

WORLD OF BUSINESS

Business is one of those words you hear all the time, but what does it actually mean? Here, we run through the basics, highlight some of the key roles within a business and offer a few tips on how to pave your way into the land of opportunity that makes up the commercial world.

HOW DO BUSINESSES MAKE MONEY?

Many things can determine the success of a business, but the aim is always the same: to make money by creating or providing something people are willing to pay for. The business makes a profit when their overall costs are less than the money the business makes.

SOME KEY TERMS:

GROSS PROFIT This is the difference between what it costs to make and sell something and how much the business receives from their sales. Costs might include things such as materials, labour and equipment.

NET PROFIT Also called the bottom line, this is gross profit minus all other costs and expenses. These include interest on debt, taxes and depreciation.

OPERATING EXPENSES These are essential costs (also known as overheads) used in working out gross profit. Rent, stock, marketing, payroll, R&D, insurance and so on.

VAT This is a tax on the value added by every business involved in delivering the product to the customer. A VAT-registered business must pass on any VAT they collect to the government, but can claim back VAT they pay on expenses.

TURNOVER This is the total amount of money coming in from sales minus VAT and discounts. It's also called gross income or revenue. Any business on a growth path will expect their turnover to increase year after year.

HOW ARE BUSINESSES RUN?

A business is the sum of its parts, with different departments having specific roles. Each of these is led by line managers who report to their heads of department who, in turn, report to and take their lead from the management team.

TYPICAL ROLES AND RESPONSIBILITIES INCLUDE:

OPERATIONS Also known as management. One of the key factors in the success of a business is how effective and efficient it is across all its departments and how well everything and everyone works together to meet the goals of the business.

MARKETING This is what a business does to get prospective and existing customers interested in buying or buying more of its products or services. It covers everything from new product development, packaging and distribution, to branding, advertising and promotion.

ACCOUNTING AND FINANCE As you'd expect, this is the money side of things – budgeting, forecasting, financial planning, cost analysis, managing money coming in and going out of the business, keeping track of expenses and income, and reporting.

RESEARCH AND DEVELOPMENT Growth often comes from innovation – a new product, a new formula, format or flavour, appealing to a new target audience or market segment, or internal changes such as improvements to systems and processes. Research & Development feeds directly into all this through market research and the goal of 'ever better'.

DEVELOPING A BUSINESS MINDSET

The great thing about the business world is it reaches into every corner of life. So, whatever your interests, whatever your strengths and skills, you're sure to find an opportunity that's perfect for you.

A FEW THINGS TO SET YOU OFF ON YOUR JOURNEY

FOLLOW YOUR PASSION Good with people, got a head for figures, mind always buzzing with ideas? It's never too soon to explore what kind of role you'd like to play and where you see yourself making the biggest contribution.

PICK A SECTOR Tech wiz? Or more of a protect-the-planet person? Or both? What do you fill your social media feeds with? Who can you start following or connect with to deepen your knowledge and understanding of what excites and drives you?

ARE YOU AN ENTREPRENEUR? Start-ups change the world. They can also make millionaires of their owners. So, if you fancy your chances with a business of your own, make it your goal to find out how some of today's giants got started. Keep tabs on rising stars, monitor trends and work on developing a winning attitude.