

# CHAPTER – 2 PRINCIPLES OF MANAGEMENT

## ❖ HENRY FAYOL'S PRINCIPLES OF MANAGEMENT

A principle refers to a fundamental truth. It establishes cause and effect relationship between two or more variables under given situation. They serve as a guide to thought & actions. Therefore, management principles are the statements of fundamental truth based on logic which provides guidelines for managerial decision making and actions. These principles are derived: -

- a. On the basis of observation and analysis i.e. practical experience of managers.
- b. By conducting experimental studies.

**There are 14 Principles of Management described by Henry Fayol.**

### **1. Division of Labor**

- a. Henry Fayol has stressed on the specialization of jobs.
- b. He recommended that work of all kinds must be divided & subdivided and allotted to various persons according to their expertise in a particular area.
- c. Subdivision of work makes it simpler and results in efficiency.
- d. It also helps the individual in acquiring speed, accuracy in his performance.
- e. Specialization leads to efficiency & economy in spheres of business

### **2. Party of Authority & Responsibility**

- a. Authority & responsibility are co-existing.
- b. If authority is given to a person, he should also be made responsible.
- c. In a same way, if anyone is made responsible for any job, he should also have concerned authority.
- d. Authority refers to the right of superiors to get exactness from their sub-ordinates whereas responsibility means obligation for the performance of the job assigned.
- e. There should be a balance between the two i.e. they must go hand in hand.
- f. Authority without responsibility leads to irresponsible behavior whereas responsibility without authority makes the person ineffective.

### **3. Discipline**

- a. According to Fayol, “Discipline means sincerity, obedience, respect of authority & observance of rules and regulations of the enterprise”.
- b. This principle applies that subordinate should respect their superiors and obey their order.
- c. It is an important requisite for smooth running of the enterprise.
- d. Discipline is not only required on path of subordinates but also on the part of management.
- e. Discipline can be enforced if -
  - There are good superiors at all levels.
  - There are clear & fair agreements with workers.
  - Sanctions (punishments) are judiciously applied.

### **4. Principle of One Boss/ Unity of command**

- a. A sub-ordinate should receive orders and be accountable to one and only one boss at a time.
- b. In other words, a sub-ordinate should not receive instructions from more than one person because -
  - It undermines authority
  - Weakens discipline
  - Divides loyalty
  - Creates confusion
  - Delays and chaos
  - Escaping responsibilities
  - Duplication of work
  - Overlapping of efforts
- c. Therefore, dual sub-ordination should be avoided unless and until it is absolutely essential.
- d. Unity of command provides the enterprise a disciplined, stable & orderly existence.
- e. It creates harmonious relationship between superiors and sub-ordinates

### **5. Unity of Direction**

- a. Fayol advocates one head one plan which means that there should be one plan for a group of activities having similar objectives.
- b. Related activities should be grouped together. There should be one plan of action for them and they should be under the charge of a particular manager.
- c. According to this principle, efforts of all the members of the organization should be directed towards common goal.
- d. Without unity of direction, unity of action cannot be achieved.
- e. In fact, unity of command is not possible without unity of direction.

<b>Basis</b>	<b>Unity of command</b>	<b>Unity of direction</b>
Meaning	It implies that a sub-ordinate should receive orders & instructions from only one boss.	It means one head, one plan for a group of activities having similar objectives.
Nature	It is related to the functioning of personnel's.	It is related to the functioning of departments, or organization as a whole.
Necessity	It is necessary for fixing responsibility of each subordinates.	It is necessary for sound organization.
Advantage	It avoids conflicts, confusion & chaos.	It avoids duplication of efforts and wastage of resources.
Result	It leads to better superior sub-ordinate relationship.	It leads to smooth running of the enterprise.

Therefore it is obvious that they are different from each other but they are dependent on each other i.e. unity of direction is a pre-requisite for unity of command. But it does not automatically come from the unity of direction.

#### **6. Sub-Ordination of Individual Interest to General Interest**

- a. An organization is much bigger than the individual it constitutes therefore interest of the undertaking should prevail in all circumstances.
- b. As far as possible, reconciliation should be achieved between individual and group interests.
- c. But in case of conflict, individual must sacrifice for bigger interests.
- d. In order to achieve this attitude, it is essential that -
  - Employees should be honest & sincere.
  - Proper & regular supervision of work.
  - Reconciliation of mutual differences and clashes by mutual agreement. For example, for change of location of plant, for change of profit sharing ratio, etc.

## 7. Fair Remuneration

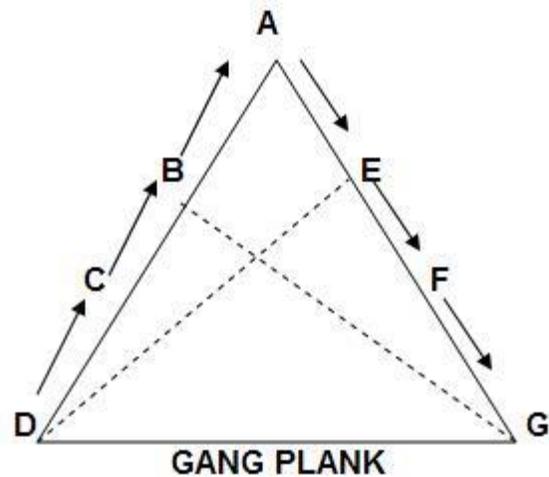
- a. The quantum and method of remuneration to be paid to the workers should be fair, reasonable, satisfactory & rewarding of the efforts.
- b. As far as possible it should accord satisfaction to both employer and the employees.
- c. Wages should be determined on the basis of cost of living, work assigned, financial position of the business, wage rate prevailing etc.
- d. Logical & appropriate wage rates and methods of their payment reduce tension & differences between workers & management creates harmonious relationship and pleasing atmosphere of work.
- e. Fayol also recommended provision of other benefits such as free education, medical & residential facilities to workers.

## 8. Centralization & De-Centralization

- a. Centralization means concentration of authority at the top level. In other words, centralization is a situation in which top management retains most of the decision making authority.
  - a. Decentralization means disposal of decision making authority to all the levels of the organization. In other words, sharing authority downwards is decentralization.
  - b. According to Fayol, “Degree of centralization or decentralization depends on no. of factors like size of business, experience of superiors, dependability & ability of subordinates etc.
  - c. Anything which increases the role of subordinate is decentralization & anything which decreases it is centralization.
  - d. Fayol suggested that absolute centralization or decentralization is not feasible. An organization should strike to achieve a lot between the two.

## 9. Scalar Chain

- a) Fayol defines scalar chain as 'The chain of superiors ranging from the ultimate authority to the lowest'.
- b) Every orders, instructions, messages, requests, explanation etc. has to pass through Scalar chain.
- c) But, for the sake of convenience & urgency, this path can be cut short and this short cut is known as Gang Plank.
- d) A **Gang Plank** is a temporary arrangement between two different points to facilitate quick & easy communication as explained below:



e) In the figure given, if D has to communicate with G he will first send the communication upwards with the help of C, B to A and then downwards with the help of E and F to G which will take quite some time and by that time, it may not be worth therefore a gang plank has been developed between the two.

f) **Gang Plank** clarifies that management principles are not rigid rather they are very flexible. They can be moulded and modified as per the requirements of situations.

## 10) Order

This principle is concerned with proper & systematic arrangement of things and people.

- a. Arrangement of things is called material order and placement of people is called social order.
- b. Material order- There should be safe, appropriate and specific place for every article and every place to be effectively used for specific activity and commodity.
- c. Social order- Selection and appointment of most suitable person on the suitable job. There should be a specific place for every one and everyone should have a specific place so that they can easily be contacted whenever need arises.

## **11) Equity**

- a. Equity means combination of fairness, kindness & justice.
- b. The employees should be treated with kindness & equity if devotion is expected of them.
- c. It implies that managers should be fair and impartial while dealing with the subordinates.
- d. They should give similar treatment to people of similar position.
- e. They should not discriminate with respect to age, caste, sex, religion, relation etc.
- f. Equity is essential to create and maintain cordial relations between the managers and sub-ordinate.
- g. But equity does not mean total absence of harshness.
- h. Fayol was of opinion that, “at times force and harshness might become necessary for the sake of equity”.

## **12) Stability of Tenure**

- a. Fayol emphasized that employees should not be moved frequently from one job position to another i.e. the period of service in a job should be fixed.
- b. Therefore employees should be appointed after keeping in view principles of recruitment & selection but once they are appointed their services should be served.
- c. According to Fayol. “Time is required for an employee to get used to a new work & succeed to doing it well but if he is removed before that he will not be able to render worthwhile services”.
- d. As a result, the time, effort and money spent on training the worker will go waste.
- e. Stability of job creates team spirit and a sense of belongingness among workers which ultimately increase the quality as well as quantity of work.

## **13) Initiative**

- a. Workers should be encouraged to take initiative in the work assigned to them.
- b. It means eagerness to initiate actions without being asked to do so.
- c. Fayol advised that management should provide opportunity to its employees to suggest ideas, experiences & new method of work.
- d. It helps in developing an atmosphere of trust and understanding.
- e. People then enjoy working in the organization because it adds to their zeal and energy.
- f. To suggest improvement in formulation & implementation of place.
- g. They can be encouraged with the help of monetary & non-monetary incentives.

**14) Espirit De' Corps**- It refers to team spirit i.e. harmony in the work groups and mutual understanding among the members.

- a. Spirit De' Corps inspires workers to work harder.
- b. Fayol cautioned the managers against dividing the employees into competing groups because it might damage the moral of the workers and interest of the undertaking in the long run.
- c. To inculcate Espirit De' Corps following steps should be undertaken -
  - o There should be proper co-ordination of work at all levels
  - o Subordinates should be encouraged to develop informal relations among themselves.
  - o Efforts should be made to create enthusiasm and keenness among subordinates so that they can work to the maximum ability.
  - o Efficient employees should be rewarded and those who are not up to the mark should be given a chance to improve their performance.
  - o Subordinates should be made conscious of that whatever they are doing is of great importance to the business & society.
- d. He also cautioned against the more use of Britain communication to the subordinates i.e. face to face communication should be developed. The managers should infuse team spirit & belongingness. There should be no place for misunderstanding. People then enjoy working in the organization & offer their best towards the organization