A

iStockphoto/Thinkstock

What type of career are you planning to pursue in the future? No matter where you wind up working, that business (and every other business) must accomplish certain things—such as hiring people, making/providing products, and keeping track of expenses. These primary activities keep businesses in operation. Without them, no one would have a job!

Get It Done

If you're flipping burgers at a local fast-food restaurant, you might think you're doing an *unimportant* job. Not so! You're satisfying hungry customers and earning some extra cash. But, that's not all. You're helping the business achieve its goals.

Business goals can be financial, or they can be tied to a particular mission. A **business** that operates *for profit* makes money to fulfill financial goals, while a *nonprofit* business makes money to fulfill a specific mission or undertaking. Both for-profit and nonprofit businesses are organized efforts to produce and/or distribute goods and services.

To achieve their goals, businesses must accomplish certain things. They must obtain necessary resources, produce/provide goods and services, market/sell those goods and services, store/retrieve information effectively, and plan for the future. To get everything done, businesses involve themselves in financial analysis, human-resources management, information management, marketing, operations, and strategic management. These primary **business activities** (actions taken by businesses to generate profits or to reach financial goals) are the main things businesses *do* to keep **production** going.

Financial analysis

Financial analysis is *the process of planning, maintaining, monitoring, controlling, and reporting the use of financial resources.*

Brand X Pictures/Thinkstock

Businesses need money to make money. They need money for land, equipment, supplies, employees, overhead expenses—whatever it takes to run the business. And, it's the finance department that is responsible for obtaining and overseeing the use of these funds.

Where do businesses get this **financing**? From venture capital, debt, and equity. **Venture capital** is the money "angel" investors put into start-up businesses to get them off the ground. These investors look for long-term growth in return for their risky investments.

Using **debt** to finance a project involves issuing bonds or taking out loans that require principal and interest repayment over time. **Equity** (what the business owns or controls minus debt) is used when businesses sell shares of stock, company real estate, or other business assets to benefit a particular undertaking. Whatever method a business chooses, obtaining funds (financing) provides an important way to accomplish business goals.

But, financial analysis is not just about obtaining money. It's also about **accounting** (keeping accurate and useful financial records) and analyzing and interpreting the recorded information. By accounting for all expenses, and comparing expenses to income, businesses can make judgments and predictions about their own financial status. They can work toward being able to pay their bills and to make a healthy profit.

Objectives

A **Discuss types of business activities.**

B **Explain how business activities are interrelated.**

 © 2013, MBA Research and Curriculum Center®

Human-resources management

Human-resources management is *the process of planning, staffing, leading, and organizing employees.*

Every business needs people to accomplish the tasks intended to meet business objectives. Without employees, businesses would have difficulty operating. Can you imagine trying to run a delivery service without anyone to operate the delivery vehicles? And, how difficult do you think it would be to attract customers to a retail store without employing marketers?

Employees are essential for daily business operations. Specific robotic machines can "replace" employees in certain manufacturing situations. But, most businesses do not have machines that can perform job tasks as well as humans can. Most businesses must hire people to do the job.


BananaStock/Thinkstock

▲ Human-resources management involves everything from recruiting and hiring new employees to evaluating their performance and determining their compensation.

So, which employees fall under human resources? All of them! Besides "regular" employees, businesses usually require supervisors, managers, and executives. Human-resources management covers everything the business needs in this regard. It involves:

- Planning for organizational changes
- Recruiting appropriate employees
- Selecting the "right" people to do the job
- Orienting new employees to their jobs
- Training employees in policies and procedures
- Evaluating employee performance
- Facilitating employee compensation

In short, human-resources management takes care of the responsibilities associated with having employees. It makes the business a fair and inviting place to work.

Information management

Information management is *the process of accessing, processing, maintaining, evaluating, and disseminating business knowledge, facts, or data.*

Each business should ensure that valuable information is available when and how it is needed. This will avoid the frustrating (and unprofitable) situation in which vital business information has been discarded or is unable to be retrieved.

Businesses should have a system for:

- Identifying necessary information
- Determining how that information should be presented, viewed, or accessed
- Providing appropriate access to the information

Identifying necessary information includes knowing which facts the business will need to use in the future. Information can be viewed in formats such as reports, graphs, or spreadsheets, depending on how it is going to be used. To access information, an employee can do something simple (such as walk to a file cabinet and pull out a client file) or something complex (such as run an advanced inquiry on a company database).


Stockbyte/Thinkstock

▲ The information-management function is responsible for identifying, maintaining, and sharing important business knowledge, facts, and data.

Situations in which having the right information at the right time can be critical to the success of a business include:

- When an airline needs to know who is flying on a particular airplane
- When a law-enforcement officer needs to know if a specific person is a risk to the community
- When a board of directors needs to know the profits from last quarter
- When a sales representative needs to know if a product requested by a customer is available

You might be thinking, "These things can be handled with technology." And, you're right; they can! But how technology is *used* to manage information has changed—and will change—over time. Information management is not as much about pinning down the perfect technology for the task as it is about making sure that a reliable system is in place, so the business can make the best use of its information.

Marketing

Marketing is *the process of creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large*.

At first glance, marketing is simple: A good or service that is ready for sale is marketed to potential customers so they can buy it. But long before a product is ready for sale, marketing is involved in the process of preparation. Marketing is present when the product idea is conceived, and it is present during the product's design and creation. In fact, marketing is involved in everything related to fulfilling a customer's product needs.

So, how is marketing put into action? Look at these common marketing activities:

- Locating potential customers by determining who will benefit from the product
- Pricing the product appropriately by finding out what customers are willing to pay
- Promoting the product to potential customers by communicating product benefits
- Getting the product into customers' hands by making it available for sale

▲ Marketing helps businesses to identify their target markets and build positive, profitable relationships with these customers.

To accomplish these four things, an office-supply store would identify local offices and businesspeople who should know about the store and what it has to offer. It would conduct research, surveying the profit opportunity in its area. Next, it would investigate what its competitors are doing—and how customers are responding to their prices. The store would then price its products slightly higher or lower, depending on its findings. It would make a point of advertising the benefits of popular products it sells. And, it would let potential customers know why products at *this* store are better than products at other stores. Finally, the office-supply store would make the purchase process easy and seamless—by providing layaway, credit, or whatever customers might need to purchase the product immediately.

Operations

Operations are *the day-to-day activities required for continued business functioning.*

Every business needs to produce or provide its product, whether that product is a good or a service. Once a business has funding and employees, it can accomplish this end, allowing the business to seek sales and earn a profit—the reasons the company is in business in the first place.

To produce a good, a business obtains supplies for manufacturing, "makes" the good, and then distributes the good to a warehouse or other holding facility. To provide a service, a business obtains the means for providing the service, and then provides the service to its customers.

Operations includes more than just producing/providing the good or service, however. It also includes quality control, purchasing, and inventory management. **Quality control** means ensuring that the product meets predetermined standards. Have you ever purchased a defective product, such as a mobile-phone app that wouldn't load properly, and had to ask for your money back? Quality control attempts to keep this type of situation from happening!

▲ One of the operations function's many duties is inventory management—determining and maintaining the appropriate number of finished products in inventory.

Purchasing refers to a business's acquiring the goods and services it needs to keep production going and to accomplish its business goals. Businesses need to buy a lot of things, from raw materials to packaging supplies to office equipment to snacks for the break room! Employees in charge of purchasing make sure the business has everything it needs, and they also look for the best prices available.

Inventory management involves overseeing and controlling the number of finished products the business has available for sale. Let's say a certain company produces bicycles. The company wants to have enough bicycles ready to fulfill all its orders promptly, but it doesn't want to have *too* many bicycles ready because storing them creates unnecessary costs. Keeping the right inventory balance is an important part of the operations activity.

Strategic management

Strategic management is *the process of planning, controlling, and organizing an organization or department.*

Just having the money, hiring the workers, making/providing the product, and marketing/selling the product are not enough. Businesses need to know where they are in the "big picture." Are they headed in the right direction? Are they likely to experience long-term success? These questions can be answered by analyzing the strategic position of the company—and managing that position effectively.

Strategic management helps a business to determine how it can succeed and reach its goals over time. Goal-setting is important, but businesses then need to *do* what they're capable of doing to accomplish those goals. In short, strategic management involves long-term planning and organizing for future success.

Long-term planning involves creating the mission and vision of the business, determining its goals, and selecting strategies to support those goals. Say a relatively young roofing-and-siding business wants to increase its regional market share from seven percent to 30 percent within the next five years. Long-term planning shows how the business intends to accomplish this.

Organizing for future success includes determining what will be required to reach the long-term goals of the business. Will the company need additional financing? More employees? Specialized research? New equipment? In other words, "organizing" spells out how the business should be *set up* to meet its objectives. If the business's plans change, then strategies and tactics will likely change, too.

Summary

A business is an organized effort to produce and/or distribute goods and services. Businesses can operate for profit, or they can be nonprofit entities. All businesses must accomplish certain things. Primary business activities include financial analysis, human-resources management, information management, marketing, operations, and strategic management.

The Gray Zone

Offshoring, producing goods in foreign countries, can save money. Foreign laborers do not require the same compensation or benefits as U.S. workers. This practice helps a business meet its financial goals, but it does not help the labor force within its own nation. In fact, with offshoring, local jobs are often eliminated, putting families and entire communities in economic jeopardy. What do you think? Should businesses offshore production of their products?

1. Explain what a business is.
2. Explain the difference between "for profit" and "nonprofit" businesses.
3. Describe each of the following primary business activities:
    a. Financial analysis
    b. Human-resources management
    c. Information management
    d. Marketing
    e. Operations
    f. Strategic management

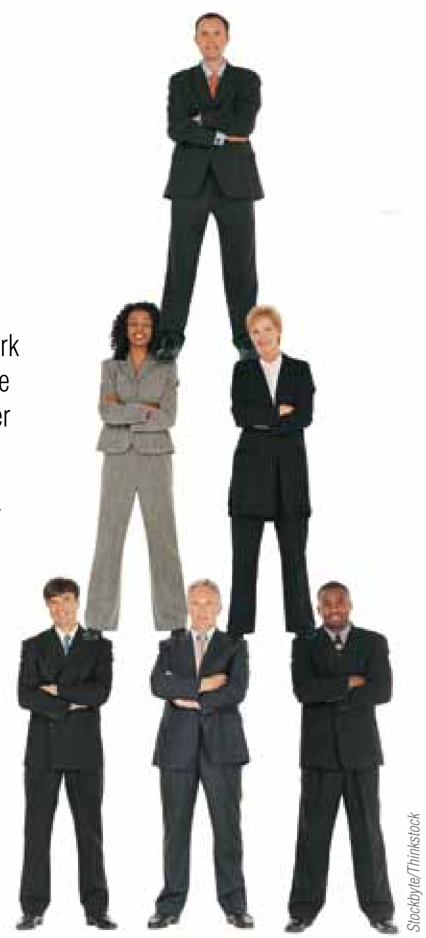
A Company Tale

The primary business activities are interrelated, meaning they depend upon each other and work together—similar to a six-person cheerleading pyramid. When one of the cheerleaders on the bottom level moves slightly, those on the middle and top levels must move also. Even the other cheerleaders on the bottom level have to regain their balance in response.

That's the same thing that happens with the primary business activities. If a business (or a particular business project) changes in some way, the primary business activities must adjust in response. And, if one business activity has to change, the others have to change, too.

Company ABC

Consider this situation. Company ABC is a large business that makes and sells soft drinks to bottling companies. Since the company wants to gain the strategic position of being the most *unique* beverage manufacturer in the industry, it has devised a plan for offering a new flavor of soft drink—feijoa. A subtropical fruit, the feijoa grows primarily in South America, Australia, New Zealand, and California. Its aromatic flavor has been likened to that of the guava, but nothing can really describe the feijoa's unique taste. Company ABC feels that a feijoa-flavored soft drink will have an edge over "boring" lemon-lime soft drinks—and that the new product will bring in significant revenues.



▲ Every primary business activity is related, and if any of them change, the rest must adjust.

But, before the revenues come flowing in, the company needs to obtain money to get the project started. As part of its financial analysis, Company ABC determines that the best way to bring in the necessary funds is through debt financing. The company feels certain that it can easily obtain a low-interest bank loan since it has an excellent credit rating. Furthermore, if the new product is a "winner," it will be able to repay the entire loan in a short period of time.

All the company needs to do is make sure that the borrowed amount will cover the project's expenses—including things such as:

- Salaries for employees in research and development
- Advertising for the new product
- Tools necessary for production

Through its human-resources professionals, the company hires the most qualified research-and-development experts it can find. It offers these employees competitive pay for their expertise, so that the company can rely on the end result of their work.

From the marketing side of things, the company plans and develops suitable advertising that will let people know about the new product and when it will be introduced to the public. It intends to launch a nationwide television advertising campaign as well as to offer free samples at several high-traffic supermarkets and other public places.

The company examines its operations—including tools and processes involved in producing the new soft drink. Although the company has purchased the best tools and has fine-tuned the production process over time, there remains one error that needs to be addressed: The company does not have an appropriate system for storing and retrieving the information involved in researching and developing the product. So, Company ABC makes it a priority to overhaul its information-management system.


iStockphoto/Thinkstock

▲ Employing the right, most qualified human resources is key to business success.

However, improving the information-management system means the entire plan changes (if even slightly), and that puts a strain on the financing available for the project—causing every business activity to adjust. In human-resources management, the company must scale back the number of employees it hires to perform the product's research and development. In marketing, the company must limit the number of advertisements it places to introduce the product. In strategic management, the company must align the change with its long-term goals. In operations, the company must make sure it has the correct tools and processes in place. And, in financial analysis, the company must determine if there is a way to avoid similar financing shortages in the future.


Comstock/Thinkstock

▲ Whenever a business changes, its employees must adjust their activities to suit the new situation.

Special situations

When a business changes—internally or externally—it must adjust its primary business activities to suit its new situation.

For example: If, during strategic management, a business decides that internal structural changes will help it be more effective in reaching its goals, human-resources management and operations will be affected dramatically. New job descriptions, new tasks, and possibly new processes will be involved. And, new methods of managing information may be required. Financial analysis will help the business to choose the appropriate financial means for making the change. And, through marketing, the business will let the public know that the company is improving for the benefit of its customers.

External business changes affect the primary business activities, too. Consider the effects of a **merger** between two large businesses. The goals of the two businesses change as the two companies become one. This means that the strategic management of the two businesses combines. The same thing happens with operations, marketing, information management, human-resources management, and financial analysis. What each business did *before* changes into what the single, united business does *now*.

There are a few circumstances in which business activities are performed in an "out of the ordinary" manner—although with the technological progress of recent years, these situations are becoming much more common. They are outsourcing and offering virtual services.

Outsourcing involves using outside organizations or consultants to perform one or more of the primary business activities. When a business needs human-resources management, for example, it can hire an outside firm to perform the activity instead of hiring in-house employees to do the job.

A **virtual service** is one that is offered through a medium of communication (such as the Internet), rather than in person. One example is buying mp3s online. Instead of expecting customers to drive to a store and purchase a CD, certain businesses, such as iTunes or Amazon.com, offer them the ability to make and download their purchases through a website.

Offering a virtual service can affect business activities in a number of ways. Companies may increase cash flow when they don't have to pay the overhead costs of offering their products in a store. In addition, they may not need to hire as many employees or make as many shipments, reducing the load of human-resources management and operations. The role of information management, however, may be heightened because of so many virtual transactions. Virtual services are certainly marketed differently than other types of products, and a business's marketing efforts will reflect that. In this technological age, the existence of virtual services is sure to play an important part in a company's strategic management as it plans for the future.

Zoonar/Thinkstock

▲ When two companies merge, their primary business activities are likely to combine, as well.

iStockphoto/Thinkstock

1. Give an example of how each of the following primary business activities relates to other business activities:
   a. Financial analysis
   b. Human-resources management
   c. Information management
   d. Marketing
   e. Operations
   f. Strategic management
2. Describe how business change affects the primary business activities.

Summary

All businesses must rely on the integration of the primary business activities to reach specific goals. Business changes, outsourcing, and virtual services do not diminish the need for primary business activities—they simply require the business to adjust the activities accordingly.

Make It Pay!

Your school is a nonprofit business. How does it engage in financial analysis, human-resources management, information management, marketing, operations, and strategic management?

How do these activities affect your education?

MBA Research & Curriculum Center 1375 King Avenue, P.O. Box 12279, Columbus, Ohio 43212-0279 Ph: (614) 486-6708 Fax: (614) 486-1819
CopyIT!® Details: www.MBA*Research*.org Copyright ©2013, by MBA Research and Curriculum Center®