

2 Principles of Management

- Concept of Principles of Management
- Nature of Principles of Management
- Significance of the Principles of Management
- Fayol's Principles of Management
- Taylor's Scientific Management
- Principles of Scientific Management
- Techniques of Scientific Management
- Fayol versus Taylor





PRINCIPLES OF MANAGEMENT

Principles of Management are the broad and general guidelines for managerial decision making, behaviour and action. The management principles are derived from observation, analysis, experimental studies and personal experiences of the managers.



UNIVERSAL APPLICABILITY

they can be applied in all types of organizations, business as well as non-business, small as well as large enterprises.

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.

FORMED BY PRACTICE AND EXPERIMENTATION

ON:
They are developed after thorough research work on the basis of experiences of managers.

FLEXIBLE:

They can be adapted and modified by the practicing managers as per the demands of the situations as they are manmade principles.

MAINLY BEHAVIOURAL

Since the principles aim at influencing complex human behaviour they are behavioural in nature.

CAUSE AND EFFECT RELATIONSHIP

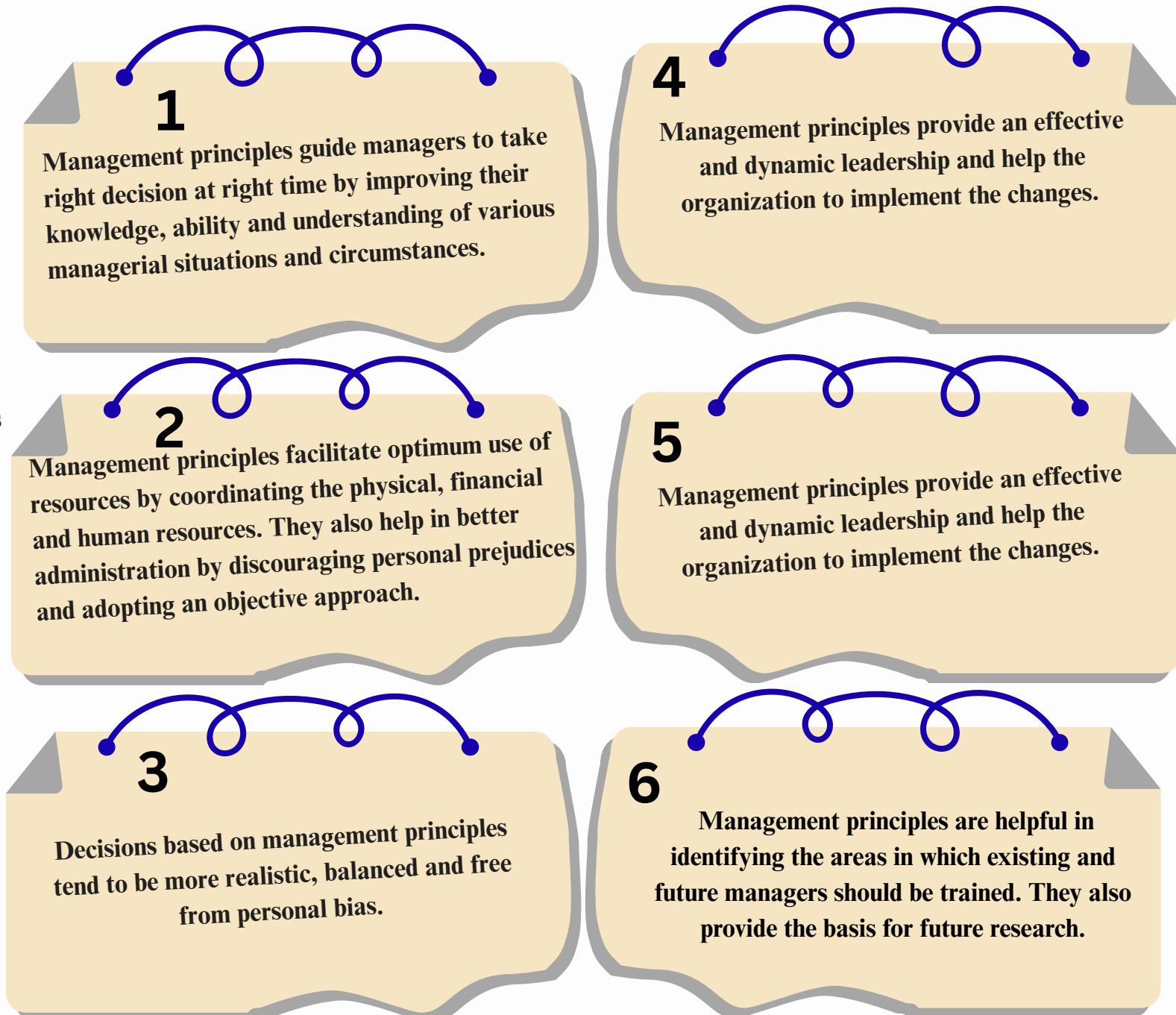
They intend to establish cause & effect relationship so that they can be used in similar situations.

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".

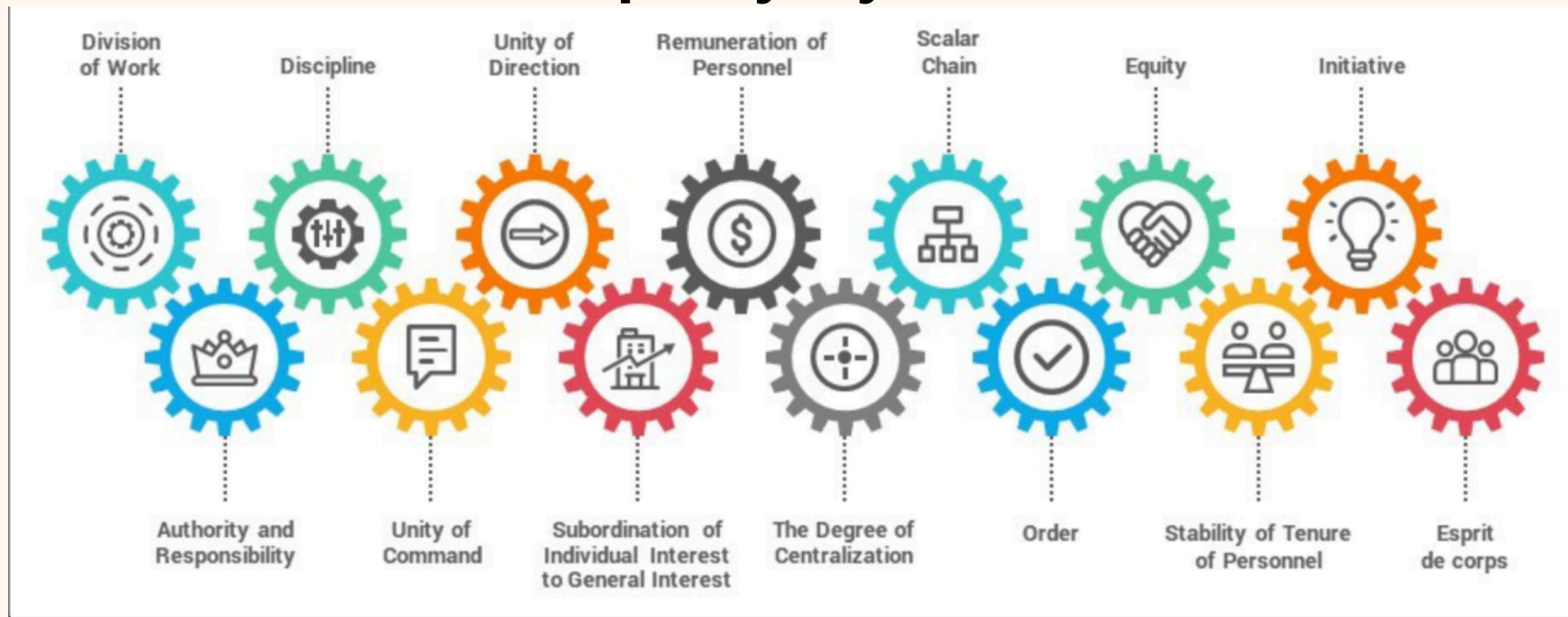
SIGNIFICANCE OF THE PRINCIPLES OF MANAGEMENT

1. Providing managers with useful insights into reality
2. Optimum utilization of resources and effective administration
3. Scientific decisions:
4. Meeting the changing environmental requirements
5. Fulfilling social responsibility
6. Management training, education and research



About Henry Fayol : Henry Fayol (1841-1925) got degree in Mining Engineering and joined French Mining Company in 1860 as an Engineer. He rose to the position of Managing Director in 1988. When the company was on the verge of bankruptcy. He accepted the challenge and by using rich and broad administrative experience, he turned the fortune of the company. For his contributions, he is well known as the “Father of General Management”

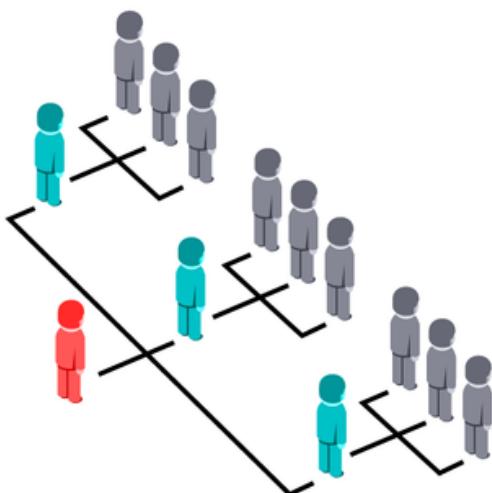
Principles of Management developed by Fayol



PRINCIPLES OF MANAGEMENT DEVELOPED BY FAYOL

DIVISION OF WORK

Work is divided in small tasks/job and each work is done by a trained specialist which leads to greater efficiency, specialisation, increased productivity and reduction of unnecessary wastage and movements.



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.



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.



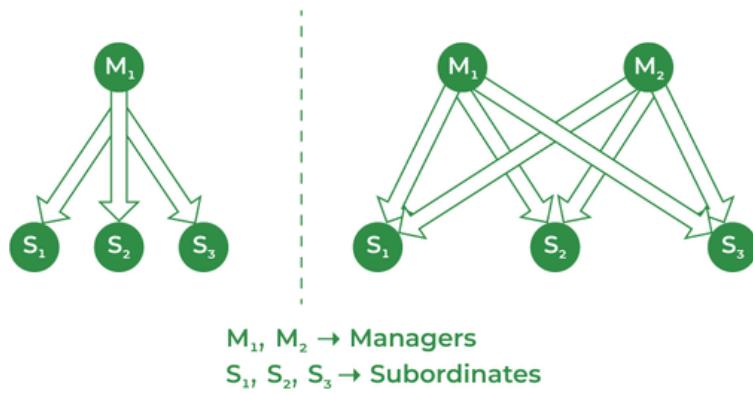
DISCIPLINE

PRINCIPLES OF MANAGEMENT DEVELOPED BY FAYOL

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.

UNITY OF COMMAND MULTIPLICITY OF COMMAND



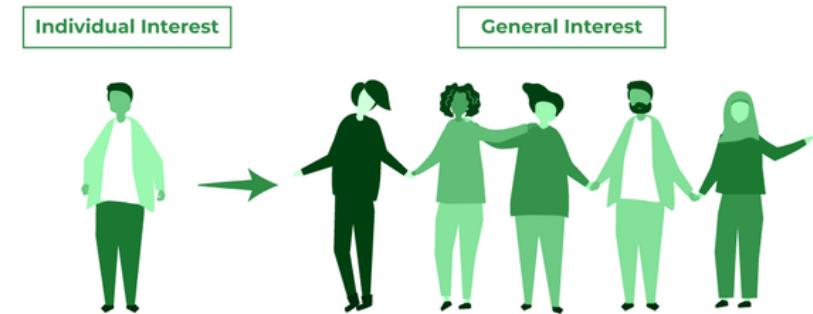
UNITY OF DIRECTION

Each group of activities having the same objective must have one head and one plan. This ensures unity of action and coordination. for e.g. if a company is producing motor cycle as well as cars then it should have separate divisions for them.



SUBORDINATION OF INDIVIDUAL INTEREST TO GENERAL INTEREST

The interest of an organization should take priority over the interest of any one individual employee. For e.g. a manager cancels his pleasure trip to attend an important meeting in the company

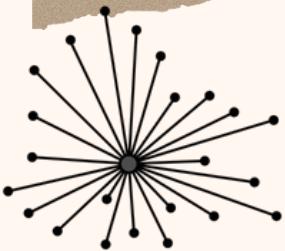




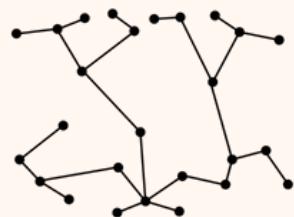
PRINCIPLES OF MANAGEMENT DEVELOPED BY FAYOL

REMUNERATION OF EMPLOYEES

Remuneration of employees should be just and equitable so as to give maximum satisfaction to both the employees and organisation. 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



CENTRALIZED



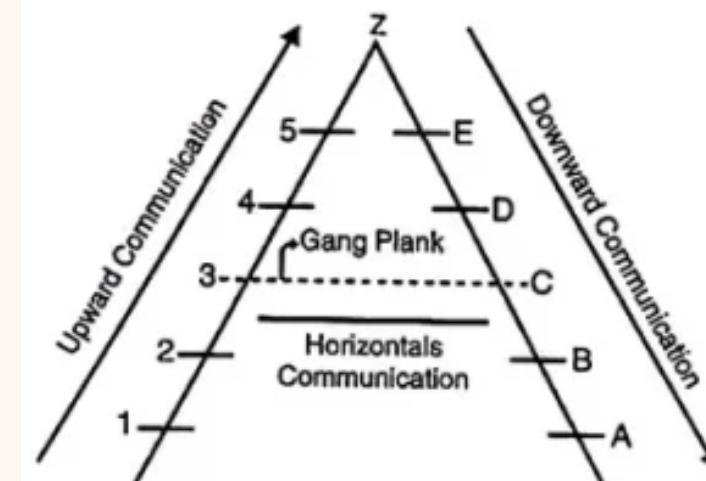
DECENTRALIZED

CENTRALISATION AND DECENTRALISATION

Centralisation means concentration of decisions making authority in few hands at top level. Decentralisation means evenly distribution of power at every level of management. Both should be balanced as no organisation can be completely centralised or completely decentralised. Small organisations can have centralisation where owner has complete authority over the business and no decision making power is given to the subordinates. In large organisations top management takes only strategic/ important decisions and operational authority is given to middle and lower level managers. The panchayat system in our country is a good example of decentralisation where the government being the big organisation gives the decision taking rights to its subordinates i.e., village Panchayat.

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. In case of emergency a worker can even contact CEO directly.



PRINCIPLES OF MANAGEMENT DEVELOPED BY FAYOL

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. In fact, order indicate 'a place for everything (everyone) and everything (everyone) at its right place'.

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 favoured or punished.

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.



PRINCIPLES OF MANAGEMENT DEVELOPED BY FAYOL

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.



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.

Difference between Unity of Command and Unity of Direction

Basis	Unity of Command	Unity of Direction
(1) Meaning	One subordinate should receive orders from & should be responsible to only one superior.	Each group of activities having same objective, must have one head.
(2) Aim	Prevents dual subordination.	Prevents overlapping of activities.
(3) Implications	Affects an individual employee.	Affects the entire organization.

Fredrick Winslow Taylor (1856-1915)

Taylor's Scientific Management Fredrick Winslow Taylor (1856-1915) was a person who within a very short duration (1878-1884) rose from ranks of an ordinary apprentice to chief engineer in Midvale Steel Company, U.S.A. Taylor conducted a number of experiments and came to conclusion that workers were producing much less than the targeted standard task. Also, both the parties - Management and workers are hostile towards each other. He gave a number of suggestions to solve this problem and correctly propounded the theory of Scientific Management to emphasize the use of scientific approach in managing an enterprise instead of hit and trial method. For his contributions, he is well known as the "Father of the Scientific Management".

SCIENTIFIC MANAGEMENT

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.

Meaning: According to F.W. Taylor, "Scientific management is the act of knowing exactly what you want men to do and then seeing to it that they do it in the best and the cheapest way. Scientific Management attempts to eliminate wastes to ensure maximum production at minimum cost.

Principles of Scientific Management

By Fredrick Winslow Taylor (1856-1915)

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. Scientific approach make the work much simpler/easier and it can be performed quicker

Harmony, not discord

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

Cooperation not individualism

Taylor emphasised on the importance of cooperative group efforts between the management and workers in achieving the organisation's goal and not individualism. Both should realise that they need each other. Any ideas given by workers for reducing cost and increasing production should be rewarded.

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.

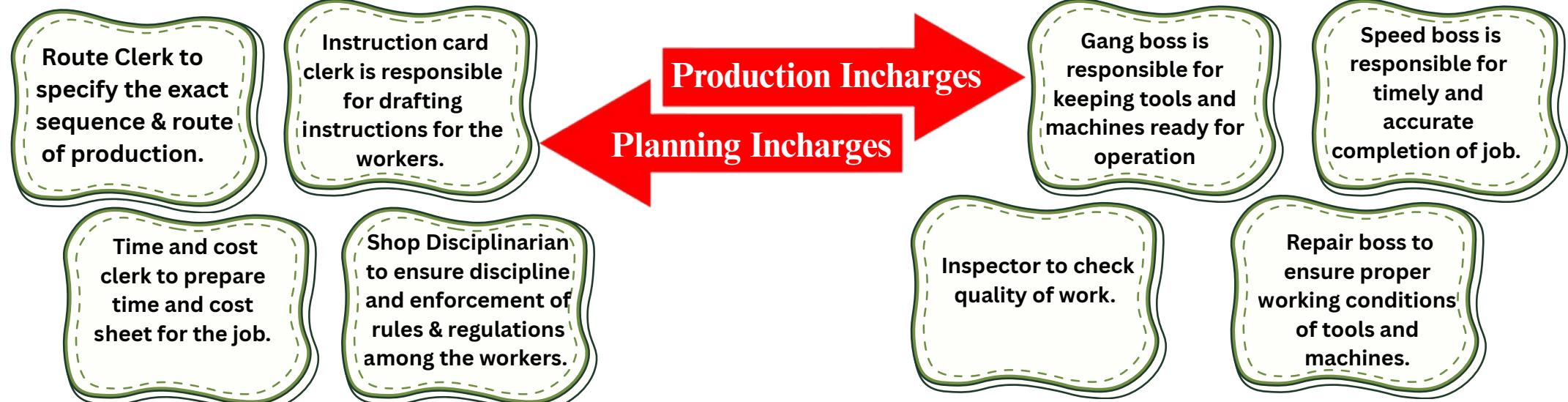
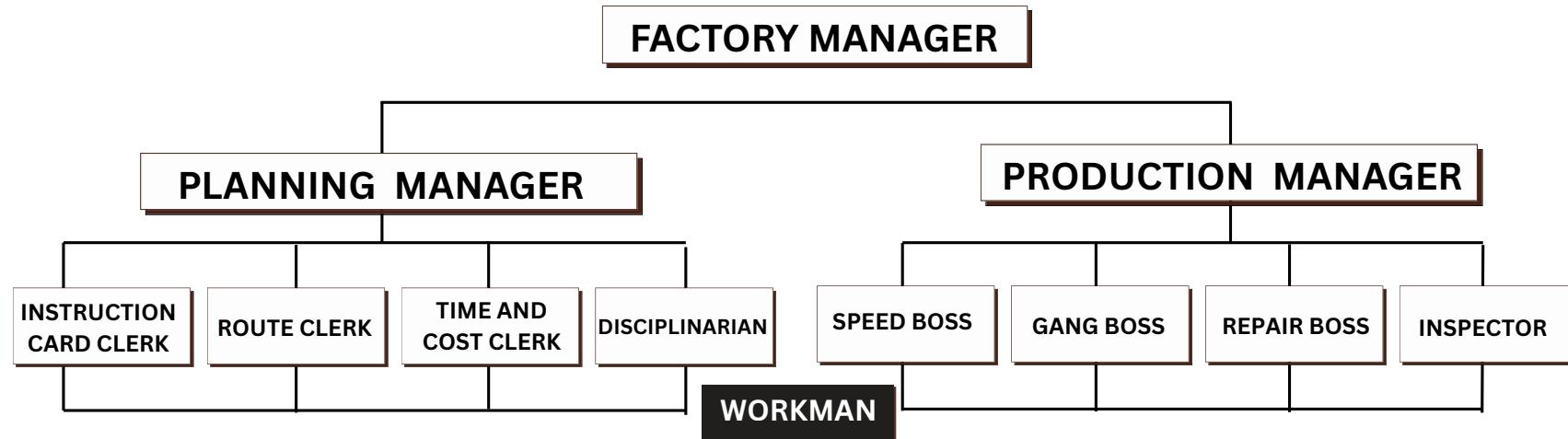
Techniques of Scientific Management

By Fredrick Winslow Taylor (1856-1915)

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.



Standardisation and Simplification of work

standardisation.

Process of setting standards of every business activity to maximise output is called standardisation. .

Simplification

Simplification is eliminating unnecessary varieties, sizes and grades of product manufactured in the organisation.

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.

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 equipments.

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 ideally is recorded using a stop watch.

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.

Fatigue study

Determines the amount and frequency of rest intervals required in completing a task.

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.

For example: Standard task is 10 units. Rates are: Rs 50 per unit for producing 10 units or more and Rs 40 per unit for producing less than 10 units

- Worker A produces 11 Units; he gets Rs 550 (11 units' x '50 per unit)
- Worker B produces 09 units; he gets Rs 360 (9 units' x '40 per unit)
- This difference of Rs 190 will motivate B to perform better.

TAYLOR V/S FAYOL

KEY TRAITS	HENRY FAYOL	F.W TAYLOR	KEY TRAITS	HENRY FAYOL	F.W TAYLOR
BASIS OF FORMATION	Personal Experience	Observation	HUMAN ELEMENT	More importance given to human element; e.g. Principle of equity, stability of tenure	More importance attached to increasing the production than to the human element
FOCUS	Improvement in the overall administration	Concentration on improving the productivity	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
APPLICABILITY	Universally applicable	Applicable only to specialised situations	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.
PERSPECTIVE	Top level management	Lower level-shop floor level			
PERSONALITY	Practitioner and known as the father of General management	Lower level-shop floor level Scientist and known as father of scientific management			