



# ST. LAWRENCE HIGH SCHOOL



A JESUIT CHRISTIAN MINORITY INSTITUTION

## Study Material No. 1

**Sub: Business Studies**

**Class XII**

**Date: 15.05.2020**

**Topic: Principles of Management**

**Chapter – 2**

### **Principle**

A principle is a fundamental statement of truth that provides guidance to thought and action.

### **Principles of Management**

Principles of management are broad and general guidelines for managerial decision making and behavior (i.e. they guide the practice of management).

### **Nature of Principles of Management**

The nature of principles of management can be described in the following points:

- 1. Universal applicability** i.e. they can be applied in all types of organizations, business as well as non-business, small as well as large enterprises.
- 2. General Guidelines:** They are general guidelines to action and decision making however they do not provide readymade solutions as the business environment is ever changing or dynamic.
- 3. Formed by practice and experimentation:** They are developed after thorough research work on the basis of experiences of managers.
- 4. Flexible:** Which can be adapted and modified by the practicing managers as per the demands of the situations as they are man-made principles.
- 5. Mainly Behavioural:** Since the principles aim at influencing complex human behaviour they are behavioural in nature.
- 6. Cause and Effect relationship:** They intend to establish relationship between cause & effect so that they can be used in similar situations.
- 7. Contingent:** Their applicability depends upon the prevailing situation at a particular point of time. According to Terry, "Management principles are 'capsules' of selected management wisdom to be used carefully and discretely".

### **Significance of the Principles of Management**

The significance of principles of management can be derived from their utility which can be understood from the following points:

- 1. Providing managers with useful insights into reality:** Management principles guide managers to take right decision at right time by improving their knowledge, ability and understanding of various managerial situations and circumstances.
- 2. Optimum utilization of resources and effective administration:** Management principles facilitate optimum use of resources by coordinating the physical, financial and human resources. They also help in better administration by discouraging personal prejudices and adopting an objective approach.

**3. Scientific decisions:** Decisions based on management principles tend to be more realistic, balanced and free from personal bias.

**4. Meeting the changing environmental requirements:** Management principles provide an effective and dynamic leadership and help the organization to implement the changes.

**5. Fulfilling social responsibility:** Principles of management not only help in achieving organizational goals but also guide managers in performing social responsibilities. Example: “Equity” and “Fair” remuneration.

**6. Management training, education and research:** Management principles are helpful in identifying the areas in which existing and future managers should be trained. They also provide the basis for future research.

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