

**SAMPLE CONTENT**



# SMART NOTES

Based on New Paper Pattern  
and Latest Textbook

Std. XII

Organisation of Commerce  
& Management

Management is an art of  
getting things done through  
others - Mary Parker Follett



**Target** Publications® Pvt. Ltd.

## SMART NOTES

# ORGANISATION OF COMMERCE & MANAGEMENT Std. XII

## MAHARASHTRA STATE BOARD

(Written as per the Latest Textbook published by the Maharashtra State Bureau of Textbook Production and Curriculum Research, Pune.)

### Salient Features:

- ☞ Based on the Latest Textbook
- ☞ Exhaustive content coverage in Question and Answer format
- ☞ Answers presented exactly the way they are to be written in exams
- ☞ 'Smart Codes' and 'Smart Recaps' to memorise answers
- ☞ 'For your understanding' section for conceptual clarity
- ☞ Includes GG - our very own mascot that offers a practical touch to theory
- ☞ Includes QR codes for reference content
- ☞ Replete with practical and real life examples
- ☞ Highlighted key words and sentences that aid recall as well as revision
- ☞ Tagging of relevant board questions upto March 2022 exam
- ☞ Assessment and answer key at the end of every chapter for self-evaluation
- ☞ Includes Board Question Paper of February 2023 (Solution in pdf format through QR code)

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## PREFACE

*Smart Notes: Organisation of Commerce & Management (O.C.M.) is a book curated to facilitate learning and instil conceptual understanding within students. This treasure trove of knowledge fosters robust conceptual clarity and inspires confidence within the nimble mind of young learners.*

*This book not only provides answers to all textual questions but also addresses extra questions in each lesson with the aim of covering the entire topic and making students ready to face the competition. Throughout this book, questions are answered in a detailed, point-wise format which is exactly how the students are expected to write their answers in the exam.*

*We have incorporated 'Smart Codes' to facilitate easy answer recall. In case of long and complex answers, we have provided 'Smart Recap' for quick revision. 'For your understanding' section provides the required conceptual clarity to understand a particular point. 'Gyan Guru', our very own mascot, offers a practical touch to theory by sharing interesting and real facts. 'QR codes' present throughout the book offer students practical knowledge through reference content. We're sure that students, parents and teachers alike would love our value proposition and the unique presentation of content.*

- Publisher  
Edition: Fifth

*The journey to create a complete book is strewn with triumphs, failures and near misses. If you think we've nearly missed something or want to applaud us for our triumphs, we'd love to hear from you.*

*Please write to us at: [mail@targetpublications.org](mailto:mail@targetpublications.org)*

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## Why to study O.C.M.?

Apart from the basic objective of doing well in your exams, there are various reasons for studying O.C.M.:

1. As the name suggests, the subject mainly covers two aspects, viz. Organisation of 'Commerce' and 'Management'. Both these aspects have extreme practical relevance. They form the basis of any commercial activity i.e. employment, business or profession that we undertake in our lives.
2. The first two chapters deal with the 'Management' part of this subject. They help us learn the basic fundamentals of management and set a base for learning the subject in a greater depth in future.
3. The other chapters deal with the 'Commerce' part of the subject and give you a detailed insight on various practical aspects that form a part of business and commerce in today's world.
4. The last chapter introduces you to the fascinating world of 'Marketing'. All those who wish to make a career in marketing will find this chapter very interesting. We've also added a dose of real-life examples to make it more relevant for you.

## How to study from this book ?

This book is divided into the following parts:

1. **Theory questions**
2. **Interpretative based questions**

### Theory questions

Questions covered in theory section are in the flow of textbook. Thus, once you read all the questions, it's as good as reading an entire chapter from the textbook. We advise you to study from this section first.

### Interpretative based questions

This section is at the end of the theory section. Questions covered in this section are either objectives or application-based questions. Once you have read and understood the theory, you are better equipped to solve and answer these questions. We have also provided answers for you to enable self-evaluation.

## KEY FEATURES

At times, answers are too lengthy and it's difficult to remember all the points. Hence, we have created 'Smart Codes' for a few questions to aid you in remembering and recollecting these points. Please do not memorise each and every Smart Code. Instead of helping, it might end up confusing you. Memorise only those Smart Codes wherein you find the answer difficult to comprehend.

**Smart Code**

In theory subjects, at times, answers are quite long and complex. It's difficult to remember the entire answer. Hence, we have provided 'Smart Recap' i.e. summary of the entire answer for students to revise it immediately.

**Smart Recap**

Certain concepts are tricky and difficult to understand with a limited amount of explanation. To explain these concepts efficiently, we have provided a section named 'For your understanding' that provides better conceptual clarity. Please note that the content provided in this section need not be written in the examination.

**For Your Understanding**

Gyan Guru, our very own mascot, keeps popping up throughout the book. He offers you a practical and real-life example or an interesting fact, associated with the topic. Look out for him!

**GG – Gyan Guru**

O.C.M. has numerous real-life applications. An additional piece of relevant information or video related to a particular concept will make the concept more relatable to you. We have given such links via QR Code.

**QR Codes**

Chapter assessment is provided at the end of every chapter for self-evaluation. The answer key of assessment is provided in the form of QR Code.

**Chapter Assessment**

- i. Selective questions from Board Question Papers till March 2022 along with their solutions have been included.
- ii. Includes Board Question Paper of February 2023.

**Board Question Papers**

## PAPER PATTERN

Marks: 80

Time: 3.00 Hrs.

Q. No.	Questions	Marks per Que.	No. of Questions to Attempt	Marks without option	Marks with option
1.	<i>From the following types of sub questions, any 4 will be asked.</i>				
	<i>A. Select the correct option and rewrite the sentence.</i>	1	5	5	5
	<i>B. Match the pairs.</i>	1	5	5	5
	<i>C. Given one word/phrase/term.</i>	1	5	5	5
	<i>D. State true or false.</i>	1	5	5	5
	<i>E. Find the odd one.</i>	1	5	5	5
	<i>F. Complete the sentences.</i>	1	5	5	5
	<i>G. Select the correct option from the bracket.</i>	1	5	5	5
	<i>H. Answer in one sentence.</i>	1	5	5	5
	<i>I. Correct the underlined word and rewrite the following sentences.</i>	1	5	5	5
	<i>J. Arrange in proper order.</i>	1	5	5	5
2.	<i>Explain the following terms/concepts.</i>	2	Any (4) Out of (6)	08	12
3.	<i>Study the following case/situation and express your opinion.</i>	3	Any (2) Out of (3)	06	09
4.	<i>Distinguish between.</i>	4	Any (3) Out of (4)	12	16
5.	<i>Answer in brief.</i>	4	Any (2) Out of (3)	08	12
6.	<i>Justify the following statements.</i>	4	Any (2) Out of (4)	08	16
7.	<i>Attempt the following.</i>	5	Any (2) out of (3)	10	15
8.	<i>Answer the following. (Long Answer)</i>	8	Any (1) out of (2)	08	16
	<b>Total Marks</b>			<b>80</b>	<b>116</b>

### Question Wise Distribution of Marks

Sr.No.	Questions	Marks	Marks With Option	Percentage
1	<i>Objective Type</i>	20	20	25%
2	<i>Short Answer</i>	52	80	65%
3	<i>Long Answer</i>	08	16	10%
	<b>Total</b>	<b>80</b>	<b>116</b>	<b>100%</b>

## Variety of questions covered

In this book, you will be studying below types of questions:

Sr. No.	Nature of Question	Ch. 1	Ch. 2	Ch. 3	Ch. 4	Ch. 5	Ch. 6	Ch. 7	Ch. 8
<b>Theory section</b>									
1.	Answer the following.	✓	✓	✓	✓	✓	✓	✓	✓
2.	Distinguish between.	NA	✓	NA	✓	✓	NA	✓	✓
<b>Objective section</b>									
A.	Select the correct answer from the options given below and rewrite the statements.	✓	✓	✓	✓	✓	✓	✓	✓
B.	Match the pairs.	✓	✓	✓	✓	✓	✓	✓	✓
C.	Write a word or a term or a phrase which can substitute each of the following statements.	✓	✓	✓	✓	✓	✓	✓	✓
D.	State whether the following statements are true or false.	✓	✓	✓	✓	✓	✓	✓	✓
E.	Find the odd one.	✓	✓	✓	✓	✓	✓	✓	✓
F.	Complete the sentences.	✓	✓	✓	✓	✓	✓	✓	✓
G.	Select the correct option from the bracket.	✓	✓	✓	✓	✓	✓	✓	✓
H.	Answer in one sentence.	✓	✓	✓	✓	✓	✓	✓	✓
I.	Correct the underlined word and rewrite the following sentences.	✓	✓	✓	✓	✓	✓	✓	✓
J.	Arrange in proper order	NA	✓	NA	✓	✓	NA	✓	✓
	Explain the following terms / concepts.	✓	✓	✓	✓	✓	✓	✓	✓
	Justify the following statements.	✓	✓	✓	✓	✓	✓	✓	✓
	Study the following case / situation and express your opinion.	✓	✓	✓	✓	✓	✓	✓	✓

Note: All the above variety of questions are a part of textbook.

# INDEX

Sr. No.	Titles	Total Marks	Marks with option	Page No. (Theory)	Page No. (Objectives)
1.	Principles of Management	07	12	1	198
2.	Functions of Management	12	15	18	207
3.	Entrepreneurship Development	05	05	43	215
4.	Business Services	20	27	62	223
5.	Emerging Modes of Business	07	10	114	237
6.	Social Responsibilities of Business Organisations	07	10	132	245
7.	Consumer Protection	07	17	153	254
8.	Marketing	15	20	174	262
	Total	80	116		
	Includes Board Question Paper of February 2023 (Solution in pdf format through QR code)			271	

- Note:**
1. All textual questions are represented by (T) mark.
  2. At the start of each chapter, we have provided a chapter index to enable the students to get an overview of the chapter. We have also marked the years in which the questions have been previously asked. Please note that this marking is only indicative and not exhaustive.

Scan the adjacent QR Code to know more about our **“Supplementary Questions Book”** for Std. XII (Comm). Get sufficient practice of all objective questions across all subjects.



Scan the adjacent QR Code to know more about our **“HSC 30 Question Papers & Activity Sheets with Solutions”** for Std. XII (Comm). Gear up yourself to score more in the XII Board Examination.



Sample Content

SR. NO.	PARTICULARS	BOARD EXAM
1.	Explain nature of principles of management. (T)	July' 18, Oct' 15, Mar' 15, Mar' 13
2.	What is the significance or importance of the principles of management?	Feb' 20, Mar' 18, 17, 16, 14, Oct' 14
3.	Explain 14 principles of Henry Fayol in detail. (T)	Feb' 20, 19, July' 19, 17, Mar' 16, 14, 13
4.	Explain any five principles of management of Henry Fayol. (T)	Mar' 22, Oct' 21
5.	Explain in detail any five principles of management given by Henry Fayol. (T)	
6.	Elaborate principles of scientific management. (T)	Mar' 15
7.	What are the techniques of scientific management? Explain in detail. (T)	Oct' 14
8.	Describe any four techniques of scientific management. (T)	
9.	Describe different techniques of scientific management. (T)	
10.	Chapter Assessment	

### INTRODUCTION

Johnson and Johnson Company introduced a product named 'Tylenol' which became a leading pain-killer medicine in the United States. In October 1982, Johnson and Johnson faced a tremendous crisis when seven people in Chicago were reported dead after taking Tylenol capsules. Johnson and Johnson recalled the capsules from the entire country which amounted to about 31 million bottles. Additionally, they stopped all advertisement of the product. In total, it resulted in a loss of more than \$100 million dollars. The mission statement of Johnson and Johnson was "operate with honesty and integrity". They could take such big decision because they followed their principles. When the goals are clear, decision making becomes easy.

This chapter gives us an insight into various principles of management.

### MANAGEMENT

Management is required in all spheres of life. Therefore, the importance of management is growing rapidly. Various management thinkers have introduced different management theories. There are many principles, theories and techniques of management that help to



achieve similar results. However, their use varies from organisation to organisation, situation to situation and person to person.

## MEANING AND DEFINITION

### 1) MANAGEMENT

Management is a process of co-ordination of resources by way of planning, organising, staffing, directing and controlling them so as to attain some desired objectives.

### 2) PRINCIPLES

While achieving individual or organisational goals, it is always important to use different techniques. Some of these techniques are accepted universally and hence, they are called as principles.

Principle is defined as “a fundamental truth or proposition that serves as the foundation for a system of belief or behaviour or for a chain of reasoning”. In simple words, techniques or systems which give one directional result are called as principles.

### 3) PRINCIPLES OF MANAGEMENT

The principles used for management of business organisations are called as principles of management. These principles provide guidelines to managers while taking business decisions. Management principles are formed to guide and influence the behaviour of employees. They focus on improving the overall efficiency of the organisational resources.

Q.1.

Answer the following

1. Explain nature of principles of management. (July' 18, Oct' 15, Mar' 15, Mar' 13) T

Ans: The principles used for management of business organisations are called as principles of management. These principles provide guidelines to managers while taking business decisions. Management principles are formed to guide and influence the behaviour of employees. They focus on improving the overall efficiency of the organisational resources. The nature of principles of management is explained as follows:



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### 1) PRINCIPLES ARE FORMED BY PRACTICE AND EXPERIMENT

The management principles are developed gradually with thorough research work. Systematic observations and experiments are conducted before developing them. The results of such experiments are practiced in organisations and then developed as principles.



2) **UNIVERSAL APPLICATION**

The principles of management are universal in nature. They can be applied to:

- i. All types of organisation, irrespective of their size and nature
- ii. All levels of management

Their results may vary and application may be modified but these are suitable for all kinds of organisations.

E.g.: Management is required in big companies like Reliance and also in a small book store.

3) **BEHAVIOURAL IN NATURE**

Management is a group activity which aims at achieving certain goal through a group of human beings. Management principles are designed to influence behaviour of human beings. These principles control a group of people and direct them to achieve the objectives.

4) **GENERAL GUIDELINES**

Management principles provide general guidelines to wisely handle the organisational situations and solve the problems. They are not rigid. Which management principles are to be applied depends upon the situation, size and nature of organisation.

E.g.: When we say fair remuneration, the term 'fair' can vary as per the nature, size and financial condition of the organisation.

5) **FLEXIBILITY**

Management principles are flexible in nature. They can be modified according to the situation. As business situations keep on changing, these principles can be modified and used in the organisation as per its need. In other words, managers can be flexible while implementing these principles.

E.g.: With a change in technology, application of management principles changes.

6) **CAUSE AND EFFECT RELATIONSHIP**

Principles of management help to determine the cause or reason for a particular effect. Therefore, they are the base for taking business decisions.

E.g.: Payment of good wages and incentives (cause) helps in increasing the output of workers (effect) or making effective advertisement (cause) increases the sale of a product. (effect).

7) **ALL PRINCIPLES ARE OF EQUAL IMPORTANCE**

All principles of management are of equal importance. They have to be practiced simultaneously for complete achievement of predefined goals. If any specific principle is focused more while others are not followed with the same focus, then it affects the working of organisation.



Management principles are the principles of social science. The nature of principles of management is not absolute like pure sciences. With some modifications as per the requirement, organisation needs to apply these principles.

2. What is the significance or importance of the principles of management?  
(Feb' 20, Mar' 18, 17, 16, 14, Oct' 14)

**Ans:** The principles used for management of business organisations are called as principles of management. Management principles are in the form of pre-determined solutions for the problems which are recurring. These principles are tested and practiced worldwide from many years. Hence, it is important for every manager to know them. The significance of the principles of management can be explained with the help of the following points:



**SMART CODE** P U S H E D H

1) PROVIDES USEFUL INSIGHT TO MANAGERS

Principles of management help the managers:

- i. In understanding the organisation
- ii. In better understanding of the situations and problems
- iii. In handling various situations and finding solutions to problems

Management principles are based on the experience of various professional people. These principles guide managers about the manner in which they should act in different situations. This type of timely guidance reduces wastage of resources and helps to achieve the organisational goals in an appropriate manner.

2) UNDERSTANDING SOCIAL RESPONSIBILITY

Management principles are not developed only from the view point of handling the resources effectively but they also guide management in understanding social responsibility of the organisation. This helps the management to focus on providing quality products at reasonable prices, avoiding artificial monopoly situations in market, ensuring fair competition, fair remuneration, healthy working place, standard tools and machinery etc.

E.g.: Business organisation should focus on developing eco-friendly products.

3) SCIENTIFIC DECISIONS

In business organisation, a scientific decision means systematic or balanced decision. Management principles train the managers to take scientific decisions so that they don't have to follow the trial and error method every time. With the use of various management principles, managers can analyse different situations and find alternative options to get desired results.



#### 4) **HELPFUL IN EFFICIENT UTILISATION OF RESOURCES**

In every organisation, two types of resources are used i.e. physical resources (material, machines, money etc.) and human resources (manpower). The basic function of management is optimum utilisation of these resources and controlling their wastage. The management always uses the principles of management to maintain discipline and healthy working environment. It helps in developing cordial relationship between management and employees which increases the efficiency level of employees and enables effective administration.

*E.g.:* Use of standard tools and machinery helps in increasing quality and productivity. It also increases level of efficiency of human resources.

#### 5) **ENCOURAGES RESEARCH AND DEVELOPMENT (R AND D)**

Management principles are dynamic in nature. Over the years, they have developed to suit the current need. It enables the managers to bring consistent improvement in them. As a result, managers adopt new trends at the work place automatically. These principles also help management to make comparison of a used principle with its expected outcome. If needed, management can modify these principles as per situation. Consequently, they develop scientific approach towards research and development. It contributes to growth and development of organisation.

*E.g.:* R & D department always works on finding new techniques in the field of production, finance, marketing, human resources etc.

#### 6) **DEVELOPS OBJECTIVE APPROACH**

Managers have to take many decisions on a daily basis. If they approach every issue subjectively (i.e. from a personal point of view), they may be biased while taking a decision. However, management principles help managers to develop an objective approach which considers factual evidence while making decisions. As a result, managers can correctly identify business opportunities, find root causes of problems and provide appropriate solutions. This helps to make the managers more efficient and decision making becomes smooth. It builds confidence in the minds of the managers.

#### 7) **HELPS TO CO-ORDINATE AND CONTROL**

It is difficult to create co-ordination and co-operation among different employees working in different departments. It is also a difficult task for manager to keep control on the performance of all team members. Management principles provide guidelines for better co-ordination and control within the organisation.



## THEORIES OF MANAGEMENT

Management theories are the set of general rules that guide the managers to manage an organisation. Various management thinkers such as Fredrick Winslow Taylor, Elton Mayo, Henry Fayol, etc. have introduced theories based on different approaches. These theories are applicable in all type of organisations. With appropriate modifications, every manager can use these theories. It means old theories are the basis of modern management theories.

3. Explain 14 principles of Henry Fayol in detail.

(Feb' 20, 19, July' 19, 17, Mar' 16, 14, 13) T

**Ans:** Henry Fayol (1841-1925) was a French mining engineer who rose to the position of the Chief Managing Director. He became a leading industrialist and a successful manager. He conducted many experiments in management and proposed fourteen principles of management. These principles have been explained in his book "General and Industrial Administration". Due to his contribution to management, he is called the "Father of Modern Management". His principles serve as a guideline for decision-making and management actions.

The following are the principles of management laid down by Fayol:



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### 1) PRINCIPLE OF DIVISION OF WORK

As per this principle, the work in an organisation should be divided into small sub parts. The work could be divided into different kinds such as technical, financial, commercial, security operations, accounting and managerial. This work should be assigned to employees depending on their interest, skill, qualities and capabilities. This helps in increasing efficiency, leads to specialisation and ultimately increases productivity level.

**E.g.:** In a college, there are different professors for different subjects. Each professor teaches the subject assigned to him/her according to his qualification and interest.



**GG - Gyan Guru**

Mr. Henry Ford (Founder of Ford Motors) introduced the concept of 'Assembly line' to the world. Earlier, only one worker used to assemble a vehicle from its beginning to the end. However, Mr. Ford introduced assembly line which involved building various workstations. Each workstation had to assemble just one particular spare part. This helped to complete the job in a much faster and an efficient manner.



## 2) PRINCIPLE OF AUTHORITY AND RESPONSIBILITY

Authority is the right to take decisions, i.e., the right to give orders and get work done from subordinates. A manager can work properly only if he is given authority to take decisions. However, authority comes with responsibility. When authority has been given to the manager, he is responsible for that work. If the work is not completed in time or not done properly, the manager is to be held responsible.

*E.g.:* A captain of Indian Cricket Team is given the authority to choose his team and decide the batting order. However, when the team loses a match, he is held responsible for the defeat.

## 3) PRINCIPLE OF DISCIPLINE

According to Fayol, discipline is the most essential thing in the organisation. Employees must obey and respect the rules of the organisation. Discipline helps to achieve the goals set in the organisation. Good discipline is the result of effective leadership. There must be a clear understanding between management and employees regarding the organisation's rules so that the discipline is maintained. Discipline should be observed at all levels of management.

*E.g.:* Management should clearly convey office timings to its employees and the employees need to adhere to these.

## 4) PRINCIPLE OF INITIATIVE

Initiative means taking the first step and volunteering to do the work in an innovative way. Managers should encourage employees to take initiative and come up with new ideas. According to this principle, managers should welcome such ideas and conduct thorough discussion on these ideas. This approach helps to build a healthy organisational culture.

## 5) PRINCIPLE OF SUBORDINATION OF INDIVIDUAL INTEREST TO ORGANISATIONAL INTEREST

According to this principle, the interest of an individual must be given lesser importance as compared to the interest of the organisation. The manager should always consider the interest of the whole organisation rather than the interest of a single employee while taking any decision. Similarly, the employees should also give higher importance to the interest of the organisation than their own self.

*E.g.:* M. S. Dhoni stepped down as the captain of the Indian Cricket Team in 2017 and allowed Virat Kohli to take over as the captain in spite of still being in the team. He gave more importance to the team's interest rather than his individual interest.



6) PRINCIPLE OF ORDER

This principle is based on 'A place for everything and everything in its place'. Human resources and materials should be in the right place at the right time for maximum efficiency. The principle focuses on the proper utilisation of physical and human resources.

*E.g.:* An accounts expert should be in accounts department and not in marketing department.

7) PRINCIPLE OF UNITY OF COMMAND

Each employee of an organisation should receive orders from only one superior. This principle helps in managing conflicts and solving disputes among people in the organisation. If an employee receives orders from more than one superior, he will get confused. He will not understand whose orders to follow. This will hamper the work. Each employee should know his immediate superior and should receive orders only from him. For this, the organisational hierarchy should be well defined.

*E.g.:* If an employee is working on two projects with two different superiors, both of them may ask him to finish work on the same day. In that case, employee will either have to work long hours which will affect his efficiency or he may have to finish the task in an improper manner. To avoid this, he should receive order from only one superior.

8) PRINCIPLE OF STABILITY OF TENURE

When an employee is recruited, the management should assure him about the stability of his tenure (job security). It helps to create a sense of belongingness among the employees. An employee who is secured about his job will put his maximum efforts. It will also help to minimise employee turnover ratio.

9) PRINCIPLE OF REMUNERATION

As per this principle, employees must be paid a fair amount of salary/wages for the services rendered by them. Fair remuneration keeps employees financially satisfied and retains them for a longer period of time with the organisation. It also helps to increase their productivity and efficiency. The remuneration should be fixed by taking into consideration the skill, expertise, knowledge, tenure, cost of living, market trend, profitability of organisation etc.

10) PRINCIPLE OF EQUITY

Management should be fair as well as friendly to the subordinates. While allocating any work, delegating the authorities, deciding the monetary terms etc., there should not be any discrimination between the employees. Also, the remuneration should not depend on the department but the level on which subordinates are working. It implies that salary/wages of employees working at the same level should be the



same even though they belong to different departments. This will help to avoid conflicts within the organisation.

*E.g.:* Sr. Executive – Accounts, Sr. Executive – Production, Sr. Executive – Sales should all have equal pay.

### 11) PRINCIPLE OF SCALAR CHAIN

Scalar chain refers to the hierarchy of authority from the top level to the lower level, for the purpose of communication. This helps to ensure the orderly flow of information. Traditionally, organisations used to frame large scalar chain which is time consuming.

*E.g.:* If any financial decision taken by the top management requires a change in the accounting system, then the CFO will first inform the Manager-Accounts and Manager-Accounts will inform the Head-Accounts. The Head-Accounts will then inform the Account Executive and finally the work will get done.

However, in order to avoid this longer chain and to take speedy decisions; cross communication or direct communication is followed by various organisations. It is known as Gang Plank. For direct communication, it is essential to take proper permission of authorities.

### 12) PRINCIPLE OF CENTRALISATION

Centralisation refers to the concentration of powers and authorities in one or few hands. This situation usually occurs in small organisations. However, if the size of organisation is large, there is a decentralisation of power and authority. According to this principle, there must be a proper balance between centralisation and decentralisation in the organisation. This is to be done according to the size of the organisation, nature of the activity etc.

### 13) PRINCIPLE OF UNITY OF DIRECTION

This principle states that 'there should be one head and one plan' in every organisation. Each group in the organisation should have the same objective and the group should be directed by one manager using single plan.

**Note:** The difference between unity of direction and unity of command is:

- Principle of unity of command: One individual, one superior
- Principle of unity of direction: One group, one objective, one superior.

### 14) PRINCIPLE OF ESPRIT DE CORPS (TEAM WORK)

Esprit de Corps means union is strength. Power of many is always more than power of one. The manager should create a spirit of team work and understanding among the employees. They should be made to realise that the organisational goals are achieved only due to the combined efforts of all employees. When all employees



work as a team, the difficulties can be solved quickly and organisational goals can be achieved easily.

Above 14 principles of Henry Fayol are very useful to manage the organisation efficiently and effectively. These principles are also supportive to the functions of management. These principles are very logical and hence, applicable in modern management era.

### SMART RECAP



Sr. No.	Principle	Meaning
1.	Principle of Division of Work	Work should be divided into small sub parts and assigned to employees depending on their interest, skill, qualities and capabilities.
2.	Principle of Authority and Responsibility	Manager should be given complete authority to take decisions in order to complete a task. Also, he should be held responsible for success/ failure in that task.
3.	Principle of Discipline	Proper discipline has to be maintained within an organisation.
4.	Principle of Initiative	Managers should encourage employees to take initiative and come up with new ideas.
5.	Principle of Subordination of Individual Interest to organisational Interest	Interest of an individual must be given lesser importance as compared to the interest of the organisation.
6.	Principle of Order	Human resources and materials should be in the right place at the right time.
7.	Principle of Unity of Command	Each employee should receive orders from only one superior.
8.	Principle of Stability of Tenure	Management should ensure that employees get a sense of security in their job.
9.	Principle of Remuneration	Employees must be fairly remunerated
10.	Principle of Equity	All the employees should be treated fairly and there should not be any discrimination
11.	Principle of Scalar Chain	Organisation should decide what type of communication is suitable under certain situations.
12.	Principle of Centralisation	There must be a proper balance between centralisation and decentralisation.



13.	Principle of Unity of Direction	Each group in the organisation should have the same objective and should be directed by one manager using single plan
14.	Principle of Esprit de Corps (Team work)	Manager should create a spirit of team work among the employees as goals are achieved only due to the combined efforts of all employees.

4. Explain any five principles of management of Henry Fayol. (Mar' 22, Oct'21) (T)

Ans: Refer Q. 1. - 3. (Any 5 points)

5. Explain in detail any five principles of management given by Henry Fayol. (T)

Ans: Refer Q. 1. - 3. (Any 5 points)

- **INTRODUCTION OF F. W. TAYLOR**

Frederick Winslow Taylor (1856-1915), was an American who started his career as a machinist in Midvale Steelworks, Philadelphia. He gradually rose to the position of the Chief Engineer. He introduced his observations and experiments based on scientific data. Taylor's approach towards management is termed as 'Scientific management'. For this contribution in development of management thoughts, he is known as the "Father of Scientific Management". According to Taylor, problems should be solved by scientific techniques rather than the rule of thumb and a trial and error approach.

6. Elaborate principles of scientific management. (Mar' 15) (T)

Ans: According to Taylor, "Scientific management consists of knowing what you (i.e. management) want men to do exactly; and seeing it that they do it in the best and the cheapest manner."

Taylor's principles of scientific management are as follows:

1) **SCIENCE, NOT RULE OF THUMB**

The 'Rule of Thumb' decisions, based on personal judgments of the manager, adversely affect the efficiency of an organisation. Therefore, Taylor insisted upon scientific method for every small work. It involves selecting the best way of performing a job after scientific analysis of that job and not by trial and error method. Standard required time and standard output should be defined by the manager so that time and human energy is saved, and expected standard output is achieved. Taylor believes that even a small production activity, like loading iron sheets into box cars, can be scientifically planned.



2) **HARMONY, NOT DISCORD**

According to this principle, there should be harmony between the employees and management. This will help in minimising conflicts between them. There should be perfect understanding between employees and management. It will help to create healthy work environment for achieving the desired goal. Organisation should think about maximum prosperity of employees too.

3) **MENTAL REVOLUTION**

Taylor introduced the concept of "Mental Revolution". It focuses on change in the attitude of employees and management towards each other. Both should realise their equal importance in an organisation and give full co-operation for achieving organisational goals. This will increase productivity and profits.

4) **CO-OPERATION, NOT INDIVIDUALISM**

This principle emphasises on mutual co-operation between employees and management. Co-operation, trust, team spirit etc. can turn internal competition into healthy work environment. Management should always consider the suggestions given by employees in decision making process. Employees should be treated as an integral part of organisation in all respects. At the same time, employees should resist themselves from going on strikes and making unnecessary demands from management. The employees and management should treat each other as two pillars of organisation.

5) **DIVISION OF RESPONSIBILITY**

Proper division of work should always be accompanied with division of responsibilities between the managers and employees. Major planning is done by the top and middle level management authorities whereas employees are concentrating on its execution. The reporting is done as per the instructions given by superiors. Managers should always help, encourage and guide the employees. It helps for best performances of managers as well as employees.

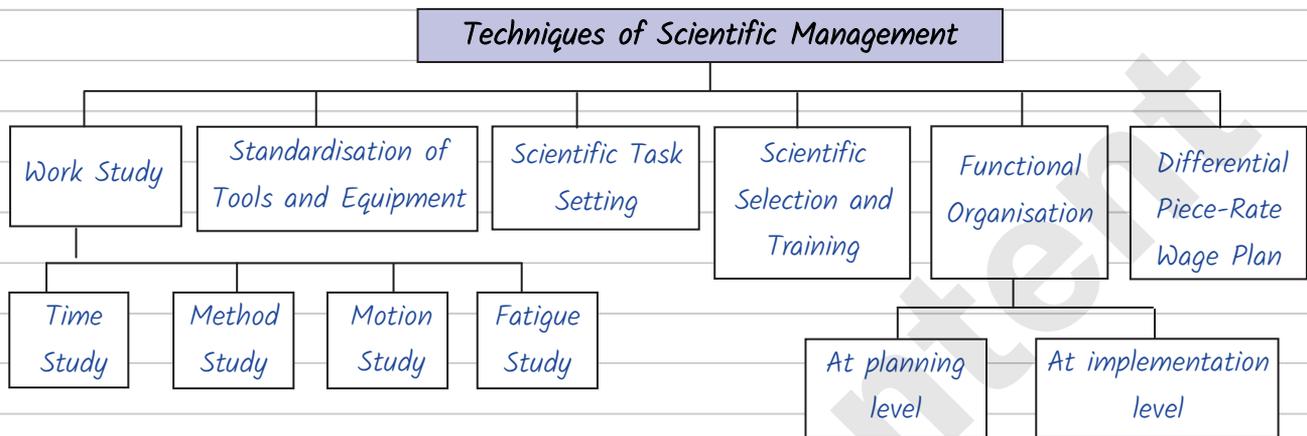
6) **DEVELOPMENT OF EMPLOYER AND EMPLOYEES FOR GREATER EFFICIENCY AND MAXIMUM PROSPERITY**

The best performance of any organisation depends on the skills and capabilities of its employees to a great extent. Thus, conducting training and development programmes for the employees as per requirement is very essential. It ultimately impacts the profitability of the organisation. Each employee should be given proper opportunity to attain greater efficiency and maximum prosperity.

**7. What are the techniques of scientific management? Explain in detail. (Oct' 14) T**

**Ans:** According to Taylor, "Scientific management consists of knowing what you (i.e. management) want men to do exactly; and seeing it that they do it in the best and the cheapest manner."

Some of the major techniques of scientific management are as follows:

**1) WORK STUDY**

Management should do proper work study before assigning the work to the available workforce. Work study consists of an organised, systematic and critical assessment of the various activities or functions. Work study is based on the techniques such as time study, motion study, method study and fatigue study.

**i. Time study**

It is a technique whereby the management observes and records the time taken by an employee to complete a given task. With the help of time study, the precise time required for each element of work is determined. This technique helps to fix a standard time required to do a particular task under given condition. It is useful to measure the efficiency of an employee and to control the cost of work.

*E.g.:* A worker completing the job before the standard time can be given an extra incentive.

**ii. Method study**

There are always various methods of completing the task. However, for best quality and cost effectiveness, the best method of doing a particular job needs to be identified. It helps in reducing wastage of time and raw material as well as in improving the utility of all resources. It also aids in determining the effective methods for handling raw materials, transportation, inspection, storage etc.



iii. **Motion study**

The study of required motion (i.e., movement of an employee as well as of machine) while completing a particular task is very important. The management must engage in such motion study to find the best method of doing a particular job. If there are some motions which are unnecessary, they can be eliminated. It also helps in improving the efficiency of the employees. Motion technique helps to know if some elements of a job can be eliminated or their sequence can be changed for a smooth flow of task.

iv. **Fatigue study**

Generally, long working hours without sufficient breaks, target pressure, heavy working tools, and poor working conditions result into physical and mental stress i.e. fatigue. It has an adverse effect on the health and efficiency of the employees. The management must study the factors causing fatigue and take steps to reduce the fatigue in order to maintain operational efficiency.

2) **STANDARDISATION OF TOOLS AND EQUIPMENT**

Taylor conducted some experiments at his workplace and the results of these experiments inspired him to advocate this technique. It involves standardisation of working environment and methods of production. The employees should be provided with favourable working conditions and good tools and equipment. It helps in reducing spoilage and wastage of material, cost of production, and workers' fatigue. It also improves quality of work.

3) **SCIENTIFIC TASK SETTING**

Taylor emphasised the need for fixing a fair day's work. This technique is important to prevent the employees from doing work much below their capacity. This technique will enable the employees to complete the task according to given standards. Also, management can keep proper control on optimum utilisation of workforce.

4) **SCIENTIFIC SELECTION AND TRAINING**

This technique helps the management to select right persons for the right jobs. It needs to fix job specifications as per requirement. Employees are selected according to pre-determined standards in an impartial way. After selection, management should provide proper training programmes to increase their efficiency.

5) **FUNCTIONAL ORGANISATION**

In this concept of Taylor, planning is separated from implementation. This means that planning is done by different people and actual work is supervised by different people. Thus, every worker is supervised by two different sets of supervisors. He



recommended total eight foremen to control the various aspects of production. They are categorised as follows:

i. At Planning Level

- a. Route Clerk: Tells how work moves from one machine to other.
- b. Instruction Clerk: Records instructions to complete the work.
- c. Time and Cost Clerk: Determines the time required for work and workouts the cost.
- d. Discipline: Ensures that the workers are working as per factory rules.

ii. At Implementation Level

- a. Gang Boss: Actually gets the work done.
- b. Speed Boss: Ensures that the work is completed in specified time.
- c. Repair Boss: Handles security and maintenance of machine
- d. Inspector: Ensures that the work is done as per the specified standards.

According to Taylor, with the help of proper division of all activities into planning and implementation, management can achieve the required performance from employees.

**Note:** Foreman refers to a worker who supervises and directs other workers.

6) DIFFERENTIAL PIECE-RATE WAGE PLAN

Taylor suggested the differential piece-rate wage plan. Under this system, higher rates are offered to employees who complete more work than the standard quantity. On the other hand, employees performing below the standard get lower rate of wages. This technique motivates the employees to attain higher standard performance and earn higher wages.

**FOR YOUR UNDERSTANDING**

Differential piece-rate wage plan has a drawback. In order to produce more and thereby earn more, workers may not pay attention to the quality of the product. Thus, strict measures must be taken to maintain quality along with increasing quantity.

8. Describe any four techniques of scientific management. T

Ans: Refer Q. 1. - 7. (Any 4 points)

9. Describe different techniques of scientific management. T

Ans: Refer Q. 1. - 7.





- i. Which is the principle of management which Anirudh should ideally follow?
- ii. What is the term to describe the direct communication between Anirudh and Design Assistant?
- iii. What is the pre-requisite of such direct communication?

**Q.4. Justify the following statements. (Any 1 out of 2)**

**[4]**

1. Management principles are helpful in optimum utilisation of resources.
2. Principle of equity is important.

**Q.5. Answer the following. (Any 1 out of 2)**

**[8]**

1. What are the techniques of scientific management? Explain in detail.
2. Explain any five principles of management given by Henry Fayol.

Scan the given Q. R. Code in **Quill - The Padhai App** to view the answers of the Chapter Assessment.





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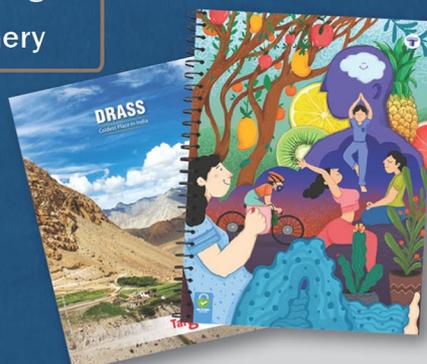
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