



SYLLABUS

B.Com. (Hons) I YEAR

Subject – Business Organization and Communication

UNIT – I	Business Organization: Definition, Concept, Characteristics, Objectives, Significance, Components, Functions. Business ethics, Social responsibilities of Business, Promotions of Business: Meaning, Functions, Stages of Promotion. Forms of Business Organization: Detailed Study of Sole Proprietorship and Partnership and cooperative society form of organization.
UNIT –	Company Organisation : Meaning, Definition, Formation of Private and Public Company, Merits and Demerits, Types of Companies, Cooperative Organisation -Need, Meaning, Significance and its Merits- Demerits. Public Enterprises-Concept, Meaning, Characteristic, Objectives and Significance. Multi National Corporations.(MNC'S) - An Introduction In India.
UNIT-III	Communication- Introduction, Definition, Nature, Objects, Importance of Communication to Manager, Elements of Communication, Feedback, Dimension and Directions of Communication, Means of communication - Verbal Communication, SWOT Analysis.
UNIT – IV	Non-Verbal communication, Body Language, Paralanguage, Sign Language, visual and Audio Communication, Channel of communication, Barriers in Communications. Written Business Communication - Concept, Advantages, Disadvantages, Importance. Need and kinds of business Letters, Essentials of an Effective Business Letter.
UNIT – V	Modern Forms of Communication- Fax, E-mail, Video conferencing, International Communication for Global Business, Group Communication Network.



UNIT - I

Business –

Business implies those activities which are carried on with a view to earn profit/wealth. It is the human activity directed towards the acquisition of wealth through the production and exchange of goods and services.

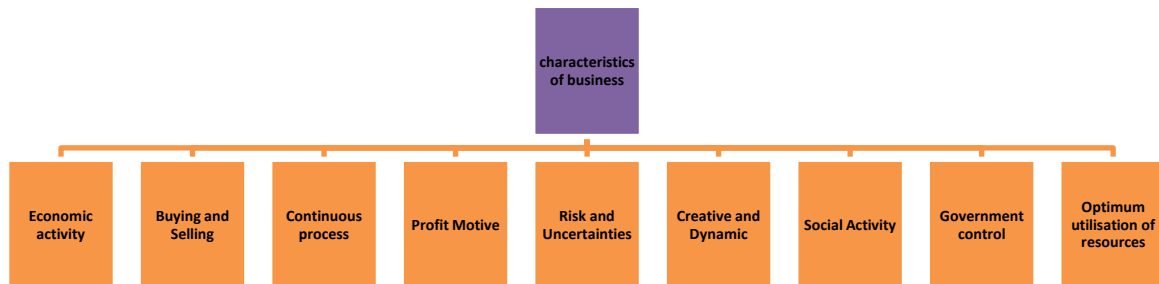


The Meaning of Business

- **Business:** Organization that provides goods or services that are then sold to earn profits.
- **Profits:** The difference between a business's revenues and expenses – is what encourages people to open and expand businesses.

Features or characteristics of business:

The following are the ten important characteristics of a business:



1. Economic activity:

Business is an economic activity of production and distribution of goods and services. It provides employment opportunities in different sectors like banking, insurance, transport, industries, trade etc. it is an economic activity corned with creation of utilities for the satisfaction of human wants.



2. Buying and Selling:

The basic activity of any business is trading. The business involves buying of raw material, plants and machinery, stationary, property etc. On the other hand, it sells the finished products to the consumers, wholesaler, retailer etc. Business makes available various goods and services to the different sections of the society.

3. Continuous process:

Business is not a single time activity. It is a continuous process of production and distribution of goods and services. A single transaction of trade cannot be termed as a business. A business should be conducted regularly in order to grow and gain regular returns.

4. Profit Motive:

Profit is an indicator of success and failure of business. It is the difference between income and expenses of the business. The primary goal of a business is usually to obtain the highest possible level of profit through the production and sale of goods and services. It is a return on investment. Profit acts as a driving force behind all business activities.

Profit is required for survival, growth and expansion of the business. It is clear that every business operates to earn profit. Business has many goals but profit making is the primary goal of every business. It is required to create economic growth.

5. Risk and Uncertainties:

Risk is defined as the effect of uncertainty arising on the objectives of the business. Risk is associated with every business. Business is exposed to two types of risk, Insurable and Non-insurable. Insurable risk is predictable.

6. Creative and Dynamic:

Modern business is creative and dynamic in nature. Business firm has to come out with creative ideas, approaches and concepts for production and distribution of goods and services. It means to bring things in fresh, new and inventive way.

7. Customer satisfaction:

The phase of business has changed from traditional concept to modern concept. Now a day, business adopts a consumer-oriented approach. Customer satisfaction is the ultimate aim of all economic activities.

Modern business believes in satisfying the customers by providing quality product at a reasonable price. It emphasize not only on profit but also on customer satisfaction. Consumers are satisfied only when they get real value for their purchase.

The purpose of the business is to create and retain the customers. The ability to identify and satisfy the customers is the prime ingredient for the business success.

8. Social Activity: Business is a socio-economic activity. Both business and society are interdependent. Modern business runs in the area of social responsibility. Business has some responsibility towards the society and in turn it needs the support of various social groups like investors, employees, customers, creditors etc. by making goods available to various sections of the society, business performs an important social function and meets social needs. Business needs support of different section of the society for its proper functioning.



9. Government control:

Business organisations are subject to government control. They have to follow certain rules and regulations enacted by the government. Government ensures that the business is conducted for social good by keeping effective supervision and control by enacting and amending laws and rules from time to time.

10. Optimum utilisation of resources:

Business facilitates optimum utilisation of countries material and non-material resources and achieves economic progress. The scarce resources are brought to its fullest use for concentrating economic wealth and satisfying the needs and wants of the consumers.

Objectives of Business:

the objectives of business may be classified as;

- A. Economic Objectives
- B. Social Objectives
- C. Human Objectives
- D. National Objectives
- E. Global Objectives

Types of Business Objectives



A. Economic Objectives:

Economic objectives of business refer to the objective of earning profit and also other objectives that are necessary to be pursued to achieve the profit objective, which include, creation of customers, regular innovations and best possible use of available resources.

(i) Profit Earning:



Profit is the lifeblood of business, without which no business can survive in a competitive market. In fact profit making is the primary objective for which a business unit is brought into existence. Profits must be earned to ensure the survival of business, its growth and expansion over time.

Profits help businessmen not only to earn their living but also to expand their business activities by reinvesting a part of the profits. In order to achieve this primary objective, certain other objectives are also necessary to be pursued by business, which are as follows:

(a) Creation of customers:

A business unit cannot survive unless there are customers to buy the products and services. Again a businessman can earn profits only when he/she provides quality goods and services at a reasonable price. For this it needs to attract more customers for its existing as well as new products. This is achieved with the help of various marketing activities.

(b) Regular innovations:

Innovation means changes, which bring about improvement in products, process of production and distribution of goods. Business units, through innovation, are able to reduce cost by adopting better methods of production and also increase their sales by attracting more customers because of improved products.

Reduction in cost and increase in sales gives more profit to the businessmen. Use of power looms in place of handlooms, use of tractors in place of hand implements in farms etc. are all the results of innovation.

(c) Best possible use of resources:

As we all know, to run any business we must have sufficient capital or funds. The amount of capital may be used to buy machinery, raw materials, employ men and have cash to meet day-to-day expenses. Thus, business activities require various resources like men, materials, money and machines.

The availability of these resources is usually limited. Thus, every business should try to make the best possible use of these resources. Employing efficient workers. Making full use of machines and minimizing wastage of raw materials, can achieve this objective.

B. Social Objectives:

Social objective are those objectives of business, which are desired to be achieved for the benefit of the society. Since business operates in a society by utilizing its scarce resources, the society expects something in return for its welfare. No activity of the business should be aimed at giving any kind of trouble to the society.

If business activities lead to socially harmful effects, there is bound to be public reaction against the business sooner or later. Social objectives of business include production and supply of quality goods and services, adoption of fair trade practices and contribution to the general welfare of society and provision of welfare amenities.

(i) Production and Supply of Quality Goods and Services:

Since the business utilizes the various resources of the society, the society expects to get quality goods and services from the business the objective of business should be to produce better quality goods and supply them at the right time and at a right price. It is not desirable on the part of the businessman to supply adulterated or inferior goods which cause injuries to the customers.





They should charge the price according to the quality of goods and services provided to the society. Again, the customers also expect timely supply of all their requirements. So it is important for every business to supply those goods and services on a regular basis.

(ii) Adoption of Fair Trade Practices:

In every society, activities such as hoarding, black-marketing and over-charging are considered undesirable. Besides, misleading advertisements often give a false impression about the quality of products. Such advertisements deceive the customers and the businessmen use them for the sake of making large profits.

This is an unfair trade practice. The business unit must not create artificial scarcity of essential goods or raise prices for the sake of earning more profits. All these activities earn a bad name and sometimes make the businessmen liable for penalty and even imprisonment under the law. Therefore, the objective of business should be to adopt fair trade practices for the welfare of the consumers as well as the society.

(iii) Contribution to the General Welfare of the Society:

Business units should work for the general welfare and upliftment of the society. This is possible through running of schools and colleges better education opening of vocational training centres to train the people to earn their livelihood, establishing hospitals for medical facilities and providing recreational facilities for the general public like parks, sports complexes etc.

C. Human Objectives:

Human objectives refer to the objectives aimed at the well-being as well as fulfillment of expectations of employees as also of people who are disabled, handicapped and deprived of proper education and training. The human objectives of business may thus include economic well-being of the employees, social and psychological satisfaction of employees and development of human resources.

(i) Economic Well-being of the Employees:

In business employees must be provided with fair remuneration and incentive for performance benefits of provident fund, pension and other amenities like medical facilities, housing facilities etc. By this they feel more satisfied at work and contribute more for the business.

(ii) Social and Psychological Satisfaction of Employees:

It is the duty of business units to provide social and psychological satisfaction to their employees. This is possible by making the job interesting and challenging, putting the right person in the right job and reducing the monotony of work. Opportunities for promotion and advancement in career should also be provided to the employees.

Further, grievances of employees should be given prompt attention and their suggestions should be considered seriously when decisions are made. If employees are happy and satisfied they can put their best efforts in work.

(iii) Development of Human Resources:

Employees as human beings always want to grow. Their growth requires proper training as well as development. Business can prosper if the people employed can improve their skills and develop their abilities and competencies in course of time. Thus, it is important that business should arrange training and development programmes for its employees.



(iv) Well-being of Socially and Economically Backward People:

Business units being inseparable parts of society should help backward classes and also people those are physically and mentally challenged. This can be done in many ways. For instance, vocational training programme may be arranged to improve the earning capacity of backward people in the community. While recruiting its staff, business should give preference to physically and mentally challenged persons. Business units can also help and encourage meritorious students by awarding scholarships for higher studies.

D. National Objectives:

Being an important part of the country, every business must have the objective of fulfilling national goals and aspirations. The goal of the country may be to provide employment opportunity to its citizen, earn revenue for its exchequer, become self-sufficient in production of goods and services, promote social justice, etc. Business activities should be conducted keeping these goals of the country in mind, which may be called national objectives of business.

The following are the national objectives of business.

(i) Creation of Employment:

One of the important national objectives of business is to create opportunities for gainful employment of people. This can be achieved by establishing new business units, expanding markets, widening distribution channels, etc.

(ii) Promotion of Social Justice:

As a responsible citizen, a businessman is expected to provide equal opportunities to all persons with whom he/she deals. He/ She is also expected to provide equal opportunities to all the employees to work and progress. Towards this objectives special attention must be paid to weaker and backward sections of the society.

(iii) Production According to National Priority:

Business units should produce and supply goods in accordance with the priorities laid down in the plans and policies of the government. One of the national objectives of business in our country should be to increase the production and supply of essential goods at reasonable prices.

(iv) Contribute to the Revenue of the Country:

The business owners should pay their taxes and dues honestly and regularly. This will increase the revenue of the government, which can be used for the development of the nation.

(v) Self-sufficiency and Export Promotion:

To help the country to become self-reliant, business units have the added responsibility of restricting import of goods. Besides, every business units should aim at increasing exports and adding to the foreign exchange reserves of the country.

E. Global Objectives:

Previously India had very restricted business relationship with other nations. There was a very rigid policy for import and export of goods and services. But, now-a-days due to liberal economic and export-import policy, restrictions on foreign investments have been largely abolished and duties on imported goods have been substantially reduced.

This change has brought about increase in competition in the market. Today because of globalisation the entire world has become a big market. Goods produced in one country are readily available in other countries. So, to face the competition



in the global market every business has certain objectives in mind, which may be called the global objectives. Let us learn about them.

(i) Raise General Standard of Living:

Growth of business activities across national borders makes quality goods available at reasonable prices all over the world. The people of one country get to use similar types of goods that people in other countries are using. This improves the standard of living of people.

(ii) Reduce Disparities among Nations:

Business should help to reduce disparities among the rich and poor nations of the world by expanding its operation. By way of capital investment in developing as well as underdeveloped countries it can foster their industrial and economic growth.

(iii) Make Available Globally Competitive Goods and Services:

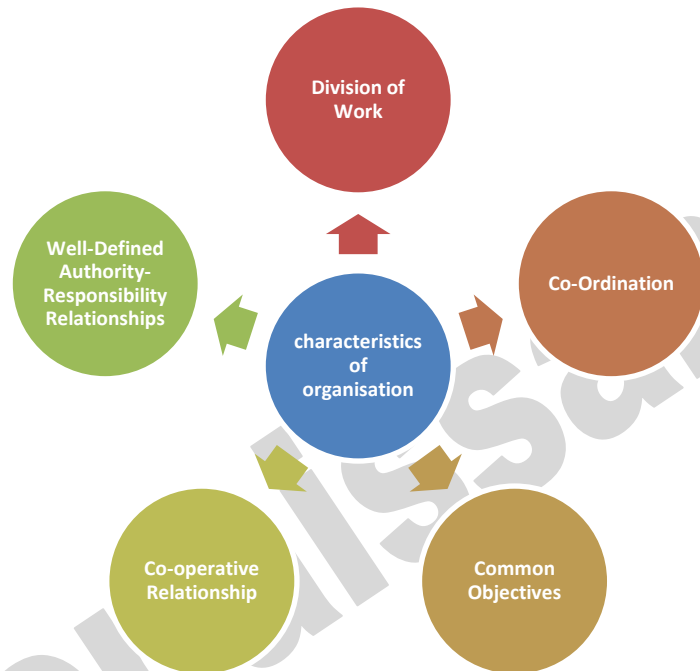
Business should produce goods and services which are globally competitive and have huge demand in foreign markets. This will improve the image of the exporting country and also earn more foreign exchange for the country.

Organization –

Organization is the process of identifying and grouping work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.” In the words of Allen, organization is an instrument for achieving organizational goals. The work of each and every person is defined and authority and responsibility is fixed for accomplishing the same.

According to Koontz and Donnell :- “ Organisational is structural relationship by which an enterprise is bound together and the framework in which individual effort is coordinated.

Some of the characteristics of organisation are studied as follows:



1. Division of Work:

Organisation deals with the whole task of business. The total work of the enterprise is divided into activities and functions. Various activities are assigned to different persons for their efficient accomplishment. This brings in division of labour. It is not that one person cannot carry out many functions but specialization in different activities is necessary to improve one's efficiency. Organisation helps in dividing the work into related activities so that they are assigned to different individuals.

2. Co-Ordination:

Co-ordination of various activities is as essential as their division. It helps in integrating and harmonizing various activities. Co-ordination also avoids duplication and delays. In fact, various functions in an organisation depend upon one another and the performance of one influences the other. Unless all of them are properly coordinated, the performance of all segments is adversely affected.

3. Common Objectives:

All organisational structure is a means towards the achievement of enterprise goals. The goals of various segments lead to the achievement of major business goals. The organisational structure should build around common and clear cut objectives. This will help in their proper accomplishment.

4. Co-operative Relationship:

An organisation creates co-operative relationship among various members of the group. An organisation cannot be constituted by one person. It requires at least two or more persons. Organisation is a system which helps in creating meaningful relationship among persons. The



relationship should be both vertical and horizontal among members of various departments. The structure should be designed that it motivates people to perform their part of work together.

5. Well-Defined Authority-Responsibility Relationships:

An organisation consists of various positions arranged in a hierarchy with well defined authority and responsibility. There is always a central authority from which a chain of authority relationship stretches throughout the organisation. The hierarchy of positions defines the lines of communication and pattern of relationships.

Business Organization –

Business organization is concerned with the study of the methods and procedures of establishing and operating business enterprises with the purpose of earning profits by rendering service to the society. The scope is very wide. It comprises business ownership, the types of traders engaged in the supply of goods and services, the institutions which facilitate trade, the financial arrangements used to conduct business, the problems of location and layout of the undertaking, the principles of management, forms of combinations, methods of wage payment, etc.

Objectives of Business Organization



- 1) Unity of objectives
- 2) Efficiency
- 3) Division of work
- 4) Span of control
- 5) Scalar principle
- 6) Delegation
- 7) Functional definition
- 8) Absoluteness of responsibility
- 9) Unity of command
- 10) Coordination

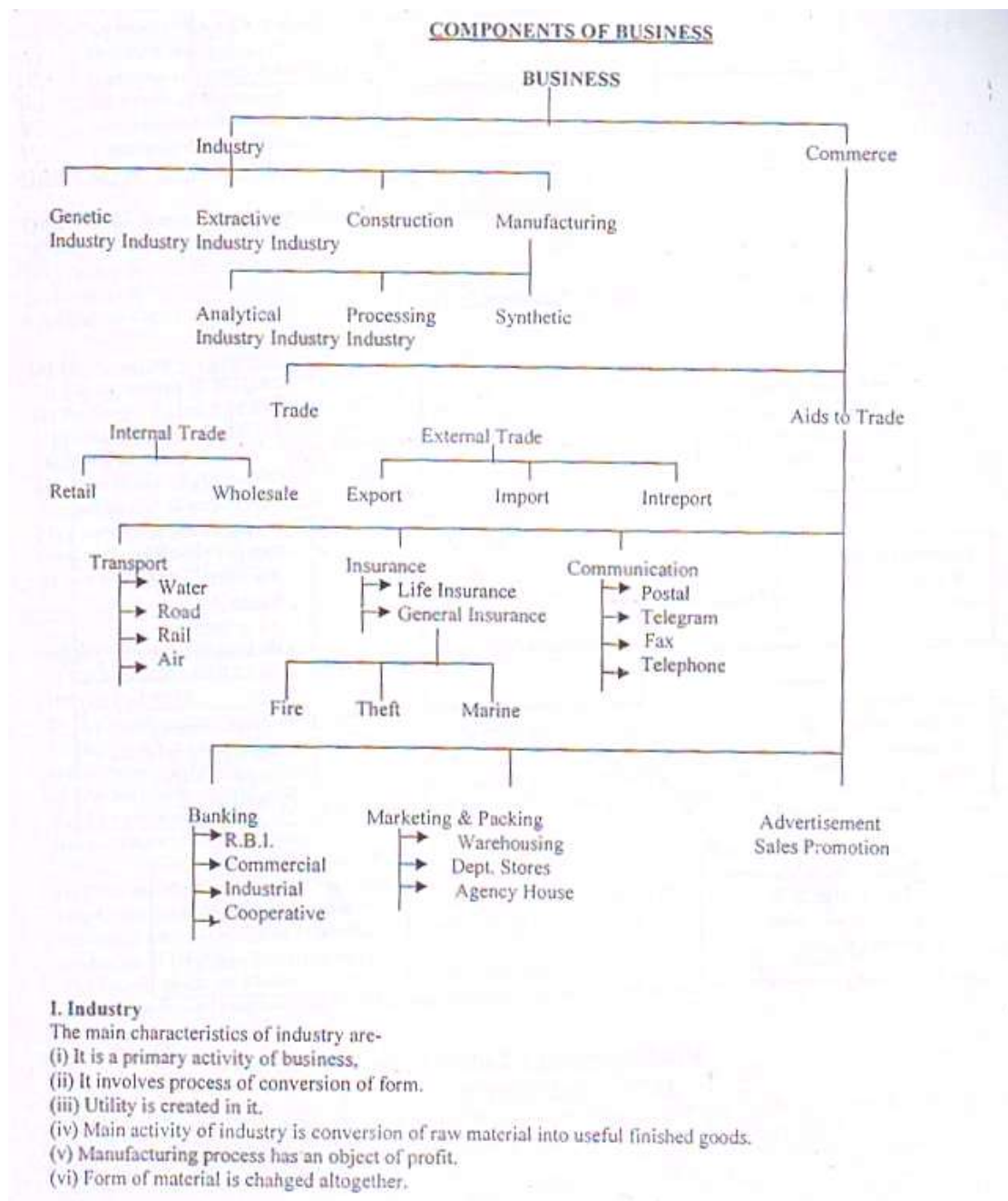
Functions of Business Organization –

- 1) Production function
- 2) Marketing function
- 3) Finance function
- 4) Personnel function
- 5) Other functions

Significance of Business Organization –

- 1) Facilitates administration
- 2) Ensures specialization
- 3) Facilitates growth and diversification
- 4) Encourages creativity
- 5) Optimum use of technological improvements
- 6) Facilitates coordination
- 7) Rapid economic development
- 8) Best utilization of physical and human resources
- 9) Employment orientation
- 10) Increase in government revenue

Components of Business Organization –



II. Commerce

Commerce means those activities which are done from production of commodities and their supply to consumers with the object of earning profit.

Characteristics-

- (i) Trade is included in commerce.
- (ii) Subsidiary activities of trade like insurance, banking, transportation are also included in commerce.
- (iii) Commerce is a link between a producer and a consumer.
- (iv) Commerce creates time and place utility.
- (v) Commerce removes obstacles arising in exchange of commodities.



III. Trade

Purchase and sale of goods in a business in order to earn profit is called trade. Thus the following are the characteristics of trade-

- (i) Purchase and sale of commodities and services.
- (ii) Two parties- Buyer and sellers. Middleman are also included in it.
- (iii) The main object of trade is to earn profit.
- (iv) Medium of trade is money.
- (v) Element of risk and enterprise exists in trade.
- (vi) Business activities remain regular and continues.
- (vii) Purchase of a commodity is meant for sale.

IV. Auxiliaries to Trade :-

Commerce also includes several 'Aids to Trade' which facilitate exchange of goods and services. These auxiliary services may be described as below :

- 1) Transportation
- 2) Warehousing
- 3) Insurance
- 4) Packaging
- 5) Banking
- 6) Advertising
- 7) Stock Exchange

Social Responsibility of Business:-

Social responsibility means the objective concern for the welfare of society.

"Social responsibility is to pursue those policies and decisions or to follow those lines of actions which are desirable in terms of the objective and value of our society."

The term 'Social Responsibility' is based on the principle of trusteeship. **According to Mahatma Gandhi**, the philosophy of trusteeship in business lays stress on the fact that **'Those who own money or property should hold it in trust for the society.'**

Features:

1. Social responsibility is a two-way traffic
2. It is related with business organizations
3. Universal concept
4. Supremacy of public interest
5. Scope of social responsibility is not limited
6. Establishes new socio-economic values: it establishes new economic and social values such as decentralization of power, equal and justified distribution of resources, business morality, etc.
7. Source of gaining social power
8. Basis of business success
9. It is a continuous process



Objectives:

1. Social Welfare
2. Satisfaction of human wants and improvement of standard of living.
3. Promotion of business
4. Creation of positive public image
5. Development of nation.

Methods of Discharging Social Responsibility

1. Adoption of different types of social programs

- (a) pursuing the goal of economic growth and efficiency by improving productivity and cooperating with the government.
- (b) Helping colleges and universities through grants, donations, funding of research programme, maintenance of interaction, training and placement of students.
- (c) Retraining and placement of disadvantaged or retiring workers.
- (d) Undertaking urban development programmes such as low cost housing, adoption of backward areas.
- (e) Pollution and effluent control.
- (f) Ecological conservation and recreation.
- (g) Patronizing art and culture through and to institutions engaged in such tasks.
- (h) Designing low cost medical care programmes.
- (i) Improving management in government.

2. Substituting optimum profits against maximum profits When a company is operating under voluntarily imposed restraints, it is said to be satisfying rather than maximizing profits.

3. Cooperating with various Stockholder

4. Prescription of social goals as integral part of the corporate policy

Causes for growing concern for social responsibilities

1. Public Opinion.
2. Trade Union Movement
3. Consumerism
4. Education
5. Public Relation
6. Managerial revolution.

Scope of social Responsibility:

Social responsibility is two-way traffic.

- I. Social responsibility of business towards different sections of the society.
- II. Social responsibility of different sections of the society towards the business.

I. Social responsibility of business Towards Different Section of the Society:



1. Towards the business itself
2. Towards the owners of business
3. Towards the creditors
4. Towards the employees
5. Towards the suppliers of goods
6. Towards professional institutions
7. Towards other business institutions
8. Towards local community
9. Towards the government
10. Towards the world society

II. Social Responsibility of Different Section of Society Towards Business:

1. Responsibility of owners
2. Responsibility of employees
3. Responsibility of consumers
4. Responsibility of investors
5. Responsibility of suppliers
6. Responsibility of professional institution: The professional institution of Management Studies, Chartered Accountants, cost Accountants, etc. should inform the business about the latest professional knowledge and techniques developed by them through publications, organizing the seminars and conferences. The business managers may be invited to participate in such programmes.
7. Responsibility of top level managers
8. Responsibility of the community

Significance social responsibility of Business:

1. Need to balance power with Responsibility
2. Voluntary actions would prevent government regulation
3. To promote long-run profits
4. Recognition of moral obligations by business
5. Vastness of resources and intricate social problems
6. Correction of business causing social business
7. Creation of positive public image
8. Response to changing public expectations.

Limitations of Social Responsibility:

1. Unsupported by logic
2. Militates against the test of market place
3. Cost burden on consumers
4. Non-availability of social skills
5. Correction of ironical situations
6. Diversion from the main objective
7. Adverse impact on economic efficiency



Arguments for and against the assumption of social responsibilities of business :-

The case for Social Responsibility :-

- 1) Long term self interest of Business
- 2) Ensuring Law and Order
- 3) Maintenance of Free Enterprise
- 4) Creation of Society
- 5) Moral Justification
- 6) Profitable Opportunities

The Case against social responsibility :-

- 1) Dilution of profit-maximisation
- 2) Loss of Incentive
- 3) Lack of Yardstick
- 4) Business lacks social skills
- 5) Power without Accountability
- 6) Burden on consumers

PROMOTION OF BUSINESS

PROMOTION

‘Promotion of a business enterprise’ refer to the act and process of establishing a new business unit. Promotion may e defined as the discovery of business opportunities and the subsequent organization of funds, property and managerial ability into a business concern for the purpose of making profits there from.

According to G.W. Gerstenberg :- “ Promotion may be defined as the discovery of business opportunities and the subsequent organization of funds, property and managerial ability into a business concern for the purpose of making profits therefrom.”

Methods/Stages in Promotion –

- 1) Discovery of Idea
- 2) Investigation and verification
- 3) Assembling
- 4) Financing the proposition

PROMOTER

The term ‘Promoter’ stands for a person who conceives the business idea and takes various steps to bring the enterprise into existence and to grow is as a successful venture.

According to Chief Justice Cockburn :- “ A promoter is one who undertakes to form a company with reference to a given object and to set it going and who takes the necessary steps to accomplish that purpose.”

Types of Promoters:-



1. **Occasional Promoters:** They are those entrepreneurs who promote a business enterprise and manage its affairs after it comes into being. Promotion is not occupation of such entrepreneurs.
2. **Professional Promoters:** These persons are specialists in promoting new business ventures. Promotion is their whole time occupation.
3. **Financial promoters:** Their main object is to make use of a favorable investment climate to earn profits.
4. **Technical Promoters:** They are experts in technical matters. Areas of their expertise may relate to law, engineering, consultants, architects, etc. Such promoters are given a fee for their consultancy services.
5. **Specialised institutions:** These institutions float new business enterprises either at their own or by collaborating with other entrepreneurs. Examples of such entrepreneurs are IDBI (Industrial Development Bank of India), NIDC (National Industrial Development Corporation).
6. **Government as a Promoter**
7. **Political Promoters**

FUNCTIONS OF PROMOTERS

(A) Procedural functions /

1. Selection of the line of business.
2. The size of the unit
3. Location of Business
4. Choice of form of organization
5. Financial Planning
6. Physical facilities needed
7. Plant layout
8. Tax planning
9. Project Report
10. Launching the Enterprise

(B) Legal Functions :- Under the head are included the legal formalities pertaining to promotion. For example, the promoter should manage to get the permission from the appropriate authorities before launching the project.

Qualities of Successful Promoter:-

1. Winning Personality with leadership Qualities
2. Wide knowledge
3. Initiative and Foresight
4. Dynamic Outlook
5. Adaptability
6. Self confidence
7. Business ethics and Social responsibility
8. Consistent in behavior
9. Business connection and Goodwill
10. Aptitude for research, analysis and growth



Forms of Business Organization

Sole Proprietorship:-

Meaning

Sole proprietorship is a form of business organization in which an individual introduces his own capital, uses his own skill and intelligence and is totally responsible for the results of its operations.

Definition:-

According to Wheeler :- "The sole proprietorship is that form of business ownership which is owned and controlled by a single individual. He receives all the profits and risks all of the property in the success or failure of the enterprise."

Features of sole proprietorship business:

1. Easy formation
2. No separate legal entity
3. Unlimited liabilities
4. Individual risk bearing
5. Freedom of operation
6. Full Management
7. One man control
8. Continuity

Advantages of sole proprietorship

1. Easy to formation and dissolution
2. Direct motivation and incentive
3. Quick decision and prompt action
4. Economy and elimination of wastage
5. Flexibility
6. Personal element and direct supervision
7. High Secrecy
8. Benefit of inherited goodwill
9. Freedom of business
10. Minimum cost of management

Disadvantages of sole proprietorship

1. Limited capacity of an individual
2. Difficulties of outside finance
3. Indispensability of the owner
4. Unlimited liability
5. Limited scope for expansion
6. Difficulty of personal contact in widely separated areas
7. Uncertainty of duration
8. Hasty decision
9. Monotony and hard work



10. Stunted growth of business

Partnership:-

Definition of Partnership:

“Partnership is the relation existing between person competent to make contracts who have agreed to carry on a lawful business in common, with a view of private gain”

The Indian Partnership Act 1932 defines “Partnership” as the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting you all”

Characteristics of Partnership:

1. Formation (two or more person)
2. Agreements- among partners
3. Legal business as per the registration under partnership Act.
4. Profit Motive
5. Unlimited liability
6. Non transferability of share
7. Full management and control
8. Mutual agency
9. Utmost good faith
10. Individuality of the partner
11. No separate entity
12. Partnership is a contract of *uberrimae fidei*

Advantages of Partnership

1. Easy formation
2. Benefit of greater resources
3. Sharing of risks
4. Protection of minority interests
5. Flexibility
6. Balanced judgment
7. Personal supervision
8. More scope for expansion
9. Free from various expenses
10. Benefit of personal contracts of partners

Disadvantages of Partnership

1. Unlimited liability
2. Limited resources
3. Non-Transferability of shares
4. Instability
5. Lack of quick decisions
6. Lack of public confidence
7. Conflicts



8. Lack of secrecy and privacy
9. Absence of separate legal status

Partnership Deed:-

Meaning

The partnership Deed is a document which embodies the terms and conditions of the partnership agreement laying down the mutual rights, duties and obligations of partners. The deed is stamped in accordance with the stamp Act.

Contents: The common contents of Partnership Deed are

1. Name of the firm
2. Name and address of the partners
3. Nature of the business
4. Capital contributed by each partner
5. Proportion of division of profit and losses
6. The duties, powers and obligations of the partners
7. The mode of maintaining accounts
8. Management of business
9. Provision regarding retirement and dissolution
10. Arbitration in case of dispute among partners
11. Whether loans will be accepted from a partner
12. The amount salary payable to partners
13. The rate of interest payable to partners on their capital
14. The amount to be allowed as drawings and the rate of interest on amount withdrawn by them.

Different types of Partnership:-

1. **Partnership at will:** The partnership formed to carry on business without specifying and period of time is known as partnership at will
2. **Particular partnership:** When a partnership is formed for a fixed period or for a completion of a definite venture.
3. **Joint venture:** it is organized for a specific venture for a specified period. Member of joint venture do not enjoy general agency rights are defined. No member can withdraw from joint venture before the completion of specific venture.
4. **Limited Partnership:** In this liability of partners is limited except that of one or more partners.

Different kinds of partners:

1. **Active Partner:** a partner who is actively engaged in the conduct and management of the business.
2. **Sleeping or dormant partner:** The partner who does not participate in the management of the firm. They contribute capital and get share in the profit or loss of the firm.
3. **Nominal Partner:** Nominal partner is a partner who lends his name to the firm without having any interest in the management and profit of the business.



4. **Partner in profit only:** Such partner is a partner who shares the profits of the business without making himself responsible for the losses.
5. **Limited partner:** Limited partner is a partner whose liability is limited to the amount he has invested in the firm as capital.
6. **Sub Partner:** When a partner enters into a new agreement to share his profits with an outsider such as an outsider is known as partner.
7. **Partner by estoppel of holding out:** If a person represents to the outside world by words spoken or written or by his conduct or by lending his name, that he is a partner in a certain partnership firm, such person by estoppel or holding out.

Requisites of an ideal partnership:

1. Mutual faith and understanding
2. Common approach
3. Minimum number and mutual confidence
4. Skills and talents of partners
5. Adequate long term capital
6. Long duration
7. Written agreement
8. Registration

REGISTRATION OF PARTNERSHIP

Under the Partnership Act, it is not compulsory for a firm to be registered, but there are certain disabilities to an unregistered firm which make it desirable, even virtually compulsory, that the firm be registered.

Procedure of Registration :-

The statement should contain information relating to the following particulars:

- (i) The name of the firm
- (ii) The principal place of business
- (iii) Name of other places where the firm carries on business
- (iv) The dates on which various partners joined the firm
- (v) The names in the full and addresses of the partners and
- (vi) The duration of the firm.

DISSOLUTION OF PARTNERSHIP:-

According to section 39 of the Indian Partnership Act, 1932, the dissolution of partnership between all the partners of a firm is called the dissolution of the firm. Section 48 of the partnership act, 1932 lays down the following procedure for the settlement of accounts between partners after the dissolution of the firm:

1. Losses including deficiencies of capital should be made good
 - (a) First of profits
 - (b) Then out of capital
 - (c) If need be out of personal contributions of partner in their profit sharing ratios.



2. The assets of the firm including any sum contributed by partners to make up deficiencies of capital will be applied for setting the debts of the firm, in the following order, subject to any agreement to the contrary.
 - a) First, in paying of the debts of the firm due to third parties.
 - b) Then in paying to each partner ratably any advance or loans given by him in addition to or apart from his capital contribution.
 - c) If any surplus is available after discharging the above liabilities, the capital contributed by the partner may be returned, if possible, in full or otherwise ratably.
 - d) The surplus, if any, shall be divided among the partner in their profit sharing ratios.

MODES OF DISSOLUTION :-

(A) DISSOLUTION WITHOUT INTERVENTION OF COURT

1. Dissolution by agreement.
2. Dissolution by notice.
3. Dissolution on the happening of certain contingencies.
 - i. By the expiry of the term of duration of the firm.
 - ii. By the completion of the adventure or task of which the firm was contributed.
 - iii. By the death of a partner.
 - iv. By the adjudication of a partner as insolvent.
1. Compulsory dissolution:
 - a) When all the partner except one become insolvent.
 - b) When all the partners become insolvent.
 - c) When the business becomes illegal.
 - d) When the number of partners exceeds twenty in case of ordinary business and ten in case of banking business.

(B) DISSOLUTION BY COURT:- At the suit of a partner, the court may dissolve a firm on any of the following grounds :

1. When a partners becomes of unsound mind.
2. When a partner suffers from permanent incapacity and become permanently incapable of performing his duties as a partner.
3. When a partner is guilty of misconduct affecting the business of the rm.
4. When a partner commits willful or persistent breaches of agreement.
5. When a partner has transferred the whole of the interest in the firm to third party.
6. When the business of the firm cannot be carried on except at a loss.
7. When the court is satisfied as to grounds which render it just and equitable to dissolve the firm.

Minor As Partner :-

According to section 30 of the Partnership Act, “ A person who is a minor according to law, may not be a partner in the



firm, but with the consent of all the partners for the time being, he may be admitted to the benefits of partnership.' Thus a minor cannot be full-fledged partner, he can be admitted in an existing partnership to his benefits.

Following are the rights and liabilities of a minor admitted to the benefits of partnership.

(A) Before attaining majority rights:

- 1) He is entitled to such share of the property and of the profit of the firm as may be agreed upon.
- 2) He is entitled to have access to and inspect and copy any of the accounts of the firm.
- 3) He may sue the partners for accounts or payment of his share.
- 4) If a minor partner is expressly authorized to act on behalf of the firm. He can bind the firm by his act.

Liabilities :- 1) A minor is not personally liable for the debts of the firm nor his private property is liable to attachment by creditors. However his interest in partnership may be taken over by creditors in settlement of a debt.

2) A minor cannot be declared insolvent :- but if the firm is declared insolvent. His share will rest in the official receiver.

(B) On attaining majority :- On attaining majority, he has to decide within six months whether he wants to be a regular partner or not. The choice of either way has to be intimated through a public notice within this period. Failure to give such notice would imply that he shall become a partner in the firm on the expiry of the said six months.

1) When he becomes a partner



2) When he decided not to become a partner

UNIT-2

Company Organization

Meaning of joint stock company: a joint stock company as an artificial person created by law, having separate legal entity from its owner with perpetual succession and a common seal..

Features of a Company :-

- Artificial Person
- Separate legal Entity
- Perpetual Existence
- Limited liability of shareholders
- Common Seal
- Transferability of Shares
- Management
- Membership
- Formation

1.. Artificial Person : A Joint Stock Company is an artificial person as it does not possess any physical attributes of a natural person and it is created by law. Thus it has a legal entity separate from its members.

2. Separate legal Entity : Being an artificial person a company has its own legal entity separate from its members. It can own assets or property, enter into contracts, sue or can be sued by anyone in the court of law. Its shareholders can not be held liable for any conduct of the company.

3. Perpetual Existence : A company once formed continues to exist as long as it is fulfilling all the conditions prescribed by the law. Its existence is not affected by the death, insolvency or retirement of its members.

4. Limited liability of shareholders : Shareholders of a joint stock company are only liable to the extent of shares they hold in a company not more than that. Their liability is limited by guarantee or shares held by them.

5. Common Seal : Being an artificial person a joint stock company cannot sign any documents thus this common seal is the company's representative while dealing with the outsiders. Any document having common seal and the signature of the officer is binding on the company.

6. Transferability of Shares : Members of a joint stock company are free to transfer their shares to anyone.

7. Capital : A joint stock company can raise large amount of capital by issuing its shares.

8. Management : A joint stock company has a democratic management which is managed by the elected representatives of shareholders, known as directors of the company.

9. Membership : To form a private limited company minimum number of members prescribed in the companies Act is 2 and the maximum number is 50. But in the case of public limited company the minimum limit is 7 and no limit on maximum number of members.

10. Formation : Generally a company is formed with the initiative of group of members who are also known as promoters but it comes into existence after completing all the formalities prescribed in Companies Act 2013.



Advantages:

Following are the advantages of Joint Stock Company:

- 1. Limited Liability :** Liability of members of Joint Stock Company is limited to the extent of shares held by them. Hence shareholders assets will not be on stake. This feature attracts large number of investors to invest in the company.
- 2. Perpetual Existence :** A company is an artificial legal person created by law which has its own independent legal status. Its existence is not affected by the death or insolvency of its members.
- 3. Large Scale Operation :** The capacity of the corporate organizations to raise the funds is comparatively high which provide capital for large scale operations. Hence opens the scope for expansion.
- 4. Transferability of Shares :** In a joint stock company it is easy to transfer shares to anyone. But the same is not permitted to private limited company.
- 5. Raising of Funds :** It is easy to raise a large amount of funds as the number of persons contributing to the capital are more.
- 6. Social Benefit :** It offers employment to a large number of people. It facilitates promotion of various ancillary industries. It also donates money for education, community service.
- 7. Research and Development :** It invests a lot of money on research and development for improved production process, improving quality of product, designing and innovating new products etc.

Disadvantages:

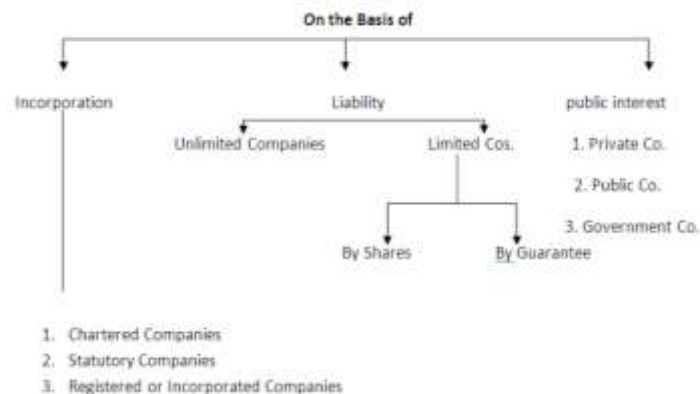
Disadvantages of Joint Stock Company:

- 1. Formation is not easy :** To act as a legal entity a company has to fulfill various legal and procedural formalities making it a complicated process.
- 2. Double Taxation :** This is the biggest disadvantage which the company faces. Firstly, company needs to pay tax for the earned profits and again the shareholders are taxed for the earned income.
- 3. Control by Board of Directors :** After electing directors of the company which manage the business for the company the shareholders become ignorant of their responsibilities. This may be due to lack of interest and lack of proper and timely information.
- 4. Excessive Government Control :** A company has to comply with provisions of several acts, non-compliance of which can cause a company heavy penalty. This affects the smooth functioning of a company.
- 5. Delay in Policy Decisions :** All the legal and procedural formalities which are required to fulfill before making policies of the company delay the policy decisions.
- 6. Speculation and Manipulation:** As the shares of a joint stock company are easily transferable thus the shares are purchased and sold in the stock exchanges on the value or price of a share based on the expected dividend and the reputation of the company.

KINDS OF COMPANIES

There are three main bases of company classification and they are as know:

CLASSIFICATION OF COMPANIES



On the basis of incorporation:-

(1)Chartered Companies

These companies are formed under a special charter by the monarch or by a special order of a king or a queen. Few examples of royal chartered companies are BBC, East India Company, Bank Of England, etc.

(2)Statutory Companies

These companies are incorporated by a special act passed by the central or state legislature. These companies are intended to carry out some business of national importance. For example, The Reserve Bank of India was formed under RBI act 1934.

(3) Registered or Incorporated Companies

These companies are formed/incorporated under the companies act passed by the government. These companies come into existence only after these are registered under the act and the certificate of incorporation is passed by the Registrar of companies.

On the basis of liability :-

(1)Companies Limited By Shares

These companies have a defined share capital and the liability of each member is limited by the memorandum to the extent of the face value of shares subscribed by him.

(2)Companies Limited By Guarantee

These companies may or may not have a share capital and the liability of each member is limited by the memorandum to the extent of the sum of money (s)he had promised to pay in the event of liquidation of the company for payments of debts and liabilities of the company.

(3) Unlimited Companies

There is no formal restriction to the amount of money that the shareholder/member of the company has to pay in the event of the liquidation of an unlimited company.

On the basis of public interest :-

(1)Private Limited Company: A private company is one which, by its Articles:

- Limits the number of its members to fifty, excluding past and present employees;
- Restricts the right of the members to transfer the shares; and
- Prohibits the invitation to public to subscribe to the company's shares and debentures



(2)Public Limited Company: A public company does not limit the number of members to fifty, it does not restrict the right of members to transfer their shares and finally it does not prohibit invitation to public to subscribe to its shares and debentures.

(3)Government Companies: A government company is one in which at least 51% of the paid up capital is held by the Central Government or by any State Government or partly by the Central Government and partly by one or more State Government

Table Distinctions between a Private Company and a Public Company.

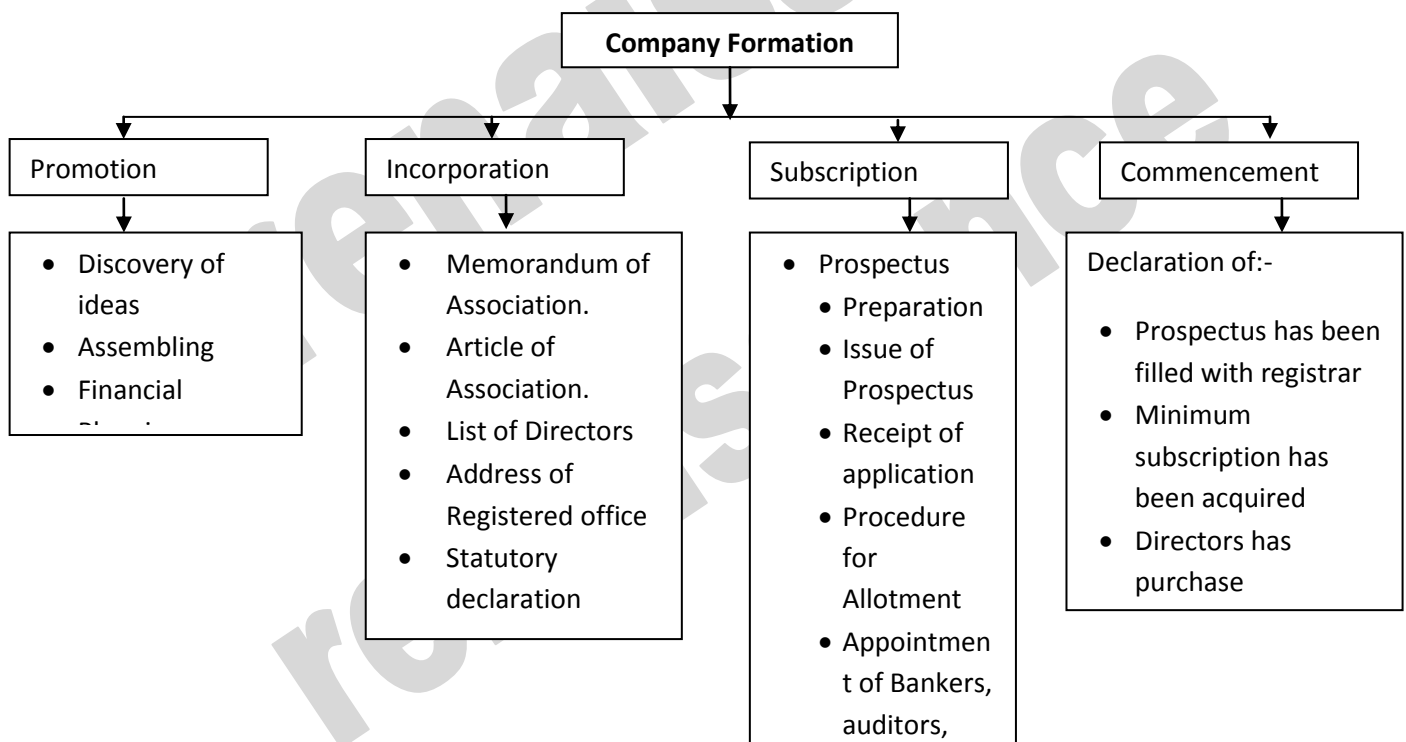
Basis of Difference	Private Company	Public Company
1. Members	The minimum number of is two maximum is fifty.	The minimum number of is seven and there is no maximum limit.
2. Directors	Minimum members of directors needed is two.	Minimum number of directors needed is three.
3. Prospectus	Filling of prospectus or a statement 'in lieu of prospectus with the Registrar of Companies is not necessary before company can allot shares.	Filling of Prospectus of a statement 'in lieu of prospectus' with the Registrar or Companies is necessary.
4. Documents	Two members need to sign the memorandum and articles of association.	Seven members need to sign the documents.
5. Allotment of shares	If may commence allotment of shares before minimum subscription has before minimum subscription has been applied for.	It cannot commence allotment of shares unless minimum subscription has been applied for.
6. Commencement of Business	It can commence business soon after incorporation.	It cannot commence business without obtaining a certificate to that effect.
7. Transfer of Shares	Transfer of shares is restricted by the articles.	Shares are freely transferable.
8. Filing of Balance Sheet	It need not file its balance sheet with the Registrar.	It must file its balance sheet with the Registrar.
9. Statutory Meeting	It need not hold the statutory meeting not it is necessary for it to forward the statutory report to the Registrar.	It must hold a statutory meeting and forward the same the Registrar.
10. Directors	No provision of the Companies Act regarding appointment of directors, their consent to act or to pay for qualification shares apply to them.	These provisions apply to at least three directors of a public company.



Promotion of a Company

The procedure for the formation of a company may be divided into four principal stages-

- (a) **Promotion:** Promotion means discovery of business opportunities and the subsequent organization of funds, property, management ability into a business enterprise for the purpose of making profit there from.
- (b) **Incorporation Stage:** After preliminary steps, the following documents are required to submit for the purpose of registration-
 1. Memorandum of Association
 2. Article of Association
 3. Notice of address of Registered Office
 4. Contracts with managing agents, secretary & reassures etc.
 5. Consent of the directors.
 6. List of directors with their name, address, occupation and age.
 7. Statutory declaration
- (c) **Capital subscription stage-** A public company having a share capital has to pass through the capital subscription stage before it can commence the business.
- (d) **Commencement of Business-** To obtain this certificate a company will have to file following documents with the Registrar-
 1. Prospectus or statement in lieu of prospectus
 2. Declaration of fulfillment of minimum subscription
 3. Declaration of fulfillment of directors of contract to purchase qualification shares.
 4. Statutory declaration.





Memorandum of Association:-

According to section 2 (28) of the Companies Act “memorandum means the memorandum of Association of a company as originally framed or as altered from time to time in pursuance of any previous companies law or of this act.

Features

1. Fundamental document
2. Essential for every company
3. Originally framed
4. Limitations for power
5. Unalterable

Contents Memorandum of Association:-

1. Name clause
2. Registered office on place clause
3. Object clause
4. Liability clause
5. Capital clause
6. Association of subscriber clause

Article of Association

Article of Association is the document of a company which contains rules, regulations or laws of company.

Content of Articles

1. Share capital and rights attached to different clauses of shares.
2. Adoption of Preliminary contract
3. Calls & lien on shares
4. Redemption, Transfer, forfeiture of share
5. Alteration capital
6. General meetings
7. Appointment & removal of directors
8. Dividend relevance.
9. Accounting related

Prospectus:-

A prospectus is any document which is described or issued as a prospectus by a company for any or the following purpose.

1. For inviting deposits from the public
2. For inviting offers from public for purchasing of share and debenture.



Contents of Prospectus:-

1. Objective of company
2. Information related to share capital
3. Information related to Directors
4. Information related to auditing
5. Remuneration relate to promoters
6. Preliminary expenses
7. Reserve & surplus
8. Auditing

Statement in lieu of Prospectus:-

1. Condition of filing
2. Contents
3. Delivery to registrar
4. Signature
5. Penalty
6. Liability for untrue statement
7. Void able allotment

CO-OPERATIVE FORM OF ORGANIZATION

Co-Operative form of business :- **Meaning:-** Co-operation is a form of organization, where in persons voluntary associate together as human being on the basis of equality for the promotion of economic interest of them self.

Definition :-

According to Indian Cooperative Societies Act, 1912. “ A Co-Operative society is a society which has its objects the promotion of the economic interests of its members in accordance with co-operative principles.”

According to Calvert “ Cooperation is a form of organization , wherein persons voluntarily associate together as human beings on a basis of equality, for the promotion of economic interests of themselves.”

Features of Co- Operative Organization :-

- 1) Open membership
- 2) Equal voting right



- 3) Democratic management
- 4) Service motto
- 5) No-dividend hunting element and fair return on capital
- 6) Facility of admission
- 7) Cash Sale
- 8) Government control and corporate status

Advantages of Co-Operatives form of organization :-

- 1) Limited liability
- 2) Reduction in the cost of marketing
- 3) Development of human values
- 4) Free and voluntary service
- 5) Inseparable tie
- 6) Availability of Government assistance

Disadvantages of Co-Operatives form of organization :-

- 1) Limited Scope
- 2) Lacks of business leadership
- 3) Lack of initiative and incentive
- 4) Other weaknesses
- 5) Limited Success
- 6) Excessive state participation

Types of co-operative Societies :-

- (1) Cooperative credit societies
- (2) Consumers Cooperative societies
- (3) Industrial or Producers Cooperatives
- (4) Marketing Cooperatives
- (5) Cooperative Farming Societies
- (6) Cooperative Housing Societies
- (7) Multi-Purpose Cooperative Societies



1. **Consumers' Co-operative:** A consumer co-operative store ensures supply of consumer services of standard quality to its members, at fair prices. It purchases goods on wholesale basis and sells to its members on retail basis at reasonable prices.
2. **Producers' or Industrial co-operative societies:** Generally, small-scale and cottage industries are set up under the system of co-operative organization. Industrial co-operative is undertake the functions of purchasing and supplying raw materials. Tools and equipment to its members, marketing their finished goods, securing contracts from government, public bodies and other and setting them executed with the help of members.
3. **Co-operative marketing societies:** Marketing co-operative are established by producers for selling their products at remunerative prices. Modern marketing is a complicated procedure. It involves various marketing functions like standardization, grading, warehousing, branding, packing and packaging, advertising and promotion.
4. **Co-operative housing societies:** Low and middle income group, especially in metropolitan cities, may find it difficult to construct their own houses. Housing co-operative help people to construct their own houses.
5. **Co-operative credit societies:** such societies are formed by socially and economically backward sections of society such as industrial workers, agriculturists, artisans, salary earners, etc. in order to meet their financial demands.
6. **Co-operative farming societies:** Co-operative farming societies are formed by the farmers, who pool their land jointly conduct their agricultural operations.

Important of Co-operative Organization

1. Easy to form
2. Open membership
3. Democratic management
4. Limited Liability
5. Stability and continuity
6. Economic operation
7. Cheaper and better commodities
8. Privileges
9. State patronage
10. Non Economic benefits

Formation of Co-operative: A co-operative society must be formed under the Co-operative Societies Act, 1912 or under the relevant state co-operative society's law. A co-operative society can be formed by atleast 10 adult members. The members willing to form a society must have common bond among them. They may be the residents of same locality, employees of some organisation, belonging to some group having affinity etc. The basic idea is that all the persons intending to form a society should have some common objectives to achieve.

The application for forming a society must have the following information:

(a) Name and address of the society.

(b) Aims and objectives of the society.



(c) Names and addresses of members of the society.

(d) Share capital and its division.

(e) Mode of admitting new members.

(f) A copy of the bye laws of the society.

The required documents are filed with the Registrar of Societies. The Registrar scrutinizes the documents, if these are as per requirements then the society's name is entered in the register. A certificate of registration is also issued to the society. The society will become a corporate body from the date mentioned in the certificate.

Public Enterprises

Meaning

A public enterprise may be defined as an enterprise which may be (i) owned by the state, (ii) managed by the state or (iii) owned and managed by the state.

Characteristics of Public Enterprise

1. State Ownership: Wholly owned by the Central Govt. or a state Govt. or local authority or two or more of them.
2. State Control: The state retains the ultimate management and control of public enterprises so far as the appointment of personnel are concerned.
3. Service Motive: Generally run with a service motive.
4. Governing Financing: The financial needs are met by the Govt. through appropriation from the budget.
5. Public Accountability: Public enterprises are accountable for their performance to the public at large.

Need of Public enterprises:

1. Need for planned economy.
2. Balanced regional development
3. Generation of employment opportunities
4. Need for sound industrial base.
5. Equitable distribution of national income.
6. Generation of surplus for economic growth.
7. Provision of infrastructural facilities.

Advantages:

1. Growth of key and heavy industries (e.g. Steel Industry)
2. Avoidance of uncertainty
3. Greater, better and cheaper products
4. Helps in preservation of national wealth
5. Encourages the industrial growth of under developed countries.



6. No exploitation of labour, capital or management.
7. Planned progress.
8. Prevents the concentration of wealth
9. Helps in the social and economic welfare by keeping the public utility concerns out of the clutches of the private sector.

Disadvantage

1. Cheaper, better and cheaper production is a myth
2. Top heavy administration expenses.
3. Nepotism and favoritism (reference to relative of legislators and officials in appointment)
4. Delay in decision.

Objective of Public Enterprise

1. To promote rapid economic development.
2. To provide basic infrastructure facilities
3. To reduce disparities in income.
4. To have balanced regional development and dispersal of economic activity.
5. To avoid concentration of economic power in a few hands.
6. To have social control and regulation of long term finance.
7. To create employment opportunities on an increasing scale.
8. To increase exports and earn foreign exchange.
9. To have control over sensitive areas.

Importance

1. Creation of the social basic facilities for balanced economic growth.
2. Speed up the pace of industrialization.
3. Remove regional economic imbalances by the industrialization of backward areas.
4. Have equitable and just distribution of wealth.
5. Increase job opportunities.
6. Nationalize sick mills
7. Solve the problem of unemployment
8. Encourage private sector to supplement the economic growth of the country.

Forms of Organisation and Management of Public Enterprises

In our country public enterprises are primarily organized in three forms:-

- I. Departmental Undertaking
- II. Public (or Statutory) Corporation
- III. Government Company

I. Departmental Undertaking:- Under this form of organisation a public enterprise runs as a department of the government. This is the oldest form of organizing public enterprises. The traditional public enterprises like railways, posts and telegraphs, broadcasting, and telephones are even today operated in the form of departmental organizational.



The examples of departmental undertaking are Chittaranjan Locomotive Works, Gun Carriage Factory, Integral Coach Factory, Delhi Milk Scheme, Overseas Communication Service, and Tarapur Atomic Energy Plant.

Features

1. The department is subject to direct ministerial control.
2. It is entirely financed by the treasury.
3. It is subject to budget, accounting and audit control.
4. Department is attached to a particular ministry.
5. The employees are all state employees.
6. Its income is paid into the treasury.

Merits

1. Effective control is there.
2. Employees would be more loyal and responsible to the government.
3. The risk of misuse of public money is relatively less.
4. Govt. revenue is likely to increase.
5. It can maintain absolute secrecy.

Demerits:

1. Suppers from the evils of bureaucracy, red tapism, absence of initiative etc.
2. Due to absence of competition and profit motive, losses are not taken seriously.
3. Frequent changes of policy affect adversely the smooth working of enterprise.
4. Risk taking, initiative and bold approach is missing in such organization.
5. No incentive to maximize its earnings due to no powers to utilize its revenues.

II. Public (or Statutory) Corporation:- A public corporation may be defined as a body corporate created by the legislature under a special act which sets out its powers, duties, and privileges. The idea behind establishing the public corporation device is to secure "a combination of public ownership, public accountability and business management for public ends."

Features

1. It is an autonomous body created by a special act of the parliament.
2. Directors are nominated by the Govt.
3. It enjoys administrative autonomy and financial autonomy also.
4. Public accountability is important feature of its form.
5. The capital is mostly provided by the central or the state Government.

Merits

1. Public corporation Enjoy administrative and financial autonomy.
2. There is adequate flexibility AND INITIATIVE.
3. It can employ trained and expert managers.
4. Accountability of parliament that the corporation is not managed against the public interests.
5. The interests of the consumers are protected due to the service motive.



Demerits

1. Autonomy is mere myth, in practice, the minister, government officers very often interfere.
2. Due to big in size they create problems of management.
3. Amendment can be done only by parliament, it gives rigidity.
4. Public accountability is a great problem associated with public corporation.

III. Government Company :- A "Government company" is defined under Section 2(45) of the [Companies Act, 2013](#) as "any company in which not less than 51% of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company".

A subsidiary of a government company is also a government company. Most of the government companies in India are fully owned by the state.

Some examples of Government Companies



Features

1. A Govt. company is incorporated under the Companies Act 2013.
2. Except nominal share capital, entire share capital is owned by the Govt. of India.
3. Govt. company is subject to ministerial control.
4. Govt. has the authority to appoint majority of the directors.
5. The comptroller and auditor General of India advises the appointment of the companies auditor.
6. Annual reports are to be laid before both the houses of parliament.

Merits:

1. There is no complex and politically difficult apparatus of special Registration.
2. It is a flexible form and run like a private enterprise in regard to finance, operation and taxation.
3. There is no under departmental interference.



4. Unlike the public corporation, it is created by an executive decision of the government without Parliaments specific approval having been obtained.
5. Its funds are obtained from the government , and in some cases from private shareholders and through revenue from the sale of its goods and services.
- 6.

Demerits:

1. The democratic character of management becomes a more fiction or myth because Govt. is the major shareholders.
2. Ministerial interference is found to be frequent.
3. Lack of imitativeness.
4. Parliament has no effective control, only annual audit reports are discussed here.
5. The autonomy is vitiated by the executive order of the Govt. issued without reference to the parliament.



**UNIT 3
COMMUNICATION**

Communication is defined as "The flow of material information perception, understanding and imagination among various parties".

Meaning: Communication is the process of passing information and understanding from one person to another to bring about commoners of interest, purpose and efforts communication as not complete unless the receiver of the message has understood the message properly and his reaction or response is known to the sender.

DEFINITION: According to Neaman and Summer communication is defined as "an exchange of facts, ideas, opinions (or) emotions by two or more persons/"

According to Charless E Redfield "communication is the bread field of human interchange of facts and opinions and not the technologies of telephone, telegraph, radio etc".

According to the Keith and Gulcllini, communication is defined as "In its Everyday meaning, communication refers to the transmitting of information in the form of words or signals or signs from a source to a receiver".

Business includes those organizations, which are engaged in the production and distribution of goods and services to earn profit. Therefore Business communication means, "Flow of information, perception etc. either within a business organization or outside the organization among different parties".

Communication plays an important role in business organization. The success of an enterprise depends upon the effectiveness of communications, it is said to be the new system of the enterprise. Nothing happens in business until communication takes place. Every manager must communicate, in order to get things done through others. It has few established that manages spend about 75% to 95% of the working time in communicating with others. Communication is as indispensable for all meaning and controlling.

We can extract the following points from the above definition;

- (i) Flow between two or more parties. In business communication the material flow from one person to another person or from many persons to different people. This flow may either be inside the organization or outside the organization.
- (ii) Flow of information, perception, imagination etc. Flow of information takes place when a party transfers the material to another mind. For example, when a news caster says, "India has conducted nuclear test on 28th May 1998". This is a flow of information from news caster to the listeners. Flow of perception means transfer of different feelings. Finally, flow of imagination that occurs when a painter conveys his/her imaginations through a portrait.



ROLE OF EFFECTIVE BUSINESS COMMUNICATION WITHIN AND OUTSIDE THE ORGANIZATION

Business Communication is called, "Life blood" of an Organization. A business Organization is a group of people associated to earn profit. Various kinds of activities have to be performed by the people of an organization so as to earn profit. These activities need an effective and systematic communication. Without efficient communication, one cannot even imagine to do work and hence will be unable to earn profit. Since the aim of business organization is to earn profit, the organization will die without profit and this death is a result of the absence of communication. This is why communication is called life blood of a business organization. We can prove this statement in the following manner.

COMMUNICATION INSIDE AN ORGANIZATION:

Different employees and officials in an organization need to communicate to each other. This internal communication with its importance is shown in the following way:

1. Setting goals and Objectives:-

Mostly, the organizations have a variety of formal and informal objectives to accomplish. These objectives may be financial results, product quality, market dominance, employees satisfaction, or service to customers. So the communication enables all the persons in an organization to work towards a common purpose.

2. Making and Implementing decision:-

In order to achieve the objective, people in a business organization collect facts and evaluate alternatives, and they do so by reading, asking questions, talking or by plain thinking. These thoughts are put into a written form. Once a decision has been made, it has to be implemented which requires communication.

3. Appraisal:-

Having implemented the decision, management needs to determine whether the desired outcome is being achieved. Statistics on such factors as cost, sales, market share, productivity and inventory levels are compiled. This is done through computers, manual papers, memos or reports.

4. Manufacturing the products:-

Getting an idea for a new product out of someone's head, pushing it through the production process and finally getting the product also require communication. Designing the plan regarding product, introducing the workers, purchasing raw material, marketing and distributing the product all require effective communication.

5. Interaction between employer & employee:-

Employees are informed about policies and decisions of employers through circulars, reports, notices etc. Employers also get in touch with employees through application, complaint etc. So, communication plays a vital role in the interaction of employer and employee.

EXTERNAL COMMUNICATION:

1. Hiring the employees:-



If a company wants to hire someone, it advertises the vacancy, receives applications, calls the candidates, takes the interview and then offers job to the successful candidates. The whole process requires communication.

2. Dealing with customers:-

Sales letters and brochures, advertisements, personal sales calls, and formal proposals are all used to stimulate the customer's interest. Communication also plays a part in such customer related functions as credit checking, billing, and handling complaints and questions.

3. Negotiating with suppliers and financiers:-

To obtain necessary supplies and services, companies develop written specification that outlines their requirement. Similarly, to arrange finance, they negotiate with lenders and fill out loan applications.

4. Informing the investors:-

Balance sheet, income statement, and ratio analysis are used to inform the investors regarding performance of business.

5. Interacting with Govt.:-

Government agencies make certain rules to regulate the economy. These rules are communicated to organizations through various papers. These organizations try to fulfill, these requirement like filling taxation form and other documents.

IMPORTANCE OF COMMUNICATION FOR AN INDIVIDUAL (Manager) AND FOR AN ORGANIZATION COMMUNICATION:-

Definition: "Communication is the process by which information is transmitted between individuals and organization, so that an understanding response results".

OR

"Communication is the process which involves transmission and accurate replication of ideas, ensured by feedback for the purpose of eliciting action which will accomplish organizational goals".

IMPORTANCE OF COMMUNICATION FOR A MANAGER

(1) Helps in getting a desired job:-

Getting a desired job is not an easy task. It requires a person to be excellent, especially in terms of communication abilities. Communication abilities can be classified into five categories that is reading, writing, speaking, listening and observing. If a candidate is a good reader of not only text books and reference books but also of newspapers and magazines, this would help him developing confidence level at the time of interview. Writing skills are necessary for preparing an appropriate Biodata and covering letter, so that a better initial impression could be created. No doubt, conversational skill right at the time of interview is equally countable towards success of the candidate. Listening abilities on the other could prove to be fruitful especially when the interviewer is making a comment or asking a



question. In short we can say that the presence of above mentioned five communication skills could give a better chance of being selected during an interview.

(2) Help in maintaining social relationships:-

We as human beings live in a cobweb of relationships rather social relationship. These social relations compel us to act simultaneously in the capacity of father, child, husband, uncle, neighbour, cousin, teacher, nephew and so on. All these relationships especially near one's could be maintained properly if we can communicate well to all these relations, that we are here to take care of them and our services are always there to help them in case of any needs.

(3) Helps in getting on the job promotion:-

Perhaps finding a job would not be a big deal in case of if the candidate is well connected and belongs to a well off family. But promotion on the job requires some extra skills on the part of the candidate. Amongst those skills, communication abilities rank on the top. If a person can speak well during interactive and presentation sessions, can reports properly, he will automatically be in the eyes of the management and whenever a chance for promotion comes, he will be on the top of the list.

(4) Helps in solving other's problems:-

It is commonly observed that around us there are so many people whom we like to meet, their company is a source of enrichment for us. When we are with them we feel secured. The only reason for such types of feelings is that such type of people are not only good listeners but they also know it well that whenever they would speak, it would only be for the sake of encouraging, not discouraging others, only for solving other's problems and not for creating problems for others. Such people are no doubt excellent communicators.

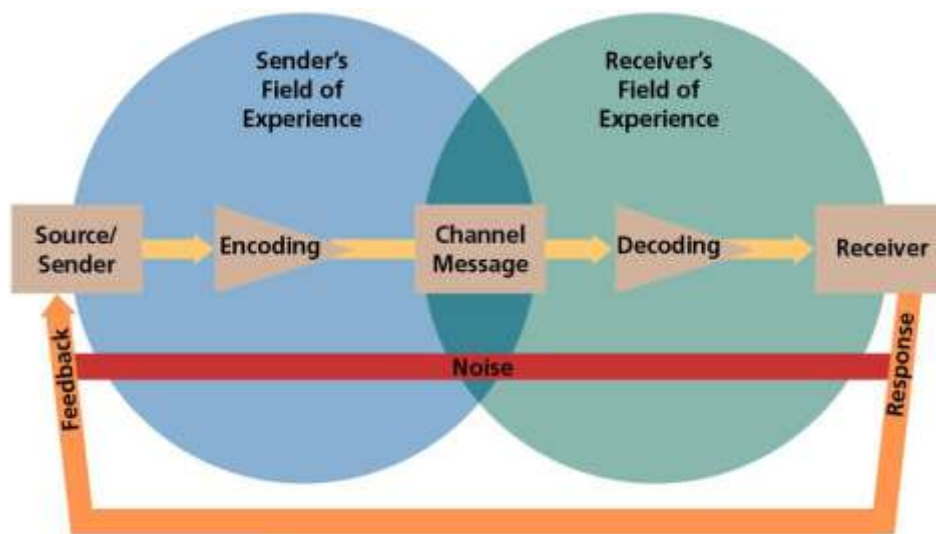
DIFFERENTIATE BETWEEN FORMAL AND INFORMAL LANGUAGE;

Formal language: Informal Language:

- (1)** It is the language spoken in office, business and other formal places.
- (2)** Proper and standard words are used.
- (3)** It consists of specific purpose words like manager, supervisor, owner, employer etc.
- (4)** It is used comparatively less than informal language.
- (5)** It is used when the speaker is relaxed.

PROCESS OF COMMUNICATION

"Communication is a two way process of exchanging ideas or information between two human beings".



Communication simply means exchange of ideas & information between two persons. A person sends a message to another person and gets the response from the receiver on the message. This whole phenomenon can be explained as under.

1. Sender's thoughts:-

The very first step in the process of communication is generation of thought in the sender's mind. These thoughts may be about a request, order, inquiry production or any other such activity.

2. Encoding / Message:-

The thought generated in the mind of sender is ambiguous and unable to be communicated unless it is put into a receivable form. This step is known as encoding where the sender converts his thought into a message by means of a language. For example, a sender thinks about having a job. Now, he will put his thought on a paper. That is called job application. In his way, his thought becomes a message.

3. Transmission through media:-

Once a thought is converted into message, it should be transmitted to the receiver through a suitable medium. This media might be electronic media as T.V., E-mail, radio etc. or it may be print media like newspaper, magazines, letters or merely sound that is transmitted through the medium fair.

4. Noise and Barriers:-

While transmitting the information to the receiver, the sender faces lots of barriers. These noise and barriers are explained as under:

(i) On sender's side:- Noise and barriers may take place during the process of encoding. Some of them may be caused by distraction, lack of concentration, typing mistake, poor language etc.

(ii) In the medium:- Some barriers are caused by medium such as poor transmission on T.V. and radio misprinting in newspapers etc.

(iii) On receiver's side:- The receiver can also create certain barriers to the receiving of message such as poor reading ability, emotions, lack of concentration etc.



5. Decoding by Receiver:-

Having received the message from the sender, the receiver attempts to understand and interpret the message. This process of converting the language of message into thoughts is known as decoding. For instance, the receiver, having received job application, reads the application and understands the message conveyed by the applicant.

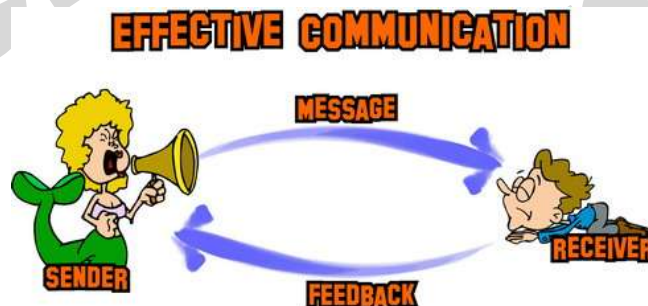
6. Idea Received:-

As soon as the process of decoding is finished, the idea given by the sender is received by the receiver. It means the thought that was generated in the mind of sender has been transmitted to the mind of receiver. In our example, the sender wanted to inform the receiver about his thought of having a job. Now the sender has got this idea.

7. Feed back:-

Process of communication is incomplete until the receiver responds to the sender. This response may be negative, positive, or for further enquiry. It means when the receiver of job application welcomes or regrets the sender, the process of communication is deemed to be complete.

FIVE ELEMENTS (FACTORS) OF THE PROCESS OF COMMUNICATION:



Communication is the exchange of ideas between two minds. This process of exchanging idea is based on following five factors.

1. Sender:-

Sender is the person who initiates the process of communication. He generates an idea in his mind regarding production invention, innovation, request, order, enquiry etc. So, he is the first factor of communication process and his function is to generate an idea. Therefore, it is necessary that the idea should be clear, and convertible into message. For this purpose, the sender needs to apply his knowledge and imaginative power.

2. Message:-

The idea in the mind of sender is transformed into words that is called message. The sender decides on the length, style, organization and tone of the message. The message may be presented in many ways, depending on the subject, purpose, audience, personal style, mood and cultural background.

3. Media:-



The media of transmission of message are electronic media as T.V., radio, computer and print media as newspapers, letter, magazine etc. media play a very important role in helping the receiver's understand the message. A wrongly chosen medium can interrupt the process of communication, Selection of medium depends upon message, audience, urgency and situation.

4. Receiver:-

Receiver is the person who gets the message from the sender, decodes it, understands it and interprets it.

5. Feed Back:-

Having understood the message, the receiver responds to the sender in yes or no or asks further questions. This process is called feedback.

VERBAL COMMUNICATION

VERBAL COMMUNICATION: Verbal communication means such a communication that takes place by means of a language or words". It includes the following contents.

a. Oral communication (Speaking & listening)

b. Written communication (writing & reading)

1. Speaking:-

In order to send message in business, speaking plays a vital role. Giving instruction, conducting interviews, attending meetings, sending orders through telephone calls are very common in today's business.

2. Writing:-

It is used when a complex message is sent. Placing order through letters, informing employees through circulars, sending reports and memos, filling different government forms, keeping records in writing are some examples of this aspect of verbal communication.

3. Listening:-

People in business spend more time in obtaining information than transmitting it. Listening is the most important way to receive information: information regarding order of employers, instruction, rules and regulation, customer trend etc, are obtained through listening. But in listening, people generally forget 75% of the message after few days.

4. Reading:-

Reading reports, memos, policies, circulars, and different business statements are essential for an organization: Reading involves understanding and interpreting the material.



SWOT Analysis



Discover New Opportunities. Manage and Eliminate Threats.

SWOT Analysis is a useful technique for understanding your Strengths and Weaknesses, and for identifying both the Opportunities open to you and the Threats you face. Used in a business context, a SWOT Analysis helps you carve a sustainable niche in your market. Used in a personal context, it helps you develop your career in a way that takes best advantage of your talents, abilities and opportunities. (Click here for Business SWOT Analysis, and here for Personal SWOT Analysis .)

Business SWOT Analysis

What makes SWOT particularly powerful is that, with a little thought, it can help you uncover opportunities that you are well placed to exploit. And by understanding the weaknesses of your business, you can manage and eliminate threats that would otherwise catch you unawares. More than this, by looking at yourself and your competitors using the SWOT framework, you can start to craft a strategy that helps you distinguish yourself from your competitors, so that you can compete successfully in your market.

How to Use SWOT Analysis

Originated by Albert S Humphrey in the 1960s, SWOT Analysis is as useful now as it was then. You can use it in two ways – as a simple icebreaker helping people get together to "kick off" strategy formulation, or in a more sophisticated way as a serious strategy tool.

Tip:

Strengths and weaknesses are often internal to your organization, while opportunities and threats generally relate to external factors. For this reason the SWOT Analysis is sometimes called Internal-External Analysis and the SWOT Matrix is sometimes called an IE Matrix. To help you to carry out a SWOT Analysis, download and print off our free worksheet, and write down answers to the following questions.

Strengths:

- What advantages does your organization have?
- What do you do better than anyone else?
- What unique or lowest-cost resources can you draw upon that others can't?
- What do people in your market see as your strengths?
- What factors mean that you "get the sale"?
- What is your organization's Unique Selling Proposition (USP)?



Consider your strengths from both an internal perspective, and from the point of view of your customers and people in your market.

Also, if you're having any difficulty identifying strengths, try writing down a list of your organization's characteristics. Some of these will hopefully be strengths!

When looking at your strengths, think about them in relation to your competitors. For example, if all of your competitors provide high quality products, then a high quality production process is not a strength in your organization's market, it's a necessity.

Weaknesses:

- What could you improve?
- What should you avoid?
- What are people in your market likely to see as weaknesses?
- What factors lose you sales?

Again, consider this from an internal and external basis: Do other people seem to perceive weaknesses that you don't see? Are your competitors doing any better than you?

It's best to be realistic now, and face any unpleasant truths as soon as possible.

Opportunities:

- What good opportunities can you spot?
- What interesting trends are you aware of?

Useful opportunities can come from such things as:

- Changes in technology and markets on both a broad and narrow scale.
- Changes in government policy related to your field.
- Changes in social patterns, population profiles, lifestyle changes, and so on.
- Local events.

Tip:

A useful approach when looking at opportunities is to look at your strengths and ask yourself whether these open up any opportunities. Alternatively, look at your weaknesses and ask yourself whether you could open up opportunities by eliminating them.

Threats

- What obstacles do you face?
- What are your competitors doing?
- Are quality standards or specifications for your job, products or services changing?
- Is changing technology threatening your position?
- Do you have bad debt or cash-flow problems?
- Could any of your weaknesses seriously threaten your business?

Tip:

When looking at opportunities and threats, PEST Analysis can help to ensure that you don't overlook external factors, such as new government regulations, or technological changes in your industry.



Further SWOT Tips

If you're using SWOT Analysis as a serious tool (rather than as a casual "warm up" for strategy formulation), make sure you're rigorous in the way you apply it:

- Only accept precise, verifiable statements ("Cost advantage of US\$10/ton in sourcing raw material x", rather than "Good value for money").
- Ruthlessly prune long lists of factors, and prioritize them, so that you spend your time thinking about the most significant factors.
- Make sure that options generated are carried through to later stages in the strategy formation process.
- Apply it at the right level - for example, you might need to apply SWOT Analysis at product or product-line level, rather than at the much vaguer whole company level.
- Use it in conjunction with other strategy tools (for example, USP Analysis and Core Competence Analysis) so that you get a comprehensive picture of the situation you're dealing with.

Note:

You could also consider using the TOWS Matrix . This is quite similar to SWOT in that it also focuses on the same four elements of Strengths, Weaknesses, Opportunities and Threats. But TOWS can be a helpful alternative because it emphasizes the external environment, while SWOT focuses on the internal environment.

Example SWOT Analysis

A start-up small consultancy business might draw up the following SWOT Analysis:

Strengths:

- We are able to respond very quickly as we have no red tape, and no need for higher management approval.
- We are able to give really good customer care, as the current small amount of work means we have plenty of time to devote to customers.
- Our lead consultant has strong reputation in the market.
- We can change direction quickly if we find that our marketing is not working.
- We have low overheads, so we can offer good value to customers.

Weaknesses:

- Our company has little market presence or reputation.
- We have a small staff, with a shallow skills base in many areas.
- We are vulnerable to vital staff being sick, and leaving.
- Our cash flow will be unreliable in the early stages.

Opportunities:

- Our business sector is expanding, with many future opportunities for success.
- Local government wants to encourage local businesses.
- Our competitors may be slow to adopt new technologies.



Threats:

- Developments in technology may change this market beyond our ability to adapt.
- A small change in the focus of a large competitor might wipe out any market position we achieve.

As a result of their SWOT Analysis, the consultancy may decide to specialize in rapid response, good value services to local businesses and local government.

Marketing would be in selected local publications to get the greatest possible market presence for a set advertising budget, and the consultancy should keep up-to-date with changes in technology where possible.

Key Points

SWOT Analysis is a simple but useful framework for analyzing your organization's strengths and weaknesses, and the opportunities and threats that you face. It helps you focus on your strengths, minimize threats, and take the greatest possible advantage of opportunities available to you.

SWOT Analysis can be used to "kick off" strategy formulation, or in a more sophisticated way as a serious strategy tool. You can also use it to get an understanding of your competitors, which can give you the insights you need to craft a coherent and successful competitive position.

When carrying out your SWOT Analysis, be realistic and rigorous. Apply it at the right level, and supplement it with other option-generation tools where appropriate.



UNIT-IV

NON-VERBAL COMMUNICATION

Introduction –

Non-verbal communication is the information that is communicated without the use of words. It includes apparent behaviours such as, facial expressions, eyes, touch, tone of voice, as well as less obvious messages such as dress, posture & spatial distance between two or more people.

Nonverbal communication is a message you give other than the literal interpretation of your words, i.e. the way you move.

Commonly, non-verbal communication is learnt after birth & practiced and refined through a person's lifetime.

Non verbal communication is used because –

1. words have limitations
2. non-verbal signals are powerful
3. non-verbal messages are likely to be more genuine
4. non-verbal signals can express feelings in appropriate to state
5. a separate communication channel is necessary to help send complex messages

Researchers say that only 7% of message is sent through words, with remaining 93% sent through non-verbal expressions.

The study of body motion as related to speech is known as kinesics. This includes:-

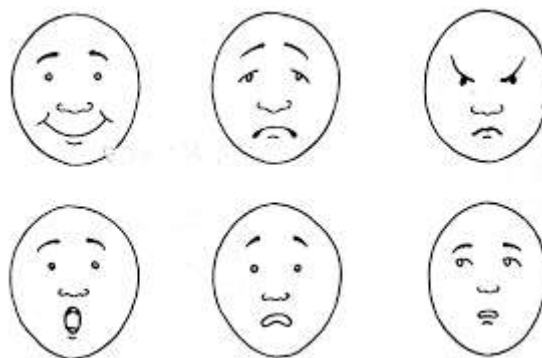
Mutual gaze * smile * facial warmth or pleasantness * child like behaviour* direct orientation, etc.

TYPES OF Non Verbal Communication :-

- (1) Body Language
- (2) Proxemics
- (3) Para Language
- (4) Sign Language

. (1) Body Language :- *Body language* is a type of nonverbal communication that relies on body movements (such as gestures, posture, and facial expressions) to convey messages.

Body language may be used consciously or unconsciously. It may accompany a verbal message or serve as a substitute for speech.



Types of Body language in Communication is as Follows-

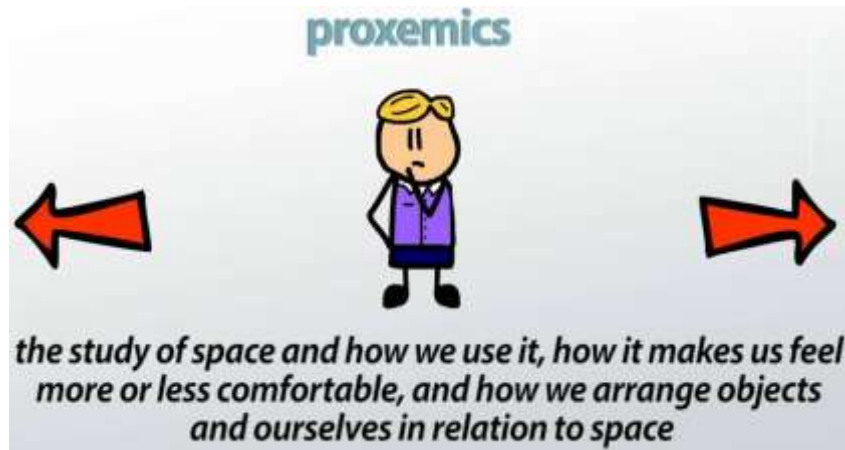
- 1. Facial expressions-** The expression of the face is the most obvious aspect of body language. Expressions accompany the speaker's words and also indicate the listener's reaction.
- 2. Eye contact-** The study of the role of eyes in non-verbal communication is sometimes referred to as "oculesics". Eye contact can indicate interest, attention & involvement.
- 3. Gestures-** A gesture is a non-vocal bodily movement intended to express meaning. They may be articulated with the hands, arms or body, & also include movement of head, face, & eyes such as winking, nodding, or rolling ones eyes.
- 4. Posture-** It can be used to determine a participant's degree of attention or involvement. The difference in status between communicator & the level of fondness the person has for the communicator.
- 5. Bodily Contact :-** Pushing, holding, tabbing, hugging, shaking hands, embracing etc. are included in bodily contact.
- 6. Appearance :-** It includes clothing, hair style and its colour, ornaments, cosmetics, make-up etc. Although it may not seem to be directly related to body language, yet they do relate to appearance of the face, eyes figure and thus meaningfully convey some meaning.
- 7. Silence :-** To keep quiet and not to speak or not to answer is also medium of communication. Silence is an expression of approval or disapproval.

Advantages of a Body Language

- It is easy to understand
- It is a support for verbal communication
- It puts life into communication
- It is a natural outcome
- It fills the gap created
- During a verbal communication



(2) Proxemics :- proxemics is the study of space and how we use it, how it makes us feel more or less comfortable, and how we arrange objects and ourselves in relation to space.



Proxemics is also known as 'Personal space language', 'time language' or 'Surrounding language'. Thus there are three forms or types of proxemics:

(i) Space language

Proxemics is the way people use distance/space while communicating and can have a major impact on communication. How important is personal space?

- **Intimate distance** - from actual touching to eighteen inches.
- **Personal distance** from eighteen inches to four feet.
This is the distance of interaction of good friends or to discuss personal affairs such as grades, conduct, private problems, etc.
- **Social distance** exists from four to twelve feet.
Appropriate distance for casual friends and acquaintances to interact.
- **Public distance** outward from twelve feet a speaker becomes formal.

(ii) Time language

(iii) Surroundings

(3) Para Language- Para language consists of two words . first 'para' which means 'like' or 'similar'. Second 'language' which refers to convey communication. So, Para language means 'like language'. In this we study 'how' a speaker says something, and not ' what' he says. How he expresses himself is the subject matter of para language.

In oral communication situations paralanguage plays an important role while speaking or listening. The speaker or listener makes use of sounds like 'Hmm' – 'ha', or clicks his tongue or chuckles. These sounds, though do not have a semantic value (meaning), are in fact important prompters in maintaining an unbroken communication chain.



It refers to the non-verbal elements of communication used to modify meaning and convey emotions.

- Paralanguage may be expressed cautiously & incautiously
- It includes pitch, volume, voice, tone.
- The study of paralanguage is known as paralinguistic.

Main factors of Para Language :- Main factors of Para language are as follows:

- (i) Voice :- Pitch, speaking speed, pause, voice volume.
- (ii) Proper stress
- (iii) Mixed signals
- (iv) Overall impression of oral message

(4) Sign Language :- In communication process, the communicator and the receiver mutually use some signs, symbols or pictures to communicate message. Every language itself is an orderly and systematic series of signs and symbols. From the early times human beings have been using signs and symbols to express their thought, idea and feelings. These signs are of two types :

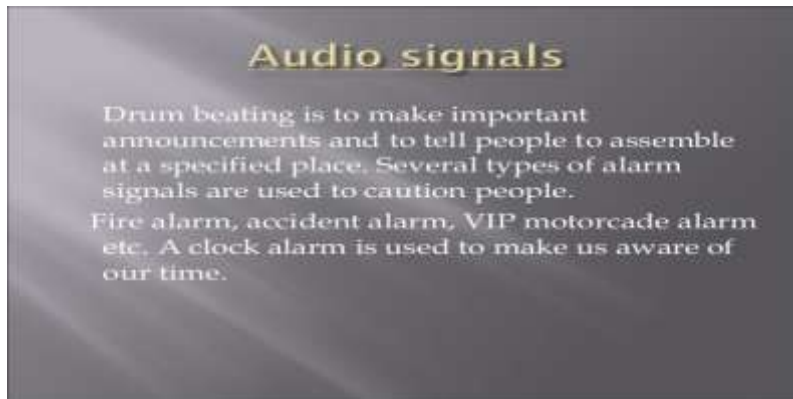
- (i) Visual signs (ii) Audio signs

(i) Visual Signs:- Visual signs and symbol are the most effective tools of communication.



(ii) Audio Signs-

* The non-verbal communication in which the sounds are easily recognized without verbal or visual communication. Like sirens, clarinets, flute, ambulance, police jeep, train horn, etc.



Channel of Communication

Meaning – ‘Channel’ refers to that path through which information passes or flows from one person to another.

Communication channels are established by the organization and are accepted & recognized by employees & managers. Every organisation has to adopt two communication processes- internal and external.

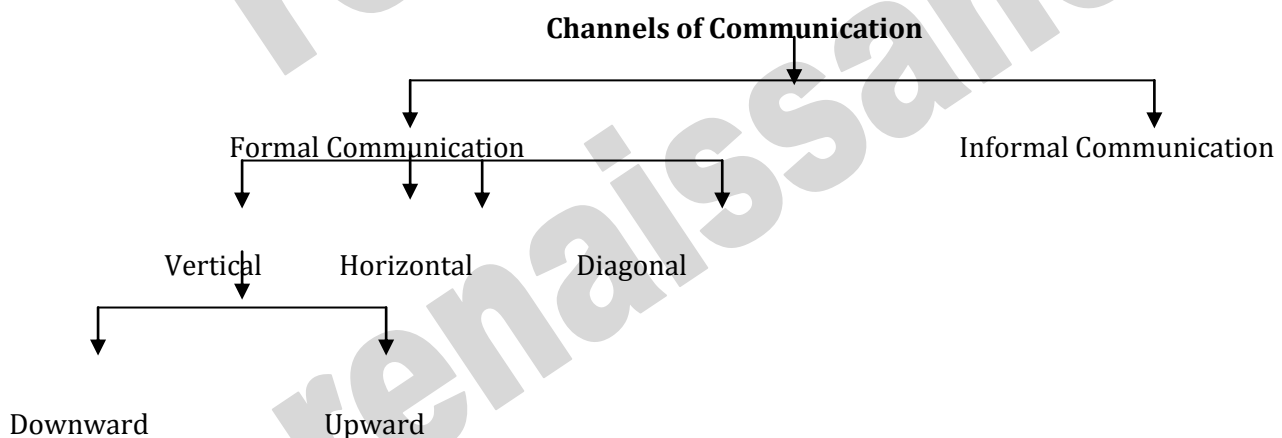
External communication-

Communication with those outside the organization is known as external communication.

- a) **Outward-** the messages which go out of the organization to customers, suppliers, banks, insurance companies, govt. departments, mass media & the general public. They may be in the form of letters, faxes, banners, reports, telegrams, advertisements, press handouts, speeches, visits, trade fairs, etc.
- b) **Inward** – messages that are received from outside by the company. An organization may receive letters, faxes, telegrams, telephone calls, personal visits, magazines, etc. these may be from customers, suppliers, other organization, govt. departments, etc.

II internal communication-

The communication within the organization, among its members is internal communication





Channels of Communication

- a) **Formal channel** – the communication when takes place within the official i.e. the lines of communication is approved by senior management. This is the channel which carries the official messages in the organization.

Under a formal channel-

- There are efforts made by each & every individual at various levels.
- The most important aspect of formal channel is that no level of the organization is overlooked or bypassed. The information passes through an already fixed, systematic channel.
- It is the process or sharing official information with others who need to know it, which is according to the prescribed patterns depicted in an organization's chart.

Formal communication is done through-

Company newsletters, employee handbook, company magazines, formal meetings, letters, bulletins, memos, faxes, all-employees mailing, etc.

Formal channels includes-

(i) Vertical communication

(1) Downwards communication: When the instructions & directions flow from the top level to the bottom level i.e. from superior to the subordinates. These are in written forms-

(2) Upwards communication: The information which flows upwards in the form of feedback i.e. from subordinates to superior. These may be oral or written.

(ii) Horizontal or lateral communication: When communication flows between the employees of the same level of different departments.

Diagonal: the transfer of information between people who are neither in the same department nor on the same level of organization hierarchy is called diagonal communication. For example: when the assistant marketing manager communicate with account clerk directly.

(b) Informal channels –

The informal channel of communication may be defined as passing information outside the official channels, for e.g.- employees chatting in the canteen or pub. It can affect the future of the business, particularly if the formal system has broken down.

- Grapevine is an informal channel of communication.
- Primarily a channel of horizontal communication, it can flow even vertically and diagonally.

(i) Grape vine- If communication is done without maintaining the formalities prescribed by the organization, it is called informal communication. The basis of informal communication is personal or informal relationship between the members of a group. It is also known as grapevine that takes place when the people of an organization or group, especially of same level or rank gather or meet together and discuss informally. It has no definite pattern or direction though it is largely horizontal in nature. It is a complex web of oral information



flow linking all the members of the organization. Definition of Grapevine Communication, Meaning of *Grapevine Communication*,

- It forms a lease of informal relation between two or more Individuals
- It is not planned & organized.
- It may be both official and personal.
- It is based on friendship or acquaintances.

Definition :- According to Bovee and Others, "Grapevine is an informal interpersonal channel of information not officially sanctioned by the organization.

In the opinion of R.W. Griffin, "The grapevine is an informal communication network that can permeate an organization."

Newstrom and K. Davis said, "Grapevine is an informal system that arises spontaneously from the social interaction of the organization." Business Communication

Patterns or Types of Grapevine :- The grapevine does not have any definite pattern or direction, though it is largely horizontal in nature. It can be effective horizontally, vertically and even diagonally. Prof. Keith Davis, who has done some research work on the nature of grapevine, has classified it into four basic types-

four major patterns of grapevine:-

(1)Single Strand Chain: The single strand chain involves the passing of information through a line of persons to the ultimate recipient. In the figure, the person A tells B, who tells C, who tells D, and so on, till the information has reached most of the persons involved or concerned.

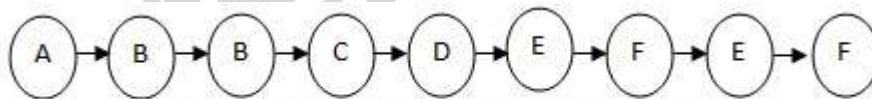


Figure: Grapevine Pattern-Single Stand Chain

(2)Gossip Chain: In the gossip chain, one person seeks and tells the information to everyone. This chain is just like the wheel where one person stays at the centre and the information passes along the spokes of the wheel to others stationed on the rim. In the following figure, A is at the center and passes the information to others staying on the rim of the wheel.

(3)Probability Chain: The probability chain is a random process in which someone transmits the information to others in accordance with the laws of probability and then these others tell still others in a similar way. This chain may also be called random process. The probability chain is shown below-

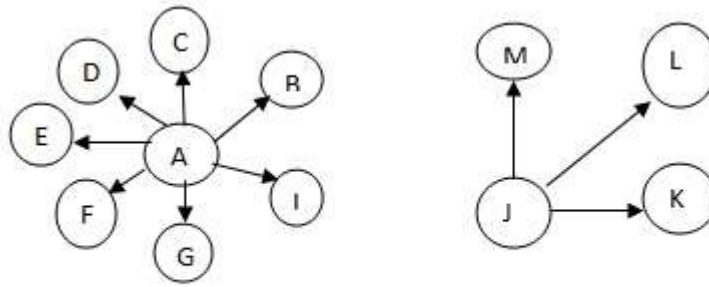


Figure: Grapevine Pattern-Probability Chain

(4) Cluster Chain: In the cluster chain, a person tells the information to the selected persons who may in turn relay (pass) the information to other selected persons. Most of the information communication follows this chain. Cluster chain is shown in the following figure-

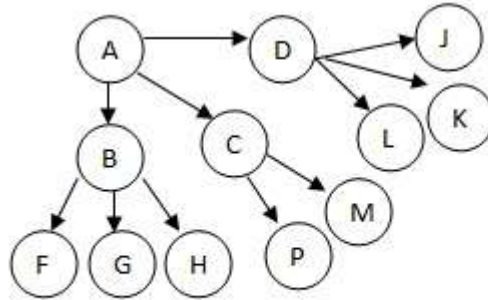


Figure: Grapevine Pattern-Probability Chain

Advantages of Grapevine Communication

1. Grapevine channels carry information rapidly. As soon as an employee gets to know some confidential information, he becomes inquisitive and passes the details then to his closest friend who in turn passes it to other. Thus, it spreads hastily.
2. The managers get to know the reactions of their subordinates on their policies. Thus, the feedback obtained is quick compared to formal channel of communication.
3. The grapevine creates a sense of unity among the employees who share and discuss their views with each other. Thus, grapevine helps in developing group cohesiveness.
4. The grapevine serves as an emotional supportive value.
5. The grapevine is a supplement in those cases where formal communication does not work.

Disadvantages of Grapevine Communication

1. The grapevine carries partial information at times as it is more based on rumours. Thus, it does not clearly depicts the complete state of affairs.
2. The grapevine is not trustworthy always as it does not follow official path of communication and is spread more by gossips and unconfirmed report.
3. The productivity of employees may be hampered as they spend more time talking rather than working.
4. The grapevine leads to making hostility against the executives.



5. The grapevine may hamper the goodwill of the organization as it may carry false negative information about the high level people of the organization.

Barriers Of Communication

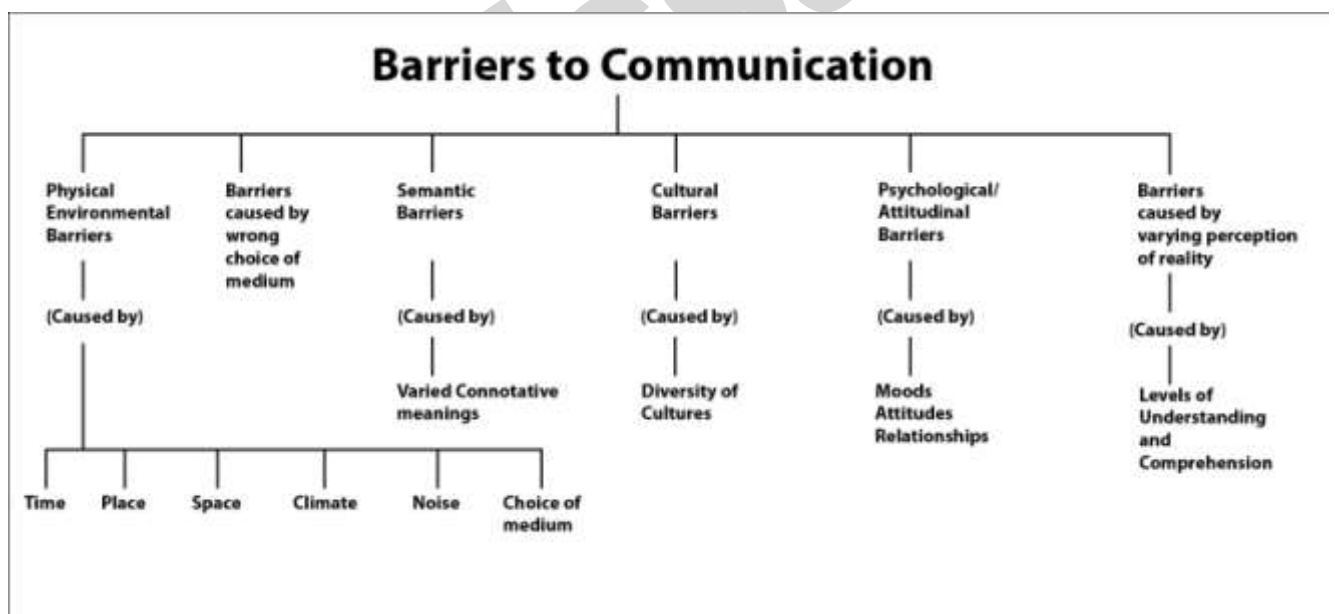
Introduction – No matter how good the communication system in an organization is, unfortunately barriers can and do often occur. This may be caused by a number of factors which can usually be summarized being as due to physical barrier, languages, organizational, emotional, personal barriers.

A communication becomes successful only if the receiver understands what the sender is trying to convey. When your message is not clearly understood, you should understand that your message is facing a barrier.



They are anything that hinders the process of communication

They can be defined as the aspects or conditions that interfere with effective exchange of ideas or thoughts.



Commonly Experienced Barriers

- Noise
- Lack of planning
- Wrong & unclarified assumption
- Culture
- Social –psychological barriers
- Emotions
- Filtering information
- Loss by transmission
- Goal conflict
- Offensive style
- Time & distance
- Improper Time
- Physical Distance
- Information Overload



Linguistic Barriers

The language barrier is one of the main barriers that limit effective communication. Language is the most commonly employed tool of communication. The fact that each major region has its own language is one of the Barriers to effective communication. Sometimes even a thick dialect may render the communication ineffective.

As per some estimates, the dialects of every two regions changes within a few kilometers. Even in the same workplace, different employees will have different linguistic skills. As a result, the communication channels that span across the organization would be affected by this.

Thus keeping this barrier in mind, different considerations have to be made for different employees. Some of them are very proficient in a certain language and others will be ok with these languages.

Psychological Barriers

There are various mental and psychological issues that may be barriers to effective communication. Some people have stage fear, speech disorders, phobia, depression etc. All of these conditions are very difficult to manage sometimes and will most certainly limit the ease of communication.

Emotional Barriers

The emotional IQ of a person determines the ease and comfort with which they can communicate. A person who is emotionally mature will



be able to communicate effectively. On the other hand, people who let their emotions take over will face certain difficulties.

A perfect mixture of emotions and facts is necessary for an effective communication. Emotions like anger, frustration, humor, can blur the decision-making capacities of a person and thus limit the effectiveness of their communication.



Physical Barriers of Communication

They are the most obvious barriers to effective communication. These barriers are mostly easily removable in principle at least. They include the barriers like noise, closed doors, faulty equipment used for communication, closed cabins, etc. Sometimes, in a large office, the physical separation between various employees combined with faulty equipment may result in severe barriers to effective communication.

Cultural Barriers

As the world is getting more and more globalized, any large office may have people from several parts of the world. Different cultures have a different meaning for several basic values of society. Dressing, Religions



or lack of them, food, drinks, pets, and the general behavior will change drastically from one culture to another.

Hence it is a must that we must take these different cultures into account while communication. This is what we call being culturally appropriate. In many multinational companies, special courses are offered at the orientation stages that let people know about other cultures and how to be courteous and tolerant of others.

Values & norms

- Social relationship
- Concept of time
- Concept of space
- Thinking process
- Non verbal communication
- Perception
- Use of voice
- Specialist language
- Appearance (we react unconsciously to the biological appearance color & texture of skin, color of eyes, Body structure, way of dressing etc.)

Organisational Structure Barriers

As we saw there are many methods of communication at an organizational level. Each of these methods has its own problems and constraints that may become barriers to effective communication. Most of these barriers arise because of misinformation or lack of appropriate transparency available to the employees.

This includes –

- Organization policy
- Rules and regulations
- Status difference
- Complex organizational structure
- Facilities



- Wrong choice of channel

Attitude Barriers

Certain people like to be left alone. They are the introverts or just people who are not very social. Others like to be social or sometimes extra clingy! Both these cases could become a barrier to communication. Some people have attitude issues, like huge ego and inconsiderate behaviors.

These employees can cause severe strains in the communication channels that they are present in. Certain personality traits like shyness, anger, social anxiety may be removable through courses and proper training. However, problems like egocentric behavior and selfishness may not be correctable.

Perception Barriers

Different people perceive the same things differently. This is a fact which we must consider during the communication process. A knowledge of the perception levels of the audience is crucial to effective communication. All the messages or communicate must be easy and clear. There shouldn't be any room for a diversified interpretational set.

Physiological Barriers

Certain disorders or diseases or other limitations could also prevent an effective communication between the various channels of an organization. The shrillness of voice, dyslexia, etc are some examples of physiological barriers to effective communication. However, these are not crucial because they can easily be compensated and removed.



This includes-

- Selective listening,
- Premature evaluation,
- Psychological & emotional barriers,
- Emotional attitude,
- Inferring.
- Barriers due to resistance to change,
- Lack of trust & confidence,
- Lack of ability to communicate,
- Inattention,
- Difference in speed of talking & listening.
- Defensiveness: (fear of boss)
- Status block
- Self centered attitude
- Attitudinal clash with sender
- Group identification (belonging to a group like family, locality, city, our religion group, age group, nationality, economic group) we tend to reject an idea which goes against the interest of the group.

Technological Barriers & Socio-religious Barriers

Other barriers include the technological barriers. The technology is developing fast and as a result, it becomes difficult to keep up with the newest developments. Hence sometimes the technological advance may become a barrier. In addition to this, the cost of technology is sometimes very high.

Most of the organizations will not be able to afford a decent tech for the purpose of communication. Hence, this becomes a very crucial barrier. Other barriers are socio-religious barriers. In a patriarchal society, a woman or a transgender may face many difficulties and barriers while communicating.



How to overcome communication barriers-

(1) Clarify Ideas before Communication:

The person sending the communication should be very clear in his mind about what he wants to say. He should know the objective of his message and, therefore, he should arrange his thoughts in a proper order.



(2) Communicate According to the Need of the Receiver:

The sender of the communication should prepare the structure of the message not according to his own level or ability but he should keep in mind the level, understanding or the environment of the receiver.

(3) Consult Others before Communication: At the time of planning the communication, suggestions should be invited from all the persons concerned. Its main advantage will be that all those people who are consulted at the time of preparing the communication plan will contribute to the success of the communication system.

(4) Be Aware of Language, Tone and Content of Message:

The sender should take care of the fact that the message should be framed in clear and beautiful language. The tone of the message should not injure the



feelings of the receiver. As far as possible the contents of the message should be brief and excessive use of technical words should be avoided.

(5) Convey Things of Help and Value to the Listener:

The subject matter of the message should be helpful to the receiver. The need and interest of the receiver should specially be kept in mind. Communication is more effective in such a situation

(6) Ensure Proper Feedback:

The purpose of feedback is to find out whether the receiver has properly understood the meaning of the information received. In the face-to-face communication, the reaction on the face of the receiver can be understood.

But in case of written communication or some other sort of communications some proper method of feedback should be adopted by the sender.

(7) Consistency of Message: The information sent to the receiver should not be self-contradictory. It should be in accordance with the objectives, policies, programmes and techniques of the organisation. When a new message has to be sent in place of the old one, it should always make a mention of the change otherwise it can create some doubts.

(8) Follow up Communication:

In order to make communication effective the management should regularly try to know the weaknesses of the communication system. In this context effort can be made to know whether to lay more stress upon the formal or the informal communication would be appropriate.

Similarly, suggestions can be invited in respect of the medium of communication (oral, written and gestural) to know as to which medium would be more effective and appropriate.

(9) Be a Good Listener:

It is the essence of communication that both the sender and the receiver should be good listeners. Both should listen to the each other's point of view



with attention, patience and positive attitude. A sender can receive much relevant information by being a good listener.

Written Business Communication



Written business communication :-Written communication allows businesses to communicate developments, expectations and legalities to employees and contacts in the outside world. While traditional hard copies of written communication in business are still prevalent, email and online communication has become increasingly common.

Business communication is both written as well as oral. But written communication is very important aspect of business communication. When exchange of opinion is in written form, rather than by spoken words it is written communication. It is important to fix accountability and responsibility of people in organization. This requires much of paper work as it becomes the permanent means of communication. It helps in building goodwill of an organization.

Types of Written Communication

There are two main types of communication: oral and written. **Written communication** involves any type of message that makes use of the written word. Written communication is the most important and the most effective of any mode of business communication.

Some of the various forms of written communications that are used internally for business operations include:

- Memos
- Reports
- Bulletins
- Job descriptions
- Employee manuals
- Emails
- Instant messages

Examples of written communications generally used with clients or other businesses include:

- Email
- Internet websites



- Letters
- Proposals
- Telegrams
- Faxes
- Postcards
- Contracts
- Advertisements
- Brochures
- News releases

Written Communication In Business-Its Concepts:

To imagine life without water or social life without oral communication is impossible. Similarly to think of a business or an Organization without written communication is impossible. Various reasons have been put forth for it:

1. In an organization there are too many people to have face-to-face communication.
2. The people may be spread across wide geographical distances and may sometimes not be connected by telephone.
3. People have to function within defined limits of authority and responsibility. Absence of written communication makes determination of responsibility a difficult task.
4. It is an essential part of the responsibility of an executive of an organization to, communicate on paper. Written communication is thus an essential part of an organizational life.
5. It is not that fax, telex; telephones have in any way affected the importance of letters. They have only changed the mode of transmission.
6. By changing the mode of transmission they have made the exchange of letters & memos much faster.

Thus for all these reasons the concept of written communication continues to flourish even at present.

Advantages of Written Communication:-

1. It helps to provide ready records, reference, etc.
2. It helps to build up legal defenses.
3. Promotes uniformity in policy and procedure.
4. Gives access to a large audience through mass mailings.
5. Written communication is accurate and unambiguous.
6. Communication when done in writing provides a sense of security for the lower staff specially.
7. It gives sufficient time to think over and reply on a concerned subject.
8. Helps in clear guidelines which are easily followed.
9. Permanent & well maintained records & reference can lead to growth.
10. Evidence of proof against anything.

Disadvantages of Written Communication:-

1. It becomes difficult to maintain piles of records and can be easily destroyed if not properly handed.
2. It proves to be ineffective in the hands of those people who are poor in expressions but otherwise good in their job.
3. Immediate feedback is not obtained in the written communication as in the case of face to face communication.
4. It is a costly process. It involves large amount of stationery and people.



5. Immediate clarification, interjection is not possible in written communication.
6. It brings unnecessary formal tone in relations because there is no personal touch.
7. There is no secrecy.
8. Loss of man –hours in dictation, typing, records maintaining, dispatching, etc.

Types of Written Communication:-

Reports, Magazines, Circulars, Manuals, Memoranda, Newspapers, Agreements, Pictures, Diagrams, Graph, Orders, Rules, and Regulations Book, Instructions Manuals, Notice Boards, Telegram, Tele Printers, Telex.

Importance of Written Business Communication

1. Important for any organization or individual for giving or seeking information.
2. The success or failure of an organization depends to a large extent on its correspondence.
3. It helps to achieve clarity in the policies & procedures to be followed in an organization.
4. Information's are clearly transmitted to the receiver, thus making communication effective.
5. It helps in the proper functioning, as the instructions messages are clear.
6. It helps the customers to form a strong impression about the company if the letters are efficiently drafted.
7. It is a strong linking device between the organization and its customers.
8. A steady progress is surely based on effective written business communication.

Thus we can sum up by saying that written business communication plays an essential & effective role in the growth & progress of an organization.

Business Letter

It is a letter written in formal language, use when writing from one business organization to another, or for correspondence between such organizations and their customers, clients and other external parties.

They are used for different purposes like placing orders, making inquiries, making credit request, requesting claims and adjustment, to apologize for wrong or simply to convey goodwill etc. Style of letter depends on the relationship between the parties concerned

Principles of Letter Writing/Business Letter

The art of business writing is the need of twenty first century. Every business message should be clear and understandable. Message to person outside the company can have a far reaching effect on its reputation and ultimate success. A right letter creates desire for a product or service, helps in profitable sale, encourages collections, motivates performance and in general creates goodwill. Correct use of grammar and fluent expression clarify the business writing. A good business must have the following:

1. Clarity
2. Correctness
3. Conciseness
4. Courtesy
5. Consideration
6. Completeness



7. Concreteness

8. Coherence

9. Creation of good impression

NEED OF BUSINESS LETTER

“A good letter can pacify an angry customer as much as bad one can anger a friendly one. It may sell a new product or spoil the sales of an established one.”

- Making and/or soliciting enquiries; placing orders for goods; acknowledge and executing orders; granting or applying for credit; sending statements of accounts to debtors; requesting for settlement of accounts; complaining about delay or mistake in supply of goods, making adjustments for customers' grievances; canvassing for the first new lines of goods or ideas; and a lot of such matters require communication.
- We need to write a business letter to maintain contacts with the external world including other businessmen, customers and government departments.

According to Gortside the 4 main reasons for writing business letters are: -

1. To provide a convenient and inexpensive means of communication without personal contact.
2. To give or seek information.
3. To furnish evidence if transactions entered into.
4. To provide a record for future reference.

A business letter serves certain important functions :

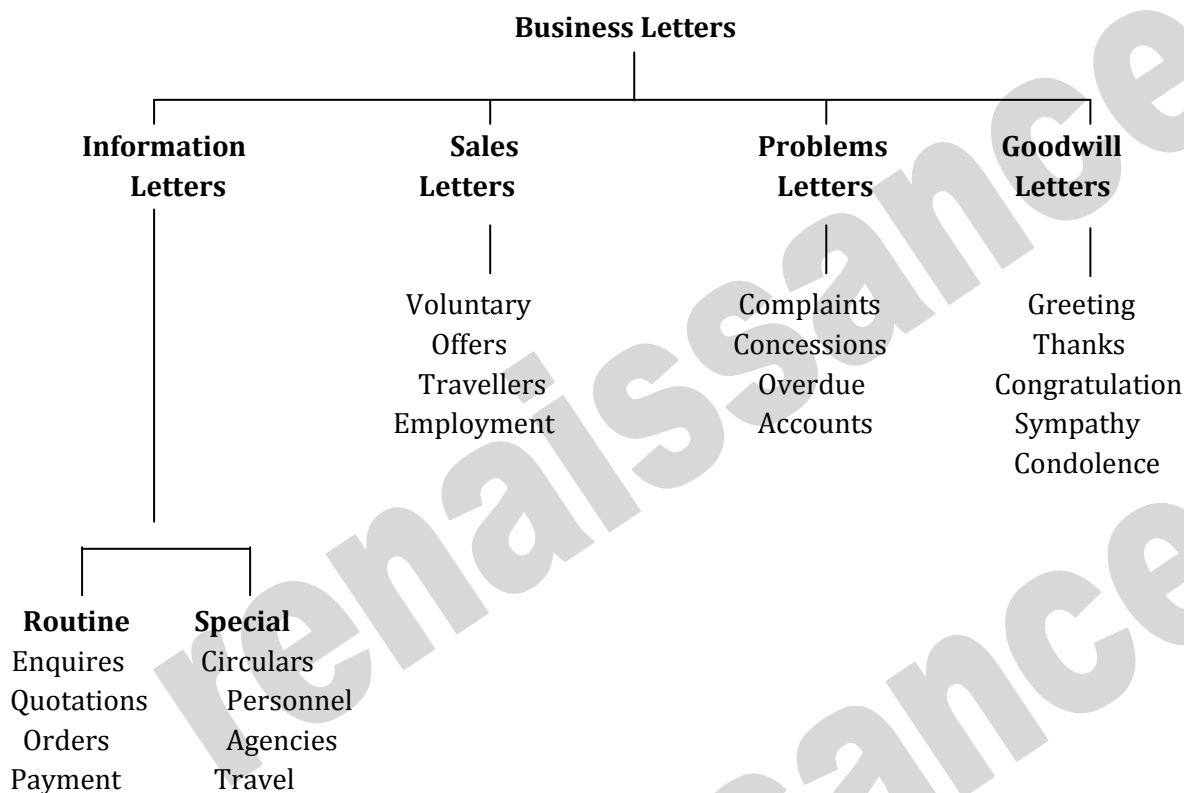
1. A business letter acts as a representative of the organization. It is an inexpensive substitute for a personal visit.
2. It seeks to provide information on subjects connected with business.
3. A business letter provides valuable evidence for a transaction and thus serves a legal purpose.
4. A business letter becomes a reference material to future transactions between organizations and individuals.
5. A business letter promotes and sustains goodwill.
6. A business letter motivates all the people involved in a business to a higher and better level of performance.
7. A business letter enlarges and enhances the business. We can elaborate each of the functions thus.

Functions of a Business Letter:-

1. **Widen Contracts:** since it can reach anywhere, it is used to widen the area of operations,
2. **Sharing Information:** it is used for sharing all big and small information's to the related organization.
3. **Evidence of Contracts:** it is used as a legal document.
4. **Record and Reference:** a business letter serves as a record for future reference.
5. **Building Goodwill:** in customer – company relationship, holding present customers and capturing new ones, reviving inactive accounts and inviting customers to buy more and varied products.
6. **Lasting Impression:** it leaves a more durable impression on the receiver's mind than an oral message.



KINDS OF BUSINESS LETTERS



- (a) This is a widely accepted classification of business letters. However there might be letters like application & letter to press, which do not figure in this classification.
- (b) However as mentioned earlier the business letters may be classified on the **bases of our approach**- direct, indirect or persuasive. All good newsletters, offers of appointment, enquiries, order, promotion etc. fall in the category of **direct approach letters**.

On the other hand 'bad news' letter like adjustment, refusals, rejecting a job applicant falls in the category of **indirect approach** letters. Offers of sales & services, job applications that have been regarded similar to sales letters, fall in the category of **persuasive letters**. Thus approach to the letter problem or situation is an important criterion for classification.

- (c) Letters can be classified as **Official letters**, **D.O.'s** (demi-official letters), **form letters** and **internal letters**. **Official letters** are those written to government or semi-government department/offices & bodies. **D.O's** or demi-official letters are those letters essentially official in purpose but addressed to an official by name. **Form letters** are routine in nature and include acknowledgement, reminders interviews, notices & appointments. **Internal letters** or memos are used in government offices as well as business organization for external communication.
- (d) On the **basis of Subject** the letter are classified as enquires, orders, credit information, complaint, sales promotion, sales circulars, appointment of personal, agencies, collection of dues etc.
- (e) Letter can be classified on **the basis of correspondence** of different departments of an organization.

Personnel department- applications, call candidate for interviews, offers appointment letters, giving charge sheet etc.



Purchase department – sends requests for quotations, invites tenders, places orders & sends letters of complaints.

Sales department – sends circulars, advertisements etc.:-

For convenience we can divide various kinds of business letters on **the basis of the purposes** for which the department of an organization send them example of some important kinds of letter are:

- (a) Enquiries, Orders, Complaints & Responses To Them
- (b) Sales Letters, Circulars.
- (c) Job Applications, Resume.
- (d) Letters Personal Department.
- (e) Letter of Account Department like Correspondence with Customers, Insurance Agencies, Banks Etc.
- (f) Letters of Administration, Public Notices, Invitations, Correspondence with Central & State Governments.
- (g) Letters to the editor, press releases etc.

Essentials of an Effective Business Letter

1. **Simplicity:** It should be made clear that there is no essential difference between the language of a business letter and that of a personal letter. It should therefore be polite, have a personal touch that proves to be more effective than the stiff, detached style.

Examples:

- (a) "Thank you for your esteemed letter"
- (b) "We send our deep apologies for the delay"
- (c) "Yours faithfully"
- (d) "Thank you for your letter"
- (e) "We are trying to obtain"
- (f) "Will you please send us a remittance for the outstanding amounts?"
- (g) "I am sorry to tell you"etc.

2. **Conversational Style:** Modern Executives prefer friendly & conversational style as compared to dull, stiff & skilled style of correspondence. He wants that a letter like face-to-face talking should be interactive thus in this respect there is not much difference between a personal letter and an effective business letter.

Some examples of conversational style are-

I hope you approve; please let me know soon; I sincerely appreciate etc.; instead of I hope this cater to your requirement & approval or the undersigned wishes to inform that the aforementioned contract is in hand etc.; a friendly & conversational style is preferable in business letters.

3. **Clarity of Goal:** In correspondence one has to be clear both in thought and expression. The letter reflects the writer's mind. He should be clear about what information he is seeking or wishing to convey.
4. **Public Relations aspect:** An image of the company is formed in the eyes of the people through various sources. Correspondence is a major factor among them.
5. **You – attitude:** Writer's interest in the receiver must be shown through effective business letters. Thus everything has to be analysed from the readers' point of view. This will help the writer to



obtain a favorable response. So the writer should focus from 'I' & 'we' to 'you' & 'your'. A genuine concern for the receiver is expected on the writer part. Thus the attitude of you should be kept in mind.

Example – 'Your assignment is ready, 'you' will be happy to know', etc.

6. **Courtesy:** Courtesy excludes the element of anger & preaching that is often disliked by people. A courteous letter can be mutually beneficial if adopted.
7. **Persuasion:** Persuasion is the main function of business communication. Persuasive letters are written under various circumstances and for various reasons.
8. **Sincerity:** The writers approach should be so sincere & convincing that the reader must be forced to belief in what is written.
9. **Positive language:** Positive words stir up positive feeling. Positive words help to build up human relations. On the other hand negative words have exactly opposite effect. Therefore it is advised to use positive substitutes for words like, sorry, failure, loss, damage, refuse etc.
10. **Due emphasis:** Emphasis should be made on all-important points the first sentence & the last sentence normally carry more weight age. Short and crisp sentences should be used while emphasising because they are more assertive & emphatic.
11. **Coherence:** There should be coherence between the points mentioned in the letter. Linking devices should be used because in helps to give a logical progress to the thoughts of the writer.
12. **Tasteful approach:** The communicative letter should be tactfully planned. The letters containing bad news should be written in such a way that it does not give a wrong impression to the reader. Good news is always conveyed directly however a bad news is conveyed indirectly.
13. **Ethical standard:** we should not forget the business ethics while writing letters.
14. **Care for culture:** care should be taken while drafting a letter in international correspondence. Words so as to offend the receiver should not be used. Slangs, idioms, phrases etc. should be avoided.

Elements Structure of a Letter

1. Name and Address- Heading
2. Date of The Letter
3. Reference Number
4. Telephone/Fax/E-Mail Numbers
5. Address-Inside
6. Attention To Someone (if necessary)
7. Subject of The Letter
8. Words of Honour/Salutation
9. Starting Sentences
10. Body Part
11. Closing Sentences
12. Complimentary Close
13. Signature Of Sender
14. Identification Mark
15. Enclosure If Any.

Explanatory Chart of Given Elements



Each element has its vital role in preparation of a letter, which can be easily understood by the following chart.

S.No.	Element	Particulars
1.	Heading	Universal publication limited Singi Gali, Agra (U.P.) <i>The Name and Address of the Sender are usually inserted at the head of the letter. It should be cited in middle or the left hand side of the letter on the top position.</i>
2.	Date	10 Feb. 2003.
3.	Ref. No.	Ex/Gen./101/03
4.	Telephone/ Telex/fax/e- mail nos.	Tel. no. – 91-0311-215425 Fax no. – 91-0311-215481 e-mail – universalpub@rediffmail.com
5.	Inside address	M/S M.B. & sons 101, Khajuri bazaar, Indore (M. P.) <i>Correspondent address usually inserted on the left side. This address may also be used for transparent windows type business envelopes.</i>
6.	Attention line	Kind attention to, Shri A.K. Bhachchan or Shri/Smt. Amitabh Bachchan or Smt./Mrs. Jaya Bachchan or Ku./Miss. Jaya Lalita <i>In case special attention of specific person required then his name can be written with designation also. Attention line should be placed two spaces below the inside address and two space above the salutation.</i>
7.	Subject of the letter	Subject- Supply of the T.V. Sets Subject – Payment of bill of Rs. 10500/- <i>By mentioning subject line the reader can get the message quickly. Generally the subject line is given in the letter before the words of salutation.</i>
8.	Words of Honour/ Salutation	<ul style="list-style-type: none">• Words of Honour/salutation is like a greeting to another person.• Dear Sirs, In case of addressing a firm, company, association, society, board etc.• Dear Sir, In case addressing an officer by name.• Dear Rajni Ji, In case of close relation.



9.	Starting sentence	<p>Writer can begin the letter with the use of following sentences:</p> <ul style="list-style-type: none"> • We have the pleasure to inform you.... • Many thanks for your letter..... • With reference to your letter dated..... • We shall be highly obliged to you..... • We acknowledge receipt of your letter.... • Pleaser refer to your letter..... • Thank you for your letter..... • I regret to inform you that....
10.	Body part	<p>Body part is the soul of a letter. In the body, message can be passed in following sequencer:</p> <ul style="list-style-type: none"> • Reference to any correspondence, Which has already taken place • Main message should be indicated. • State your expectation or intention.
11.	Closing sentences	<p>Following sentences may be used at the concluding part of a letter:</p> <p>We look forward to hearing form you.....</p> <p>We would be grateful for an early reply....</p> <p>We shall, of course, be happy to order.....</p> <p>On hearing form you, we shall.....</p> <p>Hoping to hear from you soon</p>
12.	Complimentary Close	<p>The complementary close is a polite way of ending letter. It is typed two space below the closing sentence as shown herewith:</p> <p>Your faithfully (if salutation starts with sir)</p> <p>Yours faithfully (if salutation starts with sirs)</p> <p>Your (may also be started in cases of close)</p> <p>Yours sincerely relation.)</p>
13.	Signature	<div> <p>After complimentary close, the signature of writer is needed. Between the gap of complimentary close and the name of the writer, the signature required.</p> <p>Signature position in various cases:</p> <div> <p>Individual</p> <div> <p><i>Yours faithfully,</i></p> <p><i>//Signature//</i></p> <p><i>Salman Khan</i></p> </div> </div> <div> <p>Firm</p> <div> <p><i>For govinda & bros.</i></p> <p><i>//Signature//</i></p> <p><i>Govinda</i></p> </div> </div> </div>



		company	<div><i>Yours faithfully,</i> <i>//Singnature//</i> <i>Shaharukh Khan</i> <i>Managing director</i> <i>Or</i> <i>For Govind Khemka</i> <i>//Singnature//</i> <i>Managing Director</i></div>	
14.	Identification Marks	To identify the typist of the letter, usually the identification mark may be put at the bottom line of letter. If letter is typed by Ramgopal then RG mark can be given at the bottom line.		
15.	Enclosure	Two spaces below the identification mark the number of enclosures should be indicated as- Encl.		



STRUCTURE OF A LETTER

1. Name And Address (Heading)

.....
.....

2. Date of the Letter.....

3. Your reference

Our Reference

4. Address-inside.....

.....

5. Telephone /fax/e-mail numbers

6. Attention to someone (*if necessary*) : **Name**

7. Subject of the letter : **Usually Bold, Sometimes Underlined**

8. Words of Honour/Salutation : **Dear Sir/Madam**

9. Starting Sentence.....

10. Body part

.....
.....

11. Closing Sentence: **This is usually one or two sentences summary of the main points of the letter along with a 'thank you' or 'see you soon' statement included.**

12. Complimentary Close: **Your's/ Your's Sincerely/etc.**

13. Signature of Sender: **Sign. & Title Of Sender & Designation**

14. Enclosures (If Any): **Numbers and Subject**



UNIT-V

The Modern Means of Communication in India

The technological advances of the past few decades have made it possible to transmit printed messages, pictures and even live performances to all corners of the world with speed. With a single touch, you can send communications to a number of destinations. Not only large business houses but even medium and small ones use them in their day-to-day working. Among such means are fax, internet/email and videoconferencing.

In modern times we can communicate with far off places easily and quickly. The means of transportation and the means of communication are closely related. They are inter-dependant.

The following are the main means of communication.

Email –

It's difficult to imagine life without email now. Business people exchange ideas on it, friends keep in touch by it and marketing teams thrive on it. It's hard to believe it's only been around since the 70s.

Conference call –

Thanks to the trusty telephone, it's now even possible to have meeting over the phone. Telephone, traditionally allowing only two people to chat, can now allow any number of people to talk as though they were in a room together. Conference calls enable businesses to save time and money by cutting expensive travel – and they're much kinder to the environment.

Fax –

Though now largely redundant thanks to the efficiency of internet communication, fax machines were all the rage when they became widely affordable in the 1980s and 90s, allowing the transmission of paper documents over telephone wires. They're still considered a safer option than the internet for the transmission of sensitive material.

Instant messaging and Skype (Video Conferencing) –

Instant messaging tools such as MSN Messenger and Skype have been around for a while, but look set to remain a feature of life both online and offline. Skype is particularly brilliant for communicating with friends and family abroad, as it allows free calls over the internet. – doesn't this rather under value Conf now by saying it's free?

Social Networking :-

Facebook –

Social networking giant Facebook now has over 600 million users around the world, making it a first port of call for staying in touch with friends both new and old. Organising events, sharing photos and instant messaging have never been so easy.

Twitter

Micro blogging site Twitter has gone from strength to strength over the last couple of years, with many people now so addicted to it that they use it for breaking news and communicating with friends as much as for "Tweeting" about their everyday goings on.

Another social sites are Whatsapp , Instagram etc.

The letter



The letter hasn't completely died out yet, so it does still count as a modern method of communication. Though the days when we receive letters from friends may now be few and far between, there are still huge numbers of people who maintain that nothing beats the letter for the personal touch.

Telephone

Telephones may have been around a bit longer than email but they're still a world away from the days when we were reliant on posting a letter. Whether on a landline or mobile phone, instant verbal communication has become a mandatory part of the modern world.

Radio and Television

Radio, television and the- newspaper are mass-communicating media. Through these means we can communicate with thousands of people. There is a number of radio stations in the Country. These stations broadcast radio programmes. It broadcasts news, music, plays, stories, agriculture information, speeches, advertisement and other important announcements.

Another very important means of communication is the television which provides news, information, education, music and entertainment to people.

The difference in radio and television is that it uses moving pictures to convey the message. Almost every home has a radio and television set. They bring us useful information about the latest events in the country and the world.

Both radio and television give us weather reports, timings of arrival and departure of trains and flights and special urgent bulletins.

Recently, another system of communication has become very popular in cities. It is called the CABLE TV, In this the video films are shown for the entertainment of the viewers.

Different channels show different programmes. Some of the most popular channels are - Star, Zee, EL, SUN, BBC, Star Plus, Discovery, Zee Cinema, ATN and so on. Through these channels very interesting and informative programmes from all over the world can be seen.

Through a SATELLITE, communication has become easier and faster all over the world. Thus a person in India can see cricket matches in Sharjah, tennis at Wimbledon and even the Olympics wherever they are held.

Telex

The Telephone Department also has a Telex service through which typed messages can be sent very quickly. This method is often used by offices, airlines, Government offices and newspaper offices.

Fax, Pagers, Email, Fax

Fax sends 'Facsimile' of a printed message or picture to another machine located anywhere in any part of the world. It makes use of the telephone lines. Pager is not connected by wires and it works on air signals which are received by a small hand-set called pager. The message is displayed on the screen. E-Mail uses computers connecting by ordinary telephone line. Electronic mail card send messages to any part of the world through computers.

'Internet' has also started in India.

Newspapers

Newspapers, magazines and books are a good means of mass-communication. This is a print medium which travels far and wide. The newspapers have a very wide circulation and every literate person tries



to go through them. They bring us the latest news, rates of the commodities, advertisements, employment news, matrimonial and many other information.

In addition to the above there are some other means of communication. Hoardings and Billboards are used by the Government and the Advertisers to communicate the public.

Cinema

Cinema is also a means of mass communication. Almost every town has a cinema hall. Besides recreation, cinema is also of a great educational value. The Government has a number of mobile cinema vans. It arranges cinema shows in the rural areas and shows a number of documentary films regarding its policies and programmes. During the recent years television has gained more popularity over the cinema as means of mass-communication. In addition to the above there are some other means of communication. Hoardings and Bill-boards are used by the Government and the Advertisers to communicate the public.

The rise of electronic technology has meant that modern communications are a far cry from the days when a letter would have been the only option. Rather than waiting days or even weeks for news to arrive, we're now able to access instant updates and talk with friends and colleagues immediately, regardless of where in the world they are. Here are just a few of the possible options for modern communication.

Satellites

In today's world of wireless communications, high definition television and global access to the Internet, many people are unclear about the inherent advantages of satellite communications.

Why does the satellite industry continue to grow? When is satellite the best solution? Here is a quick look at some: key advantages of satellite communications:

- ❖ Cost Effectiveness
- ❖ Global Availability
- ❖ Superior Reliability
- ❖ Superior Performance
- ❖ Immediacy and Scalability
- ❖ Versatility and More

Computer: The computer is a versatile electronic instrument which can combine various media functions. The trend of technology is towards convergence of various technologies so that the computer will become the single multi-task equipment for all kinds of transmission.

Computer technology is the fastest growing field; advances are made rapidly, and users can upgrade their equipment and buy the latest software for more advanced tasks. Computer Software development is rapidly making the computer take over more and more tasks and functions both in business and at home.

INTRODUCTION TO E-COMMERCE

Electronic commerce, commonly known as e-commerce or e-comm, refers to the buying and selling of products or services over electronic systems such as the Internet and other computer networks. Electronic commerce draws on such technologies as electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory



management systems, and automated data collection systems. Modern electronic commerce typically uses the World Wide Web at least at one point in the transaction's life-cycle; although it may encompass a wider range of technologies such as e-mail, mobile devices and-telephones as well.

- ❖ Electronic commerce is generally considered to be the sales aspect of e-business. It also consists of the exchange of data to facilitate the financing and payment aspects of business transactions.
- ❖ E-Commerce stands for Electronic commerce which involves buying and selling of products and services on the Internet.
- ❖ E-commerce includes retail shopping, banking, online stock trading, auctions, real estate transactions, airline booking etc...
- ❖ Typically a customer uses a web browser to access a web based virtual store through internet.
- ❖ It involves searching and selecting products and services online.
- ❖ Add the selected items to the shopping cart and making the payment online using credit- cards.

E-commerce can be divided into:

- ❖ E-tailing or "virtual storefronts" on Web sites with online catalogs, sometimes gathered into a "virtual mall"
- ❖ The gathering and use of demographic data through Web contacts
- ❖ Electronic Data Interchange (EDI), the business-to-business exchange of data
- ❖ E-mail and fax and their use as media for reaching prospects and established customers (for example; with newsletters)
- ❖ Business-to-business buying and selling
- ❖ The security of business transactions

History

Early development

Originally, electronic commerce was identified as the facilitation of commercial transactions-electronically, using technology such as Electronic Data Interchange (EDI) and Electronic Funds Transfer (EFT). These were both introduced in the late 1970s, allowing businesses to- send' commercial documents like purchase orders or invoices electronically. The growth and acceptance of credit cards, automated teller machines (ATM) and telephone banking in the 1980s were also forms of electronic commerce. Another form of e-commerce was the airline reservation system typified by Sabre in the USA and Travicom in the UK. Beginning in the 1990s, electronic commerce would include enterprise resource planning systems (ERP), data mining and data warehousing in 1990, Tim Berners-Lee invented the World Wide Web web browser and transformed an academic telecommunication network into a worldwide everyman everyday communication system called internet/www. Commercial enterprise on the Internet was strictly prohibited by NSF until 1995. Although the Internet became popular worldwide around 1994 with the adoption of Mosaic. web browser, it took about five years to introduce security protocols (i.e. SSL encryption enabled on Netscape 1.0 Browser in late 1994) and DSL allowing continual connection to the Internet. By the end of 2000, many European and American business companies offered their services through the World Wide Web. Since then people began to associate a word "ecommerce" with the ability of purchasing various goods through the Internet using secure protocols and electronic payment services.

Elements of E-Commerce

- ❖ Promote your Web site presence
- ❖ Have an online catalog or store



- ❖ Have the capability to receive payments
- ❖ Be able to deliver the item
- ❖ Provide after-the-sale support

TYPES OF E-COMMERCE

B2B-(Business- to- Business)

Companies do businesses with each other such as manufacturers selling to distributors and wholesalers selling to retailers. Supply Chain management is done through this type of e-commerce.

B2C-(Business- to- Consumer)

Businesses sell to general public typically through online catalogs and shopping carts. Web retailer sells to unknown users.

C2C (Consumer-to-Consumer)'

Buying and selling takes places between customers. Example of consumer to consumer e-commerce is online auctions. EBay is a popular auction site

Business applications

Some common applications related to electronic commerce are the following:

- ❖ Document automation in supply chain and logistics
- ❖ Domestic and international payment systems
- ❖ Enterprise content management
- ❖ Group buying
- ❖ Automated online assistants
- ❖ Instant messaging
- ❖ Newsgroups
- ❖ Online shopping and order tracking
- ❖ Online banking
- ❖ Online office suites
- ❖ Shopping cart software
- ❖ Teleconferencing
- ❖ Electronic tickets

Government Regulation

In the United States, some electronic commerce activities are regulated by the Federal Trade Commission (FTC). These activities include the use of commercial e-mails, online advertising and consumer privacy. The CAN-SPAM Act of 2003 establishes national standards for direct marketing over e-mail. The Federal Trade Commission Act regulates all forms of advertising, including online advertising, and states that advertising must be truthful and non-deceptive. Using its authority under Section 5 of the FTC Act, which prohibits unfair or deceptive practices, the FTC has brought a number of cases to enforce the promises in corporate privacy statements, including promises about the security of consumers' personal information. As result, any corporate privacy policy related to e-commerce activity may be subject to enforcement by the FTC. The Ryan Haight Online Pharmacy Consumer Protection Act of 2008, which came into law in 2008, amends the Controlled Substances Act to address online pharmacies.



Internationally there is the International Consumer Protection and Enforcement Network (ICPEN), which was formed in 1991 from an informal network of government customer fair trade organisations. The purpose was stated as being to find ways of co-operating on tackling consumer problems connected with cross-border transactions in both goods and services, and to help ensure exchanges of information among the participants for mutual benefit and understanding. From this came e-consumer, as an initiative of ICPEN since April 2001. www.econsumer.gov is a portal to report complaints about online and related transactions with foreign companies. There is also Asia Pacific Economic Cooperation (APEC) was established in 1989 with the vision of achieving, stability, security and prosperity for the region through free and open trade and investment. APEC has an Electronic Commerce Steering Group as well as working on common privacy regulations throughout the APEC region. In Australia, Trade is covered under Australian Treasury Guidelines for electronic commerce, and the Australian Competition and Consumer Commission regulates and offers advice on how to deal with businesses online, and offers specific advice on what happens if things go wrong. Also Australian government ecommerce website provides information on ecommerce in Australia.

Forms

Contemporary electronic commerce involves everything from ordering "digital" content for immediate, online consumption, to ordering conventional goods and services, to "meta" services to facilitate other types of electronic commerce. On the institutional level, big corporations and financial institutions use the internet to exchange financial data to facilitate domestic and international business. Data integrity and security are very hot and pressing issues for electronic commerce.

Global trends

Business models across the world also continue to change drastically with the advent of e-Commerce and this change is not just restricted to USA. Other countries are also contributing to the growth of e-Commerce. For example, the United Kingdom has the biggest e-commerce market in the world when measured by the amount spent per capita, even higher than the USA. The internet economy in UK is likely to grow by 10% between 2010 to 2015. This has led to changing dynamics for the advertising industry. Amongst emerging economies, China's e-Commerce presence continues to expand. With 384 million Internet users, China's online shopping sales rose to \$36.6 billion in 2009 and one of the reasons behind the Imp growth has been the improved trust level for shoppers. The Chinese retailers have been able to help consumers feel more comfortable shopping online. E-Commerce is also expanding across the Middle East. Having recorded the world's fastest growth in internet usage between 2000 and 2009, the region is now home to more than 60 million internet users. Retail, travel and gaming are the region's top e-Commerce segments, in spite of difficulties such as the lack of region-wide legal frameworks and logistical problems in cross-border transportation. E-Commerce has become an important tool for businesses worldwide not only to sell to customers but also to engage them.

Impact on markets and retailers

Economists have theorized that e-commerce ought to lead to intensified price competition, as it increases consumers' ability to gather information about products and prices. Research, by four economists at the University of Chicago has found that the growth of online shopping has also affected industry structure in two areas that have seen significant growth in e-commerce, bookshops and travel agencies. Generally, larger firms have grown at the expense of smaller ones, as they are able to use economies of scale and



offer lower prices. The lone exception to this pattern has been the very smallest category of bookseller, shops with between one and four employees, which appear to have withstood the trend.

Distribution channels

E-commerce has grown in importance as companies have adopted Pure-Click and Brick and Click channel systems. We can distinguish between pure-click and brick and click channel system adopted by companies.

- ❖ Pure-Click companies are those that have launched a website without any previous existence as a firm. It is imperative that such companies must set up and operate their e-commerce websites very carefully. Customer service is of paramount importance.
- ❖ Brick and Click companies are those existing companies that have added an online site for e-commerce. Initially, Brick and Click companies were skeptical whether or not to add an online e-commerce channel for fear that selling their products might produce channel conflict with their off-line retailers, agents, or their own stores. However, they eventually added internet to their distribution channel portfolio after seeing how much business their online competitors were generating.

Advantages of e-Commerce

Seller

- * Being able to conduct business 24 x 7 x 365
- * Access the global marketplace
- * Speed of conducting business is high
- * Reduces cost
- * Employee and salesperson cost can be avoided
- * Rental cost can be avoided

Buyer

- ❖ Customer can choose from a variety of suppliers without having to physically visit each shop
- ❖ More convenient and saves time
- ❖ Reduced cost of traveling

Disadvantages of e-commerce

Seller

- * Perishable goods cannot be sold on internet
- * No personal contact with the customer
- * Difficult to get customer feedback

Buyer

- ❖ Time taken for physical delivery of goods
- ❖ Customer has to pay for shipment charges
- ❖ Customers cannot feel the product physically.
- ❖ Privacy, Security and Payment issues
- ❖ Hesitation to give credit card details online