



# So What?



If you're like me, you've held more than one job to earn extra cash.

No matter which business you've worked for, that business (and every other business) has a purpose. It exists to provide a service or product that other people need. These businesses help keep our economy in operation. Without them, you wouldn't have a job!

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## Objectives

- 1 Discuss types of business activities.
- 2 Explain how business activities are interrelated.

# 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.

As such, 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 management, and strategic management. These primary business activities are the main things businesses *do* to stay in business.



## Financial analysis

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

Businesses need money to make money. They need money for land, equipment, supplies, employees, overhead expenses—whatever it takes to run the business.



Where do businesses get this money? 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.



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 management includes more than just producing/providing the good or service, however. It includes establishing the best processes for production and quality control. To do this, businesses manage how their processes vary, reducing unnecessary procedures and wasted materials.

But, process variation isn't the only thing that hampers efficiency. If an established process is difficult to follow, employees may not perform the process accurately. And, if the process is not regularly improved, it could become outdated very quickly. This leads businesses to engage in continuous process improvement by regularly evaluating how well the process works, finding its error points, and correcting the errors as efficiently as possible.

## 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.



How can a business do this? By establishing the organization's capabilities. Businesses need to determine how they can succeed in the long term and what will put them in reach of their goals. Then, businesses need to *do* what they're capable of doing to reach the goals they've set for themselves. In short, strategic management involves long-term planning and organizing for future success.

## The Gray Zone



Offshoring, producing goods in foreign countries, can save money. Foreign laborers do not require the same education or benefits. Offshoring practice helps a business save money, but it does not create jobs in its own nation. Offshoring jobs are often lost to the entire country, putting the economy in jeopardy.

What do you think? Should businesses offshore production of their products?

## 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 structure changes will help it be more effective in reaching its goals, human resources management and operations management will be affected instantly. New job descriptions, new tasks, and possibly new processes will be involved. And, new methods of managing information may be required. With financial analysis, the business will provide the 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 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 without hiring in-house employees for that purpose.

A virtual service is one that is offered through a medium of communication (such as the Internet), rather than in person. One example is online banking. Instead of expecting customers to drive to your banking business, you can provide a way to

complete their banking tasks through the Internet. The benefits of virtual services include speed and efficiency. But, beware: Any security issues that arise may counteract the advantages.



## 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 activities to adjust accordingly.



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 management
  - f. Strategic management
2. Describe how business change affects the primary business activities, overall.

# Make It Pay!

Your school is a nonprofit organization. In financial analysis, information management, and strategic management, and strategic management, and strategic management. How do these activities

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