

Mrs. Loudon's Tip Sheet for Chapter One

Learning Goals

1. Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.
2. Compare and contrast being an entrepreneur and working for others.
3. Analyze the effect of the economic environment and taxes on businesses.
4. Describe the effects of technology on businesses.
5. Demonstrate how businesses can meet and beat competition.
6. Analyze the social changes affecting businesses.
7. Identify what businesses must do to meet global challenges, including war and terrorism.
8. Review how past trends are being repeated in the present and what those trends mean for tomorrow's college graduates.

Here are some thoughts that should help you with your learning goals for this chapter.

Revenue is the total amount of money a business takes in during a given period of time. **Profit** is the amount of money a business earns above and beyond what it spends for salaries and other expenses during a given period.

Standard of living is the amount of goods and services a person can buy with the money they have. Quality of life refers to the general well being of society in terms of its political freedom, natural environment, education, health care, safety, amount of leisure, and rewards that add to the satisfaction and joy that other goods and services provide.

Risk is the chance an entrepreneur takes in losing time and money on a business that may not prove profitable. Usually, entrepreneurs willing to take the most risk will make the highest profit.

Stakeholders are all the people who stand to gain or lose by the policies and activities of a business and whose concerns the business needs to address. Outsourcing is contracting with other companies (often in other countries) to do some or all the functions of a firm, like its production or accounting tasks. Insourcing is when foreign companies set up design and production facilities in the United States.

Goods are tangible (can be held or touched) like Nike athletic shoes while **services** are intangible (cannot be held in your hand) like a haircut.

The more money businesses create, the more is available to improve the **quality of life** for all citizens.

Entrepreneurs provide jobs for others and the taxes they pay benefit the community.

In the United States the entrepreneur is held in high regard. Most of you have probably heard of Sam Walton, and Michael Dell but do you understand how these entrepreneurs started their businesses. Sam Walton, an entrepreneur, started Wal-Mart with just one store in Arkansas in the 1960s. Michael Dell got his start building computers in his University of Texas dorm room ultimately leading to the creation of Dell, Inc.

Outsourcing is the contracting with other companies to do some of the firm's functions. As the slide states these companies are often in other countries. For example, Dell Computers and many other companies outsource support services to call centers in India and other Asian nations. This can be an emotional, but it is important to understand that outsourcing has occurred for years and does not always involve a company from the United States locating jobs in another country.

Insourcing: Hyundai operates plants in the United States. Its design and engineering headquarters are in Detroit, and they produce cars in Montgomery, Alabama. All of which employ American workers. Insourcing benefits the American worker such as when Toyota and Honda decided to build automobile manufacturing plants in Kentucky and Ohio rather than in Japan.

Nonprofits use the same principles and skills you will learn in this class.

Working for others: Someone else assumes the entrepreneurial risk and provides you with benefits (life health insurance, vacation time, etc.)

Entrepreneur: You have the freedom to make your own decisions, opportunity, and potential for wealth while sacrificing the benefits working for others often provides.

The **factors of production** are: land, labor, capital, entrepreneurship, and knowledge. Of these, entrepreneurship and knowledge seem to be the most important.

Demographic changes: The grocery store has evolved from a market selling primarily raw materials used to produce a meal into stores that now serve pre made products which simply involve "heating and eating." Why? Some would argue this change has more to do with the two income and single-parent household than any other environmental factor. However, their example is a good one to use to help one understand how businesses must adapt to changing demographic circumstances.

The government can foster entrepreneurship by:

- A. Allowing private ownership of business
- B. Passing laws that enable businesses to write enforceable contracts.
- C. Establishing a currency that tradable in world markets.
- D. Minimize corruption in business and in its own ranks.

Effectiveness means producing the desired results. **Efficiency** means producing goods and services using the least amount of resources. **Productivity** is the amount of output you generate given the amount of input, such as the number of hours you work.

Empowerment is allowing workers to make decisions essential to producing high-quality goods and services.

Efficiencies in agricultural led to the reduction in farms and growth in industry. This caused workers to leave the farm and come to the cities. The growth of **efficiencies in production** had the same effect as in agriculture. As factories became more efficient and technologically driven, workers migrated to the service sector.

The information-based global revolution will alter all sections of the economy. It will be an interesting opportunity for all college graduates.