

BUSINESS STUDIES
CHAPTER 2
PRINCIPLES OF MANAGEMENT

Principles of Management: Definition The principles of management serve as broad and general guidelines for the managerial decision making and action.

Types of Principles of Management

1. Fayol's Principles of General Management
2. Taylor's Principles of Scientific Management.

Significance of Principles of Management

1. They help to provide managers with useful insights into reality and increase their efficiency in dealing with recurring problems.
2. They ensure optimum utilisation of resources as due to the presence of cause and effect relationship the outcome of the decisions and actions can be predicted. Moreover, it leads to effective administration as the principles tend to restrict the personal prejudices and biases.

They facilitate scientific decision making as they emphasise on logical thinking rather than blind faith.

They help to meet the changing requirements of the environment to the best advantage of an organisation.

They help in fulfilling social responsibility of an organisation.

They facilitate the process of management training, education and research as they are at the core of management theory.

Features of Principles of Management

1. Universal Applicability: The principles of management are deemed to apply to all types and sizes of organizations.

2. General Guidelines: The principles are guidelines to action but do not provide readymade, straitjacket solutions to all managerial problems as the real business situations are very complex and dynamic and are a result of many factors.

3. Formed by practice and experimentation: The principles of management are formulated by the management experts through observation and tested through repeated experimentation.

4.Flexible: The principles of management are not rigid prescriptions, which have to be followed absolutely. They are flexible and can be modified by the manager in the light of given situation so as to achieve the desired goals.

5.Mainly Behavioural: The principles of management aim at influencing behaviour of human beings in a desired manner.

6.Cause and effect relationships: The principles of management seek to establish relationship between cause and effect so that they can be used in similar situations in a large number of cases.

7.Contingent: The application of principles of management is contingent or dependent upon the prevailing situation at a particular point of time.

FAYOL'S PRINCIPLES OF MANAGEMENT

1.Division of work: The whole organisation work, both managerial and technical, should be divided into smaller jobs and the task involved in doing each such job should be determined. It leads to specialization, speed, efficiency and accuracy of work.

2.Discipline: It refers to the obedience to organizational rules and the employment agreement. It is necessary for the systematic working of the organisation. It requires good superiors at all levels, clear and fair agreements and judicious application of penalties.

3.Authority and Responsibility: There should always be a balance between the authority given and responsibility entrusted to an employee. This is because if authority is more than responsibility, the employees are likely to misuse it whereas if authority is less than responsibility, he/she will be unable to do the desired work.

4.Unity of command: There should be one and only one boss for every individual employee from whom he should receive orders and be responsible to. Dual subordination should be avoided.

5.Unity of Direction: All the units of an organisation should be moving towards the same objectives through coordinated and focused efforts. Each group of activities having the same objective must have one head and one plan.

6.Subordination of Individual Interest to General Interest: In all the situations, the interests of an organisation should take priority over the interests of any one individual employee .

7.Remuneration of employees: The overall pay and compensation should be fair to both employees and the organization. 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 i.e. remuneration should be just and equitable.

8. Centralisation and Decentralisation: The concentration of decision-making authority is called centralisation whereas its dispersal among more than one person is known as decentralization. Large organizations have more decentralization than small organizations.

9. Scalar Chain: The formal lines of authority along which the communication flows from highest to lowest ranks are known as scalar chain. Gang Plank is a shorter route that has been provided so that communication is not delayed during emergencies. However, the superior has to be informed later on.

10. Order: The people and materials must be in suitable places at appropriate time for maximum efficiency i.e. 'a place for everything (everyone) and everything in its place.

11. Equity: It emphasizes kindness and justice in the behaviour of managers towards workers. No discrimination should be made by them on the basis of caste, creed, gender or otherwise caste, creed.

12. Stability of Personnel: The employee turnover should be minimized to maintain organizational efficiency. Personnel should be selected and appointed after due and rigorous procedure. After placement, they should be kept at their post for a minimum fixed tenure so that they get time to show results. Any adhocism in this regard will create instability/insecurity among employees. They would tend to leave the organisation.

13. Initiative: Initiative means taking the first step with self-motivation. The workers should be encouraged to develop and carry out their plans for improvement. Suggestion system should be adopted in the organization.

14. Espirit De Corps: The management should promote a team spirit of unity and harmony among employees. A manager should replace T with 'We' in all his conversations with workers.

Difference between Unity of Command and Unity of Direction

S.No.	Basis	Unity of Command	Unity of Direction
1.	Meaning	One subordinate should receive orders from and should be responsible to only one superior.	Each group of activities having one objective must have one head and one plan.
2.	Aim	It prevents dual subordination.	It prevents overlapping of activities.
3.	Implications	It affects an individual employee	It affects the entire organization

SCIENTIFIC MANAGEMENT

Definition - Scientific Management means knowing exactly what you want your employees to do and seeing that they do it in the best and cheapest way. Fredrick Winslow Taylor is known as the 'Father of Scientific Management'.

Techniques of Scientific Management

1. **Time Study** is the technique to determine the standard time taken by a worker of average skill and knowledge to complete a standard task.
2. **Fatigue study** seeks to determine the amount and frequency of rest intervals required in completing a task.
3. **Method study** seeks to find out one best way of doing the job.
4. **Motion study** refers to the study of movements of limbs which are undertaken while doing a typical job. This helps to eliminate unnecessary movements so that it takes less time to complete the job efficiently.
5. **Standardisation** refers to the process of setting standards for every business activity. Simplification aims at eliminating superfluous varieties, sizes and dimensions of products.

6. **Functional foremanship** is an extension of the principle of division of work and specialisation to the shop floor. Each worker is supposed to take orders from eight foremen in the related process or function of production namely

- **Instruction Card Clerk:** He assigns work to all the employees.
- **Route Clerk:** He decides how work will progress regarding total productions. So that production is on time.
- **Time and Cost Clerk:** He determines what will be the total cost and how much time each job take.
- **Disciplinarian:** He sees that there is discipline at work place.
- **Speed boss:** He ensures that the work is moving at a suitable pace.
- **Gang Boss:** He ensures sufficient availability of raw material, tools etc.
- **Repair Boss:** He sees that whenever some repair is involved in any work, the work is done properly.
- **Inspector:** He sees that whether the quality of output is good or not.

Differential piece wage system was introduced to reward efficient workers by paying them at a higher rate than those who performed below standard.

PRINCIPLES OF SCIENTIFIC MANAGEMENT

1. Science not Rule of Thumb

- Taylor believed that there was only one best method to maximise efficiency which can be developed through study and analysis and should substitute 'Rule of Thumb' or hit and trial method throughout the organisation.
- The scientific method involved investigation of traditional methods through work-study unifying the best practices and developing a standard method, which would be followed throughout the organisation.
- In the present context, the use of internet has brought about tremendous improvements in internal efficiencies and customer satisfaction.

Harmony, Not Discord

- Taylor emphasised that there should be complete harmony between the management and workers instead of a kind of class-conflict, the managers versus workers.
- To achieve this state, Taylor called for complete mental revolution on the part of both management and workers.
- The prosperity for the employer cannot exist for a long time unless it is accompanied by prosperity for the employees and vice versa.
- He advocated paternalistic style of management should be in practice.

Cooperation, Not Individualism

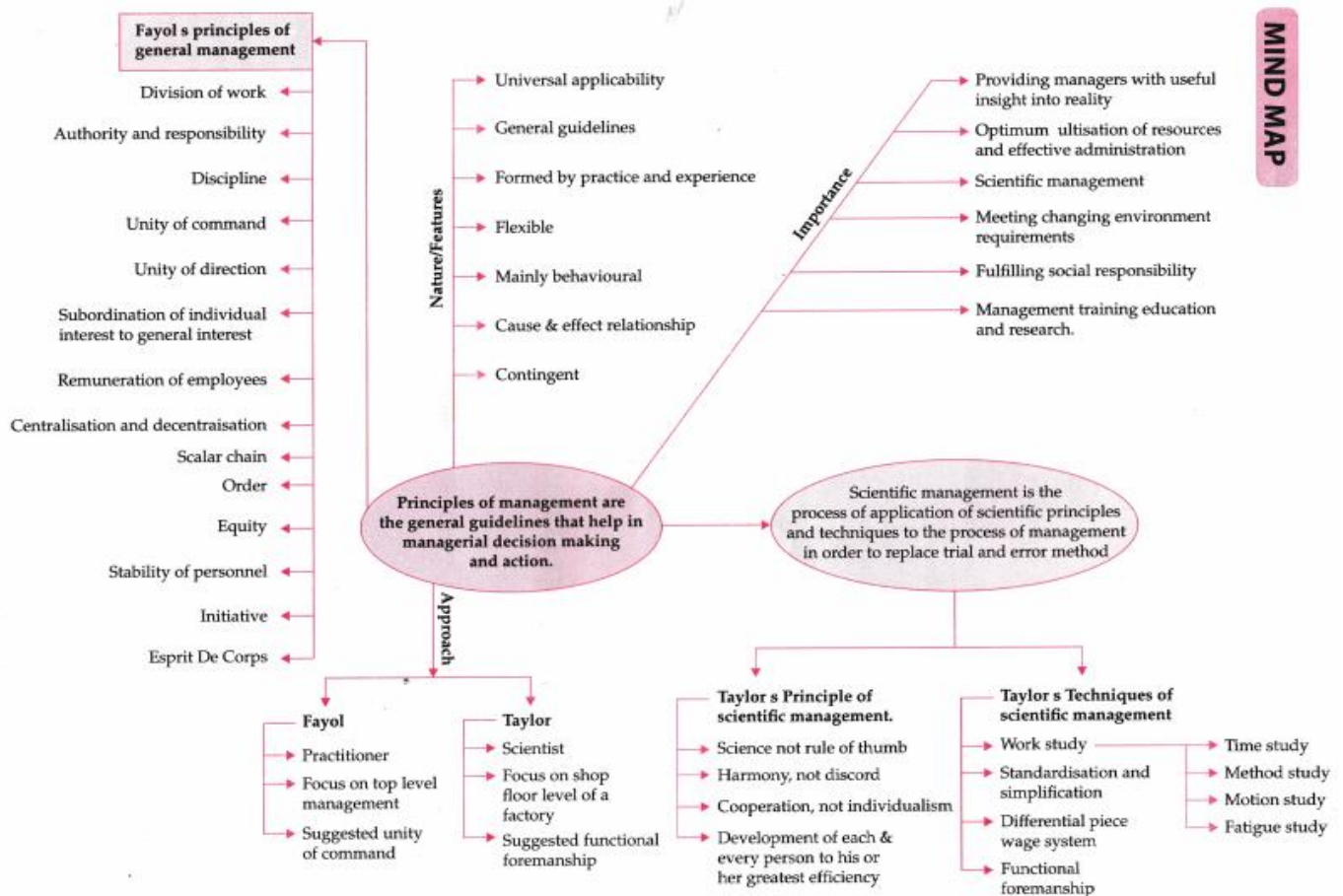
- This principle is an extension of principle of 'Harmony Not Discord'
- There should be complete cooperation between the labour and the management instead of individualism.
- Competition should be replaced by cooperation and there should be an almost equal division of work and responsibility between workers and management.
- Also, management should reward workers for their suggestions which results in substantial reduction in costs.

- At the same time workers should desist from going on strike and making unreasonable demands on the management

Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity

- Taylor was of the view that the concern for efficiency could be built in right from the process of employee selection.
- Each person should be scientifically selected and the work assigned should suit her/his physical, mental and intellectual capabilities.
- To increase efficiency, they should be given the required training.
- Efficient employees would produce more and earn more. This will ensure their greatest efficiency and prosperity for both company and workers.

MIND MAP



Difference between Fayol's and Taylor's Approach to Management

S.No.	Basis	Fayol	Taylor
1.	Perspective	Top level management	Shop floor level of a factory
2.	Unity of command	Followed strictly	Suggested the technique of functional foremanship which is contradictory to the concept of unity of command
3.	Applicability	Universal applicability	Applicable only in specialised situations
4.	Basis of formation	Personal experience	Observation and experimentation
5.	Focus	Overall administration	Increase productivity
6.	Personality	Practitioner	Scientist
7.	Expression	General theory of administration	Scientific administration

Point of similarity	Fayol	Taylor
Suggestions from employees	Principle of Initiative	Cooperation, Not Individualism
Point of similarity	Principle of scientific management	Technique of scientific management
One best method	Science, not Rule of Thumb	Method study

Questions

Question 1.

Explain 'unity of command' and 'equity' as principles of general management.

Answer:

1. **Unity of command:** According to Fayol, there should be one and only one boss for every individual employee. Dual subordination should be avoided. Fayol felt that if this principle is violated "authority is undermined, discipline is in jeopardy, order disturbed and stability threatened".
2. **Equity:** According to Fayol, "Good sense and experience are needed to ensure fairness to all employees, who should be treated as fairly as possible." This principle emphasizes on kindness and justice in the behaviour of managers towards workers. The managers should not discriminate against anyone on account of gender, religion, language, caste, belief or nationality etc.

Question

2.

Sanchit, after completing his entrepreneurship course from Sweden returned to India and started a coffee shop 'AromaCoffeeCan' in a famous mall in New Delhi. The speciality of the coffee shop was the special aroma of coffee and a wide variety of flavours to choose from. Somehow, the business was neither profitable nor popular. Sanchit was keen to find out the reason. He appointed Sandhya, an MBA from a reputed college, as a Manager to find out the causes for the same. Sandhya took feedback from the clients and found out that though they loved the special unique aroma of coffee but were not happy with the long waiting time being taken to process the order. She analysed and found out that there were many unnecessary obstructions in between which could be eliminated. She fixed a standard time for processing the order.

She also realised that there were some flavours whose demand was not enough. So, she also decided to stop the sale of such flavours. As a result within a short period Sandhya was able to attract the customers. Identify and explain any two techniques of scientific management used by Sandhya to solve the problem.

Answer:

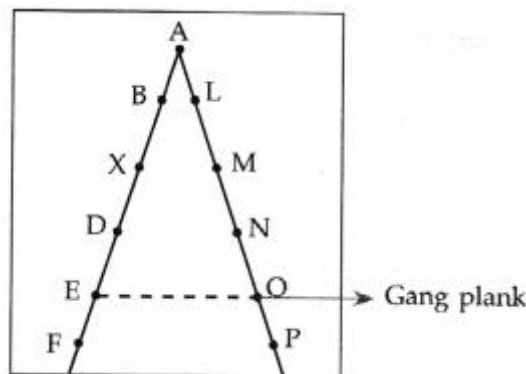
The two techniques of scientific management used by Sandhya to solve the problem are: (any two)

1. **Time study:** It seeks to determine the standard time taken to perform a well-defined job. The objective of time study is to determine the number of workers to be employed, frame suitable incentive schemes and determine labour costs. By using time measuring devices for each element of task the standard time is fixed for the whole of the task by taking several readings.
2. **Simplification (Standardisation and Simplification):** Simplification aims at eliminating superfluous diversity of products in terms of varieties, sizes and dimensions. It not only helps to reduce inventories but also save cost of labour, machines and tools. Thus it helps to increase turnover by ensuring optimum utilisation of resources.
3. **Motion**

refers to the of limbs of a particular task. such three

- Motions
- Motions
- Motions

Thus, to eliminate unnecessary movements of a work and enables him to complete the given task efficiently.



study: Motion study of movements worker while doing a It seek to divide all movements into categories namely;

which are required which are unnecessary which are incidental. motion study helps

Question 3.

Explain briefly 'discipline' and 'scalar chain' as principles of general management.

Answer: Discipline: Discipline refers to the obedience to organisational rules and employment

agreement which are necessary for the working of the organisation. According to Fayol, discipline requires good superiors at all levels, clear and fair agreements and judicious application of penalties. **Scalar chain:** According to Fayol the formal lines of authority from highest to lowest ranks are known as scalar chain. He suggests that the, "Organisations should have a chain of authority and communication that runs from top to bottom and should be followed by managers and the subordinates."

However in order to ensure speedy communication during emergencies, Gang Plank is a shorter route that has been provided. However, the superior has to be informed later on.

For example in the following case there is one head 'A' who has two lines of authority under her/ him. One line consists of B-C-D- E-F. Another line of authority

under 'A' is L-M-N-O-P. If 'E' has to communicate with 'O' who is at the same level of authority then she/he has to traverse the route E-D-C-B-A-L-M-N-O. This is due to the principle of scalar chain being followed in this situation. However, if there is an emergency then 'E' can directly contact 'O' through 'Gang Plank' as shown in the diagram. But they should inform their superiors about it later on.

Question 4.

Explain 'order' and 'initiative' as principles of general management.

Answer:

1. **Order:** 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'. A sense of orderliness will lead to increased productivity and efficiency in the organization.
2. **Initiative:** Initiative means taking the first step with self-motivation. The workers should be encouraged to develop and carry out their plans for improvement. Suggestion system should be adopted in the organization.

Question 5.

Explain briefly 'Unity of Direction' and 'Order' as principles of general management.

Answer:

1. **Unity of direction:** According to Fayol, each group of activities having same objective must have one head and one plan. It prevents overlapping of activities. For example if a company is manufacturing handmade carpets as well as machine made carpets there is likely to be a lot of overlapping of activities. Therefore, there should be two separate divisions for both of them wherein each division should have its own in charge, plans and execution resources.
2. **Order:** 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'. A sense of orderliness will lead to increased productivity and efficiency in the organization.

Question 6.

Explain briefly 'Initiative' and 'Esprit de Corps' as principles of general management.

Answer:

1. **Initiative:** Initiative means taking the first step with self-motivation. The workers should be encouraged to develop and carry out their plans for improvement. Suggestion system should be adopted in the organization.
2. **Esprit de corps:** According to Fayol, 'Management should promote a team spirit of unity and harmony among employees.' A manager should replace T with 'We' in all his conversations with workers to promote teamwork. This

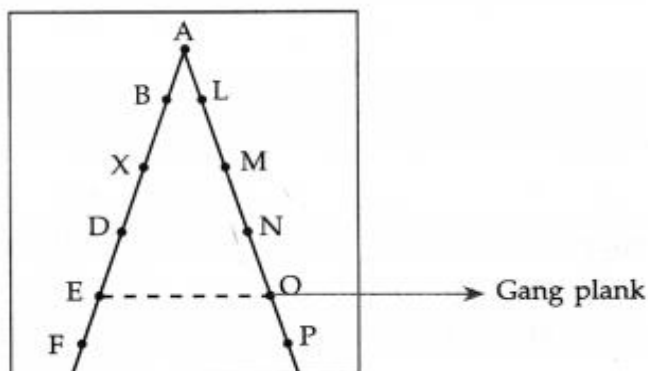
approach is will give rise to a spirit of mutual trust and belongingness among team members. It will also reduce the need for using penalties.

Question 7.

Explain briefly 'Remuneration of Employees' and 'Scalar Chain' as principles of general mangement.

Answer:

1. **Remuneration of employees:** According to Fayol, the overall pay and compensation should be fair and equitable to both employees and the organisation. The employees should be paid fair wages so that they are able to maintain at least a reasonable standard of living. At the same time it should be within the paying capacity of the company. This will ensure pleasant working atmosphere and good relations between workers and management.
2. **Scalar chain:** According to Fayol, the formal lines of authority from highest to lowest ranks are known as scalar chain. He suggests that the,"Organisations should have a chain of authority and communication that runs from top to bottom and should be followed by managers and the subordinates." However in order to ensure speedy communication during emergencies, Gang Plank is a shorter route that has been provided . However, the superior has to be informed later on.



For example in the following case there is one head 'A' who has two lines of authority under her/him. One line consists of B-C-D- E-F. Another line of authority under 'A' is L-M-N- O-P. If 'E' has to communicate with 'O' who is at the same level of authority then she/he has to traverse the route E-D-C-B-A-L-M-N-O.

This is due to the principle of scalar chain being followed in this situation. However, if there is an emergency then 'E' can directly contact 'O' through 'Gang Plank' as shown in the diagram.

Question 8.

What did Taylor want to communicate through mental revolution?

Answer:

Through the concept of mental revolution Taylor emphasized that there should be complete transformation in the outlook of the management and workers towards each other. Managers should share surplus with workers and the workers should work with full devotion instead of indulging in any form of class conflicts.

Question 9.

Briefly explain work study techniques that help in developing standards to be followed throughout the organization.

Answer:

The various work study techniques that help in developing standards to be followed throughout the organization are described below:

1. **Time study:** It seeks to determine the standard time taken to perform a well-defined job. The objective of time study is to determine the number of workers to be employed, frame suitable incentive schemes and determine labour costs. By using time measuring devices for each element of task, the standard time is fixed for the whole of the task by taking several readings.
2. **Motion study:** Motion study refers to the study of movements of limbs of a worker while doing a particular task. It seek to divide all such movements into three categories namely;

- Motions which are required
- Motions which are unnecessary
- Motions which are incidental.

Thus, motion study helps to eliminate unnecessary movements of a work and enables him to complete the given task efficiently.

Method study: The objective of method study is to find out one best way of doing the job among the various methods available of doing the job. This can be done by taking into consideration several related parameters.

Fatigue study: It seeks to determine the amount and frequency of rest intervals that should be provided to the workers for completing a task. This technique helps in increasing productivity as the rest intervals will help a person to regain stamina and work again with the same capacity.

Question 10.

Nutan Tiffin Box service was started in Mumbai by the Mumbai Dabbawalas. The Dabbawalas who are the soul of entire Mumbai aim to provide prompt and efficient services by providing tasty homemade tiffin to all office goers at the right time and place. The service is uninterrupted even on the days of bad weather, political unrest and social disturbances. Recently, they have started online booking system through their website 'mydabbawala.com'. Owing to their tremendous popularity amongst the happy and satisfied customers and members, the Dabbawalas were invited as guest lecturer by top business schools. The Dabbawalas operate in a group of 25-30 people alongwith a group leader. Each group teams up with other groups in order to deliver the tiffins on time. They are not transferred on frequent basis as they have to remember the addresses of their customers. They follow certain rules while doing trade—no alcohol during working hours; no leaves without permission; wearing white caps and carrying ID cards during business hours.

Recently, on the suggestion of a few self-motivated fellow men, the dabbawalas thought out and executed a plan of providing food left in tiffins by customers to slum children. They have instructed their customers to place red sticker if food is left in the tiffin, to be fed to poor children later.

1. State any one principle of management given by Fayol and one characteristic of management mentioned in the above case.
2. Give any two values which the Dabbawalas want to communicate to society.

Answer:

1. The relevant principle of management given by Fayol is:
Stability of Personnel: The employee turnover should be minimized to maintain organizational efficiency. Personnel should be selected and appointed after due and rigorous procedure. After placement, they should be kept at their post for a minimum fixed tenure so that they get time to show results. Any adhocism in this regard will create instability/insecurity among employees. They would tend to leave the organisation.
(The other correct answers are principle of Discipline / Initiative / Esprit de corps) The characteristic of management mentioned in the above case is:
Management is goal oriented as it seeks to integrate the efforts of different individuals towards the accomplishment of both organizational and individual goals.
(The other correct answers are management is intangible/ group activity/dynamic)
2. The two values that Dabbawalas want to communicate to society are:
 - Concern for poor/ Humanity
 - Responsibility

Question 11.

'Aapka Vidyalaya' believes in the holistic development of students and encourages team building through a mix of curricular, co-curricular and sports activities. On its Founder's Day, a stage performance had to be put up. A committee of ten prefects was constituted to plan different aspects of the function. They all decided to use recycled paper for decoration. There was a spirit of unity and harmony and all the members supported each other. With mutual trust and a sense of belonging, the programme was systematically planned and executed. Kartik, one of the prefects, realised that the group had unknowingly applied one of the principles of management while planning and executing the programme. He was so inspired by the success of this function that he asked his father to apply the same principle in his business. His father replied that he was already using this principle.

1. Identify the principle of management applied for the success of the programme.
2. State any two features of management highlighted in the above paragraph.
3. Identify any two values which 'Aapka Vidyalaya' communicated to society.

Answer:

1. The principle of management applied for the success of the programme is Esprit De Corps.
2. The two features of management mentioned in the above paragraph are as follows:

- Management is goal oriented as it seeks to integrate the efforts of different individuals towards the accomplishment of both organizational and individual goals.
- Management is pervasive as it is applicable to all types of organizations, (economic, social, political) all sizes of organizations (small, medium, large) and at all levels of management (top, middle and lower).

The two values that 'Aapka Vidyalaya' communicated to society are:

- Responsibility
- Sustainable development.

Question 12.

Telco Ltd. manufactures files and folders from old clothes to discourage the use of plastic files and folders. For this, they employ people from nearby villages where very less job opportunities are available. An employee, Harish, designed a plan for cost reduction but it was not welcomed by the production manager. Another employee gave some suggestions for improvements in design, but it also was not appreciated by the production manager.

1. State the principle of management that is violated in the above paragraph.
2. Identify any two values that the company wants to communicate to the society.

Answer:

1. The principle of management that has been violated in the above case is Initiative. Initiative means taking the first step with self-motivation. The workers should be encouraged to develop and carry out their plans for improvement. Suggestion system should be adopted in the organization.
2. The two values that the company wants to communicate to the society are
 - Concern for environment
 - Providing job opportunities

Question 13.

Pawan is working as a Production Manager in CFL Ltd. which manufactures CFL bulbs. There is no class-conflict between the management and workers. The working conditions are very good. The company is earning huge profits. As a policy, the management shares the profits earned with the workers because they believe in the prosperity of the employees.

1. State the principle of management described in the above paragraph.
2. Identify any two values which the company wants to communicate to society.

Answer:

1. The principle of management described in the above paragraph is 'Harmony, not Discord'. Taylor emphasised that there should be complete harmony between the

management and workers instead of a kind of class-conflict, the manager versus workers. To achieve this state, Taylor called for complete mental revolution on the part of both management and workers. The prosperity for the employer cannot exist for a long time unless it is accompanied by prosperity for the employees and vice versa. He advocated paternalistic style of management should be in practice.

2. The two values that the company wants to communicate to the society are:
 - Prosperity
 - Sharing

Question 14.

Voltech India Ltd. is manufacturing LED bulbs to save electricity. However, it is running under heavy losses. To revive from the losses, the management shifts the unit to a backward area where labour is available at a low cost. The management also asks the workers to work overtime without any additional payments and promises to increase the wages of the workers after achieving its mission. Within a short period, the company starts earning profits because both the management and workers honour their commitments.

1. State the principle of management described in the above paragraph.
2. Identify any two values that the company wants to communicate to the society.

Answer:

1. The principle of management described in the above paragraph is 'Discipline'. Discipline- It refers to the obedience to organizational rules and the employment agreement. It is necessary for the systematic working of the organization. It requires good superiors at all levels, clear and fair agreements and judicious application of penalties.
2. The two values that the company wants to communicate to the society are:
 - Trust
 - Sustainable development

Question 15.

ABC Ltd. is engaged in producing electricity from domestic garbage. There is almost equal division of work and responsibilities between workers and the management. The management even takes workers into confidence before taking important decisions. All the workers are satisfied as the behaviour of the management is very good.

1. State the principle of management described in the above paragraph.
2. Identify any two values which the company wants to communicate to society.

Answer:

1. The principle of management described in the above paragraph is 'Cooperation, Not Individualism'. This principle is an extension of principle of 'Harmony, Not Discord'. There should be complete cooperation between the labour and the management instead of individualism. Competition should be replaced by cooperation and there should be an almost equal division of work and responsibility between workers and management. Also, management should reward workers for their suggestions which results in substantial reduction in costs. At the same time, workers should desist from going on strike and making unreasonable demands on the management
2. The two values that the company wants to communicate to the society are:
 - Participation
 - Sustainable development

Question

16.

The principles of Taylor and Fayol are mutually complementary. One believed that management should share the gains with the workers while the other suggested that employees' compensation should depend on the earning capacity of the company and should give them a reasonable standard of living. Identify and explain the principles of Fayol and Taylor referred to in the above paragraph.

Answer:

The principles of Fayol and Taylor referred to in the above paragraph are 'Remuneration of employees' and 'Harmony, Not Discord'.

Remuneration of Employees: According to Fayol, the overall pay and compensation should be fair and equitable to both employees and the organisation. The employees should be paid fair wages so that they are able to maintain at least a reasonable standard of living. At the same time, it should be within the paying capacity of the company. This will ensure pleasant working atmosphere and good relations between workers and management.

Harmony, Not Discord: Taylor emphasised that there should be complete harmony between the management and workers instead of a kind of class-conflict, the managers versus workers. To achieve this state, Taylor called for complete mental revolution on the part of both management and workers. The prosperity for the employer cannot exist for a long time unless it is accompanied by prosperity for the employees and vice versa. He advocated paternalistic style of management should be in practice.

Question

17.

The principles of Taylor and Fayol are mutually complementary. One believed that management should not close its ears to constructive suggestions made by the employees while the other suggested that a good company should have an employee suggestion system whereby suggestions which result in substantial time or cost reduction should be rewarded. Identify and explain the principles of Taylor and Fayol referred to in the above paragraph.

Answer:

The principles of Fayol and Taylor referred to in the above paragraph respectively are 'Initiative' and 'Cooperation and Not Individualism'.

Initiative: Initiative means taking the first step with self-motivation. The workers should be encouraged to develop and carry out their plans for improvement. Suggestion system should be adopted in the organization.

Cooperation and Not Individualism: This principle is an extension of principle of 'Harmony, Not Discord'. There should be complete cooperation between the labour and the management instead of individualism. Competition should be replaced by cooperation and there should be an almost equal division of work and responsibility between workers and management. Also, management should reward workers for their suggestions which result in substantial reduction in costs. At the same time, workers should desist from going on strike and making unreasonable demands on the management.

Question 18.

Nikita and Salman completed their MBA and started working in a multinational company at the same level. Both of them worked hard and were happy with their employer. Salman had the habit of back-biting and wrong reporting about his colleagues to impress his boss. All the employees in the organisation knew about it. At the time of performance appraisal, the performance of Nikita was judged to be better than Salman. Even then their boss, Mohammed Sharif, decided to promote Salman stating that being a female, Nikita would not be able to handle the complications of a higher post.

1. Identify and explain the principle of management which was not followed by this, multinational company.
2. Identify the values which are being ignored quoting the lines from the above paragraph.

Answer:

1. The multinational company didn't follow the Principle of Equity. It emphasizes kindness and justice in the behaviour of managers towards workers. No discrimination should be made by them on the basis of caste, creed, gender or otherwise.
2. The two values which are being ignored in the given case are:
 - **Honesty:** "Wrong reporting about his colleagues to impress his boss."
 - **Justice:** "At the time of performance appraisal, the performance of Nikita was judged better than Salman. Even then their boss, Mohammad Sharif, decided to promote Salman."

Question 19.

Hina and Harish are typists in a company having the same educational qualifications. Hina gets Rs.3,000 per month and Harish gets Rs.4,000 per month as salaries for the same working hours. Which principle of management is being violated in this case? Name and explain the principle.

Answer:

The principle of Equity has been violated in this case. It emphasises kindness and justice in the behaviour of managers towards workers. No discrimination should be made by them on the basis of caste, creed, gender or otherwise.

Additional Questions

Question

1.

Radhika opens a jewellery showroom in Jaipur after completing a course in jewellery designing. She has employed eleven persons in her showroom. For greater productivity, she divides the work into small tasks and each employee is trained to perform his/her specialised job. The sales persons are allowed to close a deal with a buyer by giving a maximum of 10% discount, whereas the decision to give any further discount rests with Radhika as the final authority. In the earlier days of starting of the business, five of her employees were asked to put in extra hours of work. In return she had promised to give them a special incentive within a year. Therefore, after six months when the business was doing well, she awarded a cash bonus to each of these employees to honour her commitment. However, when it comes to settling the conflicts among her employees, she tends to be more biased towards her female employees. In context of the above case:

1. Identify and explain the various principles of management that are being applied by Radhika by quoting lines from the paragraph.
2. Identify and explain the principle of management which is being violated by Radhika by quoting lines from the paragraph.
3. State any one effect of the violation of the principle of management by Radhika as identified in part(b) of the question.

Answer:

1. The various principles of management that are being applied by Radhika are listed below:
 - **Principle of Division of Work:** 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.” He advocates that the principle of division of work is applicable to all kinds of work both technical as well as managerial. “For greater productivity, she divides the work into small tasks and each employee is trained to perform his/her specialised job.”
 - **Principle of Centralisation and Decentralisation:** The concentration of decision-making authority is called centralisation whereas its dispersal among more than one person is known as decentralisation. According to Fayol, “There is a need to balance subordinate involvement through decentralisation with managers’ retention of final authority through centralisation.”
“The sales persons are allowed to close a deal with a buyer by giving a maximum of 10% discount, whereas the decision to give any further discount rests with Radhika as the final authority.”
 - **Principle of Discipline:** Discipline refers to the obedience to organisational rules and employment agreement which are necessary for the working of the organisation. According to Fayol, discipline requires good superiors at all levels, clear and fair agreements and judicious

application of penalties.
“Therefore, after six months when the business was doing well, she awarded a cash bonus to each of these employees to honour her commitment.”

The principle of management which is being violated by Radhika is Equity. According to Fayol, “Good sense and experience are needed to ensure fairness to all employees, who should be treated as fairly as possible.” This principle emphasizes on kindness and justice in the behaviour of managers towards workers. The managers should not discriminate against anyone on account of gender, religion, language, caste, belief or nationality etc. “However, when it comes to settling the conflicts among her employees, she tends to be more biased towards her female employees.”

One effect of the violation of the Principle of Equity is that it may lead to job dissatisfaction among the male workers.

Question

2.

Rajveer works as a plant superintendent in a carpet making factory. In order to complete the export orders on time, the production manager asks him to make the workers work over time whereas the finance manager is strictly against this practice because it will increase the cost of production. Moreover, Rajveer feels that since the company is manufacturing handmade carpets as well as machine made carpets there is a lot of overlapping of activities. Therefore, there should be two separate divisions for both of them wherein each division should have its own in charge, plans and execution resources.

In context of the above case:

1. Identify and explain the principle of management which is being violated.
2. Also identify the principle of management that Rajveer feels should be implemented in the factory.
3. Give any two differences between the principle of management as identified in part (a) and part (b) respectively.

Answer:

The principle of management which is being violated is stated below:

1. Unity of command: There should be one and only one boss for every individual employee. Dual subordination should be avoided. Fayol felt that if this principle is violated, “authority is undermined, discipline is in jeopardy, order disturbed and stability threatened”.
2. Unity of direction: All the units of an organization should be moving towards the same objectives through coordinated and focused efforts. Each group of activities having the same objective must have one head and one plan. This will lead to unity of action and coordination.

S.No.	Basis	Unity of Command	Unity of Direction
1.	Meaning	One subordinate should receive orders from and should be responsible to only one superior.	Each group of activities having same objective must have one head and one plan.
2.	Aim	It prevents dual subordination.	It prevents overlapping of activities.
3.	Implications	It affects an individual employee	It affects the entire organization.

The difference between the principle of Unity of Command and Unity of Direction is given above.

Question3.

Neeraj is selected for the post of software developer in an IT Company. On the first day of his joining Mehul, his project manager tells Neeraj that during the course of his work he will come across many such opportunities which may tempt him to misuse his powers for individual or family's benefit at the cost of larger general interest of the company. In such situations, he should rather exhibit exemplary behaviour as it will raise his stature in the eyes of the company. Also, for interacting with anyone in the company on official matters, he should adopt the formal chain of authority and communication.

In context of the above case:

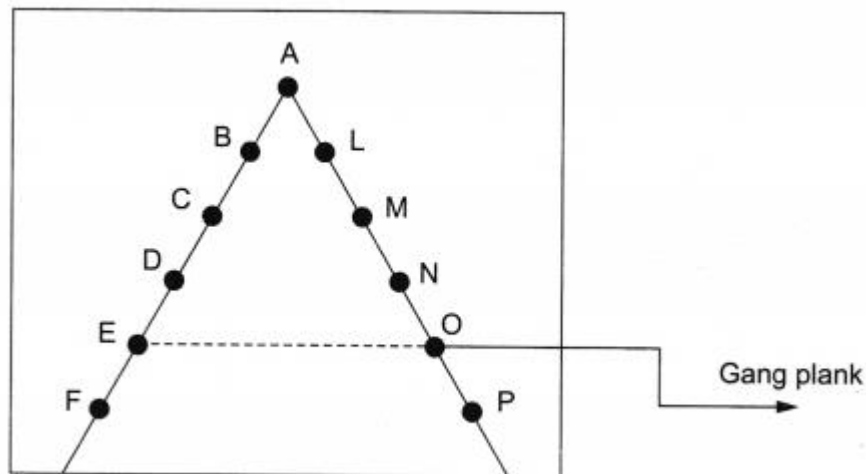
1. Identify and explain the various principles of management that Mehul is advising Neeraj to follow while doing his job.
2. List any two values that Mehul wants to communicate to Neeraj.

Answer:

1. The various principles of management that Mehul is advising Neeraj to follow while doing his job are as follows:
 - **Subordination of Individual Interest to General Interest:** Through this principle, Fayol advocates that in all circumstances, the interests of an

organisation should take priority over the interests of any one individual employee. This is essential because larger interests of the other employees and the stakeholders i.e., owners, shareholders, creditors, debtors, financiers, tax authorities, customers and the society at large cannot be sacrificed for the interest of any one person. For example, Mehul tells Neeraj that he might get tempted to misuse his powers for his or his family's benefit and so he must display exemplary behaviour to raise his stature in the eyes of the company.

- **Scalar Chain:** According to Fayol, the formal lines of authority from highest to lowest ranks are known as scalar chain. He suggests that "The organisations should have a chain of authority and communication that runs from top to bottom and should be followed by managers and the subordinates." However, in order to ensure speedy communication during emergencies, Gang Plank is a shorter route that has been provided. However, the superior has to be informed later on.



For example, in the following case, there is one head 'A' who has two lines of authority under her/ him. One line consists of B-C-D-E-F. Another line of authority under 'A' is L-M-N-O-P. If 'E' has to communicate with 'O', who is at the same level of authority, then she/he has to traverse the route E-D-C-B-A-L-M-N-O. This is due to the principle of scalar chain being followed in this situation. However, if there is an emergency, then 'E' can directly contact 'O' through 'Gang Plank' as shown in the diagram.

The two values that Mehul wants to communicate to Neeraj are:

- Honesty
- Self restraint

Question4.

Davinder is a class twelfth commerce student in a reputed school in Punjab. Satinder is his elder brother who is doing his Masters in Hospital Administration from Delhi after completing his B.Sc course. During vacations when Satinder comes home, Davinder shows him the business studies project that he is preparing on the topic 'Principles of Management'. Satinder tells him that these principles are also a part of MBA course curriculum at the beginner's level as they form the core of management in practice. But he finds these principles different from those of pure science. In context of the above case:

1. Outline the concept of principles of management.
2. Why does Satinder find the principles of management different from those of pure science?
3. Why do the principles of management form the core of management in practice? Explain by giving any two points highlighting the importance of principles of management.

Answer:

1. The principles of management serve as a broad and general guideline for the managerial decision making and action.
2. Satinder finds the principles of management different from those of pure science because the management principles are not as rigid as principles of pure science.
This is due to the fact that they deal with the human behaviour and thus, need to be applied creatively in the light of given situation.
3. The importance of principles of management is described below:
 - **Providing managers with useful insights into reality:** The principles of management provide the managers with useful insights into real world situations and help them to enrich their knowledge, ability and understanding of the diverse managerial situations and circumstances. It also enables the managers to learn from past mistakes and conserve time by solving recurring problems quickly.
 - **Optimum utilisation of resources and effective administration:** The knowledge of management principles enables the managers to foresee the cause and effect relationships of their decisions and actions. As a result, it leads to optimum utilisation of scarce resources by avoiding wastage associated with a trial-and-error approach. Principles of management limit the boundary of managerial discretion so that their decisions may be free from personal prejudices and biases. This facilitates effective administration within the organisation.

Question5.

Gurpreet is running a retail mart in Varanasi to provide various types of products of daily use under one roof to the buyers. The employee turnover in his business is very high and he is perpetually on a look out for new staff. The fact of the matter is that he lacks managerial skills and assigns work to his employees on adhoc basis without letting them settle down in a specific work. This approach of his creates a sense of insecurity among the employees and they tend to leave the job very quickly. However, he is a very god fearing person and offers fair wages to his employees so they can afford a reasonable standard of living. In context of the above case:

1. Identify and explain the principle of management which Gurpreet is unable to apply and is perpetually on a look out for new staff.
2. "He is a very god fearing person and offers fair wages to his employees so they can afford a reasonable standard of living." Name and explain the relevant principle of management will has been brought into effect by Gurpreet.

Answer:

1. **Stability of Personnel:** Stability of personnel is principle of management which Gurpreet is unable to apply and is perpetually on a look out for new staff. According to Fayol, "Employee turnover should be minimised to maintain organisational efficiency". Personnel should be selected and appointed after due and rigorous procedure. After placement, they should be kept at their post for a minimum fixed tenure so that they get time to show results. Any adhocism in this regard will create instability/insecurity among employees. They would tend to leave the organisation.
2. **Remuneration of Employees:** According to Fayol, the overall pay and compensation should be fair and equitable to both employees and the organisation. The employees should be paid fair wages so that they are able to maintain at least a reasonable standard of living. At the same time, it should be within the paying capacity of the company. This will ensure pleasant working atmosphere and good relations between workers and management.

Question6.

After finishing her BBA degree course, Tanya gets a job of Assistant Manager in a retail company through the reference of her cousin Taruna who works in the same company as a Senior Manager. Taruna decides to guide Tanya through her experience by making her aware of the important facts about management in practice. She tells her that neither the principles of management provide any readymade, straitjacket solutions to all managerial problems nor they are not rigid prescriptions, which have to be followed absolutely. In context of the above case :

1. Identify the two features of principles of management mentioned in the above paragraph by quoting lines from the paragraph.
2. Why do the principles of management not provide readymade, straitjacket solutions to all managerial problems?

Answer:

The two features of principles of management mentioned in the above paragraph are as follows:

General guidelines: The principles of management are guidelines to action. Since the real business situations are very complex and dynamic and are a result of many factors, these principles do not provide readymade, straitjacket solutions to all managerial problems. But the importance of principles cannot be underestimated because even a small guideline may help to solve a given problem.

Flexible: The principles of management are not rigid prescriptions 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 decide which principle should be used under what circumstances as individual principles are like different tools serving different purposes.

As the real business situations are very complex and dynamic and are a result of many factors, the principles of management not provide readymade, straitjacket solutions to all managerial problems.

Question7.

Raj and Simran are both qualified eye surgeons and good friends. After obtaining a certificate of practice, they decide to persue a career of their own choice. Raj starts an eye care centre in the city whereas Simran joins a government hospital in a small village. They meet after a long time in a party. Raj invites Simran to visit his eye care centre and she accepts his invitation. She observes at his clinic that there is a fixed place for everything and everyone and it is present there so that there is no hinderance in the activities pf the clinic. Also, Raj always tends to replace T with 'We' in all his conversations with the staff members. Later on Raj shares with her that he always deals with lazy staff sternly to send the message that everyone is equal in his eyes.

In context of the above case:

1. Identify and explain the various principles of management that Raj is applying for the successful management of his eye care centre.
2. List any two values that Simran wants to communicate to the society by taking up a job in a village.

Answer:

1. The various principles of management that Raj is applying for the successful management of his eye care centre are described below:
 - **Order:** 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'. A sense of orderliness will lead to increased productivity and efficiency in the organization.
 - **Espirit De Corps:** According to Fayol, "Management should promote a team spirit of unity and harmony among employees." A manager should replace T with 'We' in all his conversations with workers to promote teamwork. This approach will give rise to a spirit of mutual trust and belongingness among team members. It will also reduce the need for using penalties.
 - **Equity:** According to Fayol, "Good sense and experience are needed to ensure fairness to all employees, who should be treated as fairly as possible." This principle emphasizes on kindness and justice in the behaviour of managers towards workers. The managers should not discriminate against anyone on account of gender, religion, language, caste, belief or nationality etc.

The two values that Simran wants communicate to the society by taking up a job in a village are:

- Humanity
- Concern for poor

Question8.

Hritik is desirous of setting up a small factory to manufacture different kinds of eco-friendly packaging materials. He proposes to adopt a logical approach to his business rather than hit and trial method as he knows that this can result in tremendous saving of human energy as well as wastage of time and materials. He plans to adopt paternalistic style of management in practice in order to avoid any kind of class-conflict that may emerge between him and the workers. Moreover, he plans to seek the opinion of his workers before taking any important decisions and also offers incentives to them for providing valuable suggestions for the business. In context of the above case:

1. Identify and explain the various principle of scientific management that Hritik plans to apply in his business.
2. List any two values that he wants to communicate to the society by offering ecofriendly packaging material.

Answer:

1. The various principle of scientific management that Hritik plans to apply in his business are described below:
 - **Science, not Rule of Thumb:** Taylor believed that there was only one best method to maximise efficiency and it could be developed through scientific study and analysis. This is because if the managers rely on personal judgment in attending to the work related problems, it may suffer from the limitation of a trial and error approach. Therefore, it is important for them to know what works and why does it work. For this, they should adopt scientific method to substitute the 'Rule of Thumb or hit and trial method' throughout the organisation.
 - **Harmony, Not Discord:** In the paternalistic style of management, the employer takes care of the needs of employees like a father. Taylor said that any kind of class conflicts between the workers and the managers were not good; rather they must realise that each one is important. Therefore, he emphasised that there should be complete harmony between the management and workers. To achieve this, Taylor called for complete mental revolution on the part of both management and workers by transforming their thinking. The management should share the gains of the company, if any, with the workers and at the same time, workers should work hard.
 - **Cooperation, Not Individualism:** Through this principle, Taylor suggests that there should be complete cooperation between the workers and the management instead of individualism. This principle is an extension of principle of 'Harmony, Not Discord'. Both should realise the importance of each other. In order to replace the feeling of competition with cooperation, the management should not close its ears to any constructive suggestions made by the employees. Rather, the workers should be rewarded for any of their valuable suggestions which results in substantial saving in costs. Also, the workers should be taken into

confidence by the management whenever any important decisions are to be taken.

The two values that Harit wants to communicate to the society by offering eco-friendly packaging material are:

- Concern for environment
- Sense of responsibility

Question

9.

'Study Buddy Pvt. Ltd.' is a company dealing in stationery items. In order to establish standards of excellence and quality in materials and in the performance of men and machines, the company adheres to benchmarks during production. Moreover, its products are available in limited varieties, sizes and dimensions thereby eliminating superfluous diversity of products. Identify the technique of scientific management which has been adopted by 'Study Buddy Pvt. Ltd.'

Answer:

Standardisation and Simplification of Work is the technique of scientific management which has been adopted by 'Study Buddy Pvt. Ltd.' Standardisation implies devising new varieties instead of the existing ones. It refers to the process of setting standards for every business activity; it can be standardisation of process, raw material, time, product, machinery, methods or working conditions. These standards are the benchmarks which must be adhered to during production. It helps to reduce a given line or product to fixed types, sizes and characteristics, establish interchangeability of manufactured parts and products, determine standards of excellence and quality in materials and of performance of men and machines. Simplification aims at eliminating superfluous diversity of products in terms of varieties, sizes and dimensions. It not only helps to reduce inventories but also to save cost of labour, machines and tools. Thus it helps to increase turnover by ensuring optimum utilisation of resources. Most large companies like Samsung, Toyota and Microsoft etc. have successfully implemented standardisation and simplification.

Question

10.

Anshul owns a small scale factory where utility items are prepared from waste material like paper mache items, paper and cloth bags, decorative material etc. Over the past few weeks, he was observing that the productivity of one of his very efficient worker, Ramdas, is going down. So he decides to probe into the matter and confronts Ramdas one day. On being asked, Ramdas shares with Anshul that he has deliberately slowed down in his work as many of the less efficient workers often pull his leg saying that there is no need for him to be more efficient when everybody is being paid at the same rate. Taking a lesson from this insight, Anshul decides to implement an incentive bonus plan so as to differentiate between efficient and inefficient workers.

In context of the above case:

1. Name and explain the incentive bonus plan that Anshul may implement so as differentiate between efficient and inefficient workers.
2. State any two values that Anshul wants to communicate to the society by setting up a special type of business.

Answer:

Differential Piece Wage System is the incentive bonus plan that Anshul may implement so as differentiate between efficient and inefficient workers. Differential Piece Wage System is a performance based wage system which was introduced by Taylor so as to distinguish between the workers who were able to achieve the standard or performed above standard from those who performed below standard. For example, it is determined that standard output per worker per day is 10 units and those who made standard or more than standard will get Rs. 40 per unit and those below will get Rs. 30 per unit. Now an efficient worker making 11 units will get $11 \times 40 = \text{Rs. } 440$ per day whereas a worker who makes 9 units will get $9 \times 30 = \text{Rs. } 270$ per day. According to Taylor, the difference of Rs. 170 should be enough for the inefficient worker to be motivated to perform better.

Question 11.

Swaraj is running an office furniture showroom. Most of his clients are businessmen and they prefer to buy goods on credit. Keeping this in mind, he has given the power to the sales manager, Mr. Bhardwaj, to offer a credit period of only 20 days, while negotiating a deal with a buyer. On a specific day, Mr. Bhardwaj finds that if he can offer a credit period of 30 days as an exception to a prospective buyer, he is likely to finalise a highly profitable deal for the business. So Mr. Bhardwaj requests Swaraj to grant him additional authority for offering a credit period of 30 days in the interest of the business. But Swaraj refuses to extend his authority and as a result, the deal is not finalized.

In context of the above case:

1. Can Mr. Bhardwaj be held responsible for loss of the deal? Why or why not ? Give a suitable reason in support of your answer.
2. Also, explain the related principle.

Answer:

1. No, Mr. Bhardwaj cannot be held responsible for loss of the deal in the above case as he was not given the necessary authority to carry out his responsibility. There is an imbalance in authority and responsibility.
2. The name of the related principle is Authority and Responsibility. Authority is the right to give orders and obtain obedience by the virtue of one's position in the organization. Responsibility is the obligation of a person to carry out the assigned task to the best of one's abilities and skills. There are two types of authorities, namely the 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. According to Fayol, there should be balance between the authority given and responsibility entrusted to an employee so that he is able to carry out the assigned task. Any kind of imbalance in authority and responsibility is not good for the organisation. If the

authority granted to an employee is less than what is required, he will be ineffective in doing his work. On the other hand, if the authority delegated to an employee is more than what is required, he may tend to misuse it.
