

COMMERCE

GRADE XII – Mumbai Board

A.Y. 2021-22

SRK/MBBI - Junior College of Commerce, Dahanu (Pj); SRK/MBBI - Junior College of Commerce, Dahanu (Pj); SRK/MBBI - Junior College of Commerce, Dahanu (Pj)

ORGANISATION OF COMMERCE AND MANAGEMENT

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Principles of Management

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PRINCIPLES OF MANAGEMENT

TEAM



Important points to learn:

- 1) Introduction to Principles and Management
- 2) Nature of Principles of Management
- 3) Significance (Importance) of Management Principles
- 4) Theories of Management
- 5) Henry Fayol's Administrative Theory of Management
- 6) Taylor's Scientific Theory of Management
- 7) Techniques of Scientific Management

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Please Note:

These notes are general guidelines only for reference, for the students of SRK/MBBI Junior College, Dahanu. ***For detailed notes, students should refer only the prescribed textbook of the Maharashtra State Bureau of Textbook Production and Curriculum Research. This study material is for learning purpose during lockdown.***

Introduction – ‘Principles and Management’

PRINCIPLES

While achieving goal of an individual or an organisation, it is always important to use different systems or techniques. Some of these techniques are universally accepted. Hence, these are called as Principles.

In other words, systems or techniques which give one directional result are called as Principles. These principles are universal and applicable everywhere.

MANAGEMENT

It is the process of dealing with or controlling things or people. It refers to the process of conducting and coordinating various human activities in accordance with the vision-mission of the organisation. It harmonises all the functions of a business organisation.

MANAGEMENT = MANAGE MEN TACTFULLY

Nature of Principles of Management

Management Principles are formed to guide and influence the behaviour of the employees. These principles intend to improve efficiency of organizational resources in terms of profit. These principles also focus on the improved coordination between the superior, subordinates and all the members of an organisation.

- 1) Universal Application:** The principles of management are universal in nature. They can be applied to all types of organisations and all levels of management.
- 2) General Guidelines:** These principles provide general guidelines in tackling the organizational situations and solving problems. They are not rigid.
- 3) Flexibility:** These principles are flexible in nature. They can be changed or modified as per the situation or the problem to suit the requirements.
- 4) Behavioural in Nature:** Management is a group activity. These principles are designed to influence people to achieve the desired objectives.

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Nature of Principles of Management

5) Cause and Effect Relationship: These principles of management are the base for taking decisions. They determine the cause or reason for particular effect.

6) Principles are formed by Practice and Experiments: The management principles are developed gradually (slowly) through research. Systematic observations and experiments are conducted before developing them. The results of such experiments are later developed as principles.

7) All Principles are Equally Important: All principles of management are equally important. They are to be practiced simultaneously (at the same time) to get the best result and achieve the desired objectives. Management principles are the principles of Social Science. They need to be modified or altered according to the requirements of the organisation.

Significance (Importance) of Principles of Management

Management Principles are applicable everywhere. They guide the managers. These principles are tested and practiced worldwide. So it is important to know the significance of these Principles of Management.

1) Provides useful Insight: The principles of management help the manager to understand the organisation. The study of these principles helps him to improve the situations and solve problems. It helps to find solutions to the problems.

2) Efficient Utilisation of Resources: The basic function of the management is to make a proper balance between the physical and human resources by putting them to optimum use and control on their wastages. This is possible by using principles and techniques, thus maintaining healthy working environment.

3) Scientific Decisions: Principles help the managers to handle critical situations scientifically with the help of Principles, thus allowing alternative options and results.

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Significance (Importance) of Principles of Management

4) Understanding Social Responsibility: Management principles are based on every aspect of the organisation. They not only help in handling resources effectively but also guide the management in understanding social responsibility. This enables them to focus on quality products at reasonable prices, fair competition, etc.

5) Encourages Research and Development (R & D): Principles of Management are dynamic. Their nature goes on changing along with the changes in the business world. These principles have been developed to suit the current needs of the managers. These principles can be modified according to the situation through R & D.

6) Helps to Coordinate and Control: These principles are the guidelines for better coordination and control and offer suitable systems to establish coordination and control between different employees working in different departments.

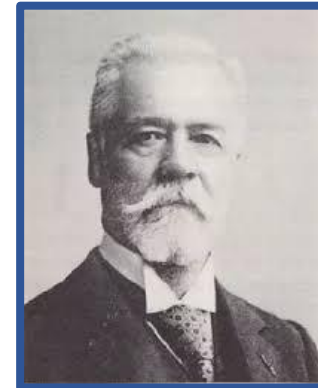
7) Develops Objective Approach: These principles help to develop an objective approach. It help managers to identify the root cause of the problems, identify business opportunities and thus provide effective solutions.

THEORIES OF MANAGEMENT

Management Theories are the set of general rules that guide the managers to manage an organisation. Various management thinkers have introduced theories based on different approaches. These theories are applicable in all the organisations. Theories of management definitely provide solution to issues relating to the management of the organisations.

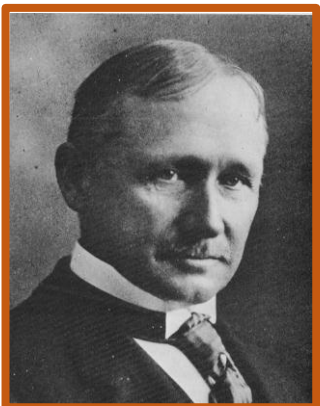
Henry Fayol's Administrative Theory of Management

French Mining Engineer, Father of Modern Management
Suggested 14 Principles of Management



Fredrick Winslow Taylor's Scientific Management Theory

American Mechanical Engineer, Father of Scientific Management



A) Henry Fayol's Administrative Theory of Management

Fayol suggested 14 Principles of management. These statements serve as guideline for decision-making and management action.

- 1) Principle of Division of Work
- 2) Principle of Authority & Responsibility
- 3) Principle of Discipline
- 4) Principle of Unity of Command
- 5) Principle of Unity of Direction
- 6) Principle of Subordination of Individual Interest to Organisational Interest
- 7) Principle of Centralisation

- 8) Principle of Remuneration
- 9) Principle of Scalar Chain
- 10) Principle of Order
- 11) Principle of Equity
- 12) Principle of Stability of Tenure
- 13) Principle of Initiative
- 14) Principle of Esprit de Corps (Team Work)

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A) Henry Fayol's Administrative Theory of Management

1) Principle of Division of Work: According to this principle, the work is divided into different kinds such as technical, financial, managerial, etc. Work is assigned to the employees as per their qualities and capabilities. This improves efficiency and productivity.

2) Principle of Authority & Responsibility: Authority refers to the right to take decisions. Authority always comes with responsibility. Manager should have proper authority to take managerial decisions to complete a task in the given time. He should also be held responsible if he does not complete the work in the given time.

3) Principle of Discipline: Discipline is the most essential thing in the organisation. Employees must obey and follow the rules of the organisation. Good discipline is the result of effective leadership.

4) Principal of Unity of Command: Each member of organisation should receive orders from only one superior. This principles helps in managing conflicts and solving disputes. It also helps in avoiding confusion.

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A) Henry Fayol's Administrative Theory of Management

5) Principle of Unity of Direction: This principle states that there should be 'one head and one plan' in every organisation. Each group in the organisation should have the same objective, and have one manager using single plan.

6) Principle of Subordination of Individual Interest to Org. Interest: The interest of an individual must be given less importance than the interest of the organisation. Decisions should be taken keeping in mind the interest of the whole group and not individual interests.

7) Principle of Centralisation: There must be proper balance between centralization and decentralization in the organisation. This is to be done according to the size of the organisation, nature of activity, etc.

8) Principal of Remuneration: Appropriate remuneration to the employees is the principle to keep them satisfied financially as well as retain them for long span of time. Fair remuneration affects the productivity and efficiency level in the organisation.

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A) Henry Fayol's Administrative Theory of Management

9) Principle of Scalar Chain: Scalar Chain means hierarchy (order) of authority from top level to lower level for the purpose of communication. This ensures orderly flow of information and communication. For direct communication, proper permission from the authorities is necessary.

10) Principle of Order: This principle is based on 'a place for everything and everything in its place'. Human resources and materials should be in the right place and at the right time for maximum efficiency. This principle focuses on the proper utilization of physical and human resources.

11) Principle of Equity: Management should be fair as well as friendly to the subordinates. There should be no discrimination between the employees while dividing the work, delegating authority, deciding monetary pay, etc.

12) Principle of Stability of Tenure: During recruitment, management should assure them about the stability of work tenure. It plays an important role in creating a sense of security and belongingness among the employees.

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A) Henry Fayol's Administrative Theory of Management

13) Principle of Initiative: Initiative refers to volunteering to do the work in an innovative way. There should be freedom to think and work on new ideas and encourage employees to take initiative while working on a given task. Such initiatives should be welcomed by the manager. This helps in creating a healthy organisational culture.

14) Principle of Esprit de Corps: Fayol lays emphasis on teamwork. Esprit de Corps means Union is Strength. Running an organisation is a group activity and human resources are valuable assets of the organisation. If all employees work together with mutual trust, the difficulties can be solved quickly. A leader should be able to create a spirit of team work and understanding among the employees to achieve the objectives.

B) Taylor's Scientific Management Theory

Taylor introduced his observations and experiments based on scientific data. His theory involves the application of scientific approach to decision making and solving them at the same time. According to Taylor, problems should be solved by scientific techniques rather than the rule of thumb or a trial and error approach.

- 1) Science, Not Rule of thumb
- 2) Harmony, Not Discord
- 3) Mental Revolution
- 4) Cooperation, Not Individualism
- 5) Division of Responsibility
- 6) Development of Efficiency and Prosperity

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B) Taylor's Scientific Management Theory

1) Science, Not Rule of thumb: According to Taylor, the 'Rule of Thumb' method should be replaced by the scientific methods. Rule of thumb decisions are based on personal judgments of the manager. Taylor insisted upon scientific method for every small work.

2) Harmony, Not Discord: According to this principle, there should be harmony between the employees and management. This coordination will help in minimizing conflicts between them. Organisations should think about employees prosperity too. This will help in creating a healthy work environment and help in achieving the desired objectives of the organisation.

3) Mental Revolution: Taylor introduced the concept of "mental evolution". This principle focuses on the change in the attitude of employees and management towards each other. Both should realize their equal importance in the organisation. This will increase productivity and profits.

B) Taylor's Scientific Management Theory

4) Cooperation, Not Individualism: This principle lays emphasis on mutual cooperation between workforce i.e. employees and management. Due to cooperation, trust, team spirit, etc. internal competition will turn into healthy working environment. Management should consider suggestions given by the employees in decision making process. At the same time, employees should resist themselves from going on strikes or making unnecessary demands from the management.

5) Division of Responsibility: Proper division of work should always be accompanied by the division of responsibilities between the managers and employees. Planning is done by the top and middle-level management whereas the execution is done by the employees. Managers should always help, guide, and encourage employees.

6) Development of Efficiency and Prosperity: Best performance always depends on the skills and capabilities of its employees. Thus proper training and development programmes should be provided to the employees. This affects the profitability of the organisation. Employees should be given proper opportunities to excel.

Techniques of Scientific Management

1) Work Study: Work study consists of an organized systematic and critical assessment of the various activities or functions. It is based on techniques such as time study, motion study, method study and fatigue study.

2) Standardisation of Tools and Equipment: Taylor advocated standardization of tools and equipment. Standardised working conditions and methods of production help to reduce spoilage and wastage of material, cost of production, and improves quality of work.

3) Scientific Task Setting: Taylor emphasised the need for fixing a fair day's work. Scientific work setting is important to prevent the employees from doing work much below their capacity. By using this technique, employees will complete their work according to the given standards and enable the management to make optimum use of their workforce.

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Techniques of Scientific Management

4) Scientific Selection and Training: Management should select right persons for the right jobs using scientific selection procedures. It needs to fix job specifications as per job requirements. Employees should be selected impartially. Management should also provide proper training programmes to the employees to increase their efficiency.

5) Functional Organisation: According to Taylor, Planning is separated from its implementation. Planning is done by different people and actual work is supervised by different people.

6) Differential Piece-Rate Wage Plan: Remuneration should be fixed in such a way that an average worker is motivated to attain a standard output. According to Taylor, higher rates are offered to those who complete the work more than the standard quantity under this system, whereas lower wage rate is offered to those who underperform. This motivates the employees to attain higher standard of performance.

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