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basics in  
90 minutes

# *Quicklook at* **Business**





## About Quicklook at Business

**T**HIS is the most comprehensive short guide to the business world that you are likely to find.

Business is vital to the way the world runs. It takes many different forms. This book explains what they are. Businesses come in many different shapes and sizes. We look at the alternatives.

People make a business tick. The book explains all of the main roles in businesses and how they connect. There are plenty of outside resources that can be used. The book explains what they are and how they can help.

The book explains the different ways in which money can be raised.

Business life is changing fast and we consider some theories of what works best and examine how different functions need to work together to generate success.

*Quicklook at Business* looks at examples based on real experience, which bring important issues to life.

Quicklook at

# *Business*

Chris Churchouse



Quicklook  
books

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# *What is business?*



## **Trading**

**M**AN has always traded in one form or another. If you can grow or hunt enough food all year to feed yourself and your family and if you can provide a warm, safe home, then perhaps you do not need to trade. However, if you have more than enough meat (which goes off if you don't use it) but not enough firewood, then perhaps you might look for a neighbour who needs meat and has an excess of firewood. This type of trading is called barter – exchanging goods or services with another person.

## **Money**

Modern life is more complicated. Often the goods we seek are not available from the person who wants our goods. Or maybe the goods we supply will be available at a different time from those that we need. Keeping track of all these exchanges is made much easier if we use some form of token. We can then exchange that at some other time with some other person. They must place the same value as you on the token. That token is called money. The more money we have, the more goods and services we can buy, so the acquisition of money becomes an aim. A business is designed to do this through a structured process.

Money is only of value if people think it is. Any money based trading system is based on confidence. Early money systems were very localised and based on such things as types of shell. They would have worked a bit like the baby sitting tokens used in some places today. There have been instances where confidence has been lost in a country's money, which leads to chaos.

As communities developed, rulers were able to introduce their own

money. This remains one of the main ways in which a government can impose control over its people and economy. Control of the creation and supply of money gives it power.

The development of metal working skills led to the introduction of consistent and recognisable coins. There are many early examples. The concept of money is so useful that it may have been invented independently at different times in many different societies. Some early systems relied on valuable metal, particularly gold. This was so widely recognised as having value that people were happy to accept it. International trading became much easier.

By the time of the Roman Empire, money was being used on a grand, international scale. The power of the state was such that official coins were widely accepted, even though they were made of low value materials. A Roman soldier, paid in coins, could be confident that they could be used to buy all sorts of things, even land, anywhere that was ruled by Rome.

Money (cash) is the lifeblood of a business. If the flow of cash is stopped, the business dies. It has been said that business is a game and money is the way you keep the score. Money measures the performance and value of a business.

## **What is a business?**

A business may be defined as a trade or occupation carried on as a commercial activity. It involves buying, growing or manufacturing things, or the provision of services and then selling those with a view to making a profit.

All businesses operate with reference to money. Their ability to operate is dependent on it. Their performance is judged by means of accounts relating to money.



**W**ALMART, the international retailer, is one of the world's largest employers. In 2011 it employed approximately 2.1 million staff. At the other end of the scale a business can be run, part time, by one individual. Regardless of size, businesses have a great deal in common. They must have ways of taking and then implementing decisions. They need to produce something that someone wants to pay for. In order to sell, customers need to be attracted, which probably requires some marketing. All businesses are required by law to keep records of transactions, which mean that accounts need to be kept. There are other legal requirements which need to be dealt with.

In order to undertake any of these things the business needs to have a “legal personality”. In other words it must be an entity that people can do business with. A person can do this, but there are other options.

### **Sole Trader**

Many people trade in their own name. This has the advantage of simplicity. It can create confidence, because those dealing with a sole trader know that he has nowhere to hide if things go wrong: his entire assets are available to creditors. This may make it fairly easy to get bank or other loans for the business, particularly if the trader has something valuable, such as a house.

Sole traders can use trade names, which might be quite different from the name of the trader. A few operate on quite a grand scale. It is possible to employ others and still be a sole trader. As an example, “Martin Bright” might open a grocery shop and trade under his own name, employing others to serve in the shop and to clean it. If he sells the shop to Jennifer Pullman, Jennifer may decide to trade under the name



of Martin Bright so as to keep continuity in the eyes of her customers. There is no restriction in the UK to using someone else's name provided there is no intention to deceive.

## **Partnership**

Here two or more people carry on a business together with a view to making a profit. In many ways their position is similar to a sole trader. Each partner is generally liable for the entire debts of the business, although the UK Government will now only chase individuals for their own tax debts rather than all partners.

Although no formal partnership agreement is required, it is usually a good idea to have one. The partners should agree how to share profits and losses between themselves, how to deal with incoming and retiring partners and many other things.

Some partnerships are now able to limit the personal liability of partners via a special vehicle called a Limited Liability Partnership. This is popular with professional firms (i.e. partnerships) such as Accountants and Solicitors. Such partnerships have "LLP" at the end of their names.

## **Companies**

A Company is a legal entity quite separate from the people who fund it or manage it. Companies are carefully regulated by law. They all have common features, the most important of which is that every company is a "legal person". In other words it can enter into contracts and do business. A company also has a constitution, governing how it is run.

One of the main attractions of a company is that it is possible to limit the liability of those who own it. Most companies are "Limited liability" companies. There are different types of these. Most are owned by a small number of people and are "private" companies. Setting up a small private company is easy and inexpensive. They indicate their status by having "Ltd" or "Limited" at the end of their name. Some private companies are enormous businesses but most are not.

Companies with many shareholders are "public" companies. The legal requirements are more complicated. Public companies are "Public limited companies" and have the initials "Plc" at the end of their name.

## *About the author*

**C**HRS CHURCHOUSE is a business consultant who brings many years of practical experience to his work as adviser to a wide range of organisations, large and small, in the private, public and charitable sectors.

After initially training as an engineer and then working extensively with computers, he moved into the offshore oil industry and spent a lot of time dealing with project management.

Chris started his own management consultancy business over 25 years ago. He has an MBA and is a Chartered IT professional. He has developed a range of open learning materials and books dealing with management issues. He was influential in the development of the PRINCE2 project management method and was a founder member of the PRINCE exam board.

Chris has co authored books on management issues and written numerous articles for professional magazines. He developed the official guide to project management for the Institute of Chartered Accountants in England and Wales.

In his spare time Chris plays saxophone in two bands and enjoys cycling and kayaking.

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## About the author

**Chris Churchouse** brings many years of practical experience to his work as an adviser to a wide range of organisations in the private, public and charitable sectors.



Chris has run his own management consultancy for over 25 years. He has written extensively on management topics for professional publications. In his spare time, he plays saxophone in two bands.

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