

BUSINESS ETHICS

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1.	Principles of business ethics
2.	Corporate governance and social responsibility
3.	Work place ethics
4.	Environmental ethics
5.	Ethics in marketing and consumer protection
6.	Ethics in accounting and finance

CHAPTER 1-- PRINCIPLES OF BUSINESS ETHICS:

Principles of Business Ethics:

- a. Any principle is a fundamental truth valid for all times, at all places and under all circumstances.
- b. It is a generalisation of fact and indisputable and inviolable
- c. Scientific principles are verified with the help of experiments.
- d. This is called empirical verification.
- e. Business is an economic activity with profit objective.
- f. Profit is the resultant of exchange or transfer of goods or services for value to satisfy human wants.
- g. Such an exchange takes place frequently.
- h. Now Ethics is a word, derived from the Greek word Ethikos, which is concerned with "what is good and morally correct".
- i. Ethics deals with conduct of a person in the society.
- j. The peculiar nature of money is that, more and more of it [money], makes the individual ignore social responsibilities.
- k. Paradoxically it is the society which is the very source for a business man to earn his profits from.
- l. It is therefore unjust to even think of making profits even at the cost of damage to society. This would defeat the fundamental principle of humanism "GRATITUDE"
- m. According to sage **Tiruvalluvar**,
"There is redemption for men who are guilty of every other crime; but ungrateful wretch shall know of none".
[Ennandri kondtrarkum uivundam uivillai sei nandri kondra maharku] chapter- 11, verse 10 of Tirukkural.
- n. Thus profits earned by following such unethical means will be regarded as unjust enrichment at the cost of welfare of the society.
- o. Thus if profit is the desired end result, then the means adopted shall be as important as that of the end. [Mahatma Gandhi].

SEVEN SOCIAL SINS ACCORDING TO MAHATMA GANDHI

1. Politics without principles.
2. Wealth without work.
3. Commerce without morality.
4. Knowledge without character.
5. Pleasure without conscience.
6. Science without humanity.
7. Worship without sacrifice

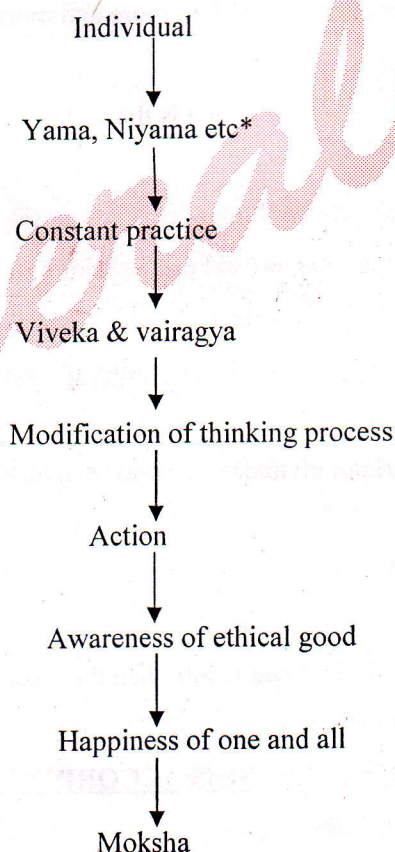
Ethics talks about what we should do and what we should not. Here while choosing what we should do, we shall choose such activities which will do good for us and also for the society. In order to ensure this ethical codes of conduct were developed. When codes of conduct were followed, acceptable behaviour blossomed.

QUOTATION BY TIRUVALUVAR:

“Moral law prohibits certain activities. When a person ignores them, and proceeds with certain activities. Even though he succeeds, the success will bring grief to him.

When a person is selfish and ignores the welfare of the society obviously his activity will result in harm to the society. Conversely when he works for the welfare of the society, automatically his welfare is also taken care of. Socrates was of the opinion that the most important effort by the individual shall be to realise and improvise the soul. That is why Swami Vivekananda said, “Unselfishness is God”.

According to Indian Philosophy, “Viveka” i.e. Discrimination and “Vairagya”, i.e. Dispassion are necessary for the attainment of Moksha. Therefore Socrates is in agreement with Indian Philosophy.



*According to Patanjali's yoga sutras, there are eight disciplines to be followed as under:

Yama, niyama, asana, pranayama, pratyahara, dharana, dhyana and Samadhi.

MORALS & ETHICS

1. Moral relates to principles of right or wrong. But, Ethics means Ethos which means character.
2. Character is a personal attribute while conduct is a group behaviour. Morals are accepted from authority which may be cultural or religious.
3. Suppose a person accepts the authority of religion and religion forbids stealing, then stealing would be immoral.

ETHICAL DILEMMA

1. When decisions have to be taken from various alternatives, every person faces, ethical dilemma.
2. That is, professional responsibilities, come in conflict with our deepest values. Profound truths about dilemma between right and wrong, there is troublesome grey area.

STEPS IN DECISION MAKING TO REDUCE THE ETHICAL DILEMMA

1. Define the problem.
2. How will you define it from the opposite side.
3. How did the situation arise
4. To whom are you loyal, as a person or as member of the organization.
5. Intention in making the decision.
6. Compare your intention with the probable results.
7. Who are likely to be injured by the decision.
8. Can you discuss the problems with the affected parties.
9. Can you discuss your decision with anybody without any doubt.

BENEFITS OF BUSINESS OF BUSINESS ETHICS

1. Improved society.
 2. Maintenance of moral course.
 3. Cultivates strong team work and productivity.
 4. Ensures policies and legal compliance.
 5. Avoids criminal acts of omission.
 6. Strong public image and goodwill.
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Chapter 2--CORPORATE GOVERNANCE AND SOCIAL RESPONSIBILITY

CORPORATE GOVERNANCE:

1. It is about promoting fairness, transparency and accountability.
2. This is achieved by proper structure, process of decision, nature of control and behaviour at the top level.
3. It is also viewed as a formal system of accountability for ethical and socially responsible decisions and use of resources.

MAJOR FACTORS OF CORPORATE GOVERNANCE:

1. Accountability of Board Of Directors.
2. Financial disclosure and control which is achieved by corporate structure and audit committee.
3. Stock options.

ISSUES IN CORPORATE GOVERNANCE

1. This arises in all categories of Indian companies. Like PSU's, MNC's domestic business groups.
2. Audit committees not only consider the compliance based ethical issues, but they look up Ethics more broadly and pro-actively.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

There is something more than making profits alone. CSR focuses on the obligations of the business as social responsibilities which includes the undermentioned areas:

- Economic responsibility.
- Legal responsibility
- Ethical Responsibility

When CSR is pursued by business it balances ethical, environmental and social objectives, scandals like ENRON, DAEWOO, etc affected capital markets, all over the world. Therefore issues like ethics, accountability and transparency became important issues.

CSR is a continuing commitment by business to behave ethically and contribute for economic development.

CSR is an integrated combination of policies, programmes, education, and practices which extend throughout the enterprise.

WHY CSR?

1. To retain social role.
2. Fulfil long term interest.
3. Establish public image.
4. Abide by the government regulations and controls.
5. Avoid abuse of national resources.
6. Minimise environmental damage.

EFFECT OF CSR:

1. Increased stake holder activism.
2. More sophisticated stake holder engagement.
3. Accountability through value chain.
4. Advances in information and technology.

IMPLEMENTATION OF CSR

1. Adherence to labour standards.
2. Respect for human rights.
3. Protection for environment.
4. Avoidance of bribery and corruption
5. Consumer protection.

STRATEGY FOR IMPLEMENTATION OF CSR

1. Mission, vision and value statement.
2. Cultural values.
3. Management structure.
4. Strategic planning.
5. General accountability.
6. Recognition and reward.
7. Communication education and training & Reporting

BENEFITS OF CSR

1. Improved financial performance.
2. Reduced operating cost.
3. Enhanced brand image and reputation / goodwill
4. Increased sales, productivity and quality
5. Ability to attract and retain employees

Chapter 3 --WORKS PLACE ETHICS

Emerald's

The work place ethics means how a person applies values to work in decision making. It is a set of right and wrong activities which has impact on the work place. It is about choosing the right thing even though it may not be always good. For example, a subordinate knows that the boss is corrupt and if the subordinate gives evidence, against the boss he may lose the job. But ethically it is correct to tell the truth whatever may be the consequence.(George Washington story).

FACTORS INFLUENCING THE ETHICAL BEHAVIOUR:

1. Individual standards and values.
2. Influence of the managers and colleagues.
3. Opportunity.
4. Combination of all of them

EXAMPLES OF ETHICAL ISSUES FACED IN THE WORK PLACE:

- A. Relationship with suppliers:
 - a. Bribery and immoral entertainment.
 - b. Discrimination between suppliers.
 - c. Dishonesty in making and keeping contracts.
- B. Relationship with customers:
 - a. Unfair pricing.
 - b. Cheating the customer.
 - c. Dishonest advertisement
- C. Relationship with employees:

Discrimination in hiring and treatment of employees
- D. Management of resources:
 - a. Misuse of organisational funds.
 - b. Tax evasion

ETHICAL DILEMMA

Very often Managers are confronted with Ethical dilemmas while taking decisions. Ethical dilemmas occur, when two alternatives are equally justifiable. One set of relationships which cause dilemma are discipline, performance appraisal, internal safety, etc. Another set is concerned with suppliers, customers, environmental factors, etc., These are external factors.

Ethical issues can be broadly classified as under:

1. Business relationship.
2. Conflict of interest.
3. Fairness and honesty.
4. Communication.

Business relationship:

Managers in general, have opportunity to influence, their authority for employees' action. Eg: A manager compels a subordinate to use a pirated software. This is illegal. Now the employee is under pressure and the company is under legal risk. The employee is said to be in Ethical Dilemma.

Conflict of interest:

Conflict of interest arises when a person has to choose between his personal interest and that of the organization's interest.

Eg: suppose Mr X is the General Manager, purchases, in a fertilizer company. Let us assume his son is also manufacturing some raw materials which are needed by the fertilizer company. Obviously Mr X will be interested in placing orders for the supply of the raw materials with his son. The company follows very strict quality control norms for various supplies made. If the quality of raw material supplied by the son is inferior, then the interest of the company will be at stake. If he does not place order with his son, the son loses an opportunity to make profit. Now, for Mr X, there is a conflict of personal interest & organizational interest.

Fairness & Honesty:

Every businessman shall obey the applicable laws. They are also expected not to harm any customer, supplier whether knowingly or unknowingly through deception, misrepresentation, fraud etc. Eg: Mitsubishi Motors, Japan.

Communication:

Miscommunication through false and misleading advertisements, deception, personal selling tactics, etc may anger the customers. Truthfulness about the product safety, and quality is very important..

Eg: many customers filed law suits against Johnson & Johnson company. The company directed the customers to dispose of the contact lenses [acuvue] everyday and replace with a new one the next day [use & throw]. The suit claimed that the "one day acuvue lens" and the constant acuvue lens were one and the same. They claimed that the constant acuvue lens can be used for two weeks. Thus they stated that they spent \$1.1b on unnecessary replacements. The court ordered for payment of a compensation of \$800m.

Discrimination:

This means distinguishing one from the other. This is referred in the earlier chapter as VIVEKA.

Discrimination should be only for discriminating between the good and the bad. But discriminating employees should be discouraged.

Three basic elements in discrimination:

1. Decision against a few employees not based on their merits.
2. Decision derived entirely from racial or other prejudices which are morally unjustified.
3. The decision has negative impact on the interest of the employees.

Discriminating practices:

1. Recruitment practices based on word of mouth reference of employees.
2. Screening practices, qualifications, interviews, assumptions like occupation suitable for women
3. Promotion practices.
4. Conditions of employment, regular outsourcing et.c
5. Dismissal – firing an employee for flimsy reasons

Importance of ethical behaviour: If ethical issues are not properly recognised and practised, following problems could arise:

1. Unethical decisions.
2. Inability to recruit and retain top people.
3. Diminished reputation.
4. Significant legal exposure

CHAPTER 4 -- ENVIRONMENT AND ETHICS

“SARVATHRA SUKHINA SANTHU”: LET EVERY ONE BE HEALTHY

“SARVE SANTHU NIRAYA MAYAA”: LET EVERY ONE ENJOY FULL HEALTH

With the advent of 21st century, the world is noticing many changes in the environment. On the one hand we have material prosperity and on the other there is depletion of natural resources, rising pollution, global warming loss of plant and animal species.

Significantly the industrialisation has played its role to all its effects.

SUSTAINABLE DEVELOPMENT:

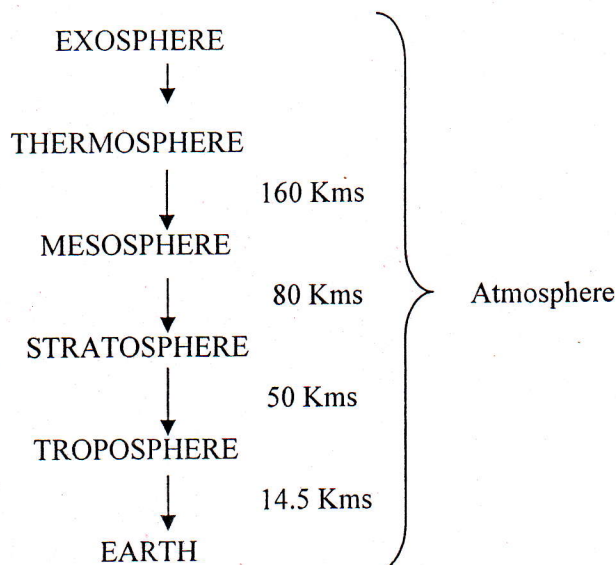
It means maintaining development over a period of time and at the same time it should satisfy socio economic environment. So, on the one hand we have to regenerate the resource and on the other minimise the depletion of the existing resources.

POLLUTION & RESOURCE DEPLETION:

Air pollution caused by leakages of methyl isocyanate, from union carbide factory in Bhopal, on 3rd December, 1984, killed 3000 people. Carbon di oxide, nitrous acid methane and chloro fluoro carbon, occur naturally in atmosphere. They absorb and hold heat from the sun. They prevent the heat from escaping back to the space. Thereby the temperature of the earth is maintained at an average of 33-degree centigrade. If this did not happen, the temperature of the earth would drop so low thus making the existence of life impossible. Due to industrialisation, average global temperature has gone up by 1- degree, higher than the temperature which prevailed during 1900. It is expected to rise by 4.5 degrees. This will expand the deserts, melt the polar ice caps and also raise the sea levels.

Ozone depletion and consequential global warming is the topic discussed world over to find out the ways and means of preventing the same. The layers of the atmosphere, the effects of gases raising to the different layers and the consequential changes are depicted in the form of chart in the next page.

OZONE DEPLETION”



CFC gases rise up to the level between stratosphere and mesosphere and destroy ozone molecules. They remain there for 75-130 years and continue to break the ozone molecules.

WATER POLLUTION:

In 1985, 11,000- oil spills 24 million gallons in ocean was found to contain traces of plutonium & caesium which are radioactive. Per capita water supply is sinking and is 30% less than what it was 25 years ago. On the other hand due to increased urbanisation to meet the demand for drinking water, water from agricultural irrigation is diverted to human consumption. This results in short supply of water for agriculture.

LAND POLLUTION: Solid wastes:

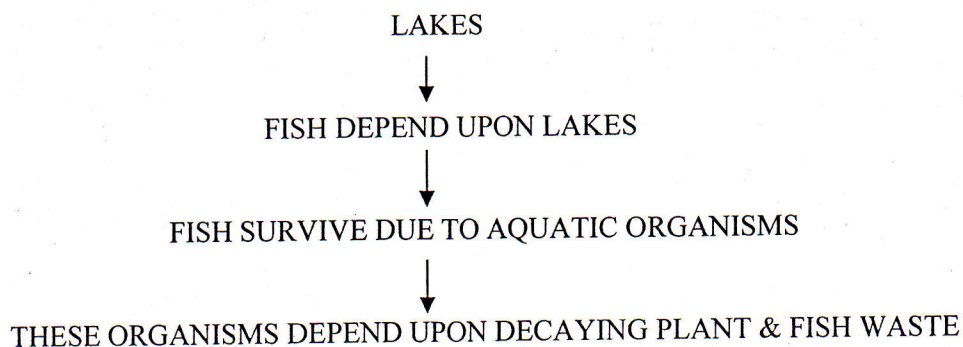
1. People in cities dump tons of solid wastes.
2. These wastes emit toxic gases like methane, hyderogen sulphide etc.
3. There are also toxic and poisonous substances found in the solid wastes like Cadmium in rechargeable batteries, mercury, lead [from car batteries], from TV picture tubes, vanadium and copper, zinc and other items.

HAZARDOUS TOXIC SUBSTANCES:

1. Substances which cause increase in mortality, irreversible and incurable diseases.
2. Benzene is a common chemical which is used in Plastics, Nylon, Food additives, detergents, drugs, Gasoline.
3. Benzene causes Leukamea [blood cancer]
4. Industrial chemicals used to produce plastics cause liver damages, birth anomalies, respiratory disorders etc.
5. Effluents from Star Hotels which use Laundry chemicals for washing linen and certain chemicals to preserve raw-meat affect the environment resulting in drastic changes in Biological Oxygen Demand contents and Chemical Oxygen Demand contents.

ECOLOGICAL ETHICS:

1. Ecological system refers to an interrelated and inter dependant set of organisms with environment.



ACID RAIN:

1. When there is combustion of fossil fuels, oil, coal and natural gas it causes great threat to the environment.
2. Coal contains sulphur and nitrogen. When coal is burnt, large quantities of sulphur dioxide, nitrous oxide are released in to atmosphere.
3. When these gases combine with water vapour in the clouds, they form nitric and sulphuric acid.
4. Rains, carry these acids and when they fall in the lakes and trees water resources and other vegetation get acidic.
5. Due to this, aquatic organisms are unable to survive and rivers become acidic.
6. Acid rain directly damages forests and wild life.
7. Acid rains can corrode buildings & can cause damage.

CHAPTER 5 --ETHICS IN MARKETING & CONSUMER PROTECTION

It is the task of the marketing professionals to influence the customer to buy their product or utilise their services. They use several methods to achieve this. They are as under:

1. Design of the product
2. Offered price for the product
3. Message used to describe the product.
4. Place in which it is made available to the customer.
5. We know that ethics is a study about the "STANDARDS OF MORAL CONDUCT".
6. To act according to the moral standards is called Ethics.
7. Generally people are ethical.
8. But when pressurised by the circumstances, they face dilemma.
9. Marketing professionals are prone to such situations very often.
10. Furthermore it is very difficult to draw a line between what is ethical and what is not ethical.
11. It is also a wasteful exercise to draw a two column table with List of Ethical items on the one side and list of un Ethical items on the other side.
12. Ideally one has to act according to the situation.

What are the reasons for Ethical behaviour?

1. To reverse the declining public confidence in marketing:
 - a. Suppose an organization adopted some unethical practices in the past so as to maximise its profits, like misleading package labels, false claims ads, phony list prices, infringement of established trademarks etc.
 - b. Consequently the image of the organization would have spoiled.
 - c. Hence it becomes necessary to reverse the situation in order to survive and grow.
2. To avoid increase in Govt Regulations:
 - a. When an organization shows business apathy [lack of interest], resistance or token responses to unethical behaviour, the Government imposes more regulations.
 - b. Most of the Government regulations are as a result of unethical practices followed earlier by some of the business entities.
 - c. Again this is due to the failure of the management to follow ethical practices.
 - d. It is also important to note that any regulation once introduced is rarely withdrawn.
 - e. Hence to avoid further Govt regulations
3. To regain the power granted by the society:
 - a. It is the customer who by buying the products enables the enterprise to earn profit.
 - b. Thus the power enjoyed by the enterprise is granted by the society.
 - c. So, it is the confidence imbibed by the enterprise by keeping up its promises made to the customers regarding the various products.

- d. As aptly put in the annual report of Procter & Gamble, "When a sales person from Procter & Gamble walks into the customer's place, he is not just representing Procter & Gamble. He is Procter & Gamble Himself!".
- e. This means that the commitment of the sales person is the commitment of the organization.

PURPOSE OF COMPETITION ACT, 2002

1. Prevention of practices having adverse effects on competition.
2. Promotion and sustenance of competition in the markets.
3. Protection of interest of the consumers.
4. Ensure freedom of trade carried on by other traders.
5. Other incidental matters which are connected there with.

PARAMETERS OF COMPETITION LAW:

1. Prohibition of certain agreements which are anti competitive in nature.
2. Abuse of dominant position.
3. Regulation of business combinations which may give rise to dominance of position which in turn might enable the enterprise to resort to unfair practices.

United Nations' – GUIDELINES ON CONSUMER POLICY:

1. Physical safety.
2. Economic interest.
3. Standards.
4. Essential goods and services.
5. Redress [Solving the disputes between consumer and the supplier or service provider].
6. Education & Information.
7. Specific areas concerning health.
8. Sustainable consumption.

EIGHT CONSUMER RIGHTS:

1. Right to basic needs.
2. Right to safety
3. Right to choice
4. Right to redress.
5. Right to information.
6. Right to consumer education
7. Right to representation
8. Right to healthy environment

CHAPTER 6. ETHICS IN ACCOUNTING & FINANCE

Responsibility of Finance & Accounts function:

1. According to Henry Ford, the founder of Ford, "if a business makes nothing but money is a poor kind of business".
2. Until recently globally finance and accounting professionals were ranked very high in terms of professional ethics.
3. But, the various scandals have raised big question mark about the ethics followed or practised by them.
4. In organizations like ENRON, Global Crossing, Adelphia, Quest, Xerox, the accounting information used by the Finance department was false and misappropriated.

POTENTIAL CONFLICTS – FOR A FINANCE & ACCOUNTING PROFESSIONAL

a. Working as consultant

He shall take steps to identify the circumstances which would pose conflict of interest. For example if he professional accountant, enters into a joint venture with a major competitor of his client, then there will be a conflict of professional interest and vested interest.

b. Working as employee

The finance and accounts professional may face pressure in the following circumstances:

- i. Employer wants him to do an act contrary to law.
- ii. Employer wants him to do an act contrary to technical or professional standards.
- iii. Facilitate unethical or illegal earnings.
- iv. Lie or mislead intentionally others like customers or auditors etc.

CREATING ETHICAL ENVIRONMENT

1. Ensuring that the employees are aware of their legal and ethical responsibilities. This is done by the employer's initiation from the top. The employer usually provides ethics programmes. In India WIPRO organized a set of which would guide business conduct. The company established an integrity manual which guides the employees when they faced choice.
2. Providing a communication system by which any employee can report about fraud and mismanagement without the fear of being reprimanded.
3. Ensuring fair treatment to those who act as whistle blowers.

REASONS FOR UNETHICAL BEHAVIOUR

1. Emphasis on short term results.
2. Ignoring small unethical issues.
3. Economic cycles. For instance when ENRON was doing well no one bothered to understand the real financial position. When the economy took a downward trend, the finance personnel had to take decisions, which were compromises over the established ethical codes.
4. Accounting rules. Due to cross border capital flow, accounting rules have become very complex. Hence it is very difficult to identify deviations from these complex set requirements.

BASIC PRINCIPLES RELATING TO ETHICS:

1. PRINCIPLE OF INTEGRITY.
2. PRINCIPLE OF OBJECTIVITY.
3. PRINCIPLE OF CONFIDENTIALITY.
4. PRINCIPLE OF PROFESSIONAL COMPETENCE AND DUE CARE.
5. PRINCIPLE OF PROFESSIONAL BEHAVIOUR

THREATS:

1. Self interest threats. Example: Over dependence of client's fees. In appropriate personal use of corporate Assets
2. Self review threats. Example: Reporting on an operation of a financial system, after being involved in its design.
3. Advocacy threat. Promoting shares in a listed entity when the entity is Auditor's client.
4. Intimidating threats. Threat of dismissal over the disagreement of accounting principle

SAFEGUARDS WHICH WILL MINIMISE OR ELIMINATE THREATS:

1. Created by the profession, legislation or regulation.
 - a. Education
 - b. Development & training.
 - c. Standards
 - d. Corporate governance regulations.
2. Safeguards in work environment.
 - a. Systems of employing organization.
 - b. Strong internal controls.
 - c. Appropriate disciplinary procedure.
 - d. Well established and streamlined Policies and procedures.
 - e. Excellent communicating system.

STEPS IN RESOLVING ETHICAL CONFLICTS:

1. Relevant facts.
2. Ethical issues involved.
3. Fundamental principles related to the matter in question.
4. Established internal procedures.
5. Alternative courses of action

COMMUNICATION

BUSINESS COMMUNICATION

ESSENTIALS OF COMMUNICATION

1. *Meaning of communication:*

- a. Every individual, every living animal, plant and any being communicates.
- b. Communication is a process.
- c. In this process there are two parties, viz Sender and the Receiver.
- d. The sender has a message. This message may consist of information, order, command, circular, letter, advertisement, or any such matter.
- e. The sender codifies the message using well accepted symbols. This process is called encoding.
- f. Then he chooses the proper medium and transmits the message to the receiver.
- g. The receiver in order to understand the intended meaning, de-codes the message.
- h. He encodes his reply, chooses the proper medium and sends back to the sender.

2. Principles of effective oral communications:

- a. Principle here means the basis for the choice of the oral communication.
- b. Consideration of objective.
- c. The interest level of the receiver.
- d. Use of simple language and familiar words.
- e. Brief and precise.
- f. Full facts.
- g. Polite words and tone.
- h. Allow time to respond.

3. Some of the reasons for choosing oral communication are as under:

a. Candidness:

b. Clarity:

The terms and usage of words shall be unambiguous so as to provide the exact meaning to the receiver.

c. Completeness:

The oral communication shall be complete in all respects, namely, the content, the meaning and the grammar.

d. Conciseness:

e. Correctness.

f. Courtesy

g. Concreteness

4. Body language

- a. The various parts of the body like eyes, eyebrows, nose tips, head, lips, hands and legs convey the mental state of the sender. For instance the anger of a person is known from the **DIALATED PUPIL** of the eyes.
- b. The science which deals with the study about the body language is called **KINESICS**.
- c. As a matter of fact, according to Paratos principle, 80% of the message is communicated by the body language and the remaining 20% is conveyed, by language.
- d. Psychologists have proved that even if a person cleverly hides his mind his body reveals the truth without the persons having control over it. That is how the Police personnel are able to detect the lies uttered by the culprits. When a person tells a lie he avoids direct eye contact with the opposite person.
- e. Some of the body postures and the corresponding hidden signals are given below:

5. Paralinguistic aspects of effective communication:

- a. Paralinguistics is a study about the vocal characteristics in communication.
- b. They are tone, pitch, speed etc.,
- c. The melody of the tone associated with language used indicates the intention, the emotion, attitude and the character of the sender of the message.
- d. The speaker uses a vast range of vocal cues as under:
 1. Pitch variation. [the range of the octave]
 2. Speaking speed.
 3. Pause.
 4. Volume variation.
 5. Non fluencies. [using fill ups like I mean, you get my point, oh, hum etc]
 6. Word stress

“HAVE YOU SEEN MY NEW BOOK? “

“HAVE YOU SEEN MY NEW BOOK? “

“HAVE YOU SEEN MY NEW BOOK? “

“HAVE YOU SEEN MY NEW BOOK? “

“HAVE YOU SEEN MY NEW BOOK? “

When you read the above sentence giving stress on the bold and underlined words, you will get different meanings although it does not make much difference when you read without word stress.

ARTIFACTUAL COMMUNICATION:

1. In general we react to people depending upon their appearance.
2. The use of personal adornments like clothing, accessories, make up, hairstyle, provide non verbal communication about their age, position, socio economic status etc.

PROXIMICS

1. This refers to the space that exists between people when we talk or interact with each other.
2. We can also call this as space language.
3. There are four space zones as under:
 - a. Intimate space zone- Physical contact to 18 inches.
 - b. Personal contact - 18 inches to 4 feet.
 - c. Social contact - 4 feet to 12 feet.
 - d. Public contact – 12 fet to as far as we can see and hear.

CHRONEMICS:

1. This is also known as time language.
2. It is the study about how to use time to communicate.
3. While some people perform best in the morning, others do well at night.
4. Punctuality is an important factor in communication.
5. Time lag in clarification of certain doubts or misunderstandings will result in widening of the gap.

HAPTICS:

1. It is a communication through touch.
2. How we use touch, sends important messages about us.
3. Touch reveals our perception of status, our attitudes and needs.
4. The language of touch is culturally conditioned.

SILENCE:

1. Sometimes the absence of paralinguistic and verbal cues will also communicate.
2. Silence is more eloquent than words. If speech is silvery then silence is golden is a proverb.
3. Silence allows one to organize ones thoughts.
4. Sometimes nothing can express better than silence.
5. For example respect, fear, resentment, lack of interest, can be understood from silence.
6. Before and after making an important point a small pause [silence] can make the point have its impact.
7. The pause before the point creates a suspense while the pause after the point indicates that something important has been said and the speaker wants the audience to assimilate it.

BENEFITS OF EFFECTIVE COMMUNICATION:

1. Quick problem solving
2. Stronger decision making
3. Increased productivity
4. Steady work flow
5. Strong business relationship
6. Professional image
7. Stake holder image

BARRIER TO EFFECTIVE COMMUNICATION:

1. Noise
2. Poor timing
3. Inappropriate channel
4. Lack of planning
5. Syntax problem
6. Semantic problem [circumlocution]**
7. Cultural barriers
8. Wrong assumptions
9. Socio cultural barriers
10. Emotions
11. Selective perception
12. Filtering*
13. Information overload*.
14. Poor retention
15. Poor listening
16. Offensive style of communication
17. Insufficient period for adjustment
18. Loss by transmission
19. Media distortion

***An interesting communication:**

[After reading the following, you will see how things get distorted when an information gets through many channels down the line]

From : The executive vice president, Head Quarters New York

To: General Managers:

"Next Thursday at 10.30 pm Halley's comet will appear over this area. This is an event which occurs only once every 75 years. Notify all the Directors and have them done all arrangements for all employees to assemble on the Company Lawn & inform them of the occurrence of this phenomenon. If it rains cancel the day's observation and assemble in the Auditorium to see a film about the comet".

From the General Managers

To: All the managers:

"By the order of the executive vice president, next Thursday, at 10.30 pm, Halley's comet will appear on the Company Lawn. If it rains cancel the day's work and report to the Auditorium, with all employees where we will show films a phenomenal event which occurs once in 75 years"

From: The Managers:

To: Departmental Chiefs

"By the order of the phenomenal vice president, at 10.30 pm next Thursday, Halley's comet will appear in the Auditorium. In case of rains over the Company Lawn, the Executive vice president will give another order, something which occurs once in 75 years"

From: The Departmental Chiefs

To: Section chiefs:

"Next Thursday at 10.30 pm .the Executive vice president will appear in the Auditorium with Halley's Comet, something which occurs every 75 years. If it rains the Executive Vice president will cancel the Comet and order us all to our Phenomenal Company Lawn"

From: Section Chief

To: Assistants

When it rains next Thursday at 10.30 pm, over the Company Lawn, the phenomenal 75 year old Vice President, will cancel all work and appear before all the employees in the Auditorium, accompanied by Bill Halley and his comets"

**** Remember Dr.Johnson's way of communicating. [Discussed in the class]**

PARTS OF BUSINESS LETTER

1. **Heading:** This is otherwise called LETTER HEAD. Here the name, address, phone, email address, web site reference etc.
2. **Reference number:** Every business letter shall contain a letter reference. This serves as quick reference and linking with a chain of correspondence. Helps identify specifically the letters using the reference as key field.
3. **Date:** Abbreviated forms like 15/11/2002, **SHALL BE AVOIDED**. In all business letters, the proper way of putting the date is as under:

"February, 22nd, 2001".

4. **Inside address:** Here the address of the organization or the individual TO WHOM the letter is addressed, should be mentioned as below:

Ranbaxy Laboratories Ltd.,
23, Sector IV, Block-6,
Gokhale Industrial Estate,
Prabhadevi, MUMBAI-400 003

5. Mode of Addressing:

a. Individuals are addressed as under:

Sir, Mr, Miss, Mrs, Ms, Messrs [plural for Mr. And used to address partnership firm]
The best usage of Messrs will be if the firm contains the name of some person like:

Messrs Lal Bros

Messrs Makhan Lal & sons

Messrs Verma & Verma etc

b. Use of ranks:

Col A.K.Chopra

Capt. R.N.Singh

Dr. Gopal

CA. Jaison

Padmasri. Srinivasan

Rev Daniel Joseph

Flt Lt Vijay Mehta

Dr (Mrs) Uma

c. Addressing by Designation:

6. Salutation:

a. Sir, Madam, Dear Sir, / Dear Madam, [for formal official letters].

b. Dear Mr Verma [if it is a Demi Official letter- popularly known as D.O. letter].

c. Your Excellency, [while addressing Ambassador, high commissioner of foreign country]

d. Gentlemen [while sending circular]

7. Subject Line:

• Sub: Your December 16th enquiry about.....

• Ref: Your February, 12th order reg:

8. Body of the letter: The matter to be communicated shall be written here.

9. Formal close: "yours faithfully – for formal letters"

"Yours sincerely – for D.O.Letters".

10. Signature block:

(P.C. VERMA) ----- WHEN THE INDIVIDUAL SIGNS IN HIS OWN RIGHT

(P.C. VERMA)

(Sales Manager)-----When he signs in his capacity as Sales Manager.

For Verma Associates,

.....

(P.C. VERMA) ----- When he signs as Partner in his representative capacity

(Partner)

11. Enclosures

12. Post Script

INTER PERSONNEL COMMUNICATION SKILLS

Introduction: An organization is regarded as a structural frame work of positions linked horizontally and vertically through formal relationship. The communication between the personnel is called inter personnel communication. The following are the principles of inter personnel communication:

1. Inter personnel communication is inescapable. That is to say, one cannot avoid the inter personnel communication.
2. Inter personnel communication is irreversible. According to a Russian proverb, "once a word goes out of your mouth you cannot swallow it".
3. Inter personnel communication is complicated. No form of communication is simple. This is because a number of variables are involved in communications. Actually we do not exchange ideas but symbols which stand for ideas. This complicates communication.
4. Inter personnel communication is contextual. That is the communication does not happen in isolation, but it is a psychological whole.
5. The communication has to be understood in the context of Relation, situation, environment and culture.

FUNCTIONS OF INTER PERSONNEL COMMUNICATIONS:

1. Gaining information
2. Building understanding
3. Establishing identity
4. Inter personnel needs

How to improve inter personnel skills

1. Congruency in communicating elements. i.e. words, body language, facial expressions shall be congruent.
2. Listening effectively. One has to send the message to the sender that sufficient attention is given to his communication.

GUIDELINES FOR ACTIVE LISTENING

1. Look at the person and suspend other things you are doing.
2. If you do not, your brain will be distracted.
3. Further, you must understand the other person's concern for the organizational goals.
4. Keep your mind and body alert.
5. Every person is interesting in some way or the other.
6. Be interested in what the person is saying.
7. Look at the body language, tonal modulations. These may carry unspoken message.
8. Restate what the person told you. In this way you are giving him a feed back as to what you have understood.

9. Ask questions occasionally so that your alertness is made clear. Further the other person will be enthused to clarify your doubts also.
10. Be aware of your feelings and opinions
11. If you have any pre conceptions then they are nothing but critical thinking.

CRITICAL THINKING:

1. Critical thinking involves the questioning the following:
 - a. Have you considered all the facts?
 - b. Have you tested your assumptions?
 - c. Is your reasoning sound?
 - d. Can you be sure your judgement is unbiased?
 - e. Is your thinking process logical, rational and complete?

This type of questioning is called Socratic questioning. By developing to think in this way, we stand a better chance of being right. To do this effectively, we need to develop the skills to:

- a. Analyse cause and effect.
- b. Classify and sequence
- c. Compare and contrast.
- d. Infer.
- e. Evaluate
- f. Observe
- g. Predict
- h. Rationalize
- i. Prioritize
- j. Summarize
- k. Synthesize

QUALITIES OF A CRITICAL THINKER:

1. Open minded.
2. Well informed.
3. Experimental [Think through “What if” situations and test with probable actions]
4. Contextual.
5. Reserved in making conclusions.

EMOTIONAL INTELLIGENCE: [E.Q.]

1. Emotions play a vital role in communication and in turn guide our decisions.
2. Our emotional actions and reactions decide our personality as to who we are.
3. We witness increased incidents like, teens with guns in the schools, disgruntled employees killing colleagues, freeway mishaps ending in shooting.

4. No one is insulated [protected] from the erratic tide of outburst of anger.
5. Our passions when well exercised results in wisdom and equipoise in the society, leading to peace and harmony.
6. Aristotle said, "the problem is not with emotionality but with appropriateness of emotions and its expression"
7. How can we bring intelligence to our emotions ?
8. Emotional intelligence helps us to recognize our own feelings and those of others for motivating ourselves.
9. This helps us to manage our emotions in a balanced way.
10. J. Krishnamurthy, a great thinker of 20th century analyses the functioning of emotional aspects of the mind, endorses the Patanjali's yoga sutra's recommendations in this behalf. According to him "The awareness of the inattentive nature of the mind is itself attention"
11. Accordingly, observing oneself in retreat helps understand oneself. Praanayaama, accompanied by this observation accelerates the process because, when emotionally disturbed, [whether happy or angry or grief stricken] the breathing is irregular and the body convulsions are noticed.
12. Human personality is a combination of physical aspects and also the metaphysical [mental and intellectual] aspects. Mind being the thought generating aspect, generates all sorts of thoughts leading to different kinds of emotions.
13. Thus emotions are unavoidable. So, the prescription is not to avoid the emotions but to use them judiciously at the appropriate time and to the appropriate person in proper proportion.
14. This is achieved only when every stimulus is responded with the help of the intellect aspect of the mind and not with the emotional aspect of the mind.
15. This is difficult but not impossible. Viveka [discrimination] and Vairagya [Dispassion] when practiced act as equipments to modify the personality in human beings develop into more desirable personalities.

COMMUNICATION IN BUSINESS ENVIRONMENT

SPECIMEN OF NOTICE TO THE ANNUAL GENERAL MEETING

NOTICE is hereby given that the 5th Annual General Meeting of the members of ABC Ltd., will be held on Friday, the 24th September, 2004, at the Registered office of the Company situate at 33, Pantheon Road, Egmore Chennai-600 008, at 10.00 A.M. to transact the following business:-

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet of the company as on 31st March, 2004 and the Profit & Loss Account for the year ended on that date and the Auditor's and Director's Report thereon.
2. To declare Dividend for the year ending 31st March, 2004.
3. To appoint a Director in the place of Mr.....who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in the place of Mr.....who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Statutory Auditors of the Company and fix their remuneration. Special Business:
6. To consider and if thought fit to pass with or without modification the following resolution as ordinary resolution

“**RESOLVED** that pursuant to the provisions of Sections 269, 109 and 309 and other applicable provisions, if any, of the Companies Act, 1956, the consent of the company be and is hereby accorded to the reappointment of Dr.Vittal, as the Managing Director of the Company, for a period of five years with effect from 1st July, 2005, on the following terms and conditions”

- a. Salary: Rs.....
- b. Perquisites.....
 - i.....
 - ii.....
 - iii.....
 - iv.....
 - v.....

Regd Office:

For and on behalf of Board of Directors

33, Pantheon Road,

Chairman of the meeting

Egmore

Chennai-600 008.

Notes:

- A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the company.
- Explanatory statement relating to special business is annexed to this Notice as required under section 173 of the Companies Act, 1956.
- The Register of Members and the Share transfer books of the Company will remain closed from 7th day of September, 2004 to 15th day of September, 2004 both days inclusive.
- Members are requested to notify immediately change of address, if any, to the Company's Registered office. While communicating with the company please quote the folio number.

Shareholders desirous of obtaining any information concerning the accounts and operations of the company, are requested to address their questions to the Companies Head office so as to reach at least five days before the date of the meeting so that the information may be made available at the meeting to the best extent possible.

DEEDS AND DOCUMENTS

Document as defined under section 3 of the Evidence Act:

- ↓ Document means
- ↓ Any matter
- ↓ Expressed or described
- ↓ Upon any substance
- ↓ By means of letters, figures or marks, or
- ↓ By more than one of the means
- ↓ Intended to be used
- ↓ For the purpose of recording that matter
- ↓ We find the same definition Under Sec 3(18) of the General clauses Act, 1897 also.

Instrument means

- ↓ A formal legal document
- ↓ Which creates or confirms a right or
- ↓ Records a fact
- ↓ Drawn up and executed in the technical form.
- ↓ Having legal effect
- ↓ Either as creating legal liability or
- ↓ As affording legal evidence.

Instrument includes every document by which any right or liability is or purports to be created, transferred, extended, extinguished or recorded.

Deed is

- ↓ An instrument in writing
- ↓ Or any other legible interpretation or
- ↓ Words on parchment or paper
- ↓ Purporting to effect some legal disposition
- ↓ Deeds are instruments but instruments need not be Deeds
- ↓ But in practice we do not make any distinction between the deeds and instruments.

PARTS OF PARTNERSHIP DEED:

1. Date: Every deed must be executed in a Non judicial Stamp Paper, of appropriate denomination as prescribed by the stamp Act.
2. The stamp paper may be purchased in the name of any one of the partners or the firm name if there is one.
3. The stamp vendor puts a serial number, date of issue, his rubber stamp bearing his licence number and address and his signature.
4. The date of commencement of partnership cannot precede the date of the stamp paper.
5. Names of partners. Here the names of the partners are mentioned as under: ".....between Raju, s/o Ramu, residing at.....(address)....aged aboutyears....."
6. Preamble: Here, the origin of the partnership is clearly traced as under:
 - **If the partnership is retrospective** then it is mentioned, "WHEREAS the aforesaid parties have come together to carry on a business of buying & selling Textile goods.....as from.....(date).....and the terms and conditions of the partnership as agreed to hereby are set down in writing".
 - **If the Partnership coincides with the date of commencement**, then it is mentioned, "WHEREAS the aforesaid parties have come together to carry on the business of buying and selling Textile goods.....as from.....(date)..... in Partnership and the terms and conditions of the Partnership are hereby mutually agreed to as follows"----.
 - **If a proprietary business is converted into Partnership**, then it is mentioned, " WHEREAS the ...1st.....party had been running a business of buying and selling Textile goods, as sole trader, under the name and style ofand WHEREAS by mutual consent the said proprietary business is taken over by the 1st and 2nd parties to work in partnership the terms and conditions of the partnership as mutually agreed are hereby set down in writing"
7. **Recitals:** Here the parties mention the terms and conditions as mutually agreed upon among themselves. Here the following matters may be mentioned.
 - Name of the business

- Place of business
 - Duration of partnership
 - Capital contributions
 - Interest on capital
 - Profit sharing
 - Accounts
 - Borrowing powers.etc
8. Attestation: The signatures of the partners are attested by an Advocate in practice or Chartered Accountant in practice or a Company Secretary in practice.
9. Custody:
10. Special rules

[Model AGM and Board minutes drafting are done in the class

Emerald's

Draft a Letter of Indemnity to the Bank to pay the deposits to the legal heirs consequent to the demise of a person with imaginary names and figures.

LETTER OF INDEMNITY

To

The Manager,

State Bank Of India,

R.K.Nagar Branch,

Chennai-600 028.

In consideration of your paying me the sum of Rs 5,90,000/- (Rupees five Lakhs and Ninety thousand only) standing at the credit of Late Sri. S. Ramnathan, D-17, Sri Apartments, 100, R.K.Nagar, Chennai-600 028, in the account more fully mentioned hereunder with your Bank, by the production of Legal Heirship Certificate, as the documentary proof, I, Jayanthi, w/o late Sri. S.Ramnathan, residing at D-17, Sri Apartments, 100, R.K.Nagar, Chennai-600028, do hereby undertake to bind myself and my legal heirs and legal representatives jointly and severally to indemnify, defend and relieve you from all or any claims, damages and expenses that may be raised against and incurred by you by repayment of the sum as aforesaid along with all expenses, charges and damages that you may incur.

<u>FD.No</u>	<u>Deposit date</u>	<u>Maturity date</u>	<u>Amount</u>
626179	5 th Oct, 2006	9 th Nov, 2007	Rs.545000
626189	----do----	----do---	Rs. 45000

In witness whereof I have hereunto set my hands at Chennai this the 17th day of December, 2007.

Jayanthi

Witnesses:

1.

2.

POWER OF ATTORNEY

When a person is authorized to act on behalf of another person through a deed / document the person who represents the person is called the Agent and the person so represented is called the Principal. The law relating to power of attorney is based on the law of agency. The person who represents is called Power holder [i.e. Agent] or Power of Attorney. There are two categories of powers of attorney namely, General Power of Attorney and Specific Power of Attorney. A specific power of Attorney is given for a specific act. For instance the Vakalat or Authorization given by the client for the C.A. to represent his Income Tax case before the Income Tax Authorities or other matters relating to Company Law are all specific power of attorney. But in a general power of attorney the following are covered:

- All acts relating to the execution of a deed.
- The power can be presented for registration, admitting execution etc can be done.
- Attested before the Notary public or a First class Magistrate.
- It is in Rs100 non-judicial stamp paper.
- It is usually registered.
- A notification in an English news paper and in a local daily in the vernacular shall be given about the execution of power of attorney.
- But when an irrevocable power of attorney is executed and registered no public notice is needed.

FORMAT OF POWER OF ATTORNEY TO APPEAR BEFORE THE INCOME TAX

AUTHORITIES.

I / we-----, residing at-----hereby authorize-----to represent me /us/our firm in connection with the Income tax Assessment of my/our firm for the Assessment year 2003-2004. The statements made by him / them whether oral or in writing, copies of statements provided before the authorities duly signed by him / them, explanations provided by him / them in connection with the Accounts relating to the financial year 2002-2003 for the purpose of the Assessment proceedings, will be binding on me / us. He is authorized to receive all orders, notices, refunds in connection with the Income Tax Assessment of the year 2003-2004.

Sd/-

DECLARATION

Emerald's

I / we hereby declare that I am / we are duly qualified to represent the person / firm mentioned above in Income Tax / Company Law /Sales Tax /Central Excise & Customs matters.

Date:

Sd/-

Place:

BEFORE THE R.O.C.

We, the subscribers to the Memorandum and Articles of Association of the proposed Company, XYZ Ltd, do hereby authorize M/s-----, Chartered Accountants / Advocates and Solicitors / Company Secretaries to present the MOA, AOA and other connected documents for the Registration of the company under reference before the Hon'ble R.O.Cs of Andhra Pradesh, Tamil Nadu, Kerala and Karnataka and to make such corrections, alterations, additions deletions as may be required to be done as directed by the Registrar, in the documents and to receive the Certificate Of Incorporation and acknowledge the same..

Sd/-

GENERAL POWER OF ATTORNEY

KNOW all men by these presents that I,------(name), aged about----years-----Hindu,son of -----, residing at------(address), do hereby appoint and constitute Mr.-----, son / daughter of-----, residing at -----, (herein after called Attorney, who has subscribed his / her signature hereunder in token of identification), to be my Lawful attorney in my name and on my behalf to do any one or all of the following acts, deed and things namely:

[Assuming a person residing abroad, executes the above power for obtaining a mortgage loan]

- ☞ To apply for a loan from Can Fin Homes for such amount as is necessary.
- ☞ To accept the loan offer letter, sign the acceptance.
- ☞ To receive the disbursement of the said loan, give effectual discharge.
- ☞ To mortgage my property------(describe it)
- ☞ To deposit on my behalf the document of titles.
- ☞ To lodge any other documents in this regard.

- ☞ Execute any loan agreement
- ☞ Acknowledge my liability
- ☞ Book a flat on my behalf in the city of Hyderabad/Secunderabad, execute Registration of the same in my name.
- ☞ Admit execution of the agreement
- ☞ To obtain possession of the flat when the same is ready for occupation.
- ☞ To receive documents on my behalf.
- ☞ To sign forms or documents or papers required for the purpose of registration.
- ☞ To open a Bank account in any bank for the purpose of execution of the above mentioned transactions.

Dated at -----(Place)-----this, the -----day of -----(Month), 20?? (address)

Sd/-

Specimen signature of the Power of Attorney

Named above.

Before me

Sd/- (signature of Notary Public & date)

Notary Public Seal.

LEASE DEED

Here there are two parties Lessor and the Lessee. The lease deed contains the following terms:

- ☞ Period of lease
- ☞ Amount of rent
- ☞ Usage and prohibitions
- ☞ Facilities like telephone, water heater, gas, fridge, washing machine etc
- ☞ Bills regarding telephone, internet connections, electricity.
- ☞ Permission for the Lessor to enter into the schedule mentioned property for periodical inspection.
- ☞ Lessee shall quietly and peacefully hold, possess and enjoy the schedule mentioned property during the period of lease.
- ☞ Termination of lease procedure:

By serving -----days / months notice

Passage of the time mentioned in the lease

Within -----days /months if rentals are not paid consecutively for----months.

- ☞ Handing over back, the conditions of the property, the time of handing over.
- ☞ Repairs distinguish between major and minor for Lessor to meet and Lessee to meet.

Sd/

Sd/

Lessor

Lessee

Witness:

Signature of the witness

1. Name & address

Sd/

2. Name & address

Sd/
