

1. Details of Module and its structure

Module Detail	
Subject Name	Business Studies
Course Name	Business Studies 03 (Class XII, Semester - 1)
Module Name/Title	Principles of Management – Part 1
Module Id	lebs_10201
Pre-requisites	Knowledge about the concept of Principles of Management
Objectives	<p>After going through this lesson, the learners will be able to understand the following:</p> <ol style="list-style-type: none">1. Meaning of Principles of management2. Evolution of principles of Management3. Derivation of principles of Management4. Difference between Principles, Techniques, values5. Features of principles of Management6. Significance of principles of Management
Keywords	Principles of Management, Pure science principles, Techniques, Values, Scientific management, General guidelines

2. Development team

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Introduction

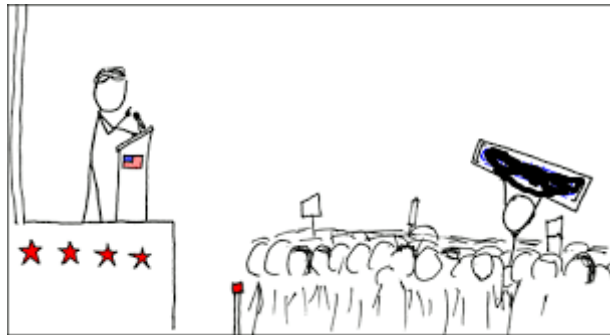
The success and failure of an organization depends on the strong foundation and sound decisions taken by their management. Every organization is driven by principles that serve as broad guidelines for stating the vision as well as the ways to achieve it. Therefore it is extremely important that the top management should lay down the broad guidelines stating organizations aim and the means to achieve the same in the form of Principles. Many successful business enterprises have followed various principles in their working over a period of time. A number of management thinkers, and writers have also studied principles of management from time-to-time. In fact, there is a long history of management thought. Management principles have evolved and are in the continuous process of evolution because they deal with Human behavior.



Concept of Management principles

So let us discuss to the meaning of managerial principle. Managerial principle is a broad and general guideline for decision making. A principle refers to a statement which reflects the fundamental truth about some phenomenon based on cause and effect relationship. These principles are guidelines to action. The functions of management viz., Planning, Organising, Staffing, Directing and Controlling are the actions to be taken while practising management. We can say that Principles help managers to take decisions while performing these functions. Even these help the managers to manage their organization in “3E way” – economically, efficiently and effectively. For example division of work one of the principle of management leads to efficiency and effectiveness in the organization. The **principles of management**, are the means by which you actually manage, that is, get things done through others — individually, in groups, or in organizations.

In the words of Herbert G. Hicks, “Principles of management are the guiding rules of laws for managerial action.”



Derivation of Management Principles

Management principles are not developed overnight, rather they are emerged through a gradual process. These have been developed on the basis of observation and experimentation as well as personal experiences of the Managers. Let us discuss them one by one:

- 1) Observation Method: under this practical situations are observed and analyzed by researchers to derive management principles.



- 2) Experimental method: Under this methods experiments are conducted and then their validity is tested and management principles are formed.



Evolution of Management Principles

We already discussed that Formulation of Management Principles is a gradual process. In tracing the history of management, one comes across various schools of thought that have outlined principles to guide management practices. These schools of thought may be divided into 6 distinctive phases:

1. Early Perspectives
2. Classical Management Theory
3. Neo -Classical Theory — Human Relations Approach
4. Behavioral Science Approach — Organizational Humanism
5. Management Science/Operational Research
6. Modern Management.

Before discussing the nature and significance of Principles of Management of management , it is necessary to discuss how these are evolved.

Early Perspectives

The first known management ideas were recorded in 3000-4000 B.C. One Pyramid built by Egyptian ruler required work to be done by 100,000 men for over twenty years. It covered 13 acres of land and measured 481 meters in height. Such monumental work could not be completed without following principles of sound management.



Classical Management Theory

This was the era of the industrial revolution and factory system of production. Large scale production would not have been possible without following the principles based on division of labour and specialization, relationship between man and the machine, managing people and so on. Scientific management of F.W. Taylor emphasized one best way of production etc. Administrative theorists by Henri Fayol etc looked at the best way to combine jobs and people into an efficient organization. When we are talking about classical management there is a need to discuss about Henri Fayol and F.W. Taylor in brief because we will discuss their principles in detail in this chapter.

Henri Fayol was a French mining engineer, mining executive, author and director of mines who developed a general theory of business administration that is often called Fayolism. and about the same time as [Frederick Winslow Taylor](#) published his *Principles of Scientific Management*. Taylor summed up his efficiency techniques in his 1911 book [The Principles of Scientific Management](#). Scientific management, also called Taylorism.



Neo-classical Theory — Human Relations Approach

This school of thought felt that employees simply do not respond rationally to rules, authority and economic incentives alone but are also guided by social needs, drives and attitudes. The attention to the human factor was the salient aspect of this school of thought.



Behavioural Science Approach — Organisational Humanism

Organisational behaviorists like Douglas McGreggor, Abraham Maslow and Frederick Herzberg used the knowledge of psychology, sociology and anthropology to develop this approach. The underlying philosophy of organisational humanism is that individuals need to use all of their capacities and creative skills at work as well as at home.

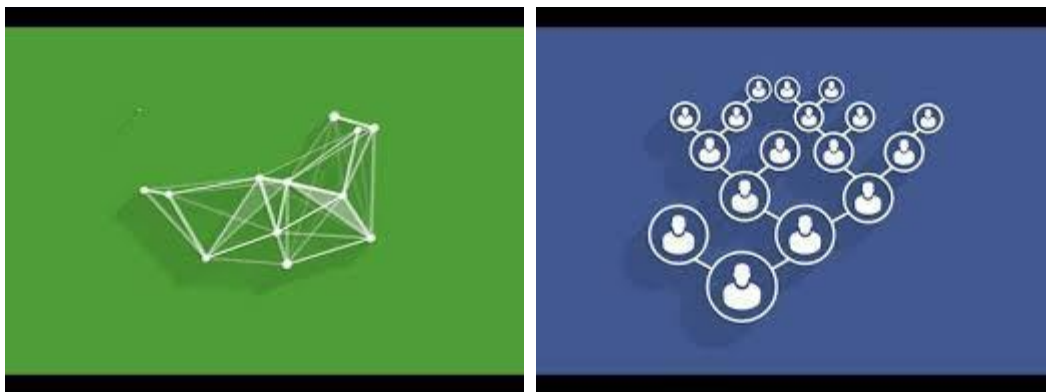


Management Science/Operational Research

It emphasises research on operations and use of quantitative techniques to aid managers to take decisions.

Modern Management

It sees modern organisations as complex systems and underlies contingency approach and use of modern techniques to solve organisational and human problems.



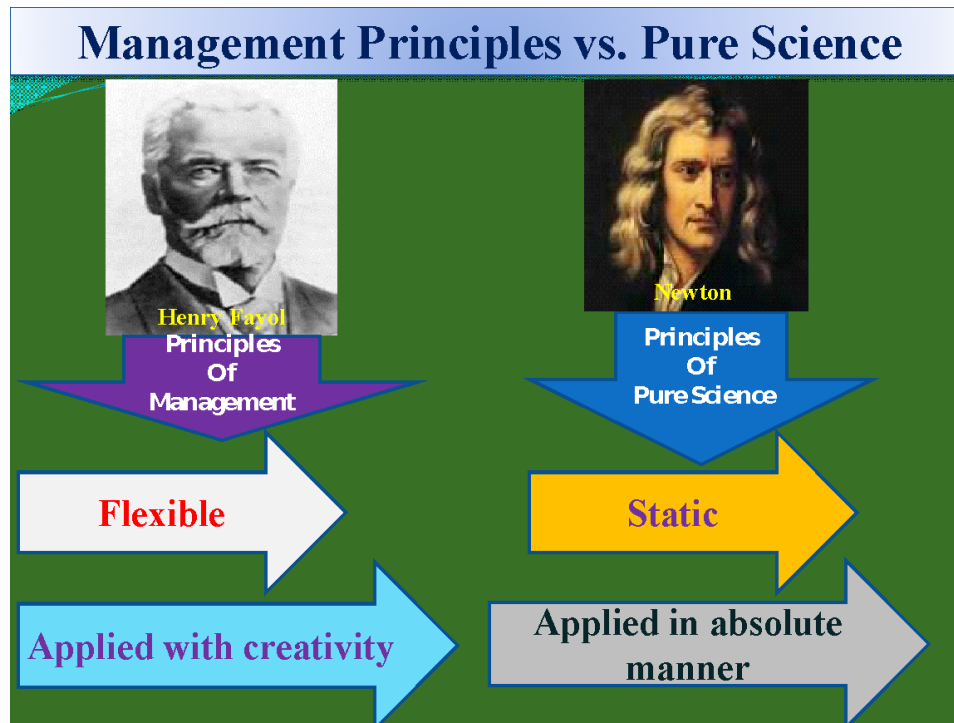
This was about the evolution of these principles of management .Now there is a need to discuss that how management principles are different from Pure science principles,techniques and values

Management principles vs Pure science principles

One may distinguish principles of management from those of pure science.

1. Management principles are not as rigid and can be changed according to the situation but principles of pure science are rigid and cannot be changed.

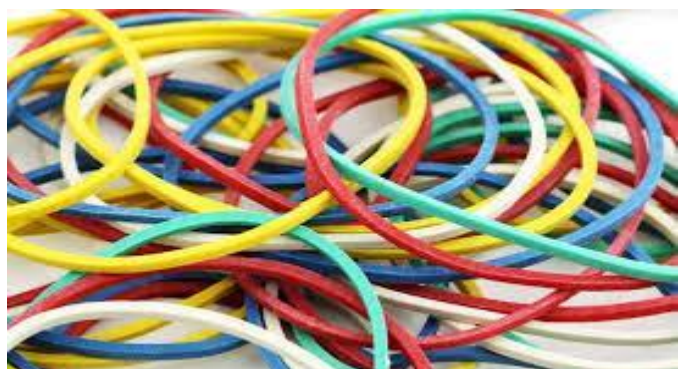
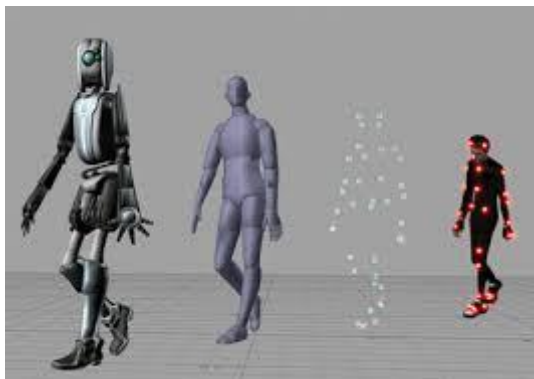
2. They deal with human behaviour and, thus, are to be applied creatively given the demands of the situation. Human behaviour is never static. Hence all the principles have to keep pace with these changes.



Principles and Techniques

The principles of management should be distinguished from techniques of management.

1. Techniques are procedures or methods, which involve a series of steps to be taken to accomplish desired goals while Principles are guidelines to take decisions or actions while practicing techniques.
2. Principles are flexible but Techniques are rigid.



Principles and values

Principles are also understood as being distinct from values.

1. Values are something, which are acceptable or desirable. They have moral connotations while Principles are basic truths or guidelines for behavior.
2. Values are general rules for behavior of individuals in society formed through common practice whereas principles of management are formed after research in work situations, which are technical in nature.

However, while practicing principles of management values cannot be neglected, as businesses have to fulfill social and ethical responsibilities towards society.



Nature of Principles of Management

By nature is meant qualities and characteristics of anything. Principles are general guidelines, which are applicable when certain conditions are present. Depending upon how they are derived and how effective they are in explaining and predicting managerial behaviour, they contribute towards the development of management both as a science and as an art. Derivation of these principles may be said to be a matter of science and their creative application may be regarded as an art.

The following points summarise the nature of principles of management.

(i) Universal applicability: The principles of management are intended to apply to all types of organizations, business as well as non-business, small as well large, public sector as well as

private sector, manufacturing as well as services sectors. However, the extent of their applicability would vary with the nature of the organization, business activity, scale of operations and the like. For example, principle of centralization and decentralization is applicable everywhere but the extent to which it should be given to subordinates depends upon the size and nature of the business.



(ii) General guidelines: The principles are guidelines to action but do not provide readymade solutions to all managerial problems. This is so because real business situations are very complex and dynamic and are a result of many factors. However, the importance of principles cannot be underestimated because even a small guideline helps to solve a given problem. For example, in dealing with a situation of conflict between two departments, a manager may emphasize the primacy of the overall goals of the organization.



(iii) Formed by practice and experimentation: The principles of management are formed by experience as well as experimentation. For example, it is a matter of common experience that discipline is necessary for accomplishing any purpose. However On the other hand, in order to remedy the problem of fatigue of workers in the factory, an experiment may be conducted to see the effect of improvement of physical conditions to reduce stress.



(iv) Flexible: The principles of management are not rigid which have to be Followed absolutely. They are flexible and can be modified by the manager when the situation so demands. They give the manager enough discretion to do so. For example, the degree of concentration of authority (centralization) or its dispersal (decentralization) will depend upon the situations and circumstances of each enterprise. Moreover individual principles are like different tools serving different purposes; the manager has to decide which tool to use under what circumstances. Old principles are altered and new principles are propounded.



(v) Mainly behavioral: Management principles aim at influencing behavior of human beings. Therefore, principles of management are mainly behavioral in nature. It is not that these principles do not pertain to things and phenomenon at all; it is just a matter of emphasis.

Moreover, principles enable a better understanding of the relationship between human and material resources in accomplishing organizational purposes.



(vi) Cause and effect relationships:

The principles of management are intended to establish relationship between cause and effect so that they can be used in similar situations in a large number of cases. As such, they tell us if a particular principle was applied in a particular situation, what would be its likely effect. The principles of management are not perfect since they mainly apply to human behavior. In real life, situations are not identical. So, accurate cause and effect relationships may be difficult to establish. However, principles of management assist managers in establishing these relationships to some extent and are therefore useful.

For example: according to the principles of Division of work, the work is divided among the workers according to their capability, which leads to specialization.



(vii) Contingent: The application of principles of management is contingent or dependent upon the prevailing situation at a particular point of time. The application of principles has to be

changed as per requirements. For example, employees deserve fair and just remuneration. But what is just and fair is determined by multiple factors. They include contribution of the employee, paying capacity of the employer and also prevailing wage rate for the occupation under consideration.



Having described the inherent qualities and characteristics of management principles, it should be easy for you to appreciate the significance of these principles in managerial decision-making.

Significance or Importance of Principles of Management

The principles of management derive their significance from their utility. They provide useful insights to managerial behavior and influence managerial practices. Managers may apply these principles to fulfil their tasks and responsibilities. Principles guide managers in taking and implementing decisions.

The significance of principles of management can be discussed in terms of the following points:

(I) Providing managers with useful insights into reality: The principles of management provide the managers with useful insights into real world situations. Use of these principles will add to their knowledge, ability and understanding of managerial situations and circumstances. It will also enable managers to learn from past mistakes and conserve time by solving recurring problems quickly. For example by following the principle of delegation ,a manager can leave routine decision making activities to subordinates to deal with only those situations which require his expertise.



(II) Optimum utilisation of resources and effective administration: Resources both human and material available with the company are limited. They have to be put to optimum use. By optimum use we mean that the resources should be put to use in such a manner that they should give maximum benefit with minimum cost. Principles equip the managers to foresee the cause and effect relationships of their decisions and actions. As such the wastages associated with a trial-and-error approach can be overcome. Managers decision should be free from personal bias.

For example: Manager cannot decide salaries or incentives as per his wish. He needs to follow company policy and rules to evaluate employee performance and contribution towards organization goals



(III) Scientific decisions: Decisions must be based on facts, thoughtful and justifiable in terms of the intended purposes. They must be timely, realistic and subject to measurement and evaluation.

Management principles help in thoughtful decision-making. They emphasize logic rather than blind faith. For example launching of new product in the market is not a matter of chance, it is a result of great marketing research, competitor strategies etc..



Meeting changing environment requirements: Although the principles are in the nature of general guidelines but they are modified and as such help managers to meet changing requirements of the environment.

For example, management principles emphasize division of work and specialization. In modern times this principle has been extended to the entire business whereby companies are specializing in their core competency and divesting non-core businesses.

In this context, one may cite the decision of Hindustan Lever Limited in divesting non-core businesses of chemicals and seeds. Some companies are outsourcing their non-core activities like share-transfer management and advertising to outside agencies. So much so, that even core processes such as R&D, manufacturing and marketing are being outsourced today.



Fulfilling social responsibility: The increased awareness of the public, forces businesses especially limited companies to fulfill their social responsibilities. Management theory and principles have also evolved in response to these demands. So, if one were to talk of 'equity' today, it does not apply to wages alone. Value to the customer, care for the environment, dealings with business associates would all come under the purview of this principle. As an application of this principle, we find that Public Sector Undertakings have developed entire

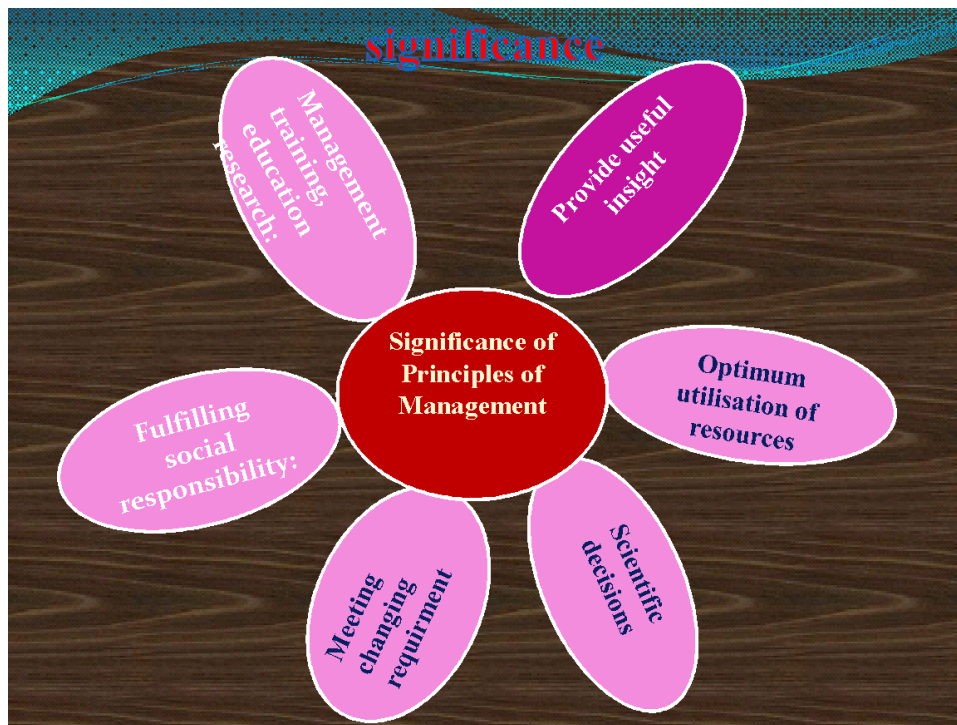
townships as, for example, Business enterprises like HCL has taken social res[p]onsibility of providing education facility to society



(IV) Management training, education and research: Principles of management are at the core of management theory. As such these are used as a basis for management training, education and research. You must be aware that entrance to management institutes is preceded by management aptitude tests. Do you think that these tests could have been developed without an understanding of management principles and how they may be applied in different situations? These principles provide basic groundwork for the development of management as a discipline. Professional courses such as MBA (Master of Business Administration), BBA (Bachelor of Business Administration) also teach these principles as part of their curriculum at the beginner's level. These principles enable refinement of management practices as well by facilitating the development of new management techniques.

For example Mumbai dabawalas has become a part of management programme to discuss their efficiency and perfect time management.





Summary

In conclusion it can be said that understanding the meaning, nature and significance of principles of management will help us to appreciate their applicability in real life situations. As stated at the beginning of the chapter, management principles have undergone a long history of evolution. And, they continue to evolve. Management Principles have great implication in the working of an organization as well as they are applicable practically everywhere. The great contributors Henri Fayol and F. W. Taylor had given a sound base to the managers to take sound decisions.