

# Management principles company



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## Subject principles of management

Henri Fayol (born 1841 in Constantinople 'Istanbul'; died 1925 in Paris). He graduated from the mining academy of St. Etienne (École des Mines de Saint-Étienne) in 1860 as a French engineer. At the age of 19 he first entered into a mining company – *Compagnie de Commentry-Fourchambeau-Decazeville* as an engineer and then later on was known to become the managing director of the company from 1888 to 1918. It is said that he took over the company as a managing director when the firm was in crisis and was expected to come to a close. Henri Fayol was the man that brought the company from near closure to a boom stage. Fayol was also known to be an observant theorist and did not believe in paper work or mathematics. He found out simple tools and ways to help the workers to speed up their tasks that would eventually lead to better production and better overall results of the company.

Fayol has made 3 key contributions to management. *Firstly*, he differentiated between technical and managerial skills. *Secondly*, he constructed 5 main functions of a manager (planning, organizing, commanding, co-coordinating and controlling). *thirdly and the most important*; he laid down the 14 *principles of management* that he thought were common to all organisations. No doubt due to his great contributions he is rightly named “the father of management thought”.

Fayol laid down the five main principles of a manager / management. This he believed were basic activities that a manager had to perform in accordance to establishing a recognized and competitive firm.

The following lines talk about the five elements of management:

Planning: “ Planning is chalking out a plan of action, i. e. the result envisaged, the line of action to be followed, the stages to go through and methods to use.” – Fayol. (P. C. Jain, C. Sharma, M. Nandrajog, 2003).

Fayol believed that it is necessary to plan before you start any new venture or project. If the external and internal environment are not properly studied and plans drawn accordingly it is highly unlikely for the project to be a success.

Organizing: organizing is mainly bringing all the resources namely human resources, financial and material resources together to build a proper structure. It is mainly identifying in detail the activities and objectives of the plan and accordingly divide the activities in jobs and different sections depending on the nature of the jobs.

Commanding: it generally refers to guiding the employees on how to perform the various jobs or activities. A manager should be able to estimate the efforts or energy of the employees and as a result create harmony and initiative among the workforce.

Coordinating: mainly involves the balancing the activities and actions of the workforce to create peace and harmony and bring together the personnel to solve general problems amongst them.

Controlling: is concerned with ensuring that the goals or objectives of the organization are met as efficiently and effectively as possible. (P. C. Jain, C. Sharma, M. Nandrajog, 2003). It also involves making sure that the company

is going in the right direction as planned and achieving the set goals within the deadlines.

However, in the later few years Fayol`s five elements of management were further expanded by the American Luther Gulick and Brit Lydnall Urwick into seven elements which are as follows :

Planning, organizing, staffing, directing, coordinating, reporting and budgeting.

Like mentioned above his most significant contribution to management are the 14 principles. These principles were laid down by Fayol based on his personal experiences and through the observation of tasks and activities carried out by the workers. “ He believed the principles to be flexible and not absolute and to be utilized as the situation demands” (P. C. Jain, C. Sharma, M. Nandrajog, 2003)

Discussed below are Fayol`s 14 principles of management.

O Division of work: Fayol believed that the work is best carried out when it is carefully divided and each person is given their specific divided task to be carried out. It also ensured that the work was carried out effectively and efficiently. The main advantage according to fayol for the division of work was “ specialisation”. He insisted that when a worker carried out a particular task a number of times he specialises in that work and is the best man for that particular job.

O Authority and Responsibility: No individual can give his best performance unless he is given the authority to perform the responsibility he is given. For

e. g.: if an individual is given the responsibility to organise an event but is not given the authority to appoint who will carry out what task then its not possible for the event to be a success as for that to happen he should be given the right to appoint the best man he thinks is right for the job and also take any necessary decisions that comes along the way. Responsibility is nothing but the obligation to carry out any particular task assigned and authority is the right to take decision in regards to the responsibility. Fayol believed authority and responsibility to be at parity.

O Discipline: Fayol believed that for there to be discipline in the organisation it was necessary to have good supervisors at all levels. He did not like the idea of anyone breaking the rules and causing disorder. Moreover he wanted there to exist a mutual respect and understanding between the manager and employees of the company where the manager should take decisions keeping in mind the best interests of the employees and in turn the employees respect that decision and work for the betterment of the company.

O Unity of command: under this principle fayol wanted to insure that a subordinate should get orders from one and only 1 superior. He argued that if a subordinate got orders from more than one superior there was always a risk of excuse and the work not getting done. To illustrate: if a

O Unity of direction: fayol said that all the activities and tasks that are of the same type or nature should have the same goals and plans. This means that all tasks of similar nature will have one manager and one objective (P. C. Jain, C. Sharma, M. Nandrajog, 2003) . This will ensure the work running

smoothly and help speed up the process. For example; fast food chain restaurants like McDonalds have an international market and each market will differ according to the external environment of that place which will include the religious aspects, legal aspects, technological aspects etc. To elaborate the plan or strategy that works in U. K may not be the same as that of India cause both the countries have different markets and the expectations from the customers may not be the same. So each division must plan according to their external environment.

Subordination of individual interests to general interests: fayol believed that “ the interest of the group should supersede the interests of the individuals”. In addition, the management should ensure that the individual interests merge with the interests of the group.

Remuneration: fayol observed that fair methods of payment or remuneration motivate the employees to work hard and remain loyal to the company. This also works best in the interest of the employee and the employer.

Centralization: centralization means that the authority will be in the hands of a few. Fayol did not entirely mean that the company should be centralized but he assumed that the process of decision making should be done by the managers which will reduce the pressure on the employees and also mentioned that according to different circumstances the company can determine a centralized or decentralized approach. Fayol basically believed that thought the organisation is centralized it should give the subordinates enough authority to carry out their responsibilities.

Scalar chain: according to Fayol, the scalar chain is the “line of authority” or the “chain of superiors from the highest to lowest levels”. He alleged that if the workers always follow the line of authority, it may lead to slow decision making. For example, if a sales manager wants to get in touch with the marketing manager regarding some problems they are facing, he will have to go through a line of authority which might take time. Fayol suggested that two individuals at the same ranking can communicate with each other without going through the chain of superiors. This breaking of the line of authority was called “gang plank” by Fayol.

- Order: this principle is divided into “material” and “social order”. Order simply means that everything should be in its place or a place for everything and everyone. This also emphasizes that the right man should be selected for the right job and at the right time. As it is nicely put, “order according to Fayol was nothing but ‘a place for everything (everyone) and everything (everyone) in its place.’ (P. C. Jain, C. Sharma, M. Nandrajog, 2003).
- Equity: Fayol understood that if the workers were given a fair and reasonable treatment, they would be motivated to work hard and give in their finest performance. He believed that employees should not be discriminated on the basis of colour, caste, age, sex, etc. during any activity or circumstances that turn up in the company.
- Stability of tenure of personnel: according to Fayol, the unsteadiness of personnel in any organisation is a dreadful sign and goes on to show the incapability of the manager to keep his subordinates satisfied and happy. The instability also proves to be a costly affair for the

organization as a whole. If the company wants to be a success it should ensure that the employees are content and are given enough time to adapt to the surroundings and the work place so as to give in their best efforts.

- Initiative: initiative generally means taking the first step or going against the odds to try out something new. In his principle of initiative that is what Fayol suggests. For a company to achieve higher goals it is the duty of the managers to take initiative and undertake the projects which otherwise be ignored due to various reasons. In doing so he is setting a practical example for the subordinates to work hard and take initiatives to bring the company to a competitive stage in the market.
- Spirit de corps: in simple terms it means ‘ team work’. Fayol highlighted that the production results of a team or group is always higher than individual potentials. A team together is more daring and willing to take risks. Moreover, they come up with something extra called ‘ synergy’. Brainstorming can also be a good example. Fayol also emphasized that the manager should make sure that the members of a team are in harmony and are at ease while communicating with each other. Good interpersonal relationship among the employees is always a benefit for a company.

In spite of Fayol`s contributions he was highly opposed during his time. The workers went on strike and refused to work until the rules set by Fayol were removed. It was argued that carrying out a task continuously over a period of time which was said to specialise them in that work, as specified in his principle of “ division of work” was viewed as rather boring and tiresome to



the workers. They believed that doing the same job over and over again would only make it worse since they would lose the interest. Moreover it could also be hazardous to those workers who work in coal mines or other dangerous areas. Herbert Simon (1946), a critic, also argued that the principles were vague and contradictory. (Kenneth J. Meier, John Bohte).

Even though, after all these years Fayol has seemed to make a mark in history by his theories. True enough that they were not appreciated in those days but his principles have proved very helpful for many theorists to understand the concept of management and how to control and run a successful business. Many education centres and universities now teach about Fayol's principles to help them have a deep knowledge about business and guide them through their business careers. In many leading firms the basic elements – planning, commanding, coordinating, controlling and organizing are followed and several principles (division of work, unity of command, scalar chain etc.) have helped managers to make activities simpler and easier.

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