



**Ready For Boards**  
10th & 12th Exam Prep

## CHAPTER 2

# Principles of Management

*CBSE Class 12 · Business Studies · Chapter 2*

CBSE · Business Studies · Class 12

## WHAT THIS CHAPTER DOES

*Boards prep that builds confidence, not anxiety.*

## TODAY'S MISSION

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# Today's mission

## WHY THIS MATTERS

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# Why this chapter matters

TOPIC

**A**

# Henri Fayol — life and approach

**THEOREM · LOAD-BEARING RESULT**

# Henri Fayol (1841-1925) — the father of modern management



*Henri Fayol was a French mining engineer who rose to become Managing Director of Comambault, one of France's largest coal mining companies. In 1916 he published 'Administration Industrielle et Générale', laying out 14 principles of management derived from his 30+ years of practical experience.*

## STATEMENT

**Fayol's perspective: TOP-DOWN. He wrote for SENIOR MANAGERS and addresses the ENTIRE ORGANISATION rather than the production floor. His 14 principles are GENERAL GUIDELINES applicable universally with**

## WHY THIS MATTERS

- Pre-Fayol, management was viewed as a craft passed informally master-to-apprentice
- Fayol's principles transformed it into a TEACHABLE DISCIPLINE with concrete guidelines
- Every modern MBA curriculum still references his framework.

## WATCH OUT FOR

**NOTE** Fayol's perspective differs from Taylor's: Fayol addresses TOP MANAGEMENT and the WHOLE FIRM; Taylor addresses FLOOR-LEVEL PRODUCTION. Confusing the two costs marks in 3-mark differentiation questions.

## TOPIC

# Fayol's first 7 principles — structure and command

### 1. DIVISION OF WORK

Work should be divided into small specialised tasks so that each worker becomes expert at their portion. Specialisation increases efficiency, output, and skill. Modern assembly lines (Maruti Suzuki, Toyota Production System) embody this — one worker fits one component all day, becoming three times as fast as a generalist. Applies

### 2. AUTHORITY & RESPONSIBILITY

Authority is the RIGHT to give orders and command obedience; Responsibility is the OBLIGATION arising from this. The two must be BALANCED — authority without responsibility leads to abuse; responsibility without authority creates frustration. A factory manager who is held accountable for output

### 3. DISCIPLINE

Discipline is the OBSERVANCE OF RULES + AGREEMENTS made between the firm and its employees — a TWO-WAY obligation. Both sides must honour their commitments. Discipline is built through good leadership, fair agreements, and judicious penalties — NOT through fear or coercion. The Tata Group's century-long

### 4. UNITY OF COMMAND

Every employee should receive orders from ONE SUPERIOR ONLY. Receiving orders from multiple bosses creates confusion, conflicting priorities, and impossible accountability. This is one of Fayol's two MOST-TESTED principles — case-study questions frequently describe a worker getting orders from both production and HR

## TOPIC

# More structure principles

### 5. UNITY OF DIRECTION

All activities with the **SAME OBJECTIVE** should be directed by **ONE MANAGER** using **ONE PLAN**. Different from Unity of Command (which is about one **BOSS** for each worker). Unity of Direction is about one **HEAD + one PLAN** for each group of similar activities. CBSE distinguish-question: Unity of Command applies to **EMPLOYEES**. Unity of

### 6. SUBORDINATION OF INDIVIDUAL INTEREST

Individual interest must yield to the **COMMON INTEREST** when the two conflict. A single employee's preference cannot override the firm's goal. Managers must ensure individual interests align with organisational goals (through compensation, recognition, fair treatment) —

### 7. REMUNERATION

Remuneration should be **FAIR** — sufficient to motivate the employee, not so high as to bankrupt the firm. Fair to both sides. Multiple methods possible: time-rate (salary), piece-rate (per unit), bonus (performance-linked), profit-sharing, employee stock options (ESOPs). The exact method depends on industry + worker

### 8. CENTRALISATION & DECENTRALISATION

The **DEGREE** to which authority is concentrated at the top (centralised) vs spread to lower levels (decentralised) is a **BALANCE**, not an absolute. Small firms naturally centralise (founder makes all decisions); large firms must decentralise (else top management becomes the bottleneck). Tata Group is

## TOPIC

# Communication + Material + Justice

### 9. SCALAR CHAIN

Communication should follow the formal **LINE OF AUTHORITY** from top to bottom — the so-called scalar chain. A worker should not bypass their immediate supervisor to go directly to the CEO. **EXCEPTION:** Fayol himself proposed the **GANG PLANK** — direct peer-to-peer communication at the same

### 10. ORDER

There should be a place for everything and everything in its place — both for **MATERIAL** order (raw materials, tools, finished goods, files) and **SOCIAL** order (each employee in the right job). Material order saves time and prevents loss; social order ensures the right skills are in the right role. Modern

### 11. EQUITY

Employees should be treated with **KINDNESS** and **JUSTICE** — fairness adapted to individual circumstances. **NOT** identical treatment (which would be 'equality'). A senior employee may legitimately receive different treatment from a junior on issues like mentoring time or leave allotment. Equity creates loyalty.

## TOPIC

# Stability + Initiative + Team spirit

### 12. STABILITY OF TENURE

Frequent personnel turnover is **COSTLY** — recruitment, training, lost institutional knowledge, demoralisation of remaining staff. Managers should aim for **STABLE** tenure: time and resources should be allowed for employees to settle into roles. McKinsey research shows replacing a mid-level manager

### 13. INITIATIVE

Employees should be **ENCOURAGED** to take initiative — to think, suggest, and act on their own without waiting for orders. A workforce of passive order-followers is fragile; a workforce of thinking initiative-takers is resilient. Managers should welcome new ideas, reward creativity and tolerate

### 14. ESPRIT DE CORPS

Esprit de Corps — French for 'spirit of the group' — means **TEAM SPIRIT**, harmony, and unity among employees. Managers must foster pride in the organisation, mutual support among workers, and a sense of shared purpose. Built through team rituals, shared celebrations, fair conflict resolution, and clear

TOPIC

**B**

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# Frederick Winslow Taylor — Scientific Management

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THEOREM · LOAD-BEARING RESULT

# F.W. Taylor (1856-1915) — the father of Scientific Management

*Frederick Winslow Taylor was an American mechanical engineer who worked at Midvale Steel and Bethlehem Steel in the late 19th and early 20th centuries. He observed widespread inefficiency and worker-management hostility, and developed **SCIENTIFIC MANAGEMENT** to replace rule-of-thumb methods with measured, scientific approaches.*

## STATEMENT

Taylor's perspective: **BOTTOM-UP**. He focused on **PRODUCTION-FLOOR EFFICIENCY** rather than top management. His **4 PRINCIPLES** address mindset (**science over rule of thumb, harmony over discord,**

## WHY THIS MATTERS

- Taylor's empirical methods proved that productivity could be measured and improved systematically — transforming management from craft to science
- Modern industrial engineering, Lean Manufacturing, Six Sigma, and operations research all descend from Taylor's framework.

## WATCH OUT FOR

**NOTE** Taylor is often criticised for treating workers as inputs in a production formula. The criticism is partially valid but ignores Mental Revolution — Taylor explicitly required management to **SHARE GAINS** with workers and **TRUST** them. Modern management has refined but not replaced Taylor's core insight: measure what matters.

## TOPIC

# Taylor's 4 principles of Scientific Management

### 1. SCIENCE, NOT RULE OF THUMB

Replace ad-hoc, traditional, 'this is how we've always done it' methods with **SCIENTIFICALLY DERIVED** methods. For every task, study it, measure it, find the **ONE BEST WAY**, then standardise. Taylor's Bethlehem Steel pig-iron study established that scientific timing of work and rest periods yielded 280%

### 2. HARMONY, NOT DISCORD

Replace adversarial worker-management relations with **HARMONIOUS** cooperation. Workers and managers should be partners in productivity, not opposing forces. Achieved through **MENTAL REVOLUTION** (next card) — a change of attitude on **BOTH** sides. Strikes, sabotage, and go-slows all reflect discord; **productive collaboration**

### 3. COOPERATION, NOT INDIVIDUALISM

Both workers **AND** management must **COOPERATE** to maximise output and share gains. Neither side should pursue its own interests at the expense of the other. Workers cooperate by accepting scientific methods + new techniques; management cooperates by sharing gains via differential

### 4. DEVELOPMENT OF EACH TO MAXIMUM EFFICIENCY

Each worker should be **SCIENTIFICALLY SELECTED, TRAINED, and PLACED** in a role matching their abilities. The firm has a duty to develop workers to their maximum efficiency — through training, mentoring, equipment, and well-designed work. The 280% productivity gain at Bethlehem Steel came in

## TOPIC

# Functional Foremanship + Standardisation + Studies

### FUNCTIONAL FOREMANSHIP

Taylor proposed that ONE worker should report to EIGHT SPECIALISED FOREMEN — 4 in the planning office (Route Clerk, Instruction Card Clerk, Time-and-Cost Clerk, Discipline Clerk) and 4 on the floor (Gang Boss, Speed Boss, Repair Boss, Inspector). Each foreman specialises in one functional

### STANDARDISATION AND SIMPLIFICATION

STANDARDISE tools, materials, methods, and conditions to ensure uniformity and quality. SIMPLIFY product variety to reduce complexity and cost. Modern application: McDonald's standardised burger preparation across 40,000 outlets globally; Maruti Suzuki standardised

### METHOD, MOTION, TIME STUDY

Three related techniques to find the optimal way of performing a task: METHOD STUDY identifies the BEST WAY to do a job; MOTION STUDY identifies and eliminates wasteful physical movements; TIME STUDY measures the STANDARD TIME required by a skilled worker. Together these establish the

## TOPIC

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# Wage System + Mental Revolution

### DIFFERENTIAL WAGE SYSTEM

Pay workers based on **PRODUCTIVITY**: those who meet or exceed the scientifically-derived standard receive a **HIGHER** wage rate; those below receive a **LOWER** rate. The wage gap creates an incentive to adopt the scientific method. At Bethlehem Steel, the differential wage was the financial mechanism that aligned worker interest with the productivity gain. Modern descendants include piece-rate manufacturing pay, sales commissions, and performance bonuses.

### MENTAL REVOLUTION

Taylor's most subtle and important technique — a **CHANGE IN ATTITUDE** on **BOTH** sides (workers **AND** management) from adversarial to cooperative thinking. Workers must accept scientific methods, embrace measurement, and trust managerial intent. Management must share gains, provide good working conditions, and trust workers. Without Mental Revolution, the other techniques produce only short-term gains. **CBSE 6-mark answers MUST include Mental Revolution by name to score full**

TOPIC

C

# Comparing Fayol and Taylor

## TOPIC

# Fayol vs Taylor — 5-point distinction

### PERSPECTIVE

Fayol: TOP-DOWN. Wrote for senior managers running the entire organisation. Taylor: BOTTOM-UP. Wrote for shop-floor supervisors maximising production efficiency. The two perspectives are COMPLEMENTARY, not competing — most modern firms use both. CBSE 3-mark distinguish-table

### FOCUS AREA

Fayol: ALL management functions (Planning, Organising, Commanding, Coordinating, Controlling) across the WHOLE firm. Taylor: PRODUCTION-FLOOR EFFICIENCY (one task, one worker, one machine). Fayol is breadth; Taylor is depth.

### APPLICABILITY

Fayol: UNIVERSAL — applies to any organisation (commercial, government, NGO, military). Taylor: SPECIALISED — was developed for manufacturing/production settings; less directly applicable to service or knowledge-work environments without adaptation.

### UNITY OF COMMAND VS FUNCTIONAL FOREMANSHIP

Fayol's Unity of Command (one worker, one boss) DIRECTLY CONTRADICTS Taylor's Functional Foremanship (one worker, 8 specialised bosses). This is the most-tested contradiction in CBSE 3-mark answers — name it explicitly.

TOPIC

**D**

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# Nature and Significance of Management Principles

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## TOPIC

# 4 features of management principles

### UNIVERSALLY APPLICABLE

Management principles apply to ALL kinds of organisations — commercial firms, government departments, schools, hospitals, NGOs, sports teams — regardless of size, ownership, or sector. The form of application differs by context but the underlying principles hold. CBSE 3-mark answers must

### GENERAL GUIDELINES, NOT RIGID LAWS

Management principles are FLEXIBLE GUIDELINES rather than absolute laws like the laws of physics. They provide direction but must be ADAPTED to circumstances. Fayol himself called them 'principles' meaning 'broad guidelines', explicitly stating they are not inviolable laws. CBSE marking scheme

### MAINLY BEHAVIOURAL

Most management principles deal with HUMAN BEHAVIOUR — motivation, communication, authority, equity, morale. This is why management is NOT an exact science (the human element introduces variability). Acknowledging the behavioural foundation is what distinguishes management theory from operations research or

### CAUSE-AND-EFFECT RELATIONSHIPS

Each principle posits a CAUSE-AND-EFFECT relationship: 'if you apply Division of Work, then output efficiency increases'. The relationship is probabilistic, not deterministic — but it is empirically observed often enough across diverse organisations to be useful as guidance. CBSE rewards

## TOPIC

# 5 reasons management principles matter

### USEFUL INSIGHTS TO MANAGERS

Principles provide managers with TESTED, CODIFIED INSIGHTS distilled from decades of practice. Instead of every manager learning from scratch by trial-and-error, principles transfer hard-won knowledge across generations and across industries. Fayol's Unity of Command saved

### OPTIMUM UTILISATION OF RESOURCES

Applying principles like Division of Work, Order, and Equity enables a firm to USE its resources (people, materials, time, capital) to their fullest productive potential. Taylor's scientific management at Bethlehem Steel demonstrated this empirically — 280% productivity gain through better matching of worker,

### SCIENTIFIC DECISION-MAKING

Principles encourage MEASURED, EVIDENCE-BASED decisions over impulsive or intuition-driven ones. A manager applying Taylor's Method Study will measure before changing; one applying Fayol's Authority-Responsibility balance will explicitly weigh both before assigning a task. Scientific decisions

### MEETING CHANGING ENVIRONMENT

Even though principles are general, they help managers ADAPT to new technologies, regulations, customer preferences, and competitive threats. The same Equity principle that applied in 1916 applies in 2026 — though the specific 'kindness' and 'justice' look different in remote-work cultures. Principles provide

## PYQ PATTERNS

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# Top 5 PYQ patterns to drill

## MARKS DISTRIBUTION

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# Where to spend revision time

## TOPIC

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# Are management principles universal or contingent?

### TRAP → TRUTH

- ✗ **MISTAKE** Fayol's 14 principles are absolute laws like the laws of physics — they apply identically in every organisation.
- ✓ **CORRECT** Management principles are CONTINGENT GUIDELINES, not absolute laws. They apply universally as starting frameworks but require ADAPTATION to industry, size, culture, and the situation. CBSE marking scheme explicitly tests this: 'principles are flexible, not rigid'. The word 'principle' here means 'broad guideline', not 'inviolable law'.

## TOPIC

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# Difference between Fayol's and Taylor's contributions

### TRAP → TRUTH

✗ **MISTAKE** Fayol and Taylor wrote the same thing at the same time — they are interchangeable founders of management.

✓ **CORRECT** Fayol (1841-1925, French, MD of Comambault mining) wrote about TOP MANAGEMENT and the entire organisation; Taylor (1856-1915, American, mechanical engineer) wrote about FLOOR-LEVEL efficiency in workshops. Fayol's perspective is top-down; Taylor's is bottom-up. They are COMPLEMENTARY, not interchangeable.

## TOPIC

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# Unity of Command vs Functional Foremanship

### TRAP → TRUTH

- ✗ **MISTAKE** Both Fayol's Unity of Command and Taylor's Functional Foremanship mean the same thing.
- ✓ **CORRECT** They are OPPOSITES. Fayol's Unity of Command says each worker should receive orders from ONE superior only to avoid confusion. Taylor's Functional Foremanship says each worker should receive specialised orders from EIGHT functional foremen (4 in office + 4 on floor) to maximise efficiency. CBSE 3-mark questions test this contrast directly.

## TOPIC

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# Mental Revolution

### TRAP → TRUTH

- ✗ **MISTAKE** Mental Revolution means the workers should adopt management's viewpoint.
- ✓ **CORRECT** Mental Revolution is a CHANGE IN ATTITUDE for BOTH workers AND management — moving from adversarial to cooperative thinking. Workers must focus on output quality and embrace scientific methods; management must share gains with workers and trust them. The 'revolution' is mutual, not one-sided.

## TOPIC

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# Equity (Fayol Principle 11)

### TRAP → TRUTH

× **MISTAKE** Equity means treating all employees identically.

✓ **CORRECT** Equity means treating employees with KINDNESS AND JUSTICE — fairness adapted to individual circumstances. It is NOT 'identical treatment'. A senior employee may legitimately receive different treatment from a junior employee on issues like leave allotment, mentoring time, and decision authority. Equity ≠ equality.

## TOPIC

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# Scalar Chain and Gang Plank

### TRAP → TRUTH

× **MISTAKE** Scalar Chain must always be followed strictly — no exceptions.

✓ **CORRECT** Fayol himself proposed the GANG PLANK as an exception to strict scalar chain — direct communication between two peers at the same level (skipping the chain) is allowed for URGENT matters with prior approval from superiors. Strict adherence in emergencies wastes time. The gang plank's existence proves scalar chain is flexible, not rigid.

## TOPIC

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# Discipline (Fayol Principle 3)

### TRAP → TRUTH

- ✗ **MISTAKE** Discipline means strict obedience to authority — workers must do as told without question.
- ✓ **CORRECT** Discipline means OBSERVANCE OF RULES + AGREEMENTS made between the firm and its employees — a two-way obligation. Both management AND workers must honour the agreements. Discipline is built through respectful leadership, fair agreements, and judicious penalties, NOT through coercion.

TOPPER TEMPLATE · MARK-BY-MARK

# 5-6 mark question: Explain any 5 of Fayol's 14 principles with examples

- 1 LIST 5 PRINCIPLES BY NAME FIRST**  
1 m  
Open with: 'I shall explain the following five principles: (1) Division of Work, (2) Unity of Command, (3) Scalar Chain, (4) Equity, (5) Esprit de Corps.' This framing shows examiners you know the full list of 14 and have made a deliberate selection.
- 2 FOR EACH PRINCIPLE: ONE-LINE MEANING + BRIEF EXPLANATION + EXAMPLE**  
3 m  
Standard format per principle: (a) Name + Fayol's framing in one line. (b) 2-line explanation of mechanism. (c) Real-world example (e.g. 'In Maruti Suzuki's assembly line, each worker specialises in one task — applying Division of Work'). Three lines per principle × 5 principles = 15 lines of text.
- 3 SHOW INTER-PRINCIPLE LINKAGE WHERE POSSIBLE**  
1 m  
Add a one-line synthesis: 'Notice that Unity of Command and Scalar Chain together establish the formal communication hierarchy, while Equity and Esprit de Corps ensure motivation within that hierarchy.' This earns the 'depth of understanding' mark.
- 4 CLOSE WITH SIGNIFICANCE**  
1 m  
End: 'These five principles, when applied judiciously, equip a manager to organise tasks, communicate clearly, motivate workers, and build team spirit — the essence of effective management.'

TOPPER TEMPLATE · MARK-BY-MARK

## 6-mark question: Explain Taylor's principles + techniques

- 1 STATE ALL 4 TAYLOR PRINCIPLES BY NAME**  
2 m  
Taylor's 4 principles: (1) Science, not Rule of Thumb — replace ad-hoc methods with scientifically-derived ones; (2) Harmony, not Discord — promote unity between workers and management via Mental Revolution; (3) Cooperation, not Individualism — both sides commit to mutual gain; (4) Development of each person to maximum efficiency — train, equip, and place each worker for their best performance.
- 2 NAME + BRIEFLY EXPLAIN 4 TECHNIQUES**  
2 m  
(1) Functional Foremanship — 8 specialised foremen instead of one generalist; (2) Standardisation and Simplification — fix uniform standards for tools, materials, methods; (3) Method, Motion, Time Study — find the one best way (method), eliminate wasted motions (motion), measure optimal time (time); (4) Differential Wage System — higher rate for those above standard output, lower for those below.
- 3 MENTION MENTAL REVOLUTION EXPLICITLY**  
1 m  
Mental Revolution is Taylor's bridge concept — without a change of attitude on BOTH sides (workers + management) from adversarial to cooperative, the other techniques don't produce sustainable results. Marking scheme awards a separate mark for this.
- 4 CITE THE BETHLEHEM STEEL PIG-IRON EXPERIMENT**  
1 m  
Conclude with: 'Taylor's scientific method increased pig-iron handling at Bethlehem Steel from ~12.5 tons per worker per day to ~47.5 tons — a 280% productivity gain. This empirical foundation is what makes Scientific Management a discipline, not an ideology.'

TOPPER TEMPLATE · MARK-BY-MARK

## 4-mark question: Identify principle(s) violated/applied in a given case

- 1 READ THE CASE CAREFULLY AND IDENTIFY SYMPTOMS**  
1 m  
List 2-3 specific behaviours from the case (e.g. 'workers receiving orders from both production manager and HR manager simultaneously; instructions conflict; productivity falling').
- 2 NAME THE PRINCIPLE VIOLATED/APPLIED**  
2 m  
Match symptoms to principle. Multiple bosses giving conflicting orders → violates UNITY OF COMMAND. Then state the principle's Fayol-framing in one sentence.
- 3 STATE REMEDY REFERENCING THE PRINCIPLE**  
1 m  
Conclude: 'The remedy is to apply Unity of Command — ensure each worker reports to ONE superior only. Restructure the reporting hierarchy so production and HR communicate at the manager level, not at the worker level.'

## PYQ PATTERNS

# Top PYQ patterns to drill

#1	Explain any 5 of Fayol's 14 principles with examples (6 marks)	95%
#2	Explain Taylor's 4 principles + any 4 techniques (6 marks)	80%
#3	Distinguish Fayol vs Taylor (3-mark table) (3 marks)	70%
#4	Identify principle violated/applied in case scenario (4 marks)	65%
#5	Significance of management principles (3 marks)	55%

## MARKS DISTRIBUTION

# 10-year marks distribution

### 10-YEAR PYQ MARKS DISTRIBUTION

Fayol's 14 Principles — explain any 4-5 with examples



**35%**

Taylor's Scientific Management — techniques + principles



**25%**

Distinguish Fayol vs Taylor



**10%**

Significance / nature of management principles



**10%**

Application of principle to a case scenario



**15%**

Mental Revolution / Functional Foremanship /  
Differential Wage



**5%**

RECAP · MEMORISE THESE

## 5-line revision

**1** Fayol's 14 — Division of Work · Authority/Responsibility · Discipline · Unity of Command · Unity of Direction · Subordination of Individual Interest · Remuneration · Centralisation/Decentralisation · Scalar Chain · Order · Equity · Stability of Tenure · Initiative · Esprit de

**2** Taylor's 4 + 5 — Principles: Science not Rule of Thumb · Harmony not Discord · Cooperation not Individualism · Development of each to Max. Techniques: Functional Foremanship · Standardisation+Simplification · Method/Motion/Time · Differential Wage · Mental Revolution.

**3** Key contradiction — Fayol's Unity of Command (1 boss) **DIRECTLY CONTRADICTS** Taylor's Functional Foremanship (8 specialised bosses). This is the most-tested distinguish-question.

## WHAT'S NEXT

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# Coming up next



- Chapter 3 — Business Environment (builds on principles by analysing the external context in which they apply).
- Quick check: can you recite all 14 Fayol principles by name in under 90 seconds? If yes, ready for Ch 3.



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# Practise — drill, board paper, CBT

*15-MCQ Drill (20 min) → 30-mark Board Paper (60 min) → 20-MCQ Chapter CBT. All on the Chapter Notes page.*

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