

**INDIAN SCHOOL MUSCAT**  
**Senior Section**  
**Department of Commerce and Humanities**

Class : 12

**SOLVED SUPPORT MATERIAL**  
**CHAPTER :1 : PRINCIPLES OF MANAGEMENT**

Reference:  
KVS Question  
Bank/ NCERT  
Date of  
submission  
-----2017

Date of issue  
-----2017

**BUSINESS STUDIES (054)**

- Q.1 What is a Management Principle? 1
- A.1 A managerial principle is a broad and general guideline for decision-making and behaviour.
- Q.2 'Principles help managers to take decisions while performing these functions.' In the light of the above statement discuss the nature/features/characteristics of Principles of Management. 6
- The following points highlight the nature/features/characteristics of Principles Of Management-
- 1) **Universal applicability:** The principles of management are intended to apply to all types of organisations, business as well as non-business, small as well large, public sector as well as private sector, manufacturing as well as the services sectors.  
However, the extent of their applicability would vary with the nature of the organisation, business activity, scale of operations and the like.
  - 2) **General guidelines:** The principles are guidelines to action but do not provide readymade, straitjacket solutions to all managerial problems. This is so because real business situations are very complex and dynamic and are a result of many factors.
  - 3) **Formed by practice and experimentation:** The principles of management are formed by experience and collective wisdom of managers as well as experimentation.
  - 4) **Flexible:** The principles of management are not rigid prescriptions, which have to be followed absolutely. They are flexible and can be modified by the manager when the situation so demands.
  - 5) **Mainly behavioural:** Management principles aim at influencing behaviour of human beings.  
These principles enable a better understanding of the relationship between human and material resources in accomplishing organisational purposes.
  - 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 assist managers in establishing these relationships to some extent and are therefore useful.**
  - 7) **Contingent:** The application of principles of management is contingent or dependent upon the prevailing situation at a particular point of time. The application of principles has to be changed as per requirements.

Q.3 Describe the significance/importance/role/benefits/merits of the Principles Of Management. The following points highlight the significance/importance/role/benefits/merits of the Principles Of Management-

- 1) **Providing managers with useful insights into reality:** Adherence to these principles will add to their knowledge, ability and understanding of managerial situations and circumstances.  
It will also enable managers to learn from past mistakes and conserve time by solving recurring problems quickly. such management principles increase managerial efficiency.
- 2) **Optimum utilisation of resources and effective administration:** Human and material resources available with the company are limited. Hence they should be put to use in such a manner that they should give maximum benefit with minimum cost.  
**These** Principles equip the managers to foresee the cause and effect relationships of their decisions and actions. As such the wastages associated with a trial-and-error approach can be overcome.  
Effective administration necessitates impersonalisation of managerial conduct so that managerial power is used with due discretion.
- 3) **Scientific decisions:** Decisions must be based on facts, thoughtful and justifiable in terms of the intended purposes. They must be timely, realistic and subject to measurement and evaluation.  
Management principles emphasise logic rather than blind faith, and such decisions taken are free from bias and prejudice. They are based on the objective assessment of the situation.
- 4) **Meeting changing environment requirements:** Although the principles are in the nature of general guidelines but they are modified and as such help managers to meet changing requirements of the environment.
- 5) **Fulfilling social responsibility:** Value to the customer, care for the environment, dealings with business associates would all come under the purview of this principle.
- 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.  
Thus, we see that techniques like Operations Research (OR), cost accounting, 'Just in Time', 'Kanban' and 'Kaizen' have developed due to further research on these principles.

Q.4 Who is referred to as The Father of Scientific Management? Why?

- 1) Fredrick Winslow Taylor (March 20, 1856 – March 21, 1915) was an American mechanical engineer who sought to improve industrial efficiency, is referred to as the father of scientific management.
- 2) He belonged to the era of the industrial revolution characterised by mass production. Hence he felt a need to follow an approach that was based on the method of science- defining a problem, developing alternative solutions, anticipating consequences, measuring progress and drawing conclusions.
- 3) He proposed scientific management as opposed to rule of thumb. He broke up human activity into small parts and found out how it could be done effectively, in less time and with increased productivity.
- 4) It implies conducting business activities according to standardised tools, methods and trained personnel in order to increase the output, improve its quality and reduce costs and wastes.

In the words of Taylor, "Scientific management means knowing exactly what you want men to do and seeing that they do it in the best and cheapest way".

Q.5 Explain the principles of 'Scientific Management'.

The following are the principles of 'Scientific Management' -

- 1) **Science not Rule of Thumb:** Taylor believed that there was only one best method to maximize efficiency, which can be developed through study and analysis.

The method so developed should substitute 'Rule of Thumb' throughout the organisation.

Scientific method involved investigation of traditional methods through work-study, unifying the best practices and developing a standard method, which would be followed throughout the organisation.

In the present context, the use of internet has brought about dramatic improvements in internal efficiencies and customer satisfaction.

- 2) **Harmony, Not Discord:** He emphasised that there should be complete harmony between the management and workers. Both should realise that each one is important.

To achieve this state, Taylor called for complete **mental revolution** on the part of both management and workers. It means that management and workers should transform their thinking. Management should share the gains of the company, if any, with the workers. At the same time workers should work hard and be willing to embrace change for the good of the company. Japanese work culture is a classic example of such a situation. In Japanese companies, paternalistic style of management is in practice. There is complete openness between the management and workers.

- 3) **Cooperation, Not Individualism:** There should be complete cooperation between the labour and the management instead of individualism. This principle is an extension of principle of 'Harmony not discord'.

Competition should be replaced by cooperation. Both should realise that they need each other.

According to Taylor, there should be an almost equal division of work and responsibility between workers and management. All the day long the management should work almost side by side with the workers helping, encouraging and smoothing the way for them.

- 4) **Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity:** Taylor was of the view that the concern for efficiency could be built in right from the process of employee selection.

Each person should be scientifically selected. Then work assigned should suit her/his physical, mental and intellectual capabilities.

To increase efficiency, they should be given the required training. Efficient employees would produce more and earn more. This will ensure their greatest efficiency and prosperity for both company and workers.

Q.6 Discuss the various techniques of 'Scientific Management' as specified by Taylor.

A.6 The following are the techniques as specified by him, which are based on the various experiments he conducted during his career-

- a) **Functional Foremanship**
- b) **Standardization and Simplification of Work**
- c) **Differential Piece Wage System**

All the above three techniques are discussed as follows-

- a) **Functional Foremanship**-Taylor identified a list of qualities of a good foreman/supervisor and found that no single person could fit them all. This prompted him to suggest functional foremanship through eight persons. Foremen should have intelligence, education, tact, grit, judgment, special knowledge, manual dexterity, and energy, honesty and good health. Since all these qualities could not be found in a single person so Taylor proposed eight specialists. Each specialist is to be assigned work according to her/his qualities.

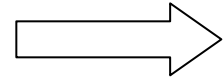
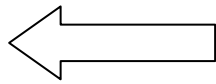
Taylor advocated separation of planning and execution functions. This concept was extended to the lowest level of the shop floor. It was known as functional foremanship.

Under the **FACTORY MANAGER** there was a -

- 1) **Planning incharge** - Under planning incharge four personnel namely instruction card clerk (would draft instructions for the workers), route clerk (specify the route of production), time and cost clerk (prepare time and cost sheet) and a disciplinarian (ensure discipline).
- 2) **Production incharge**-Under Production incharge, personnel who would work were speed boss(responsible for timely and accurate completion of job),gang boss(for keeping machines and tools etc, ready for operation by workers), repair boss(to ensure proper working condition of machines and tools) and inspector(to check the quality of work).

Functional foremanship is an extension of the principle of division of work and specialisation to the shop floor. Each worker will have to take orders from these eight foremen in the related process or function of production.

Factory Manager



**PLANNING INCHARGE**

**PRODUCTION INCHARGE**

1.

**Instruction Card Clerk**

Draft instructions for the

**Speed Boss**

Responsible for timely and accurate completion of job

2.

**Route clerk**

Specify the route of production

2.

**Gang Boss**

For keeping machines and tools etc, ready for operation by workers

3.

**Time and Cost Clerk**

Prepare time and cost sheet

3.

**Repairs Boss**

To ensure proper working condition of Machines and tools

4.

**Disciplinarian**

Ensures discipline

4.

**Inspector**

To check the quality of work

**WORKMAN**

For example, it is determined that standard output per worker per day is 10 units and those who made standard or more than standard will get Rs. 50 per unit and those below will get Rs. 40 per unit. Now an efficient worker making 11 units will get  $11 \times 50 =$  Rs. 550 per day whereas a worker who makes 9 units will get  $9 \times 40 =$  Rs. 360 per day. According to Taylor, the difference of Rs. 190 should be enough for the inefficient worker to be motivated to perform better.

1) Similarly **assembly line** was also discovered by F.W. Taylor, which was used very successfully by Ford motor company for manufacturing 'Model T' car for the masses. This concept is much used now

2) The latest development in scientific management is '**LEAN MANUFACTURING**'. Now a days robotics and computers are being used in production and other business activities. This is part of scientific management of these activities. It has increased productivity levels.

3) The techniques of **operation research** have also been developed and are being used as a result of scientific management

## B) **Standardisation and Simplification of Work**

### 1. **Standardisation**

refers to the process of setting standards for every business activity (a , product, machinery, methods or working conditions). These standards are the benchmarks, which must be adhered to during production. The objectives of standardisation are:

- A. To reduce a given line or product to fixed types, sizes and characteristics.
- B. process, raw material, time To establish interchange ability of manufactured parts and products.
- C. To establish standards of excellence and quality in materials.  
To establish standards of performance of men and machines.

### 2. **Simplification** aims at eliminating

superfluous/unnecessary varieties, sizes and dimensions, diversities of products while standardisation implies devising new varieties instead of the existing ones.

It results in savings of cost of labour, machines and tools.

It implies reduced inventories, fuller utilisation of equipment and increasing turnover.

Most large companies like Nokia, Toyota and Microsoft etc. have successfully implemented standardisation and simplification. This is evident from their large share in their respective markets.

The following are the different **METHODS** used by him to standardize and simplify the work-

D.

1. **Method Study**- The objective of method study is to find out one best way of doing the job.

Taylor devised the concept of **assembly line** by using method study(e.g. Ford Motor Company used this concept very successfully) For designing a car, the assembly line production would entail deciding the sequence of operations, place for men, machines and raw materials etc. All this is part of method study. The objective of the whole exercise is to minimise the cost of production and maximise the quality and satisfaction of the customer. For this purpose many techniques like process charts and operations research etc are used.

2. **Motion Study**-Motion study refers to the study of movements like lifting, putting objects, sitting and changing positions etc., which are undertaken while doing a typical job. Taylor used stopwatches and various symbols and colours to identify different motions (productive,unproductive or incidental).

Unnecessary/unproductive movements are to be eliminated so that it takes less time to complete the job efficiently.Through motion studies, Taylor was able to design suitable equipment and tools to educate workers on their use. The results achieved by him were truly remarkable.

3. **Time Study**-It determines the standard time taken to perform a well-defined job.The method of time study will depend upon volume and frequency of the task, the cycle time of the operation and time measurement costs.

The objective of time study is to determine the number of workers to be employed; frame suitable incentive schemes and determine labour costs. Wages can be decided accordingly.

4. **Fatigue Study**- Fatigue study seeks to determine the amount and frequency of rest intervals in completing a task. The rest intervals will help one to regain stamina and work again with the same capacity. This will result in increased productivity. There can be many causes for fatigue like long working hours, doing unsuitable work, having uncordial relations with the boss or bad working conditions etc. Such hindrances in good performance should be removed.

**Differential Piece Wage System**-He wanted to differentiate between efficient and inefficient workers. He wanted to reward efficient workers. So he introduced different rate of wage payment for those who performed above standard and for those who performed below standard.

Q 7 Who is called as the ‘Father of General Management’? Why? Explain in detail all the principles (14) as propounded by him.

1. Henri Fayol (1841-1925) was a French management theorist who explained what amounts to a manager’s work and what principles should be followed in doing this work.
2. According to Fayol, all activities of an industrial undertaking could be divided into: Technical; Commercial; Financial; Security; Accounting and Managerial.
3. He also suggested that qualities a manager must possess should be — Physical, Moral, Education, Knowledge and experience.
4. Based largely on his own experience, he developed his concept of administration. The 14 principles of management propounded by him is widely considered a foundational work in classical management theory. For his contribution he is also known as the ‘Father of General Management’

The 14 principles of management given by him are as follows-

1. **Division of Work:** Work is divided into small tasks/jobs.  
A trained specialist who is competent to perform that task is allotted with that job. Thus, division of work leads to specialisation.  
Thus, in a company we have separate departments for finance, marketing, production and human resource development etc. All of them have specialised persons.  
Fayol applies this principle of division of work to all kinds of work – technical as well as managerial.
2. **Authority and Responsibility:** According to Fayol, “Authority is the right to give orders and obtain obedience, and responsibility is the corollary of authority. The two types of authority are official authority, which is the authority to command, and personal authority which is the authority of the individual manager.”

Authority is both formal and informal. Managers require authority commensurate with their responsibility. There should be a balance between authority and responsibility

3. **Discipline:** Discipline is the obedience to organisational rules and employment agreement which are necessary for the working of the organisation.  
According to Fayol, discipline requires good superiors at all levels, clear and fair agreements and judicious application of penalties.  
Workers and management both honour their commitments without any prejudice towards one another.
4. **Unity of Command:** The principle of unity of command states that each participant in a formal organisation should receive orders from and be responsible to only one superior.  
This is to prevent confusion regarding tasks to be done.
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.  
Each division should have its own incharge, plans and execution resources.  
On no account should the working of two divisions overlap.
6. **Espirit De Corps:** Management should promote a team spirit of unity and harmony among employees, according to Fayol. This will give rise to a spirit of mutual trust and belongingness among team members. It will also minimise the need for using penalties.
7. **Subordination of Individual Interest to General Interest:** In all the situations the interests of the group/company will supersede/be over and above the interest of any one individual.  
This is so because larger interests of the workers and stakeholders are more important than the interest of any one person.
8. **Remuneration of Employees:** The overall pay and compensation should be fair to both employees and the organisation.  
The employees should be paid fair wages, which should give them at least a reasonable standard of living. At the same time it should be within the paying capacity of the company.  
Remuneration should be just and equitable, which will ensure congenial atmosphere and good relations between workers and management.
9. **Scalar Chain:** An organisation consists of superiors and subordinates. The formal lines of authority from highest to lowest ranks are known as **scalar chain**.  
According to Fayol, "Organizations should have a chain of authority and communication that runs from top to bottom and should be followed by managers and the subordinates."  
  
According to Fayol, this chain should not be violated in the normal course of formal communication. However, if there is an emergency then 'E' can directly contact 'D' through 'Gang Plank' as shown in the diagram. This is a shorter route and has been provided so that communication is not delayed.
10. **Order:** According to Fayol, "People and materials must be in suitable places at appropriate time for maximum efficiency." The principle of order states that 'A place for everything (everyone) and everything (everyone) in its (her/his) place'. Essentially it means orderliness.
11. **Equity:** Good sense and experience are needed to ensure fairness to all employees, who should be treated as fairly as possible," according to Fayol. This principle emphasises kindness and justice in the behaviour of managers towards workers. This will ensure loyalty and devotion.
12. **Stability of Personnel:** "Employee turnover should be minimised to maintain organisational efficiency", according to Fayol. Personnel should be selected and appointed after due and rigorous procedure. But once selected they should be kept at their post/position for a minimum fixed tenure. They should have stability of tenure. They should be given reasonable time to show



results.

**13. Initiative:** Workers should be encouraged to develop and carry out their plans for improvements according to Fayol. A good company should have an employee suggestion system whereby initiative/suggestions which result in substantial cost/time reduction should be rewarded.

**14. Centralisation and Decentralisation:** The concentration of decision-making authority is called According to Fayol, “There is a need to balance subordinate involvement through decentralisation with managers’ retention of final authority through centralisation.” The degree of centralisation will depend upon the circumstances in which the company is working. In general large organisations have more decentralisation than small organisations centralisation whereas its dispersal among more than one person is known as decentralization.

**Q.8 Difference between Unity of Command and Unity of Direction**

<b>Basis</b>	<b>Unity of Command</b>	<b>Unity of Direction</b>
1. 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.
2. Aim	It prevents dual subordination.	It prevents overlapping of activities.
3. Implications	It affects an individual employee.	It affects the entire organisation.

**Q9.**

<b>Sl. No.</b>	<b>Basis of difference</b>	<b>Henri Fayol</b>	<b>F. W. Taylor</b>
1.	Perspective	Top level of management	Shop floor level of a factory
2.	Unity of Command	Staunch Proponent	Did not feel that it is important as under functional foremanship a worker received orders from eight specialists.
3.	Applicability	Applicable universally	Applicable to specialised situations
4.	Basis of formation	Personal experience	Observations and experimentation
5.	Focus	Improving overall administration	Increasing Productivity
6.	Personality	Practitioner	Scientist
7.	Expression	General Theory of Administration	Scientific M

\*\*\*\*\*Chapter -2\*\*\*\*\*