

Chapter 2 · Principles of Management

CBSE Class 12 Business Studies (054) · Part A · Unit 1+2 = 16 marks · Ultimate Revision Sheet

60-SECOND RECALL

Nature (7)	Universal, General guidelines, Formed by practice & experimentation, Flexible, Mainly behavioural, Cause & effect, Contingent
Significance (6)	Insight into reality, Optimum utilisation, Scientific decisions, Meeting changing environment, Social responsibility, Training & research
Taylor	Father of Scientific Management · 4 principles + 7 techniques · Shop-floor level
Fayol	Father of General/Administrative Management · 14 principles · Top level
Killer distinction	Principle = broad guideline for behaviour Technique = a method / procedure to carry out a task

1. Meaning

WRITE THIS VERBATIM A **principle** is a fundamental truth or proposition that serves as the foundation for a system of belief or behaviour, or for a chain of reasoning.

Principles of management are broad and general guidelines for managerial decision-making and behaviour. They are not as rigid as principles of pure science because they deal with **human behaviour** and so must be applied creatively.

2. Nature / Features of Principles of Management

U-G-F-F-M-C-C — **U**niversal, **G**eneral guidelines, **F**ormed by practice, **F**lexible, **M**ainly behavioural, **C**ause-and-effect, **C**ontingent

1. **Universal applicability** — apply to all types of organisations, business and non-business, small and large, though the extent of application varies.
2. **General guidelines** — they guide action but do **not** provide readymade straitjacket solutions, because business situations are complex and dynamic.
3. **Formed by practice and experimentation** — developed from the observation, knowledge and experiments of managers.
4. **Flexible** — not rigid; can be modified and adapted by the manager to suit the situation.
5. **Mainly behavioural** — they aim to influence **complex human behaviour**, so they are behavioural rather than technical in nature.
6. **Cause and effect relationship** — they establish what will happen if a particular principle is applied, so they can be used in similar situations.
7. **Contingent** — their application depends upon the **prevailing situation** at a particular point of time and must be changed accordingly.

3. Significance / Importance of Principles of Management

1. **Providing managers with useful insights into reality** — increases their knowledge, ability and understanding of managerial situations and saves them from trial and error.
2. **Optimum utilisation of resources and effective administration** — resources are limited; principles help managers see the cause and effect of their decisions and thus reduce wastage.
3. **Scientific decisions** — decisions become fact-based, thoughtful and justifiable, free from bias and prejudice, and subject to measurement and evaluation.
4. **Meeting changing environment requirements** — principles are flexible and dynamic, so they help the organisation adapt to a changing environment.
5. **Fulfilling social responsibility** — they guide managers in fulfilling their obligations towards society, not just towards the organisation.
6. **Management training, education and research** — they form the core of management education and are the basis for further research.

4. F. W. Taylor — Scientific Management

DEFINITION Scientific management means knowing exactly what you want men to do and seeing that they do it in the **best and the cheapest way**. Taylor is called the **Father of Scientific Management**; his book is *The Principles of Scientific Management* (1911). He worked at Midvale Steel Company and focused on the **shop-floor / factory level**.

A. Taylor's 4 Principles

S-H-C-D — **Science** not rule of thumb, **Harmony** not discord, **Cooperation** not individualism, **Development** of each person

Principle	Meaning & key line
1. Science, not Rule of Thumb	There should be scientific study and analysis of each element of a job to replace the old rule-of-thumb (hit and miss) method. There is one best method of doing a job, found through work-study, which makes work simpler, easier and quicker.
2. Harmony, not Discord	There should be complete harmony between management and workers . Requires a MENTAL REVOLUTION — a complete change in attitude on both sides: management shares the gains of prosperity, workers work to their best. Class conflict must be eliminated.
3. Cooperation, not Individualism	An extension of harmony. There must be complete cooperation between labour and management instead of competition. Constructive suggestions from employees must be welcomed and rewarded ; workers should not go on strike or make unreasonable demands, and management should not resist mechanisation.
4. Development of each and every person to his or her greatest efficiency and prosperity	Scientific selection of workers, then training and assigning work suited to their temperament and abilities. This raises the productivity of the worker and the prosperity of the organisation.

TRAP Mental Revolution belongs to the principle "**Harmony, not discord**". If a question asks for Taylor's techniques, do **not** list mental revolution — list the seven techniques below.

B. Taylor's 7 Techniques

F-S-M-M-T-F-D — **F**unctional foremanship, **S**tandardisation & simplification, **M**ethod study, **M**otion study, **T**ime study, **F**atigue study, **D**ifferential piece wage

1. **Functional Foremanship** — separation of **planning** from **execution**. Supervision is split among **8 specialist foremen**, and every worker reports to all eight.

Planning in-charge (4)	Production in-charge (4)
Instruction Card Clerk — drafts instructions for workers Route Clerk — decides the route / sequence of production Time and Cost Clerk — prepares time and cost sheets Disciplinarian — ensures discipline	Speed Boss — ensures timely completion of the job Gang Boss — keeps machines and tools ready Repair Boss — maintenance of machines Inspector — checks the quality of work

2. **Standardisation and Simplification of Work** — **Standardisation** = setting benchmarks/standards for every business activity (process, raw material, machines, working conditions). **Simplification** = eliminating unnecessary varieties, sizes and grades of products. Result: savings in cost of labour, machines and tools, fuller utilisation of equipment and higher turnover.
3. **Method Study** — to find **one best way** of doing the job, so as to maximise efficiency in the use of resources, minimise cost of production and maximise customer satisfaction.
4. **Motion Study** — the study of **movements** undertaken while doing a job, in order to **eliminate unnecessary, incidental and unproductive motions**, so the job takes less time.
5. **Time Study** — determines the **standard time** taken to perform a well-defined job, using a stopwatch. Its objective is to fix a fair day's work, decide the number of workers to be employed and frame suitable incentive schemes.
6. **Fatigue Study** — determines the **amount and frequency of rest intervals** needed to complete a task. Rest lets workers regain stamina and avoids accidents, rejections and industrial sickness.
7. **Differential Piece Wage System** — differentiates efficient from inefficient workers by linking **wages to productivity**. A standard output is fixed and **two piece rates** are used: a **higher rate** for those who reach or exceed the standard and a **lower rate** for those who do not. Efficient workers are rewarded, inefficient ones are motivated to improve.

WORKED EXAMPLE (frequently asked): Standard output = 10 units/day. Rates: ₹50 per unit for those producing 10 or more; ₹40 per unit for those producing fewer. Worker A makes 11 units → $11 \times 50 = ₹550$. Worker B makes 9 units → $9 \times 40 = ₹360$. The wide gap (₹190) motivates B to improve.

5. Henri Fayol — The 14 Principles

CONTEXT Henri Fayol, a French mining engineer and Managing Director, is called the **Father of General Management**. His book is *General and Industrial Management*. He looked at management from the **top level downwards**.

#	Principle	Meaning & exam line
1	Division of Work	Work is divided into small tasks and each is given to a trained specialist . Leads to specialisation, efficiency and increased productivity . Applies to <i>all</i> kinds of work, managerial and technical.
2	Authority and Responsibility	Authority = power to take decisions and give orders; Responsibility = obligation to complete the job. There must be a balance between the two. Responsibility without authority makes an executive ineffective; authority without responsibility makes him arrogant and invites misuse of power.
3	Discipline	Obedience to organisational rules and the employment agreement. Requires good supervisors at all levels, clear and fair agreements, and judicious application of penalties .
4	Unity of Command	One subordinate = ONE boss . Receiving orders from two superiors causes confusion, conflict and duplication of work, and undermines authority.
5	Unity of Direction	One head, one plan for a group of activities having the same objective . Ensures unity of action and coordination.
6	Subordination of Individual Interest to General Interest	The interest of the organisation must take priority over the interest of any individual employee.
7	Remuneration of Employees	Pay and compensation must be fair and just to both employees and the organisation, giving workers a reasonable standard of living while staying within the paying capacity of the firm.
8	Centralisation and Decentralisation	Centralisation = concentration of decision-making power at the top; Decentralisation = its dispersal among more people. There must be a balance ; no organisation can be completely one or the other. Degree depends on the situation.
9	Scalar Chain	The formal line of authority from the highest to the lowest rank, in a straight chain. It must not be violated — except in an emergency, when two employees at the same level may contact each other directly through the GANG PLANK , informing their immediate superiors afterwards.
10	Order	"A place for everything and everything in its place." People and materials must be in suitable places at the appropriate time for maximum efficiency.
11	Equity	Kindliness and justice in dealing with employees. No discrimination on the basis of religion, language, caste, sex, belief or nationality.
12	Stability of Personnel	Employee turnover should be minimised . After rigorous selection, a person should be kept at the post for a minimum tenure to show results. Frequent turnover raises cost and hurts prestige.
13	Initiative	Workers should be encouraged to develop and carry out their plans for improvement. Initiative means taking the first step with self-motivation. Suggestion systems should be welcomed.
14	Esprit de Corps	Union is strength . Management should promote team spirit, unity and harmony . Managers should use " WE " instead of " I " and settle differences by talking, not writing.

THE MOST-CONFUSED PAIR IN THE WHOLE PAPER

Basis	Unity of COMMAND	Unity of DIRECTION
Meaning	One subordinate should receive orders from one superior only	One head and one plan for a group of activities with the same objective
Aim	Prevents dual subordination	Prevents overlapping of activities
Relates to	Functioning of personnel (employees)	Activities / departments of the organisation
Focus	Employee → boss relationship	Plan → department relationship

6. Fayol versus Taylor

Basis	Henri FAYOL	F. W. TAYLOR
Perspective	Top level of management	Shop floor / lower level of a factory
Unity of Command	Strictly followed — a staunch proponent	Not followed — functional foremanship gives a worker 8 bosses
Applicability	Universally applicable	Applicable only to specialised situations , such as factories
Basis of formation	Personal experience	Observation and experimentation
Focus	Improving overall administration	Increasing productivity / efficiency
Personality	Practitioner — Father of General Management	Scientist — Father of Scientific Management
Expression	General theory of administration	Scientific management
Human element	More importance to the human element (equity, stability, initiative)	More importance to increasing production than to the human element

CONCLUSION LINE The work of Taylor and Fayol is **complementary, not contradictory**. Fayol worked from the top down and Taylor from the bottom up; both aimed to improve organisational efficiency.

7. Case-Study Keyword Triggers this table wins the 4 & 6 markers

If the case says...	The answer is...
"received orders from two managers", "confusion about whom to report to"	Unity of Command violated
"two departments doing the same activity with different plans"	Unity of Direction violated
"emergency" + "contacted directly at the same level"	Gang Plank (Scalar Chain)
"suggestion box", "employees asked to give ideas"	Initiative
"team spirit", "used the word WE", "unity among staff"	Esprit de Corps
"no discrimination", "treated all workers kindly and justly"	Equity
"employees leaving frequently", "high turnover"	Stability of Personnel
"every item kept in a fixed place", "right person at the right desk"	Order
"given authority but not held answerable"	Authority and Responsibility (imbalance)
"each worker does one specialised task"	Division of Work
"stopwatch", "standard time fixed"	Time Study

"unnecessary movements removed"	Motion Study
"one best way of doing the job"	Method Study
"rest intervals", "workers were tired"	Fatigue Study
"two different wage rates", "efficient workers paid more"	Differential Piece Wage System
"8 specialists", "planning separated from execution"	Functional Foremanship
"reduced varieties from 20 to 5"	Simplification
"fixed benchmarks for quality / process"	Standardisation
"change of attitude of both workers and management"	Mental Revolution (Harmony not discord)

MOST-ASKED BOARD QUESTIONS

1. [6M] Explain the techniques of scientific management given by Taylor. (or any four/five of them)
2. [6M] Explain any six principles of management given by Fayol with examples.
3. [4-6M] Distinguish between the contributions of Fayol and Taylor.
4. [4M] Differentiate between Unity of Command and Unity of Direction.
5. [4M] Explain the nature / significance of the principles of management.
6. [4-6M] Case: identify and explain the principles of management violated / followed in the given situation.
7. [3M] Explain the concept of "mental revolution" as advocated by Taylor.
8. [1M] Which technique is used to distinguish efficient from inefficient workers? → **Differential piece wage system**

THE ONE THING STUDENTS LOSE MARKS ON — when a case asks you to *identify*, you must (1) **name** the principle/technique, (2) **define** it in one line, and (3) **quote the line from the case** that proves it. Missing step 3 costs you half the marks in every competency-based question.