

Gujarat Board Textbook Solutions Class 12 Organization of Commerce and Management Chapter 2 Principles of Management

1. Select the correct alternative and write answer to the following questions :

Question 1. What is principles of management?

- (A) Result of experience
- (B) Management decide it
- (C) Decided by experiments
- (D) Managers decide it

Answer:

- (A) Result of experience

Question 2. Why does need arise to make changes in principles of management?

- (A) Change in assets
- (B) Change in capital
- (C) Change in technology
- (D) Change in managers

Answer:

- (C) Change in technology

Question 3. Who is the promoter of scientific management?

- (A) Luther Gulick
- (B) Fredrick Taylor
- (C) Henri Fayol
- (D) Peter Drucker

Answer:

- (B) Fredrick Taylor

Question 4. Which thoughts were presented till the end of 19th century?

- (A) Neo classical
- (B) Pre-classical
- (C) Classical
- (D) Modern

Answer:

- (C) Classical

Question 5. Who was the promoter of neo classical thought?

- (A) Harzburg
- (B) Henri Fayol
- (C) Fredrick Taylor
- (D) Elton Mayo



Answer:

(D) Elton Mayo

Question 6. Who said that 'you save your employees, your employees will save yours' everything?

(A) C. K. Prahlad

(B) Prof. Urvik

(C) Aargris

(D) Peter. F. Drucker

Answer:

(B) Prof. Urvik

Question 7. Which management gurus given below have contributed to modern thought?

(A) C. K. Prahlad

(B) Elton Mayo

(C) Max Weber

(D) Henry Gentt

Answer:

(A) C. K. Prahlad

Question 8. Who had given general principles of management?

(A) Fredrick Taylor

(B) Peter. F. Drucker

(C) Henri Fayol

(D) Chester Barnard

Answer:

(C) Henri Fayol

Question 9. Method of removing waste generated from unnecessary movement done in wrong directions from any work?

(A) Time study

(B) Motion study

(C) Different wage rates

(D) Employee observation

Answer:

(B) Motion study

Question 10. Who was the founder of principle of management by objective?

(A) Peter F. Drucker

(B) Fredrick Taylor

(C) Henri Fayol

(D) Max Weber

Answer:

(A) Peter F. Drucker



Question 11. Which activity from the following is possible by implementing labour division?

- (A) Aggregation
- (B) Specialization
- (C) Simplification
- (D) Integration

Answer:

- (B) Specialization

Question 12. If employee does not get appropriate compensation then what arises?

- (A) Labour turnover
- (B) Promotion of labour
- (C) Absence of labour
- (D) Decline of labour

Answer:

- (A) Labour turnover

2. Answer the following questions in one sentence each :

Question 1. What is 'Principle of management'?

Answer:

Principles which are formed in relation to the human behavior for achieving the goals easily are known as principles of management.

Question 2. What is time Study?

Answer:

Time study means scientific study being done for the time required to complete certain part of task. The time decided to finish this work in normal circumstances, is called standard time.

Question 3. What is unity of command?

Answer:

Unity of command means that employees cannot follow orders from more than one superior. It means that the employees should get order from only one superior for any job or activity.

Question 4. What is management thoughts?

Answer:

The principles, opinions and thoughts given by several management gurus are together known as management thoughts.



Question 5. Which concepts are included in behavior related thoughts?

Answer:

Concepts like inter-human relations, motivation, leadership, information communication process, disposal of industrial disputes are included in behavior related thoughts.

Question 6. In modern thoughts which other subjects are related with management?

Answer:

Psychology, social studies, statistics, mathematics and computer and information technology are the other subjects related – to thoughts of modern management.

3. Answer the following questions in short :**Question 1. What is scientific management?**

Answer:

- F. W. Taylor defined scientific management as “Knowing exactly what you want your man to do, and then see to it that they do it in the best and the cheapest way”
- Scientific Management is a mental revolution favouring employees of a factory. It focuses on tasks and duties of the employees, their colleagues and owners.

Taylor suggested the following things to be adopted for scientific management:

1. Each worker should be assigned work as per his mental and physical ability.
2. Each worker should be instructed to perform maximum work as per category.
3. A worker working efficiently and rapidly should be paid 30% to 100% more wages.

Question 2. What does the principle of equality?

Answer:

Equality:

- Employees are a part of managerial system.
- The employees are human beings and so the management should adopt a practical and humanitarian approach to handle them.
- Superiors should behave appropriately and uniformly while taking work from their sub-ordinates.
- The management should make efforts to establish equality in unit informally rather than through legal or traditional ways.
- This principle believes that behaviour of employees is based on faithfulness, attitude, uniformity and justice in the unit.



Question 3. 'Principles of management are flexible – Suggest.

Answer:

Flexibility:

The principles of management are not rigid. The manager may change them as per the need of the business. For example, in large units the principle of division of work may be applied uniformly, but in small units the principle of division of work may not be applied in the same proportion and hence the 1 manager of the small unit may have to change the principle as per the firm's requirements,

Question 4. In to which six parts, Henry Fayol divided his entrepreneur activities – Explain.

Answer:

- enri Fayol was a French engineer and an industrialist. He contributed much in the management thoughts and principles.
- In 1961, he gave 14 principles of management. He presented these principles in his book 'Industrial and General Management'.
- For better management, ease and clarification of these 14 principles he divided activities of industrial units in 6 parts. The six parts are:

Industrial activity Inclusions:

Industrial activity	Inclusions
(1) Technical activities	These activities include factory machineries and activities related production.
(2) Commercial activities	Activities like purchasing, sales, exchange of units
(3) Financial activities	Activities like procurement of capital, use of capital, fund maintenance, re investment
(4) Safety activities	These include safety of employees, safety of assets, safety of goods (raw materials)
(5) Accounting activities	These include financial statements and performing necessary statistical analysis
(6) Management activities	These include planning, organization, direction, co ordination control activities



Question 5. What is 'Rule of Thumb'?

Answer:

- Under the traditional management, the owners dominated the workers.
- The workers were asked to do maximum work without giving them any major benefits.
- Workers had no voice of their own. They had to simply follow what was told to do in whatever manner.
- The orders given by the owners and managers was the rule of the thumb against which the workers had no say.

Question 6. Explain the principle of unity of command.

Answer:

Unity of command:

- The concept of getting command from only one superior is called Unity of Command.
- Employees cannot follow orders from more than one superior. Hence this principle suggests that employee should get order from only one superior for any job or activity.
- As per this principle, an employee should be responsible to only one superior or department for a particular job.
- This principle prevents any confusion that may arise amongst employees with respect to whose order to follow. If order comes from more than one superior then it creates confusion amongst employees and hampers industrial discipline.

Question 7. Explain Taylor's differential wage rate study.

Answer:

Differential wage-rate study:

- A referential wage-rate system is a method of wage payment in which after tests a standard time for any task is being set. The worker gets a high wage- rate for completing the job within the allotted time and lower wage-rate for / completing the job beyond the allotted time.
- Frederick Taylor favored this motivational wage method.
- Each worker working in factory has different work efficiency. Considering this fact, efficient worker should get more wages whereas workers having less efficiency should get lower wages.

4. Answer the following questions in brief :

Question 1. Discuss about importance of the principles of management.

Answer:

Importance of principles of management:



- Principles of management provide a vision to the behaviour and approach of the managers. This in turn highly affects the management.
- Managers make use of these principles for achieving business goals.

The importance of management principles is discussed below:

1. Increases managerial efficiency:

- Principles of management provide guidelines to managers to perform in a variety of situations.
- This improves the functioning of a business unit and also improves efficiency of managers.

2. Maximum usage and effective administration of resources:

- In most of the business units, the human and physical resources are available in limited quantity. So, there arises a need of maximum usage of these resources that are available in limited quantity.
- Management principles help in increasing the utility and efficiency of resources that too with minimum cost inputs.

3. Helps to take scientific and logical decisions:

- Decisions should be always based on facts, proper logic and objectives. They should be justifiable and should be taken on time so as to make them effective.
- Management principles help to take appropriate decisions on proper time without getting biased.

4. To cope up with the changing business environment:

Management principles are necessary to meet business environment in changing circumstances.

5. To fulfill social responsibility:

- Profit is considered as the main aim of the business, but it is not the only aim. Development and progress of society are also aims of business unit.
- By effective implementation of management principles, business unit can easily achieve aim of social responsibility.

6. Useful for research, training and development:

- Management principles are the main elements of management thoughts.



- Training, education and development are possible only through proper implementation of management principles.
- For example, in modern time, aptitude tests are conducted for appointing employees in various business units. These aptitude tests are prepared through research and by implementing and using management principles.

Question 2. Write a short-note on modern thoughts.

Answer:

Thoughts of modern management:

- The format of industries and business-unit again changed after 1960. This demanded the need of special approach of management.
- Management was not restricted to only business and industrial units but also included professional people and units that provided professional services like that of taxation, law, medicine, etc. These professions gave rise to a new class of managers.
- Over and above management thoughts, thoughts for psychology, social studies, statistics, mathematics and computer, information technology also emerged.
- Management Gurus like Koontz O'Donnell, George R. Terry, Peter F. Drucker, William Ouchi and C. K. Prahalad have contributed in the thoughts of modern management.

Question 3. 'Principles of management are based on human behavior.' – Explain the statement.

Answer:

Based on human behaviour:

- Human is at the center of the management. So, the principles of management largely affect human behaviour.
- Human behaviour is a psychological phenomenon and so implementing management principles on humans will affect their behaviour in the industry.
- Hence, it is important to keep this in mind while implementing the principles.

Question 4. Explain behavior related thoughts.

Answer:

Thoughts related to Human Behaviour:

- Management is an art of getting work from others i.e. humans. Keeping this 'in mind these thoughts consider human behaviour as the main part of, management.
- Prof. Urwik said, "You manage your men, your men will manage rest of all". A business unit is managed by people. Hence, it is utmost important to study inter-relationship between humans at work place.
- Since, management of people is done on a constant basis the thoughts related to human behaviour emphasizes on studying aspects that affect behaviour of humans in the work place and their approach towards the work. So, these thoughts emphasize



on concepts like job satisfaction, increasing efficiency of employees, ways to keep them motivated, etc. All this is done by performing psychological observations on employees.

- Concepts like inter-human relations, motivation, leadership, information communication process, disposal of industrial disputes are included in behaviour related thoughts.
- One of the biggest drawbacks of this approach is that it focuses on psychological aspects only and does not consider economic parameters of the business unit. Hence, some believe that the human relations cannot be maintained at the cost of productivity.

Question 5. Discuss about Peter F. Drucker's contribution in management field.

Answer:

Contribution of Peter F. Drucker in the field of management:

- Peter F. Drucker (1909-2005) was a well-known management guru. He was also a famous writer, philosopher and an educator.
- When globalization took place in the world, the business management changed drastically. It demanded development of new methods of management.
- Peter F. Drucker gave more importance to humans as asset of a business unit.
- He gave the concept of 'Management by Objective (MBO)' and principles of 'Self-regulation'.
- Under Management by Objective Peter says that there should be uniformity in aim of employees and managers for achieving the aims.
- Management by Objective is highly effective for a large variety of business units having different formats. Drucker also contributed significantly in human resources management, marketing management and stress management.
- Owing to several contributions to the modern day management, Peter F. Drucker is also called the Father of Modern Management.

5. Answer the following questions in detail :

Question 1. Describe the principles of scientific management.

Answer:

Principles of Scientific Management as given by Fredrick Taylor:

1. Scientific method:

Traditional methods should be abandoned and instead scientific methods should be adopted for working. Managers should think how the work can be done in the best way by analyzing it scientifically.

2. Planning and Implementation:

Instead of leaving the function of planning and implementation on workers, experts should draft the plans and workers should follow.



3. Job analysis:

- Analysis of the job to be done should be done before starting it. This is the best way to get work done speedily that too with lower cost.
- Under job analysis, time and motion study, as well as fatigue study, should be done. This will decrease the cost of production and increase productivity.

4. Standardization:

Products and process should be standardized and process should be simplified. Doing so will reduce rework and produce all products or services with same desired specifications. Standardization and simplification can be done for equipment, time, work environment, resources, etc.

5. Scientific selection and training:

- Workers should be selected through appropriate and scientific methods.
- Standards or benchmarks should be set for education of employees, skill, guts, physical strength, training, etc. before selecting them.
- Moreover, an employee should be assigned work which is appropriate to his education, study and skill.
Training should be provided to the workers from time to time to increase their efficiency.
- A variety of scientific tests should be designed and used to know their work interest.

6. Financial motivation:

- Skilled and efficient workers should be given financial and other motivations. Several wage schemes have been recommended for motivating employees.
- The wage system must be adopted on the basis of individual productivity of employee.
- Wage rate should not be decided on the basis of speculation or randomness but only after conducting scientific study.

7. Economical measures:

- While implementing the scientific management, the stress should be also put on economical ways of management rather than only scientific and technical methods of management. The unit should emphasize on low cost production too.
- Cost estimation and cost control methods should be considered well in advance. Moreover, if there occurs deviation in the estimations and their implementations then corrective action should be taken.



8. Mental revolution:

- Mental revolution should take place between owners and workers for achieving objectives.
- Mental revolution reduces stress between owners and workers and makes achievement of goals easy.

Question 2. Describe in detail about classical thoughts.

Answer:

Thoughts of Classical Theory:

1. The thoughts of management presented till the end of 19th century are known as thoughts of classical theory. Frederick Taylor, Max Weber, Gilbreath, Henry Gantt and Henri Fayol were the main promoters of thoughts of classical theory.

2. Among these, the contribution of Taylor is quite important.

3. The principles of scientific management presented by Frederick Taylor exist in the theory of management even today.

4. The method of scientific management favors scientific principles by 'time and motion study' rather than relying on traditional methods.

Scientific management has made important contribution in the areas of specialization in management, progressive wages system, responsibility and scientific distribution of task.

5. Contribution of Henri Fayol in thoughts of classical theory is also quite significant. He gave certain general principles of management.

6. He decided levels of different tasks in business unit and tried to set limits for each task.

7. He also provided universal principles of management as guidelines for performing managerial duty at different levels.

8. Max Weber also contributed into thoughts of classical theory. By the end of 19th century, formats and size of industries started growing due to industrial revolution. The classical theory proved to be less effective on these large industries and so there rose a need for changes in these principles. There rose a need of paying importance to financial motivation, less important to human approach and informal relations, etc.

Question 3. Describe Henry Fayol's principles of management.

Answer:

Henri Fayol's Principles of management:

With his rich experience and knowledge Henri Fayol presented 14 important principles of Management. **They are:**



1. Division of work:

- Management gives more weightage to higher efficiency of employees and managers. Division of work is one of the ways to achieve this.
- As per management principles, productivity can be increased by optimum use of production equipment. However, in addition to this division of work is necessary to increase efficiency of employees and managers.
- Henri emphasized on division of work as it can also lead to specialization along with increased productivity. Division of work should be done at both managerial level and factory level to take the advantage of specialization.

2. Authority (power) and responsibility:

- Power and responsibility are two sides of a coin. Power without responsibility and responsibility without power are incomplete.
- When a person is assigned a responsibility for some job then he should be also given some power to control that job.
- While assigning the power, different parameters like post of employees, knowledge, qualification, experience, art of leadership, maturity, etc. should be considered. This will increase the enthusiasm of employees which in turn will make it easier to attain business objectives.

3. Discipline:

- A proper discipline should be maintained for successfully attaining business objectives.
- Discipline creates harmonious environment at work place.
- In order to maintain discipline in the industry it is very important to make optimum use of equipment and to see that activities are done consistently.
- Industrial discipline can be established by setting specific rules and code of conduct. This then leads to proper administration of the unit.
- It becomes easy to manage and control the unit having more employees if proper code of conduct is established.
- It also increases work interest of employee and makes the work easy for the managers.
- Supervision, clear and appropriate contracts between workers and owners and appropriate implementation of punishments at every level are important aspects of discipline.

4. Unity of command:

- The concept of getting command from only one superior is called Unity of Command.



- Employees cannot follow orders from more than one superior. Hence this principle suggests that employee should get order from only one superior for any job or activity.
- As per this principle, an employee should be responsible to only one superior or department for a particular job.
- This principle prevents any confusion that may arise amongst employees with respect to whose order to follow. If order comes from more than one superior then it creates confusion amongst employees and hampers industrial discipline.

5. Unity of direction:

- Planning shapes the future of business. However, if activities do not go as planned, then they are re-directed and brought on the planned track.
- The directions for these things should be given by superior authority. By doing so activities can be well co-ordinated and all the tasks can be done easily.
- According to this principle there should be only one superior employee leading a particular group of employees. This group should be focused on one specific objective at a time.

6. Subordination of individual interest to the general interest:

- This principle states that 'general interest' is superior to 'individual interest'.
- This principle tells that interest of whole unit should be kept in focus rather than interest of individual or group of employees.
- The manager must try to integrate the individual goal with the organizational goal in such a manner that both the objectives are accomplished with efficiency and effectiveness.

7. Remuneration of personnel:

- The return or reward given to the employees against the service they render is called remuneration.
- Fayol says that employees of company should be paid suitable and ideal wages. This makes owner-employee relation stronger.
- In a unit, all employees do not work with the same efficiency. Some employees show higher efficiency, than other. Such employees should be given more wages or rewards compared to other. This will keep the employees loyal towards the unit and stop them from leaving the job.
- The unit should also put into practice promotional schemes like bonus, profit sharing, representation in management committee, etc.



8. Centralization:

- The business unit should decide the extent of centralization or decentralization it wants to adopt so as to have proper management.
- Not delegating the powers to sub-ordinates and keeping them only in the hands of owners or top personnel is called centralization.
- Centralization is adopted when the business unit is small. This helps in making the best use of strength and abilities of employees.
- If the unit is big, it is highly advisable to leave centralization and adopt de-centralization of power.

9. Scalar chain:

- Scalar chain is the formal line of authority which moves from highest to lowest rank in a straight line. This chain specifies the route through which the information is to be communicated to the desired location/person.
- Fayol emphasized that each information in the organization must flow according to this chain to facilitate clear communication of orders of the superiors and feelings of the subordinates.
- This chain must be strictly followed in the organization.
- This principle emphasizes on creating chain from top level management to bottom level employees.
- Chain of power from higher administrative officers to bottom level employees should not be broken. .
- There should be proper delegation of powers and responsibility at respective level. Moreover, the employees of the unit should be aware of , who is responsible to whom.

10. Order:

- Here the word 'order' does not mean any command but it means right arrangement of things and activities.
- This principle states that there should be a proper order for everything. Fayol is of the view that in every organization there should be a fixed place for everything to facilitate smooth working and avoid wastage of resources.

Fayol suggests the following two types of orders in a unit:

(A) Material order:

This order specifies that there should be a proper place for all physical resources of the unit.



(B) Social order:

- This order specifies that there should be a proper place for all human resources in accordance with their designations. It states “An appointed place for every employee and each employee at his/her appointed place”.
- Skilled employees should be employed at placed at right place in the unit.

11. Equality:

- Employees are a part of managerial system.
- The employees are human beings and so the management should adopt a practical and humanitarian approach to handle them.
- Superiors should behave appropriately and uniformly while taking work from their sub-ordinates.
- The management should make efforts to establish equality in unit informally rather than through legal or traditional ways.
- This principle believes that behaviour of employees is based on faithfulness, attitude, uniformity and justice in the unit.

12. Stability of tenure of personnel:

- ‘Stability’ means no frequent change, termination and transfer, etc.
- This principle says that in an organization whenever an employee is appointed for a job, he/she should not be removed or transferred from that position frequently.
- Permanent and stable employees are asset of any business unit.
- An employee can develop himself by remaining in unit and contributing in the achievement of goals of the business unit.
- Moreover, as the employee remains for long time in the unit, his knowledge of system of work in the unit leads to more productivity. This also reduces ‘labor turnover rate’.

13. Initiative:

- ‘Initiative’ means to start, to begin or to instruct in a project.
- Here, in this principle Fayol suggested that each employee should be given an opportunity to take some initiative in framing the functional plan as well as in determining the steps to be taken at each level for proper execution of the plan.
- Industrialists should provide such atmosphere that employees can enthusiastically participate in initiation.
- Initiation improves ability of independent working of an employee and inculcates their leadership qualities.



14. Esprit de Corps (Feeling of Oneness):

- Esprit de Corps means team spirit and team work, the feeling of oneness.
- Success of an industrial unit lies in mutual relations of managers and employees. Owing to this fact there should be harmony in both classes.
- Managers should generate group feeling among employees. They should instill in the minds of employees that by working together they can achieve the goal easily and quickly.
- Henri Fayol said that 'Above list is not last list of management principles. Managers can add new principles based on their experience, research and knowledge. These principles can be implemented in all kind of activities like business, economic, political and social.'

Question 4. Describe in detail about Nature of management.

Answer:

Principles of management are not rigid and are quite practical.

-> These principles are the guidelines to perform a task.

-> For example, the principles guide the managers to take various decisions at the time of implementation of different tasks of management such as planning, organization and direction.

Experts believe that although the management principles are mostly true [, they are not absolute truth because there are also exceptions to these principles.

We can derive the following conclusions from the principles of management:

1. Universal acceptance:

- Principles of management can be applied to most of the business units i.e. they are universally applicable.
- These principles are needed wherever there is a need of collective efforts of humans. However, their application and form of implementation may change as per the type, form, activity and size of the business unit.

2. Flexibility:

The principles of management are not rigid. The manager may change them as per the need of the business. For example, in large units the principle of division of work may be applied uniformly, but in small units the principle of division of work may not be applied in the same proportion and hence the manager of the small unit may have to change the principle as per the firm's requirements,

3. General guidelines:

- Principles of management are developed on the basis of experiences gained by different experts in different situations.



- While managing the unit there arise several different types of simple and complex problems. These issues may differ from unit to unit. So, in these regards, the principles of management may work fine for one unit but might not work for the other.
- Hence, it should be noted that the principles of management are general guidelines. They cannot be observed strictly that too in the same manner by every business unit.

4. Based on human behaviour:

- Human is at the center of the management. So, the principles of management largely affect human behaviour.
- Human behaviour is a psychological phenomenon and so implementing management principles on humans will affect their behaviour in the industry.
- Hence, it is important to keep this in mind while implementing the principles.

5. Contingency:

- Contingency is one of the elements applicable to the principles of management. Units can make use of these principles and achieve the business goals easily.
- For example, decisions related to questions like appropriate and reasonable wages to the employees, etc. depends on the concern regarding necessity and contingency of the affecting factors.

