Strictly Business
Business Activities

Discover why businesses exist

Know what businesses do

What’s the relationship?
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.

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.
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.
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.

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.

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.

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?