

## Unit 2 – Concept of Management

### *SESSION-1 Nature of Management*

<i>Learning Objectives</i>	<i>Knowledge evaluation</i>	<i>Performance Evaluation</i>	<i>Teaching method</i>
To understand the nature of management.	<ul style="list-style-type: none"> <li>• Management as Art.</li> <li>• Management as Science.</li> <li>• Management as Profession.</li> </ul>	<ul style="list-style-type: none"> <li>- Is Management Science or Art?</li> <li>- Explain the features of Management as Art.</li> <li>- Enumerate the characteristics of management as Science.</li> <li>- Explain the concept of Management as profession.</li> </ul>	Interactive lecture – Group discussion.

### *Session 2 Concept and thoughts of Management*

<i>Learning Objectives</i>	<i>Knowledge evaluation</i>	<i>Performance Evaluation</i>	<i>Teaching method</i>
To Understand the various thoughts & approaches to Management.	<ul style="list-style-type: none"> <li>• Meaning &amp; concept of Classical Approach.</li> <li>• Meaning &amp; Concept of Scientific Management.</li> <li>• Meaning &amp; concept of Neo-Classical approach.</li> </ul>	<ul style="list-style-type: none"> <li>• Explain in detail the concept of Classical approach.</li> <li>• Discuss briefly the Principles of Scientific Management.</li> <li>• Explain the evolution of Management thought from earlier pioneers to modern times.</li> <li>• Describe the meaning &amp; concept of Neo Classical approach.</li> </ul>	Interactive lecture

### *Session 3 Principles of Management*

<i>Learning Objectives</i>	<i>Knowledge evaluation</i>	<i>Performance Evaluation</i>	<i>Teaching method</i>
To understand the Principles of management.	<ul style="list-style-type: none"> <li>• Needs of Management Principles.</li> <li>• Fayol's Principles of Management (14 Principles)</li> </ul>	<ul style="list-style-type: none"> <li>• What is meant by Principles of Management?</li> <li>• Explain Fayol's principles of Management.</li> <li>• What is the need of Principles of Management.</li> </ul>	Interactive Classroom discussion.

### *1.1 Nature of Management*

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### Case Study



"The dabbawala business in Mumbai is an innovative business designed and executed by a group of uneducated and undereducated people from the ordinary classes to suit the local conditions. The business plan is so designed to make it perfectly functional, while at the same time keeping it cost effective.

The dabba-wallas are semi-literate people, with rural backgrounds from Pune district. They belong to the warrior [clan] of Malua, which fought for [the great Indian king Shivaji] in the earlier days. In the 1890s, one Mahado, a migrant from their area started the supply of lunch boxes. Today under the banner of Nutan Mumbai Tiffin-box Suppliers Association, more than 4500 of them are involved in supplying nearly 2,00,000 boxes every working day. Braving Mumbai weather conditions and difficulties involved in multiple transfer points, these 'ordinary' people make **only one mistake for eight million deliveries** "It is no wonder that the Forbes Global Magazine gave them a Six Sigma efficiency rating on par with multinational companies such as Motorola and General Electric. In fact, the efficiency of dabbawallas is much better than the Six Sigma levels fixed by the experts for world class performances. As a result they are now admired as the model for the global corporations...While mega corporations use the most modern technologies and employ highly qualified technical and management experts to reach higher levels, **how could these ordinary people from village backgrounds with only their common sense and limited resources better the benchmarks fixed for the most efficient companies in the world?**

In the case of modern corporate sector, they search for different methods to sell their products. In some cases, the products may not be essential to the customers. But still they try to look for different ways to attract customers and sell their products. In the case of dabbawallas they have devised a way to serve the customers who would like to eat home-made food, and in the process they have made it so well that they have become world-class service providers.

During the 1980s, the lunch box used to be ` 50, but today the rates are ` 250 per dabba. But certain things have not changed — the dress, the dedication and the punctuality.

The dabbawalas are an incredible team. They have survived for over one hundred years, through wars, through political crisis, the technological craze and the Blackberry revolution. But they are still intact. They have a record of no strikes against management in a socialistic country such as India, and they are always on-time, even through the rainiest days on the planet. Their creativity and ingenuity have kept them alive. When telephone services were at a premium in India, the dabbawalas encouraged housewives to use their system to communicate with their spouses by placing little chits inside their boxes. The husbands enjoyed the chits as much as the food. Thus, the dabbawalas were able to "think outside the box" and broaden their capabilities given very limited infrastructure. On December 1, 2005, when Mumbai office workers opened their lunch boxes, they were in for a surprise. They found a variety of HIV/AIDS-prevention messages because it was World AIDS Day. The Health Communication Partnership implemented this innovative program by working with the dabbawalas to reach several thousand workers a day. In addition, 5,000 dabbawalas wore red ribbons on their shirts to show their support for AIDS prevention and cure.

On March 25, 2006, the dabbawalas went online with [www.mydabbawala.com](http://www.mydabbawala.com). The event was covered by every major TV channel in India.

(Source – [www.dualnoise.com](http://www.dualnoise.com), [healthmarketinnovations.org](http://healthmarketinnovations.org))

It is clear from the foregoing case that managerial pursuit of Mumbai dabba walas is par excellence. They have no technological knowledge or education, but they have an excellent supply chain, commitment, work

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ethics and unparallel time management systems. Similarly, many business organizations have various ways of managing day to day affairs & make their business successful. Then the question arises whether the management is a skill or a set of rules & regulations which have to be followed by every organization.

To understand the basic nature of management, it must be analyzed in terms of art and science, (in relation to administration) and as a profession (in terms of managerial skills and style of managers).

### 1.1.1 Management as a Science

Science means a systematic body of knowledge pertaining to a specific field of study. It contains general principles and facts which explains a phenomenon. These principles establish cause-and-effect relationship between two or more factors. Scientific methods of observations, and experiments are used to develop principles of science.

Let us now examine the features of management as science.

- (i) **Systematic Body of knowledge** – Management has a systematic body of knowledge consisting of general principles and techniques. These help to explain events and serve as guidelines for managers in different types of organizations.
- (ii) **Universal applicability** – Scientific principles represent basic facts about a particular field enquiry. These are objective and represent best thinking on the subject. These principles may be applied in all situations and at all times. For example, the Law of Gravitation states that if you throw an object in the air it will fall on the ground due to the gravitational force of the earth. This law can be applied in all countries and at all points of time. Similarly management contains sound fundamental principles which can be universally applied. For instance, the principle of unity of command states that at a time one employee should be answerable to only one boss. This principle can be applied in all types of organization-business or non business.
- (iii) **Scientific enquiry & experiments** – Scientific principles are derived through scientific investigation and reasoning. Scientific principles do not reflect the opinion of an individual, rather these can be scientifically proved at any time. They are critically tested. For example, the principle that the earth revolves around the sun has been scientifically proved.

Similarly management principles are also based on scientific enquiry and investigation. These have been developed through experiments and practical experience of a large number of managers. For example, it has been observed that wherever an employee has two or more bosses simultaneously, confusion and indiscipline are likely to arise, with regard to following the instructions.

- (iv) **Cause and effect relationship** – Principles of science lay down a cause and effect relationship between related factors. For example, when water is heated up to 100°C, it starts boiling and turns into vapour.

Similarly, the principles of management establish cause and effect relationship between different variables. For instance lack of balance between authority and responsibility will cause management to become ineffective.

- (v) **Test of validity & predictability** – Validity of scientific principles can be tested at any time and any number of times. Every time the test will give the same result. Moreover, the future events can be predicted with reasonable accuracy by using scientific principles. For example, the Law of Gravitation can be tested by throwing various things in the air and every time the object will fall on the ground. Similarly Principles of management can also be tested for their validity. For example, the principle of unity of command can be tested by comparing two persons, one having a single boss and other having two bosses. The performance of the first person will be higher than that of the second.

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### 1.1.2 Management as an Art

Art implies the application of knowledge and skills to bring about the desired results. It requires creativity, skill and innovation.

**Let us judge how far management fulfils these requirements :—**

- (i) **Practical knowledge** – Every art signifies practical knowledge. An artist not only learn the theory but also its application in practice. For example, a person may have adequate technical knowledge of painting but he cannot become a good painter unless he knows how to make use of the brush and colours.  
Similarly, a person cannot become a successful manager simply by reading the theory and getting a degree or diploma in management. He must also learn to apply his knowledge in solving managerial problems in practical life. A manager is judged not just by his technical knowledge but by his efficiency in applying his knowledge.
- (ii) **Personal skill** –Every artist has his own style and approach to his talent. The success of different artists differ even when all of them possess the same technical knowledge or qualifications. This is due to the level of their personal skills. For example, there are several actors but Mr. Amitabh Bachchan has achieved the highest degree of success.  
Similarly, management is personalized. Every manager has his individual approach and style in solving managerial problems. The success of a manager depends on his personal skill in addition to his technical knowledge.
- (iii) **Creativity** – Art is basically creative and an artist aims at producing something that had not existed before. Therefore, every piece of art requires imagination and intelligence to create.  
Like any other art, management is creative. A manager effectively combines and coordinates the factors of production to create goods and services. Moulding the attitudes and behavior of people at work, towards the achievement of the desired goals is an art of the highest order.
- (iv) **Improvement through people** – Practice makes one perfect. Every artist becomes more and more efficient through constant practice. A dancer, for example, learns to perform better by continuously practicing one form of dance. Similarly, manager gains experience through regular practice and becomes more effective.

Thus, “**management is both a science as well as an art**”. It is a science because it has an organized body of knowledge consisting of certain universal facts. It is known as an art because it involves creating results through practical application of knowledge and skills. However, art and science are complementary to each other. They are not mutually exclusive. Management cannot be exact science like Physics, Chemistry etc. But it is considered soft science or social science. Science teaches one to know and art to do.

### 1.1.3 Management as a Profession

A profession may be defined as an occupation backed by specialized knowledge & training and to which entry is regulated by a representative body. The corporate houses now prefer the individuals with specific qualifications & experience to manage the company.

Let us examine to what extent management fulfils the requirements as profession —

- (i) **Specialized body of knowledge** – Every profession has a well defined body of knowledge relevant to the area of specialization. In order to practice a profession, a person requires specialized knowledge of its principles and techniques. A manager must

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have intensive devotion and involvement to acquire expertise in the science of management. In addition, there should be competent application or judicious utilisation of this knowledge in solving complex problems. Today, management is a separate discipline having a specialized and organized body of knowledge acquired at different colleges and professional institutes.

- (ii) **Restricted Entry** – There exist institutions and universities to impart education and training for a profession. No one can enter a profession without going through the prescribed course of learning. For example one must MBBS to become a doctor and practice medicine. Many institutes of management have been set up in India and abroad which offer courses for specialized training in management. Formal education and training has become very helpful in getting jobs as managers. But no minimum qualification or course of study has been prescribed for managers by law.
- (iii) **Service motive** – A profession is a source of livelihood but professionals are primarily motivated by the desire to serve the community. For example, a doctor earns his living from his medical practice. But he does not treat his patients only for the sake of money. Similar is the case with managers. A manager of a factory is responsible not only to its owners, but he is also expected to produce quality goods at a reasonable cost and to contribute to the well-being of the community.
- (iv) **Representative association** – In every profession there is a statutory association or institution which regulates that profession. For example, the Institute of the Chartered Accountants of India establishes and administers standards of competence for the auditors. In management also associations have been established both in India and abroad. In India, there is the All India Management Association. However, this association does not have the statutory power to regulate the activities of managers. Membership of this association is not compulsory in order to become a manager.
- (v) **Code of conduct** – Members of one profession have to abide by a code of conduct which contains rules and regulations providing the norms of honesty, integrity and professional ethics. For example a chartered accountant is not expected to commercially advertise his firm. Any member violating the code can be punished and his membership can be cancelled. The All India Management Association has framed code of conduct for managers to regulate their activities. But this code does not have legal sanctions. However, observing business ethics is always helpful in becoming a more effective manager.

Thus, management is, not strictly speaking, a full-fledged profession like medicine, law or chartered accountancy. From the above discussion it is clear that management cannot be categorized into science, art or profession. It's a combination of all the three. A good manager has to have administrative quality along with professional qualification to succeed. He should be creative, innovative and skillful to apply his knowledge in his day to day situations.

### 2.1 Concept and thoughts of Management

The techniques of modern management have evolved in 18<sup>th</sup> & 19<sup>th</sup> centuries. With inventions & discoveries in the field of commerce & industry like 'Power loom', 'Spinning Jenny' led to large scale productions. All these developments emphasized the need of more manpower to manage the big industrial units. Modern management has developed through several stages or approaches. Many school of thoughts emerged with these developments. The management thinkers like F.W. Taylor, Henri Fayol, Max weber, laid down principles and worked on various management techniques. The approaches to the study of management may be classified as under –

- 1) Classical Approach
- 2) Neo Classical or Behavioural Approach
- 3) Contemporary Approach

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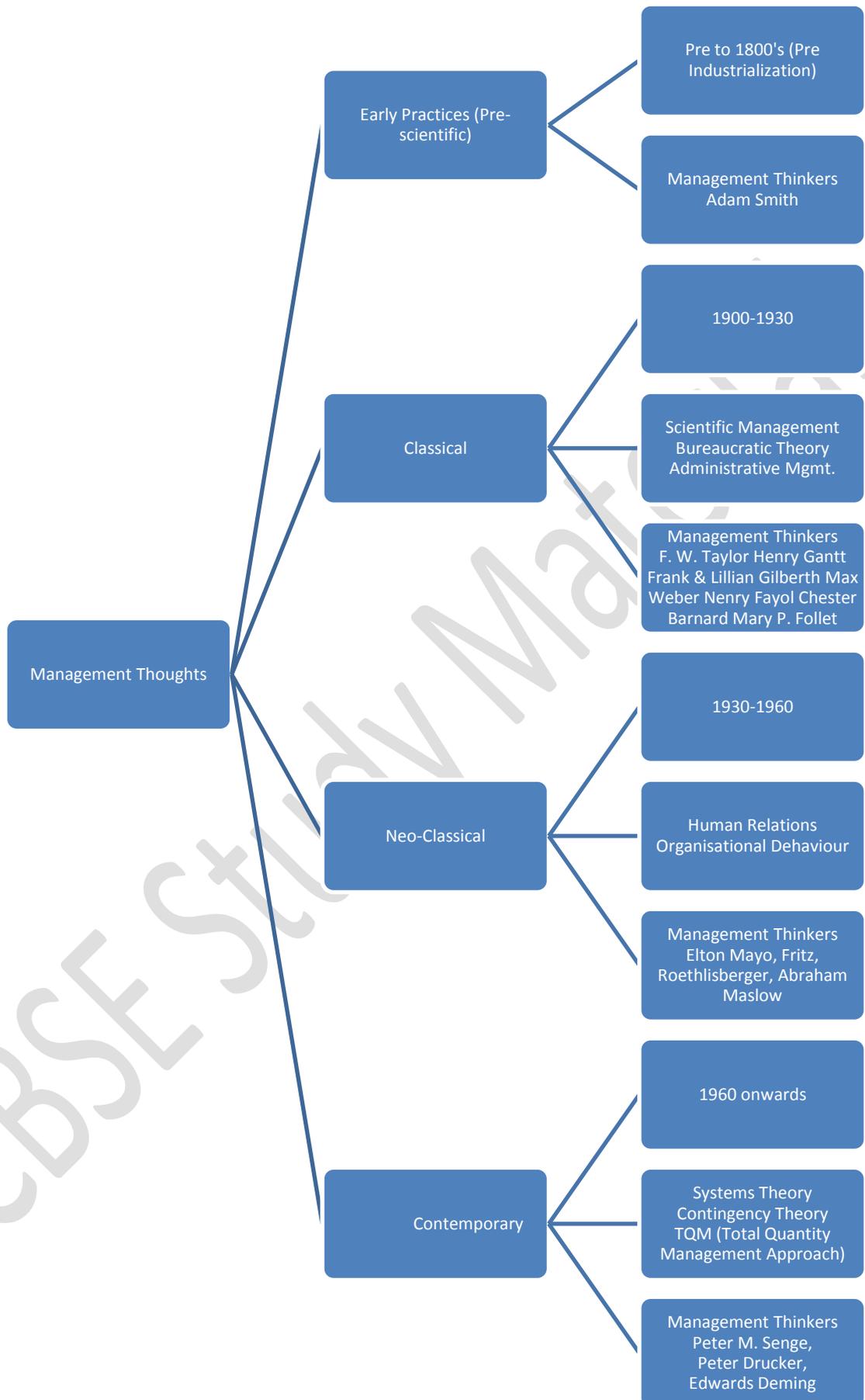
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But in this section we shall be confining to Classical approach – scientific management, Fayols Principles of management & Neo classical approach.

### Management Thoughts

CBSF Study Material

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### 2.1.1 CLASSICAL APPROACH

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The classical approach to management emerged as the first study of management which emphasized rationality and made organization & workers as efficient as possible. This approach offers a convenient framework for the education & training of Managers. This theory prescribes that organization be built around the work to be done. For maximum efficiency the work must be logically divided into simple routine & repetitive task. The main emphasis is on structural factors & activities to attain the objectives. It laid stress on discipline and Control. This approach consists of 3 main categories :-

- (i) **Bureaucracy** – It was conceptualized by Max Weber, a German Sociologist. It emphasized on rules, regulations, policies, procedures for all the organization. He laid stress on efficiency, competence, discipline. This model or approach was criticized due to its inflexibility & rigidity.
- (ii) **Scientific Management** – This approach was conceived by Fredrick Winslow Taylor (1856-1915). He was also considered as “Father of Scientific Management”. He was an American Engineer who felt that there is a scientific basis for designing & performing any job. He developed various scientific principles & techniques to determine the best possible way of doing a job.
- (iii) **Administrative Theory** – The main contributor to administrative management theory was Henri Fayol, a French industrialist. He developed an administrative theory, which explained the process of managing an organization from top managerial perspective. He propounded the Principles of Management which can be applied in all types, functions & levels of the organization.

### 2.1.2 Scientific Management



Frederick Winslow Taylor (1856-1915) is regarded as the “Father of Scientific Management”. He worked at Midvale Steel Works, Simonds Rolling Mills, Bethlehem Steel Co. in the USA for several years. He was perturbed to see the wasteful & unsystematic ways of doing job in these organizations. He was convinced that there was a science of doing things at the shop floor. Taylor conducted series of experiments and did a scientific study of each job to determine the best way of doing it.

### 2.1.3 Principles of Scientific Management

To achieve efficiency & reduced costs it was important to follow a scientific approach which would provide alternative & expected consequences. According to Taylor “Scientific Management means knowing exactly what you want men to do & seeing that they do it in the best & the cheapest way”. Following are the Scientific Principles of Taylor :-

- (1) **Science, Not rule of Thumb** — Taylor suggested that each element of a job & the motions required to perform it should be scientifically analyzed and use the most efficient ways of doing it. It will not only save time but also reduce wastage.
- (2) **Harmony, Not Discord** — Taylor believed that the interest of employer & employees should be fully harmonized so as to secure mutual understanding between them. There should be no

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conflict between managers & workers. It is the combined efforts of management & its employees that helps a company to achieve its goals effectively & efficiently.

- (3) **Maximum output in place of restricted output** — Maximum output & optimum utilization of resources will bring higher profits for the employer and better wages as for the worker. Taylor believed that management & worker should have common interest in increasing productivity.
- (4) **Development of each person to his greatest efficiency** — Efficiency of any organization depends on the skills & capabilities of its employees. For this purpose proper training and selection of employees should be done. This is possible only through scientific approach. The work assigned to each employee should suit the workers physical, mental and intellectual capabilities. This ultimately helps to attain efficiency & prosperity for both organization & the employees.
- (5) **Cooperation, Not Individualism** – This Principle is an extension of ‘Harmony, not discord’. It lays stress on mutual cooperation between workers and Management. Cooperation, mutual confidence, sense of goodwill should prevail among both managers and workers. The intention is to replace internal competition with cooperation. Management should always welcome the suggestions of the workers and reward them of the suggestions which prove beneficial for the organization. At the same time workers should resist from going on strikes or making unnecessary demands from the management. According to Talyor, there should be equal division of work & responsibility between worker & management.

### CONCEPT OF MENTAL REVOLUTION

The essence of Scientific Management according to Taylor is mental revolution. He advocated complete change in the outlook of worker and owners. Harmony, Not discord and cooperation not individualism are outset of Mental Revolution Management should create congenial atmosphere for optimum efficiency of workers and on other hand worker should also not go on strikes and waste the resources. This mental revolution has 3 aspects –

- i) All efforts for increased production
- (ii) creation of the spirit of mutual trust and confidence
- (iii) inculcating and developing the scientific attitude towards problems.

### 2.1.4 Techniques of Science Management

In order to implement the above principles, Taylor developed the following techniques –

1. **Time Study** – Time study determines the standard time required to carry out a job under specific conditions. It involves analysis of job and study of each element of activity performed. The time of each task is measured using devices like stopwatch. Taylor suggested the use of time study to lay down a fair day’s work, determine number of workers required to perform a particular task.
2. **Motion Study** – Motion study refers to the study of movement of an operator on machine involved in particular task. The purpose is to eliminate useless motions & determine the best way of doing the job. It increases the efficiency & productivity by cutting down all the wasteful motions. Taylor used cameras, stopwatches, symbols & colours to identify different motions & designed an efficient way of performing the work with productive motion.
3. **Method Study** – Method study aims at eliminating unnecessary operations & achieving the best method to perform the required task. It contributes to increased efficiency by improving the current processes and procedures. It involves systematic recording and scrutinized inspection of existing and proposed ways of doing work.
4. **Fatigue Study** – Fatigue is generally caused by long working hours. (over burden, bad working conditions or lack of cooperation among workers). This study aims at providing proper rest intervals or breaks to workers to increase the effectiveness of the work.
5. **Standardization and Simplification of work** – Under scientific management, predetermined standards are laid down regarding the task, material, methods, time, quality, cost & working conditions. Standardization helps to simplify work, to ensure interchangeability of parts,

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uniformity of operations, optimum utilization of resources, increased production and low labour costs.

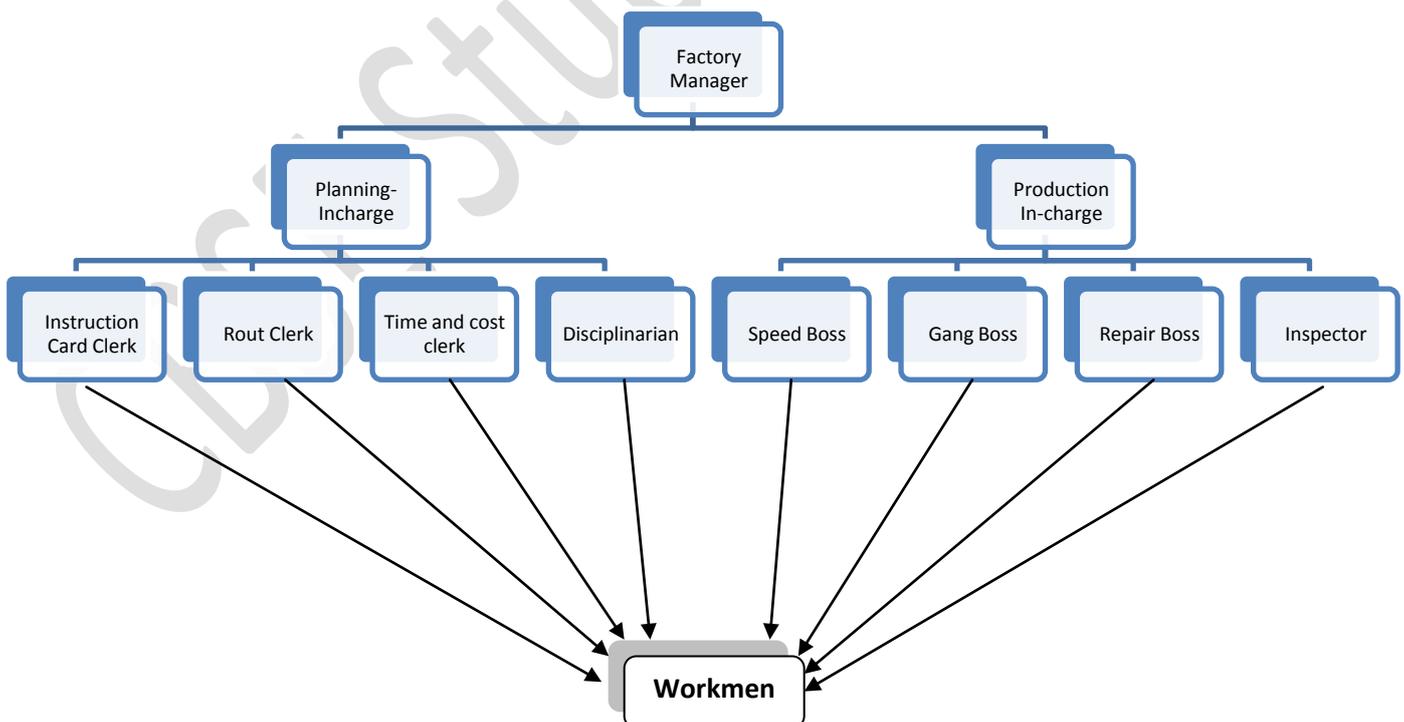
6. **Functional Foremanship** – Taylor concentrated on improving performance at lower level of management. He was of the view that one supervisor cannot be expert in all aspects of supervision. All the qualities required in a supervisor cannot be found in one individual. So he suggested the system of functional foremanship in which four supervisors will be concerned with planning and four supervisors for execution of work. According to him each worker will be instructed by 8 bosses.

The planning work would be carried on by the following foremen –

- Route clerk** – To lay down the sequence of operation and decide the route through which each piece of work should travel.
- Instruction Card Clerk** – To prepare the detailed instructions for workers which includes speed of work, tools to be used, technical specification.
- Time & Cost Clerk** – To frame time table for doing various jobs and maintain cost sheet.
- Shop Disciplinarian** – To maintain discipline in the factory and deal with absence from duty, violation of rules etc.

The execution or production work would be carried on by the following foremen –

- Gang Boss** – To keep the machines & tools ready for operations.
- Speed Boss** – To see that the job is completed in time.
- Repair Boss** – To keep the machine & tools in proper working conditions.
- Inspector** – To check and maintain quality of work.



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7. **Differential Piece Rate System** – In order to motivate workers, wage incentive plans were developed. Taylor advocated differential piece rate system based on actual performance of the worker. He emphasized that to achieve maximum productivity of workers it is important that efficient and inefficient workers should be differentiated. Taylor introduced 2 piece rates. One, low rate for those who fail to achieve the standard output and higher rate for those who perform above the standard output. For example – A company has fixed the standard output as 10 units per day (through time and motion study). If the worker produces less than the standard he will be paid ` 40 per unit and if the worker produces more than the standard then he will be paid ` 60 per unit. The daily wages of 2 workers A and B who produce 8 and 12 units will be as under :

A's wages – 8 units x ` 40 = ` 320

B's wages - 12 units x ` 60 = ` 720

Due to significant difference in wages, worker A and other inefficient workers will be under pressure to reach the standard output & worker B will be encouraged to keep their output above standard.

Trade unions oppose this system of wage plan as it might lead to discontentment among workers. But Taylor emphasized that this system is scientific & based on proper work study.

### **3.1 Concept and Meaning of Principle of Management**

Principles are general propositions, which are applicable when certain conditions are present. Management principles have been evolved and developed on the basis of experimentation, observation and experience of managers. The principles are guidelines to action and help managers to perform their functions effectively & efficiently. The principles formulated are general guidelines for decision making by any managerial personnel. Management principles are not as rigid as principles of science as they are related to human. Human Behavior is dynamic, which keeps on changing depending on the circumstances, therefore application of same principle will give different results in different situations.

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

About the time when F.W. Taylor was developing the Principles of Scientific Management, Henri Fayol (1841-1920) was revolutionizing managerial thinking in France. Fayol developed an administrative theory, which explained the process of managing an organization from top managerial perspective. He began by classifying business operations into six major activities i.e. Technical, Commercial, Financial, Security, Accounting & Managerial. He was also the first practitioner to identify five major functions of management i.e. Planning, Organising, Commanding, Coordination, Controlling.

Fayol developed the concept of administration through the principles of management. These principles were published in 1917 in his book titled 'Administration industrielle et generale' which was reprinted in English in 1949 as 'General & Industrial Management'.

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### Fayol's Life History



Born in 1841, Trained as mining engineer, Fayol made his mark as an industrialist with the French Coal & Iron combine of Commentary – Forchambault. He joined there in 1860 as junior executive & retired as director of the company in 1918. He took over the company, when it became bankrupt in 1888 and transformed it into financially strong organization.

### **14 Principles of Management propounded by Henri Fayol are :-**

1. **Division of work** – This is the Principle of specialization which applies to all kinds of work. Specialization increases output by making employees more efficient. According to Fayol the work should be divided into small tasks which should be performed by trained specialist. For Example – Every company has separate departments for manufacturing, marketing, finance etc. which is managed by the specialized persons in that field.
2. **Authority and Responsibility** – Authority is the right to give orders and power to obtain obedience. A manager might use both his official authority and personal authority while getting things done. Official authority is derived from manager's position and personal authority arises out of personal qualities like intelligence, experience etc. Responsibility arises from assignment of an activity. A parity must be maintained between authority and responsibility. An individual to whom authority is given to exercise power, must also be prepared to bear the responsibility to perform the work in a satisfactory manner. For Example – CEO of a company has doubled the sales target of the sales manager for the coming year. To achieve this target, authority for appointing necessary sales representatives, advertising etc. shall have to be allowed. In case these thing are not allowed the sales manager cannot be held responsible for not accomplishing the target.
3. **Discipline** – Employees must obey and respect the rules that govern the enterprise. Good discipline is the result of effective leadership, a clear understanding between management and workers regarding the organizations rules and the judicious use of penalties for violation of the rules. For Example – If the workers break their promise of working up to their full capacity, it will amount to the violation of obedience.
4. **Unity of command** – According to Fayol, Unity of command means that the employee should receive command or orders from only one superior. It is necessary to avoid conflicting orders and to ensure order and stability in the organization. Instruction from one superior will provide clear directions to the employee to accomplish his goals. For Example –
5. **Unity of Direction** – According to Fayol there should be one head and one plan for a group of activities having same objectives. This Principle when applied properly ensures unity of action and facilitates coordination. Each department of the organization must have their own plans and focus should be towards achievement of organizational goals. For Example – An automobile company is manufacturing two products, scooter and car, hence having 2 divisions. As each product has its own market and problems therefore

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each division must have its own targets. Each division must plan its targets as per the environmental conditions to get better results.

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

- Unity of command prevents dual subordination whereas unity of direction prevents overlapping of activities.
- Unity of command affects the efficiency of an employee whereas unity of direction affects the efficiency of the organization.

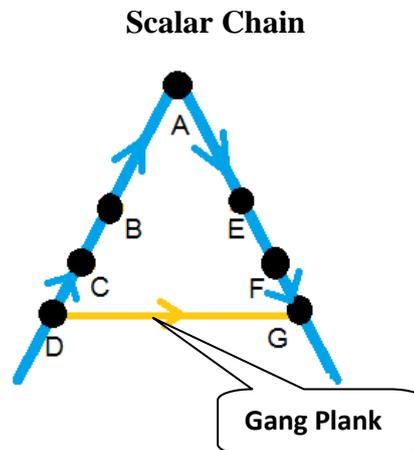
6. **Subordination of individual interest to general interest** – According to Fayol in any organization the interests of employees should not take precedence over the interest of the organization as a whole. Efforts should be made to reconcile individual interest with common interests. This can be achieved when managers set an example through their good conduct, honesty, fair dealings with internal groups. For Example – A Purchase Manager of a company has to purchase 100 tons of raw material. His son is also one of the suppliers. The Manager purchases the raw material from his son's firm at a rate higher than the market rate. This will profit the Manager personally but the company will incur heavy loss. This situation is undesirable.
7. **Remuneration of Employees** – Fayol suggested that all the employees of the organization should be treated equally and paid fair amount of compensation in form of wages or salaries. It should provide and satisfaction to both employer & employee. For Example – If the company is growing and earning good profits, then the remuneration of the employees should also be increased proportionately. This way the organization will have a satisfied & motivated staff.
8. **Centralization and Decentralization** – The concentration of decision making authority with one level in the organization i.e. top-level management is called Centralization. Decentralization means dispersal of authority to the lower levels of the organization. According to Fayol there should be a proper balance between the dispersal and retention of authority. Everything that increases the importance of subordinate's role is decentralization and which reduces it is centralization.

The degree of decentralization varies according to the scale of operations. For Example – Decisions in respect of determining objectives, policies, expansion of business etc. should remain in the hands of the top management. The other decisions regarding purchase of new material, gratuity leave to employees etc. should be delegated to the middle and lower level of management. If it's a small business unit then all the above mentioned decision remain centralized and if it's a large organization like TATA, RELIANCE then decentralization is possible.

9. **Scalar chain** – According to Fayol 'the Scalar chain is the chain of superiors ranging from the ultimate authority to the lowest level'. This principle suggests that there should be clear line of authority from top to bottom linking managers at all levels. Scalar chain serves two important purposes i.e. as a chain of command where orders and instructions flow from top to bottom and as a chain of communication which passes through the chain in a systematic manner.

Fayol felt that in emergency situation the chain of authority could be avoided for quick decisions. So he gave the concept of Gang Plank. According to this concept the employees working at the same level can communicate with each other, after informing their respective superiors.

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In the figure there are 2 lines of authority under one Boss 'A'. The instructions or orders flow from A to G or A to D. If 'D' has to communicate anything to 'G' then whole chain of command has to be followed i.e. upward D-C-B-A and again downwards from A-E-F-G. This involves delay, hence gang plank can be used in emergency where 'D' can directly communicate with 'G' by just informing their immediate superiors.

- 10. Order** – This principle states that there should be place for everything and everyone. It means that there should be fixed place for all the human resources & physical resources. Fayol believed that material order and social order increases efficiency and productivity. This principle emphasizes orderliness.
- 11. Equity** – Equity implies that employees should be treated with justice and kindness. Managers should adopt sympathetic and unbiased attitude towards workers so that they work honestly and efficiently. Equity helps to create cordial relations between management and workers which is essential for smooth functioning of the enterprise. There should be no discrimination on account of sex, religion, caste etc. For Example – The Principle of equity is violated if for the same job one employee gets ` 20,000/- while the other gets ` 15,000/-.
- 12. Stability of Tenure** – Management must implement practices which encourage long term commitment of employees. Time is required for an employee to get used to new work and succeed in doing it well. Instability of tenure can affect the organizations growth. Fayol believed that the employee turnover should be minimized for maximum development of the organization.
- 13. Initiative** – Fayol wanted that the subordinates and employees should be given an opportunity to take some initiative in thinking and executing the plans. It develops interest of employees in their jobs and provides job satisfaction. For Example – A salesman suggest his sales manager to implement a new advertisement technique but sales manager ignores the suggestion. So salesman's desire of taking initiative has been suppressed. On the contrary if sales manager would have listened to him (whether he implements or not) then it would have encouraged the employee to take initiative again.
- 14. Esprit De Corps** – The principle states that 'Unity is Strength'. According to Fayol even small factors could help in promoting team spirit. Unity among the personnel can be accomplished through proper communication and coordination. Manager should

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continuously make efforts to develop team spirit among the subordinates. He should use the word ‘We’ instead of ‘I’ during conversation with subordinates. For Example – Use of verbal communication in place of written communication wherever possible because face to face contacts tend to promote speed, harmony and understanding.

### **Conclusion**

Fayol’s Principles are flexible guidelines rather than immutable laws. They are to be used carefully and discretely. These principles explain the relationship between human and material resources but they influence human behavior the most while accomplishing the organizational goals.

**4.1 NEO-CLASSICAL APPROACH** - In 1930’s the observers of business management began to feel the need of humanitarian touch in the Principles of Management. This theory is also referred as Behavioral Science Approach. Neo classical theory gives importance to human & social aspects of the worker & his relations in the organization. Instead of concentrating on production, structures or technology, the neo classical theory was mainly associated with the employee. In this approach the workers are structured in such a way that they would regularly share tasks, information & knowledge with one another. George Elton Mayo (1880-1949) is considered the “Father of Neo-Classical Approach”. He was the leader of the team which conducted the famous Hawthorne Experiments. These experiments were conducted at a plant of the Water Elective Company, which was located at Hawthorne near Chicago in U.S.A. This experiment were undertaken in 4 phases i.e. Illuminating Experiment, Relay Assembly Test , Room Studies, Mass Interview Programme & Bank Writing Observation Room Study. The observation through these experiments were as follows :—

- Workers can’t only be motivated by money but they are socio-psychological beings & respond to total work situation.
- Workers act or react not as individuals but as members of group.
- Informal leaders play an important part in setting & enforcing group norms.
- The amount of work to be done by a worker is not determined by his physical capacity but by the social norms. Other experiments were also performed & the researchers concluded that social factors play an important role in workers efficiency.

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### **SUMMARY**

- Nature of Management can be identified through study of management as Science, Art or Profession.
- Management as Science – Systematized body of knowledge.
- Management as an Art – Existence of theoretical knowledge
- Management as profession – Well defined body of knowledge relevant to area of specialization.
- Concepts and thoughts of management – Classical Approach, Neo Classical Approach, Contemporary Approach.
- Classical Approach – Emphasized on workers efficiency and control.
- Classical Approach can be categorized into Scientific Management, Bureaucratic Theory, Administrative Theory
- Scientific Management – It means knowing exactly what you want them to do and seeing that they do it in the best & cheapest way according to F.W. Taylor.
- Administrative Theory – It constituted of 14 principles which were propounded by Henri Fayol.
- Neo Classical Approach – This approach emphasized on human and social aspect of the worker instead of production.

### **SELF TEST QUESTIONS**

#### **1. Choose the correct answer**

- ..... is to lay down sequence of operations and see that work should travel smoothly.
  - Instruction card clerk (ii) Route Clerk (iii) Time and cost clerk
- ..... Study aims to provide proper rest intervals for effectiveness of workers.
  - Method Study (ii) Motion Study (iii) Fatigue Study
- ..... Principle of scientific management emphasizes that proper training and selection of employees should be done.
  - Harmony, not Discord (ii) Development of each person towards greatest efficiency (iii) Cooperation
- Fayol's Principle of ..... emphasized of replacing 'I' with 'We'.
  - Esprit De Corps (ii) unity of command (iii) Division of work
- ..... Prevents overlapping of Activities
  - Division of work (ii) Unity of Direction (iii) Order

#### **2. Fill in the blanks**

- ..... device helps subordinates of the same level of different departments to communicate directly in case of emergency.
- A manager applies various theories of management in his unique personalized way proves that management is .....
- Principles of management establish ..... relationship between different variables.
- ..... approach of management emphasized on making workers more efficient by increasing production.
- ..... is known as Father of Scientific Management.

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### 3. Match the following

Profession	1 worker 8 bosses
Neo Classical Approach	Member has to abide a code of conduct
Unity of Direction	Emphasizes on Human and social aspect
Method Study	One head One plan
Functional foremanship	To choose the best way to perform a task

### 4. True or False

- i) Success of a Manager depends upon the theoretical knowledge he has gained from College and Universities.
- ii) Management Principles are not universally applicable.
- iii) Bureaucratic approach laid stress on competence & discipline.
- iv) Concentration of decision making authority is called Decentralization.
- v) There should be complete cooperation between employees and management instead of individualism.

### 5. Answer the following briefly –

1. Discuss features of Management as profession.
2. Explain the following techniques of Scientific Management.
  - i) Differential Piece Rate Plan
  - ii) Functional Foremanship
3. Write a short note on Neo-Classical Approach/
4. Explain the concept of Scalar Chain with Example.

### 6. Answer in detail –

1. Explain the Principles of Scientific Management given by Taylor.
2. Explain the following Principles of Management given by Fayol with examples
  - i) Esprit De Corps
  - ii) Unity of Command
  - iii) Centralization and Decentralization
3. Management is considered to be both an Art and Science. Explain.