

BUSINESS STUDIES 2ND COM B SECTION

HENRY FAYOL'S 14 PRINCIPLES OF MANAGEMENT

1. **DIVISION OF WORK:** Work in the organization has to be divided and sub divided into small tasks. Division of work leads to specialization. business work can be performed more efficiently if it is divided into specialized task and is performed by a specialist. This will result in efficient and effective output. Thus company have separate departments for finance ,marketing ,production etc.
2. **AUTHORITY AND RESPONSIBILITY:** Authority is the right to give orders and to obtain obedience and responsibility is corollary of authority. Authority and responsibility has to go hand in hand. Excess proportion of authority will lead to slaverism and low proportion of authority will lead to escapism. And it is the duty of all the subordianates to complete the task given by the superiors and reports to be submitted.
3. **DESCIPLINE:** Discipline is the obedience of organizational rules which are necessary for the working of organization. Discipline requires good superiors at all levels, clear and fair agreements and judicious application of penealties.
4. **UNITY OF COMMAND:** According to Fayol there should be one and only one boss for each individual employee. Unity of command states that each employee should receive orders from only one superior. If an employee receives orders from more than one superior there will be confusion and overlapping of work which leads to over burden of work which leads to inefficiency.
5. **UNITY OF DIRECTION:** All the units of the organization should be moving towards the same objectives through one head and one plan. This ensures unity of action and coordination. All work in the organisation has to be carried towards the common goals of the organization.
6. **SUBORDIANATION OF INDIVIDUAL INTEREST TO GENERAL INTEREST.** The interest of the organization should be the first priority over the interest of individual employee. In all the situation interest of the group has to supersede the interest of the individual because stakeholder's interest is important than the individuals. Stake holders are owner's shareholders, creditors debtors ,financiers tax authorities.
7. **REMUNERATION TO EMPLOYEES.** The overall pay and compensation should be fair to the employees and to the organization. The employees should be paid fair wages which should be reasonable to meet the standard of living. At the same time it has to be within the paying capacity of the organization. This will ensure good atmosphere in the organization.
8. **CENTRALISATION AND DECENTRALISATION:**The concentration of decision making power in the hands of one or few persons is called centralization and dispersal of decision making authority to many is decentralization. There should be a balance of centralization and decentralization with retention of final authority.this depends on the nature of the organization. Large organizations have more decentralization where as small organizations are centralized.
9. **SCALAR CHAIN:** An organization consists of superiors and subordinates. The formal lines of authority from the highest to lowest ranks are known scalar chain. Organizations should have a chain of authority and communication that runs from top to bottom and should be followed by managers and the subordinates.
10. **ORDER:** According to Fayol people and materials must be in suitable places at appropriate time for maximum efficiency. This principle states that there is place for everything and everyone and orderliness to be followed so that there is no hindrance in the activities, and this leads to increased production and efficiency.
11. **EQUITY:** This principle says there should be kinliness and justice in the behavior of managers with the workers. This will ensure loyalty and devotion . There should be no discrimination in

the sex, religion ,language caste etc. Equal opportunities are to be given to every one for the growth.

12. **STABILITY OF PERSONNEL:** Employee turnover should be minimized to maintain organizational efficiency. Once the employee is selected they should be kept for a fixed tenure. They should be given time to show the results. Recruitment ,selection and training will cost high. So stability of personnel is good for business.
13. **INITIATIVE:** Workers should be encouraged to develop and carry out their plans for improvements . Initiative means taking first step with self motivation. But it does not mean going against the established practices of the company. A good company should have an employee suggestion which results in cost and time reduction and they have to be rewarded.
14. **ESPRIT DE CORPS.** Management should promote a team sprit of unity and harmony among employees.Management should promote teamwork in the organization objectives cannot be achieved. It results in loss of coordination. A manager should replace 'I' with 'WE" in all conversation with workers to increase team sprit.

CHAPTER -3 BUSINESS ENVIRONMENT.

MEANING: The sum total of all individuals, institutions and other forces that are outside the control of a business enterprise but that may affect its performance.Eg. changes in government's economic policies, rapid technological developments, political uncertainty, changes in fashion and tastes of consumers and increased competition- all influence the working of business enterprise.

FEATURES

1. **TOTALITY OF EXTERNAL FORCES:**It is sum total of all external things like political ,legal ,technological ,social and economical factors.
2. **SPECIFIC AND GENERAL FORCES:**Business includes both specific and general forces. Specific forces are investors. Customers, competitors and suppliers. General forces are social ,political legal etc.
3. **INTER-RELATEDNESS:** Different elements are inter-related.eg.increased life expectancy and increased awareness for health increased demand for many health products.
4. **DYNAMIC NATURE:**Business environment is dynamic i.e .it keeps changing in terms of technological improvements, shifts in consumer tastes and fashion or competition in the market.
5. **Un certainty:** Business environment is uncertain and is difficult to predict the future happenings. Changes are taking place too frequently in information technology or fashion industries.
6. **COMPLEXITY:** Business environment is too complex it is too difficult to know the extent of relative impact of social politica technological and legal factors.
7. **RELATIVITY:**Business environment is a relative concept. It differs from country to country and region to region. Eg. Demand for sarees is high in India but does not exist in western countries. Political conditions differ from one country to another which has the direct impact on business concern.

DIMENSIONS OF BUSINESS ENVIRONMENT:

ECONOMIC ENVIRONMENT: Interest rates, inflation, stock market ,value of rupee disposable income of an individual.

SOCIAL ENVIRONMENT: Forces are customs and traditions, social trends, social practices ,individual freedom, social justice, equality of opportunity etc.

TECHNOLOGICAL ENVIRONMENT: Forces are scientific improvements and innovation ,new methods and techniques of production ,new methods of operating a business etc.

POLITICAL ENVIRONMENT: It includes forces like general stability and peace in the country,specific attitudes of elected government representatives,political unrest threats to law and order etc

LEGAL ENVIRONMENT: Includes legislation passed by the government authorities, decisions rendered by different commissions, rules and regulations framed by the government etc.

LIBERALISATION:The economic reforms that aimed at liberalising the Indian business and industry from all unnecessary controls and restrictions. Liberalization took place with respect to abolishing lengthy process of licence requirement , freedom in deciding business activities, removal of restrictions for movement of goods, freedom in fixing of prices of goods and services, reduction of tax rates simplifying procedure for exports and imports ,attracting foreign capital and technology to India.

PRIVATISATION: The new set of economic reforms aimed at giving greater role to private sector and reduced role to public sector in nation building process.disinvestment of public sector ie transfer of public sector enterprise to private sector enterprises.

GLOBALISATION: Globalisation means integration of various economies towards global economy. Globalization involves import liberalization, export promotion, increased level of interaction and interdependence among various nations. Global economy implies boundryless world where there is free flow of goods and services across nations, free flow of capital, free flow of information and technology, free movement of people across borders, common acceptable mechanism for settlement of disputes etc.

DEMONITISATION: Govt of India made an announcement on 8th November 2016 that Rs 500 and Rs 1000 ceases to have legal tender . ie it lost its value, became invalid. .

CHAPTER 4 PLANNING

Planning is the first function in management. It is the base of all other functions in management like organizing, directing, controlling, staffing etc. It is an intellectual process which requires managers to think , imagine and judge before doing anything. Planning is deciding in advance what to do , where , how to do, when to do the task and who has to do the particular task. Therefore it is concerned with thinking in advance to decide the future course of action. It is a continuous and a never ending process, performed by all the managers at all levels. Planning is a pre-determined course of action to achieve a specific goal.

IMPORTANCE OF PLANNING:

1. **PLANNING PROVIDES DIRECTIONS.** Planning provides direction for action by stating in advance how work is to be done. Planning ensures that goals are clearly stated so the employees are aware of what the organization has to do. It ensures coordination in the work of individuals and various departments of the organization.

2. **PLANNING REDUCES THE RISK AND UNCERTAINTY:**A business environment has to work in an environment which is uncertain and ever changing. Planning helps the organization to assess future uncertainties and to face these uncertainties in the best possible manner. Changes and uncertainties cannot be eliminated but they can be anticipated and remedial actions can be developed by the managers.
3. **PLANNING REDUCES OVERLAPPING AND WASTEFUL ACTIVITIES:** Planning serves as the basis for co-ordinating the activities and efforts of the different individuals and departments of the organization. It helps in avoiding confusion and misunderstandings. Since planning ensures clarity in thought and action, work is carried on smoothly without any interruptions. It is easier to detect inefficiencies and take corrective measures.
4. **PLANNING PROMOTES INNOVATIVE IDEAS:**Planning is the first function in management. It encourages managers for innovative and creative thinking. Planning helps to innovative new ideas to shape concrete plans to determine the future course of action to be adopted in future
5. **PLANNING FACILITATES DECISION MAKING :** Planning helps the manager to look into the future and make a choice from the various alternative course of action. Planning involves setting targets and predicting future conditions, thus helping in taking rational decisions.
6. **PLANNING ESTABLISHES STANDARDS FOR CONTROLLING.**Planning involves setting of goals. Planning provides the goals or standards against which actual performance is measured. By comparing the actual with the standards the managers can know whether the goals are been attained and if there are any deviations it can be corrected. Therefore we can say planning is the pre requisite for controlling.