

PRINCIPLES OF MANAGEMENT

A body of principles of management has been developed by Henri Fayol, the father of modern management. Fayol wrote perceptibly on the basis of his practical experience as a manager. Although, he did not develop an integrated theory of management, his principles are surprisingly in tune with contemporary thinking in management theory.

Fayol held that there is a single "administrative science", whose principles can be used in all management situations no matter what kind of organization was being managed. This earned him the title of "Universality". He, however, emphasized that his principles were not immutable laws but rules of thumb to be used as occasion demanded.

Fayol held that activities of an industrial enterprise can be grouped in six categories : (i) technical (production), (ii) commercial (buying, selling and exchange), (iii) financial (search for and optimum use of capital), (iv) security (protection of property and persons), (v) accounting (including statistics); and (vi) managerial. However, he devoted most of his attention to managerial activity. He developed the following principles underlying management of all kinds of organizations :

1. **Authority and Responsibility are Related** : Fayol held that authority flows from responsibility. Managers who exercise authority over others should assume responsibility for decisions as well as for results. He regarded authority as a corollary to responsibility. Authority is official as well as personal. Official

authority is derived from the manager's position in organizational hierarchy and personal authority is compounded of intelligence, experience, moral worth, past services, etc.

A corollary of the principle that no manager should be given authority unless he assumes responsibility is that those who have responsibility should also have commensurate authority in order to enable them to initiate action on others and command resources required for the performance of their functions. This aspect of relationship between responsibility and authority is particularly relevant in India where authority tends to be concentrated in higher echelons of management.

2. **Unity of Command** : This principle holds that one employee should have only one boss and receive instructions from him only. Fayol observed that if this principle is violated authority will be undermined, discipline will be jeopardy, order will be disturbed and stability will be threatened. Dual command is a permanent source of conflict. Therefore, in every organization, each subordinate should have one superior whose command he has to obey.
3. **Unity of Direction** : This means that all managerial and operational activities which relate a distinct group with the same objective should be directed by "one head and one plan. According to Fayol, there should be, "one head and one plan for a group of activities having the same objective". It, however, does not mean that all decisions should be made at the top. It only means that all related activities should be directed by one person. For example, all marketing activities like product strategy and policy, advertising and sales promotion, distribution channel policy, product pricing policy, marketing research, etc., should be under the control of one manager

and directed by an integrated plan. This is essential for the "unity of action, coordination of strength and focusing of effort". Violation of this principle will cause fragmentation of action and effort, and wastage of resources.

4. **Scalar Chain of Command** : According to Fayol scalar chain is the chain of superiors ranging from the ultimate authority to the lowest ranks. The line of authority is the route followed via every link in the chain by all communication which start from or go to the ultimate authority.

5. **Division of Work** : This is the principle of specialization which, according to Fayol, applies to all kinds of work, managerial as well as technical. It helps a person to acquire an ability and accuracy with which he can do more and better work with the same effort. Therefore, the work of every person in the organization should be limited as far as possible to the performance of a single leading function.

6. **Discipline** : Discipline is a *sine qua non* for the proper functioning of an organization. Members of an organization are required to perform their functions and conduct themselves in relation to others according to rules, norms and customs. According to Fayol, discipline can best be maintained by : (i) having good superiors at all levels; (ii) agreements (made either with the individual employees or with a union as the case may be) that are as clear and fair as possible; and (iii) penalties judiciously imposed.

7. **Subordination of Individual Interest to General Interest :** The interest of the organization is above the interests of the individual and the group. It can be achieved only when managers in high positions in the organization set an example of honesty, integrity, fairness and justice. It will involve an attitude and a spirit of sacrificing their own personal interests whenever it becomes apparent that such personal interests are in conflict with organizational interests. It may, however, be emphasized that social and national interests should have precedence over organizational interests whenever the two run counter to each other.
8. **Remuneration :** Employees should be paid fairly and equitably. Differentials in remuneration should be based on job differentials, in terms of qualities of the employee, application, responsibility, working conditions and difficulty of the job. It should also take into account factors like cost of living, general economic conditions, demand for labour and economic state of the business.
9. **Centralisation :** Fayol believed in centralisation. He, however, did not contemplate concentration of all decision making authority in the top management. He, however, held that centralisation and decentralisation is a question of proportion. In a small firm with a limited number of employees, the owner-manager can give orders directly to everyone. In large organizations, however, where the worker is separated from the chief executive through a long scalar chain, the decision making authority has to be distributed among various managers in varying degrees. Here one generally comes across a situation of decentralisation with centralised control. The degree of centralisation and decentralisation also depends on the quality of managers.

10. **Order** : Order, in the conception of Fayol, means right person on the right job and everything in its proper place. This kind of order, depends on precise knowledge of human requirements and resources of the concern and a constant balance between these requirements and resources.
11. **Equity** : It means that subordinates should be treated with justice and kindness. This is essential for eliciting their devotion and loyalty to the enterprise. It is, therefore the duty of the chief executive to instill a sense of equity throughout all levels of scalar chain.
12. **Stability of Tenure of Personnel** : The managerial policies should provide a sense of reasonable job security. The hiring and firing of personnel should depend not on the whims of the superiors but on the well-conceived personnel policies. He points out that it takes time for an employee to learn his job; if they quit or are discharged within a short time, the learning time has been wasted. At the same time those found unsuitable should be removed and those who are found to be competent should be promoted. However, "a mediocre manager who stays is infinitely preferable to outstanding managers who come and go".
13. **Initiative** : It focuses on the ability, attitude and resourcefulness to act without prompting from others. Managers must create an environment which encourages their subordinates to take initiative and responsibility. Since it provides a sense of great satisfaction to intelligent employees, managers should sacrifice their personal vanity in order to encourage their subordinates to show initiative. It should, however, be limited, according to Fayol, by respect for authority and discipline.

14. Esprit de Corps : Cohesiveness and team spirit should be encouraged among employees. It is one of the chief characteristics of organized activity that a number of people work together in close cooperation for the achievement of common goals. An environment should be created in the organization which will induce people to contribute to each other's efforts in such a way that the combined effort of all together promotes the achievement of the overall objectives of enterprise. Fayol warns against two enemies of *esprit de corps*, viz. (i) divide and rule, and (ii) abuse of written communication. It may work to the benefit of the enterprise to divide its enemy but it will surely be dangerous to divide one's own workers. They should rather be welded in cohesive and highly interacting work-groups. Overreliance on written communication also tends to disrupt team spirit. Written communication, where necessary, should always be supplemented by oral communication because face-to-face contacts tend to promote speed, clarity and harmony.

The other important principles of management as developed by pioneer thinkers on the subject are :

- (a) Separation of planning and execution of business operations.
- (b) Scientific approach to business problems.
- (c) Adoption of technological changes.
- (d) Economizing production costs and avoiding the wastage of resources.
- (e) Fuller utilization of the operational capacity and emphasis on higher productivity.

- (f) Standardisation of tools, machines, materials, methods, timings and products.**
- (g) Evaluation of results according to criteria of standard levels of performance.**
- (h) Understanding and co-operation among the members of the organization set-up.**