

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 5
Module Id	lebs_10205
Pre-requisites	Knowledge about the Principles of Management given by Henri Fayol
Objectives	After going through this lesson, the learners will be able to understand the following: <ul style="list-style-type: none">• Principles of Management given by Henri Fayol• Their positive and violating effects• Fayol VS. Taylor
Keywords	Centralization and decentralization, Scalar chain, Order, Equity, Stability of personnel, Initiative, Spirit de corps

2. Development team

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Introduction

Henri fayol has given 14 principles of management, out of which we have already discussed seven. Now in this module we will discuss the remaining seven principles in detail and their applicability also. When we follow these principles what positive effects can be seen and what are the consequences of not following these principles.

Principles of management by Henri Fayol

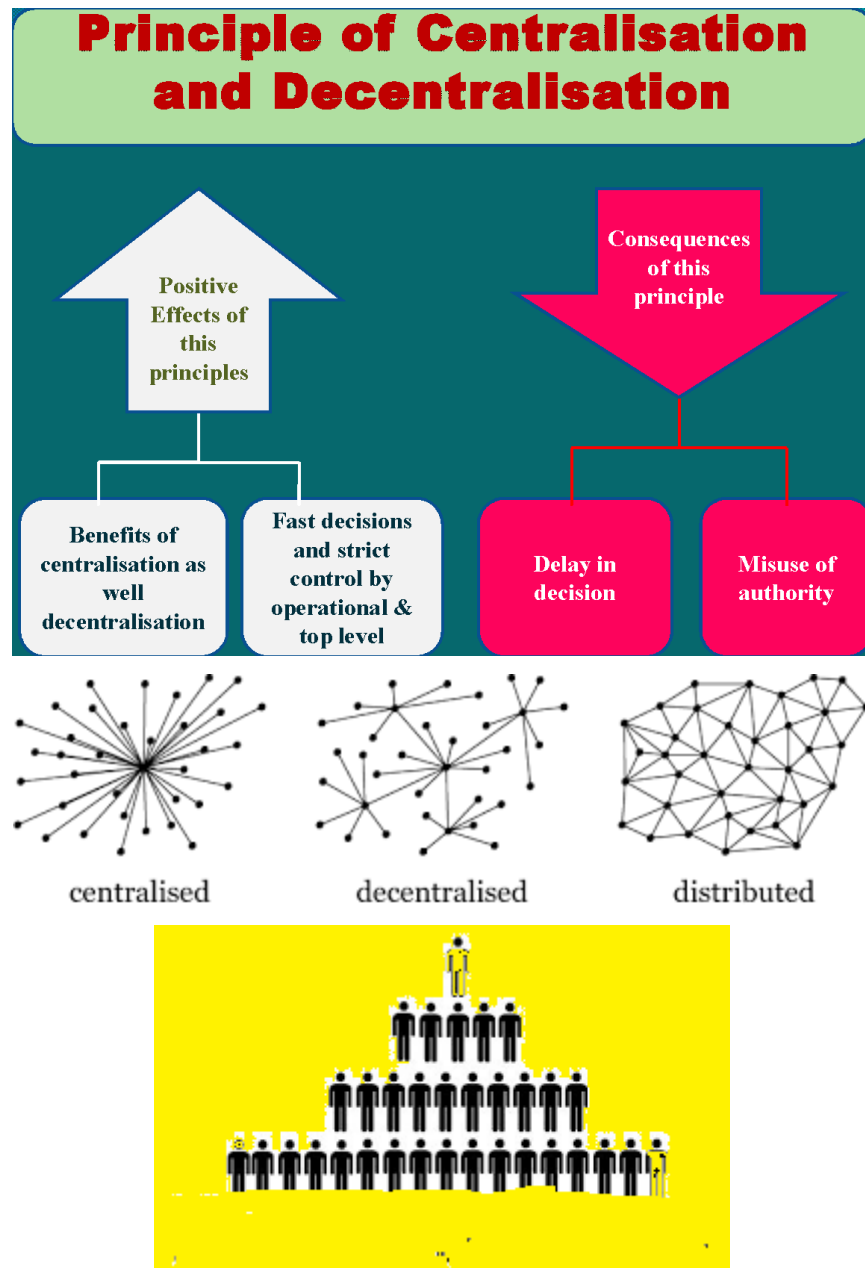
Centralisation and Decentralisation: Centralisation refers to concentration of authority or power in few hands at top level. Decentralisation means evenly distribution of power at every level of management. According to Fayol a company must not be completely centralised or completely decentralised but there must be combination of both depending upon the nature and size of the organisation.

A small organization can be well organised and managed with centralized technique but in large organization there is need for decentralization.

According to Fayol, “There is a need to balance subordinate involvement through decentralization with managers ‘retention of final authority through centralization.” The degree of centralization will depend upon the circumstances in which the company is working. In general large organizations have more decentralization than small organizations. This principle states:

1. The authority to take core decisions must be retained by top management.
2. The authority to take routine decision must be delegated to middle and lower management.
3. The degree of decentralization depends more on the scale of operations.

For example: In reliance and in other big companies decentralization is more as compare to small companies. Similarly you can apply this to your school too where you can see that important decisions are taken by the principal and routine decisions are taken by vice principal and teachers.



Scalar Chain: Scalar chain means formal line of authority from highest to lowest rank. Fayol insists that this chain must be followed strictly in the organization. Every information must pass through every key of this chain, no skipping of any one key should be allowed.

If this chain is broken then there are chances of communication gap in the organization but sometimes following scalar chain becomes a long process and if some important information has to be passed, it get delayed so in case of emergency and urgent information, Fayol permitted a short cut in chain which is called “Gang Plank”.

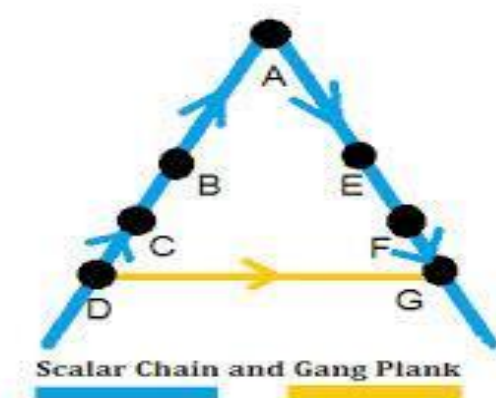
According to Fayol, “Organizations should have a chain of authority and communication that runs from top to bottom and should be followed by managers and the subordinates.”

This principle states:

1. Superior gives instructions to subordinate.
2. Chain of authority should be followed in normal course of communication.
3. In emergency “gang plank” is used.

Let us consider a situation where there is one head ‘A’ who has two lines of authority under her/him. One line consists of B-C-D. Another line of authority under ‘A’ is E-F-G. If ‘D’ has to communicate with ‘G’ who is at the same level of authority then she/he has to traverse the route F-E-A-B-C This is due to the principle of scalar chain principle.

“gang plank” is a shorter route and has been provided so that communication is not delayed. In practice you find that a worker cannot directly contact the CEO of the company. If at all she/he has to, then all the formal levels i.e., foreman, superintendent, manager, director etc have to know about the matter. However, in an emergency it can be possible that a worker can contact CEO directly. This is also applicable everywhere. You can also connect this principle to your class room.





Order: In this principle order does not mean command but it refers to orderly arrangement of men and material that is a fixed place for everything and everyone in the organization.

Fayol insists that there must be a fixed place to keep every thing used in the organization and fixed place or seat or cabin for every employee of the organisation so that no time and energy is wasted in search of any material or any person.

According to Fayol, “People and materials must be in suitable places at appropriate time for maximum efficiency.” The principle of order states that: A place for everything (everyone) and everything (everyone) in its(her/his) place’. Essentially it means orderliness. If there is a fixed place for everything and it is present there, then there will be no hindrance in the activities of business/factory. This will lead to increased productivity and efficiency.

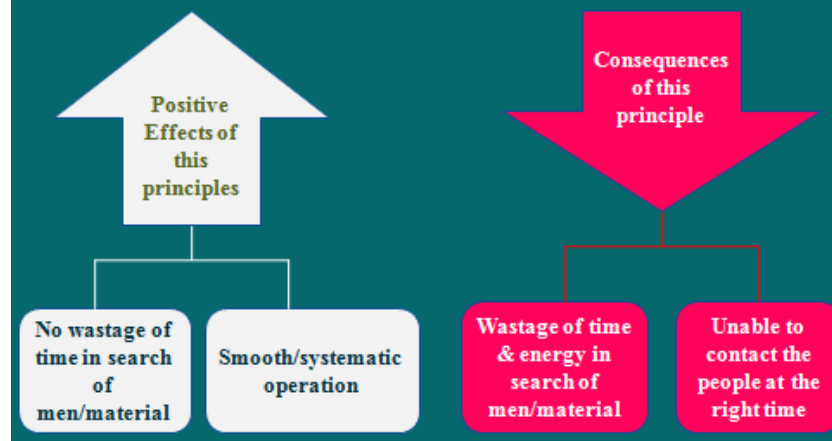
This principle states:

1. There should be assigned place for all physical and human resources.
2. Orderliness increases efficiency and productivity

For example the marketing manager of your company has his office on third floor. Therefore anybody wants to meet him has to go to third floor.

Similarly in your school there is a fixed place of everything like labs, class rooms, principal office etc.

Principle of Order



Equity: This principle states that workers performing similar job should be provided with same working conditions, wage rate and incentives. There should be no discrimination against anyone on account of sex, religion, language, caste, belief or nationality etc.

“Good sense and experience are needed to ensure fairness to all employees, who should be treated as fairly as possible,” according to Fayol. Employees will put their maximum efforts only when they are treated with kindness and justice.

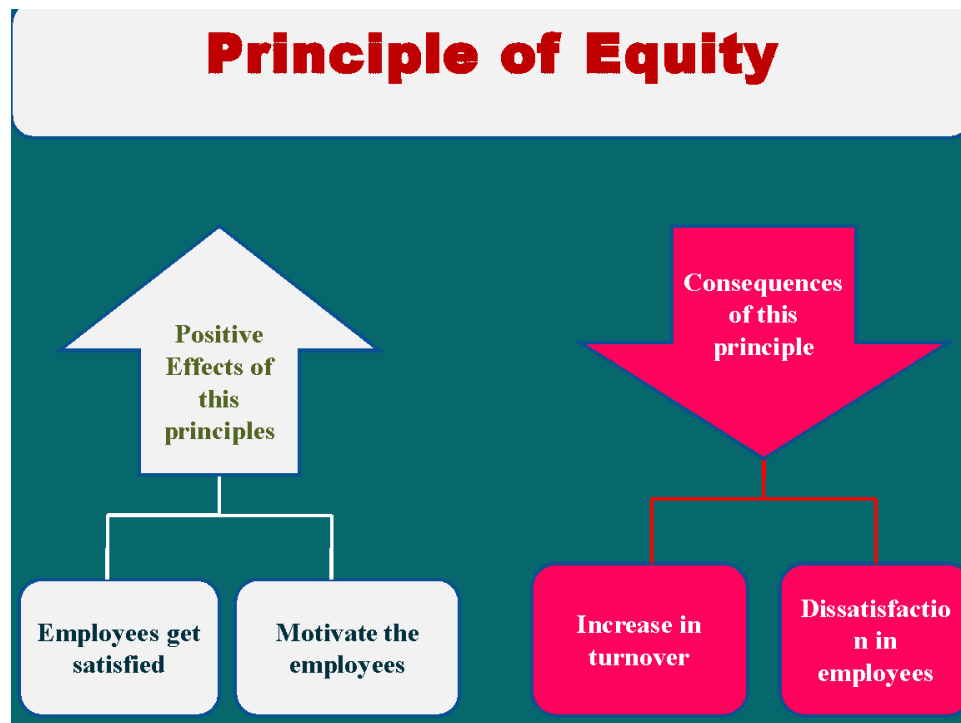
Equity does not mean equal salary to a peon and supervisor but equity means application of same disciplinary rules in the same way irrespective of their grade, position and gender. This principle emphasizes kindness and justice in the behaviour of managers towards workers. This will ensure loyalty and devotion.

Fayol does not rule out use of force sometimes. In practice we can observe that now a days in multinational corporations people of various nationalities work together in a discrimination free environment. Equal opportunities are available for everyone in such companies to rise.

India-born American Arun Sarin has become CEO of Vodafone limited, a British telecom major.

This principle states that

1. Managers have kind behavior towards employees.
2. Management must appreciate efficiency and penalize inefficiency.

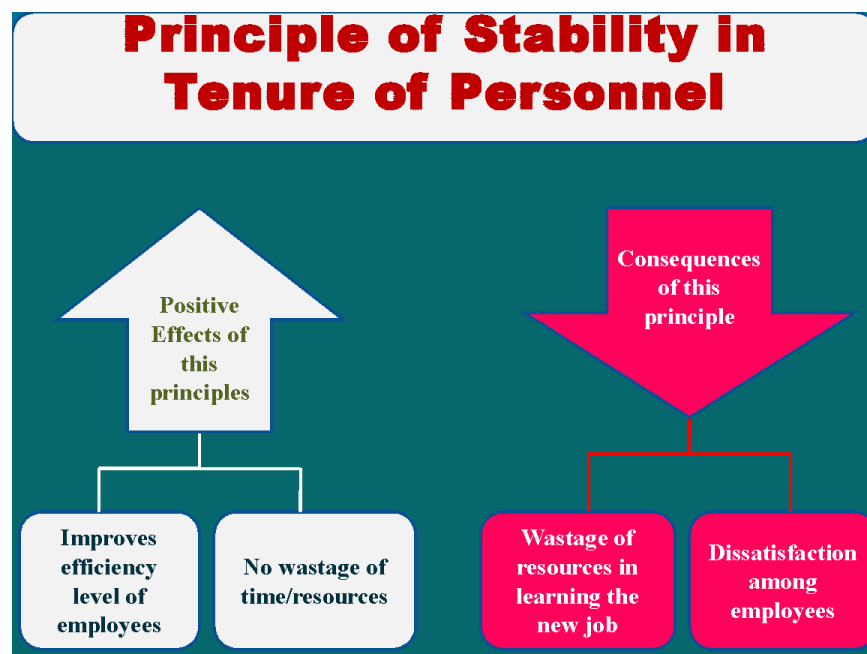


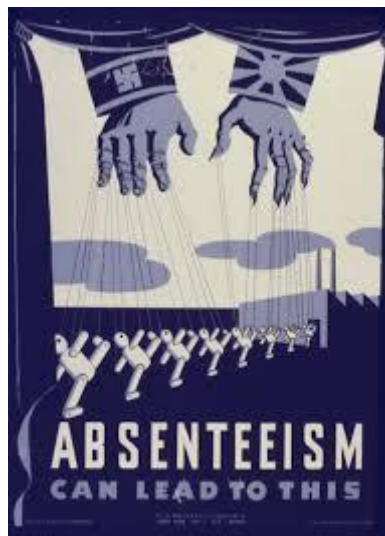
Stability of Personnel: It refers to no frequent transfer and termination of employees. According to this principle the management must provide the feeling of job security among the employees because with the feeling of insecurity for the job, the employees can not contribute their maximum. Frequent turnover of employees is bad for organization and such decision must be taken when they are almost unavoidable. Not only turnover but frequent transfer or rotation should also be avoided because it takes some time to a person to learn and get settled on a job and by the time he get settled and he receives transfer order then it will be wastage of resources and employee will not be able to contribute his best for organization.

Personnel should be selected and appointed after due and rigorous procedure. But once selected they should be kept at their post/position for a minimum fixed tenure. They should have stability of tenure. They should be given reasonable time to show results. for example Many big companies appoint people after conducting written test, interview and then they give training and employee has to sign a contract with the company that he will provide 1 month notice before leaving a job.

The principle of stability states:

1. Selection procedure should be strong.
2. Tenure of appointment should be fixed for a minimum period.
3. Training must be given to employee to perform job.
4. Performance to be reviewed after giving them reasonable time to perform.





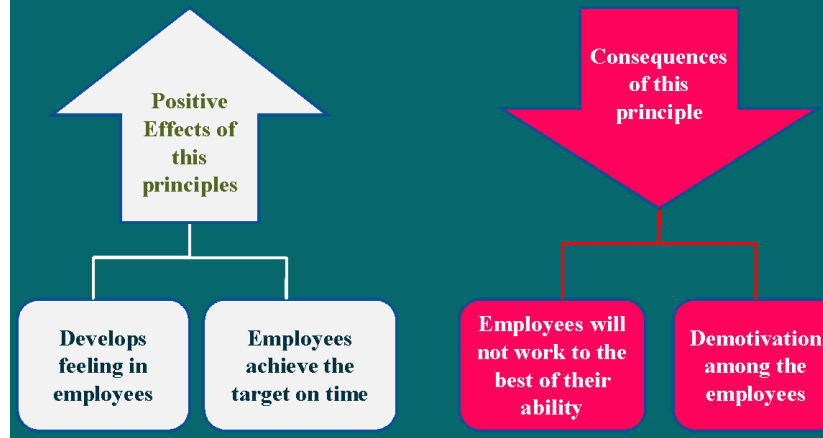
Initiative: Initiative means taking the first step with self-motivation. It is thinking out and executing the plan. Fayol suggested that employees in the organization must be given an opportunity to take some initiative in making and executing a plan. So managers must welcome the suggestions and ideas of employees before framing the plan.

But it does not mean going against the established practices of the company for the sake of being different. A good company should have an employee suggestion system whereby initiative / suggestions which result in substantial cost / time reduction should be rewarded.

We can summaries the principle

1. Employee must be encouraged to give suggestion.
2. Employee must be given opportunity to develop plan but within the established policies of the company.

Principle of Initiative



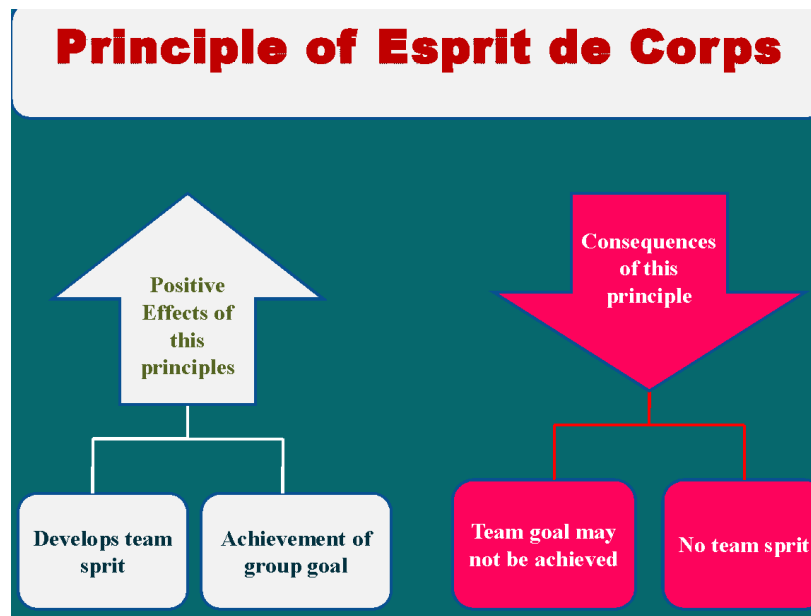
Espirit De Corps: According to this principle management should promote a team spirit of unity and harmony among employees. Fayol insists on team work. He suggested that every employee in the organization must consider him as a part or member of a team and try to achieve the team goal. Management must develop a feeling of belongingness among the employees. A manager should replace 'I' with 'We' in all his conversations with workers to foster team spirit. This will

give rise to a spirit of mutual trust and belongingness among team members. It will also minimise the need for using penalties.

For example if management formulates plans and policies after discussing with employee representative, it will give employees sense of responsibility to follow the policies

This principle states:

1. Team work should be promoted
2. I must be replaced with we





Fayol Versus Taylor — A Comparison

We are now in a position to compare the contributions of both Fayol and Taylor. Both of them have contributed immensely to the knowledge of management, which has formed a basis for further practice by managers. It must be pointed out that their contributions are complementary to each other. We can make out the following points of difference between their contributions.

Basis of difference	Henri Fayol	F.W.Taylor
Perspective	Top level of management	Shop floor level of a factory
Unity of Command	Staunch Proponent	Did not feel that it is important as under functional foremanship a worker received orders from eight specialists.
Applicability	Applicable universally	Applicable to specialised situations
Basis of formation	Personal experience	Observations and experimentation
Focus	Improving overall administration	Increasing Productivity
Personality	Practitioner	Scientist
Expression	General Theory of Administration	Scientific Management

Summary

It is clear that Fayol's 14 principles of management are widely applicable to managerial problems and have cast a profound impact on management thinking today, but with the change of environment in which business is done, the interpretation of these principles has changed. For example, authority and responsibility meant empowering of managers but now it means empowerment of employees because of flat organizational structures that are gaining ground. We are now in a position to understand the current connotations of Fayol's principles .

The contribution of Henri Fayol and F.W.Taylor is great in the field of management and have high impact on the working of an organization.