

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 4
Module Id	lebs_10204
Pre-requisites	Knowledge about the Principles of Management given by Fayol
Objectives	After going through this lesson, the learners will be able to understand the following: <ol style="list-style-type: none">1. Biography of Henri Fayol2. Meaning of Principles of management3. Principles of management given by fayol4. Positive and violating effects of management principles
Keywords	Division of work, Authority and Responsibility, Discipline, Unity of command, Unity of direction, subordination of individual interest to general interest, Remuneration of employee.

2. Development team

Role	Name	Affiliation
National MOOC Coordinator (NMC)	Prof. Amarendra P. Behera	CIET, NCERT, New Delhi
Program Coordinator	Dr. Mohd. Mamur Ali	CIET, NCERT, New Delhi
Course Coordinator (CC) / PI	Dr. Punnam Veeraiah	CIVE, RIE Campus, Bhopal
Subject Matter Expert (SME)	Ms. Preeti Sharma	Kendriya Vidyalaya JNU, New Delhi
Review Team	Mr. Sudhir Sapra	Directorate of Education, Govt. of NCT of Delhi

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Introduction

We are living in fast changing world and if we look at managers of this new era managers then it would be easy to say that they have so many tools and resources which they can use to improve their skills but have you ever thought about the managers who had to manage the things 100 years back ?

How did they manage things?

On what basis they might have taken decisions?

They had very limited resources which they could use to improve their skills but thanks to early theorist Henri Fayol who provided them sound base and tools on the basis of which they could take sound decisions. Fayol, and others management thinkers like him, have contributed to build the foundations of modern management theory.

Biography of Henri fayol

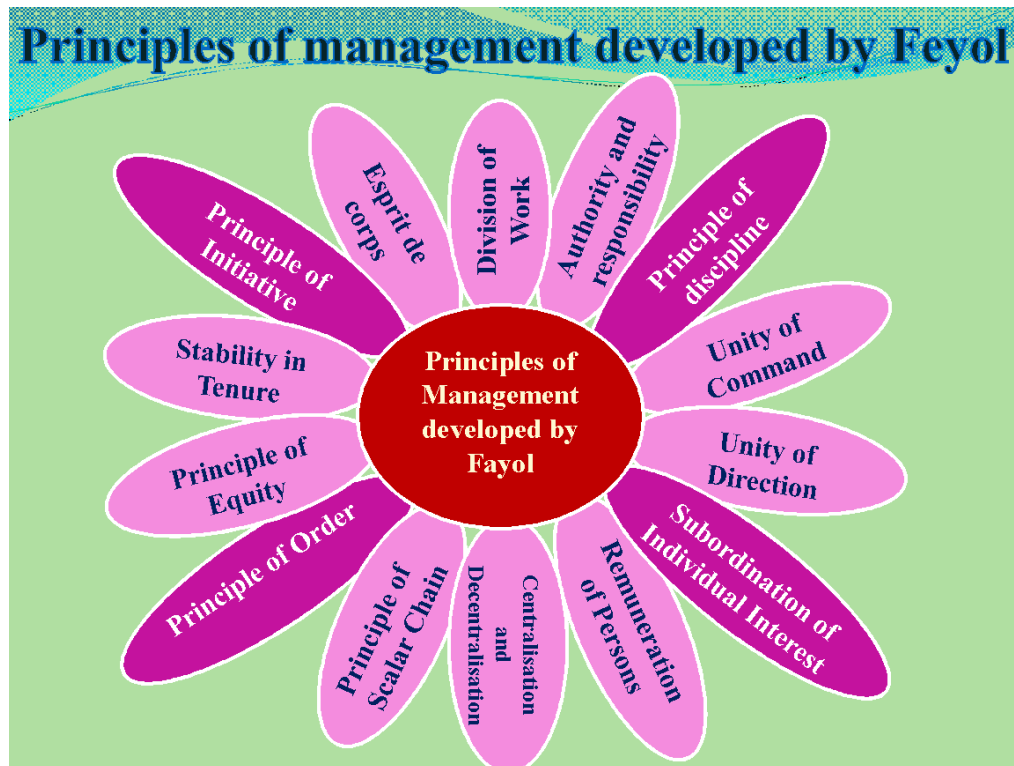
1. Life Time: 1841 TO 1925
2. Profession: Mining Engineer and Management Theorist (French national)
3. In 1860 at the age of nineteen Fayol started working at the mining company as the mining engineer. In 1888 he was promoted to managing director. When he retired in 1918, the company was financially strong and one of the largest industrial combines in Europe.
4. Contributions: Mainly 14 Management Principles, which are referred to as administrative in nature in that they have Top-Down approach concerning top management and other manager's conduct.



Meaning

Principles of management are statements that are based on a fundamental truth. These principles serve as a guideline for decision-making and management actions. Henri fayol has developed 14 principles of management after years of study. Henri Fayol principles were published in the book “general and industrial management” For his contribution he is also known as the ‘Father of General Management’

The 14 principles of management given by him are shown in the figure shown.



Henri Fayol time line

(i) Division of Work: According to this principle the whole work must be divided into small tasks and instead of assigning the whole work to one person only one task of work should be assigned to one person according to his capability, qualification and experience of the person. When a person will perform only one part of job again and again he will become perfect and specialised in doing that job and the efficiency level will improve.

According to Fayol, "The intent of division of work is to produce more and better work for the same effort. Specialisation is the most efficient way to use human effort." In business ,work can be performed more efficiently if it is divided into specialised tasks; each performed by a specialist or trained employee. This results in efficient and effective output. Thus, in a company we have separate departments for finance, marketing, production,purchase etc.So that each department will become specialized in their field ,which will bring benefit of specialisation to the firm.

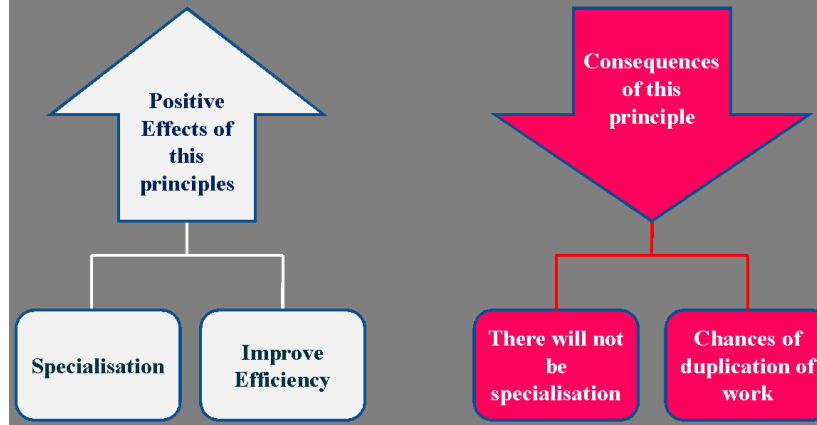
It states

- Job should be divided in to smaller tasks
- Each job should be performed by Trained specialist

You can apply this principle to your school also For example have you ever thought that why you have seprate teacher for every subject ?

So that you can get the benefit of specialization and no single person can do all the task alone ,so it will also bring efficiency in the organization.

Principle of Division of Work



(ii) Authority and Responsibility: Authority means power to take decision. Responsibility means obligation to complete the job assigned on time. According to this principle there must be balance between the authority and responsibility.

Excess of authority without matching responsibility may bring negative results and excess of responsibility without matching authority will not allow the worker to complete the job on time. There is need to bring parity between both for best results.

According to Fayol, “Authority is the right to give orders and obtain obedience, and responsibility is the corollary of authority. The two types of authority are official authority, which is the authority to command, and personal authority which is the authority of the individual manager.” Authority is both formal and informal . Managers require authority

commensurate with their responsibility. There should be a balance between authority and responsibility. An organization should build safeguards against abuse of managerial power. At the same time a manager should have necessary authority to carry out his responsibility.

This principle states

- A) Manager needs authority to fulfill their responsibility.
- B) Enterprise should maintain balance between authority and responsibility.
- C) Authority is formal and informal. formal authority is fixed as per stated rules where as informal authority is the power to negotiate the stated authority. An organization must built safeguard against abuse of manager informal authority.

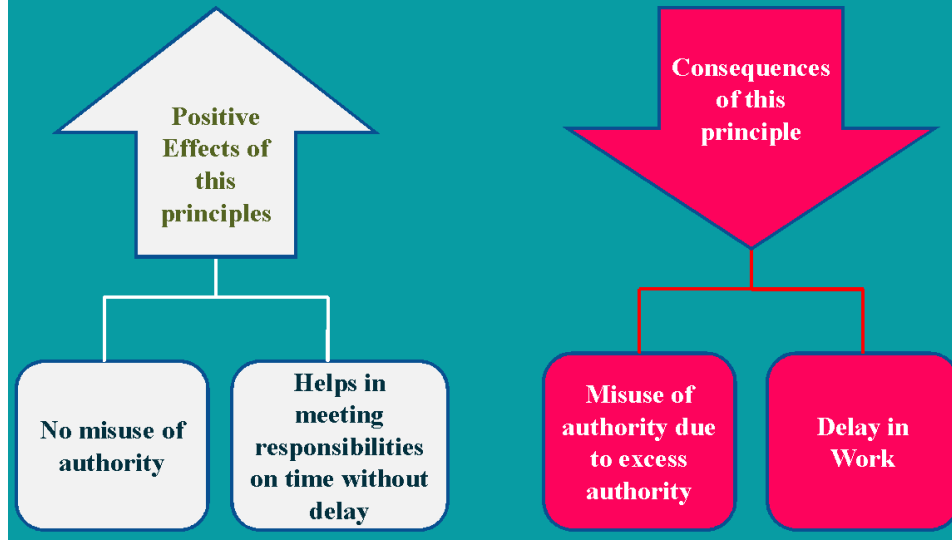
For example, a sales manager has to negotiate a deal with a buyer. She finds that if she can offer credit period of 60 days she is likely to clinch the deal which is supposed to fetch the company net margin of say Rs. 50 crores. Now the company gives power to the manager to offer a credit period of only 40 days. This shows that there is an imbalance in authority and responsibility. In this case the manager should be granted authority of offering credit period of 60 days in the interest of the company. Similarly, in this example this manager should not be given a power to offer a credit period of say 100 days because it is not required.

A manager should have the right to punish a subordinate for wilfully not obeying a legitimate order but only after sufficient opportunity has been given to a subordinate for presenting her/his case.

You can also apply this principle to your class room.

Following are the positive impacts of following this principle as well as the consequences of not following these.

Principle of Authority and Responsibility



(iii) Discipline: Discipline refers to general rules and regulations for systematic working in an organisation. Discipline does not mean only rules and regulations but it also mean developing commitment in the employees towards organisation as well as towards each other. Discipline is the obedience to organisational rules and employment agreement which are necessary for the working of the organisation.

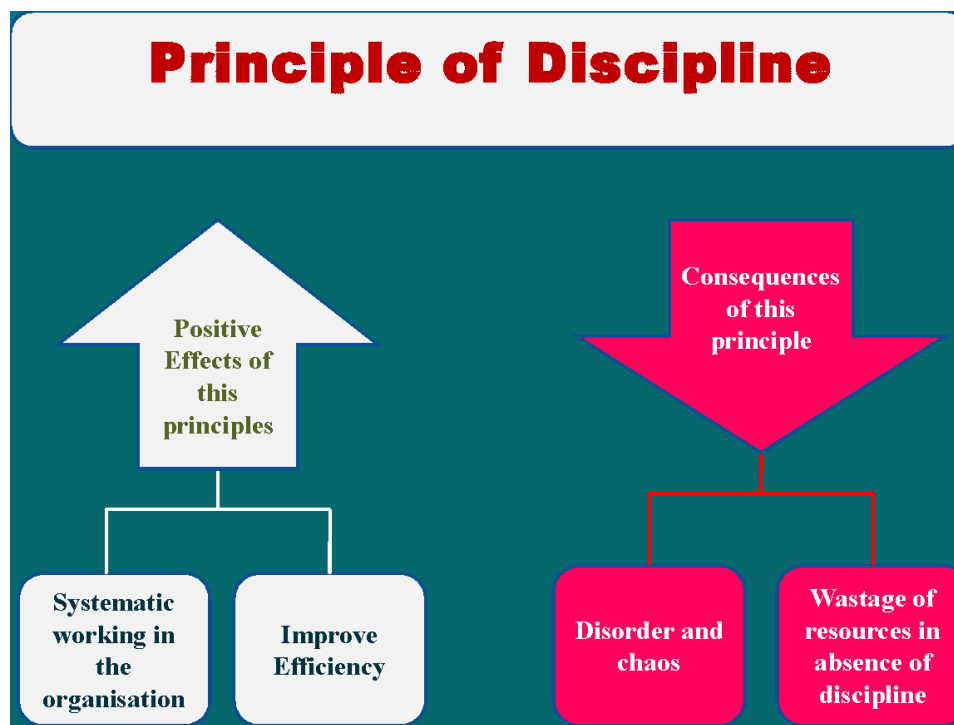
Fayol insisted that discipline is required at superior as well as subordinate level. The disciplinary rules shall not be applicable only on subordinates. Employees will obey orders only when management play their part by providing good leadership.

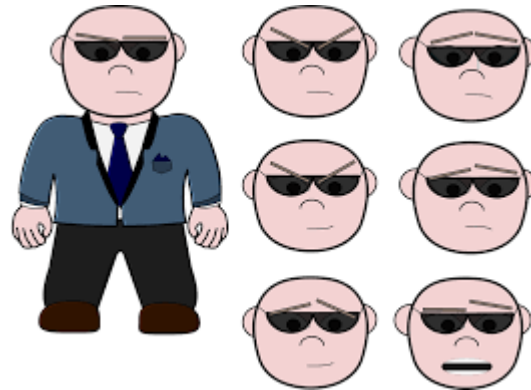
According to Fayol, discipline requires good superiors at all levels, clear and fair agreements and judicious application of penalties. Suppose management and labour union have entered into an

agreement whereby workers have agreed to put in extra hours without any additional payment to revive the company out of loss. In return the management has promised to increase wages of the workers when this mission is accomplished. Here discipline when applied would mean that the workers and management both honour their commitments without any prejudice towards one another.

As a whole we can say:

- a) The organisation must have clear and fair agreement.
- b) The clearly stated penalties.
- c) Good supervisors at each level who do not work according to personal choice.
- d) The judicial application of penalties.





(iv) Unity of Command: According to this principle an employee should receive orders from one boss only because if he receives order from more than one boss then he will get confused and will not be able to understand that whose order must be executed first and on the other hand, if employee is receiving orders from more bosses he gets chance to give excuses by saying that he was busy in executing the orders of other boss. If there are more bosses it can create problem of ego-clash among the superiors as every superior wants his order to be executed first by the employee.

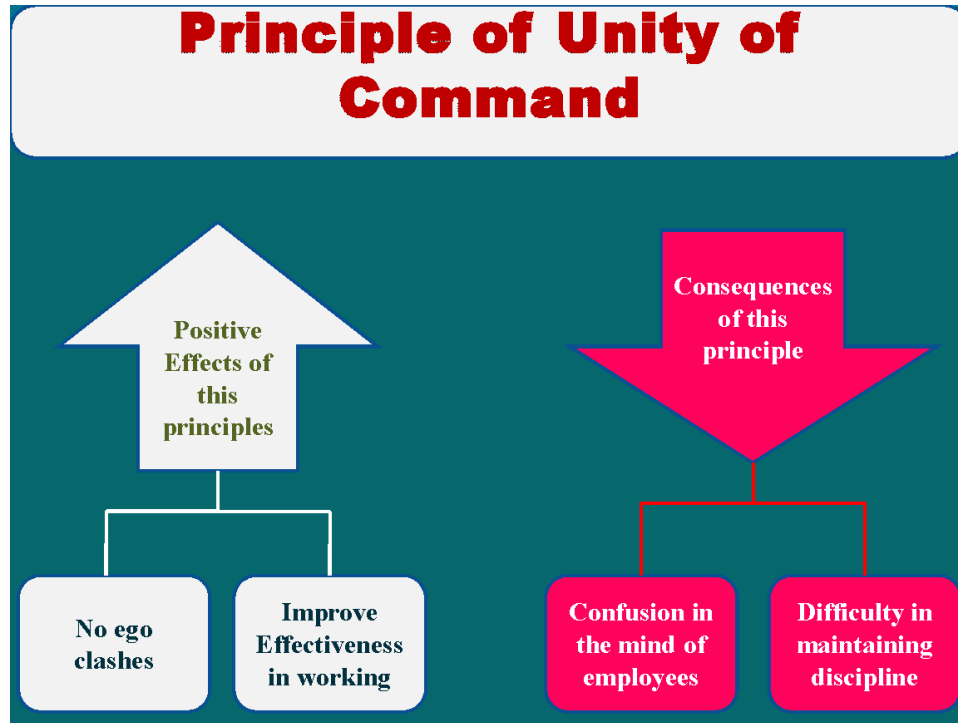
According to Fayol there should be one and only one boss for every individual employee. If an employee gets orders from two superiors at the same time the principle of unity of command is violated. The principle of unity of command states that each participant in a formal organisation should receive orders from and be responsible to only one superior. Fayol gave a lot of importance to this principle. He felt that if this principle is violated “authority is undermined, discipline is in jeopardy, order disturbed and stability threatened”. The principle resembles military organisation. Dual subordination should be avoided. This is to prevent confusion regarding tasks to be done. we can say this principles says:

1. One boss for every individual employee
2. Instructions from only one boss provide clear instructions to perform a task.

For example production manager instruct its supervisor to produce product “N” but the sales manager tells the supervisor to produce product “M”. in such case supervisor will be confused and may decide to produce nothing.

You can also apply this principle at your home for example your mother says to you to study “Economics “ and your father may say no study Accounts . Then what will you do?

You will stop studying will start watching t.v or will outside to play with your friends.





(v) Unity of Direction: According to this principle “one unit means one plan”, it says that the efforts of all the members and employees of organisation must be directed towards one direction and it will result in the achievement of common goal. If this principle is applied it leads to coordination.

Each department and a group having common objective must have one head and one plan only. People engaged in the same kind of activities must have the same objectives in a single plan. This is essential to ensure unity and coordination in the enterprise.

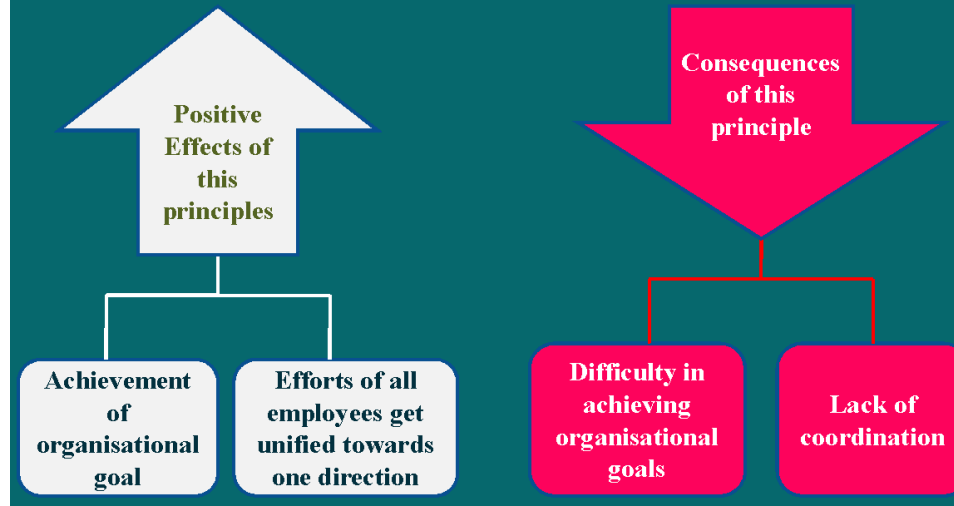
All the units of an organisation should be moving towards the same objectives through coordinated and focussed efforts. Each group of activities having the same objective must have one head and one plan. This ensures unity of action and coordination.

It states:

- 1) The department with same objectives must follow one plan and have one head to lead.
- 2) Efforts of all units must be coordinated to achieve organizational goals.

For example, if a company is manufacturing motorcycles as well as cars then it should have two separate divisions for both of them. Each division should have its own incharge, plans and execution resources. On no account should the working of two divisions overlap. Now let us differentiate between the two principles of unity of command and unity of direction.

Principle of Unity of Direction



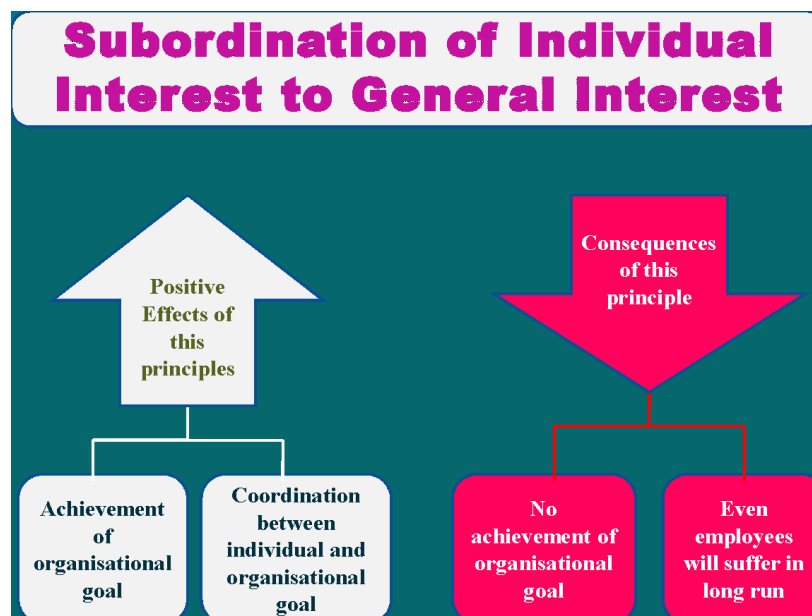
(vi) Subordination of Individual Interest to General Interest: According to this principle the interest of organisation must supersede the interest of individuals or employees. In the organisation all the employees are working with some objective and there is always an objective of organisation. If the objectives of individuals are in the same directions than there is no problem but if the objectives of both the group are in different direction than manager must try to reconcile individual interest with organisational goal and if it is not possible than individual interest must be sacrificed for achieving organisational goal.

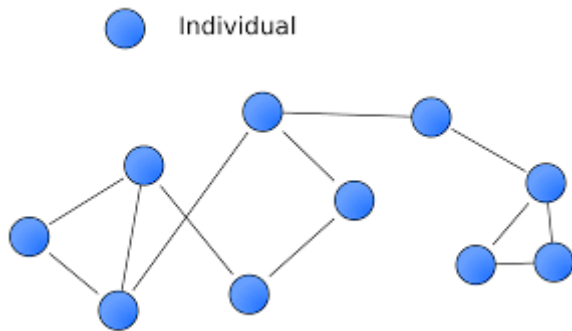
According to Fayol, The interests of an organization should take priority over the interests of any one individual employee .

As a whole it says:

- 1) Interest of the group or company must supersede the interest of an individual.
- 2) Interest of larger group cannot be sacrificed for the interest of of an individual.

For example, the company would want to get maximum output from its employees at a competitive cost (salary). On the other hand, an employee may want to get maximum salary while working the least. In another situation an individual employee may demand some concession, which is not admissible to any other employee like working for less time. In all the situations the interests of the group/company will supersede the interest of any one individual. This is so because larger interests of the workers and stakeholders are more important than the interest of any one person. For example, interests of various stakeholders i.e., owners, shareholders, creditors, debtors, financiers, tax authorities, customers and the society at large cannot be sacrificed for an individual. You can apply this at your home also for example you are three brothers and sister and your mother is having rs 1000 to buy gifts for all of you and you alone are asking for gift worth Rs 1000.so in this case what will be appropriate action that your mother should take.? Yes she has to see the interest of all.





(vii) Remuneration of Employees: According to this principle employees in the organisation must be paid fairly or adequately to give them maximum satisfaction. The remuneration must be just and fair because if employees are underpaid they will not be satisfied and an unsatisfied person can never contribute his maximum.

Dissatisfaction will lead to increase in employee's turnover. So to have stability in organisation and to get maximum efforts from employees, the employees must be paid fairly. . The employees should be paid fair wages, which should give them at least a reasonable standard of living. At the same time it should be within the paying capacity of the company. In other words, remuneration should be just and equitable. This will ensure congenial atmosphere and good relations between workers and management. Consequently, the working of the company would be smooth. we can say:

- 1) The wages paid to employee must ensure a reasonable standard of living.
- 2) The company must have the paying capacity to pay wages or salary.
- 3) The wages paid must be just and equitable.



Summary

Clarifying his principles of management, Fayol has pointed out that since management is related to human being nothing can be with a sense of finality. What principles are to be applied at what time and to what degree will depend on decision making power of the manager. It includes flexibility as they deal with human beings.