

**Subject: Human Resource Management**

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**Paper 02:** Development of Management Thoughts, Principles and Types  
**Module 06:** Henry Fayol's Management Principles and Theories



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| Items                  | Description of Module   |
|------------------------|---|
| <b>Subject Name</b>    | Human Resource Management   |
| <b>Paper Name</b>      | Development of Management Thoughts, Principles and Types  |
| <b>Module Title</b>    | <b>Henry Fayol's Management Principles and Theories</b>   |
| <b>Module Id</b>       | Module no-6   |
| <b>Pre- Requisites</b> | Basic knowledge about Henry Fayol's Management Principles and Theories  |
| <b>Objectives</b>      | <ul style="list-style-type: none"> <li>To study the Henry Fayol's Management Principles</li> <li>To study various theories of Henry Fayol's for Management</li> </ul> |
| <b>Keywords</b>        | Management, Management Principles, Henry Fayol  |

## QUADRANT-I

| Module 6: Henry Fayol's Management Principles and Theories |  |
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| 6.2  | Introduction                                       |
| 6.3  | Meaning of Principles of Management                |
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### 6.1 Learning Objective

After completing this module, you will be able to:

- Understand the meaning of principles of management
- Understand the nature/characteristics of principles of management
- Know about various principles of management given by Fayol, and also understand
- The Administrative Theory of Fayol

## HENRY FAYOL'S MANAGEMENT PRINCIPLES AND THEORIES

**6.2 Introduction:** Management has developed since the time when the world came into existence. Whenever group efforts are necessary to achieve anything, then there is a need for management. Today management has risen to the central activity of our age and economy. It is a powerful and innovative force on which our society depends for material support and national well being. Even in Kautilya's Artha Shastra, he talks about principles and concept of management. As we all know, an individual cannot achieve anything single handed in organization. Team efforts, direction, motivation, cooperation, coordination and control are necessary requirements in order to achieve the objectives. So, managerial efficiency is an essential requisite to human being.

During the last years, management has become a more scientific discipline with certain standardized principle and practices. The evolution of management thought during this period is of three types:

- Early classical approaches represented by scientific management (Frederick Winslow Taylor), Administrative management (Henri Fayol) and Bureaucracy (Max Weber).
- Neo-classical approaches represented by Human relations movement (Prof. Elton Mayo) and Behavioural approach (Douglas McGregor, Abraham Maslow, Kurt Lewin, Chester Barnard, Mary Parker Follett, George Homans, Rensis Likert, Chris Argyris and Warren Belbin).
- Modern approaches represented by Quantitative approach, System approach (Chester Bernard) and contingent approach (Kieser, Kubicek).

All these approaches to management serve as a foundation for modern management.

### 6.3 Meaning of Principles of Management

Principle means a generally and universally acceptable thought or belief.

According to George Terry, *“Principle is a fundamental statement or truth providing a guide to thought or action.”*

The term principle generally means a statement which is based on cause and effect relationship. These principles are not based on pure cause and effect relationship as in case of science but are related to human behaviour and management of persons working in an organization.

According to Hicks and Gulleick, *“Principles of management are not so exact and infallible as principles of the physical science because they have to do with human behavior.”*

According to Koontz O’ Donnel, *“Management principles are fundamental truth of general validity which have value in predicting the result of management action.”*

Thus management principles are the conclusions derived from studies and these apply almost in all fields and situations both in case of business and non business enterprises.

### 6.4 Nature/Characteristics of principles of management

**1. Based on human behaviour:** Management principles aim at influencing behavior of human beings. Therefore, principles of management are mainly behavioral in nature.

**2. Universality of principles:** different principles of management apply in different situations. Principles are suitably amended while applying in different situations to different organizations, business as well as non-business, small as well as large, public sector as well as private sector, manufacturing as well as the services sectors. However, the extent of their applicability would vary with the nature of the organization, business activity, and scale of operations.

**3. Flexible:** The principles of management are not rigid which have to be followed absolutely. They are flexible and can be modified by the manager when the situation so demands.

**4. Generalized observation:** Principles of management are general conclusions. These provide direction to management but do not claim any guarantee for desired results.

**5. Formed by practice and experimentation:** The principles of management are formed by experience and collective wisdom of managers as well as experimentation.

**6. Cause and effect relationship:** The principles of management are intended to establish relationship between cause and effect so that they can be used in similar situation in a large number of cases.

**7. Contingent:** The application of principles of management is contingent or dependent upon the prevailing situation at the particular point of time.

**8. Equal importance:** There is no inferiority or superiority between the principles no one principle has greater significance than the other. We cannot say the principles of unity of command are more important than the principle of unity of direction. In this way all the principles of management are equally important.

## **6.5 Henry Fayol and Principles of Management**

Henry Fayol is considered as the Father of Administrative Management theory. Henry Fayol focuses on the development of broad administrative principles which are applicable to general and higher managerial levels. He was a French industrialist. The observations of Henry Fayol on the principles of management were brought out in French language in 1916. He wrote a book entitled “General and Industrial Administration”. Later on it was published in English language. The principles of Management of Henry Fayol were known to the world only after 1949. Fayol joined as an engineer in mining company and became the chief managing director of the same company for his remarkable abilities and skills. From 1918 to 1926, he worked hard to popularize his principles of management.

Fayol wrote that all the activities of business which are describe as technical, commercial, financial, accounting, security or administrative (management). Henry Fayol used the word administrative for what we call management. He concentrated on top management. It is known from his book “General and Industrial Management”. Management plays a very important role in the government undertakings whether large or small, industrial, commercial, religious or any other. In the words of Henry Fayol, business activities could be classified as commercial, financial, security, accounting, technical and managerial or administrative. Of course, Henry’s primary focuses on managerial activity because he felt that managerial skills had been the most neglected aspect of business operations. He indicated that managerial activity was by far the most important and deserved the most attention.

Henry fayol draws a clear line between principles of management and elements or functions of management. He considered planning, organizing, commanding, co-ordination and control as an element or functions of management. Here commanding means guiding and supervising the subordinates in order to achieve goals or predetermined objectives. Henry also described some traits which must possessed by an administrative manager. These are given below:

1. In order to perform administrative functions smoothly he must be physically fit or healthy
2. He must possess mental abilities to understand and learn judgemental, mental strength and adaptability.
3. He must possess moral qualities such as firmness, willing to accept responsibility, initiative, loyalty, energy, tact and dignity.
4. He must be educated enough to carry out managerial function smoothly. It means he must be equipped with general acquaintance with matters not belonging exclusively to the functions performed.

5. He must possess special knowledge may be technical, commercial, financial, managerial etc.
6. He must have some experience to perform activities.

Henry Fayol's principles of management have been regarded universally as the premises of business management. These are discussed as follows:

## PRINCIPLES OF MANAGEMENT

- **DIVISION OF WORK OR SPECIALIZATION**
- **AUTHORITY AND RESPONSIBILITY**
- **DISCIPLINE**
- **UNITY OF COMMAND**
- **UNITY OF DIRECTION**
- **SUBORDINATION OF INDIVIDUAL TO GENERAL**
- **REMUNERATION**
- **CENTRALIZATION**
- **LINE OF COMMAND/SCALAR CHAIN**
- **ORDER**
- **EQUITY**
- **STABILITY OF TENURE**
- **INITIATIVE**
- **ESPRIT DE CORPS**

1. **Division of Work:** Principles of specialization necessary for efficiency in utilizing labour. This principle states that there should be division of work amongst the persons. Every person should be assigned a separate job. Division of work implies distribution of activities in a logical way so that each person performs his assigned work only. There should not be any duplication of work and for each work only one person is held liable or responsible for his performance. Division of work makes a man a specialist. According to him, division of work is applied to both technical and managerial work.
2. **Authority & Responsibility:** As the management consists of getting the work done through others, it implies that the manager should have the right to give orders and power to exact obedience. Authority implies power or right to instruct the subordinates to get the things done. Responsibility on the other hand implies the extent to which a person is liable for one's performance. According to Fayol, there should be a balance between authority delegated to a person and his responsibility for being liable in case of deficiency in his performance. So responsibility is shouldered whenever authority is exercised.

Manager

Subordinate



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**3. Discipline:** Discipline is very important in order to smooth running of business. It means working in an orderly manner. It includes obedience to authority, following of instructions and orders. It also includes observance of the rules, regulations, procedures and methods. Further Fayol strongly recommended that, discipline requires good superior at all levels, clear and fair agreements and judicious application of penalties.

**4. Unity of Command:** This principle requires that, there should be one and one only superior for every individual employee. It means each employee should receive instructions about a particular work from one superior only. If an employee gets orders from two superiors at the same time the principles of unity of command is violated. If this principle followed then it will lead some advantage as it makes authority – responsibility relationship clear both to superiors and subordinates, clarity of orders issued to subordinates etc. further it helps to fix responsibility and helps to eliminate clashes among superiors and maintain relationship harmonious.



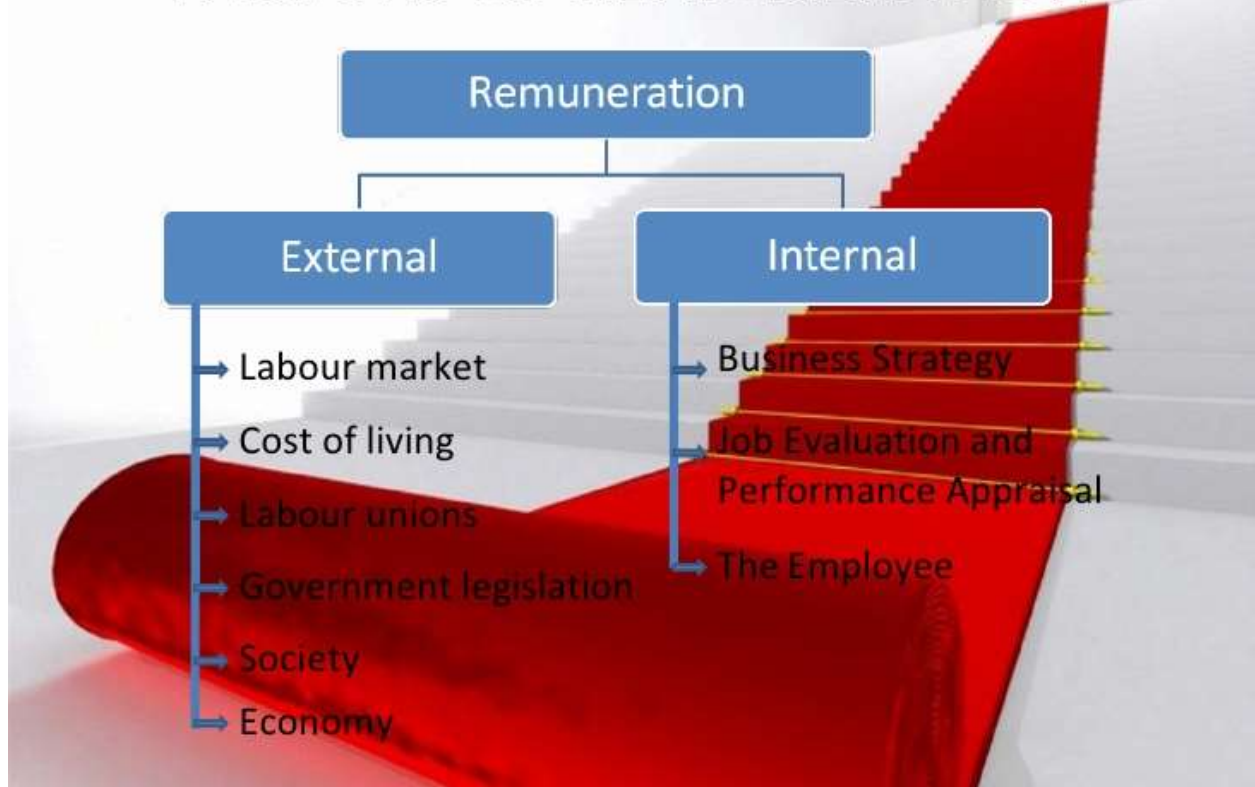


**5. Unity of Direction:** It means there should be complete harmony between individual and organizational goals on the one hand and between departmental goals on the other hand. In other words, activities of a group are assigned to manager and manager is expected to look after all the activities of a particular group. So each group of activities with the same objective must have one head and one plan.

**6. Subordination of Individual Interest to Group Interest:** This principle expected the reconciliation of individual interest with group interest. Every organization has its own interests, which are called group interest. According to this principle employees must sacrifice their personal interests and work for the of the organization. i.e for group interest. Thus, an organization should employ only individuals who are fully committed to its objectives and are willing to readily comply with its mandates. This principle emphasizes that individual objects are secondary and all have to work together to achieve the group objectives. So in order to achieve group objectives there must be coordination between individual and organizational goals.

**7. Remuneration of employees:** This principle advocates that remuneration to be paid to the workers should be fair, reasonable, satisfactory & rewarding of the efforts. The employees should get satisfaction out of their wages. Henry fayol also recommended other provisions for the benefits of employees such as free education, medical & residential facilities. He also strongly advocates that wages or salaries should be determined on the basis of the work done by the workers/employees, cost of living index and should be payable similar to those of other companies or wage rate prevailing in the market. If appropriate wage rate system adopt by a organization it will help in creating cordial relationship between workers and management and congenial atmosphere at work place.

# FACTORS OF REMUNERATION



**8. Centralization and Decentralization:** It means all powers are vested with the top level authorities. In other words, centralization is a situation where all decisions are taken by top level management authorities. On the other hand, Decentralization means disposal of decision making authority to all the levels of the organization. In simple word, we can say that anything which increases the role of subordinate is decentralization and anything which decreases the role of subordinate, is centralization. In decentralization the flow of authority is downward whereas in centralization flow of authority is upward. So, management must decide the degree of centralization or decentralization of authority on the basis of nature of circumstances, size of undertakings, type of activities and nature of organizational structure.

**9. Scalar Chain:** Scalar Chain means the hierarchy of authority from the highest executive to the lower one for the purpose of communication. It implies chain of superiors from the ultimate or top authority to the lower rank in the organization. It also states the relationship of superior-subordinate and the authority of superiors in relation to subordinate at all levels. Scalar chain refers to the route which the communications follow while flowing from one level to the ultimate authority. According to this principle, the communication should pass through the proper channel of authority along the scalar chain. For example A is the superior and wants to communicate to F, it should be passed via B, C,D, and E. likewise, if F wants to communicate anything to A, it should be passed via E, D, C, and B. The scalar chain can be shown below:





### Gang Plank

The triangle GAQ represents scalar chain. If F has to communicate to P then it has to follow the proper channel that is discussed above but at times it proves to be too lengthy and time consuming. Therefore it is felt that there must be some short cut which saves the time. This short cut has been describing by Fayol as “GANG PLANK”. So the communication by F to P directly is called Gang Plank.

**10. Order:** Management follows a simple principle that right place for everything and for everyone. This is a principle relating to the arrangement of things and people. It is applied both material and men. In material order, there should be a place for everything and everything should be in its place. Similarly, in social order, there should be the right man in the right place. So the personnel are selected scientifically and assigned duties according to their qualifications and ability.

**11. Equity:** Equity means quality of fair treatment. It implies just, fair and reasonable treatment. It means all the employees of the organization are treated equally by managers. This principle emphasizes kindness and justice in the behavior of managers towards workers. The application of equity requires goodness and experience in the part of managers. Besides, it requires loyalty and devotion from subordinates.

**12. Stability of Tenure:** The security of job is an essential one because if they have fear of insecurity of job, they cannot give more and better work and their morale will be low it will lead higher labour turnover. So job security must be provided by organization to each personnel. The development and growth of every organization depends solely on the sincerity of workers. So it is necessary that they should be assured security of job by the management. It will develop sense of belongingness toward the organization and improves their level of efficiency.



## STABILITY OF TENURE OF PERSONNEL



Retaining productive employees should always be a high priority of management. —

**13. Initiative:** Initiative means freedom to think out and execute a plan. Fayol emphasized that subordinates be given proper opportunity to take initiative while making and executing plans. According to Fayol, initiative is one of the keenest satisfactions for an intelligent man to experience so, he advises these managers to give their employees sufficient scope to show their initiative. This principle helps the management to know more ways of executing the predetermined plan as the employees give various suggestions. When the employees are involved in such a way in the management they feel satisfied and take each and every necessary step to accomplish the plan.

**14. Esprit De Corps (Union is Strength):** This means union is strength or team spirit. According to this principle management should create team spirit among the employees. This principle states that both the workers and management should work together to accomplish the objectives. The reason behind this principle is that, team contribution is always better than individual contribution. Harmony and unity among the staff are a great source of strength to the organization. All the employees of the organization are put together as a team in order to achieve the objective of the organization.

### 6.6 Administrative Theory

There are many writers who looked at the subject of management from the perspective of the whole organization. This approach is known as general administrative theory, focused more on what managers do and what constituted good management practice. This approach concentrated on creating an organizational structure facilitates allocation of tasks and determines authority relationship that control how employees use resources to achieve organizational goals. The two most prominent individuals behind administrative theory were Henri Fayol and Max Weber. Henri Fayol is the first one who identified five

functions that managers perform, that is planning, organizing, commanding, coordinating and controlling. Fayol wrote during the same period as Taylor. Taylor was concerned with first line managers and the scientific method, but Fayol's attention was directed at the activities of all the managers. Previously, Fayol was the managing director of a coal mining company so, he wrote from his personal experience. Fayol draws a line of distinction between practice of management and other business functions i.e. accounting, finance, production, and distribution. He strongly believes that management was an activity and needed at all levels and all departments, business endeavors, government and even the home. So he developed fundamental rules of management that could be applied to all organizational situations and taught in schools.

Now, the question arises how managers use general Administrative theories in current situation?

Several of our current management ideas and practices can be directly traced to the contributions of general administrative theory. For example the functional view of the manager's job can be attributed to Fayol. Fayol's principles serve as a guide or frame of reference from which many current management concepts have evolved. Fayol's principles met with widespread acceptance among writers on management and among managers themselves. Two General Motors executives – JAMES D. MOONEY and ALAN C. RAILEY from UNITED STATES gave the strong acceptance to his principles. These executives wrote a book, Onward Industry, in 1931, later revised and renamed Principles of Organization. Colonel L. Urwick an executive and management consultant of U.K, also wrote a book, The Element of Administration, in which summed up the concepts and principle of Taylor, Fayol, Mooney, Railey and other early management theorist. Principles he advocated are;

- There should be clear line of authority, same as in the military, from the top management down to the lowest employee.
- The authority and responsibility of each employee should be communicated to him in writing.
- Authority can be delegated, but the responsibility cannot be delegated.
- The span of control of a manager should never exceed six.
- Each individual should perform one function only.

Taking inspiration from Fayol's principles new school of thought known as the Management Process School came into existence. Koontz and O'Donnell are the champions of this school. In their words, management is a dynamic process of performing functions of planning, organizing, staffing, directing and controlling. They further believe that these functions and principles on which they are based have general or universal applicability. In recent days, whether they are managers, managing directors, supervisors, and inspectors performs the same functions yet the degree of complexity may be different according to their level. In present scenario management functions are not only confined to business houses but it is applied to all organizations where group efforts are involved. So it is a universal approach because Management theory, as a body of knowledge, is a non-culture-bound but is transferable from one environment to another environment.

Although Fayol's principle has universal applicability yet it is criticized by some. Some of the ideas of Fayol's criticism given as under:

Some author criticised Fayol's first principle of Division of work. They believed it leads to the formation of small work groups with norms and goals often at odds with those of management. Each individual

carries out his assignment part as something apart from the overall purpose of the organisation as a whole. He does not care to know how his job fits into entire picture.

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**6.7 Summary:** So, students let's summarize what we have learnt in this module. In this module, we have discussed the Henry Fayol's principles of management and various theories propounded by him. As we know, an individual cannot achieve anything single handed in organization. Team efforts, direction, motivation, cooperation, coordination and control are necessary requirements in order to achieve the objectives. So, managerial efficiency is an essential requisite to human being. Management principles are the conclusions derived from studies done by various economists time to time and these apply almost in all fields and situations both in case of business and non-business enterprises. Taking inspiration from Fayol's principles, new school of thoughts came into existence. Koontz and O'Donnell defined management as a dynamic process of performing functions of planning, organizing, staffing, directing and controlling. But Some authors criticised Fayol's principle also. According to them, each individual carries out his assignment part as something apart from the overall purpose of the organisation as a whole.