



Collegedunia NCERT Notes

The Ultimate NCERT Revision Guide for Class 12 Business Studies

Chapter 2: Principles of Management

1. Meaning of Principles of Management

Definition

Principles of management are broad and general guidelines for managerial decision-making and behaviour. They are different from techniques (which are methods for getting things done) and from values (which are normative statements about what is right).

Key Distinction

Principles guide; techniques operate; values judge. The exam tests this three-way distinction.

2. Nature of Principles of Management

1. **Universal applicability:** applicable to all types of organisations, but the extent of application varies with situation.
2. **General guidelines:** not rigid prescriptions; provide direction.
3. **Formed by practice and experimentation:** principles emerge from observation of real management practice.
4. **Flexible:** can be modified by the manager to suit the situation.
5. **Mainly behavioural:** aim to influence human behaviour at work.
6. **Cause and effect relationships:** establish the consequence of following or violating the principle.
7. **Contingent:** their application depends upon the circumstances at hand.

3. Significance of Principles of Management

1. Provides useful insights to managers (codified experience).
2. Optimum utilisation of resources and effective administration.
3. Scientific decisions over rule of thumb.
4. Meeting changing environment requirements via flexibility.
5. Fulfilling social responsibility.
6. Management training, education and research.

4. F.W. Taylor's Scientific Management

Definition

Scientific Management is the application of scientific methods of analysis, observation, measurement and experimentation to the management of work, replacing rule of thumb with a science-based approach.

4.1 Four Principles of Scientific Management

1. **Science, not Rule of Thumb.** One best way scientifically determined.
2. **Harmony, not Discord.** Mental Revolution on both management and worker sides.
3. **Cooperation, not Individualism.** Active joint effort, profit sharing.
4. **Development of each person to greatest efficiency.** Scientific selection and training of every worker.

4.2 Techniques of Scientific Management

The Seven Techniques

1. **Functional Foremanship:** 8 specialised foremen (4 planning: Route Clerk, Instruction Card Clerk, Time & Cost Clerk, Disciplinarian; 4 production: Speed Boss, Gang Boss, Repair Boss, Inspector).
2. **Standardisation and Simplification of Work:** fixed specifications + variety reduction.
3. **Method Study:** best way of doing a job.
4. **Motion Study:** eliminate unnecessary movements.
5. **Time Study:** fix the fair day's work using a stopwatch.
6. **Fatigue Study:** set optimum rest periods.
7. **Differential Piece Rate System:** two-tier wage rate (efficient = higher, inefficient = lower).

FFSM-MTFD

Functional Foremanship, **S**tandardisation, **M**ethod, **M**otion, **T**ime, **F**atigue, **D**ifferential. Seven techniques in one acronym.

5. Henri Fayol's 14 Principles of Management

The 14 Principles

1. **Division of Work.** Specialisation increases efficiency.
2. **Authority and Responsibility.** Authority = right to give orders; responsibility = obligation to perform. Authority and responsibility should be balanced.
3. **Discipline.** Obedience to organisational rules; clear rules + fair penalties.
4. **Unity of Command.** One subordinate, one boss.
5. **Unity of Direction.** One head + one plan per objective.
6. **Subordination of Individual Interest to General Interest.** Firm > employee.
7. **Remuneration of Personnel.** Fair pay to all.
8. **Centralisation and Decentralisation.** Balanced concentration of authority.
9. **Scalar Chain.** Top-to-bottom chain of communication; gang plank exception in emergencies.
10. **Order.** A place for everything (material) and everyone (social).
11. **Equity.** Kindness + fairness + justice.
12. **Stability of Personnel.** Retain employees long enough.
13. **Initiative.** Encourage workers to come up with new ideas.
14. **Esprit de Corps.** Team spirit, union is strength.

6. Mental Revolution

Definition

Mental Revolution is Taylor's call for a complete change in attitude on the part of both management and workers. Both sides must stop seeing each other as adversaries and start cooperating, sharing the gains of higher productivity.

Why It Matters

Without mental revolution, functional foremanship is just an organogram and time study is just data. With mental revolution, scientific management becomes a culture that delivers higher productivity and higher wages.

7. Taylor vs Fayol: Comparison

Six-Point Comparison

- **Perspective:** Taylor bottom-up vs Fayol top-down.
- **Focus:** Taylor on operating efficiency vs Fayol on whole-organisation management.
- **Unity of Command:** Taylor diluted it (a worker reports to 8 specialist foremen under Functional Foremanship) vs Fayol a staunch proponent (one boss for every subordinate).
- **Personality:** Taylor a scientist vs Fayol a practitioner.
- **Applicability:** Taylor on production floor vs Fayol universal.
- **Methodology:** Taylor experiment vs Fayol observation.

Complementary, not opposed.

8. Relevance Today

Modern Echoes

- Taylor: Six Sigma, Lean Manufacturing, fast-food motion design, e-commerce fulfilment, performance-linked pay.
- Fayol: 14 principles in HR manuals, POSDC in MBA programmes, scalar chain in any modern organogram.

Adaptation needed: matrix teams soften Unity of Command; agile teams replace strict foremanship; knowledge workers demand decentralisation.

9. Key Takeaways

1. Principles of management are general, flexible guidelines, not rigid laws.
2. Fayol = 14 principles for whole organisation. Taylor = 4 principles + 7 techniques for shop floor.
3. Scalar Chain = vertical authority line. Gang Plank = lateral emergency shortcut.

4. Functional Foremanship = 8 foremen (4 planning + 4 production).
5. Mental Revolution is the soul of scientific management.
6. Taylor and Fayol are complementary; both remain relevant today, in adapted form.