

MANAGEMENT PRINCIPLES AND APPLICATIONS

Chapter 1: Introduction to Management

Meaning of Management

Management is the art of getting things done by a group of people with effective utilization of available resources. An individual cannot be treated as a managing body running any organization. A minimum number of two persons are essential to form a management.

Definitions of Management

According to F W Taylor, “Management is knowing exactly what you want men to do and then seeing that they do it in the best and cheapest way”

According to Harold Koontz, “Management is the art of getting things done through and with people informally organized group”.

According to Koontz and O'Donnell, “Management is defined as the creation and maintenance of an internal environment in an enterprise, where individuals, working together in groups, can perform efficiently and effectively towards the attainment of group goals”

Features or Characteristics or nature of Management

- 1. Management is art as well as science:** Management is art as well as science. It is an art in the sense of possessing of managing skill by a person. In another sense, management is the science because of developing certain principles or laws which are applicable in a place where a group of activities are coordinated.
- 2. Management is an activity:** Management is the process of activity relating to the effective utilization of available resources of production. The term ‘resources’ includes men, money, materials and machine in the organization.
- 3. Management is a continuous process:** The process of management mainly consists of planning, organizing, directing and controlling the resources. The resources of an organization should be used to the best advantage of the organization and the objectives to be achieved. The management function of any one alone cannot produce any results in the absence of any other basic functions of management. So, management, is a continuous process.
- 4. Management achieving pre-determined objectives:** The objectives of an organization are clearly laid down. Every management activity results in the achievement of objectives fixed well in advance.
- 5. Organized activities:** Management is a group of organized activities. All the organization have their own objectives. These objectives will be achieved only by group of persons. These persons activities should be organized in a systematic way to achieve the objectives.

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- 6. Management is a factor of production:** The factors of production includes land, labor, capital and entrepreneurs. Land refers to place where production is done. Labor refers to skilled, unskilled and semi-skilled labors. Capital refers to working capital, raw materials, finished goods and fixed capital. The organizational goals can be achieved when all these factors are coordinated effectively with entrepreneur.
- 7. Management as a system of activity:** A system may be defined as a set of component parts working as a whole. Authority may be defined as a right command other for getting a particular course of organizational work done.
- 8. Management is a discipline:** The boundaries of management are not exact as those of any other physical sciences. It may be increased by the continuous discovery of many more aspects of business enterprise. So, the management status as discipline also increased in the same manner.
- 9. Management is a purposeful activity:** Management is concerned with achievement of objectives of an organization. These objectives are achieved through the functions of planning, organizing, staffing, directing, controlling and decision making. The organizational objectives are clearly defined and explained to every employee.
- 10. Management is a distinct entity:** Management is distinct from its functional activities. The functions have the nature “to do” but the management has the nature of “how to get things done”. A manager requires some amount of skill and knowledge to get work done.
- 11. Management aims at maximizing profit:** the available resources are properly utilized to get desired results. The results should be the maximizing profit or increasing profit by the economic functions of a manager.
- 12. Decision Making:** there are number of decisions taken by the management every day. Decision making arises only when there is availability of alternative courses of action. If there is only one course of action decision making does not arise. the quality of decision taken by the manager determines the organization’s performance. The success or failure of an organization depends upon the degree of right decision taken by the manager.
- 13. Management is a profession:** Management is a profession because it possesses the qualities of a profession. A fund of knowledge is imparted and transferred in the profession and the same is followed by management.
- 14. Universal application:** The principles and practices of management are applicable not to any particular industry alone but to every type of industry. The practice of management is different from one organization to another according to their nature.

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- 15. Management is getting things done:** A manager does not actually perform the work but he gets things done by others.
- 16. Management as a class or team:** A class may be defined as a group of people having homogenous characteristics to achieve common objectives. Engineers and doctors are grouped as a class in a society. Each and every doctor has the same objectives in life. Just like engineers and doctors, the management people have got similar aspirations to achieve corporate objectives.
- 17. Management as a career:** Now-a-days, management is developed as a career focused on certain specialization. Financial Management, Cash Management, Portfolio Management, Marketing Management, Personnel Management, Industrial Management and Business Management are some of the specializations of management. Specialists are appointed in the key posts of top management
- 18. Direction and control:** A manager can direct his sub-ordinates in the performance of work and control them whenever necessary. If the available resources are not utilized properly by him, he fails to achieve the corporate objectives in the absence of direction and control. Generally, the direction and control deals with the activities of human efforts.
- 19. Dynamic:** The management is not static. In the fast developing business world new techniques are developed and adopted by the management. Management is changed according to the social change. The social change is the result of changing business world.
- 20. Management is needed at all levels:** The functions of management are common to all the levels of management. The top executives perform the function of planning, organizing, directing, controlling and decision making. The same functions are also performed by the lower level supervisor.
- 21. Leadership quality:** Leadership quality is developed in the persons who are working in the top level of management.

Functions of Management

1. **Planning:** Planning is the primary function of management. Nothing can be performed without planning. In short, planning refers to deciding in advance that which will be done in the near future. In the business world, the organization should achieve the objectives. In order to achieve objectives, the organization plans what is to be done, when it is to be done, how it is to be done, and by whom it is to be done.
2. **Organizing:** Organizing is the distribution of work in group wise or section-wise for effective

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performance. Organization provides all facilities which are necessary to perform the work. The business developed; the organization takes responsibility to create some more departments under different managers. Hence, the organization divides the total work and co-ordinates all the activities by authority relationship.

P	Planning
O	Organizing
D	Directing
S	Staffing
CO	Co-ordinating
R	Reporting
B	Budgeting

- Staffing:** Staffing function comprises the activities of selection and placement of competent personnel. In other words, staffing refers to placement of right persons in the right jobs. Staffing includes selection of right persons, training to those needy persons, promotion of best persons, retirement of old persons, performance appraisal of all the personnel, and adequate remuneration of personnel. The success of any enterprise depends upon the successful performance of staffing function.
- Directing:** The actual performance of a work starts with the function of Direction. Planning, organizing and staffing functions are concerned with the preliminary work for the achievement of organizational objectives. But the direction deals with making the workers learn techniques to perform the jobs assigned to them. Direction includes guidance, supervision and motivation of employees.
- Co-ordinating:** All the activities are divided group-wise or section-wise under organizing function. Now, such grouped activities are coordinated towards the accomplishment of objectives of an organization. The difficulty of co-ordination depends upon the size organization. The difficulty of co-ordination is increased with the increasing of the size the organization.
- Reporting:** Reporting is essential for locating deviations from the pre-determined objectives and taking corrective actions in order to minimize wastage and achieve organizational objectives on time.
- Budgeting:** A budget puts minimum and maximum limits on expenditure for specific period. Budgeting is also tool of controlling as its control's financial wastage in the organization.

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Other functions:

8. **Motivating:** The goals are achieved with the help of motivation. Motivation includes increasing the speed of performance of a work and developing willingness on the part of workers. This is done by a resourceful leader. The workers expect favorable climate conditions to work, fair treatment, monetary or non-monetary incentive, effective communication and gentleman approach.
9. **Controlling:** Controlling function ensures that the achieved objectives conform to pre-planned objectives. Necessary corrective action may be taken if there is any deviation. The control is very easy whenever the organization has a fixed standard. A good system of control has the characteristics of economy, flexibility, understanding and adequacy to organizational needs.
10. **Innovation:** Innovation refers to the preparation of personnel and organization to face the changes made in the business world. Continuous changes are being made in the business. Consumers are satisfied through innovation. Innovation includes developing new material, new products, new techniques in production, new package, new design of a product and cost reduction.
11. **Representation:** A manager has to act as a representative of a company. He has dealings with customers, suppliers, government officials, banks, financial institutions, trade unions and the like. It is the duty of every manager to have good relations with others.
12. **Decision making:** Every employee of an organization has to take a number of decisions everyday. Decision-making helps in the smooth functioning of an organization.
13. **Communication:** Communication is the transmission of human thoughts, views or opinions from one person to another person. Workers are informed about what should be done, where it is to be done, how it is to be done and when it is to be done. Communication helps the regulation of job and co-ordinate the activities.

Importance of Management

- 1) **Management meet the challenge of change:** In the modern business world, there are frequent changes. The changes place the business in a dangerous position. Only an efficient management can save the business from the dangers brought in by the challenges.
- 2) **Accomplishment of group goals:** The achievement of objectives of a business depends upon three factors. The proper planning of available resources, adjusting possibility of business unit with existing business environment and the quality of decision taken control made by the business unit are the factors responsible for achieving objectives.
- 3) **Effective utilization of business:** There are eight M's in the business. These said to be man, money, materials, machines, methods motivation, markets and Management is the top most of all other 'M's. Management has control over other 'M's.

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- 4) **Effective functioning of business:** Ability, experience, mutual understanding, ordination, motivation and supervision are some of the factors responsible for the functioning of business. Management make sure that the abilities of workers are used and co-operation is obtained with the Help of mutual understanding. Management can know the expectation of workers and the expectation is fulfilled motivation techniques.
- 5) **Resource development:** Efficient management is the life boat of any business. The resources of the business may be identified and developed by the management. The term 'resources' includes men, money, material and machines.
- 6) **Sound organization structure:** Management lays down the foundation for sound organization structure. Sound organization structure clearly defines the authority and responsibility relationship - who is responsible to whom, who will command whom and who is responsible for what. Care is taken in appointing qualified persons to the right job by the management.
- 7) **Management directs the organization:** The human mind directs and controls the functioning of human body. Similarly, the management directs and controls the functioning of an organization.
- 8) **Integrates various interests:** Each person has his own interests. These interests are different in nature. Management takes steps to integrate various interests to achieve the objectives of an organization.
- 9) **Stability:** The fluctuations of business are stabilized by the management. The fluctuations of business are caused by the changing policy of the government, pressures on the part of competitors and changing preferences of customers. The efficient management can run the business as per the policy framed by the government, face the competitors in the market and produce the articles as per the preferences of customers.
- 10) **Innovation:** New ideas are developed by the management and implemented in the organization. Better performance is achieved through new ideas.
- 11) **Co-ordination and team-spirit:** All the activities of business are grouped department-wise. Management co-ordinates the activities of different departments and establishes team-spirit to achieve the objectives.
- 12) **Tackling problems:** Good Management acts as a friend or a guide of workers while tackling problems. When workers get over confidence of solving the problems for effective performance of a job, they fail in tackling the problems efficiently.
- 13) **A tool for personality development:** Management gives direction to workers for effective performance of a job. Besides, new methods or techniques are taught to workers. The training facilities are arranged by the management. In this way, management is a tool to develop the

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personality of workers to raise their efficiency and productivity ability.

Manager

Meaning

Management is a creative process which integrates and uses various available resources effectively to accomplish certain goals. For which an individual will be responsible to develop ideas and get things done through others. The concerned individuals is designated as manager.

Functions of manager

The functioning of a business unit depends on the performance of the manager. If a manager has adequate skill, he can discharge his duties effectively.

1. **Planning the work:** Planning involves deciding order course achieve of action well in advance. The manager can decide the procedure to be followed in order to achieve the objectives of organization. Planning the work is a rational activity.
2. **Taking decisions:** Manager has to take a lot of decisions with regard to the assignment of work to every worker and delegation of authority to do a job. A wise decision can be taken by an efficient manager. Quality of decision is based on the intelligence of the manager.
3. **Delegating authority:** Manager should delegate authority whenever a Project or work is assigned to others. Nobody can do anything without authority. so, the manager has to delegate authority on need basis.
4. **Solving the problems:** Sub-ordinates bring problems before the manager. The manager has to solve the problems instead of salving the problems quickly. Finding solution to a problem will prevent cropping up such problems in future.
5. **Co-ordination:** The tasks or activities of the sub-ordinates are coordinated for quick execution of a work. Increased productivity is to be achieved through effective Co-ordination. Overall organizational objectives could be achieved only by the process of co-ordination of various individual efforts.
6. **Stimulating workers:** The workers have to be motivated to do their work. Workers will be idle in the absence of motivation. Motivation could be done by money or kind. The Manager has to choose between the two depending on the situation.
7. **Setting target:** Target is to be fixed by the manager section-wise. Setting of target indicates the workers the extent of contribution made by them in the overall performance. Target is fixed on the basis of the main objectives of an organization.
8. **Guiding sub-ordinates:** Even though the manager is a boss to his sub-ordinates, he can guide the sub-ordinates in the performance of their work. The Manager is acting as a friend at this stage.

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The guidance of the manager is indispensable to sub-ordinates.

9. **Arranging the facilities:** Availing the facilities in the working place is imperative for effective performance of any work. So, the manager has to arrange the required facilities. Besides, the manager has to watch over the utilization of the facilities.
10. **Control the deviations:** The Manager has to control the workers if there is any difference between standards of performance and actual performance. The control ensures the right performance. The exercise of control is in the hands of the manager.

Role of manager

1. **Director:** Manager gives direction to people working under him. Direction includes instructions. Manager has to direct the executives towards achieving organizational goals.
2. **Motivator:** Manager understands likes and dislikes of executives and motivates them accordingly. Motivation stimulates the performance of job. Here, the manager stimulates the executives through motivation.
3. **Human being:** treats all the people working under him equally and with no personal bias. He has to mingle with others and understand the feeling of other executives.
4. **Guide:** Managers should be well aware of using the equipment, techniques and procedures involved in performing specific tasks. If so, he can guide others whenever a need arises.
5. **Friend:** Unnecessary misunderstanding may be raised among the executives. Now, the manager should come forward voluntarily and eliminate the misunderstanding at the earliest. Here, the manager is acting as a friend.
6. **Planner:** Day-to-day requirements of the organization have to be identified and arranged by the manager. He has to plan the work and assign the same to the executives according to their position held.
7. **Supervisor:** Manager has to supervise and control executive's performance and maintain personal contacts with them. He has to perform this work along with the work to be performed by him.
8. **Reporter:** The feedback information is provided by the manager to the top management people. Sometimes, workers' problems have not been solved by the manager. If so, the same should be communicated to the top authorities.

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Responsibilities of Professional Manager

1. **Planning of work:** Manager has to identify the work which are necessary to achieve the objectives. Every work should lead to the achievement of objectives. Manager is responsible for planning of work. The reason is that other than the manager has no idea and nobody approach and enquire other than the manager to know the work.**Proper and Effective Communication:** There must be a free flow of communication within the organization. If there is any hurdle, the hurdle can be found out and removed only by the manager. Communication gap and misunderstanding are also traced out and ensure proper and effective communication.
2. **Co-ordination of Efforts:** The efforts of employees have more value that the finance. The finance can be earned through hard work. But, if efforts are not properly coordinated, all the efforts are in vain. Once again, the efforts cannot be generated and used. Therefore, the manager should prepare the system for proper channelization of efforts.
3. **Getting co-operation of Employees:** Different nature of employees are working in an organization. The absence of co-operation among employees leads to poor performance and non-achievement of objectives in time. Hence, the manager is responsible for getting co-operation from employees working under him.
4. **Encourages a team spirit:** The manager is not only guiding the employees but also encourages a team spirit among them. Team spirit is created with the help of using polite words. The manager should know which type of approach creates a team spirit among the employees.
5. **Better utilization of Resources :** Resources of any organization is limited one. An organization has more resources on certain items and limited resources on certain items. Here, the manager should measure the available resources and utilize the resources at the maximum. No resources will be wasted at any cost.
6. **Selecting the Procedure:** Top management executives frame the policy and goals of an organization. But, the way of achieving the objectives cannot be decided by the top management people. There are many ways available to achieve the objectives. Even though, the manager is responsible to select a procedure which is more suitable and adoptable.
7. **Maintaining good human relations:** Employees are working in different temperaments. They approach the manager for different reasons. The manager is answerable on his own behalf and on behalf of top management people. He is responsible for maintaining good human relations with the employees and maintain good human relations among the employees also.
8. **Solve the problem:** Sometimes problem may be aroused among the employees. When, the manager takes the initiative steps for solving such problems. Employees feel happy if the manager

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understand the problem and solve the problem immediately.

- 9. Arranging training and development facilities:** Training and Development facilities should be arranged by the manager for the benefit the organization and employees. Training and Development program is not only benefiting the employee but also gives benefit to the organization. Hence, the manager has the responsibility yof arranging training and development facilities.

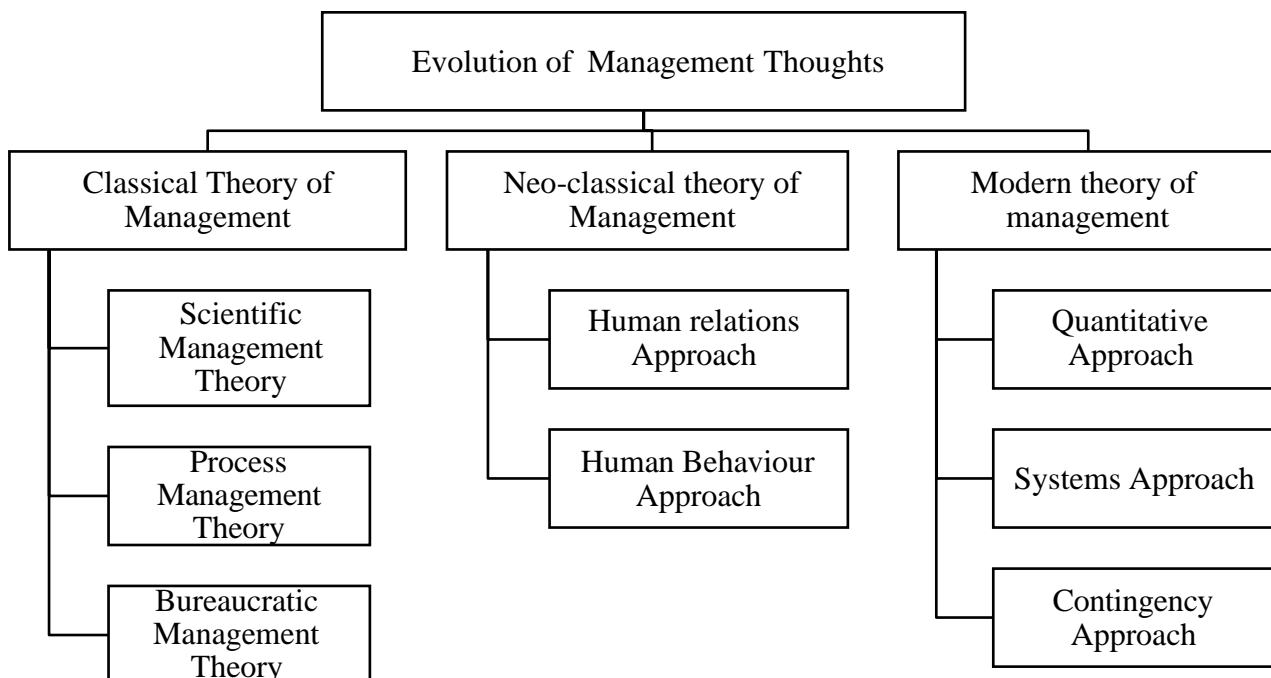
Evolution of Management Thoughts

The earliest contribution to the management theories can be traced back to periods of the Greeks, the Romans and the Egyptians. The use of the principle specialization and division of labor was evident in China as early as 1650 B.C. The Catholic Church with its hierarchy of management has greatly contributed to management thoughts.

The development of management thought has been evolutionary in nature. Present status and position of management can, therefore, be best appreciated and understood in the light of its evolution over the years.

Much of the development in this field has taken place during the last 100 years. The evolution of management thought may be classified into three broad categories:

- 1. The Classical Theory of Management:** The Classical Theory of Management focuses on the productivity, output and efficiency of workers, rather than the differences in behaviour that exist among them. The Classical Theory of Management includes three streams:



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a) Scientific Management Theory

- Scientific management theory was developed by F W Taylor, father of scientific management.
- Basic principle of this theory is an adoption of scientific approach to managerial process and decision-making.
- It is mainly concerned with improving the operational efficiency at shop floor level.
- Taylor felt that by organizing work in the most efficient way, the organization productivity would be increased allowing it to reward employees with additional remuneration.

b) Process Management Theory

- The Process Management theory was propounded by Henry Fayol, the father of Modern ..Management
- According to him, management is a distinct process of five interrelated functions, viz., planning, organising, staffing, directing and controlling. He termed these functions as the 'Elements of Management'
- They also contributed 14 principles of management.

c) Bureaucratic Theory of management

- Max Weber is credited for initiating the Theory of Bureaucratic Organisation and Management.
- He considered bureaucracy as the most efficient form for large organisations.
- Bureaucracy is the combined organisational structure, procedures, protocols and set of regulations to manage activity.
- But this theory was not famous because of its rational and predictable nature. It was very rigid, no dynamic.
- As per theory following should be followed very rigidly,
 - Division of work
 - Hierarchy Of authority
 - Career orientation
 - Impersonality
 - Formal selection process
 - Official records

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2. The Neo-classical Theory of Management: The Neo-classical Theory emphasised the man behind machines and stressed the importance of individuals as well as group relationships at the workplace. The Neo-classical Theory of management consists of two streams:

a) **Human Relations Approach to Management**

- The Human Relations Approach to Management was developed by Elton Mayo.
- Human Relations movements actually started with a series of experiments conducted by George Elton Mayo and his colleagues at the Hawthorne plant of Western Electric Company to bring about improvement in productivity.

b) **Human Behaviour approach to management**

- The Human Behaviour Approach is the outcome of the management thoughts developed by behavioural scientists such as A.H. Maslow, Frederic Herzberg, Douglas, McGregor, and many others who viewed organization collectively as a group of people for achieving certain pre-determined objectives.

3. The Modern Theory of Management: Modern Management theories indicate a further refinement, extension and synthesis of all the classical and neo-classical approaches to management. These movements started after 1950. There are three streams under the Modern Management theory:

a) **Quantitative Approach to Management**

- The Quantitative Approach to Management makes use of several mathematical and statistical models to offer solutions to the complex managerial problems.
- Some of these models are linear programming, game theory, simulation and probability.
- Moreover, computers are also used to solve business problems.

b) **Systems Approach to Management**

- The Systems Theory is one of the dominant management theories.
- Chester Barnard made a significant contribution to the development of the Systems Approach.
- The Systems approach to management views management as a complex system consisting of many interrelated and interdependent subsystems.

c) **Contingency Approach to Management**

- The Contingency Approach to management was developed during the 1970s.
- This Approach believes that there is no standard way of managing and the managerial actions are contingent upon situations or circumstances.
- This approach tries to evolve practical solutions to the managerial problems

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PART II

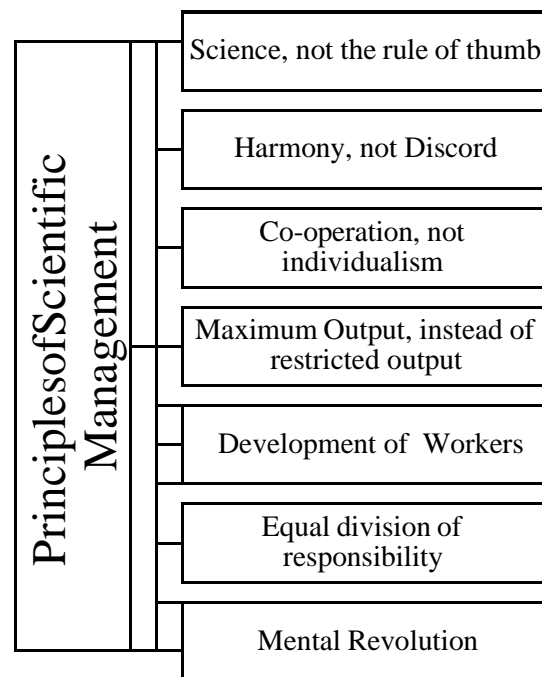
Contributions to Management thoughts

Contribution of F W Taylor

The concept of scientific management was introduced by Frederick Winslow Taylor in the USA in the beginning of 20th century. Taylor joined Midvale steel company in USA as a worker and later became a supervisor. During this period, he continued his studies and eventually completed his Master of Engineering subsequently.

According to F W Taylor, “Scientific Management is the art of knowing exactly what you want your men to do and then seeing that they do it in the best and cheapest way.”

Principles of Scientific Management



- a) **Science, not the Rule of Thumb:** The basic principle of scientific management is an adoption of a scientific approach to managerial process and decision-making. It completely discards all unscientific approaches and practices, hitherto practiced by the management.
- b) **Harmony, not Discord:** Harmony refers to the unity of actions while discord refers to differences in approach. As a principle of scientific management, it refers to absolute harmony in the actions of people in order to facilitate the best attainment of organizational goals.

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- c) **Cooperation, not Individualism:** Co-operation refers to the development of mutual understanding between employees and management in order to direct their efforts towards the attainment of group objectives while regarding their individual objectives as subordinate to the general interest.
- d) **Maximum Output, instead of Restricted Output:** In Taylor's view, the most dangerous evil of the industrial system was a deliberate restriction of output in order to maximize returns. He emphasized maximization of output as a means of promoting prosperity of workers, management and society.
- e) **Development of Workers:** Management must develop its workforce to the fullest extent of their capabilities to ensure maximum prosperity for both - employees and employers. There is no doubt that developed human resource promotes maximum human efficiency, productivity and profits.
- f) **Equal Division of Responsibility:** This principle recommends separation of planning from execution. Taylor strongly opposed the practice of planning of work by the subordinates themselves. According to him, management should be concerned with planning of work and workers with its execution.
- g) **Mental Revolution:** According to Taylor, no scheme of scientific management could be successful unless the workers and managers learn to co-operate with each other. This requires a mental revolution on their part by giving up the attitude of hostility and enmity towards each other.

Structure of Taylor's Scientific Management:

Though Taylor's work is quite comprehensive and detailed, the major aspects of work done by him can be summarized as under:

- 1) **Determination of a Fair Day's Task:** Taylor recommended the use of scientific methods, based on three types of work studies ,for determining a fair day's task for each worker:
 - **Time Study:** Time study is the process of observing and recording the time required to perform each element of an operation so as to determine the standard time in which a work has to be completed.
 - **Motion Study:** Motion study is a careful study and analysis of various body movements while doing a work. It aims at removing unwanted and unnecessary body movements while doing a work.
 - **Fatigue Study:** Fatigue study is conducted to find out as to after how much time of work, a rest pause is required for an average worker so that he can relax and proceed to his job in

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a refreshed manner.

- 2) **Scientific Selection and Training:** Taylor has emphasized that the workers should be selected on scientific basis taking into account their education, work experience, aptitude and physical strength.

Further, adequate training must be imparted to the selected workers as a measure to increase their efficiency on job performance.

- 3) **Standardization:** Taylor stressed two types of standardization:

- Standardization of raw materials tools, machines and work Conditions lighting space, ventilation, etc. so as to allow workers to proceed to a healthy physical environment.
- Standardization of work conditions for the workers performing similar of work. Different work conditions for the same job would adversely affect efficiency and ultimate production.

- 4) **Functional Foremanship:** Taylor evolved the concept of functional foremanship based on the specialization of functions. He identified eight types of foreman to direct the activities of workers.

Of these, the following four foremen are concerned with planning:

Route clerk	Specifying route for production
Instruction card clerk	Drafting instructions for workers
Time and cost clerk	Preparing time and cost sheet
Disciplinarian	Ensuring discipline

The remaining four foremen are concerned with the execution of work:

Speed boss	Ensuring timely and accurate completion of work
Inspector	Checking the quality of work
Gang boss	Keeping machines and tools ready
Maintenance foreman	Ensuring proper working of machines

- 5) **Differential Piece-rate System of Wage Payment:** Taylor devised a ‘differential piece-rate system of wage payment’ in order to motivate workers, positively as also negatively, to produce the standard output. The inherent features of this scheme are:

- A standard output for each worker is determined in advance through scientific work studies.
- Two rates of wage payment based on piece-rate system are established:
 - ❖ Higher rate per unit of output;

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- ❖ Lower rate per unit of output.
- Workers, who produce the standard output or exceed it, are paid at the higher rate while those who fail to achieve it are paid at a lower rate.

Contribution of Henry Fayol

Henry Fayol was a French mining engineer who later turned a leading industrialist and a successful manager. His life long experience in the field of management was published in the field of management was published in the form a monograph titled “Administration Industrielle et Generale” in 1916 in the French language.

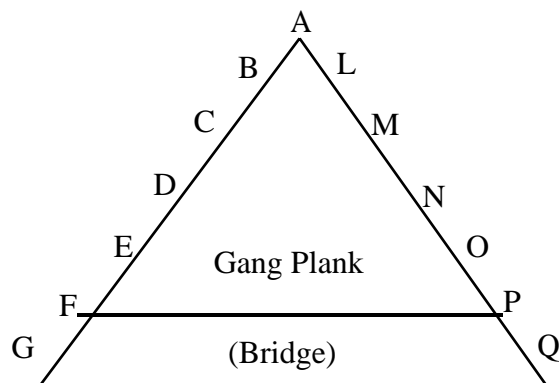
Henry Fayol has been rightly called the ‘Father of Administrative Management’ for his practical approach to the management theory. He has identified fourteen principles of management, which are now universally accepted. These 14 principles are as under:

- 1) **Division of Labour and Specialization:** Division of labour is a famous principle of economics, put forth by the classical economists like Adam Smith. Fayol applied this principle to management theory. Division of labour leads to specialization, which in turn improves the efficiency of the employees.
- 2) **Authority and Responsibility:** According to Fayol, authority and responsibility must flow in the same direction. Responsibility is the natural outcome of authority. A proper balance between authority and responsibility helps to prevent the misuse of authority and promotes a fair fixation of responsibility.
- 3) **Discipline:** Discipline means observation of certain rules and regulations. People in the organization should be bound to accept certain code of conduct. The three basic requisites of discipline are disciplined supervisors at all levels, clear and fair agreement on goals and judicious application of penalties.
- 4) **Unity of Command:** According to this principle, an employee should receive orders only from one superior. If more than one superior exercise their authority over the same employee, then the latter will always be in a state of confusion and confused employee will never be able to perform to the best of his ability.
- 5) **Unity of Direction:** Unity of direction is essential for achieving unity in action, the pursuit of common goals by a group of persons. For this, Fayol advocates head and one plan'. Unity of direction (one head, one plan) is not same as unity command (one employee receives orders from one superior).
- 6) **Subordination of Individual Interest to General Interest:** According to this principle, the

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fulfilment of individual objectives in the long run is contingent up to the attainment of common objectives in the short run. Thus, in case the need arises, an individual must sacrifice in favor of larger group objectives.

- 7) **Remuneration:** Remuneration is the price paid to managers and workers for the services rendered by them. According to Fayol, the system of remunerating personnel should be fair and satisfactory to both employees and employer. It should be attractive in order to employ and retain the best personnel.
- 8) **Centralization:** Everything that goes to increase the importance of subordinate's role is decentralization and everything which goes to reduce their role and significance is centralization. There should be a fair balance between the degree of centralization and decentralization in order to achieve the best results.
- 9) **Scalar Chain:** Scalar chain refers to the line of authority from the highest to the lowest executive in the organization for the purpose of communication. However, in the routine course of business, employees at the same level can communicate with each other following the principle of 'Gang Plank'. Scalar Chain is shown in the figure below with Gang Plank as a dotted line FP.



In the figure, scalar chain is shown by a double ladder A to G and A to Q. A is the head of the organization. B and L are the next level, and soon. If quick action is necessary, then a "Gang Plank" "FP" is made. Now, F and P can contact each other directly but they should inform E and O about their decisions.

- 10) **Order:** Fayol has recommended two types of orders in any organization. These orders are material order and social order.
 - Material order means 'a place for everything and everything in its place'.
 - Social order demands employment of the right person in the right place.
- 11) **Equity:** The principle of equity implies a sense of fairness and justice to all. Observance of the principle of equity alone makes personnel, loyal and devoted to the organization. Loyalty and devotion must be elicited from the personnel through a combination of kindness and justice while dealing with them.

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- 12) **Stability of Tenure:** An employee needs time to adjust with new work and its environment, and demonstrate efficiency and higher performance. Therefore, stability of tenure is a desirable principle for ensuring efficiency. Unnecessary employees 'turnover is the cause and effect of a bad management.
- 13) **Initiative:** Initiative is the freedom to propose and execute a plan. To have freedom in this respect is the greatest satisfaction for an intelligent person. A manager, who induces his subordinates to think and act on their own, is always better and more successful than the one who does not.
- 14) **Esprit de corps:** Esprit de corps is a French phrase which means "union is strength". It means spirit of loyalty and devotion to the group, to which one belongs. It is the foundation of a sound organization. It can be achieved by avoiding the dirty policy of 'divide and rule' and promoting free communication. These principles are flexible and require suitable adjustment and modification in view of situational factors operating in different enterprises.

Criticism:

Henry Fayol is the Father of Principles of Management and undoubtedly has several invaluable contributions to the area of management. His fourteen principles are universally popular and found to be all-pervasive. However, Fayol's contribution to the management theories has been criticized on the grounds. One of the most pertinent criticism is that it considers the organizations as power centers and does not recognize the role of a democratic form of organization.

Contribution of Peter F Drucker

Peter F Drucker is one of the most widely-known and influential thinkers on management, whose work continues to be used by managers world wide. His work turned management theory into a serious discipline. He has contributed in nearly every aspect of management theory. He authored 39 books during his career, most of which dealt with the development of management thoughts.

Contribution of Peter Drucker to Management Thoughts:

1. **Management Functions:** According to Drucker, management is the organ of its institution. It has no functions in itself. He sees management through its tasks. Accordingly, there are three basic functions of a manager:
 - To achieve purpose and mission of the institution.
 - To make the work productive and the worker achieving. To manage social responsibilities effectively.
2. **Organizational Structure:** Peter Drucker strongly criticized the bureaucratic organizational structure due to its various dysfunctional effects. He emphasized three basic features of an

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effective organizational structure. These are:

- Enterprise should be organized for performance.
- It should contain the least possible number of managerial levels.
- It must train and test tomorrow's managers to take up responsibilities in future.

3. **Key Results areas:** Drucker stated that there was only one valid purpose for the existence of a business – to create a customer. He set out eight Key Results Areas in which objectives should be measured– Market standing, innovation, productivity, physical and financial resources, profitability, managers performance and development, worker's performance and attitude and public responsibility.
4. **Management by Objectives (MBO):** Drucker has suggested that objectives should be set for all the Key Result Areas (KRAs) of business. To make, the objectives and their achievements more meaningful, he introduced the concept of Management by Objectives (MBO). MBO is a process of Joint goal settings by superiors and subordinates. It is viewed more as a philosophy than as a tool or technique to achieve the objectives.
5. **Federalism:** Drucker advocated the concept of federalism. Federalism, according to him, involves centralized control in a decentralized structure. Federalism has certain positive values over other methods of organizing. These are as follows:
 - Top managers can concentrate on policy formulation and strategy development.
 - It assigns greater roles and responsibilities to the employees.
 - It motivates employees and promotes initiatives.
6. **Knowledge Worker:** The term 'knowledge worker' was first used by Peter Drucker in his book "*Landmarks of Tomorrow*" published in 1959. The term has been used with respect to those in the information technology fields, such as programmers, systems analysts, technical writers, academic professionals, researchers and so forth. Today, the term is widely used to include people outside the field of information technology, such as lawyers, teachers, scientists, and also students.
7. **Management Challenges of 21st Century:** In *Management Challenges for the 21st Century*, a book published in 1999, Drucker looks a fresh at the future of management thinking and practice by destroying many myths and assumptions that prevent managers and organisations from realizing their greatest potential. The contents of the book revolve around two fundamental issues that are occurring simultaneously changes in the world economy and shifts in the practice of management.

Principle of Management by Objectives:

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The principle of Management by Objective (MBO) was first stated by Peter F. Drucker in 1954 in his book 'Practice of Management'. Later on, it was developed by various writers like John Humble, George Ordiorne and Douglas Mc Gregor.

According to him following are the main eight areas of the accomplishment:

- Market standing.
- Innovation.
- Productivity.
- Physical and financial resources.
- Profitability.
- Workers' performance.
- Management performance and development.
- Public or social responsibility.

The main features of the philosophy of Management by Objectives are:

- a) **MBO is a Management Philosophy:** MBO is an approach or a philosophy of management and not merely a technique. A management technique can have a limited applicability in the organization while a management philosophy can be applied to the organization as a whole, in general.
- b) **Key Result Area Technique (KRAT):** MBO integrates individuals with organization and organization with the environment. This is done through Key Result Area Technique (KRAT). Typical key result areas are R&D, productivity, finance, personnel, marketing, customer satisfaction, social responsibility, etc.
- c) **MBO is Result-oriented:** The whole philosophy of MBO revolves around the objectives. The main purpose of MBO is to achieve objectives of the organization through group of achievement, efforts. In other words, it focuses on achievements rather than methods.
- d) **Superior-Subordinate Participation:** MBO makes an attempt to integrate the goals of an organization and individuals. This is achieved by promoting joint setting of goals by superiors and subordinates, rather than goals being imposed from the top. This promotes better relations in the organization.
- e) **It is an Evaluation Technique:** Being result-oriented, MBO is also an evaluation technique, i.e., managers are evaluated in terms of their ability to achieve objectives. In fact, the concept is often known as 'Management by Results' or 'Appraisal by Results'.

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- f) **It is a Managerial Process:** MBO is a managerial process and excludes non-managers from its scope.

Short Answer Questions

- 1) Define Management
- 2) Give the meaning of Manager
- 3) Elaborate 'PODSCORB'.
- 4) "Management is art as well as science". Justify
- 5) Mention any 4 importance of Management.
- 6) What is Scalar Chain?

Long Answer Questions

- 1) Enumerate the various characteristics of Management.
- 2) Elaborate importance of management.
- 3) Explain the functions of Management.
- 4) Explain the Role of Managers in brief.
- 5) Examine the evolution of management thoughts.
- 6) Explain the fourteen principles of management propounded by Henry Fayol.
- 7) Elaborate contributions by Peter F Drucker and explain the principles of Management by Objectives.
- 8) Explain the contributions of F.W. Taylor to management thoughts in brief.