

HENRY FAYOL'S PRINCIPLES OF MANAGEMENT AND IT'S APPLICABILITY IN CONTRACT STAFFING

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Abstract:

Principles of Management as developed by Henry Fayol are among the notable classical theoretical frameworks of management applicable to all types of organizations today. Present objective of this study is to pursue an understanding of the utility of Henry Fayol's fourteen principles of management and in particular employee oriented principles i.e., Unity of Command, Remuneration to employees, Equity, Stability of Personnel, Initiative, Division of work and Espirit De Corps and its application in Human Resource Outsourcing and in Particular Contract Staffing. Secondary data is used where an extensive review of published works on management generally, and Human Resource Outsourcing and Contract Staffing in particular, was conducted. This yielded vital insights on the original meaning of employee oriented Fayol's principles of management and as well as their application in the Human Resource Outsourcing and in particular Contract staffing of various organisations. Illustrations and Inferences were drawn from both developed and developing countries to give the paper a global perspective. Based on available literature, it was concluded that Fayol's employee oriented principles of management are relevant to all types of organization however the same principles are not applied in Contract Staffing.

Key words: Principles of Management, Henry Fayol Principles, Human Resource Outsourcing, Contract Staffing, Temporary Staffing, Informal Employment.

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Introduction

Management Principles are the statements of fundamental truth based on logic which provides guidelines for managerial decision making and actions. They are derived on the basis of observation and analysis i.e. practical experience of managers and by conducting experimental studies. While functions of management viz., Planning, Organising, Staffing, Directing and Controlling are the actions to be taken while practicing management, Principles help managers to take decisions while performing these functions. The nature of the Principles of management states that they are universally applicable to all types of organisations; do not provide readymade solutions to all managerial problems, but acts as general guidelines. They are flexible and give manager to modify them according to situation. Its main aim is to influence the behavior of human beings. The principles enable a better understanding of the relationship between human and material resources in accomplishing organisational purposes. They are less than perfect since it is applied mainly to human behavior. The application of principles of management is contingent or dependent upon the prevailing situation at a particular point of time as it has to be changed as per requirements. They provide the managers with useful insights into real world situations; equips 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. They emphasize 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. Principles of management are at the core of management theory. As such these are used as a basis for management training, education and research. Several reputed scholars of management like F. W. Taylor, Henri Fayol, Max Weber, Elton Mayo, Urwick & Gullick etc whose principle is based on in this study have dedicated their time in experimenting several theories toward a successful management process. They are today regarded as the forerunners of management scholars. The results of their experiments carried out led to the theories of several management principles. However, one of the most popular among the several management principles postulated is the Henri Fayol's 14 principles of management (Witzel, 2003)

Outsourcing has been defined as work done for a company by people other than the company's full-time employees. In the modern setting, outsourcing turns out to be highly complex and

organizations use outsourcing vendors for a variety of reasons. According to analysts, companies usually cite cost reduction as the most crucial reason for HR outsourcing. As companies were discussing how to cut costs in the face of an economic downturn, many look at outsourcing for some kind of repetitive and administrative jobs, while higher-level management get the time they need to tackle strategic workforce challenges. With more and more companies looking to rationalize employees on their payroll, manpower outsourcing is slowly becoming the new buzz in India. And the trend seems to have hit not just big multinational companies but the public sector and government undertakings as well, though on a very low key yet in the latter. HR services are among the key elements in the enlarging outsourcing game. Recognizing the fact that senior management needs to get out of mundane day-to-day processing work and focus instead on strategic planning, core competencies, customer satisfaction and decision making, a number of large companies, across globe have begun opting for outsourcing of their activities. Small companies that might not get noticed much in big studies of outsourcing trends, turn to outside services to help with such chores.

Contract staffing is triangular relationship between Principal Employer, Contract employer and the employee. Technological developments, faster and different form of globalisation, rise of demand for specialized products, enhanced competition, and the uncertainty about market growth are the major factors that prompt firms to adopt flexible labour practices. The basic feature of flexibility strategies is to take jobs outside the realm of legal and institutional regulation and to 'deviate' from standard practices – greater the deviation greater the flexibility. The incidence of nonstandard jobs has increased not only in India but also in many countries in the world (Shyam Sundar, 2007c). The globalizing conditions have enhanced the 'mobility' of capital and hence their bargaining power vis-à-vis workers have increased.

Rationale of the present Study:

Henry Fayol (1841-1925) pioneer of Classical Management Theory was a classical management theorist, widely regarded as the father of modern operational management theory. His ideas are a fundamental part of modern management concepts. While scientific development emphasized

principles to improve worker effectiveness, another branch within the classical school arose, administrative management, with its main contributor being French industrialist Henri Fayol.

He is regarded as the father of administrative management as he proposed fourteen principles of management intended to assist managers in determining what to do to manage an organization more effectively (Rodriguez, 2001). Fayol's ideas are still valid in today's organizations and his definitions of management are widely used in this field of study. He advocated that the principles of management are universally acceptable irrespective of the type of organization. His principles are there to assist managers to manage organisations more effectively and efficiently.

With rapidly changing dynamic environment and increasing globalisation, and competition, the firms can no longer pass on the costs of inefficiency to consumers as in the earlier regime of controls and protection. As external competition has intensified, domestic industry is under great pressure to restructure itself, to become more competitive and to adopt flexible policies with regard to production and labour. Low labour costs, along with flexibility in labour use, inter alia, have become sources of competitive advantage for firms. Even foreign investors are increasingly being guided towards regions endowed with cheap labour and the scope for informal employment arrangements. No wonder then that over the last few decades, a number of countries have attempted to liberalise their labour market so as to make them more investment- and employment-friendly. In this regard, India has not been an exception. The labour market in India has seen tremendous growth in the number of non-regular workers, in particular contract workers.

There are many researches on Fayol's principles of management and at the same time there are many papers published on contract labourers. This paper attempts to examine the applicability of Henry Fayol's employee oriented principles in Organisations where contract staffing is used.

Major objective of the present study:

The Henry Fayol who is considered as father of administrative management was pioneer in giving administrative principles which is greatly regarded as Henry Fayol's fourteen principles of management where he argues that these principles can be applied in all types of organisations

and if done so the productivity and profits of the organization increases. In the present era Globalisation has penetrated to hook and corner of the world. It has lead to integration of organisations production networks, labour movements and capital flows. The key to survive in the intensified competitive environment is to reduce the production cost which has been achieved through the low labour cost and flexibility in labour use.

The present study, therefore, examines the Henry Fayol's employee oriented principles of management i.e., Unity of Command, Remuneration to employees, Equity, Stability of Personnel, Initiative, Division of work and Espirit De Corps on the organisations who employ contract staffing.

Research Methodology adopted for the study:

Research type conducted: Descriptive Research

Type of data used/ Data source used: Secondary data/ Data source. The present study is based on the secondary data. However, the required information pertaining to the present topic has been derived from:

- a. Various books related to Principles of Management and Contract Staffing.
- b. Articles are referred from various magazines, newspapers and journals
- c. From websites which deal directly or indirectly with topics related to Henry Fayol's Principles of Management and Human Resource outsourcing and in particular Contract Staffing. After referring various web sites, relevant information is downloaded and analyzed to address the objectives of the present study

Major Limitations of the present study:

1. Primary data has not been collected and the present study is purely based on published data and information
2. Due care has been taken to persuade the qualitative and correct data, but as the study is purely based on secondary sources of information certain limitations will occur
3. The objectives, methodology, nature which is used to collect the information through secondary data may not be appropriate for the present situation

4. Secondary data might be lacking in accuracy or might not be completely authentic which is dependable on the source of information
5. Time constraint is probably one of the major limitation of the study
6. Bias and prejudices can always play a major role in research

Henry Fayol

In the development of classical school of management thought, Fayol's administrative theory provides an important link. Henri Fayol explained what amounts to a manager's work and what principles should be followed in doing this work.

If workers' efficiency mattered in the factory system, so does the managerial efficiency. Fayol's contribution must be interpreted in terms of the impact that his writings had and continue to have improvement in managerial efficiencies. Henri Fayol (1841-1925) was a French management theorist whose theories concerning scientific organisation of labour were widely influential in the beginning of twentieth century. He graduated from the mining academy of St. Etienne in 1860 in mining engineering. The 19 year old engineer started at the mining company 'Compagnie de commentary-Fourchambean Decazeville, ultimately acting as its managing director from 1888 to 1918. His theories deal with organization of production in the context of a competitive enterprise that has to control its production costs. Fayol was the first to identify four functions of management – Planning, Organising, Directing and controlling although his version was a bit different – Plan, Organize, Command, Coordinate and Control. According to Fayol, all activities of an industrial undertaking could be divided into: Technical; Commercial; Financial; Security; Accounting and Managerial. He also suggested that qualities a manager must possess should be — Physical, Moral, Education, Knowledge and experience. He believed that the number of management principles that might help to improve an organisation's operation is potentially limitless. Based largely on his own experience, he developed his concept of administration. The 14 principles of management propounded by him were discussed in detail in his book published in 1917, 'Administration industrielle et generale'. It was published in English as 'General and Industrial Management' in 1949 and is widely considered a foundational work in classical management theory. For his contribution he is also known as the 'Father of General Management'

Contract Staffing

Contract staffing in India is one of the oldest forms of manpower engagement and has been practiced over several centuries. The early kingdoms used to take people on contract to fight battles and they got a share in the spoils of the battle. Across boundaries contract staffing was used in the field of education, shipbuilding, architecture, town building, art & sculptor, vocational activities and short medium term manpower needs (T.S.Krishna Kumar 2016).

Contract staffing is a significant and growing form of employment. Contract labour generally refers to “Workers employed by or through an intermediary on work of any establishment”. Such labour can be distinguished from the direct workers in terms of employee-employer relationship and the method of wage payment.

The contract system is based on triangular relationship between the user enterprises, the contractors including the sub-contractors, and the worker. The workers are recruited by an outside agency or person and are supplied to an establishment or engaged on its work. Unlike direct labour, they neither feature on the muster roll of principal employer/ establishment nor are paid directly. The establishment providing work to the contractor has no direct responsibility towards the workers appointed by the contractors. (R.Alur, 2016)

Henry Fayol’s employee oriented principles and its applicability in Human Resource outsourcing and in Particular Contract Staffing

A. Unity of Command: According to Fayol there should be one and only one boss for every individual employee. If an employee gets orders from two superiors at the same time the principle of unity of command is violated. The principle of unity of command states that each participant in a formal organization should receive orders from and be responsible to only one superior. Fayol gave a lot of importance to this principle. He felt that if this principle is violated “authority is undermined; discipline is in jeopardy, order disturbed and stability threatened”. (Training, 2018) The very nature of Contract staffing is based on tripartite nature of contract labour market where the authority is exercised not only from Principal employer but also from Contract employer. The contract labourers are responsible for both Principal employer and Contract employer. (Chattopadhyay, 2017) Thus we can find that the authority flows from two

superiors and they should be responsible for two bosses. Thus contract staffing lacks the unity of command principle of Henry Fayol.

B. Remuneration of Employees: The overall pay and compensation should be fair to both employees and the organization. The employees should be paid fair wages, which should give them at least a reasonable standard of living. At the same time it should be within the paying capacity of the company. In other words, remuneration should be just and equitable. This will ensure congenial atmosphere and good relations between workers and management. Consequently, the working of the company would be smooth. (Training, 2018) Equal pay for equal work is the Universal Declaration on Human Rights but the Contract Labourers is not getting these. Their wages are low compare to other permanent labours. The Contract labours are getting less salary. Other benefits are given to the permanent labours but not to the contract labours. (Onattu, 2016). Das, Ashis, Pandey, Dhananjay (2004) did research on “economic & social issues relating to the contract workers”.

The findings were that the Contract Workers (CWs) get minimum statutory wages with few instances where they receive higher wages for skilled work. Incidents of contractors deducting token money from CW's wages were reported from the cement and white goods companies. (Alur, 2018). The Remuneration to employee's principle of Henry Fayol is defeated in Contract Staffing.

C. Equity: Good sense and experience are needed to ensure fairness to all employees, who should be treated as fairly as possible,” according to Fayol. This principle emphasizes kindness and justice in the behavior of managers towards workers. This will ensure loyalty and devotion. Fayol does not rule out use of force sometimes. Rather he says that lazy personnel should be dealt with sternly to send the message that everyone is equal in the eyes of the management. There should be no discrimination against anyone. (Training, 2018) Contract labours suffer from inferior labour status, casual nature of employment, lack of job security and poor economic conditions. It was also observed that in some cases the contract labourers did the same work as the workers directly employed by the industrialist but were not paid the same wages and the same working conditions. This practice of contract labour has also lead to the exploitation of

these labourers as they are not employed directly under the employer (Malhotra, 2012). Contract teachers' salaries and working conditions are far less than the regular civil service teachers. Typically they are hired for one year or less than at a salary half or less than that of a regular teacher (Rani, 2015). Due to differential treatment of the contract employees compare to permanent employees has failed to pass the principle set by Henry Fayol.

D. Stability of Personnel: “Employee turnover should be minimized to maintain organisational efficiency”, According to Fayol, Personnel should be selected and appointed after due and rigorous procedure. But once selected they should be kept at their post/position for a minimum fixed tenure. They should have stability of tenure. They should be given reasonable time to show results. Any adhocism in this regard will create instability/insecurity among employees. They would tend to leave the organization. Recruitment, selection and training cost will be high. So stability in tenure of personnel is good for the business. (Training, 2018) The contract workers receive very low incomes and insecure employment, whereas others are able to earn relatively good incomes, and work for most of the year (Kritxinger, 2004). Job insecurity is arguably the most important factor among employees on contract with organisations. A high level of job insecurity is seen as the hallmark and characteristic of contract staff.

This set of individuals worry about the future of their jobs; it is uncertain whether they will retain their jobs or not, which makes it impossible for them to adequately prepare for the future. As contract staff, they already know the end at the beginning. The contract can be ended at any time, which leads to anxiety (Ajonbadi, 2015). The hire and fire concept of contract staffing doesn't follow the suit of Henry Fayol's stability of tenure principle.

E. Initiative: Workers should be encouraged to develop and carry out their plans for improvements according to Fayol. Initiative means taking the first step with self-motivation. It is thinking out and executing the plan. It is one of the traits of an intelligent person. Initiative should be encouraged. A good company should have an employee suggestion system whereby initiative/suggestions which result in substantial cost/time reduction should be rewarded. (Training, 2018) The economic legitimacy of the non-regular work arrangements has led to the proliferation of the number of non-regular workers and even innovation of their forms.

(Shyamsundar, 2011). The highest educated, i.e., PhD graduates are not exempt from the negative influence of temporary employment. (Waaiker, 2017). The implication of utilizing temporary workers over the long term are not known in terms of organizational effectiveness, although Michie and Sheehan-Quinn (2001) cite their own and a number of other studies that examined firms innovation activities, growth and employment and found that the use of certain types of flexible work practices had negative effects on measure of form performance (Townsend, K, 2005). The contract staff conditions make them not to take initiative even though they have talent and the initiative principle of Henry Fayol's fails here.

F. Division of Work: Work is divided into small tasks/jobs. A trained specialist who is competent is required to perform each job. Thus, division of work leads to specialization. According to Fayol, "The intent of division of work is to produce more and better work for the same effort. Specialization is the most efficient way to use human effort. (Training, 2018)". Outsourcing can be defined as an organization delegating their non-core functions to an external organization that provides a particular service, function or product (Hansen, 2009). Many organisations has resolved to outsource some of the services they need from specialized bodies/vendors who can provide such services better while their in-house specialist focus on their core competence(Dapper, 2013). The author in IZA Discussion papers used a simple theoretical model, and argued that, in general, outsourcing is associated with specialization gains arising from an increase in the division of labor. (Skaksen, 2005).

However the tenure of the contract staff is very less and they do not get the same kind of job in another organization they tend to forget the knowledge gained in one type of work once they change the organization & nature of work. Thus we can find that the Fayol's principle Division of work is not applicable in Contract staffing.

G. Espirit De Corps: Management should promote a team spirit of unity and harmony among employees. According to Fayol Management should promote teamwork especially in large organisations because otherwise objectives would be difficult to realize. It will also result in a loss of coordination. A manager should replace 'I' with 'We' in all his conversations with workers to foster team spirit. This will give rise to a spirit of mutual trust and belongingness

among team members. It will also minimize the need for using penalties. (Training, 2018). Workers employed in a manufacturing establishment are generally classified into four categories, viz. workers, employees other than workers, like clerks, typists, stenographers (white collar employees), supervisors and managerial staff and other employees (those not falling in the earlier categories). These workers can be further classified into two basic categories, viz. workers directly employed and those employed through intermediaries (contract workers). Taken together there could be nine categories in most industrial establishments, viz.: (i) permanent; (ii) trainees; (iii) probationers (subject to confirmation); (iv) badlis (substitute workers for absenting permanent workers); (v) temporary; (vi) fixed-term employment (FTE) employees; (vii) casual; (viii) apprentices (under the Apprentices Act, 1961); and, (ix) contract workers. The categories (i) to (viii) are directly employed and (ii) to (ix) can constitute the non-regular or flexi-category workers. (Shyamsundar, 2011). Temporary employees are less likely to be committed to the organization (Waaiker, 2017). With this kind of employee classification in organization with differential treatment it is not only difficult but impossible to maintain team spirit and fails the test of Henry Fayol's *Espirit De Corps* principle.

Findings:

1. The purpose of Unity of Command is to ensure that employees get orders from one boss and the employees should not be in dilemma in performing the activities. However contract staffing is a triangular relationship where the contract labor not only gets orders from both principle employer and contract employer but he is responsible to both of them.
2. Henry Fayol insists that employees are paid fair remuneration so the organization will perform better. However the contract labourers are not paid enough remuneration and compensation.
3. Equity concept of Fayol states that all employees should be treated equally. But the engagement of different types of workers the organization is discriminating among employees. Even though the contract employee is highly qualified and more efficient compare to permanent employee his salary and compensation will very less compare to them.
4. Stability of Personal means employees should not fear of losing the job. This will increase the efficiency and productivity of the organization. Hire and fire is the concept of

contract staffing where the employees here knew that when they will be terminated at the time of joining.

5. Initiative is the concept where the employees are encouraged to come out with new ideas. However the short term tenure and poor working conditions will rob the morale of the employees and they are not encouraged to come out with new ideas as there exists a discrimination of contract staff vis-a-vis permanent staff.

6. Division of work is done so that employee becomes specialize in a process and he becomes excel in performing those activities. However since the tenure of contract labour is very short, the knowledge gained by him in one organization is lost once he joins another organization. But this doesn't happen in the case of permanent employee.

7. Espirit De Corps principle promotes team spirit in the organization. With the advent of different types of employees i.e., permanent and contract employees there always exists difference in the behavior of the employees which fails to promote the team spirit in the organization.

Conclusion: Management Principles are the statements of fundamental truth based on logic that are universally applicable to all types of organisations; Henry Fayol is one of the pioneers in providing the fourteen management principles. Among these fourteen the employee oriented principles are Unity of Command, Remuneration to employees, Equity, Stability of Personnel, Initiative, Division of work and Espirit De Corps. Due to dynamic environment competition has intensified and domestic industry is under great pressure to become more competitive. Low labour costs, along with flexibility have become sources of competitive advantage for firms.

Even investors are increasingly being leaned towards cheap labour and informal employment. The growth of informal employment is tremendous and it is keep on growing year after year. When we compare the applicability of the Henry Fayol's employee oriented principles with contract labour we can conclude that none of the Fayol's employee oriented principle is applicable to contract labours.

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