

MANAGEMENT

PRINCIPLES AND APPLICATIONS

UNIT-1, 1.1

PART-XVII

FAYOL'S ADMINISTRATIVE MANAGEMENT

Perhaps the real father of modern operational management theory is the French industrialist, Henry Fayol. His contributions are generally termed as operational management or administrative management. Fayol's contributions were first published in book form titled '*Administration Industrielle at Generale*' in French language, in 1916. However, the book was not made available outside France and was not translated until 1929. Its English version was published in 1949 in the United States of America. Therefore, in the early period, Fayol's contributions could not make much impact on the development of management thought. However, after the publication of his book in English, he got prominence in the field of management very quickly.

Fayol looked at the problems of managing an organisation from top management point of view. He has used the term 'administration instead of 'management emphasising that there is unity of science of administration. For him, administration was a common activity and administrative doctrine was universally applicable. From administrative point of view, he placed commerce, Industry, religion. philanthropy, and the State on equal footing. His administrative science can be applied equally well to public and private affairs. Therefore, management is a universal phenomenon. However, he has emphasised that principles of management are flexible and not absolute and are usable regardless of changing and special conditions.

Fayol found that activities of an industrial organisation could be divided into six groups:

1. Technical (relating to production);
2. Commercial (buying, selling, and exchange);
3. Financial (search for capital and its optimum use);
4. Security (protection of property and person);
5. Accounting (including statistics); and
6. Managerial (planning, organisation, command, coordination, and control).

Pointing out that these activities exist in business of every size, Fayol observed that the first five were well known, consequently he devoted most of his book to analyse the sixth one, that is, managerial activity. Fayol has divided his approach of studying management into three parts: (i) managerial qualities and training. (ii) general principles of management, and (iii) elements of management.

Managerial Qualities and Training

Fayol was the first person to identify the qualities required in a manager. According to him, there are six types of qualities that a manager requires. These are as follows:

1. Physical (health, vigour, and address);
2. Mental (ability to understand and learn, judgement, mental vigour, and capability);
3. Moral (energy, firmness, Initiative, loyalty, tact, and dignity);
4. Educational (general acquaintance with matters not belonging exclusively to the function performed);
5. Technical (peculiar to the function being performed); and
6. Experience (arising from the work).

Fayol has observed that the most important ability for a worker is technical; the relative importance of managerial ability increases as one goes up the scalar chain, with insight becoming the most important ability for top level executives. On the basis of this conclusion, Fayol recognised a widespread need for principles of management and for management teaching. He held that managerial ability should be acquired first in school and later in the

workshop. In order to acquire managerial knowledge, he developed principles of management to be taught in academic institutions.

General Principles of Management

Fayol has given fourteen principles of management. He has made distinction between management principles and management elements. While management principle is a fundamental truth and establishes cause-effect relationship, management element denotes the function performed by a manager. While giving the management principles, Fayol has emphasised two things: (i) The list of management principles is not exhaustive but suggestive and has discussed only those principles which he followed on most occasions. (ii) Principles of management are not rigid but flexible. According to him, there is nothing rigid or absolute in management affairs; it is all a question of proportion. Therefore, principles are flexible and capable of being adopted to every need. It is a matter of knowing how to make use of them which is a difficult art requiring intelligence, experience, and proportion. Various principles of management are as follows:

1. Division of Work:

Fayol has advocated division of work to take the advantage of specialisation. According to him, "specialisation belongs to natural order. The workers always work on the same part, the managers concerned always with the same matters, acquire an ability, sureness, and accuracy which increase their output. Each change of work brings in it training and adaptation which reduces output... yet division of work has its limits which experience and a sense of proportion teach us may not be exceeded." This division of work can be applied at all levels of the organisation.

2. Authority and Responsibility:

The authority and responsibility are related, with the latter the corollary of the former and arising from it. Fayol finds authority as a continuation of official and personal factors. Official authority is derived from the manager's position and personal authority is derived from personal

qualities such as intelligence, experience, moral worth, past services, etc. Responsibility arises out of assignment of activity. In order to discharge the responsibility properly, there should be parity of authority and responsibility.

3. Discipline:

All the personnel serving in an organisation should be disciplined. Discipline is obedience, application, energy, behaviour, and outward mark of respect shown by employees. Discipline may be of two types: self-imposed discipline and command discipline. Self-imposed discipline springs from within the individual and is in the nature of spontaneous response to a skilful leader. Command discipline stems from a recognised authority and utilises deterrents to secure compliance with desired action, which is expressed by established customs, rules, and regulations. The ultimate strength of command discipline lies in its certainty of application. Such a discipline can be obtained by sanctions in the forms of remuneration, warnings, suspension, demotion, dismissal, etc. However, while applying such sanctions, people and attendant circumstances must be taken into account. This can be learned by experience and tact of the managers.

4. Unity of Command:

Unity of command means that a person should get orders and instructions from only one superior. The more completely an individual has a reporting relationship to a single superior, the less is the problem of conflict in instructions and the greater is the feeling of personal responsibility for results. This is contrary to Taylor's functional foremanship. On this conflicting view, Fayol suggested that, "I do not think that a shop can be well run-in flagrant violation of this (unity of command). Nevertheless, Taylor successfully managed large-scale concerns. I imagine that, in practice. Taylor was also able to reconcile functionalism with the principle of unity of command but this is the supposition whose accuracy I am not in a position to verify. Fayol has considered unity of command as an important aspect in managing an organisation. He says that "should it (unity of command) be violated, authority is undermined, discipline is in jeopardy, order disturbed, and stability threatened. This rule seems fundamental to me and so I have put it to the rank of a principle."

5. Unity of Direction:

According to this principle, each group of activities with the same objective must have one head and one plan. Unity of direction is different from unity of command in the sense that the former is concerned with functioning of the organisation in respect of its grouping of activities or planning while the latter is concerned with personnel at all levels in the organisation in terms of reporting relationship. Unity of direction provides better coordination among various activities to be undertaken by an organisation.

6. Subordination of Individual Interest to General Interest:

Common interest is above the individual interest. Individual interest must be subordinate to general interest when there is conflict between the two. However, factors like ambition, laziness, weakness, etc. tends to reduce the importance of general interest. Therefore, superiors should set an example in fairness and goodness. The agreement between the employers and the employees should be fair and there should be constant vigilance and supervision.

7. Remuneration of Personnel:

Remuneration of employees should be fair and provide maximum possible satisfaction to employees and employers. Fayol did not favour profit-sharing plan for workers but advocated it for managers. He was also in favour of non-financial benefits though these were possible only in the case of large-scale organisations.

8. Centralisation:

Everything which goes to increase the importance of subordinate's role is decentralisation: everything which goes to reduce it is centralisation. Without using the term 'centralisation of authority'. Fayol refers the extent to which authority is centralised or decentralised. Centralisation and decentralisation are the question of proportion. In small firms, centralisation is the natural order, but in large firms, a series of intermediaries is required. Share of authority and initiative left to intermediaries depends on the personal character manager, his moral worth, the reliability of his subordinates, and also on the conditions or the business. Since both

absolute and relative values of managers and employees are constantly changing, it is desirable that the degree of centralisation or decentralisation may itself vary constantly.

9. Scalar Chain:

There should be a scalar chain of authority and of communication ranging from the highest to the lowest. It suggests that each communication going up or coming down must flow through each position in the line of authority. It can be short-circuited only in special circumstances when its rigid following would be detrimental to the organisation. For this purpose, Fayol has suggested 'gang plank' which is used to prevent the scalar chain from bogging down action. His scalar chain and gang plank can be presented as follows:

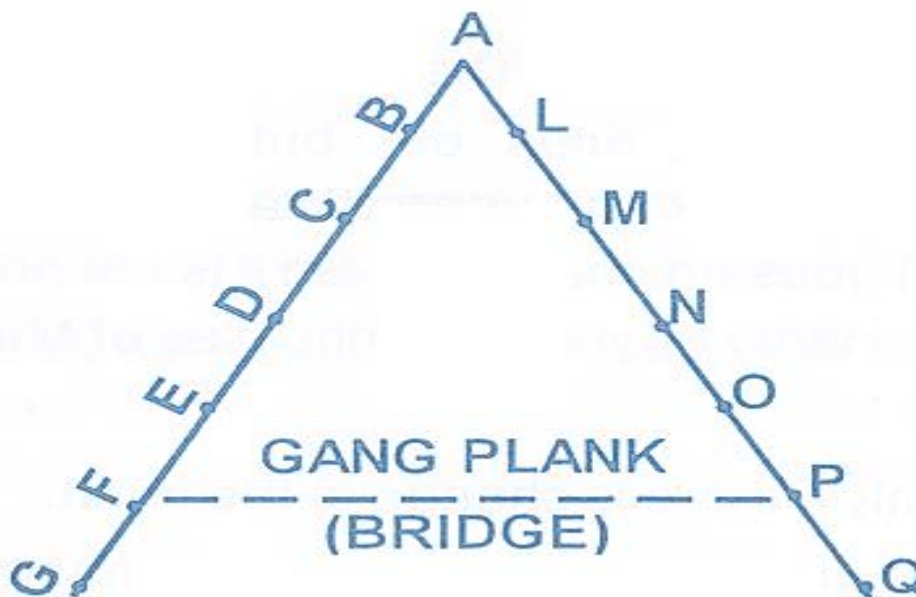


Fig.-Scalar chain and gang plank

In Figure, A is the top man having immediate subordinates B and L. In turn B and L are having immediate subordinates C and M. This continues to the level of G and 9. Ordinarily, the communication must flow from A to B to C to D, and so on while coming from the top to down. Similarly, it must flow from G to F to E, and so on while going up. It means if any communication is going from F to P, it will flow from F to A via E, D, C and B and coming down to P via L, M, N and O. Fayol suggests that this scalar chain system takes time and, therefore, can be substituted by gang plank (dotted line) without weakening the chain of command. In order to maintain authority, it is desirable that superiors of F and P authorise them

to deal directly provided each informs his superiors of any action taken. Fayol suggested that this system allows F and P to deal in a few hours with some questions or other which via the scalar chain would pass through twenty transmissions, inconvenience people, involve masses of paper, lose weeks or months to get to a conclusion, less satisfactory than the one which could have been obtained via direct contact.

10. Order:

This is a principle relating to the arrangement of things and people. 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. This kind of order demands precise knowledge of the human requirements and resources of the organisation and a constant balance between these requirements and resources. Normally, bigger the size of the organisation, more difficult this balance is.

11. Equity:

Equity is the combination of Justice and kindness. Equity in treatment and behaviour is liked by everyone and it brings loyalty in the organisation. The application of equity requires good sense, experience, and good nature for soliciting loyalty and devotion from subordinates.

12. Stability of Tenure:

No employee should be removed within short time. There should be reasonable security of jobs. Stability of tenure is essential to get an employee accustomed to new work and succeeding in doing it well. Unnecessary turnover is both cause and effect of bad management.

13. Initiative:

Within the limits of authority and discipline, managers should encourage their employees for taking initiative. Initiative is concerned with thinking out and execution of a plan. Initiative increases zeal and energy on the part of human beings.

14. Esprit de Corps:

This is the principle of 'union is strength' and extension of unity of command for establishing team work. The manager should encourage esprit de corps among his employees. The erring employees should be set right by oral directions and not by demanding written explanations. Written explanations complicate the matters.

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