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PRINCIPLES OF MANAGEMENT

Significance of Principles of Management

The principles of management derive their significance from their utility. They provide useful insights to managerial behaviour and influence managerial practices. Managers may apply these principles to fulfil their tasks and responsibilities. Principles guide managers in taking and implementing decisions. It may be appreciated that everything worthwhile is governed by an underlying principle. The quest of the management theorists has been and should be to unearth the underlying principles with a view to using these under repetitive circumstances as a matter of management habit. The significance of principles of management can be discussed in terms of the following points:

(i) Providing managers with useful insights into reality: The principles of management provide the managers with useful insights into real world situations. Adherence to these principles will add to their knowledge, ability and understanding of managerial situations and circumstances. It will also enable managers to learn from past mistakes and conserve time by solving recurring problems quickly. As such management principles increase managerial efficiency. For example, a manager can leave routine decision-making to his subordinates and deal with exceptional situations which require her/his expertise by following the principles of delegation.

(ii) Optimum utilisation of resources and effective administration: Resources both human and material available with the company are limited. They have to be put to optimum use. By optimum use we mean that the resources should be put to use in such a manner that they should give maximum benefit with minimum cost. Principles equip the managers to foresee the cause and effect relationships of their decisions and actions. As such the wastages associated with a trial-and-error approach can be overcome. Effective administration necessitates impersonalisation of managerial conduct so that managerial power is used with due discretion. Principles of management limit the boundary of managerial discretion so that their decisions may be free from personal prejudices and biases. For example, in deciding the annual budgets for different departments, rather than personal preferences, managerial discretion is bounded by the principle of contribution to organisational objectives.

(iii) Scientific decisions: Decisions must be based on facts, thoughtful and justifiable in terms of the intended purposes. They must be timely, realistic and subject to measurement and

evaluation. Management principles help in thoughtful decision-making. They emphasise logic rather than blind faith. Management decisions taken on the basis of principles are free from bias and prejudice. They are based on the objective assessment of the situation.

(iv) Meeting changing environment requirements: Although the principles are in the nature of general guidelines but they are modified and as such help managers to meet changing requirements of the environment. You have already studied that management principles are flexible to adapt to dynamic business environment. For example, management principles emphasise division of work and specialisation. In modern times this principle has been extended to the entire business whereby companies are specialising in their core competency and divesting non-core businesses. In this context, one may cite the decision of Hindustan Lever Limited in divesting non-core businesses of chemicals and seeds. Some companies are outsourcing their non-core activities like share-transfer management and advertising to outside agencies. So much so, that even core processes such as R&D, manufacturing and marketing are being outsourced today. Haven't you heard of proliferation of 'Business Process Outsourcing' (BPO) and 'Knowledge Process Outsourcing' (KPO)?

(v) Fulfilling social responsibility: The increased awareness of the public, forces businesses especially limited companies to fulfill their social responsibilities. Management theory and management principles have also evolved in response to these demands. Moreover, the interpretation of the principles also assumes newer and contemporary meanings with the change in time. So, if one were to talk of 'equity' today, it does not apply to wages alone. Value to the customer, care for the environment, dealings with business associates would all come under the purview of this principle. As an application of this principle, we find that Public Sector Undertakings have developed entire townships as, for example, BHEL has developed Ranipur in Hardwar (Uttaranchal). One may also cite the story of Shri Mahila Griha Udyog Lijjat Papad as can be seen in the accompanying box on page 41.

(vi) Management training, education and research: Principles of management are at the core of management theory. As such these are used as a basis for management training, education and research. You must be aware that entrance to management institutes is preceded by management aptitude tests. Do you think that these tests could have been developed without an understanding of management principles and how they may be applied in different situations? These principles provide basic groundwork for the development of management as a discipline. Professional courses such as MBA (Master of Business Administration), BBA (Bachelor of Business Administration) also teach these principles as part of their curriculum at the beginner's level. These principles enable refinement of management practices as well by facilitating the development of new management techniques. Thus, we see that techniques like Operations Research (OR), cost accounting, 'Just in Time', 'Kanban' and 'Kaizen' have developed due to further research on these principles.

Shri Mahila Griha Udyog Lijjat Papad – Combining Business with Social Responsibility (An Organisation Of the Women, By the Women and For the Women)

The story of Shri Mahila Griha Udyog Lijjat Papad is very inspiring for would be managers. It shows how an organisation can combine business with social responsibility and make its stakeholders self-reliant. The stakeholders are various women who, numbering over 40,000, are given the task of making lijjat papads, which are famous for their quality throughout the world. The organisation which started with a modest loan of Rs 80 now has a turnover of over Rs 301 crores. Its exports exceed Rs 10 crores. The profits are distributed to the stakeholders in proportion to their contribution. It has struck to its core values for over 40 years. It has shown how it is possible to combine Gandhian values with business. The company has at least 61 branches. Any woman subscribing to these core values can become a member of the organisation. According to the website of the organisation www.lijjat.com, Shri Mahila Griha Udyog Lijjat Papad is synthesis of three different concepts (core values) namely:

1. The concept of business
2. The concept of family
3. The concept of devotion

All these concepts are completely and uniformly followed in this institution. As a result of this synthesis, a peculiar Lijjat way of thinking has developed therein.

The institution has adopted the concept of business from the very beginning. All its dealings are carried out on a sound and pragmatic footing-production of quality goods and at reasonable prices. It has never and nor will it in the future accept any charity, donation, gift or grant from any quarter. On the contrary, the member-sisters donate collectively for good causes from time-to-time according to their capacity.

Besides the concept of business, the institution along with all its member-sisters has adopted the concept of mutual family affection, concern and trust. All the affairs of the institution are dealt with in a manner similar to that of a family carrying out its own daily household chores.

But the most important concept adopted by the institution is the concept of devotion. For the member-sisters, employees and well-wishers, the institution is never merely a place to earn one's livelihood — it is a place of worship to devote one's energy not for his or her own benefits but for the benefit of all. In this institution work is worship. The institution is open to everybody who has faith in its basic concepts.

Source: Adapted from <http://www.lijjat.com/organisation/core value>