

CHAPTER - 2

PRINCIPLES OF MANAGEMENT

Concept of Principles of Management

Principles of Management are the broad and general guidelines for managerial decision making, behavior and action.

The management principles are derived from observation, analysis, experimental studies and personal experiences of the managers.

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 readymade 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: They can be adapted and modified by the practicing managers as per the demands of the situations as they are manmade principles.
5. Mainly Behavioral: Since the principles aim at influencing complex human behavior they are behavioral in nature.
6. Cause and Effect relationship: They intend to establish cause & effect relationship 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 the Principles of Management

The significance of principles of management can be derived from their utility which can be understood from the following points:

1. Providing managers with useful insights into reality: Management principles guide managers to take right decision at right time by improving their knowledge, ability and understanding of various managerial situations and circumstances.
2. Optimum utilization of resources and effective administration: Management principles facilitate optimum use of resources by coordinating the physical, financial and human resources. They also help in better administration by discouraging personal prejudices and adopting an objective approach.
3. Scientific decisions: Decisions based on management principles tend to be more realistic, balanced and free from personal bias.
4. Meeting the changing environmental requirements: Management principles provide an effective and dynamic leadership and help the organization to implement the changes.
5. Fulfilling social responsibility: Principles of management not only help in achieving organizational goals but also guide managers in performing social responsibilities. Example: “Equity” and “Fair” remuneration.
6. Management training, education and research: Management principles are helpful in identifying the areas in which existing and future managers should be trained. They also provide the basis for future research.

SCIENTIFIC MANAGEMENT – TAYLOR’S PRINCIPLES OF MANAGEMENT

Meaning: Conduct of business activities according to standardized tools, methods and trained personal so as to have increased output through effective and optimum utilization of resources. Hence it stresses that there is always one best way of doing things. Scientific Management attempts to eliminate wastes to ensure maximum production at minimum cost.

Principles of Scientific Management

1. Science, not rule of Thumb: There should be scientific study and analysis of each element of job rather than using intuition, experience or adopting old rule of thumb approach on a hit and miss method. Encourage “thinking before doing” and determining standard output.
2. Harmony, not discord: There should be complete harmony and proper understanding between management and workers in achieving the organization goals. For this he emphasized mental revolution i.e., 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 and workers should work with full loyalty. Instead of fighting over distribution of profits, they must focus attention on increasing it.
3. Cooperation not individualism: Taylor emphasized on the importance of cooperative group efforts between the management and workers in achieving the organization’s goal and not individualism. Both should realize that they need each other.
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 capabilities; and train them as per the job requirement to increase their efficiency.

Techniques of Scientific Management

Taylor gave the following techniques for implementing the principles of scientific management.

A. Functional Foremanship

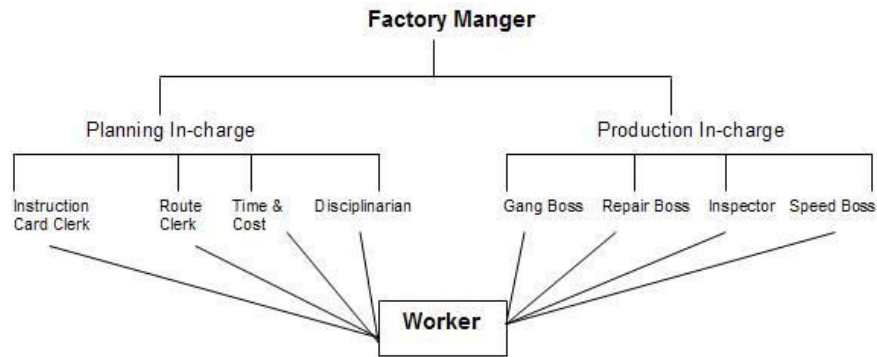
- Supervision is to be divided into several specialized functions and each function to be entrusted to a special foreman.
- Each worker will have to take orders from eight foreman in the related process of function of production.
- Stress on separating planning function from execution function

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 quality of work.



B. Standardization and Simplification of work:

- Process of setting standards of every business activity to maximize output is called standardization.
- Simplification is eliminating unnecessary varieties, sizes and grades of product manufactured in the organization.

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 chart, 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 movements.
- Eliminate the unproductive movements and equipment.

E. Time study

- It is the technique used to determine the standard time taken by the workmen with reasonable skills and abilities 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 output is produced and lower, when the standard is not met.

Principles of Management developed by Fayol

1. Division of work: Work is divided in small tasks/job 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: It is the obedience to organizational rules by the subordinates. Discipline requires good supervisors at all levels, clear and fair agreements and judicious application of penalties.
4. Unity of Command: It implies that every worker should receive orders and instructions from one superior only, otherwise it will create confusion, conflict, disturbance and overlapping of activities.
5. Unity of Direction: Each group of activities having the same objective must have one head and one plan. This ensures unity of action and coordination.

6 Subordination of Individual Interest to General Interest: The interest of an organization should take priority over the interest of any one individual employee. Forex' a manager cancels his pleasure trip in order to attend an important meeting in the company.

7. Remuneration of Employees: Remuneration of employees should be just and equitable so as to give maximum satisfaction to both the employees and organization. The employees should be paid fair wages/salaries which would give at least a reasonable standard of living. At the same time, it should be within the paying capacity of the company.

8. Centralization and Decentralization: Centralization means concentration of decisions making authority in few hands at 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 is known as scalar chain. 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: According to the principle of order, a right person should be placed at the right job and a right material should be placed at the right place. According to Fayol, every enterprise should have two different orders – material order for physical resources and social order for human resources.

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

12. Stability of Personnel: According to this principle, employees once selected, should be kept at their post/position for a minimum fixed tenure. They should be given reasonable time to show results.

13. Initiative: Workers should be encouraged to develop and carry out their plan for improvements. Initiative means taking the first step with self-motivation. It is thinking out and executing the plan.

14. Espirit De Corps: Management should promote team spirit, unity and harmony among employees. This encourages mutual trust and belongingness, which results in minimum need for using penalties.

What do you mean by Mental Revolution in management?

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.

- **Revision of principles:**

- a) An employee breaks 'No Smoking' rule (violation of principle of discipline)
- b) Management not giving increments and promotions to workers as per agreement (violation of principle of discipline)
- c) Management sharing gains with workers (harmony, not discord)
- d) Sales manager welcoming suggestions of salesman (Initiative)
- e) The purchase manager purchases raw material from the company owned by his son at a rate more than the market price (violation of subordination of individual interest to general interest)
- f) Frequent transfers (violation of stability of tenure)

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