



# SYLLABUS

## B.Com. I YEAR

### Subject – Business Organization and Communication

UNIT – I	<b>INTRODUCTION:</b> Indian traditional businesses and their organizational structures. Concepts of Business, Trade, Industry and Commerce Classification Relationship between Trade, Industry and Commerce - Business. Organization- Concept, Characteristics, Importance and Objectives. Functions of Business and Social Responsibility of a business- Steps to Start an Enterprise.
UNIT – II	<b>FORMS OF BUSINESS ORGANIZATION:</b> Business Organization Classification - Factors Influencing the Choice of Suitable Form of Organization - Sole Proprietorship and Partnership - Meaning, Definition - Characteristics - Advantages. Co-Operative Organization- Meaning- Functions and Limitations of Co-operatives Societies.
UNIT – III	<b>ORGANIZATION OF COMPANIES:</b> Concepts, Meaning, Formation, Characteristics and Significance of Private Company and Public Company. Multinational Companies (MNC'S) and the Challenges of their organization in India.
UNIT – IV	<b>COMMUNICATION:</b> Definition, Nature, Importance, Objectives of Communication. Communication theories and process- Information theory, Interaction theory, Transaction theory, Elements of communication process. Barriers to Communication: Linguistic Barriers, Psychological Barriers, Interpersonal Barriers, Cultural Barriers, Physical Barriers, Organizational Barriers.
UNIT – V	<b>Written Communication:</b> Writing techniques and Guidelines. Letter writing - Basic Principles, Purpose, Types of business letters, Report writing, types of reports, Drafting of report. Oral Communication: Speeches for different occasions, Guidelines for effective listening, Job Interviews, Type of information.
UNIT – VI	Modern forms of communication E-mail, Video Conferencing. International Communication for Global Business. Information Technology: Form of technology, uses in modern communication system. Role of Social Media in modern business.



## UNIT - I

Indian traditional businesses have a long history in India, existing long before modern companies. These businesses were mainly family-based, community-oriented, and trust-driven. They played an important role in local, regional, and even international trade. Traditional businesses were shaped by social structures, caste networks, guilds, and family systems, and they operated without formal legal frameworks or modern banking.

The earliest form of trade was the barter system, where goods were exchanged directly for other goods without using money. For example, a farmer could give grains to a weaver and receive cloth in return. The barter system worked well in small communities but had limitations such as the need for both parties to want each other's goods, lack of a common measure of value, and difficulty in storing wealth. As trade expanded, money replaced barter to make transactions easier.

India also had trader and artisan guilds called shrenis. These guilds regulated trade, maintained quality, fixed wages, trained apprentices, and helped resolve disputes. Examples include silk weaver guilds in South India and merchant guilds in North India.

The joint Hindu family business was common in India, where the eldest male, called Karta, managed the family business on behalf of all members. Profits were shared among the family, and the Karta had unlimited liability. This system was widely used among communities like Marwaris, Agarwals, and Chettiars.

Small shops and artisans often ran their businesses as sole proprietorships, where one person owned and managed the business, taking all profits and risks. Examples include village grocers, goldsmiths, potters, and blacksmiths. Partnerships were also common, where two or more merchants joined to run a business based on trust and profit sharing. These partnerships were often caste- or community-based, like the Marwari and Gujarati trading houses.

Indigenous banking and the hundi system were important for long-distance trade. Merchants like Chettiars and Marwaris used hundis (bills of exchange) to finance trade across India and Southeast Asia. These businesses were usually family-managed with agents and clerks handling day-to-day transactions.

Many villages and caste groups also practiced community or cooperative trading. They worked together in collective farming, production, or storage of goods, such as grain banks or handicraft production. Ownership and decision-making were shared.

The organizational hierarchy in traditional businesses usually had the Karta or head merchant at the top, followed by family members or partners who helped manage accounts and logistics, accountants (munims) maintaining ledgers, agents or middlemen connecting producers with markets, and artisans or workers producing goods.

Traditional Indian businesses were important for providing livelihoods, building trade networks, and supporting local and international commerce in items like spices, textiles, and silk. They influenced modern Indian business houses like Tata, Birla, and Reliance, which evolved from family-run trading systems. These businesses emphasized trust, ethics, and reputation, values that remain relevant today.

In summary, Indian traditional businesses were mainly family- and community-oriented. They included barter trade, guilds, joint family businesses, partnerships, and indigenous banking systems. They relied on trust, reputation, and social networks and laid the foundation for modern Indian business systems.



## Business –

**Business** is the activity of making one's living or making money by producing or buying and selling products (such as goods and services) Simply put, it is "any activity or enterprise entered into for profit.

Having a business name does not separate the business entity from the owner, which means that the owner of the business is responsible and liable for debts incurred by the business. If the business acquires debts, the creditors can go after the owner's personal possessions. A business structure does not allow for corporate tax rates. The proprietor is personally taxed on all income from the business.

The etymology of "business" relates to the state of being busy either as an individual or society as a whole, doing commercially viable and profitable work. It is a generic term which comprises of all primary and ancillary activities which are involved in the production and distribution of goods and services. It is a relative term, which has different interpretations for different categories of people. For an economist, it is an activity concerned with the creation of form utility, place utility and time utility. For an ambitious youth, it is an attractive career for accepting new challenges and earning attractive income through profit. For an average consumer, it is a supplier of goods and services required in his daily life. For government, it is one of the important sources of revenue. An environmentalist views it as a potential source of pollution and ecological imbalance. In brief, business is a sum total of activities concerned with production and distribution of goods and services for satisfying the needs of society and also for raising social welfare.

According to F. C. Hooper, business includes the whole complex field of commerce and Industry. Accordingly, business activities can be broadly categorised into the following four categories:

**(a) Activities related to the Production of Goods:** This group includes different kinds of industries such as genetic industries, extractive industries, manufacturing industries, constructive industries and service industries. **(b) Activities related to the Distribution of Goods:** This group comprises of physical distribution system that includes transportation, storage and warehousing and marketing intermediaries like wholesalers and retailers.

**(c) Activities related to the Provision of Services:** This group includes various service providers such as insurance companies, advertising agencies, marketing research organisations and consultants.

**(d) Activities related to the Provision of Finance:** This group includes various financial intermediaries such as banks, financial institutions, industrial financial institutions, state financial corporations and stock exchanges.

### 1.7 Characteristics of Business:

The broad characteristics of business are as under:

**(a) Transfer of Ownership:** Exchange is the essence of any business activity. Business facilitates transfer of ownership of goods from producers to consumers for money or money's worth. Business houses provide satisfaction to consumers through the provision of form utility, place utility and time utility under the incentive of private profit.

**(b) Scope of Activities Business includes trade and aids to trade.** Trade is that branch of commerce, which is concerned, with the exchange of goods and services while aids-to-trade are service-oriented industries,



which directly or indirectly help in smooth conduct of business operations. For example, transportation, warehousing, Insurance, advertising and banking.

**(c) Profit Motive:** Profit is essential for the very survival of business units. The varieties of goals of business units such as survival, growth, expansion, social welfare, welfare of workers, etc., cannot be achieved unless the unit is economically viable. A loss making unit is least capable of fetching any asset to the society and therefore, would be closed down by the society itself.

**(d) Continuous and Recurring:** The activities of a business enterprise are recurring in nature. One or two transactions do not constitute business. A seller must have adequate stock of goods or capacity to serve society as per demand. For example, if a person sells his old motor car and earns some profit thereon, it does not constitute a business.

**(e) Economic Institution:** Business is an economic institution. All business activities are guided by a desire to earn profit. Business houses undertake market research in order to forecast market demand and accordingly adjust supply with the prime objective of generating profit and wealth. In this sense, a business unit is an economic institution.

**(1) Social Institution:** Due to rapidly changing socio-economic environment, the concept of social responsibilities of business has gained immense importance. Business cannot ignore social needs as it is a part of society in the sense that it carried on by the people (entrepreneurs), through the people (executives and workers) and for the people (consumers and the society at large).

**(g) Ethical and Lawful:** The purpose of business must be ethical and should be recognised by law. It should not violate the basic norms or fundamental principles, governing the social life of people in the country. For example, smuggling is unlawful and therefore, cannot be considered as a business. Similarly, selling beef or beef based products is ethically prohibited in India.

**(h) Risk and Uncertainty:** Business involves high degree of risks and uncertainties. Profit is the reward for bearing risks and uncertainties. Risks due to fire, theft, pilferage, etc., are insurable risks. However, uncertainties such as fluctuations in price level, changes in fashion, changes in government policy or the government itself, etc. cannot be insured.

**(i) Creative and Dynamic:** Business houses are surrounded by a large number of complex exogenous factors such as social, economic, technological, regulatory and environmental. These factors keep on changing and business units have to adjust accordingly. Hence, business units are expected to be creative and dynamic in order to adapt the changing business environment.

**(ii) Global Business:** Globalisation has become a subject of very serious discussion in the national economic policies and corporate sector. Globalisation implies greater integration of the nation's economy with the world economy. This can be achieved through liberalisation of rules and regulations and creating favourable business environment for global business.

#### Characteristics of Business:

- |                            |                         |
|----------------------------|-------------------------|
| ✓ Transfer of Ownership.   | ✓ Social Institution.   |
| ✓ Scope of Activities.     | ✓ Ethical and Lawful.   |
| ✓ Profit Motive.           | ✓ Risk and Uncertainty. |
| ✓ Continuous and Recurring | ✓ Creative and Dynamic. |
| ✓ Economic Institution.    | ✓ Global Business:      |

#### Features or characteristics of business:



- 1) Activity of Human Beings
- 2) Monetary gains
- 3) Exchange of goods & services
- 4) Continuity & regularity
- 5) Creation of utility
- 6) Existence of risk elements
- 7) Organized & systemized institutions
- 8) Entrepreneurship
- 9) Financial Management
- 10) Development of Vasudhaiv Kutumbkam : It implies that whole universe is my family.
- 11) Social commitment
- 12) Consumer is monarch
- 13) It is very comprehensive & wide activity
- 14) A pluralistic institutions: A business organization is a pluralistic institution. Its success is based on united efforts of various categories of people such as its promoters, investors, employees, government and public.
- 15) Different forms: There are different forms of business organization like sole trading. Partnership, company, departmental organization, corporations, trusts, boards etc.
- 16) An institution with multiple objectives
- 17) Dynamic environment
- 18) Government control and regulation
- 19) An organ of the society
- 20) Innovation and marketing as basic function
- 21) Customer Satisfaction

### Objectives of Business:

Object of Business: The following are the main objects of business:

- (a) Economics object or profit motto.
- (b) Social object or service motto.
- (c) Human object.
- (d) National object.

### (a) Economic object or profit motto.

- (1) For expansion of business
- (2) Profit is a Reward of Entrepreneur
- (3) Protection against future risk
- (4) Basis of investment
- (5) Barometer of efficiency and success
- (6) Safeguard of employees economic interest
- (7) Creation of Goodwill
- (8) Source of public Revenue
- (9) For existence of business

### (b) Service Motto/Social object

- 1) Each business activity is undertaken keeping in view the interest of consumers because there is no existence of business without customers.
- 2) The object of business must be maximum satisfaction for the customer.
- 3) The entrepreneur must always accept reasonable price for the article sold by him because reasonable price policy makes the customer permanent.



- 4) The businessmen must always produce or manufacture and sell articles of a high standard and quality.
- 5) The businessmen must always try to improve the quality his product. This helps the consumer in getting good services and the future of business remain bright.

**(c) Human Object:**

Day-to-day work of the business is done by employee and workers. Thus, to keep in view the satisfaction of all the people connected with the business comes within the purview of human object.

**(d) National Object:**

The fourth object of business is national object national object means conduct of business protecting the interest of the nation, Conduct of business free from hording, profiteering, smuggling comes within the scope of national object.

**Organization -**

An organization is a group of people intentionally organized to accomplish an overall, common goal or set of goals.

**Characteristics of Organization -**

- 1) Division of labour
- 2) Coordination
- 3) Accomplishment of common objectives
- 4) Authority responsibility structure
- 5) Communication

**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 | 5) Scalar principle               |
| 2) Efficiency          | 6) Delegation                     |
| 3) Division of work    | 7) Functional definition          |
| 4) Span of control     | 8) Absoluteness of responsibility |

**Functions of Business Organization -**

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

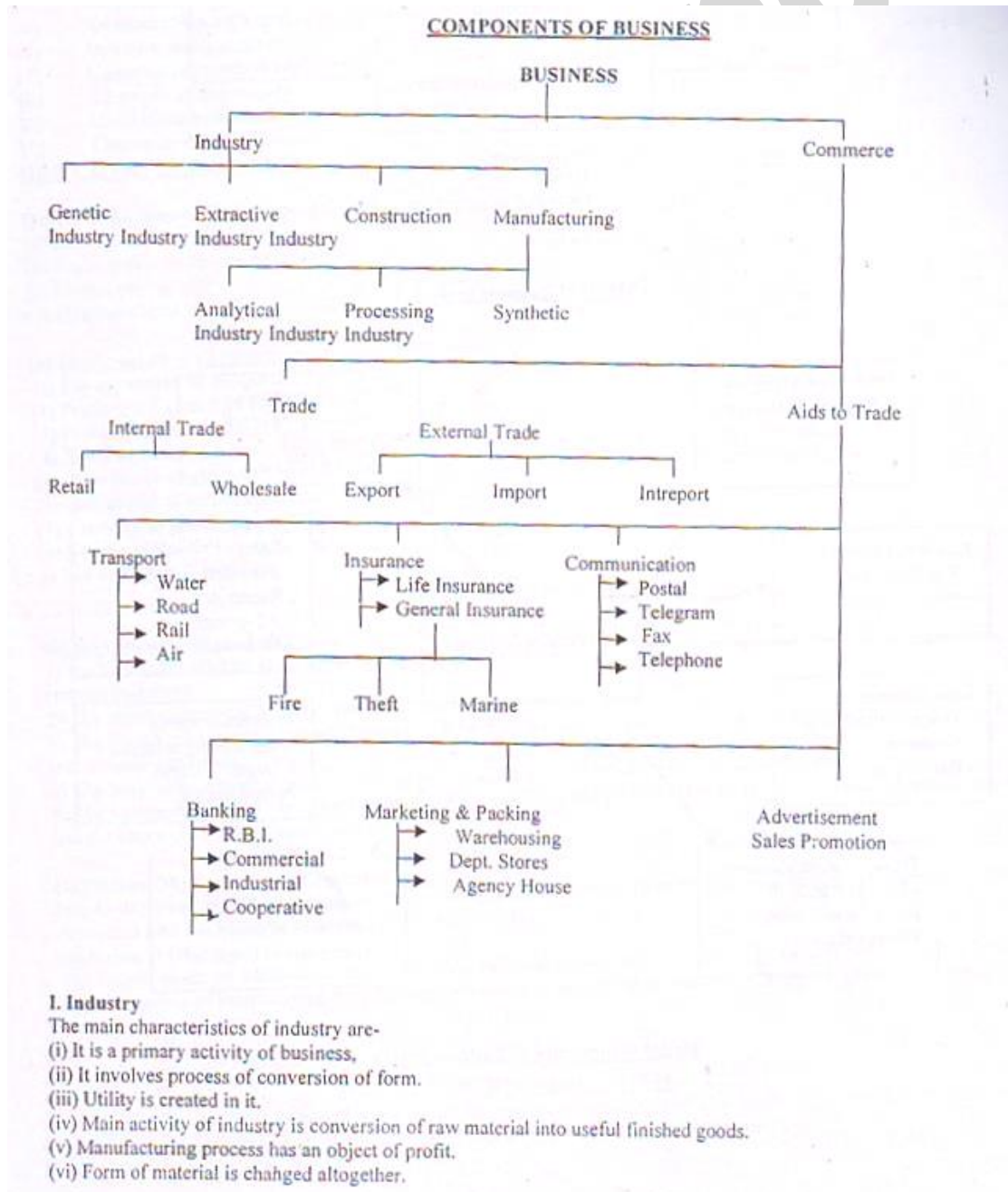
**Significance of Business Organization -**

- 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

### 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.

## 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.”

### 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



## Unit-II

### Forms of Business Organization

#### Sole Proprietorship

##### Meaning

“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 Mgt.
7. One man control
8. Continuity

##### Advantages of sole proprietorship

1. Easy to form and dissolve
2. Direct motivation and incentive
3. Quick decision and prompt action
4. Economy and elimination of wastage
5. Flexibility
6. Personal touch
7. High Secrecy
8. Benefit of inherited goodwill
9. Freedom of business

##### Disadvantages of sole proprietorship

1. Limited resources
2. Limited managerial skill & abilities
3. Unlimited liabilities
4. Temporary existence
5. Limited scope for expansion
6. Difficulty of personal contact in widely separated areas
7. Monotony and hard work
8. Hasty decision

### Partnership

#### Definition of Partnership:

“Partnership is the relation existing between persons 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 jointly or all”

#### Characteristics of Partnership:

1. Formation (two or more persons)
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 entry

### 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 an outsider is known as partner.
7. **Partner by estoppel or 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 is 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 from which it is 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 contributed 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 settling 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**

1. When a partner becomes of unsound mind.
2. When a partner suffers from permanent incapacity and becomes permanently incapable of performing his duties as a partner.
3. When a partner is guilty of misconduct affecting the business of the firm.
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 a 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.

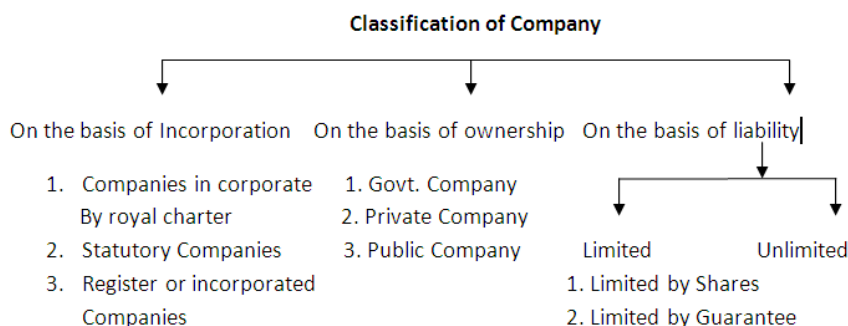


## JOINT STOCK COMPANY

**Definition & Meaning:** - A company is a voluntary association of persons formal and registered under the present company act, or under any previous laws. In the eyes of law. It is an artificial person having separate entity from its members, with perpetual succession and common seal. The capital of the company is divided into transferable shares and shareholders are called members.

### Characteristics of Company:-

1. Members/subscribers
2. Artificial person
3. Separate legal entity
4. Perpetual succession
5. Common seal
6. Limited liability
7. Share capital
8. Transferable shares
9. Separate property
10. Capacity to sue & to be sued
11. Limited capacity to contract
12. Management team
13. Existence Independent
14. Statutory obligation
15. Business or property on the name other than its own
16. Registered voluntary association/body corporate



### I. On the basis of incorporation or Registration

- a. **Chartered Companies:** Most of the early companies were set up through a Royal charter issued by the state or monarch.
- b. **Statutory Company:** A statutory company comes into existence by a special act of the parliament or legislature of the nation of the state. Its rights, duties, liabilities, powers objects, scope, etc. are clearly defined in the Act, which brings the company into existence.
- c. **Registered Company:** Companies which are registered under the provisions of the Companies Act of the nation concerned are known as "Registered Companies".

### II. On the basis of Liability

- a. **Companies with Unlimited Liability:** In the case of unlimited liability, a shareholder has to meet the debts of the company even from his private property in the event of winding up of a company.
- b. **Company with liability limited by guarantee:** The liability of members in such a company is limited to a specific amount guaranteed by the members. The purpose of such a guarantee is to enable the company to have funds to meet its liability at the winding up of a company.



- d. **Companies with liability limited by shares:** The liability of members in such a company is limited only to the amount of the shares held by them.

### III. Companies on the basis of Public Interest

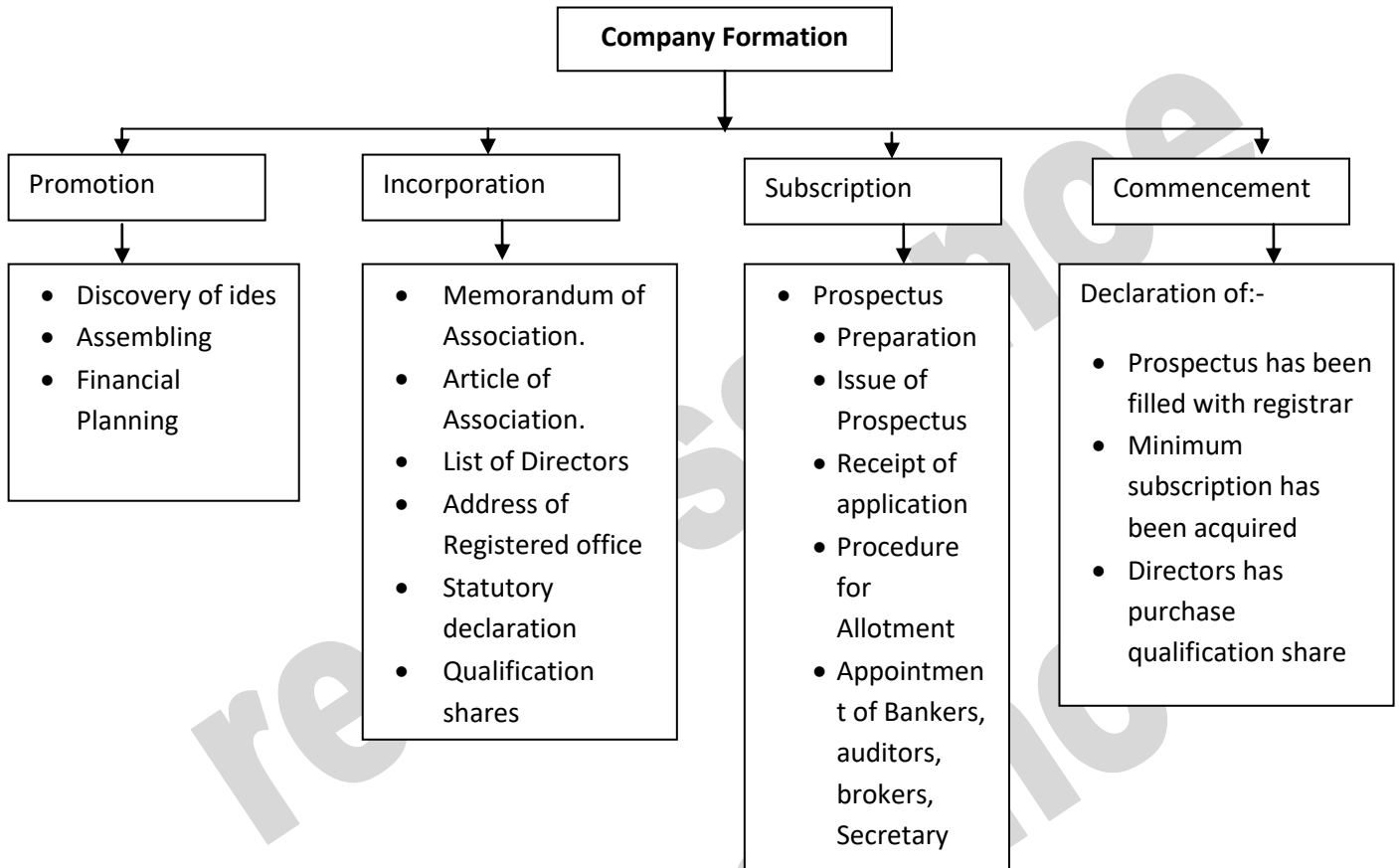
- a. **Private Limited Company:** A private company is one which, by its Articles:
- Limits the number of its members to fifty, excluding past and present employees;
  - Restricts the right of the members to transfer the shares; and
  - Prohibits the invitation to public to subscribe to the company's shares and debentures
- b. **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.
- c. **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.

### Advantages of Joint Stock Company

- Large Financial Resources
- Limited Liability
- Democratic Management
- Economies of Large Scale Operations
- Statutory Regulations
- Public Confidence
- Availability of Expert Services
- Research and Development
- Tax Concession
- Bolder Management
- Contribution to Society
- Economic Development
- Social Desirability

### Disadvantages of Joint Stock Company

- Difficult in Formation
- Bureaucratic Administration
- Lack of Personal Touch
- Excessive Government Control
- Concentration of Economic Power and Wealth
- Undue or Reckless Speculation in shares
- Lack of Motivation
- Delay in Policy Decisions
- Incapable Management and Fraudulent Tactics
- No Business Secrecy
- Conflicts of Interest



### 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. Voidable allotment

### CO-OPERATION ORGANIZATION

**Meaning:-** Co-operation is a form of organization, where in persons voluntarily associate together as human beings on the basis of equality for the promotion of economic interest of themselves.

### Characteristics of co-operative organization

1. Association of persons
2. An economic enterprise
3. Voluntary organization
4. Democratic organization
5. Equality of voting rights
6. Co-operative efforts
7. Distribution of profit
8. No transfer of shares



9. Liability
10. Cash Trading

### Types of co-operative

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

### Disadvantages:

1. Limited resources
2. Limited size
3. Weak management
4. Non-equitability of selfless workers and leadership
5. Absence of motivation or personal attachment
6. Lack of secrecy
7. Lack of public confidence
8. Non-cooperation among members

### Co-operative Organization

Co-operative society may be defined as a voluntary association of persons organized to look after their common interests through mutual Co-operation.



According to India Cooperative Societies Act, 1912. A co-operative society is a society which has its objects its promotion of the economic interests of its embers in accordance with co-operative principles.

In sense, it is nothing but self help made effective by organization.

**Main Features:**

1. Voluntary organization
2. Democratic management
3. Service motive
4. Equal voting right
5. No dividend hunting and fair return on capital
6. Government control
7. Mutual relation (Limited we stand divided we fall)
8. Non Transferability of shares
9. Cash sale
10. Training grounds for mutual solidarity

**Advantages of Co-operatives-**

1. Easy formation
2. Limited liabilities
3. Perpetual existence
4. Open membership
5. Availability of Government assistance
6. Social service
7. Development of human values
8. Reduction in the cost of marketing
9. Tax advantage
10. Democratic management (one member one vote)

**Disadvantages:**

1. Lack of secrecy
2. Lack of initiative and incentive
3. Specialized management is not always possible
4. Excessive state participation
5. Lacks business leadership
6. Limited scope
7. Good ground for selfish interest
8. Lack of mutual interest.

**Formation of Co-operative:**

To get a co-operative society registered there must be at least ten adult persons. These persons will have to submit a joint application for registration to registrar. It contain following information-

1. The name of the society.
2. The aims of objectives
3. Division of share capital
4. Names & addresses of the embers
5. Two copies of the bye-laws
6. Two copies of the rule and regulation of the society.

One receipt of the application, the Registrar will scrutinize it and he will issue a certificate of registration.

**Company Organization**



Meaning: A joint stock company is a body corporate with a common seal and perpetual succession owned by a large number of persons known as shareholders who contribute to the capital of the company with the right to transfer their individual shareholdings.

In brief, a company can be defined as an artificial person with its independent legal entity.

Main features:

1. Artificial legal person
2. Common seal
3. Perpetual succession – continues life & stable existence
4. Distinct legal entity
5. Limited liability
6. Expert management due to separation of ownership from management
7. Transferability of share
8. Large membership
9. Association of persons
10. Wide investment facilities

Advantages:

1. Limited liability
2. Transferability of shares
3. Facilities of large scale production
4. Stimulus to saving
5. Permanent existence
6. Diffused risk
7. Lower tax liability
8. Flexibility in management

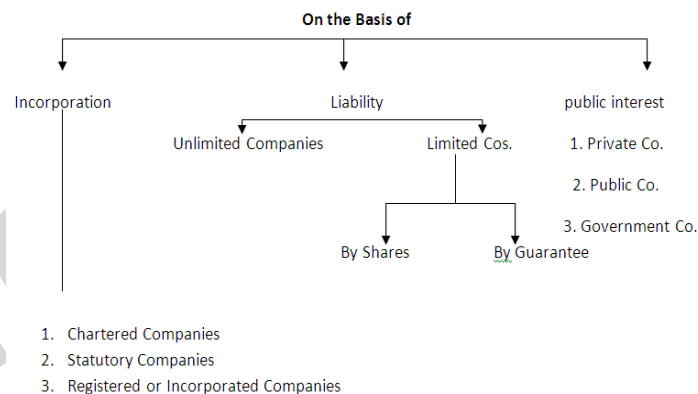
Disadvantages:

1. Difficulty in formation
2. Lack of personal interest
3. Lack of secrecy
4. Fraud by promoters
5. Delay in decision making
6. Unhealthy speculation
7. Cumbersome and excessive legal control.

### KINDS OF COMPANIES

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

#### CLASSIFICATION OF COMPANIES





### 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.

### Private and Public Company

**Private Company:** Under Section 3 (i) (iii) of the Companies Act, a private company has been defined as a company which by its Article of Association.

- (a) Restricts the right to transfer the shares, if any,
- (b) Limits of numbers of its members to fifty, and
- (c) Prohibits any invitation to the public to subscribe for the share or the debenture of the company.

**Public Company:** Under Section (3) (i) (ii) of the Companies Act, a public company is a company which is not a private company. By implication, a public company is one which places no restrictions by its Articles of Association on the transfer of share or on the maximum number of members can invite the public to subscribe for its shares and debenture and public deposits.

The distinction between a private company and public company has been detailed out in a more orderly manner in Table.

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 sig the memorandum and articles of	Seven members need to sig the documents.



	association.	
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.

### Privileges of a Private Company

In spite of certain restrictions imposed on a private company, it enjoys certain privileges under the Companies Act. That is why a substantial number of entrepreneurs prefer to form a private company. Following are the important privileges granted to a private company:

- (i) For forming a private company, only two members are required.
- (ii) A private Company is required to have only two directors
- (iii) Such company is not required to file prospectus or a statement in lieu of prospectus with the Registrar of Companies.
- (iv) It can commence its business immediately after incorporation.
- (v) It is also not required to hold a statutory meeting nor it is required to file aq statutory report.
- (vi) The directors of a private company are not required to give their consent to act or to take up their qualification share prior to their appointment.
- (vii) A non member cannot inspect the copies of the Profit & Loss A/c files with Registrar of Companies.
- (viii) Limit on payment of maximum managerial remuneration does not apply to a private company.
- (ix) Restriction on appointment and reappointment of managing directory does nor apply to such company.
- (x) A private company is not required to a maintain an index of its membership.

### 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 Management of State Enterprise

#### I Management through private agency:

**Features:** enterprise is owned by the Govt. but its management is entrusted in the hands of some private agencies.

##### Merits

1. Such form of Public enterprise is suitable for under developed countries.
2. This may be adopted in countries where the state has no experience of running industrial enterprise.

##### Demerits

1. The private agency continues to dominate.
2. Difficult to interfere in the day to day working of the private agency.
3. It is difficult to assess whether the private agency is functioning efficiently and economically.
4. Govt. relinquishes the power of administering the policies of the concern.

#### II Departmental Management

##### 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. Suffers 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.

#### III Government Company Form Management

##### Features

1. A Govt. company is incorporated under the companies act 1956.
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. It is the chicest compromise between the departmental form and public corporation.

**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.

#### IV Public Corporation from of Management

**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 his 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.

### MULTINATIONAL CORPORATION AND TRADE

#### MULTINATIONAL CORPORATIONS

Multinationals companies (MNCs) are the organizations or enterprises that manage production or offer services in more than one country.

#### INTERNATIONAL TRADE

International trade is exchange of capital, goods and services across international borders or territories.

#### EVOLUTION

- Since times immemorial.
- Unexpected expansion after World War II.
- The post 1990s has given greater fillip to international trade.
- The MNCs which were producing the products in their home countries and marketing them and various foreign countries before 1980s, started located their plants other manufacturing facilities in foreign/host countries.

#### ADVANTAGES OF MNCs

- Promotes economic growth
- Provide slower-period, higher-quality goods to consumers



- Brings capital
- Transfer technology: including organizational, management and marketing skills
- Pay higher wages (increase productivity)
- Introduces competition to domestic firms

#### DISADVANTAGES OF MNCs

- Foreign business can destroy local businesses
- The finance brought into a country by an MNC may be badly managed by that country's government.
- Avoidance of taxes by manipulating prices.
- Market power-After firms driven out can exert market power and increase prices, create barriers to entry

#### IMPORTANT FACTS

- 500 largest MNCs control over 1/2 of global trade flows and 1/5 of global GDP.
- 90% of world's 500 largest MNCs are in North America, Japan and Europe.
- More than 40% of the total exports of China is done by MNCs affiliates.
- BP (British Petroleum) operates in more than 100 countries.
- Marks & Spencer source its goods from more than 70 countries.

#### WHY GO INTERNATIONAL?

- Expanding the production Capacities beyond the Demand of the Domestic Country.
- Serve Competition in the Home country.
- Limited Home Market.
- Nearness to Raw materials.
- Availability of Quality Human Resources at Low Cost.
- To Increase Market Share.

#### FOREIGN GLOBAL 500 (2010) HOW COMPANIES STACK UP

- UNITED STATES 139
- JAPAN 71
- CHINA 64
- FRANCE 39
- INDIA 8
- The largest component of the annual \$2.5 trillion trade in international services is travel and tourism.

#### IMPORTANCE OF MNCs IN INDIA

- Huge market potential of the country
- FDI attractiveness
- Labor competitiveness
- Macro-economic stability

#### WHAT INDIA OFFERS

- Billion plus population
- India ranked 10<sup>th</sup> largest economy, 4<sup>th</sup> largest in terms of purchasing power parity
- 250-300 million middle class
- Gross domestic product (GDP) growing at over 8-9%, makes it one of the fastest growing economies in the world
- Easier access to capital



**MNCs IN INDIA**

- Since the economic liberalization ushered in 1991, many multinationals in different lines of business have entered the Indian market.
- The scenario for 'MNC in India' has changed a lot in recent years, since more and more firms from European Union like Britain, Italy, France, Germany, Netherlands, Finland, Belgium etc. have outsourced their work to India.
- Finnish mobile handset manufacturing giant Nokia has the second largest base in India.
- India is perceived to be at par with China in terms of FDI attractiveness by 'Multinational Companies in India'.



## UNIT 3 COMMUNICATION

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

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”.

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.

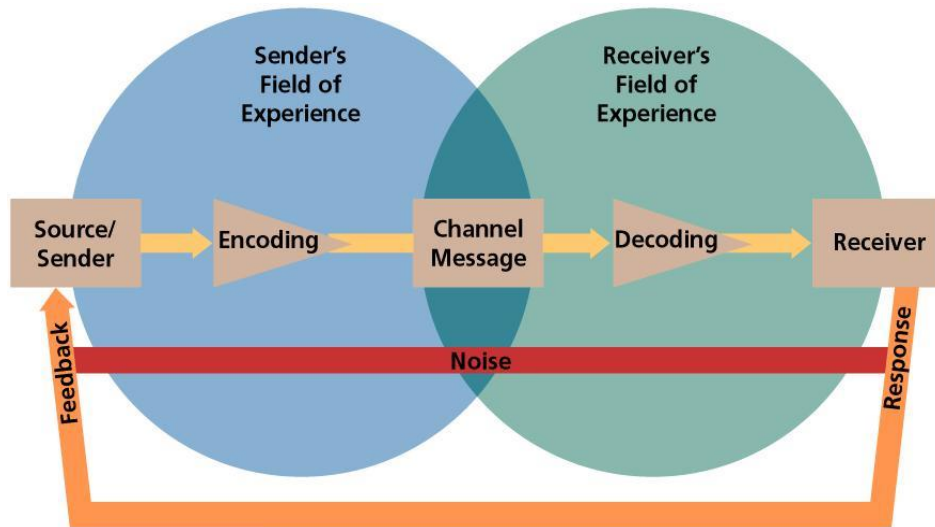
**DIFFERENTIATE BETWEEN FORMAL AND INFORMAL LANGUAGE;**

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

CLASS:-B.COM II SEM.

SUB. - BUSINESS 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.

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

#### Non verbal communication is used because -

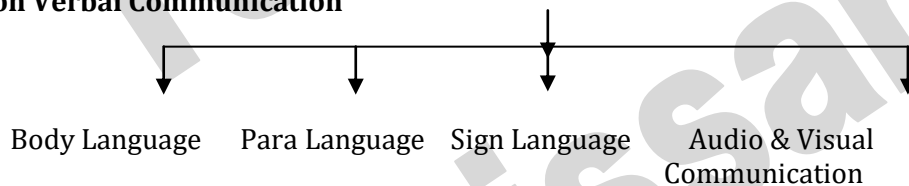
1. words have limitations
2. non-verbal signals are powerful
3. non-verbal messages are likely to be more genuine
4. non-verbal signals can express feelings in appropriate to state
5. a separate communication channel is necessary to help send complex messages

**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.

#### Non Verbal Communication



#### The Role of Different Parts of the 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.

#### 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



### Para Language-

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.

### 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.

**Visual Signs-** the signs which are generally used so as to know the meaning which the sign identifies. The best example are the similes used during chatting in yahoo or other mails.

### Channel of Communication

**Meaning** - Communication channel are established by the organization and are accepted & recognized by employees & managers.

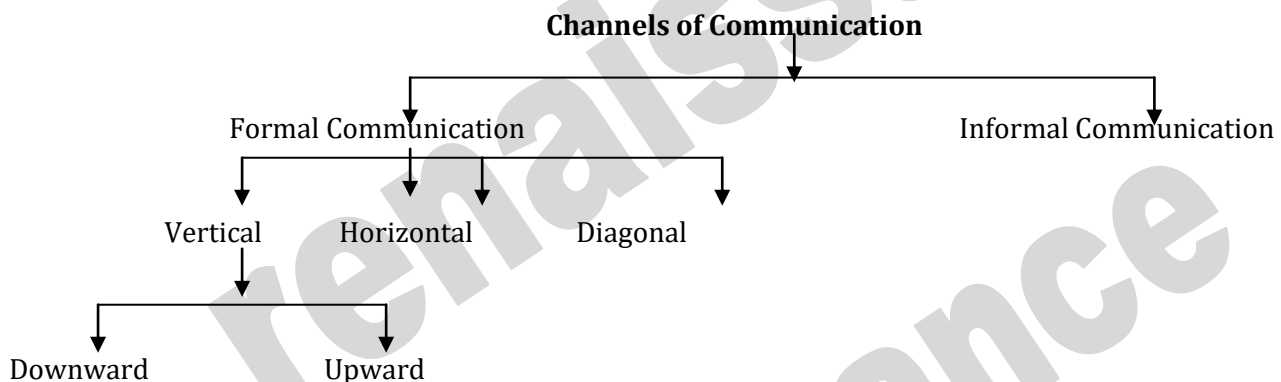
#### External communication-

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

- 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.
- 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



- 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 –

##### (i) Grape vine-

- 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.

##### Meaning –

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.

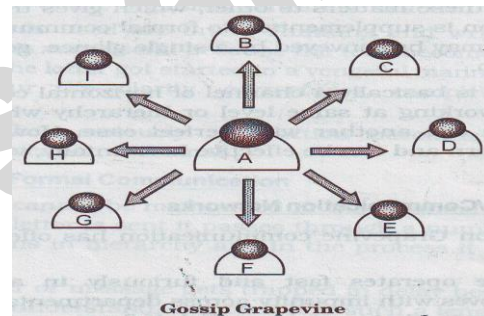
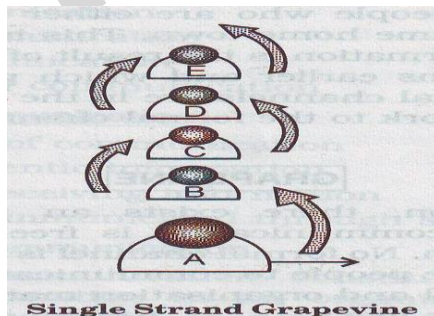
##### Of four types:

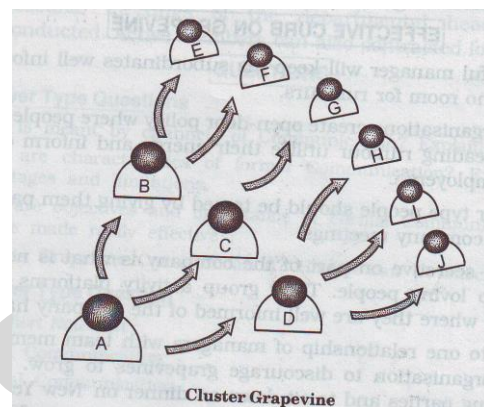
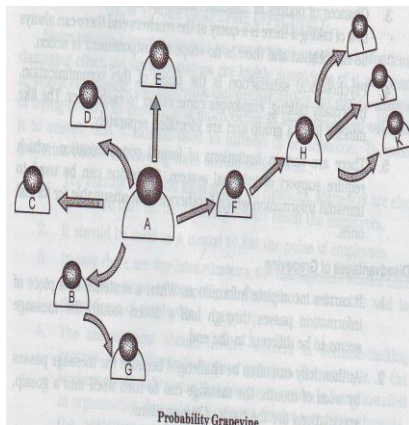
**Single strand:** flow like a chain

**Gossip:** one person tells everybody else

**Probability (random):** information may move from anybody to anybody.

**Cluster:** moves through selected groups





### Importance :

- Emotional relief,
- Harmony in organization
- Supplement to other channels,
- A fast channel,
- Provides feedback

### Demerits:

- distortion of information
- may transmit incomplete information
- travels with destructiveness

### To use effectively, the manager should

- keep an eye on rumours-managers,
- use it primarily for feedback,
- contradict rumours promptly,
- involve the workers in the decision-making process.

### Barriers to 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.

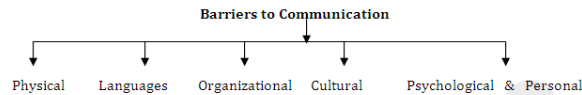
A communication becomes successful only if the receiver understands what the sender is trying to convey. When your message is not clearly understood, you should understand that your message is facing a barrier.

### 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



- 1) **Physical barrier** - Physical barrier in an organization includes large working areas that are physically separated from others.
- Marked out territories, empires into which strangers are not allowed.
  - Closed office doors, barriers screens, separate areas for people of different status.
- Physical barriers may include-

- Noise
- Improper Time
- Physical Distance
- Information Overload

### 2) Language barrier -

The barrier created due to the improper use of language, words, phrases, etc.

**Variety of Meaning:** For example: a person may be present at function and receive a present and present some thoughts on budget.

### 3) Cultural barrier -

- 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.)

**Organizational barrier** - The factors internal to the organization which adversely affect the flow of communication are called organizational barriers.

#### This includes -

- Organization policy
- Rules and regulations
- Status difference
- Complex organizational structure
- Facilities
- Wrong choice of channel

### 1) Psychological or emotional or perceptual barrier & personal-

One of the chief barriers to open & free communication is the psychological or emotional barrier. It is comprised mainly of fear, mistrust & suspicion. The roots of our emotional mistrust of others lie in our childhood & infancy when we were taught to be careful for what we said to others.



### 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.

### How to overcome communication barriers-

- Shortening the line of communication.
- Use of simple and meaningful language.
- Developing patience to listen & understand others.
- Keeping it short.
- Utilizing the feedback
- Developing mutual trust
- More use of informal & face-to-face talks
- The communication audit
- By avoiding pre-mature evolutions
- Giving due importance to gesture & tone
- Co-ordination
- By communicating so as to express & not to impress
- By having a personal touch in communication

### Introduction

**“Reading maketh a full man, writing an exact man, conference a ready man”.**

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.



## Unit-V

### Written business communication includes-letters, memoranda, agenda, manuals, reports, etc.

- The decisions of the management concerned with objectives policies, programs, procedures, budgets, etc are normally expressed in writing.
- Written communication is recommended when evidence of events and proceedings are required to be kept for future references & when many persons are to be contacted at the same time.
- Every piece of written communication requires use of human memory, imaginative power. Ability to observe and think & mastery over language.
- When writing messages, it would be wise to adopt the K.I.S.S. principle which means "keep it short and simple." To make the meaning clear so that it accomplishes the desired purpose.

### 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.

### **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: -**

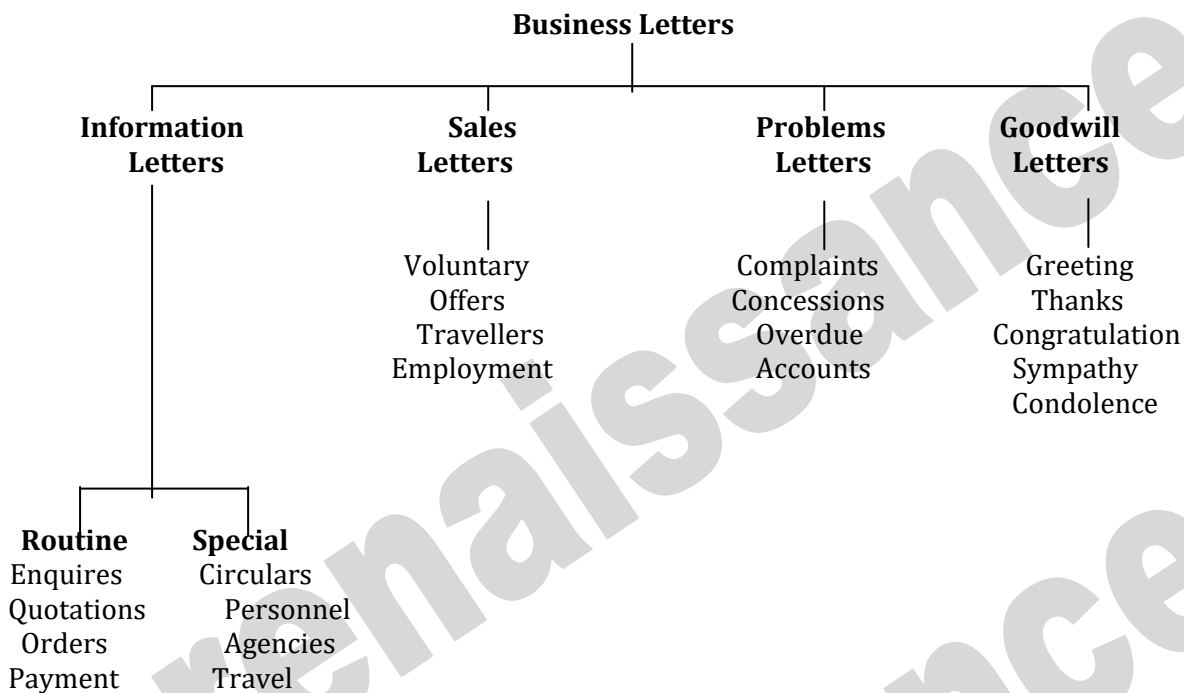
1. To provide a convenient and inexpensive means of communication without personal contact.
2. To give or seek information.
3. To furnish evidence if transactions entered into.
4. To provide a record for future reference.

### **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 reader's 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's 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 writer's approach should be so sincere & convincing that the reader must be forced to believe in what is written.
9. **Positive language:** Positive words stir up positive feelings. 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 – <a href="mailto:universalpub@rediffmail.com">universalpub@rediffmail.com</a>
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	<b>Subject-</b> Supply of the T.V. Sets <b>Subject</b> – 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"><li>• Words of Honour/salutation is like a greeting to another person.</li><li>• <b>Dear Sirs,</b> In case of addressing a firm, company, association, society, board etc.</li><li>• <b>Dear Sir,</b> In case addressing an officer by name.</li><li>• <b>Dear Rajni Ji,</b> In case of close relation.</li></ul>
9.	Starting sentence	Writer can begin the letter with the use of following sentences: <ul style="list-style-type: none"><li>• We have the pleasure to inform you....</li><li>• Many thanks for your letter.....</li><li>• With reference to your letter dated.....</li><li>• We shall be highly obliged to you.....</li><li>• We acknowledge receipt of your letter....</li><li>• Pleaser refer to your letter.....</li><li>• Thank you for your letter.....</li><li>• I regret to inform you that....</li></ul>
10.	Body part	Body part is the soul of a letter. In the body, message can be passed in following sequencer: <ul style="list-style-type: none"><li>• Reference to any correspondence, Which has already taken place</li><li>• Main message should be indicated.</li><li>• State your expectation or intention.</li></ul>
11.	Closing sentences	Following sentences may be used at the concluding part of a letter: We look forward to hearing form you..... We would be grateful for an early reply.... We shall, of course, be happy to order..... On hearing form you, we shall..... Hoping to hear from you soon .....



12.	Complimentary Close	The complimentary close is a polite way of ending letter. It is typed two space below the closing sentence as shown herewith: Your faithfully (if salutation starts with sir) Yours faithfully (if salutation starts with sirs) Your (may also be started in cases of close) Yours sincerely relation.)
13.	Signature	<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> <p>Individual <i>Yours faithfully,</i> //Singnature// Salman Khan</p> <p>Firm <i>For govinda &amp; bros.</i> //Singnature// Govinda</p> <p>company <i>Yours faithfully,</i> //Singnature// Shaharukh Khan Managing director Or For Govind Khemka //Singnature// Managing Director</p>
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-VI

### **The Modern Means of Communication in India**

The means of communication help us to send our messages and ideas from one place to another. In the modern world the means of communication have become very important. In old days it was very difficult to send our messages and receive messages from far off places. This sending and receiving of messages and ideas is known as communication. 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?

#### **iPhone -**

Apple's stunning smart phone is the must-have gadget of this decade, and with its incredible range of 'apps', it seldom falls short of its glossy marketing. From apps which tell you the weather, to apps which tell you what recipes you can make from the ingredients in your cupboard, the iPhone goes beyond being a mere method of communication and practically runs your life for you.

#### **Blackberry -**

A favourite of the modern businessperson, the Blackberry is the iPhone's main rival, and it often seems that the world is divided on the subject of which is best. The Blackberry is especially noted for its instant email notifications, which allow businesspeople to stay on the ball at all times.

#### **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.



### **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](http://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