

# CHAPTER – 2 PRINCIPLES OF MANAGEMENT

## ❖ MEANING OF PRINCIPLE

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

## ❖ MEANING OF 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.

Example: The whole work of an organisation is divided into smaller tasks and such tasks are assigned to different departments, groups and individuals. Such a system of division of work is applicable in all types of organisations.

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.

Example: During the period of recession, the general manager may allow marketing departments to give a heavy discount to the customers without giving due attention to financial losses being raised by the financing department because the primacy of overall goals of the organisation is important.

- 3. Formed by practice and experimentation:** They are developed after thorough research work on the basis of experiences of managers.

Example: Through collective practice, we can see that Fayol's Principle-Discipline helps in increasing productivity. Taylor's Principle-Science, Not Rule of Thumb, brings out uniformity and standardization in the manufacturing process of a company.

- 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.

Example: Application of the principle of centralisation or decentralisation i.e. concentration or dispersal of authority to be delegated to employees depends upon the need, ability and competency of the employees. It also depends upon the nature of the organisation.

- 5. Cause and Effect relationship:** They intend to establish relationship between cause & effect so that they can be used in similar situations.

Example: By applying the principle of subordination of individual interest to the general interest, the behaviour of employees may be influenced in such a way that the personal goals of employees may be directed towards goals of the organisation.

- 6. 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".

Example: Remuneration of employees should be just and equitable yet it may vary from person to person depending upon various situations. Remuneration can be dependent on: Industrial standard, Employer's paying capacity, Contribution of employee etc.