

# PRINCIPLES OF MANAGEMENT

## STUDY NOTES

- **Meaning of Principles of Management**

A managerial principle is a broad and general guideline for decision-making and behavior.

- **Nature/Characteristics/Features Principles of Management**

- Universal applicability
- General guidelines
- Formed by practice and experimentation
- Flexible
- Mainly behavioural
- Cause and effect relationships
- Contingent

- **Significance/Importance of Principles of Management**

- Providing managers with useful insights into reality
- Optimum utilization of resources and effective administration
- Scientific decisions
- Meeting changing environment requirements
- Fulfilling social responsibility
- Management training, education and research

- **Fayol's Principles of Management**

Henri Fayol (1841-1925) was a French management theorist. He is also known as the 'Father of General Management'.

Principle are:

- Division of Work
- Authority and Responsibility
- Discipline
- Unity of Command
- Unity of Direction
- Subordination of Individual Interest to General Interest
- Remuneration of Employees
- Centralisation and Decentralization
- Scalar Chain
- Order
- Equity
- Stability of Personnel
- Initiative
- Esprit De Corps

- **Taylor's Principles of Management (scientific management)**

Fredrick Winslow Taylor thought that by scientifically analyzing work, it would be possible to find 'one best way' to do it. He is most remembered for his time and motion studies.

- **Principles of Scientific Management**

Taylor emerged as the 'Father of Scientific Management'. Taylor himself achieved a three-fold increase in productivity by application of scientific management principles.

- Science not Rule of Thumb
- Harmony, Not Discord
- Cooperation, Not Individualism
- Development of Each and Every Person to His or Her Greatest Efficiency and Prosperity.

● **Techniques of Scientific Management**

➤ **Functional Foremanship**

◆ **Planning Incharge:**

- (a) Instruction Card Clerk
- (b) Route Clerk
- (c) Time and cost clerk
- (d) Disciplinarian:

◆ **Production Incharge:**

- (a) Speed Boss
- (b) Gang Boss
- (c) Repair Boss
- (d) Inspector

➤ **Standardization and Simplification of Work**

➤ **Method Study**

➤ **Motion Study**

➤ **Time Study**

◆ **Work Study = Method Study + Motion Study + Time Study + Fatigue study**

➤ **Fatigue Study**

➤ **Differential Piece Wage System**

● **Fayol Versus Taylor — A Comparison**

Both of them have contributed immensely to the knowledge of management, which has formed a basis for further practice by managers. It must be pointed out that their contributions are complementary to each other.

Sl. No.	Basis of difference	Henri Fayol	F. W. Taylor
1.	<b>Perspective</b>	Top level of management	Shop floor level of a factory
2.	<b>Unity of Command</b>	Staunch Proponent	Did not feel that it is important as under functional foremanship a worker received order from eight specialists
3.	<b>Applicability</b>	Applicable universally	Applicable to specialized situations
4.	<b>Basis of formation</b>	Personal experience	Observations and experimentation
5.	<b>Focus</b>	Improving overall administration	Increasing Productivity
6.	<b>Personality</b>	Practitioner	Scientist
7.	<b>Expression</b>	General Theory of Administration	Scientific Management
8.	<b>Human Element</b>	Fayol gave emphasis to human element	Taylor gave importance to increase in production

● **Similarities:**

- Both focused on maximizing efficiency.
- Both focused on cordial relations between the workers and the management.
- Both advocated specializing and division of work.
- Both advocated standardization.
- Both gave priority to organizational interest over individual interests.

Thus, the principles are mutually complementary to each other.

## QUESTION BANK

### MULTIPLE CHOICE QUESTIONS

1. Which scientific management principle involves almost equal division of work and responsibility between managers and workers, open communication system and use of paternalistic style of management?
  - (a) Division of work
  - (b) Scalar chain
  - (c) Harmony, not discord
  - (d) Cooperation, not individualism
2. Identify the correct reason as to why Taylor propagated for having eight foremen, instead of one?
  - (a) For ensuring division of work
  - (b) To provide for all qualities of good foremen in the factory
  - (c) For decentralizing the organization structure
  - (d) To increase efficiency of workers
3. Which of the following is not an objective of Standardisation?
  - (a) To reduce a given line or product to fixed types, sizes and characteristics.
  - (b) To establish interchangeability of manufactured parts and products.
  - (c) To reduce needless diversity of products
  - (d) To establish standards of excellence and quality in materials
4. A manager can leave routine decision-making to his subordinates and deal with exceptional situations which require his/her expertise by following the principle of delegation. Which point of significance of management principles is highlighted here?
  - (a) Providing managers with useful insights into reality
  - (b) Optimum utilization of resources and effective administration
  - (c) Meeting changing environment requirements
  - (d) Fulfilling social responsibility
5. Management principles can be evolved by experimentation, \_\_\_\_\_ and \_\_\_\_\_.
  - (a) Practice, Creativity
  - (b) Research, Practice
  - (c) Experience, Collective wisdom of managers
  - (d) Innovation, Collective wisdom of managers
6. Match the terms given in Column I with their corresponding meaning in Column II:

Column I		Column II	
I	Principles of Management	A.	Procedures or methods, which involve a series of steps to be taken to accomplish desired
II	Techniques of Management	B.	Processes to be followed by managers at all levels
III	Values	C.	Broad and general guidelines for decision making and behaviour
IV	Functions of Management	D.	Something, which are acceptable or desirable. They have moral connotations.

- (a) I – C, II – B, III – D, IV – A
  - (b) I – C, II – D, III – B, IV – A
  - (c) I – A, II – B, III – D, IV – C
  - (d) I – C, II – A, III – D, IV – B
7. Broad and general guidelines that facilitate managers in decision-making and behaviour are referred to as:
    - (a) Management functions
    - (b) Management principles
    - (c) Management techniques
    - (d) Management values

8. Which principle/technique of scientific management is reflected in the given picture?

- (a) Science, not rule of thumb
- (b) Standardization and simplification of work
- (c) Method study
- (d) Order



9. Management principles are flexible because:

- (a) Management principles cannot be applied to all kinds of organisations.
- (b) Management principles cannot be applied as principles of pure science.
- (c) Management principles deal with human behaviour, which is not static.
- (d) Management principles are used by managers and each manager works in his/her unique style.

10. The one best way to perform a task should be identified and implemented. Identify the technique of scientific management defined in this sequence:

- (a) Method study
- (b) Time study
- (c) Fatigue study
- (d) Standardisation and simplification of work

11. The Principles of Management have been developed on the basis of:

- (a) Observation
- (b) Experimentation
- (c) Personal experience of manager
- (d) All of the above

12. The objective of this technique of scientific management is to reduce a given line or a product to fixed type sizes and characteristics. This technique is:

- (a) Method study
- (b) Differential piece wage system
- (c) Standardisation and simplification of work
- (d) Functional foremanship

13. Match the following:

Column I		Column II	
I	Unity of Command	A.	Prevents hindrance in activities
II	Unity of Direction	B.	Prevents overlapping of activities
III	Stability of Personnel	C.	Prevents Dual Subordination
IV	Order	D.	Prevents insecurity among employees

- (a) I – C, II – B, III – D, IV – A
- (b) I – B, II – C, III – D, IV – A
- (c) I – C, II – B, III – A, IV – D
- (d) I – A, II – B, III – D, IV – C

14. Match the following:

Column I		Column II	
I	Efforts of all employees to be directed towards the common direction of achieving organizational goal	A.	Subordination of individual interest to general interest
II	Organizational interest must supersede over individual interest	B.	Remuneration of persons
III	Fair or adequate wages to workers	C.	Centralization
IV	Key decisions should be taken by top management	D.	Unity of direction

- (a) I – B, II – A, III – D, IV – C
- (b) I – A, II – C, III – B, IV – B
- (c) I – D, II – A, III – B, IV – C
- (d) I – C, II – B, III – A, IV – D

15. The marketing manager has allowed sales manager to give 8% discount, while finance department has ordered the sales manager not to offer more than 5% discount. Which principle of management is being violated?

- (a) Discipline
- (b) Authority and responsibility
- (c) Unity of direction
- (d) Unity of command



16. "Employee turnover should be minimised to maintain organisational efficiency. "Which principle of management is being highlighted?
- (a) Initiative (b) Stability of personnel  
(c) Order (d) Discipline
17. A managerial principle is a broad and general guideline for decision making and behaviour. While deciding about promotion of an employee one manager may consider seniority, whereas the other may follow the principle of merit. In the absence of Information and Communications Technology (ICT), a manager could oversee only a small work force that too within a narrow geographical space. The advent of ICT has expanded the capability of the managers to preside over large business empires spread across the globe. This is indicating towards:
- (a) Concept of management (b) Nature of management  
(c) Levels of management (d) None of the above
18. Values are general rules for behaviour of individuals in society formed through common practice whereas principles of management are formed after research in work situations, which are technical in nature. However, while practicing principles of management values cannot be neglected, as businesses have to fulfil social and ethical \_\_\_\_\_:
- (a) Responsibilities towards society (b) Money  
(c) Income (d) None of the above
19. "The application of principles of management is contingent or dependent upon the prevailing situation at a particular point of time. The application of principles has to be changed as per requirements. For example, employees deserve fair and just remuneration. But what is just and fair is determined by multiple factors. They include contribution of the employee, paying capacity of the employer and also prevailing wage rate for the occupation under consideration. Having described the inherent qualities and characteristics of management principles, it should be easy for you to appreciate the significance of these principles in managerial decision-making. But before that you can read the following case study of 'Kiran Mazumdar Shaw' a highly successful Indian businesswoman and CEO of 'Biocon' in the accompanying box. You should be able to see how she was able to transform a little known sector of biotechnology into a very profitable company and earn titles which any one would dream of." This case study indicates towards which of following nature of management:
- (a) Universal applicability (b) General guidelines  
(c) Cause and effect relationships (d) Contingent
20. "Resources both human and material available with the company are limited. They have to be put to optimum use. By optimum use we mean that the resources should be put to use in such a manner that they should give maximum benefit with minimum cost. Principles equip the managers to foresee the cause-and-effect relationships of their decisions and actions. As such the wastages associated with a trial-and-error approach can be overcome. Effective administration necessitates personalization of managerial conduct so that managerial power is used with due discretion." Identify which of following significance of principles of management is discussed in above given lines:
- (a) Providing managers with useful insights into reality  
(b) Optimum utilisation of resources and effective administration  
(c) Fulfilling social responsibility  
(d) Meeting changing environment requirements
21. "It refers to an important stream of one of the earlier schools of thought of management referred to as the 'Classical' school. The other two streams belonging to the classical school are Fayol's Administrative Theory and Max Weber's Bureaucracy. We will not be describing bureaucracy here. A discussion of Fayol's principles, however, will follow the discussion of scientific management."
- (a) Fayol's scientific management (b) Taylor's Scientific Management  
(c) Both (a) and (b) (d) None of the above
22. "He is known for coinage of the term 'Scientific Management' in his article 'The Principles of Scientific Management' published in 1911. After being fired from Bethlehem Steel Company he wrote a book 'Shop floor' which sold well. He was selected to be the president of the American Society of Mechanical Engineers (ASME) from 1906 to 1907. He was a professor at Tuck School of Business at Dartmouth College founded in 1900." He is:
- (a) Fredrick Winslow Taylor (b) Henri Fayol  
(c) Adam Smith (d) All of the above

23. "It requires first, a careful investigation of each of the many modifications of the same implement, developed under rule of thumb; and second, after time and motion study has been made of the speed attainable with each of these implements, that the good points of several of them shall be unified in a single standard implementation, which will enable the workman to work faster and with greater ease than he could before". It is:
- (a) Scientific management (b) Technological management  
(c) Logical thinking (d) None of the above



24. Observe the given image:  
Sharing of gains between management and workers leading to complete harmony".  
Identify which of the following principle is there in given image?
- (a) Harmony and harmony  
(b) Harmony not discord  
(c) Science not rules of thumb  
(d) Cooperation, Not Individualism
25. It refers to the process of setting standards for every business activity; it can be standardization of process, raw material, time, product, machinery, methods or working conditions. These standards are the benchmarks, which must be adhered to during production.
- (a) Simplification (b) Standardisation (c) Work (d) Schedule
26. Taylor called for a complete mental revolution on the part of both management and workers. The word mental revolution means;
- (a) There should be complete harmony between the management and workers  
(b) Management and workers should transform their thinking  
(c) Management and workers should realize that each one is important.  
(d) Managers serve as a link between the owners and the workers.
27. According to Taylor, management should not close its ears to any constructive suggestions made by the employees. They should be rewarded for their suggestions which results in substantial reduction in costs. Fayol developed a similar principle but suggested a caution for its implementation. Identify the caution from the given options.
- (a) A good company should have an employee suggestion system whereby initiative/suggestions which result in substantial cost/time reduction should be rewarded.  
(b) The employees must make sure that they are not going against the established practices of the company for the sake of being different.  
(c) Employees should be given reasonable time to show results.  
(d) There must be kindness and justice in the behaviour of managers towards workers.
28. Observe the given statements and choose the correct option.
- I. Scalar chain should not be violated in the normal course of informal communication.  
II. Gang Plank is a shorter route available within the scalar chain for easy communication.  
III. Gang Plank has been provided so that communication is not delayed  
IV. In an emergency it can be possible that a worker can contact CEO directly.
- (a) All the above statements are correct (b) Only 2,3,4 are correct  
(c) Only 3,4 are correct (d) Only 1,2 are correct
29. Which of the following statements is/are true with reference to Principles of Management?
- (a) The principles are guidelines to action.  
(b) The principles denote a cause and effect relationship.  
(c) Principles help the manager to take decisions while performing various management functions.  
(d) All of the above.
30. The Principles of Management do not provide readymade straight jacket solutions to all management problems because
- (a) The real business situations are complex (b) The real business situations are dynamic  
(c) The principles act as general guidelines (d) All of the above



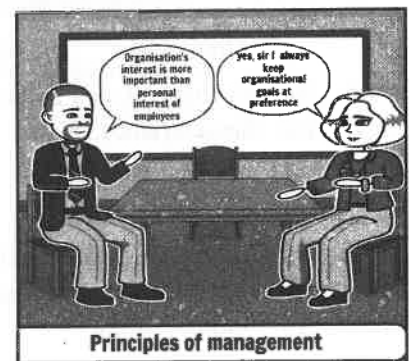
31. Principles of Management emphasize on logical and rational decision making rather than on the basis of bias and prejudice. The given statement highlights that the knowledge of principles of management leads to
- Providing managers with useful insight into reality
  - Scientific decisions
  - Meeting changing environmental requirements
  - All of the above
32. According to this Principle of Scientific Management, "Scientific Management has for its foundation the firm conviction that true interest of the management and workers are one and the same; the prosperity for the employer cannot exist for a long time unless it is accompanied by prosperity for the employees and vice versa."
- Science, not rule of thumb
  - Co-operation, not individualism
  - Harmony, not discord
  - All of the above
33. According to this Principle of Scientific Management, the employees should be rewarded for their suggestions which results in substantial reduction in the cost.
- Science, not rule of thumb
  - Co-operation, not individualism
  - Harmony, not discord
  - All of the above
34. According to Taylor, "each specialist is to be assigned work according to his/her qualities, the employees who possess technical mastery should be involved in planning work whereas those with energy and good health may be assigned execution work." Name the related principle of scientific management.
- Functional foremanship
  - Science, not rule of thumb
  - Development of each and every person to his or her greatest efficiency and prosperity
  - None of the above
35. The concept of Work Study techniques includes
- Time study
  - Motion study
  - Fatigue study
  - All of the above
36. The objective of this technique of scientific management is to reduce a given line or a product to fixed type sizes and characteristics. Name the technique.
- Method study
  - Differential piece wage system
  - Standardisation and simplification of work
  - Functional foremanship
37. This technique of Scientific Management helps in development of the concept of assembly line which is widely used in automobile companies these days as well. Identify the technique.
- Motion study
  - Standardisation and simplification of work
  - Method study
  - lime study
38. This technique of Scientific Management aims to determine the amount and frequency of rest intervals that should be provided to the employees during working hours.
- Time study
  - Method study
  - Motion study
  - None of the above
39. The technique of differential piece rate system was developed by Taylor in order to
- Discriminate between efficient and inefficient workers
  - Reward the efficient worker
  - Motivate the inefficient workers to perform better
  - All of the above
40. According to this Principle of General Management, "an organisation should safeguard against abuse of managerial power, but at the same time a manager should have the necessary authority to carry out his responsibility." Name the principle of management being described in the given statement.
- Discipline
  - Authority and responsibility
  - Unity of command
  - Unity of direction

41. Name the Principle of Management suggested by Henri Fayol, which advocates that, "there should be good superiors at all levels, clear and fair agreement and judicious application of penalties."
- (a) Authority and responsibility (b) Esprit De Corps  
(c) Order (d) None of the above
42. Through this Principle of Management, Henri Fayol guides the managers to exhibit exemplary behaviour and advises that they should not fall into temptation of misusing their powers for personal benefit at the cost of general interest of the organisation. Which principle of management is being described in the above statement?
- (a) Remuneration of employees  
(b) Centralisation and decentralisation  
(c) Subordination of individual interest to general interest  
(d) Equity
43. Which principle of general management advocates that, "Employee turnover should be minimised to maintain organisational efficiency."?
- (a) Stability of personnel (b) Remuneration of employees  
(c) Equity (d) Esprit De Corps
44. The objective of this technique of scientific management is to reduce a given line or a product to fixed type, sizes and characteristics. Name the technique.
- (a) Method study (b) Differential piece wage system  
(c) Standardisation and simplification of work (d) Functional foremanship
45. 'Rule of thumb' refers to:
- (a) Use of personal judgement in handling management issues  
(b) Adopting a hit and trial approach to resolve management problems  
(c) Both (a) and (b)  
(d) None of the above

46. Observe the picture given below:

Identify the Principle of Management given below:

- (a) Discipline  
(b) Subordination of individual interest to general interest  
(c) Remuneration of persons  
(d) Principle of scalar chain



### INPUT-TEXT BASED MCQs

Read the following text and answer the following questions (47 to 50) on the basis of the same:

Shashikant Godbole, working as production manager in Sizzling Enterprises, found that there was a conflict amongst his subordinates Shabana and Shobhit. The reason of conflict was method of packaging the finished goods. Both of them were insisting on his way of packaging the goods to be the better. Shashikant resolved them to solve their conflict by suggesting them another unique method which included some style of Shabana's way of packaging and some style of Shobhit's way. This helped in packaging of goods in the best way and in minimum time.

47. Which characteristic of management principles is highlighted in the above case?
- (a) General guidelines (b) Universal applicability  
(c) Flexible (d) Mainly behavioural
48. Which technique of Scientific Management is highlighted in the above case?
- (a) Functional Foremanship (b) Time study  
(c) Method study (d) Motion study



49. In the above case, Shashikant Godbole resolves the conflict amongst the managers and at the same time finds out best method to do the packaging. Arrange the following in correct order to find the best method of doing the work:
- X – Combining best practices  
 Y – Developing best method  
 Z – Investigating traditional methods, using work study
- (a) X-Y-Z (b) Z-Y-X  
 (c) Z-X-Y (d) X-Z-Y
50. Which of the following is the aim of standard or best method of doing work, as given by F.W. Taylor?
- (a) Maximizing production (b) Maximizing efficiency  
 (c) Maximizing profits (d) Maximizing sales

**Read the following text and answer the following questions (51 to 54) on the basis of the same:**

Suresh works in a bulb manufacturing company. Each bulb which is manufactured is of standard size and quality. Further if there is any unrequired type of bulb manufactured then its production is stopped. Last month when the company came to know that 10 watt bulbs were no more liked by customers, their production was stopped. He works in the purchase department. His job is to purchase the filaments required to make bulbs. This time when he purchases the filament he gets the instruction from the seller that some special care needs to be taken in the first hour of fixing the filaments inside the bulb. Suresh knows this information should be given immediately to the production department before the assembling process starts. However, he finds that his company's policies only allow him to give the message to his immediate boss who will further pass this message to his boss. The passing of this message will continue till it reaches the desired person in the production department.

51. The technique of management which is followed here is:
- (a) Standardisation (b) Simplification (c) Both (a) and (b) (d) None of the above
52. The principle of management which is followed here is:
- (a) Scalar Chain (b) Discipline (c) Division of work (d) None of the above
53. The option which is now available to Suresh is the use of \_\_\_\_\_ as this is an emergency situation. Suresh knows that this information should be given immediately to the production department.
- (a) Pass information (b) Telephone (c) Gang Plank (d) None of the above
54. "The general environment in the company is very supportive to the employees. The employee turnover ratio is very low."
- Which concept of management is discussed here?
- (a) Mental Revolution (b) Stability of personnel  
 (c) Both (a) and (b) (d) None of the above

**Read the following text and answer the following questions (55 to 59) on the basis of the same:**

'Work is Worship' is a leading construction company. The organisation has grown from strength to strength because of its innovative ideas and scientific approach of working. Ten years back the organisation went through a revolution. All the operations and activities were properly noticed and the standard time taken to perform them was noted. This took a few months and now the company could find out the amount of workers required and the number of days to be involved in the various manufacturing processes. A year later they moved to another level by considering the stress involved in the lives of the workers. The amount and frequency of rest intervals in finishing a particular task were noted. This helped the company in optimizing the rest intervals for the workers so that their outputs could be increased. After six more months the company decided to reward the efficient workers. A different rate of wage payment was decided for those workers who performed above the standard. The standard was decided. This led to a revolutionary change in the perspective of the workers who now started giving their full efforts in order to increase their wages.

55. The concept of management which is discussed above in the whole case is:
- (a) Techniques of Scientific Management (b) Technique of work  
 (c) Technique of supervision (d) None of above

56. All the operations and activities were properly noticed and the standard time taken to perform them was noted which study is this:  
 (a) Time study (b) Fatigue study  
 (c) Differential piece wage system (d) None of the above
57. The amount and frequency of rest intervals in finishing a particular task were noted. which study is this:  
 (a) Time study (b) Fatigue study  
 (c) Differential piece wage system (d) None of the above
58. A different rate of wage payment was decided for those workers who performed above the standard. which study is this:  
 (a) Time study (b) Fatigue study  
 (c) Differential piece wage system (d) None of the above
59. It aims at eliminating superfluous varieties, sizes and dimensions. The main idea behind is to eliminate unnecessary diversity of products. It saves cost of labour, machines and tools. It leads to reduction in stock and helps in fuller utilisation of equipment. Moreover, it leads to an increase in turnover.  
 (a) Time study (b) Fatigue study  
 (c) Simplification of work (d) None of the above

## ANSWERS

### Multiple Choice Questions

- |         |         |         |         |         |         |         |         |         |         |
|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 1. (d)  | 2. (b)  | 3. (c)  | 4. (a)  | 5. (c)  | 6. (d)  | 7. (b)  | 8. (b)  | 9. (c)  | 10. (a) |
| 11. (d) | 12. (c) | 13. (a) | 14. (c) | 15. (d) | 16. (b) | 17. (a) | 18. (a) | 19. (a) | 20. (b) |
| 21. (b) | 22. (a) | 23. (d) | 24. (b) | 25. (b) | 26. (b) | 27. (b) | 28. (c) | 29. (d) | 30. (d) |
| 31. (b) | 32. (c) | 33. (b) | 34. (c) | 35. (d) | 36. (c) | 37. (d) | 38. (d) | 39. (d) | 40. (b) |
| 41. (d) | 42. (c) | 43. (a) | 44. (c) | 45. (c) | 46. (b) |         |         |         |         |

### Input-Text Based MCQs

- |         |         |         |         |         |         |         |         |         |         |
|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 47. (a) | 48. (c) | 49. (c) | 50. (b) | 51. (c) | 52. (a) | 53. (c) | 54. (b) | 55. (a) | 56. (a) |
| 57. (b) | 58. (c) | 59. (c) |         |         |         |         |         |         |         |

## EXPLANATION TO SOME SELECTED QUESTIONS

31. (b) Principles of Management are not based on rule of thumb/hit-and-trial method, but on a scientific approach.
35. (a) The concept of work study includes time study, motion study, fatigue study and method study.
36. (c) Through the technique of simplification, Taylor suggested elimination of unnecessary diversity of products.
37. (c) The concept of assembly line is used extensively in automobile industries like Toyota, Ford etc. these days as well.
38. (d) The correct answer is fatigue study.
39. (d) Through the technique of differential piece rate wage system, Taylor advocated. That efficient workers should be paid at a higher rate as compared to inefficient workers.
40. (b) Through the principle of authority and responsibility, Taylor advocated that there should always be a balance between the authority granted and the responsibility entrusted to an employee.
41. (d) The correct answer is Discipline.
42. (c) Through this principle, Fayol advocates that the interest of the organisation should supersede individual interest of an employee under all kinds of situations.
43. (a) According to Fayol, due care should be taken while carrying out the recruitment and selection process and the new recruits should be placed at a particular position for a sufficient tenure.
44. (c) Through the technique of simplification, Taylor suggested elimination of unnecessary diversity of products.

