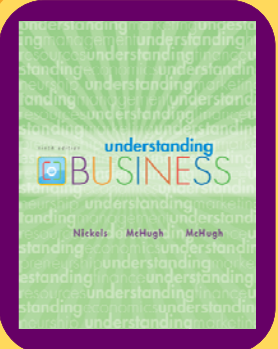


\*  
Chapter One  
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**Taking Risks  
and Making  
Profits within  
the Dynamic  
Business  
Environment**

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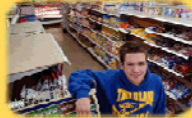
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Profile  
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**NICK GRAHAM**  
Main Street Market

- A 17-year-old high school student
- Reopened small town's only grocery store
- Borrowed \$22,000 to buy building & fixtures
- Worked to save \$10,000 to stock the store
- Worked 90-100 hours per week
- Paid off loan in one year



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Entrepreneurship  
and  
Wealth Building  
LG1  
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**GOODS and SERVICES**

- **Goods** -- *Tangible products such as computers, food, clothing, cars and appliances.*
- **Services** -- *Intangible products that can't be held in your hand like, education, healthcare, insurance, recreation and travel.*
- Success in business is often based on the strategy of finding a need and filling it.

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**BUSINESS and ENTREPRENEURSHIP**

*Entrepreneurship and Wealth Building  
LG1*

- **Business** -- Any activity that seeks to provide goods and services to others while operating at a profit.
- **Entrepreneur** -- A person who risks time and money to start and manage a business.
- Successfully filling a market need means you could make money for yourself and provide jobs for others.

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**REVENUE, PROFIT AND LOSS**

*Revenues, Profits and Losses  
LG1*

- **Revenue** -- The total amount of money a business takes in during a given period by selling goods and services.
- **Profit** -- The amount of money a business earns above and beyond what it spends for salaries and other expenses.
- **Loss** -- Occurs when a business' expenses are more than its revenues.



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**RISK**

*Matching Risk with Profit  
LG1*

- **Risk** -- The chance an entrepreneur takes of losing time and money on a business that may not prove profitable.
- Businesses take risks, but with great risks could come great profit.

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**HOW IS TAX MONEY USED?**

*Businesses Add to the Standard of Living and Quality of Life*  
LG1

**Taxes are used to provide:**

- Hospitals
- Schools
- Libraries
- Playgrounds
- Roads
- Fire Protection
- Police Protection
- Environmental Programs
- Support for People in Need



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**QUALITY of LIFE**

*Businesses Add to the Standard of Living and Quality of Life*  
LG1

- **Quality of Life** -- *The general well-being of a society in terms of its political freedom, natural environment, education, healthcare, safety, amount of leisure and rewards that add to personal satisfaction*



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**STAKEHOLDERS**

*Responding to the Various Business Stakeholders*  
LG1

- **Stakeholders** -- *All the people who stand to gain or lose by the policies and activities of a business and whose concerns the businesses need to address.*
- **Who are Stakeholders?**
  - Customers
  - Employees
  - Stockholders
  - Suppliers
  - Dealers
  - Community Members
  - Media
  - Elected Officials
  - Environmentalists

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Responding to the  
Various Business  
Stakeholders  
LG1 \*

## OUTSOURCING and INSOURCING

- **Outsourcing** -- Contracting with other companies (often in other countries) to do some of the firm's functions
- **Insourcing** -- Foreign companies opening offices and factories in the United States.

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\*  
Using Business  
Principles in  
Nonprofit  
Organizations  
LG1 \*

## NONPROFIT ORGANIZATIONS

- **Nonprofit Organization** -- An organization whose goals are for the betterment of the community, not financial gains.



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Using  
Business  
Principles in  
Nonprofit  
Organizations  
LG1 \*

## WELL-KNOWN NONPROFITS in the UNITED STATES

[United Way](#)                      [American Heart Association](#)

[Salvation Army](#)                [American Cancer Society](#)

[American Red Cross](#)



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**PROGRESS ASSESSMENT** 

- What's the difference between *revenue* and *profit*?
- What's the difference between *standard of living* and *quality of life*?
- What's risk? How is it related to profit?
- What do the terms *stakeholders*, *outsourcing* and *insourcing* mean?

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**THE UPS and DOWNS of ENTREPRENEURSHIP** 

<b>The UPS</b>	<b>The DOWNS</b>
The freedom to succeed.	The freedom to fail.
Make your own decisions.	No paid vacations.
High possibility of wealth.	No health insurance.
Hire your own staff.	No daycare.

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**HIRING PEOPLE with SPECIAL NEEDS**   
(Spotlight on Small Business)

- [Art for a Cause](#), a company that creates and sells hand-painted tools and furniture, employs special needs children and adults throughout Michigan.
- The company donates a portion of its profits to local charities.

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### FIVE FACTORS of PRODUCTION

- 1. Land
- 2. Labor
- 3. Capital
- 4. Entrepreneurship
- 5. Knowledge

- Entrepreneurs use what they've learned to grow their businesses and increase wealth.

*The Importance of Entrepreneurs to the Creation of Wealth*  
LG2

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### PROGRESS ASSESSMENT

- What are some of the advantages of working for others?
- What benefits do you lose as an entrepreneur? And what do you gain?
- What are the five factors of production? Which ones seem to be the most important for creating wealth?

*Progress Assessment*

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### TODAY'S DYNAMIC BUSINESS ENVIRONMENT

*The Business Environment*  
LG2

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**GOVERNMENT'S ROLE in BUSINESS**

*The Economic and Legal Environment*  
LG3

**A government can promote business by...**

1. Minimizing spending and keeping taxes and regulations to a minimum.
2. Allowing private ownership of businesses.
3. Minimizing interference with the free exchange of goods and services.
4. Passing laws that enable businesspeople to write enforceable contracts.
5. Establishing a currency that's tradable in world markets.
6. Minimizing corruption.

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**CORRUPTION WORLDWIDE**

*The Economic and Legal Environment*  
LG3

<b><u>Least Corrupt</u></b>	<b><u>Most Corrupt</u></b>
1. Denmark	1. Somalia & Myanmar (tie)
2. New Zealand	2. Iraq
3. Sweden	3. Haiti
4. Singapore	4. Afghanistan

Sources: Forbes.com, June 2008 and Transparency International, 2009.

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**ETHICS BEGINS with YOU**  
(Making Ethical Decisions)



You're doing a project at home that requires paper, pens and other materials available at work. You've noticed other employees taking home these materials and you're thinking of doing the same.

*What is the problem with this situation?*  
*What are your alternatives?*  
*What are the consequences of each alternative?*  
*What path will you choose?*  
*Is it ethical?*

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**BENEFITS of TECHNOLOGY**

*How Technology Benefits Workers and You*  
LG4

- **Technology** -- Everything from phones to copiers and the various software programs that make businesses more effective, efficient and productive.
- **Effectiveness** -- Producing the desired result.
- **Efficiency** -- Producing goods and services using the least amount of resources.
- **Productivity** -- The amount of output you generate given the amount of input (example: hours you work).

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**E-COMMERCE**

*The Growth of E-Commerce*  
LG4

- **E-Commerce** -- The buying and selling of goods on the Internet.
  - B2C: Business to Consumer
  - B2B: Business to Business



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**DATABASES and IDENTITY THEFT**

*Using Technology to Be Responsive*  
LG4

- **Databases** -- An electronic storage file that enables stores to monitor what you buy and helps them know what to carry in stock.
- **Identity Theft** -- Gathering of individuals' personal information, such as Social Security and credit card numbers, for illegal purposes.

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Using  
Technology to  
Be Responsive  
to Customers  
LG4 \*

## PROTECT YOURSELF from IDENTITY THEFT

Follow these steps to help protect yourself:

- Protect your Social Security Number.
- Shred financial documents and items with personal information.
- Don't give out personal information unless you know who you are dealing with.
- Use strong passwords.
- Never click links in suspicious emails.
- Monitor your credit report.

Source: Federal Trade Commission, [www.ftc.gov](http://www.ftc.gov), October 2008.

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\*  
The Competitive  
Environment  
LG5 \*

## USING EMPOWERMENT to COMPETE in TODAY'S MARKET

- Customers want quality products at a good price with excellent customer service.
- Because business is more customer-driven, some managers give frontline employees more decision-making power.
- **Empowerment** -- *Giving frontline workers the responsibility, authority, and freedom to respond quickly to customer requests.*

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The Social  
Environment  
and Managing  
Diversity  
LG6 \*

## U.S. POPULATION CHANGES

- Population shifts are creating opportunities for some and limiting others.
- Diversity has grown from just recruiting minority and female workers.
- Growth of single-parent households have encouraged businesses to implement programs such as family leave and flextime.



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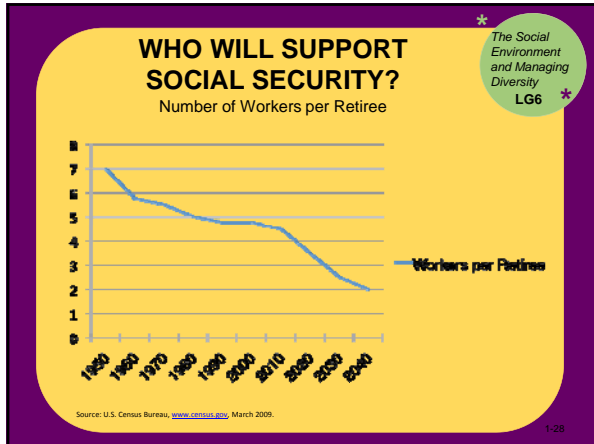
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### DEMOGRAPHY

- **Demography** -- *The statistical study of the population in terms of size, density and characteristics like, age, race, gender and income.*

The Social Environment and Managing Diversity LG6

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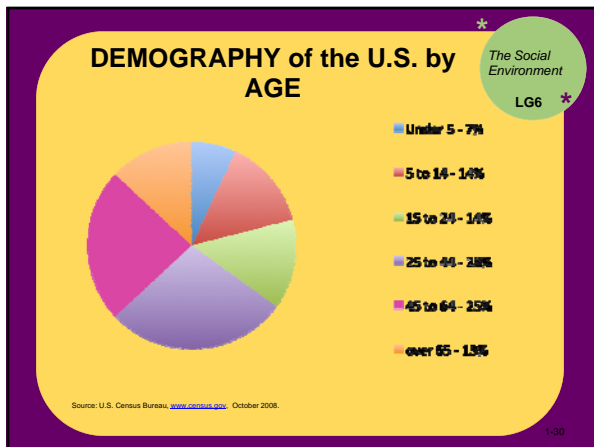
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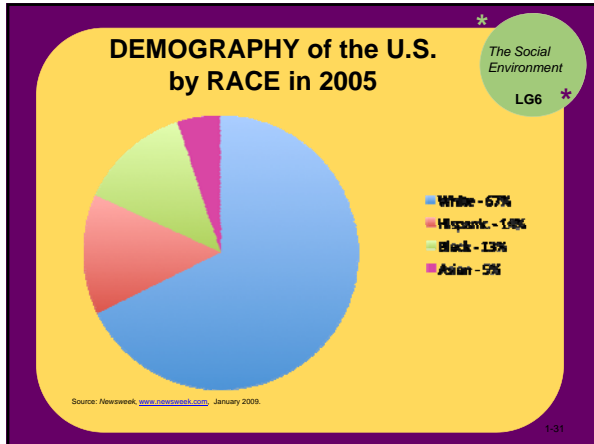
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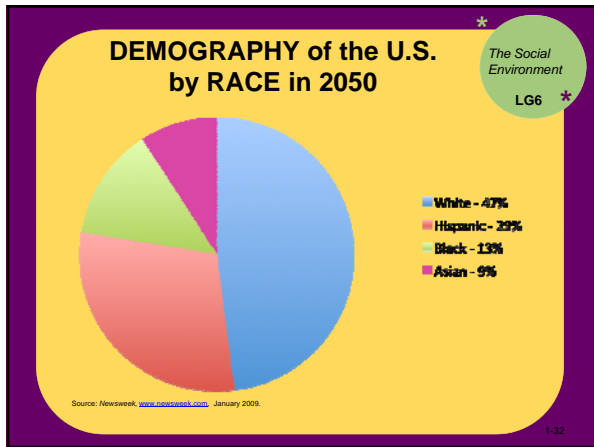
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### IMPORTANT CHANGES to the GLOBAL ENVIRONMENT

*The Global Environment*  
LG7

1. Growth of global competition
2. Increase of free trade among nations
3. More efficient distribution systems and communication advances.

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**INCREASING COSTS of the GLOBAL ENVIRONMENT**

*The Global Environment*  
LG7

- Wars, like those in Iraq and Afghanistan, cost billions of dollars.
- Tax money is diverted.
- Cost of security goes up.
- Cost of insurance goes up.



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**GLOBAL GREENING**

*The Ecological Environment*  
LG7

- **Climate Change** -- *Movement of the temperature of the planet over time.*
- Many companies like [GE](#), [Coca Cola](#), [British Airways](#) and [Shell](#) are shifting their practices to save energy and produce products that cause less harm to the environment. This process is called **greening**.



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**GETTING INVOLVED PERSONALLY**  
(Thinking Green)

*The Ecological Environment*

It's not necessary to radically change your lifestyle to make an ecological difference. Here are a few ways to you can make small changes to help.

- Buy a reusable grocery bag
- Buy energy efficient light bulbs
- Recycle more
- Drive fewer miles or ride your bike
- Use less water
- Run less electrical equipment
- Buy local produce
- Buy a hybrid car



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**PROGRESS ASSESSMENT**

Progress Assessment

- What are four ways the government can foster entrepreneurship?
- What's the difference between effectiveness, efficiency and productivity?
- What's *empowerment*?
- What are some of the major issues affecting the economy today?

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**The EVOLUTION of BUSINESS**

The Evolution of U.S. Business

LG8

Agriculture Era

Manufacturing Era

Service Era

Information-Based Era

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**The AGRICULTURAL ERA**

Progress in the Agricultural Industry

LG8

- In the 1800s, the agricultural industry led economic development.
- Technology, like the harvester and cotton gin, changed the farming industry making it more efficient.
- This led to fewer farmers with larger farms.

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### The MANUFACTURING ERA

*Progress in the Manufacturing Industry*  
LG8

- Industrialization in the 19<sup>th</sup> and 20<sup>th</sup> centuries, moved jobs from farms to factories.
- As technology improved productivity, fewer workers were needed in factories.



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### The SERVICE ERA

*Progress in the Service Industry*  
LG8

- Services make up more 70% of the U.S. economy.
- Since the mid-1980s, the service industry generated almost all the increases in employment.
- More high-paying jobs in service than goods-producing industries.



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### The INFORMATION TECHNOLOGY ERA

*Your Future in Business*  
LG8

- Information technology will affect all sectors of the economy:
  - Agricultural
  - Industrial
  - Service



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**PROGRESS ASSESSMENT**

- What major factor caused people to move from farming to industry and from industry to the service sector?
- What does the future look like for tomorrow's college graduates?

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