

logical thinking. As a result these principles act as base of doing research and development in management studies. As these principles provide organised body of knowledge to perform research work and generate more and more knowledge, they have provided new ideas, imagination and base for research and development.

Principles of management are at the core of management theories. These act as base for management training and education.

Professional courses such as BBA, MBA also teach these principles as part of their curriculum. All the management institute take aptitude test and these tests are based on management principles only.

## **2.4 Fayol's Principles of Management**

### **2.4.1 Background and History of Fayol**

Henry Fayol was born in France in 1841. He got degree in Mining Engineering in 1860 and started working as engineer in a Coal Mining Company. In 1888 he was promoted as the managing director of the company. At that time the company was in the situation of insolvency. He accepted the challenge and applied his managerial techniques to bring out the company from this situation and he succeeded. When he retired after 30 years the company was a leading coal-steel company with strong financial background.

### **2.4.2 Major Contributions of Fayol**

Henry Fayol became famous as "Father of Management Studies and Thoughts", because of the following contributions:

- (a) He made clear distinction between technical and managerial skill.
- (b) He identified the main steps in the process of management which are considered the major functions of management—planning, organising, staffing, directing, controlling.
- (c) He developed fourteen principles of management which act as guidelines for managers to perform managerial activities.

### **2.4.3 Principles of Management Developed by Fayol**

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



Fayol said not only the factory work but technical, managerial and skill jobs should also be divided into small segments for specialisation.

For example, in a furniture manufacturing company one person can be asked to cut the wood pieces, one to join them, one to polish, one to give finishing touch to furniture. With this division each person will become specialised in his part of job and his effectiveness and efficiency improves.

### Positive effects of Principle of Division of Work:

1. **Specialisation.** Whenever work is divided according to qualifications then automatically it leads to specialisation.
2. **Improves efficiency.** When employee is performing only one part of job then he becomes expert in that and results in less wastage of resources.

### Consequences of violation of this principles:

- Negative*
- (a) Lack of efficiency
  - (b) There will be no specialisation
  - (c) Chances of duplication of work
- (ii) **Principle of Authority and Responsibility.**

Authority means power to take decision. Responsibility means obligation to complete the job assigned on time. According to this principle there must be balance or parity between the authority and responsibility. Excess of authority without matching responsibility may bring negative results and excess of responsibility without matching authority will not allow the worker to complete his job on time.

There is need to bring parity between both for best results.

For example, if a person is given responsibility to produce 100 units in one week time but he is not given authority to purchase the raw materials. If there is no raw material available in the store-room as a result he could not complete the target of producing 100 units on time. The worker cannot be blamed for not completing on time because he was given only the responsibility and not the matching authority to carry on the work. Excess of responsibility with less authority results in non-completion of job.

### Positive effects of this Principle:

1. No misuse of authority.
2. Helps in meeting responsibilities on time without any delay.



Division of Work



**Consequences of violation of this principle:**

- (a) Delay in work or in completion of work due to less authority.
- (b) Misuse of authority due to excess authority.
- (c) Overburden with work with excess responsibility.

(iii) **Principle of Discipline.** Discipline refers to general rules, regulations for systematic working in an organisation. Discipline does not mean only rules and regulations but it also mean developing commitment in the employees towards organisation as well as towards each other. Fayol insists that discipline is required at superior as well as subordinate level. The disciplinary rules shall not be applicable only on subordinates but discipline requires good superiors at every level, clear and fair agreement between superior and subordinates.

According to Fayol discipline requires good superior at all levels, clear and fair agreements and judicious application of penalties.

For example, the employees must honour their commitments towards the organisation by working effectively and efficiently. On the other hand, superiors must also meet their commitments by meeting their promises of increments, promotions, wage revisions etc.

**Positive effects of this Principle:**

1. Systematic working in the organisation.
2. Improves efficiency.

**Consequences of violation of this principle:**

- (a) Disorder, confusion and chaos.
- (b) Wastage of resources in absence of discipline.
- (c) Delay in work due to absence of rules and regulations.

(iv) **Principle of Unity of Command.** According to this principle an employee should receive orders from one boss only because if he is receiving orders from more than one boss then he will get confused and will not be able to understand that whose orders must be executed first and on the other hand, if employee is receiving orders from more bosses he gets chance to give excuses by saying that he was busy in executing the orders of other boss. To avoid confusion and to give no chance of excuse to employee, the orders must come from one boss only. If there are more bosses it can create problem of ego-clash among the superiors as every superior wants his order to be executed by the employee.

For example, if employee of production department is asked to go slow in production to maintain quality standard by the production incharge and sales incharge instructs the employee to fasten the production to meet the pending orders. In this situation employee will get confused as to whose instructions must be followed by him.

(+)  
superior  
↓  
subordinate

superior X superior



**Positive effects of this Principle:**

1. No confusion in the mind of subordinate.
2. No ego clashes.
3. Improves effectiveness in working.

**Violation of this principle will lead to following consequences:**

- (a) Confusion in the mind of employee.
  - (b) Subordinate will get chance to escape from his responsibilities by giving excuses.
  - (c) Ego clashes among the different superiors.
  - (d) Difficulty in maintaining discipline in the organisation.
- (v) **Unity of Direction.** According to this principle "one unit means one plan", that is the efforts of all the members and employees of organisation must be directed towards one direction that is the achievement of common goal. If this principle is applied it leads to coordination. Each department and a group having common objective must have one head and one plan only.

For example, if an organisation is producing different lines of products — cosmetics, medicines and confectionery items each product has its own market and its own business environment. Each division must plan its target and every employee of that division must put his efforts towards the achievement of plan of their division under the direction of one head only.

**Positive effects of this Principle:**

1. Achievement of organisational goal.
2. Efforts of all the employees get unified towards one direction only.

**Consequences of violation of this principle .**

- (a) Lack of coordination.
- (b) Wastage of efforts and resources by working in different directions.
- (c) Difficulty in achieving organisational goal.

**Difference between Unity of Command and Unity of Direction**

Principle of Unity of Command	Principle of Unity of Direction
This principle insists on one boss on one subordinate. <i>Mean</i>	This principle insists on one unit/division on one plan.
The main purpose of unity of command is to avoid confusion and fix up responsibility on the employee. <i>Aim</i>	The purpose of unity of direction is to direct the efforts of employees of one department in achieving the main objective of that department.
This principle is related to functioning of employees with clarity in mind. <i>implication</i>	This principle is related to functioning of organisation as a whole or as one unit.



This principle results in systematic working and improves efficiency by removing confusion and chaotic conditions. *legislation*

This principle results in co-ordination of activities of different personnels.

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

The goal of organisation must not be sacrificed because individuals will be able to achieve their objectives only when organisation prospers.

For example, if individual's objective is to earn more remuneration and organisation is going through the situation of financial crisis and has the objective of cutting down the expenses. In this situation the individual must sacrifice his interest as when organisation will come out from financial crisis then he can achieve his objective.

**Positive effects of this principle:**

1. Achievement of organisational goal.
2. Coordination between individual and organisational goal.

**Consequences of violation of this principle:**

- (a) No achievement of organisational goal.
- (b) Even employees will also suffer in long run.

- (vii) **Principle of remuneration of persons.** According to this principle employees in the organisation must be paid fairly or adequately to give them maximum satisfaction. The remuneration must be just and fair because if employees are underpaid they will not be satisfied and an unsatisfied person can never contribute his maximum. Dissatisfaction will lead to increase in employee's turn-over. So to have stability in organisation and to get maximum efforts from employees, the employees must be paid fairly. The fair wage is determined according to

- (a) financial capacity of the concern
- (b) by keeping in mind the Minimum Wage Act of Govt.
- (c) the wages and salaries paid by the competitors.

For example, if in a particular year the organisation has earned more profit than apart from giving extra profit to shareholders and owners, some part of profit must be given to employees also in the form of bonus. This will encourage and motivate to put more efforts and increase the profit of the company.

*can be given*



**Positive effects of this principle:**

1. Employees get motivated.
2. Devotion and commitment of employees improves.

**Consequences of violation of this principle:**

- (a) Increase in turnover of employees.
- (b) Dissatisfaction and demotivation of employees.

(viii) **Principle of centralisation and decentralisation.** Centralisation refers to concentration of authority or power in few hands at the top level. Decentralisation means evenly distribution of power at every level of management. According to Fayol a company must not be completely centralised or completely decentralised but there must be combination of both depending upon the nature and size of the organisation. A small organisation can be well organised and managed with centralised technique but in large organisation there is need for decentralisation. Secondly, if employees are efficient and competent then they can be trusted by having decentralisation but if employees are not fully developed and are less in number then there must be centralisation. Fayol advised not to have complete centralisation or complete decentralisation but a combination of both.

For example, the major decisions and activities of setting up organisational goals, plans, policies, strategies can be centralised but there can be policy of decentralisation for the activities of routine work such as purchase of raw materials, fixing targets of workers etc.

**Positive effects of this principle:**

1. Benefits of centralisation as well as decentralisation.
2. Fast decisions at operational level and strict control by top level.

**Consequences of violation of this principle:**

- (a) Complete centralisation will result in delay in decision.
- (b) Complete decentralisation will result in misuse of authority.

(ix) **Principle of scalar chain.** Scalar chain means line of authority or chain of superiors from highest to lowest rank. Fayol insists that this chain must be followed strictly in the organisation. Every information must pass through every key of this chain, no skipping of any one key should be allowed.

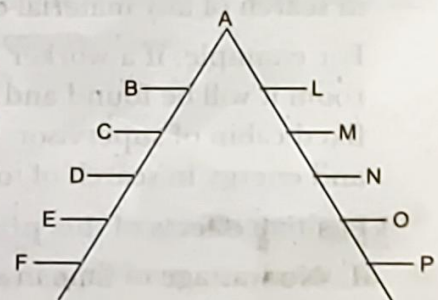


Fig. 2.3



Figure 2.3 explains the principle.

According to scalar chain principle if E wants to contact O he has to move through E — D — C — B — A — L — M — N and then O. If this chain is broken then there are chances of communication gap in the organisation but sometimes following scalar chain becomes a long process and if some important information has to be passed, it gets delayed so in case of emergency and urgent information, Fayol permitted a short cut in the chain which is called "Gang-Plank". Gang-plank permits direct communication between the employees working at the same level of authority without following the scalar chain.

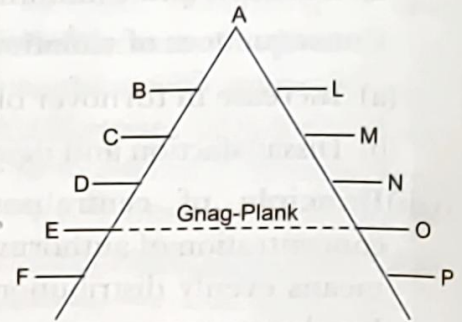


Fig. 2.4

For example, if E wants to pass some urgent information to O then instead of following the long route of scalar chain, he can directly communicate with O by constructing a gang-plank, but no gang-plank can be constructed between the people working at different levels, *i.e.*, no gang plank between D and L.

#### Positive effects of this principle:

1. Systematic flow of information.
2. No communication gap in the organisation.

#### Consequences of violation of this principles:

- (a) There may be communication gap.
- (b) No clarity in authority-responsibility relationship.

(x) **Principle of order.** In this principle order does not mean command but it refers to orderly arrangement of men and material that is a fixed place for everything and every one in the organisation. Fayol insists that there must be a fixed place to keep every material and thing used in the organisation and fixed place or seat or cabin for every employee of the organisation so that no time and energy is wasted in search of any material or any person.

For example, if a worker is in need of a tool he must know in which box or tool-room it will be found and if he needs guidance from supervisor he must know the fixed cabin of supervisor. If no fixed place is given then worker will waste his time and energy in search of tools or supervisor.

#### Positive effects of this principle:

1. No wastage of time in search of men or material.
2. Smooth and systematic working of organisation.



**Consequences of violation of this principles:**

- (a) Wastage of time and energy in search of men and material.
  - (b) Not able to contact the people at the right time.
- (xi) **Principle of equity.** Equity refers to kind, fair and just treatment to employees. Employees will put their maximum efforts only when they are treated with kindness and justice. If a manager is biased in dealing with employees then employees will get dissatisfied and will not contribute to their maximum capacity. Equity does not mean equal salary to a peon and supervisor but equity means application of same disciplinary rules, leave rules in the same way irrespective of their grade, position and gender.

For example, the roles for granting medical leave to an employee should be same irrespective of their position, grade or gender.

**Positive effects of this principle:**

1. Employees get satisfied.
2. Motivate the employees and boost up the morale of the employees.

**Consequences of violation of this principle:**

- (a) Dissatisfaction in employees
- (b) Increase in turnover.
- (c) Unhealthy relation between superior and subordinates.

(xii) Stability of tenure of personnel. It refers to no frequent termination and transfer. According to this principle the management must provide the feeling of job security among the employees because with the feeling of insecurity for the job, the employees cannot contribute their maximum. Frequent turnover of employees is bad for organisation and such decision must be taken when they are almost unavoidable.

Not only turnover but frequent transfer or rotation should also be avoided because it takes some time to a person to learn and get settled on a job and by the time he gets settled and he receives transfer order then it will be wastage of resources and employee will not be able to contribute his best for organisation.

**Positive effects of this principle:**

1. Improves efficiency level of employees.
2. No wastage of time and resources.

**Consequences of violation of this principle:**

- (a) Wastage of resources in learning the new job.
- (b) Frustration and dissatisfaction among employees.



**(xiii) Principle of Initiative.** Initiative refers to chalking out the plan and then implementing the same. Fayol suggested that employees in the organisation must be given an opportunity to take some initiative in making and executing a plan. It gives immense satisfaction to employees. So managers must welcome the suggestions and ideas of employees before framing the plan. The initiative does not mean disobedience, *i.e.*, once decisions are taken by management then every employee must follow it whether it is according to employee's suggestion or not.

For example, before setting up of plan the manager must welcome the suggestions and ideas of employees to allow their maximum participation. But once the plan is made every employee must follow it and implement it.

**Positive effects of this principle:**

1. Develops feeling of belongingness in employees.
2. Employees achieve the target on time if they are set up with their consultation.

**Consequences of violation of this principle:**

- (a) Employees will not work to the best of their ability.
- (b) Demotivation among employees.

**(xiv) Principle of Esprit De Corps.**

Esprit De Corps means union is strength. Fayol emphasised on the team work. He suggested that every employee in the organisation must consider him as a part or member of a team and try to achieve the team goal because team contribution is always better and more than individual contribution.

Management must develop a feeling of belongingness among the employees as they must feel themselves as members of organisation's team and contribute maximum to achieve team's goal.



Employee suggestion system:  
Encourage initiative among trainee managers



Team Esprit



**For example**, if the production manager assigned a target of manufacturing 100 units to a group of 10 members, divided the target among themselves to produce 10 units each, principle of team spirit says that each member of the group should not concentrate only on achieving his individual target of 10 units but they must concentrate on achieving group target of 100 units so if two workers of that group fall sick, then the other eight members must divide their individual target among themselves and try to achieve the target of their group.

**Positive effects of this principle:**

1. Develops team spirit.
2. Achievement of group goal.

**Consequences of violation of this principle:**

- (a) Team goal may not be achieved.
- (b) No team spirit and more stress on individualism.

**2.4.4 Fayol's 14 principles of management are very effective but the interpretations of these principles are changed.**

Following table shows the traditional and present implications of management principles of Fayol.

S.No.	Name of Principle	Traditional impact	Modern impact
1.	Division of work	Specialisation in worker's job design.	Generalisation in worker's job design.
2.	Authority and Responsibility	Managers are empowered.	Employees are empowered.
3.	Discipline	Formalised rules and regulations.	Informal pressure control.
4.	Unity of command	Subordinates report to one boss only.	Subordinate report to multiple bosses.
5.	Unity of direction	Functions of one direction.	Functions have multiple directions.
6.	Subordination of individual interest to common goal	Employees are committed to the organisation.	Organisation is committed to the employees.
7.	Remuneration of Personnel	Reasonable pay reward.	Performance based reward.
8.	Centralisation	Power in hands of top level.	Powers distributed evenly at every level.
9.	Scalar chain	Smooth flow of information by passing through every level.	Flatter and short cut communication.
10.	Order	Orderly arrangement of men and material for control.	Orderly arrangement of men and material for coordination.