be retained for a certain amount of time to let the employee demonstrate results, as learning and getting accustomed to a new job takes time.

**13. Initiative:** Workers should be motivated to develop and implement improvement plans. Initiative means taking the first step with self-motivation. It entails formulating and carrying out a strategy.

**14. Esprit De Corps:** Management should foster team spirit, unity and harmony among employees. Hence efforts should be made to ensure group cohesion in the organisation.

### FAYOL VERSUS TAYLOR

Basis	Fayol	Taylor
<b>Nature of Research</b>	He developed the theory of Functional management or Management process.	He developed the concept of Scientific management.
<b>Level</b>	He designed principles for the top level of management.	He designed principles for lower levels of management.
<b>Focus</b>	Improving overall administration by observing certain principles was his main focus.	For him increasing productivity through work simplification was the main focus.
<b>Personality</b>	He developed the personality of a researcher and fractionated and was called 'father of general management.	He developed the personality of scientist and was called as 'father of scientific management
<b>Rigidity and flexibility</b>	His principles were flexible.	He was rigid in his approach and he felt that there should be no deviation from fixed standards.
<b>Applicability</b>	His principles are applicable to business as well as non-business organizations i.e. are applicable universally.	His principles are applicable to production and manufacturing i.e. are applicable to specific situations.

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