

NCERT Solutions for Class 12 Business Studies Chapter 2 Principles of Management

1. How is the Principle of 'Unity of Command' useful to management? Explain briefly.

Ans: Principle of Unity of Command implies that each and every subordinate should have one and only one boss. Orders and instructions should come from only one head. This helps the working of any organisation in the following manner

- (i) Authority responsibility relationship is clearly defined.
- (ii) Subordinates are known for whom they are accountable.
- (iii) Discipline and order is maintained.

2. Define scientific management. State any three of its principles.

Ans: Scientific management can be defined as knowing exactly what you want from men to do and seeing that they do it in the best and cheapest way.

Scientific management aims at choosing the best. Method to get the maximum output from the workers the principles of scientific management are mainly applicable to the shop-floor level.

Three principles of scientific management are as follows

- (i) **Science, Not Rule of Thumb** When different managers use their own different methods to get the work done it is rule of thumb. Taylor believed that there was only one best method to maximise efficiency. Taylor advised that every organisation should compare the results of different methods, test them again and again and finally select one best method of getting the work done.

(ii) **Harmony, Not Discord** Managers are an extension of the management and serve as a link between workers and the owners. Workers have to take instructions from the managers and managers have to get the work done through the workers. Oftentimes the relation between them is spoilt which is very harmful for everyone-workers, managers and owners. This class conflict should be replaced by harmony between the two. Both should change their thinking towards each other. Both should give importance to each other. This is known as mental revolution.

(iii) **Co-operation, Not Individualism** There should be complete co-operation between the labour and the management instead of individualism. This principle is an extension of the principle of 'Harmony not discord.' The management and the workers should not compete with each other rather co-operate with each other. Management should consider all good suggestions made by the employees which can help in cost reduction. At the same time, workers should never think of going on strikes in order to get their unreasonable demands fulfilled.

3. If an organisation does not provide the right place for physical and human resources in an organisation, which principle is violated? What are the consequences of it?

Ans: The principle of order is violated if an organisation does not provide the right place for physical and human resources.

If this principle is violated then

(i) Lots of time will be wasted in locating the different resources.

(ii) This will lead to delayed decisions.

(iii) Wastage of energy which will lead to inefficiency and delay in production.

(iv) Causes hindrance in the activities of business.

4. Explain any four points regarding significance of Principles of management.

Ans: Significance of principles of management

(i) **Providing Managers with Useful Insights into Reality** When managers follow principles it adds to their knowledge, ability and understanding of managerial situations and circumstances. This improves managerial efficiency e.g., when managers use principle of delegation then they get more time to concentrate on critical areas of working.

(ii) **Scientific Decision Making** management principles help in thoughtful decision making. They emphasise on logic rather than blind faith. Here, decisions are based on the objective assessment of the situation.

(iii) **Optimum Utilisation of Resources and Effective Administration** Principles help the managers to conceptualise the net effect of their decision rather than going for trial and error method resulting in saved time, efforts and energy thereby increased productivity.

(iv) **Management Training, Education and Research** Principles of management are the base for management theory. As such they are used as a basis for management training, education and research. These principles provide basic groundwork for the development of management as a subject. Professional courses like BBA, MBA also teaches these principles as part of their curriculum.

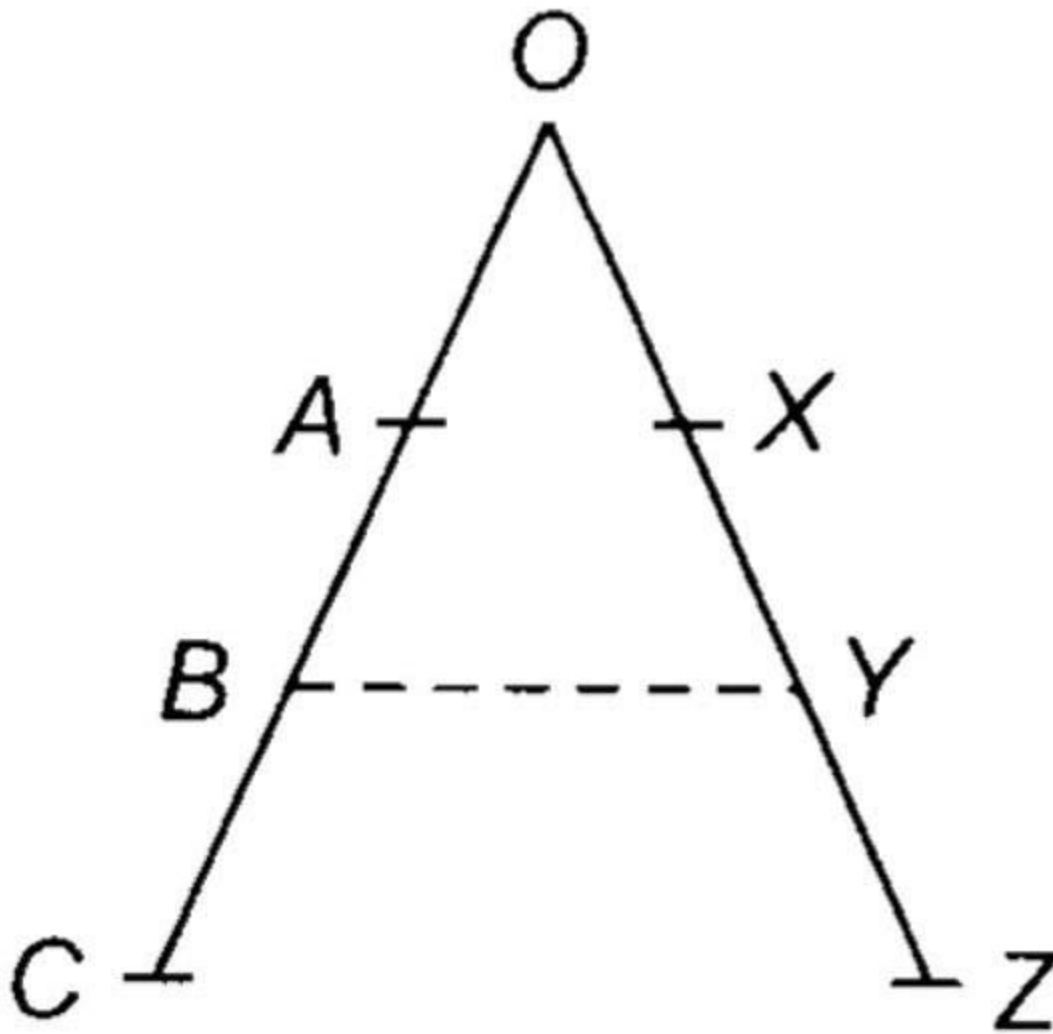
5. Explain the principle of 'Scalar Chain' and gang plank.

Ans: Principle of Scalar Chain and Gang plank

The formal lines of authority from highest to lowest ranks are known as scalar chain. According to Fayol,

"Organisation should have a chain of authority and communication that runs from top to bottom and should be followed by managers and subordinates."

In the diagram, O is heading 2 teams where A and X are at the same level, B and Y are at the same level and C and Z are at the same level. The line of communication is clearly defined A to B to C and X to Y to Z. Authority responsibility relationship is also very clear. But C and Z cannot directly contact each other. This some times may take lot of time during an emergency to communicate as per the prescribed flow to avoid this problem a system known as 'Gang Plank' was introduced where in C or Z could contact each other and same way B and Y could contact each other.



Long Answer Questions

1. Explain the principles of scientific management given by Taylor.

Ans: Principles of scientific management are given by FW Taylor

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(ii) **Harmony, Not Discord** Managers are an extension of the management and serve as a link between workers and the owners. Workers have to take the instructions from the managers and managers have to get the work done through the workers. Sometime the relation between them is spoilt, which is very harmful for everyone-workers, managers and owners. This class conflict should be replaced by harmony between the two. Both should change their thinking towards each other. This is known as mental revolution.

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(iv) **Development of Each and Every person to His or her Greatest Efficiency and Prosperity**

Scientific management also stood for worker development. Taylor believed that workers should be aware of the 'best method'. On the other hand, all organisations should select employee carefully in order to get maximum efficiency. When the duties are allotted, perfect match should be made between the requirements of the job and the capabilities of the worker. Training should be provided to improve the skills further. In this way, efficiency will go higher resulting in prosperity for both workers and company.

2. Explain the following principles of management given by Fayol with examples.

(a) Unity of direction

(b) Equity

(c) Esprit de Corps

(d) Order

(e) Centralisation and decentralisation

(f) Initiative

Ans: Fayol introduced general principles of management. Some of them have been explained below

(a) Unity of Direction

All the units of an organisation should be moving towards the same objective. Each group of activities having the same objective must have one head and one plan. Each group should have its own incharge and on no account the working of two divisions neither be overlapped.

(b) Equity

This principle emphasise kindness and justice in the behaviour of managers towards workers. This will ensure loyalty and devotion. Lazy personnel should be dealt sternly and strictly. There should be no discrimination against anyone on account of gender, religion, caste, language or nationality etc. All decisions should be merit based.

(c) Espirit de Corps

This principle emphasises on building harmony and team spirit among employees. In a large organisation due to a large work force teamwork is very important. Teamwork leads to better co-ordination while working. The head of each team should give credit of good result to the whole team rather than confining it to his ownself.

(d) Order

A place for everything and everyone in his/her place. Basically it means orderlinss. If there is a fixed place for different things in a factory and they remain in their places then no time is wasted in locating them. Same way if every personnel is allocated an area to operate from then his co-workers, head or subordinates, anyone can contact him easily.

(e) Centralisation and Decentralisation Concentration of authority in a few hands is centralisation and its dispersal among more number of people is decentralisation. Fayol believed that an organisation should not work with anyone of them in isolation. A

combination of both is important simple, easy and work of routine type should be decentralised and critical important type of work should be centralised.

(f) Initiative Initiative means taking the first step with self-motivation workers should be encouraged to develop and carry out their plans for improvements according to Fayol. Initiatives should be encouraged. A good company should invite suggestions from employees which can result in substantial cost/time reduction. Rewards can be given to fruitful suggestions.

3. Explain the technique of 'Functional Foremanship' and the concept of 'Mental Revolution' as enunciated by Taylor.

Ans: Functional Foremanship Taylor advocated separation of planning and execution functions. This concept was extended to the lowest level of the shop floor. It was known as functional foreman ship.

Basis	H Fayol	FW Taylor
Perspective	Top level management	Lower level management
Unity of command	Followed	Not followed (functional foremanship)
Applicability	Universal applicable	Application as per the specialised situations
Basis of formation	Personal experience	Observation experimentation
Focus	To improve overall working	Increase productivity
Personality	Practitioner	Scientist
Expression	General theory of administration	Scientific management

Under the factory manager, there is a planning incharge and a production incharge.

Under the planning incharge, the work goes as follows

- (i) **Instruction Card Clerk** Draft instructions for the workers.
- (ii) **Route Clerk** Specify the route of production.
- (iii) **Time and Cost Clerk** Prepare time and cost sheet.

(iv) **Disciplinarian** Ensure discipline.

Under the production incharge, the work goes as follows

(i) **Speed Boss** Timely and accurate completion of work.

(ii) **Gang Boss** Keeping tools and machines ready for operation by workers.

(iii) **Repairs Boss** Ensure proper working conditions of machines.

(iv) **Inspector** Check the quality of work.

Mental Revolution

In a factory, the managers served as a link between the owners and the workers. The managers have to get the work done from the workers which created sometimes problem between the two. Taylor emphasized that there should be harmony between the management and workers. Both should realise that each one is important. For this both had to change their thoughts for each other, This is known as 'Mental Revolution'. Management should share the gains of the company with the workers and at the same time workers should work hard and be ready to accept any change made for the betterment of the organisation.

4. Discuss the following techniques of scientific work study

(a) Time study

(b) Motion study

(c) Fatigue study

(d) Method study

(e) Simplification and standardisation of work

Ans: Some of the techniques of scientific work study are

(a) Time Study It determines the standard time taken to perform a well-defined job. The standard time is fixed for the whole of the task by taking several readings. The method of time study will depend upon volume and frequency of the task, the cycle time of the operation and time measurement costs. There are three objectives achieved through time study.

(i) Determine the number of workers.

(ii) Frame suitable incentive schemes.

(iii) Determines labour costs.

e.g., if standard time taken to do a piece of work in 20 minutes then one work can be done 3 times in an hour and total 21 times (3×7 hours per day) the work can be done on a single day.

(b) Motion Study Motion study refers to the study of movements like lifting, putting objects, sitting and changing positions. On close examination of body motions, e.g., it is possible to find out three types motions

(i) Motions which are productive.

(ii) Motions which are incidental.

(iii) Motions which are unproductive.

Out of the above, three workers were motivated to eliminate the third type completely and reduce the second one to the minimum. This help in increasing productivity.

(c) Fatigue Study Fatigue study seeks to determine the amount and frequency of rest intervals in completing a task. A person is bound to feel tired physically and mentally if he does not take rest while working. The next intervals will help one to regain stamina and work again with the same efficiency for e.g., in an organisation working hours are 9 to 5. There is a lunch break of an hour for the workers to take rest similarly in a school there is a break for the students and teachers after 4 periods of continuous learning.

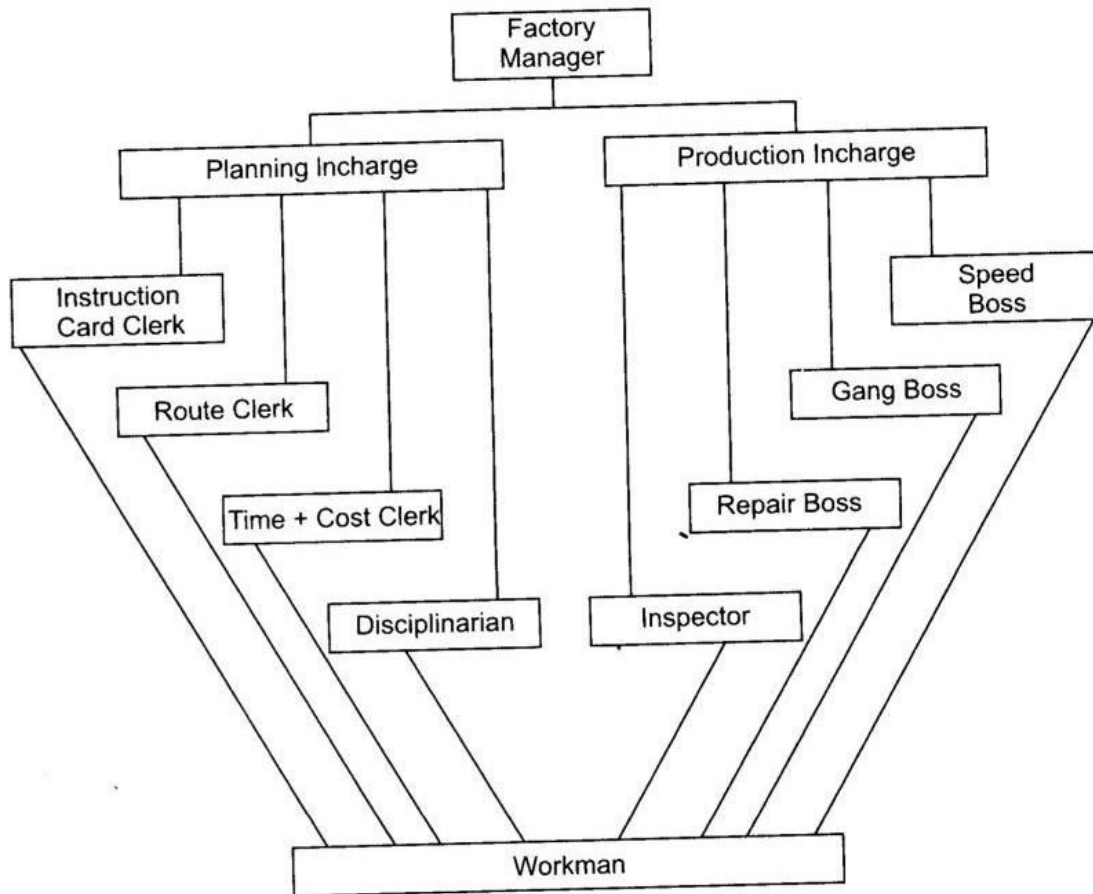
(d) **Method Study** The objective of method study is to find out one best way of doing the job. Different managers would use their own different methods of getting the work done. But there is always one best method. Right from procurement of raw materials till the final product is delivered to the customer every activity is the part of method study. The objective of whole exercise is to minimise the cost of production and maximise the satisfaction of the customer.

(e) **Simplification and Standardisation of Work** Standardisation refers to the process of setting standards for every business activity e.g., process, raw material, time, product, machinery, methods or working conditions. The objective of standardisation are

- (i) To reduce product to fixed types, sizes, features etc.
- (ii) To establish interchangeability of various parts.
- (iii) To establish standards of excellence and quality in materials.
- (iv) To establish standards of performance of men and machines.

Simplification aims at eliminating unnecessary diversity of products. It results in savings of cost of labour, machines and tools. It implies reduced inventories, fuller utilisation of equipment and increasing turnover.

5. Discuss the differences between the contributions of Taylor and Fayol.



6. Discuss the relevance of Taylor and Fayol's contribution in the contemporary business environment.

Ans: Relevance of Taylor and Fayol's contribution in the contemporary business environment.

Both Fayol and Taylor have given principles of management to improve efficiency in an organisation. Taylor gave us scientific principles of management which are being adopted by all organisations to improve its productivity at the shop floor level, the principles help in giving effective results. In the same manner, Henry Fayol gave in general principles of management which when implemented at any of the levels-top, middle or lower and helps in achieving better co-ordination, remove ambiguity and encourage the employees to improve their work performance.

Case Problems

1. T limited was engaged in the business of food processing and selling its products under a popular brand. Lately the business was expanding due to good quality and reasonable prices. Also with more people working the market for processed food was increasing. New players were also coming to cash in on the new trend. In order to keep its market share in the short run the company directed its existing workforce to work overtime.

But this resulted in many problems. Due to increased pressure of work, the efficiency of the workers declined. Sometimes the subordinates had to work for more than one superior resulting in declining efficiency. The divisions that were previously working on one product were also made to work on two or more products. This resulted in a lot of overlapping and wastage. The workers were becoming undisciplined. The spirit of teamwork, which had characterised the company, previously was beginning to wane. Workers were feeling cheated and initiative was declining. The quality of the products was beginning to decline and market share was on the verge of decrease.

Actually the company had implemented changes without creating the required infrastructure.

1. Identify the principle of management (out of 14 given by Henry Fayol) that were being violated by the company.

Ans: Company violated following principles

(i) Division of work (ii) Unity of command

(iii) Unity of direction (iv) Discipline

(v) Subordination of individual interest to general interest

(vi) Order

(vii) Initiative (viii) Remuneration

2. Explain these principles in brief.

Ans: (i) Division of Work As per the case work is not divided among the workers as per their specialisation. As specialisation is the most efficient way to use human efforts and produces more and better work.

(ii) Unity of Command In the case subordinates had to work for more than one superior. This results in declining efficiency. As per Fayol's principle of unity of command there should be one boss and if it is violated it results in authority is undetermined, discipline is in jeopardy, order distributed and stability threatened. Same we are observing in the above case.

(iii) Unity of Direction The units of an organisation should be moving towards the same objective. Each group must be having same objective must have one head one plan. But in case first the producers are working on one product then moved to two or more group. Thus, this principle is also violated.

(iv) Discipline In the case, there is a lack of formalised control as the workers are working beyond their abilities. There is no rules and regulations as well as lack of employment agreement.

(v) Subordination of Individual Interest to General Interest Every individual is working better only when the organisation is giving priority to their general interest. In the case, company is only focusing over its objective not on employees.

(vi) Order People and materials must be in suitable places at appropriate time for maximum efficiency. But in case they are not following the order of anything,

(vii) Initiative It implies that workers should be self motivated, suggestions should be taken from the employees. It results in substantial cost and time reduction but here they are taking no feedbacks, no suggestions.

(viii) Remuneration The workers should get the fair wages but in case workers are performing day and night but they are not getting a fair amount for the same. This results that they are feeling cheated.

3. What steps should the company management take in relation to the above principles to restore the company to its past glory?

Ans: Following steps should be taken by the company to retain its past glory

(i) Work is divided into small tasks and distributed among the employees as per their specialisation.

(ii) There should be one boss.

(iii) Functions should be performed under one head or one plan.

(iv) Formalised control should be maintained.

(v) Proper remuneration and impressive incentives should be given.

(vi) hierarchical communication pattern is to be followed.

(vi) Suggestions and feedback should be taken from the employees.

(viii) Maintain high morale among employees.

2. The management of company 'F' Limited now realised its folly. In order to rectify the situation, it appointed a management consultant 'M consultants' to recommend a restructure plan to bring the company back on the rails. 'M consultants' undertook a study of the production process at the plant of the company 'F limited and recommended the following changes

1. The company should introduce scientific management with regard to production.

2. Production Planning including routing, scheduling, dispatching and feedback should be implemented.

3. In order to separated planning from operational management 'Functional foremanship' should be introduced.

4. Work study should be undertaken to optimise the use of resources.

5. 'Standardisation' of all activities should be implemented to increase efficiency and accountability.

6. To motivate the workers 'Differential Piece Rate System' should be implemented.

7. The above changes should be introduced apart from the steps recommended in case problem-1 (as an answer to question number 3 of that case problem).

It was expected that the changes will bring about a radical transformation in the working of the company and it will regain its pristine glory.

1. Do you think that introduction of scientific management as recommended by M consultants will result in intended outcome.

Ans: Though scientific management is the best solution but still it will not be able to give very effective results as it has its own limitations.

(i) As competition has increased market research now will not help much.

(ii) Appointing professionals which increase the cost.

(iii) Principle of initiative will not help if functional foremanship will also be adopted.

(iv) In differential piece wage system only efficient workers may gain, the others will be in pain as they might lose their wages if target not met. This will lead instability which is harmful.

(v) Lot of stress will be generated from top to lower level.

2. What precautions should the company undertake to implement the changes?

Give your answer with regard to each technique separately as enunciated in points 1 through 6 in the case problem.

Ans: A large number of changes will not accepted by anyone. So the company should play safe while making any changes.

(i) Trained staff can be appointed for few areas and workers can be trained to improve efficiency levels.

(ii) Production planning to be done with care.

(iii) Functional foremanship can be introduced but it not lead to clear killing of initiative. Workers should be eonsulted for suggestions.

(iv) Optimum use of method, time, motion and fatigue study should be done.

(v) Standardisation can be implemented for material, machinery and features of product.

(vi) Financial incentives should be provided to workers to get more work rather than adopting differential piece wage system.