

# **Organization of Commerce & Management**

## **Class-12 Chapter 1**

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**Principles of Management**


## **Introduction:**

Management is necessary everywhere. It is required in every business as an effective tool. Different management thinkers have different views and opinions on management. So, they developed different theories based on their opinion. Management also have various principles.

## **Meaning and Definition:**


Different techniques or systems are important to achieve the goal of an individual or an organization. There are certain techniques which are universally accepted, they are called as principles. Principles are the guidelines to the manager to conduct the organizational activities.

“Principle is defined as a fundamental truth or proposition that serves as the foundation for a system of belief or behaviour or for a chain of reasoning.”



# Nature of Management Principles:

Management principles guide and influence the behaviour of employees. They determine the improving efficiency of organizational resources in the form of profit. The nature of Management Principles is as follows:

- 1) **Universal application:** These management principles are universally applicable. All types of organizations, irrespective of their size and nature can apply them. The results may differ but are suitable for all types of organization. Also, they are applicable for all levels of management.
  - 2) **General guidelines:** General guidelines of management principles help the organization to tackle the different situations wisely and to solve the problem. They are flexible. The situation, size and nature of the organization decides which management principle to be followed.
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3) **Principles are formed by practice & experiments:** Management principles are developed slowly by research work. To develop the principles, there is conduction of systematic observations and experiments. The results so formed are considered as principle after its practice in the organization.

4) **Flexibility:** The management principles are flexible. The organization can modify them as per the situation. There is continuous change in the business situations. Management principles can be moulded as per the situations.

5) **Behavioral in nature:** The management achieves its goal with the help of group of human being. So, it is a group activity. Principles of management are designed to influence the people. They control group of persons and direct them to achieve their decided goals.



6) **Cause and effect relationship:** Decisions are taken on the basis of management principles. These principles decide the cause or reason for specific effect. For eg, payment of good wages and incentive is a cause and increase in output of the workers due to good wages and incentive is an effect.


7) **All principles are of equal importance:** All management principles are equally important. Decided goals can be achieved with the simultaneous practice of these principles. If there is focus only on one principle and others are not followed the organization can not achieve the predefined objectives.




# Significance of Management Principles:

Management principles are applied everywhere in each organization. So, their importance can be stated with the following points:

- 1) **Provides useful insight to managers:** With the help of management principles the managers can understand the organization better. They can also understand the situations and difficulties with the study of management principles. These principles are based on the experience of professional people. So, the managers can find out the solution on various problems.
- 2) **Scientific Decisions:** Scientific decision means systematic and balanced decision. Managers get trained with the help of management principles and can take scientific decisions. Managers can analyse various situations and find the alternatives to get the desired results with the use of scientific decisions.

- 3) **Helpful in efficient utilization of resources:** Every organization uses two types of resources i.e. physical resources (includes money, material and machine) and human resources (manpower). The management focuses on optimum use of resources by maintaining balance between them and controls the wastage of resources. For healthy working environment and to maintain discipline the managers use the principles of management. It develops the cordial relationship between management and employees. Ultimately, it increases the efficiency level of employees.
  
  - 4) **Understanding social responsibility:** Management principles not only handle the resources effectively but also guide the management in understanding social responsibility of organization. It helps the management to focus more on quality products at reasonable prices, to avoid artificial monopolistic situations in market, fair competition, fair remuneration, change in environment, healthy working place, standard tools and machinery etc.
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- 5) **Encourages research & development:** Management principles are dynamic as they change as per business world changes. These principles have developed in such a way that they suit the current needs. Management principles enable the managers to bring constant development in them. So, the managers are able to adopt new trends at the workplace. They develop scientific approach towards research and development and growth of the organization.
  - 6) **Helps to coordinate and control:** Management principles act as guidelines to have better coordination and control among various employees working in different departments. It is a difficult task for the manager to keep control on the performance of all team members. In this regard, management principles are very useful.
  - 7) **Develops objective approach:** One can develop objective approach with the help of various management principles. Managers take decisions on daily basis. These management principles help the managers to identify business opportunities, root causes of the problems in correct manner. These principles build and increase the confidence level of the managers.
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# Theories of Management:


Management theories are the set of general rules. They guide the managers to manage the organization. Various management thinkers have different approaches and have different theories based on that.


## Henry Fayol's (1841-1925) Administrative Theory of Management:


- Was a French mining engineer, turned leading industrialist and successful manager
  - Started a career as mining engineer in French mining company and reached to the position of Chief Managing Director
  - Fayol came up with 14 principles of management in his book 'General and Industrial Administration'
  - He was called as "Father of Modern Management".
  - These 14 statements are the guidelines for decision making and management actions.
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- 1) **Principle of Division of Work:** This principle states that the work is divided into various types such as technical, financial, commercial, security and managerial. The work is allocated to the employees as per their skills, qualities and capabilities. Ultimately it results expected output as it helps in improving efficiency and expertise of employees.
  - 2) **Principle of Authority and Responsibility:** Authority means power and right to give orders and make others obey. It is very important to get the things done from the subordinates. But, the authority and responsibility go hand in hand. Manager is the only person who is responsible for the work done in time or not done in proper manner.
  - 3) **Principle of Discipline:** For any organization, discipline is very important. Employees are supposed to follow the rules and obey the instructions of their seniors. It helps in achieving the desired goals of the organization. The understanding between the management and the employee worker should be very clear and transparent. There must be discipline at all the levels of the organization.
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- 4) **Principle of Unity of Command:** As per this principle the employee should receive the orders only from one superior. If there is more than one superior, there is confusion in the mind of the employee. He would not be able to understand to whom he should follow first. Ultimately, it will hamper the work of the organization. To avoid all this, the hierarchy of the organization should be well defined.
  
  - 5) **Principle of Unity of Direction:** As per this principle, there should be one head and one plan. According to this, the group of employees working on the same activities should have common objective to achieve and must work under one head i.e. senior.
  
  - 6) **Principle of Order:** This principle is based on 'A place for everything and everything in its place'. The man (human resources) and material should be at right place, at right time to have maximum efficiency. There should not be any wastage of time and energy for finding out material or employee. So, the focus of this principle is on the optimum utilization of the physical and human resources.
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- 7) **Principle of Centralization:** This principle states that there must be combination of centralization and decentralization in the organization. Centralization means collection of power and authority in one or few hands. This situation is generally in the small organizations. Mostly in the large organizations there is decentralization. As per this principle there must be balance of centralization and decentralization.
  
  - 8) **Principle of Remuneration:** According to this principle, the employee should get equitable means fair amount of salary (in case of employees) or wages (in case of workers) for the services they provide or for they contribute to the organization. With the good and fair amount of salary, the organization can retain their employees for long time and also they are financially satisfied. They get motivated with fair remuneration and ultimately it results in increase in efficiency and productivity of the organization. While deciding the remuneration the organization should consider the factors such as skill, knowledge, tenure, cost of living, market trend, profitability of the organization and the remuneration should be fixed.
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- 9) **Principle of Scalar Chain:** Scalar Chain means hierarchy of management authority from top level to the lower level in the organization. Traditional organizations used larger hierarchy which was time consuming. This type of scalar chain takes a long time to take important decisions. To avoid this to be happened, and to take quick decision, cross communication or direct communication technique is used. This concept is known as Gang Plank. Proper permission of authorities is important to have direct communication.
- 10) **Principle of Equity:** Management should not only be fair but also friendly to the subordinates. The organization should not differentiate the employees while deciding the monetary terms, allocation of work and delegation of authority. The wages or salaries paid to the employees working at the same level should be equal irrespective of the departments. It helps to avoid the disputes in the organization.
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- 11) **Principle of Stability of Tenure:** When the organization appoints the employee, it is the responsibility of the organization to assure him or her about the stability of the job. Every employee needs the sense of belongingness from the organization. If there is job security from the organization to the employee, the employee puts his maximum efforts to get the desired output and to achieve the objectives of the organization. It also helps to minimize the employee turnover ratio.
  
  - 12) **Principle of Initiative:** There should be freedom on the part of managers to the employees to come up with the new ideas and to take initiative. Initiative means to take first step. So the managers should encourage the employees for the same. This approach creates and develops the healthy organizational culture. Ultimately, it creates the sense of belongingness in the minds of the employees.
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- 13) **Principle of Subordination of Individual Interest to Organizational Interest:** This principle states that the interest of the organization is important than the interest of the individual employee. The manager should take into account the interest of the entire group rather than the interest of the single employee during taking the decisions. In similar way, as the employee works for the organization he should safeguard the interest of the organization than their own self. This is because, when the organization grows, the employees prosper automatically.
- 14) **Principle of Esprit de corps (Team work):** Fayol has given importance to the team work. This principle states that Unity is Strength. The manager should create the feeling of unity and sense of togetherness in the minds of the employees. Employees should feel the spirit of teamwork. The manager should make the employees understand that collective efforts is the only weapon to achieve the predefined goals of the organization. The objectives can be achieved easily and smoothly if all the workers work together with unity.
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## **Fredrick Winslow Taylor's (1856-1915) Scientific Management Theory:**


- An American who started his career as a machinist in Midvale Steelworks, Philadelphia.
- With his hard work and progress, he reached the position of Chief Engineer.
- He came up with the observations and experiments which are based on scientific data.
- He is known as “Father of Scientific Management”.
- His theory is based on scientific experiments.
- This theory emphasizes the scientific approach while the decision-making process and solving the same at the same time.
- Taylor states that the problems should be solved by scientific techniques rather than the rule of thumb and a trial and error approach.


**Scientific Management Definition given by Taylor:** “Scientific Management consists of knowing what you (i.e. management) want men to do exactly; and seeing it that they do it in the best and the cheapest manner.”






# Principles of Scientific Management:


- 1) **Science, Not Rule of Thumb:** 'Rule of Thumb' decisions are based on the personal opinions of the manager. Instead of Rule of Thumb method, the organization should develop the methods in which there is scientific analysis of the work. As per this method, the manager should define the standard required time and standard output. This will save the time and human energy and will lead to expected standard output. Taylor believes that even a small production activity, such as loading iron sheets into box cars can be scientifically planned.
  - 2) **Harmony, Not Discord:** This principle states that there should be harmony between the employees and management so that the disputes between them will be minimised. Perfect understanding between employees and management will result in creation of healthy work environment and ultimately the desired goals of the organization can be achieved. The organization should think about the maximum prosperity of the employees too.
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- 3) **Mental Revolution:** Taylor introduced the concept of “Mental Revolution”. The focus is on the complete change in the attitude of the management and employees towards each other. There should be realization in the minds of employees and management that both are equally important. There should be cooperation from both the sides to achieve the goals of the organization. It ultimately results in increase in productivity and profits.
  
  - 4) **Cooperation, Not Individualism:** There should be mutual cooperation between the employees and management. Internal competition will change into healthy working environment with the help of cooperation, trust, team spirit etc. The management should think about the suggestions of the employees also while taking the decisions. Organization should treat the employees as the integral part of the organization. The employees also avoid going on strikes and should not demand for unnecessary things. They should treat each other as the two pillars of the organization.
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- 5) **Division of Responsibility:** The responsibilities should be divided in such a way that there is proper division of work between the employees and the management. The crucial planning is done by top and middle level management and there is execution of the same on the part of the employees. The reporting is done as per the hierarchy of the organization. The managers are always supposed to help, guide and encourage the employees. It will result in the best performances from both i.e. employees as well as management.
  
  - 6) **Development of employer and employees for greater efficiency and maximum prosperity:** The best performance of the organization depends on the skills and capabilities of its employees. Therefore, it is the responsibility of the management to provide the training and development programmes to their employees on regular intervals. It affects the profitability of the organization. So, each and every employee is supposed to be given the proper opportunity to attain greater efficiency and maximum prosperity.
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# Techniques of Scientific Management:


There are some techniques of scientific management which are as follows:

- 1) **Work Study:** There should be proper work study on the part of management before allocating the work to the workforce. It means the organised, systematic and critical assessment of the different activities or functions. Work study is based on the techniques such as time study, motion study, method study and fatigue study.
    - a) Time Study: In this technique, the time taken by the employee to complete the work is observed and recorded. The time study helps to determine the standard time required for each element of work. Under this technique, the standard time required to complete the task under given condition is fixed. It is useful to measure the efficiency of the employee and to control the cost of work.
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- b) Method Study: There are different methods to complete the task. The management here, identifies and accepts the best method of doing the job for best quality and cost effectiveness. It helps in reduction of wastage of time, raw material and improve the utility of all resources as per predefined objectives.
  
  - c) Motion Study: In this method, the management studies and observes the movement of employee and machine during the completion of a particular task. The unnecessary movements can be eliminated after the study and observation. It improves the efficiency of the employees. The motion technique determines if some elements can be eliminated or the sequence of the same can be changed for the smooth flow of the work.
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d) Fatigue Study: Fatigue means stress. Long working hours, insufficient breaks, target pressure, heavy working tools and poor working conditions are the causes of physical and mental stress or fatigue. It has unfavourable effect on the health and efficiency of the employees. The management should study the factors responsible for the fatigue and take steps to reduce the same to achieve the operational effectiveness.

2) **Standardization of Tools and Equipments**: After conducting the experiments at the workplace, Taylor came up with the conclusion to provide standard tools and equipments. Standardized working environment and methods of production help in reduction of spoilage and wastage of material, cost of production, fatigue among the workers and improves the quality of the work.

- 3) **Scientific Task Setting:** Taylor has given importance to the need to fix a fair day's work. This technique is important to restrain the employees from doing the work much below their strength and capacity. It will help the employees to complete the task as per the given standards. Management will also have a control on the optimum utilization of workforce.
  
  - 4) **Scientific Selection and Training:** The management can use this technique and select the right persons for the right jobs. The management should fix the job specifications as per the requirement. With this technique, the employees are selected as per the predefined standards in an impartial way. The management is supposed to arrange for the proper training for the employees to increase the efficiency.
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5) **Functional Organization:** In this concept, Taylor has separated the planning from implementation. He states that planning should be done by different workforce and implementation team is of different people. So, every employee is supervised by two different sets of supervisors. He suggested total eight foremen to control the various aspects of production. They are as follows:


a) At planning level:

1. Route Clerk- tells how work moves from one machine to other
2. Instruction Clerk- records instructions to complete the work
3. Time and Cost Clerk- determines the time needed for a work and workouts the cost
4. Discipline- ensures that the workers are working as per factory rules

b) At Implementation Level:

1. Gang Boss- actually gets the work done
2. Speed Boss- ensures that work is completed in specified time
3. Repair Boss- handles security & maintenance of machine
4. Inspector- ensures that the work is done as per the specified standards



- 6) **Differential Piece-Rate Wage Plan:** Taylor recommended the differential piece-rate system. The remuneration is fixed in such a manner that the average worker is getting motivated and attains the standard output. In the piece rate system, the employees who produce more than the standard output are paid higher remuneration and those who produce less output are paid at the lower rate of remuneration. By using this technique, the organization can encourage the employees to attain higher standard performance and earn higher wages.
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**THANK  
YOU!**