

St. Peter's Senior Secondary School

Commerce

Business Studies (054)

Assignment 3

Chapter 2: Principles of Management

A quick recap of what we have learnt in this chapter:

Principle

A principle is a fundamental statement of truth that provides guidance to thought and action.

Principles of Management

Principles of management are broad and general guidelines for managerial decision making and behavior (i.e. they guide the practice of management).

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:** 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 behavior they are behavioral in nature.
- 6. Cause and Effect relationship:** They intend to establish 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.

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.
- 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.

Fayol’s Principles of Management

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 1888. 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”.

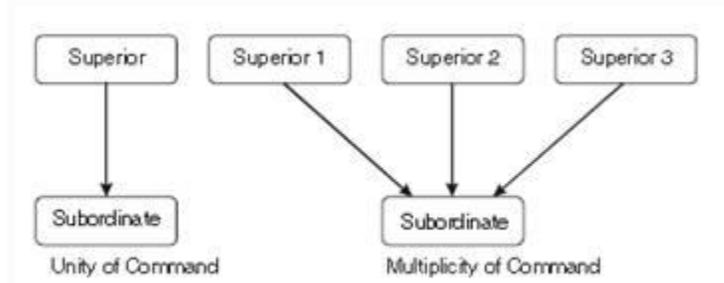
Principles of Management developed by Fayol

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.

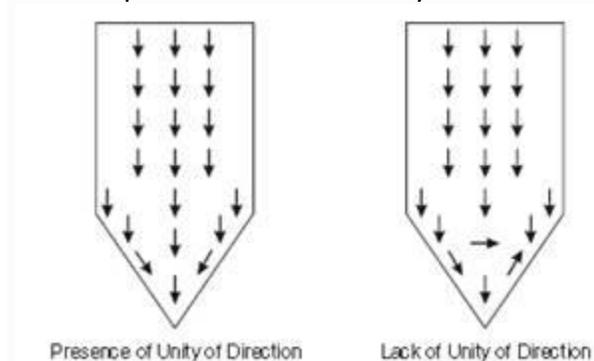
2. Authority and Responsibility: Authority means power to take decisions and responsibility means obligation to complete the job assigned on time. Authority and responsibility should go hand in hand.

3. Discipline: It is the obedience to organizational rules by the subordinates.

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.



Difference between Unity of Command and Unity of Direction

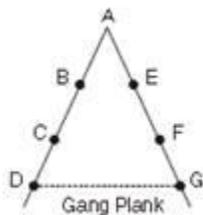
Basis	Unity of Command	Unity of Direction
1. Meaning	It means that a subordinate should receive orders and instructions from one boss only.	It advocates 'one head, and one plan' for a group of activities having the same objectives.
2. Scope	This principle is related to the functioning of personnel	This principle is related to the functioning of a department or the organization as a whole
3. Purpose	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.
4. Results in	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 organization should take priority over the interest of any one individual employee.

7. Remuneration of Employees: The overall pay and compensation should be, fair to both employees and the organization.

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 are 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: A place for 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 and principles of justice and fair play should be followed.

12. Stability of Personnel: After being selected and appointed by rigorous procedure, the selected person should be kept at the post for a minimum period decided to show results.

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

14. Espirit De Corps: Management should promote team spirit, unity and harmony among employees. Management should promote a team work.

Taylor's Scientific Management

Fredrick Winslow Taylor (1856-1915) gave a number of suggestions 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 attempts to eliminate wastes to ensure maximum production at minimum cost.

Principles of Scientific Management

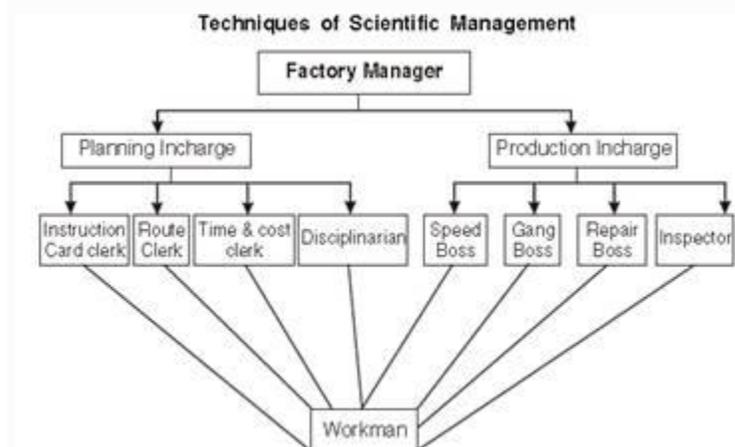
(1) Science, not rule of Thumb: There should be scientific study and analysis of each element of a job in order to replace the old rule of thumb approach or hit and miss method.

(2) Harmony, Not discord: Both managers and workers should respect each other's role and eliminate any class conflict to realize organizational objectives.

(3) Cooperation not individualism: 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. This will increase the productivity by utilizing the skills of the workers to the fullest possible extent.

Techniques of Scientific Management



1. Functional Foreman-ship: Functional foreman-ship is a technique in which planning and execution are separated. There are eight types of specialized, professionals, four each under planning and execution who keep a watch on all workers to extract optimum performance.

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.

2. Standardization and Simplification of work: Standardization refers to developing standards for every business activity whereas Simplification refers to eliminating superfluous varieties of product or service. It results in savings of cost, fuller utilization of equipment and increase in turnover.

3. Method Study: The objective of method study is to find out one best way of doing the job to maximize efficiency.

4. Motion Study: It is the science of eliminating wastefulness by workers and machines to identify best method of work.

5 Time study: It determines the standard time taken to perform a well-defined job.

6. Fatigue study: Fatigue study seeks to determine time and frequency of rest intervals in completing a task.

7. Differential piece wage system: This system links wages and productivity. The standard output per day is established and two piece rates are used: higher for those who achieve upto and more than standard output i.e. efficient workers and lower for inefficient and slow workers.

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.

8. Mental Revolution: It involves a complete change in mental outlook and attitude of workers and management towards one another. The management should create pleasant working conditions & workers should work with devotion and loyalty.

Short Questions - Question number (1-8) may be answered in one word or one sentence.

Long questions - Question number (9-15) may be answered in 100-150 words.

1. What is meant by 'Management Principles'?
2. Name the organisational structure that assists in increasing managerial and operational efficiency.
3. What is the objective of fatigue study?
4. Rohit keeps machines, materials, tools etc, ready for operations by concerned workers'. Whose work is described by this sentence under functional foreman ship?
5. Which principle of management ensures fairness to all employees by treating them as fairly as possible?
6. What is mental revolution?
7. A subordinate receives order from more than one boss'. Which principle is violated?
8. What type of organizational objective is satisfied if an organization provides salary to the workers commensurate with their job?
9. Hina & Hitesh are typists in a company having the same educational qualification. Hina is getting Rs. 3000 per month & Hitesh is getting Rs 4000 per month as salary for the same work hours .Which principle of management is violated in this case? Name the principle & explain it.

10. Explain giving reasons under which situations techniques of Taylor are not applicable.

11. Sanchit, after completing his entrepreneurship course from Sweden returned to India and started a coffee shop 'AromaCoffeeCan' in a famous mall in New Delhi. The speciality of the coffee shop was the special aroma of coffee and a wide variety of flavours to choose from. Somehow, the business was neither profitable nor popular. Sanchit was keen to find out the reason. He appointed Sandhya, an MBA from a reputed college, as a Manager to find out the causes for the same.

Sandhya took feedback from the clients and found out that though they loved the special unique aroma of coffee but were not happy with the long waiting time being taken to process the order. She analysed and found out that there were many unnecessary obstructions in between which could be eliminated. She fixed a standard time for processing the order. She also realised that there were some flavours whose demand was not enough. So, she also decided to stop the sale of such flavours. As a result within a short period Sandhya was able to attract the customers.

Identify and explain any two techniques of scientific management used by Sandhya to solve the problem.

12. Explain briefly 'Initiative' and 'Esprit de Corps' as principles of general management.

13. What did Taylor want to communicate through mental revolution?

14. Briefly explain work study techniques that help in developing standards to be followed throughout the organization.

15. Pawan is working as a Production Manager in CFL Ltd. which manufactures CFL bulbs. There is no class-conflict between the management and workers. The working conditions are very good. The company is earning huge profits. As a policy, the management shares the profits earned with the workers because they believe in the prosperity of the employees.

1. State the principle of management described in the above paragraph.
2. Identify any two values which the company wants to communicate to society.

For the Next Assignment Chapter 3:

Kindly study Chapter 3: Business Environment from Diksha App or iDream Learning App

You can refer to these links if you need additional help

<https://www.youtube.com/watch?v=BBYqegheEHg>

<https://www.youtube.com/watch?v=e0AEI6nVNsw>

https://www.youtube.com/watch?v=la1AFa_IO9s

<https://www.youtube.com/watch?v=O-x7f9WVRNU>