

## Research Article

# Henri Fayol's 14 Principles of Management: Implications for the Private Commercial Banks (PCBs) in Bangladesh

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### Abstract:

*The fourteen management principles of Henri Fayol were examined in this study: division of labor, authority and responsibility, discipline, unity of command, unity of directions, subordination of individual interests to the general interest, remuneration, centralization, scalar chain, orders, equity, tenure stability, initiative, and esprit de corps. The primary goal of this research is to see if private banks in Bangladesh follow these principles. The essential data was gathered using both primary and secondary sources. The data was analyzed using descriptive statistics and a student t-test. It was underscored that management principles have*

*specific attributes or characteristics that a manager should be aware of while using them in a range of settings to ensure seamless banking operations. It was also clear that the vast majority of the principles are applied, and that they are all statistically significant at a level of significance of 1%. In this study, it was also revealed that management was more concerned with controlling organizational disciplines than imposing remuneration and equity principles on their operations. The paper also makes some recommendations on how to properly implement these principles as well as research areas for the future.*

**Keywords:** Henri Fayol, 14<sup>th</sup> Principles, Management, PCBs, Implications.

### 1. Introduction:

Management plays a critical role in all industries. Management is the process of accomplishing goals and objectives such as those through people in an efficient and effective manner. It requires establishing and maintaining a productive atmosphere in which individuals collaborate in groups to brainstorm innovative ideas. "Management is the art of perceiving

what you want to execute and then safeguarding that it is done in the most efficient and cost-effective way possible." - F.W Taylor.

Henri Fayol, documented as the "Father of Systematic Management," was a French engineer who endeavored to design management and administrative principles. At the time, his ideas were engrained in management philosophy. Around the turn of the century, Fayol was

a leading figure in the classical school of management thought. Fayol's effort entails the design and implementation of a set of principles that enable a manager to develop a formal organizational structure and monitor it pragmatically. As a consequence, it will have substantial implications for management practice in strengthening a bank's efficiency.

Thousands of banks failed throughout the world during the end of the third decade of the twentieth century as a result of the Financial Crisis. Many nations' financial circumstances have been worsened as a corollary of bank collapses. A solid management framework is required to emerge from such a predicament. The paucity of competent individuals and managers in the banking industry is now well acknowledged. Dissatisfaction and an unskilled workforce among bank executives are the major causes of banking crisis.

Research paper on "Henry Fayol's 14th principles of management: Implications for library and information centers," Chimezie Uzuegbu, a Nigerian scholar, studied the relevance and applications of management principles in organizations, notably in the library sector. Managers of Library Information Centers (LIC) should emphasize to follow every management concept laid out by Henri Fayol in order to achieve success in the LIC management field. Researcher also demonstrated the link between management concepts and the managers of an organization, particularly a library and information center. (C. P. Uzuegbu & C. O. Nnadozie, 2015).

Achinivu Godwin, Okwu E. Handsome, Wey A. Ayomide, Akpan E. Enobog, and Fasan O. Johnson collaborated on a study that has implications for management principles in a startup company. "A startup might be a one-time company looking for a repeatable and scalable business strategy," Steve Blank emphasized. According to Paul Graham, a co-founder of Y-Combinatory, "a startup is a firm that aspires to develop rapidly." A company does not become a startup just because it was founded recently, nor does it need to focus on technology, raise venture capital, or have a viable exit strategy. The single aspect that matters is growth, and everything else we identify with startups stems from that. This research reveals that Fayol's principles are applicable not just to giant corporations but also to

tiny businesses, such as start-ups. According to the research's findings, some of the principles should be updated or reinterpreted in order to improve performance and profit. This study shown that no matter how much profit your company makes or how big it is, the principles must be followed in order to achieve a high output. ( Godwin, *et al.*, 2017).

Fayol's management concepts are particularly important to marketing operations, according to a study titled "Analysis of Theories of Management Relevant to the Marketing Function in Contemporary Times." A marketing manager's management principles dictate what they should and should not do. Author referenced some of Henri Fayol's marketing concepts. Authorities and responsibilities must be harmonized in marketing operations. To achieve the marketing aim, the marketing process should include unity of command and direction, employee compensation, centralization, teamwork, stability and initiative, and discipline. (Abubakar, 2014).

Chris Ehiobuche and Hui-Wen Tu (2012) colluded on a study specifically found at how management principles evolve with time. The writers place a strong emphasis on the advancement of various management ideas to the most recent or current organizational context. They also argued that traditional management approaches were pertinent not only in subsequent years, but also in more contemporary days.

Operations, human resources, and line and scope of authority are three extant key variables outlined by Mahindru *et al.* (2018). Operational factors include orders, remuneration, division of labor, and discipline, whereas human resources include esprit de corps, initiative, authority, equity, and tenure stability. Finally, unity of direction, scalar chain, unity of command, decentralization, and centralization are all interpolated by the line and breadth of power. The author found that there was a significant difference between the human resources of public and private sector employees. There was also a difference in the line and extent of authority of public and private sector employees, but no difference was seen in the operations of public and private sector employees.

## 2. Literature Review

The relevance of Henri Fayol's fourteenth management principle in business and industry has been extensively studied across the world. Specialization allows managers and technicians to generate more and better work with the same amount of effort (Richard L. Daft). Employees perform better at work when they are allocated duties based on their abilities and talents, according to Henri Fayol's first management principle. As a result, the division of labor into smaller characters takes precedence (Uzuegbu *et al.*, 2015). Because it focuses on labor specialization, time reduction, and skill development, this approach has the potential to improve work efficiency and effectiveness.

A supervisor or manager must have power in line with their responsibilities in order to take the appropriate actions when they are required. This principle might be classified as formal or informal. The formality displays responsibility, which is what a company expects of a manager. Informality as authority, on the other hand, refers to the manager's autonomy in commanding, directing, and ensuring that he fulfills his responsibilities successfully. Discipline, such as timetables, dress codes, and managerial orders, should be followed by its employees and is frequently compared to the motor oil required to keep a business running smoothly (Godwin *et al.*, 2017).

One and only one superior delivers commands to each subordinate (Richard L. Daft). Orders and instructions in a business or department (faculty) must be issued and received from this person or workplace, which is a key pillar of administration philosophy (Aloyzius *et al.*, 2020).

To promote group operations with the shared objective of implementing the same plan, a distinct leader and a defined work structure are utilized. An adequate institutional framework must enable unity of direction, which aids in directing unity of action, strength coordination, and effort concentrating (Schimmoeller, 2012). It is a management philosophy based on the idea that each team member involved in the same tasks should have the same goal. Managers should be in charge of a single set of tasks. The idea suggests that each team member should focus their efforts on achieving a common objective (Ehiobuche *et al.*, 2012).

Ignorance, ambition, stinginess, sloth, weakness, and every human desire tend to lead the general interest to be (subjugated) to individual interests, and a continual war must be conducted against the employees (Pryor *et al.*, 2010). Employees must not prioritize their own interests over the company common good for a clearer picture.

Fayol studies the capacities of bosses from the point of attaining the simplest outcomes feasible through more activation of associates at the top of the organism, i.e. the company, and finds that decentralization and leaving behind a number of powers leads to improved productivity (Rajkovic, 2017). In these situations, an organization may need to strike a balance between centralization and decentralization in order to improve its performance.

Every employee must be treated equally. Managers and supervisors are more concerned with their subjects' performance, skills, competences, and working capacity than with their social standing and identity. This concept must be maintained with respect and fairness, as injustice can lead to division, which can result in failure to achieve the common organizational purpose. Commands, directives, plans, and reports must be communicated to subordinates in the appropriate chain of command (Aloyzius *et al.*, 2020).

The Scalar Chain, often known as the "hierarchy concept," proposes that communication and interaction take place vertically. Essentially, it aids in the maintenance of organizational control (Rodrigues, 2001). Employees at an organization should have access to the necessary resources to function effectively therein. Additionally, to social order (responsibility of the managers), the work surroundings should be safe, clean, and tidy (Kauret *et al.*, 2020).

A company's planned and methodical effort to ensure, maintain, and develop information and intellectual capital for the long term, as well as foster individual worker growth and development, is defined as succession planning and management (Oghojafor *et al.*, 2015). Staff enthusiasm and energy are boosted through initiative at all levels of the organizational structure. To provide this form of gratification to

subordinates, the boss should be willing to sacrifice some personal importance (Shafritz, *et al.*, 2015).

Allegiance, fidelity, solidarity, and devotion to the group are all aspects of esprit de corps. An individual employee with a high degree of esprit-de-corps feelings connects with the group/organization, resulting in self-motivation, a strong sense of duty, a high level of self-esteem, and, last but not least, unwavering commitment to coworkers and the company (Naz, *et al.*, 2019).

### 3. Conceptual Framework:

Management is not a new notion; it dates back thousands of years. In particularly any circumstance, management may be found. "Management is a multifaceted organ that administers an enterprise, managers, workers, and the world" states Peter Drucker. A bank is a form of financial corporation which accepts deposits from surplus units and lends to deficit units. Financial services such as cash management, currency exchange, and safe deposit boxes are all available thru all the banks. Commercial banks, whether privately owned or state-owned, merchant banks, community banks, investment banks, and other types of banks exist. Banks are an important aspect of the financial system because they provide essential services to individuals, corporations, and government entities. They provides a safe location to deposit one's cash and enable business transactions by leveraging technology such as ATMs, POS terminals, and online banking over the internet as financial services providers.

Banks can provide credit to both individuals and businesses. Furthermore, the deposited monies are lent to individuals, businesses, and the government. A bank's primary goal, like that of other companies, is to enhance shareholder value. (Barone, 2021).

Bangladesh's banking industry is one of the most important contributors to the country's economy. Bangladesh had six nationalized commercial banks, three state-owned specialized banks, and nine foreign banks after the country gained independence. Now,

there are two types of banks in Bangladesh. 1. Scheduled banks 2. Non-Scheduled Banks. Scheduled banks are a type of bank that has been designated by the Bangladesh Bank under the Bangladesh Bank Order, 1972. Non-scheduled banks, on the other hand, are a unique form of bank that was created for a specific and defined purpose and functions under any law. In Bangladesh, there are now 61 scheduled banks and 5 non-scheduled banks in operation.

The principles of management are highly suggested while managing an organization, company enterprise, or banking sector. Management principles are crucial to running a business effectively, efficiently, and organized. Essentially, management principles provide rules for a company's operations so that they may be carried out in a methodical manner. Management principles are concerned with human behavior and are put into practice in a productive manner depending on the context. Henri Fayol, the pioneer of administrative administration, is credited with inventing the 14th principle. The fourteen principles define the kind of responsibilities that managers should perform. The main objective of this study was to assess the use of Henri Fayol's 14 principles in Bangladesh's private banks.

### 4. Research Methodology

The study adopted a descriptive research, relying on statistical data and implementing a variety of statistical techniques. Both primary and secondary sources were used to accomplish the study's objectives. To assess the relevance of the 14th management principle in Bangladesh's private commercial bank, the current study relies on secondary data to support the theoretical framework, while primary data was acquired via a pre-structured questionnaire. A structured questionnaire, using the Likert scale, will be utilized as a data collection method. For the aim of acquiring primary data, a total of 200 bank officials were considered using a random sampling technique. The data is analyzed using SPSS after it has been thoroughly reviewed.

### 5. Results:

| Table:1 Descriptive Statistics       |      |                    |                |         |         |
|--------------------------------------|------|--------------------|----------------|---------|---------|
| Principles                           | Mean | Standard Deviation | Comment        | t-value | p-value |
| 1. Division of Work (DW)             | 4.05 | 0.53               | Agree          | 14.40   | 0.000   |
| 2. Authority and Responsibility (AR) | 3.53 | 0.51               | Agree          | 7.27    | 0.000   |
| 3. Discipline (DIS)                  | 4.46 | 0.39               | Strongly Agree | 20.03   | 0.000   |
| 4. Unity of Command (UOC)            | 3.61 | 0.48               | Agree          | 8.37    | 0.000   |
| 5. Unity of Direction (UOD)          | 4.00 | 0.48               | Agree          | 13.72   | 0.000   |
| 6. Subordinate Interests (SI)        | 3.95 | 0.46               | Agree          | 13.03   | 0.000   |
| 7. Remuneration (REM)                | 3.32 | 0.72               | Undecided      | 4.39    | 0.000   |
| 8. Centralization (CEN)              | 3.78 | 0.58               | Agree          | 10.70   | 0.000   |
| 9. Scalar Chain (SC)                 | 3.86 | 0.47               | Agree          | 11.80   | 0.000   |
| 10. Orders (ORD)                     | 3.77 | 0.52               | Agree          | 10.56   | 0.000   |
| 11. Equity (EQT)                     | 3.28 | 0.49               | Undecided      | 3.84    | 0.000   |
| 12. Stability of Tenure (SOT)        | 3.58 | 0.37               | Agree          | 7.96    | 0.000   |
| 13. Initiative (INT)                 | 3.80 | 0.54               | Agree          | 10.97   | 0.000   |
| 14. Esprit De Corps (EDC)            | 4.11 | 0.51               | Agree          | 15.23   | 0.000   |

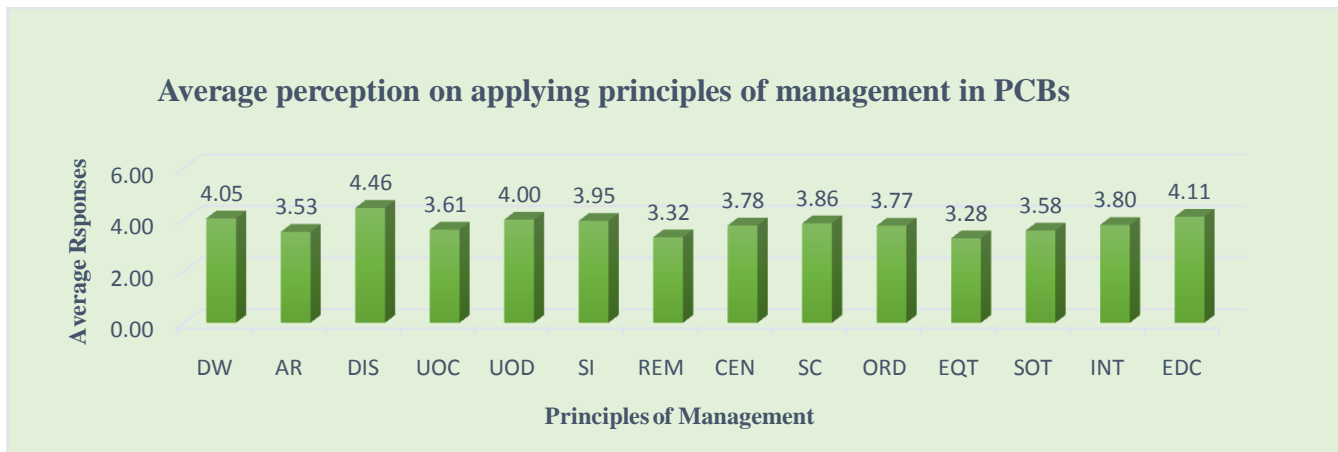


Fig. 1: Average responses to various principles based on field survey.

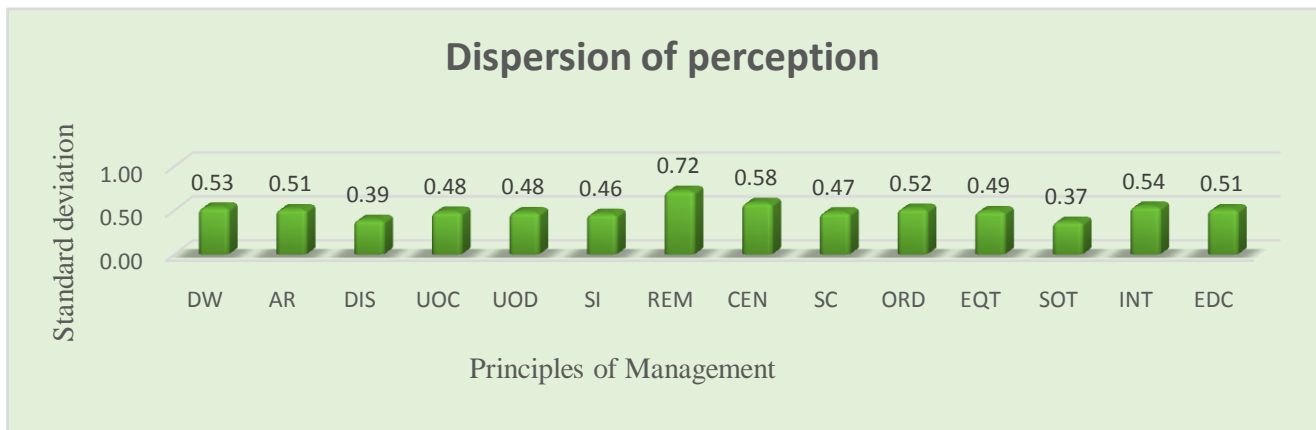


Fig. 2: Dispersion of responses from average value.

6. Discussion:



The 14th management concept is a major consideration in the effective functioning of any enterprise. To enhance efficiency and effectiveness and upgrade a healthy perception among stakeholders, any organization should rigorously embrace these principles. A five-scale (Likert Scale method) survey was devised to examine information from famous private bank executives operating in Bangladesh in a variety of disciplines to determine the ramifications of Henry Fayol's 14th management principle. The purpose of the study is to determine whether private banks adhere to Henry Fayol's beliefs.

**Table 1** displays descriptive statistical statistics examined using SPSS and represents the conclusion of whether each principle is followed or not using the methodologies proposed by Best (1977). According to him, if a value falls between 1-1.80, the inference is strongly disagree, if a value falls between 1.81-2.60, the decision is disagree, if a value falls between 2.61-3.40, the inference is undecided, if a value falls between 3.41-4.20, the decision is agree, and finally, if the range falls between 4.21-5.00, the decision is highly agree. Excluding the concepts of remuneration and equity, all management principles are practiced by private commercial banks in Bangladesh. According to the findings, the majority of bank executives think that these principles should be used in their banking operations.

The concepts of discipline are properly observed, according to the examination of this study effort. However, banks are becoming more aware of the concepts of compensation and equality status of each employee. It has also been revealed that all of the assumptions considered are highly significant at a 1% level of significance ( $=0.01$ ).

## 7. Recommendations:

Bank management should place a greater emphasis on using systematic management ideas in a systematic manner. Because most executives come from a variety of educational backgrounds, they follow these ideas without having a strong grasp of them. It is a major issue not just for Bangladesh's private commercial banks, but also for the whole banking system. As per current studies, bank management put minimal

emphasis on compensation. Employees can be motivated if they are paid fairly. As a result, management should put this management idea into effect in their managerial domains to guarantee that their personnel are happier at work. Furthermore, the bank should give more non-monetary compensation to keep employees motivated.

Equity, on the other hand, is a critical managerial technique that assists in the achievement of the organization's common goal. Top management are more concerned with the performance, skills, competence, and optimum performance of their subjects than with their social status and identity. According to the findings of this survey, executives are dubious if banks treat them fairly or not. This hesitancy should be reduced by eliminating prejudice when promoting to the next level and minimizing inequities within the personnel. Staff recruitment and working conditions, on the other hand, should be more equitable and convenient. Likewise, cooperation or group effort should be valued more.

## 8. Conclusion:

Henri Fayol's 14th management principle, in a nutshell, may be utilized to manage an organization and gives essential tools for business planning, anticipating, leading, decision-making, coordination, and supervising. Many of these issues are still employed in modern banking management practice based on common sense, despite the fact that they are clear. The papers addressed the 14th management principles of Henri Fayol's relevance and application in existing and future banking businesses. The research focuses on the significance of these management ideas in Bangladesh's banking industry. The majority of the principles were found to be relevant and applicable to a private commercial bank in Bangladesh, with some adaptations to meet specific requirements.

## 9. Conflict of Interest:

This research project's authors all state that they have no conflicts of interest.

## 10. Authors Contributions:

The concept and research design for this study were developed by Islam MJ and Hossain MT. The current

study's principal supervisor is Islam MJ. Hossain MT is designing field surveys and has developed pre-structured open-ended and closed-ended questionnaires to collect primary data. Following that, Islam MJ seeks for relevant literature and begins drafting a paper, while Mustafi MAA does data analysis. Moshiuddullah ABM and Sultana R are major contributors to the article's editing and act as critical reviewers. Finally, Islam MJ. Collaborated to the manuscript's composition and the other writers gave their approval after thorough reading.

### 11. Funding of the Research

Khwaja Yunus Ali University (KYAU) supplied all of the financial assistance required to conduct the field survey and research work properly.

### 12. Acknowledgement

First and foremost, we would really want to express our deep thanks to the Almighty Allah, the ultimate deity of the universe. We would also want to thank everyone who helped us complete this research project by providing invaluable assistance and advice. We owe a big debt of gratitude to Khwaja Yunus Ali University's distinguished founder for his outstanding commitment to bringing higher education to the doorsteps of the general masses.

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**Citation:** Islam MJ, Hossain MT, Mustafi MAA, Moshiuddullah ABM, Haque HMMU and Sultana R. (2022). Henri Fayol's 14 Principles of Management: Implications for the Private Commercial Banks (PCBs) in Bangladesh. *KYAU Journal*.5(1):82-89