CBSE CLASS 12 BUSINESS STUDIES

CHAPTER – 2

PRINCIPLES OF MANAGEMENT

REVISION NOTES

PRINCIPLES OF MANAGEMENT

Principle

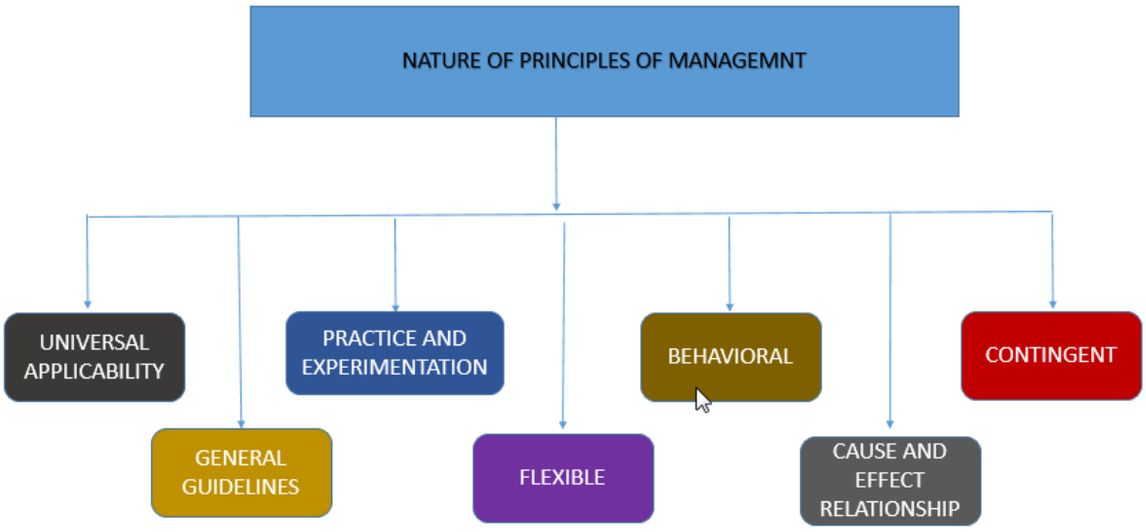
A principle is a fundamental truth or proposition that serves as the foundation for a system of belief or behavior or for a chain of reasoning

Principles of Management

Principles of management are broad and general guidelines for managerial decision-making and behavior. Management principles are not as rigid as principles of science as this deals with human behavior and thus are to be applied creatively given the demands of the situation.

Nature of Principles of Management

The nature of principles of management are as follows:



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1. **Universal applicability:** Principles of management is applicable in all types of organizations, business as well as non-business, small as well as large enterprises depending on the nature of the organisation.

2. **General Guidelines:** They are general guidelines to action but do not provide straight solution to all managerial problems, as the business situations are complex and dynamic.

3. **Formed by practice and experimentation:** They are formed from the knowledge, experiences and experiments of the managers.

4. **Flexible:** These principles are not rigid and can be adapted and modified by the practicing managers depending upon the situation.

5. **Mainly Behavioral:** Since the principles aim at influencing complex human behavior they are behavioral in nature.

6. **Cause and Effect relationship:** They are intend to establish relationship between cause & effect so that they can be used in various situations.

7. **Contingent:** Their applicability depends upon the prevailing situation at a particular point of time. The application has to be changed as per the situation.

Significance of the Principles of Management

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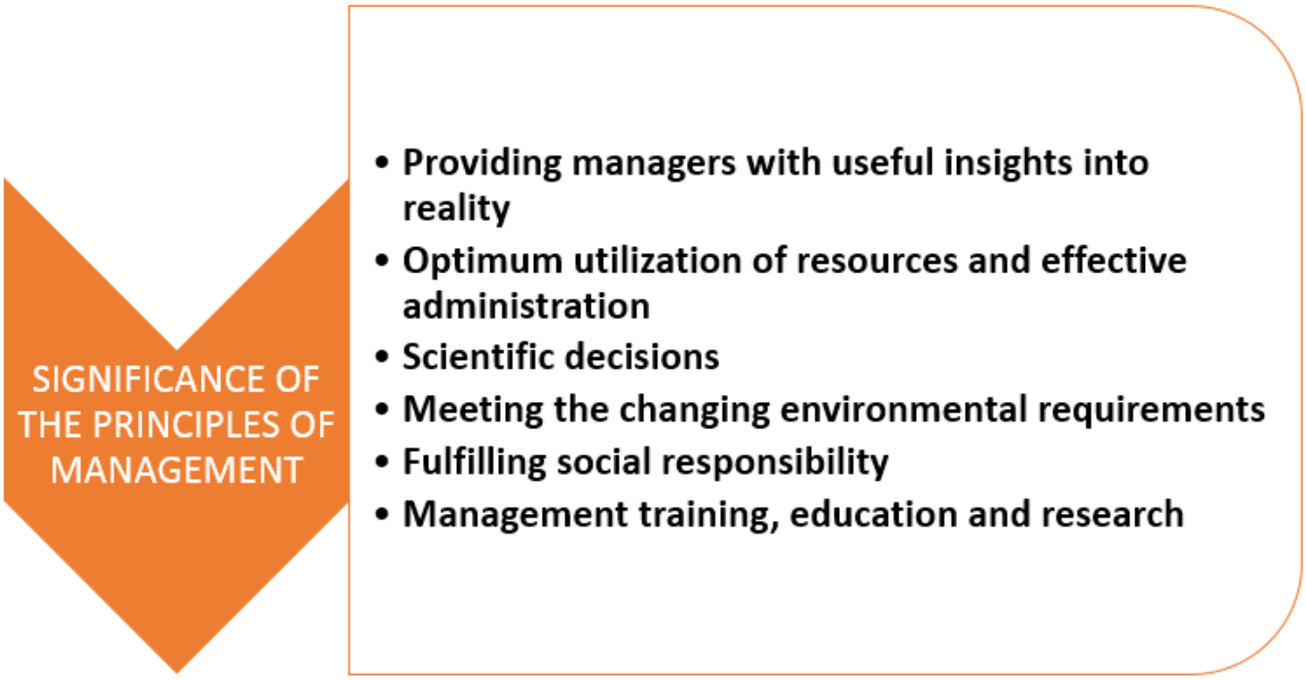

1. **Providing managers with useful insights into reality:** Principles of management guide managers with useful insights into real world situations, adherence to these principles will improve their knowledge, ability and understanding of various managerial situations and circumstances.

2. **Optimum utilization of resources and effective administration:** The resources with the company are limited. Management principles equip the managers to see the cause and effect of their decisions and actions and thus reduce wastage. Optimum utilization of resources means maximum benefit with minimum cost.

3. **Scientific decisions:** Decisions must be based on facts, thoughtful and justifiable in terms of intended purpose. Management principles must be timely, realistic and subject to measurement and evaluation. Principles are free from bias and prejudice.

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4. **Meeting the changing environmental requirements:** Management principles are effective and dynamic and thus help the organization to meet the changing requirements of the environment.

5. **Fulfilling social responsibility:** Due to the increased awareness of the public forces all companies are required to fulfill social responsibilities. Principles of management not only help in achieving organizational goals but also guide managers in performing social responsibilities.

6. **Management training, education and research**: Management principles are the core of management and are helpful in increasing knowledge, which forms the basis for management training and research.

Taylor's Scientific Management

Meaning: It implies conducting of business activities according to standardized tools, methods and trained personal in order to increase output improve its quality and reduce costs and wastes through effective and optimum utilization of resources. Hence, it stresses that there is always one best method to maximize efficiency. This method can be developed through study and analysis.

Principles of Scientific Management

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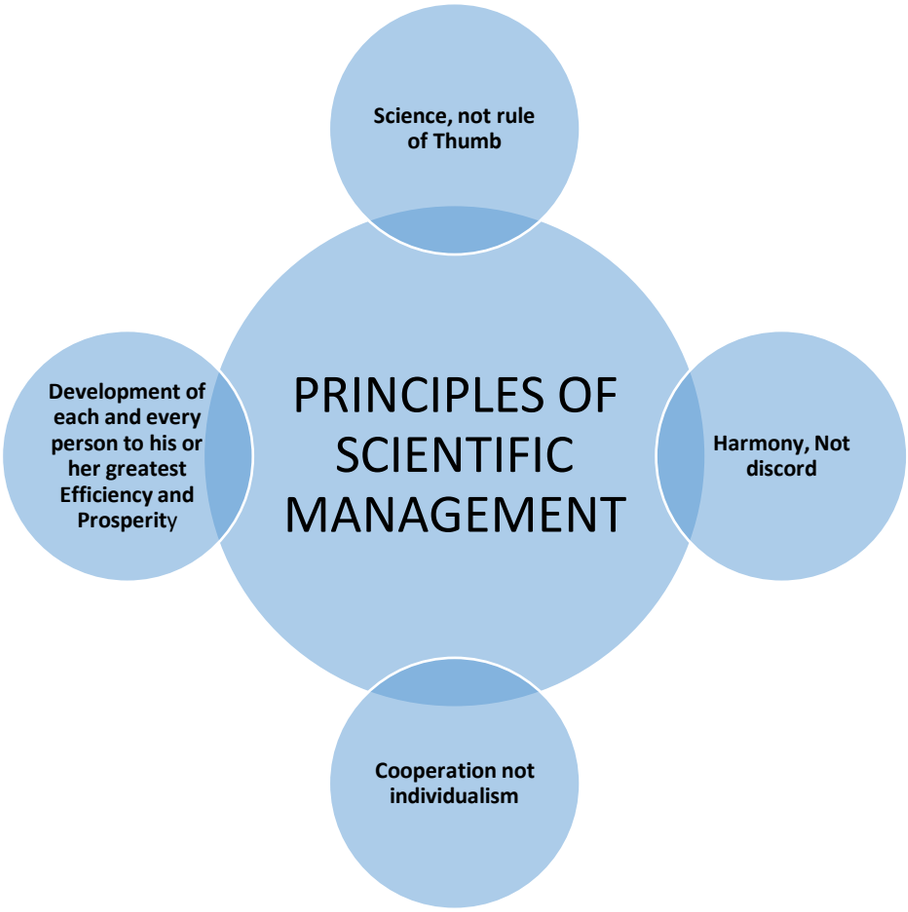

(1) Science, not rule of Thumb: There should be scientific study and analysis of each element of a job in order to replace the old rule of thumb approach or hit and miss method. We should be constantly experimenting to develop new techniques, which make the work much simpler, easier and quicker. Scientific method involved investigation of traditional methods through work-study.

(2) Harmony, Not discord: There should be complete harmony between management and workers I achieving organizational goals. It implies that there should be mental revolution on part of managers and workers in order to respect each other's role and eliminate any class conflict to realize organizational objectives.

(3) Cooperation not individualism: It is an extension of the Principle of Harmony not discord, there should be complete cooperation between the labour and management instead of

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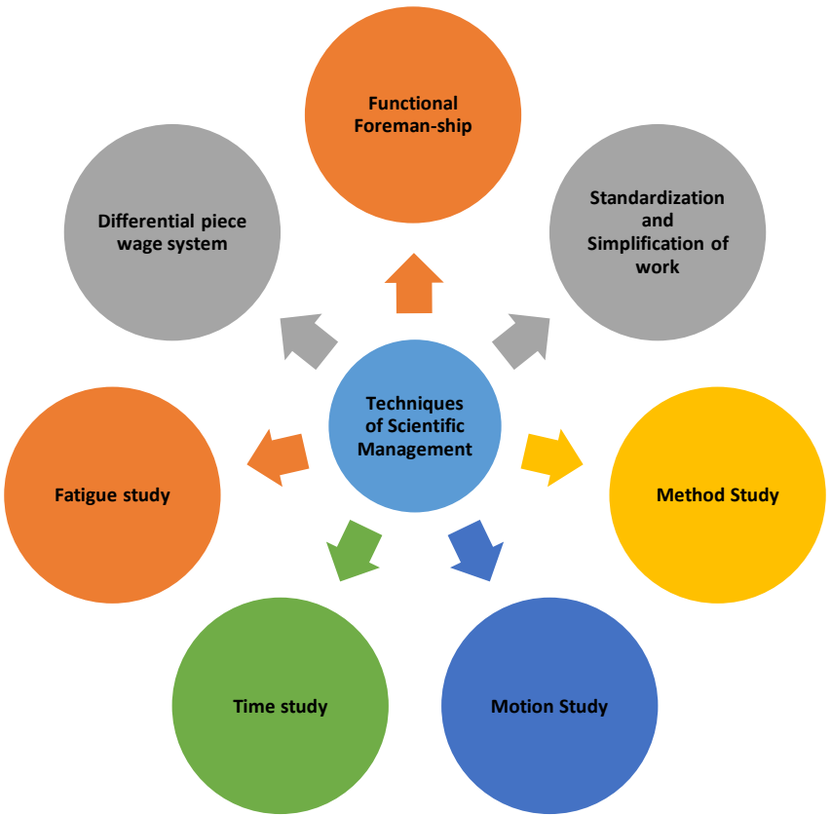
individualism. Constructive suggestions from employees must be encouraged and desist workers from going on strike and making unreasonable demands.

(4) Development of each and every person to his or her greatest Efficiency and Prosperity: It implies taking actions for the development of competencies of all persons of an organization after their scientific selection and assigning work suited to their temperament and abilities. This will increase the productivity by utilizing the skills of the workers fully.

Techniques of Scientific Management



1. Functional Foreman-ship: Functional foreman-ship is a technique in which planning and execution are separate.

- Supervision is divided into several specialized functions and each functions is to be entrusted to a foreman.
- There are eight foreman in the related process or function of production.
- Four each under planning and execution who keep a watch on all workers performance.

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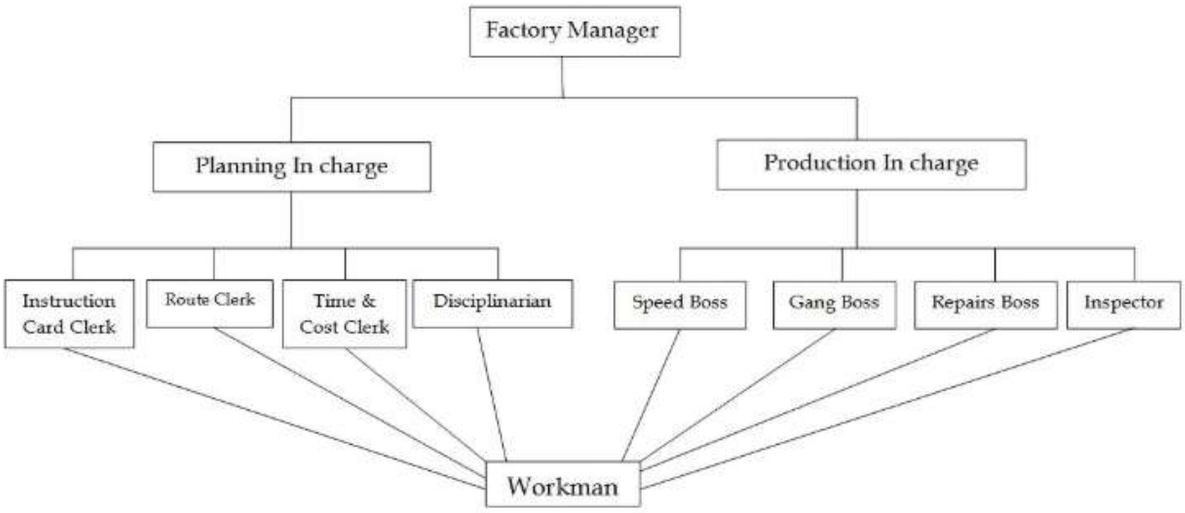

Functional Foremanship

2. Standardization and Simplification of work: Standardization refers to developing standards for every business activities to maximize output. Whereas simplification refers to eliminating unnecessary varieties, sizes and grades of products or services. It results in savings of cost of labour, machines and tools. It leads to 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 in the use of resources and to reduce cost of production and to maximizing quality and satisfaction of customers.

4. Motion Study: Refers to the study of productive movements. It is the science of identifying and eliminating wasteful movements resulting from unnecessary, incidental and unproductive motions of the workers so that it takes less time to complete the job efficiently.

5. Time study: It determines the standard time taken to perform a well-defined job. The objective of time study is to determine the number of workers to be employed, frame suitable incentive schemes & determine labour costs.

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6. Fatigue study: Fatigue study seeks to determine time and frequency of rest intervals in completing a task. The rest interval will enable workers to regain their lost stamina thereby avoiding accidents, rejections and industrial sickness.

7. Differential piece wage system: This differentiates efficient and inefficient workers and 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. Thus, efficient workers will be rewarded & inefficient will be motivated to improve their performance.

Fayol's Principles of Management

According to Henri Fayol's specialization promotes efficiency of the workforce and increases productivity. In addition, the specialization of the workforce increases their accuracy and speed. This 14 principles of management is applicable to both technical and managerial activities

Principles of Management developed by Fayol

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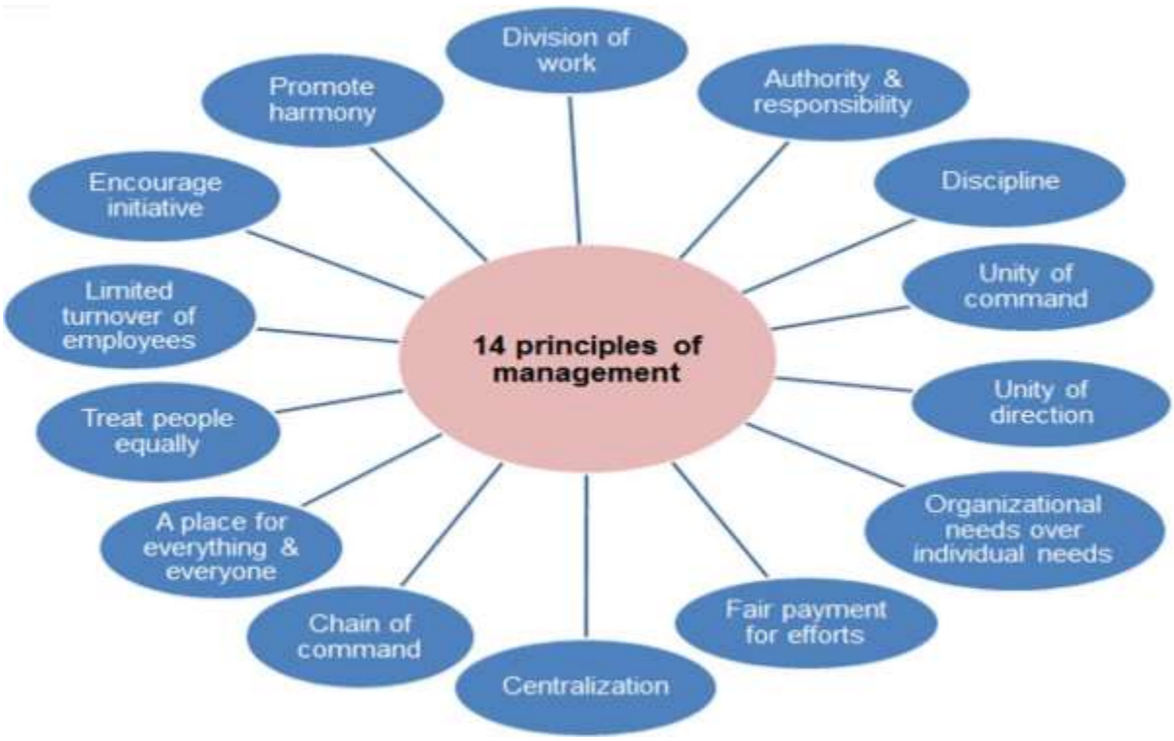

1. Division of work: Work is divided in small tasks/job and a trained specialist who is competent enough to perform that job does each work. Thus it leads to greater efficiency, specialization, increased productivity.

2. **Authority and Responsibility:** Authority means power to take decisions and responsibility means obligation to complete the job assigned on time. There should be a balance between authority and responsibility. Mere responsibility without authority makes an executive less interested in discharging duties. Similarly, giving authority without assigning responsibility makes him arrogant and there is fear of misuse of power.

3. Discipline: Is the obedience to organizational rules and employment agreement, which are necessary for the working of the organisation. Discipline requires good supervisors at all levels, clear and fair agreements and judicious application of penalties.

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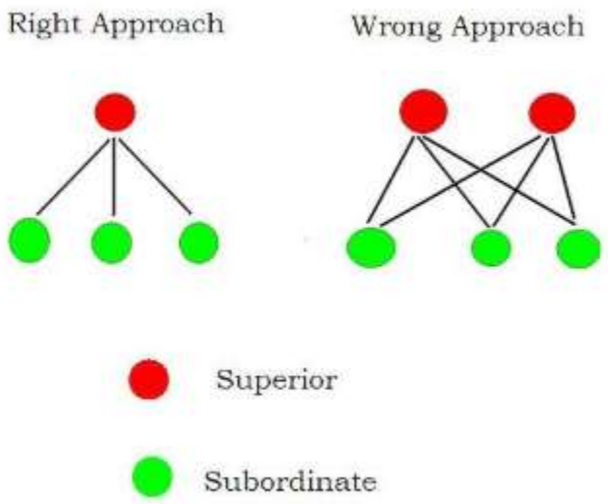
4. Unity of Command: According to Fayol there should be one and only one boss for every individual employee. It implies that every worker should receive orders from one superior only, otherwise it will create confusion, conflict and duplication of work.



5. Unity of Direction: All the units of an organisation should move towards the same objectives through coordinated and focused efforts. 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

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BASIS FOR COMPARISON	UNITY OF COMMAND	UNITY OF DIRECTION
Meaning	Unity of command refers to a principle of management that states that one should get orders from and report to only one boss.	Unity of direction is a management principle, which implies that all the activities with same objective must have one head and one plan.
Purpose	To prevent dual subordination.	To prevent duplication of activities.
Implications	It effects an individual employee	It effects the entire organization
Outcome	The principle leads to effective functioning of the subordinates.	The principle results in coordination of work of various employees and managers.
Relationship	Represents relationship between superior and subordinate.	Represents relationship of activities, as per organizational plans and goals.
Need	To fix the responsibility of each person in the organization.	For efficient functioning of organizational activities.

6. **Subordination of Individual Interest to general interest:** The interest of an organization should take priority over the interest of any individual employee. In simple words the organisation interest to be prioritized over individual interest.

7. **Remuneration of Employees:** The overall pay and compensation should be, fair to both employees and the organization. The employees should be given fair wages so that they can have a reasonable standard of living. Wages should be within the paying capacity of the organisation.

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8. Centralization and Decentralization: Centralization means concentration of decisions making authority with some, whereas its dispersal among more than one person is Decentralization. Both should be balanced, as no organization can be completely centralized or completely decentralized.

9. Scalar Chain: The formal lines of authority and communication between superiors and subordinates from the highest to the lowest ranks is known as scalar chain. This chain should not be violated but in case of emergency employees at same level can contact through Gang Plank by informing their immediate superiors.

10. Order: According to Fayol " People and material should be in suitable places at appropriate time for maximum efficiency". A place for everything and everyone and everything and everyone should be in its designated place

11. Equity: Good sense and experience are needed to ensure fairness to all employees who should be treated as fairly as possible. The working environment of any organization should be free from all forms of and principles of justice and fair play should be followed. No worker should be unduly favoured or punished.

12. Stability of Personnel: Employee turnover should be minimized to maintain organizational efficiency. A personnel should be selected and appointed after rigorous procedure and the selected person should be kept at the post for a minimum tenure to show results.

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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.

Fayol versus Taylor

Basis	Henry Fayol	F.W Taylor
Basis of formation	Personal Experience	Observations and experimentation
Focus	Improvement in the overall administration.	Concentrates on improving the productivity.
Applicability	Universal applicability	Applicable only to specialized situations. Such as in factories
Perspective	Top level management	Lower level - shop floor level
Personality	Researcher and practioner and was called as 'father of general management.	Scientist and was called as 'father of scientific management.
Human element	More importance is attached to increase the production rather than to the human element.	More importance is given to human element e.g., principle of equity, stability of tenure.

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