

# chapter 1

## **Taking Risks and Making Profits within the Dynamic Business Environment**

<b>what's new in this edition</b>	1.3
<b>brief chapter outline and learning objectives</b>	1.5
<b>lecture outline and lecture notes</b>	1.7
<b>PowerPoint slide notes</b>	1.37
<b>lecture enhancers</b>	1.56
lecture enhancer 1-1: THE WORLD'S RICHEST PEOPLE	1.56
lecture enhancer 1-2: NON-TRADITIONAL STUDENTS BECOME THE NORM	1.57
lecture enhancer 1-3: QUIRKY: MAKING INVENTORS' DREAMS A REALITY	1.57
lecture enhancer 1-4: SOCIAL ENTREPRENEURSHIP: IMPROVING WORLD HEALTH WITHOUT PROFITS	1.58
lecture enhancer 1-5: MOBILE ENTREPRENEURS OPERATE ON THE GO	1.58
lecture enhancer 1-6: AMERICA'S LOST DECADE	1.59
lecture enhancer 1-7: CRASH TESTING CARS WITH COMPUTERS	1.60
lecture enhancer 1-8: SNAPCHAT: THE LATEST COMMUNICATION REVOLUTION	1.60

Chapter 01 – Taking Risks and Making Profits within the Dynamic Business Environment

<b>lecture enhancer 1-9: PREVENTING IDENTITY THEFT</b>	1.61
<b>lecture enhancer 1-10: THE HIGH DEMAND FOR GREEN DEGREES</b>	1.63
<b>lecture enhancer 1-11: MILESTONES IN BUSINESS</b>	1.64
<b>critical thinking exercises</b>	1.65
<b>critical thinking exercise 1-1: HOW MUCH PROFIT?</b>	1.65
<b>critical thinking exercise 1-2: JOB AND CAREER VERSUS OWNING A BUSINESS</b>	1.67
<b>critical thinking exercise 1-3: MAKING ETHICAL DECISIONS</b>	1.68
<b>bonus case</b>	1.70
<b>bonus case 1-1: NETWORKING OUTSIDE THE NET</b>	1.70

## what's new in this edition

### **additions to the 11<sup>th</sup> edition:**

- Getting to Know Sammy Hagar
- Name That Company: Target
- Spotlight on Small Business: How a Food Truck Helped Rebuild a Storm-Struck Community
- Reaching Beyond Our Borders: Connecting Companies with Global Freelancers
- Adapting to Change: Gourmet Airport Eateries Take Flight
- Video Case: Thomas Lennon

### **revisions to the 11<sup>th</sup> edition:**

- Statistical data and examples throughout the chapter were updated to reflect current information.

### **deletions from the 10<sup>th</sup> edition:**

- Getting to Know Monif Clarke
- Name That Company: Mohammed Yunus and Grameen Bank
- Spotlight on Small Business
- Thinking Green
- Social Media in Business



# brief chapter outline and learning objectives

## CHAPTER 1

### Taking Risks and Making Profits within the Dynamic Business Environment

#### \* Getting to Know SAMMY HAGAR

##### \* learning objective 1

Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

#### I. ENTREPRENEURSHIP AND WEALTH BUILDING

- A. Revenues, Profits, and Losses
- B. Matching Risk with Profit
- C. Standard of Living and Quality of Life
- D. Responding to the Various Business Stakeholders
- E. Using Business Principles in Nonprofit Organizations

##### \* learning objective 2

Compare and contrast being an entrepreneur and working for others.

#### II. ENTREPRENEURSHIP VERSUS WORKING FOR OTHERS

- A. Opportunities for Entrepreneurs
- B. The Importance of Entrepreneurs to the Creation of Wealth

#### III. THE BUSINESS ENVIRONMENT

##### \* learning objective 3

Analyze the effects of the economic environment and taxes on businesses.

##### A. The Economic and Legal Environment

##### \* learning objective 4

Describe the effects of technology on businesses.

##### B. The Technological Environment

1. How Technology Benefits Workers and You
2. The Growth of E-Commerce
3. Using Technology to Be Responsive to Customers

##### \* learning objective 5

Demonstrate how businesses can meet and beat competition.

**C. The Competitive Environment**

1. Competing by Exceeding Customer Expectations
2. Competing by Restructuring and Empowerment

**\* learning objective 6**

Analyze the social changes affecting businesses.

**D. The Social Environment**

1. Managing Diversity
2. The Increase in the Number of Older Citizens
3. The Increase in the Number of Single-Parent Families

**\* learning objective 7**

Identify what businesses must do to meet global challenges, including war and terrorism.

**E. The Global Environment**

1. War and Terrorism
2. How Global Changes Affect You
3. The Ecological Environment

**\* learning objective 8**

Review how past trends are being repeated in the present and what they mean for tomorrow's college graduates.

**IV. THE EVOLUTION OF U.S. BUSINESS**

- A. Progress in the Agricultural and Manufacturing Industries**
- B. Progress in the Service Industries**
- C. Your Future in Business**

**V. SUMMARY**

## Getting to Know SAMMY HAGAR

While best known as the one-time frontman of Van Halen, Sammy Hagar used the money he earned from music to build a business empire.

name that company

*Just before Christmas 2013, hackers stole more than 110 million credit card numbers from this retailer's computer system requiring all customers to monitor activity on these accounts and/or get new credit cards. The company's profits fell nearly 50 percent for the quarter. Name that company.*

*(Students should read the chapter before guessing the company's name: Target)*

### \* learning objective 1

Describe the relationship between profit and risk, and show how businesses and nonprofit organizations can raise the standard of living for all.

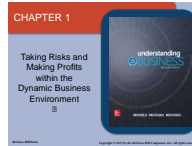
## I. ENTREPRENEURSHIP AND WEALTH BUILDING

### A. BASIC CONCEPTS:

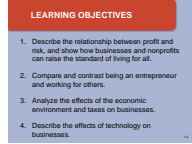
1. Success in business involves finding a need and filling it.
2. A business provides needed goods, jobs, and services to people in the area.
  - a. **GOODS** are tangible products such as computers, food, clothing, cars, and appliances.
  - b. **SERVICES** are intangible products that can't be held in your hand, such as education, health care, insurance, recreation, and travel and tourism.
3. Successfully filling a need may make you rich.
4. A **BUSINESS** is any activity that seeks to provide

# Chapter 01 – Taking Risks and Making Profits within the Dynamic Business Environment

## PPT 1-1 Chapter Title



## PPT 1-2 Learning Objectives



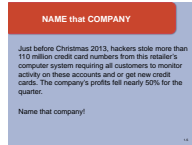
## PPT 1-3 Learning Objectives



## PPT 1-4 Sammy Hagar



## PPT 1-5 Name That Company



(See complete PowerPoint slide notes beginning on page 1.37.)

## PPT 1-6 Goods and Services





goods and services to others while operating at a profit.

5. An **ENTREPRENEUR** is a person who risks time and money to start and manage a business.

## B. REVENUES, PROFITS, AND LOSSES

1. **REVENUE** is the total amount of money a business takes in during a given period by selling goods and services.
2. **PROFIT** is the amount a business earns above and beyond what it spends for salaries and other expenses.
3. **REVENUE – EXPENSES = PROFIT.**
4. A **LOSS** occurs when a business's expenses are more than its revenues.
5. Approximately 80,000 businesses in the U.S. fail each year (although this number may be overstated).

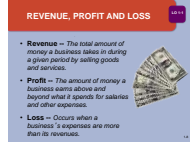
## C. MATCHING RISK WITH PROFIT

1. **RISK** is the chance an entrepreneur takes of losing time and money on a business that may not prove profitable.
2. *The text uses the example of selling hot dogs during the summer—paying for supplies, rent, salaries, and only then making a profit.*
3. Not all enterprises make the same amount of profit.
4. The more **RISKS** you take, the **HIGHER THE REWARDS** may be.

**PPT 1-7**  
Business and Entrepreneurship



**PPT 1-8**  
Revenue, Profit, and Loss



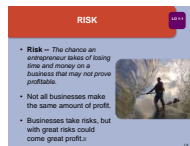
**lecture enhancer 1-1**  
**THE WORLD'S RICHEST PEOPLE**

These are the world's 20 richest people—their wealth, age, residence, and country of citizenship. (See the complete lecture enhancer on page 1.56 of this manual.)

**critical thinking**  
**exercise 1-1**  
**HOW MUCH PROFIT?**

The text defines profit as the amount a business earns above and beyond what it spends for salaries and other expenses. Students often have a very inaccurate idea of how much profit businesses actually make. This exercise leads students to find this actual profit percentage. (See the complete exercise on page 1.65 of this manual.)

**PPT 1-9**  
Risk



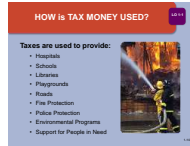
## D. **STANDARD OF LIVING AND QUALITY OF LIFE**

1. Entrepreneurs **PROVIDE EMPLOYMENT** for other people.
2. They also **PAY TAXES** that are used for schools, hospitals, and other facilities.
3. Businesses are part of an economic system that helps **CREATE A HIGHER STANDARD OF LIVING** and quality of life for everyone.
4. **STANDARD OF LIVING** is the amount of goods and services people can buy with the money they have.
5. Potential businesspeople must find a location with the right level of taxes and regulations.
6. **QUALITY OF LIFE** is the general well-being of a society in terms of 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.
7. The combined efforts of businesses, nonprofit organizations, and government agencies are required to maintain a high quality of life.

## E. **RESPONDING TO THE VARIOUS BUSINESS STAKEHOLDERS**

1. **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.

**PPT 1-10**  
How Is Tax Money Used?



**PPT 1-11**  
Standard of Living



**PPT 1-12**  
Quality of Life



**lecture enhancer 1-2**  
**NON-TRADITIONAL STUDENTS**  
**BECOME THE NORM**

During the recent recession, more students are turning toward community colleges and they're not always who you'd expect. (See the complete lecture enhancer on page 1.57 of this manual.)

**PPT 1-13**  
Stakeholders



2. Stakeholders include customers, employees, stockholders, suppliers, bankers, people in the local community, environmentalists, and elected leaders.
3. The challenge for companies in the 21st century will be to recognize and respond to the needs of their stakeholders.
4. To stay competitive, businesses may **OUT-SOURCE** jobs to other countries.
  - a. **OUTSOURCING** means contracting with other companies (often in other countries) to do some or all of the functions of the firm, like its production or accounting tasks.
  - b. Many companies have set up design and production facilities here in the United States, a practice known as **INSOURCING**.
  - c. The decision whether to outsource or to in-source is based on what is best for all the stakeholders.

#### F. **USING BUSINESS PRINCIPLES IN NONPROFIT ORGANIZATIONS**

1. **NONPROFIT ORGANIZATIONS**—such as government agencies, public schools, charities, and social causes—make a major contribution to the welfare of society.
2. A **NONPROFIT ORGANIZATION** is an organization whose goals do not include making a personal profit for its owners or organizers.
3. **SOCIAL ENTREPRENEURS** are people who use

**PPT 1-14**  
Stakeholders

**TEXT FIGURE 1.1**  
A Business and Its Stakeholders



**PPT 1-15**  
Outsourcing and Insourcing

**OUTSOURCING and INSOURCING**

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

**lecture enhancer 1-3**  
**QUIRKY: MAKING INVENTORS' DREAMS REALITY**

As donations drop, nonprofits, especially churches, are feeling the pinch and many clergy are out searching for jobs. (See the complete lecture enhancer on page 1.57 of this manual.)

**PPT 1-16**  
Nonprofit Organizations

**NONPROFIT ORGANIZATIONS**

- **Nonprofit Organization** – An organization whose goals do not include making a personal profit for its members or organizers.

The photograph shows a woman in a red and white uniform, possibly a nurse or healthcare worker, standing in front of a brick building with a sign that says 'HOSPITAL'.

**PPT 1-17**  
Well-Known Nonprofits in the United States

**WELL-KNOWN NONPROFITS in the UNITED STATES**

<a href="#">United Way</a>	<a href="#">American Heart Association</a>
<a href="#">Salvation Army</a>	<a href="#">American Cancer Society</a>
<a href="#">American Red Cross</a>	<a href="#">American Red Cross</a>

The logos are arranged in a grid. From top to bottom: United Way, Salvation Army, American Red Cross, American Heart Association, and American Cancer Society.

**PPT 1-18**  
Keeping Strong Employees at Nonprofits

**KEEPING STRONG EMPLOYEES at NONPROFITS**

1. Set ambitious, but realistic goals.
2. Allow all employees to work with the groups they are serving.
3. Give employees a break. Nonprofit work is draining.

The photograph shows a woman in a white lab coat, likely a healthcare professional, interacting with a group of people in a clinical or community setting.

business principles to start and manage organizations that are not for profit and who help countries with their social issues.

4. You need the **SAME SKILLS** to work in nonprofit organizations that you need in business, including information management, leadership, marketing, and financial management.
5. Businesses, nonprofit organizations, and volunteer groups often strive to accomplish the same objectives.

**\* learning objective 2**

Compare and contrast being an entrepreneur and working for others.

## **II. ENTREPRENEURSHIP VERSUS WORKING FOR OTHERS**

### **A. THERE ARE TWO WAYS TO SUCCEED IN BUSINESS:**

1. One way is to **RISE UP THROUGH THE RANKS** of a large company.
2. The riskier path is to **START YOUR OWN BUSINESS.**

### **B. OPPORTUNITIES FOR ENTREPRENEURS**

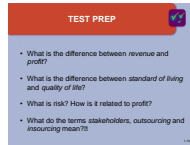
1. Millions of people have taken the entrepreneurial risk and succeeded.
2. The number of Hispanic-owned businesses in the United States has grown dramatically.
3. Increases have also been made by Asians, Pacific Islanders, American Indians, and Alaska Natives.
4. Women now own over one-third of all businesses.

**lecture enhancer 1-4**  
**SOCIAL ENTREPRENEURSHIP: IMPROVING WORLD HEALTH WITHOUT PROFITS**

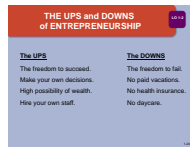
Victoria Hale has created a nonprofit organization, One-WorldHealth, to finance necessary prescription drugs that have no profit potential. (See the complete lecture enhancer on page 1.58 of this manual.)

**test prep**

**PPT 1-19**  
Test Prep



**PPT 1-20**  
The Ups and Downs of Entrepreneurship



**SPOTLIGHT ON small business**

**PPT 1-21**  
How a Food Truck Helped Rebuild a Storm-Struck Community



**PPT 1-22**  
Who Takes the Entrepreneurial Challenge?





5. Businesses owned by minority women are growing twice as fast as minority men and over four times faster than nonminority entrepreneurs.

### C. THE IMPORTANCE OF ENTREPRENEURS TO THE CREATION OF WEALTH

1. The **FACTORS OF PRODUCTION** are the resources used to create wealth:
  - a. **LAND** (*or natural resources*)
  - b. **LABOR** (*workers*)
  - c. **CAPITAL**
    - i. This includes machines, tools, buildings, or whatever is used in the production of goods, but not money.
    - ii. Money is used to buy factors of production.
  - d. **ENTREPRENEURSHIP**
  - e. **KNOWLEDGE**
2. Some experts, including the late Peter Drucker, believe that the most important factor of production is **KNOWLEDGE**.
3. Some countries are rich in land or labor, but these aren't critical to wealth creation.
4. What makes rich countries rich is not land, labor, or capital; it is a combination of **ENTREPRENEURSHIP** and the effective use of **KNOWLEDGE**.
5. Entrepreneurship also helps make some states

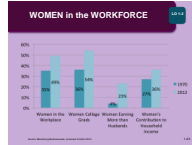
**critical thinking  
exercise 1-2**

**JOB AND CAREER VERSUS OWN-  
ING A BUSINESS**

This exercise guides the student through the decision-making process of evaluating various career options. (See the complete exercise on page 1.67 of this manual.)

**PPT 1-23**

**Women in the Workforce**

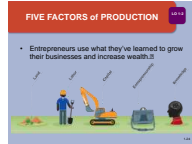


**PPT 1-24**

**Five Factors of Production**

**TEXT FIGURE 1.2**

**The Five Factors of Production**

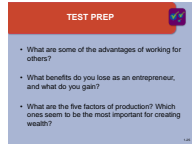


**lecture enhancer 1-5**  
**MOBILE ENTREPRENEURS OPER-  
ATE ON THE GO**

Entrepreneurship isn't just for the office or storefront anymore. Jetsetters can get in on the fun too. (See the complete lecture enhancer on page 1.58 of this manual.)

**test  
prep**

**PPT 1-25**



and cities rich while others remain relatively poor.

### III. THE BUSINESS ENVIRONMENT

A. The **BUSINESS ENVIRONMENT** consists of the surrounding factors that either help or hinder the development of business; they are:

1. The economic and legal environment
2. The technological environment
3. The competitive environment
4. The social environment
5. The global business environment

Businesses that create jobs and wealth grow and prosper in a healthy environment.

**\* learning objective 3**

Analyze the effects of the economic environment and taxes on businesses.

#### B. THE ECONOMIC AND LEGAL ENVIRONMENT

1. People are willing to risk starting businesses if they feel that the risk is acceptable.
2. **GOVERNMENTS CAN LESSEN THE RISK** of starting a business and increasing entrepreneurship and wealth by:
  - a. Minimizing spending and keeping **TAXES AND REGULATIONS** to a minimum.
  - b. Allowing **PRIVATE OWNERSHIP** of business.
  - c. Passing **LAWS** that enable businesspeople to write enforceable contracts.
  - d. Establishing a **CURRENCY** that is tradable in

**PPT 1-26**  
What Is the Business Environment?

**TEXT FIGURE 1.3**  
Today's Dynamic Business Environment



**lecture enhancer 1-6**  
**AMERICA'S LOST DECADE**

The business environment of the “Oughts” has been seen as an enormous step backward for the United States. (See the complete lecture enhancer on page 1.59 of this manual.)

**PPT 1-27**  
Government's Role in Business

- 
- The slide has a red header with the title 'GOVERNMENT'S ROLE in BUSINESS'. Below the header, it states 'Government can promote business by...' followed by a numbered list of six points.
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.

world markets.

- e. **MINIMIZING CORRUPTION** in business and government.
3. **CORRUPT AND ILLEGAL ACTIVITIES** negatively affect the business community and the economy.
  4. The capitalist system relies heavily on honesty, integrity, and high ethical standards.
    - a. The recent faltering economy was partially caused by mortgage bankers pushing borrowers into subprime mortgages.
    - b. The ripple effects reduced the value of housing and led to a freeze in credit markets.

**\* learning objective 4**

Describe the effects of technology on businesses.

**C. THE TECHNOLOGICAL ENVIRONMENT**

1. Few technical changes have had a more lasting impact on businesses than **INFORMATION TECHNOLOGY**.
2. Innovations such as the iPhone, BlackBerry, Facebook, and Twitter have changed how people communicate.
3. **HOW TECHNOLOGY BENEFITS WORKERS AND YOU**
  - a. **TECHNOLOGY** means everything from phones and copiers to computers, medical imaging devices, personal digital assistants, and various software programs that make

**PPT 1-28**  
Corruption Worldwide

Least Corrupt	Most Corrupt
1. Denmark	1. Somalia
2. New Zealand	2. North Korea
3. Finland	3. Afghanistan
4. Sweden	4. Sudan
5. Norway	5. South Sudan

**MAKING**  
**ethical**  
**decisions**

**PPT 1-29**  
Ethics Begins  
with You

If the number of employees calling in sick has reached an all-time high, 30% of all callers were not even sick. Others conduct personal business at work, play video games and check their Facebook pages while at work.

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

**critical thinking**  
**exercise 1-3**  
**MAKING ETHICAL DECISIONS**

This exercise raises the question: What does the student do when he or she comes to a Making Ethical Decisions box in the text? (See the complete exercise on page 1.68 of this manual.)

**PPT 1-30**  
Benefits of Technology

- 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).

**lecture enhancer 1-7**  
**CRASH TESTING CARS WITH COMPUTERS**

Technology is has long been a part of the manufacturing sector. Here is how Ford and other automakers are changing the crash test process. (See the complete lecture enhancer on page 1.60 of this manual.)

**lecture enhancer 1-8**  
**SNAPCHAT: THE LATEST COMMUNICATION REVOLUTION**

Technology has its hand in all we do from how we work to how we communicate. Will Snapchat change our communication style? (See the complete lecture enhancer on page 1.60 of this manual.)

business processes more efficient and productive.

- i. **EFFECTIVENESS** means producing the desired result.
  - ii. **EFFICIENCY** means producing goods and services using the least amount of resources.
  - b. **PRODUCTIVITY** is the amount of output you generate given the amount of input (such as hours worked).
  - c. Tools and technology increase productivity.
  - d. Farmers use high technology to increase production and profit.
4. **THE GROWTH OF E-COMMERCE**
- a. **E-COMMERCE** is buying and selling of goods over the Internet.
  - b. There are two types of e-commerce transactions:
    - i. **BUSINESS-TO-CONSUMER (B2C)**
    - ii. **BUSINESS-TO-BUSINESS (B2B)**
  - c. **B2B E-COMMERCE** consists of selling goods and services from one business to another.
  - d. Traditional businesses need to learn how to deal with competition from B2B and B2C firms.
5. **USING TECHNOLOGY TO BE RESPONSIVE TO CUSTOMERS**
- a. The businesses that are most responsive to customer wants and needs will succeed.

**bonus case 1-1**  
**NETWORKING OUTSIDE THE NET**

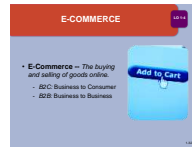
Though a lot of business networking is now done through social media, it's no replacement for real human interaction. (See the complete case, discussion questions, and suggested answers beginning on page 1.70 of this manual.)

**REACHING  
BEYOND OUR  
borders**

**PPT 1-31**  
Connecting  
Companies with  
Global Free-  
lancers



**PPT 1-32**  
E-Commerce



**PPT 1-33**  
Cyber Attacks on Businesses





- b. Businesses can use technology (*such as UPC bar codes on products*) to become more responsive.
- c. A **DATABASE** is an electronic storage file for information; one use of databases is to store vast amounts of information about consumers.
- d. Databases also allow stores to carry fewer items and less inventory.
- e. However, gathering personal information about people has led to **IDENTIFY THEFT**, obtaining individuals' personal information, such as Social Security and credit card numbers, for illegal purposes.
- f. The Federal Trade Commission says that millions of Americans are victims of identify theft each year.

**\* learning objective 5**

Demonstrate how businesses can meet and beat competition.

**D. THE COMPETITIVE ENVIRONMENT**

- 1. Making quality products is not enough to stay competitive in world markets—now you have to offer quality products and outstanding service at competitive prices.
- 2. **COMPETING BY EXCEEDING CUSTOMER EXPECTATIONS**
  - a. Customers today want good quality at low prices plus great service.
  - b. Business is becoming **CUSTOMER-DRIVEN**—

**PPT 1-34**  
Databases and Identity Theft



**PPT 1-35**  
Protect Yourself from Identity Theft



**lecture enhancer 1-9**  
**PREVENTING IDENTITY THEFT**

How to reduce identity theft and what to do when it happens.  
(See the complete lecture enhancer on page 1.61 of this manual.)

customers' wants and needs come first.

- c. Successful companies must **LISTEN TO CUSTOMERS** to determine their wants and needs and then adjust their products, policies, and practices to meet these demands.

### 3. **COMPETING BY RESTRUCTURING AND EMPOWERMENT**

- a. To meet the needs of customers, firms must enable their frontline workers to **RESPOND QUICKLY TO CUSTOMER REQUESTS**.
- b. **EMPOWERMENT** is giving frontline workers the responsibility, authority, freedom, training, and equipment they need to respond quickly to customer requests.
- c. It sometimes takes years to restructure an organization to empower numbers.

#### \* **learning objective 6**

Analyze the social changes affecting businesses.

### E. **THE SOCIAL ENVIRONMENT**

1. **DEMOGRAPHY** is the statistical study of the human population in regard to its size, density, and other characteristics, such as age, race, gender, and income.
2. **MANAGING DIVERSITY**
  - a. Today diversity includes many more population groups, including seniors, people with disabilities, singles, the devout, and so on.
  - b. The number of legal and illegal **IMMIGRANTS**

**PPT 1-36**  
Using Empowerment to Compete in Today's Market

**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.

**PPT 1-37**  
Demography

**DEMOGRAPHY**

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



has had a dramatic impact on cities and businesses.

### 3. **THE INCREASE IN THE NUMBER OF OLDER CITIZENS**

- a. U.S. citizens aged 65–74 are the richest demographic group in U.S. society.
- b. By 2020, 22.8% of the population will be over 60 years old.
- c. Think of the career opportunities of providing goods and services for older adults.
- d. Paying Social Security to seniors will drain huge amounts of money from the economy.
- e. Soon there will be **LESS MONEY COMING INTO** the Social Security system than will **BE GOING OUT**.

### 4. **THE INCREASE IN THE NUMBER OF SINGLE-PARENT FAMILIES**

- a. **SINGLE PARENTS** have encouraged businesses to implement family-friendly programs such as **FAMILY LEAVE** and **FLEXTIME**.

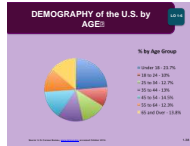
#### \* **learning objective 7**

Identify what businesses must do to meet global challenges, including war and terrorism.

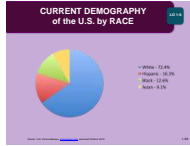
### F. **THE GLOBAL ENVIRONMENT**

1. Two important environmental changes in recent years have been the **GROWTH OF GLOBAL COMPETITION** and the **INCREASE OF FREE TRADE** among nations.
  - a. Improvements in transportation and commu-

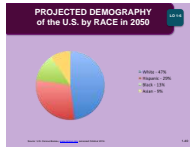
**PPT 1-38**  
Demography of the U.S. by Age



**PPT 1-39**  
Projected Demography of the U.S. by Race



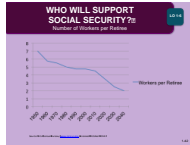
**PPT 1-40**  
Projected Demography of the U.S. by Race in 2050



**PPT 1-41**  
U.S. Population Changes

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

**PPT 1-42**  
Who Will Support Social Security?



**PPT 1-43**  
What is Diversity?

- The U.S. Equal Employment Opportunity Commission prohibits base discriminating against:
  - Age
  - Disability
  - Genetic information
  - National origin
  - Pregnancy
  - Race
  - Religion
  - Sex

**PPT 1-44**  
Important Changes to the Global Environment

- Growth of global competition.
- Increase of free trade among nations.
- Development of efficient distribution systems.
- Advances in communication systems.

nication have led to more trade.

- b. World trade (**GLOBALIZATION**) has significantly improved living standards around the world.
- c. World trade has both benefits and costs, as will be discussed in Chapter 3.

## 2. **WAR AND TERRORISM**

- a. Recent wars have drawn billions of dollars from the American economy.
- b. The threat of terrorism makes people more fearful and cautious and adds to a business's organizational costs.
- c. Businesspeople benefit from a peaceful and prosperous world.

## G. **HOW GLOBAL CHANGES AFFECT YOU**

- 1. Expanding global commerce will create many career opportunities for American college graduates.
- 2. Students must prepare themselves to compete in changing global environments.

## H. **THE ECOLOGICAL ENVIRONMENT**

- 1. **CLIMATE CHANGE** is the movement of the temperature of the planet up or down over time.
- 2. **GREENING** is saving energy and producing products that cause less harm to the environment.
- 3. These concepts will be highlighted throughout this text.

**PPT 1-45**  
Increasing Costs of the Global Environment



**ADAPTING TO**  
**change**

**PPT 1-46**  
Gourmet Airport Eateries Take Flight



**PPT 1-47**  
Global Greening



**lecture enhancer 1-10**  
**THE HIGH DEMAND FOR GREEN DEGREES**

As the job crunch was experienced by recent grads, students still in school started enrolling in sustainability programs. (See the complete lecture enhancer on page 1.63 of this manual.)



\* **learning objective 8**

Review how past trends are being repeated in the present and what they mean for tomorrow's college graduates.

## **IV. THE EVOLUTION OF U.S. BUSINESS**

A. American businesses have become so productive that fewer workers are needed in the industrial sector to produce goods.

### **B. PROGRESS IN THE AGRICULTURAL AND MANUFACTURING INDUSTRIES**

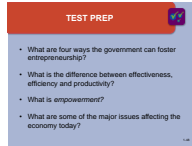
1. The use of **TECHNOLOGY** made the agricultural industry so **PRODUCTIVE** that the number of farmers dropped from about a third of the population to about 1%.
2. **AGRICULTURE** is still a major industry in the U.S., but fewer and larger farms have replaced millions of small farms.
3. Many farmers lost their jobs and went to work in factories.
4. Now **TECHNOLOGY** is making manufacturing more productive and workers again losing their jobs.

### **C. PROGRESS IN THE SERVICE INDUSTRIES**

1. The fastest growing firms provide services in areas like law, health, telecommunications, entertainment, and finance.
2. **SERVICES** make up over 70% of the value of the U.S. economy and have generated almost all

test  
prep

PPT 1-48  
Test Prep



lecture enhancer 1-11  
MILESTONES IN BUSINESS

Some important dates in the history of business. (See the complete lecture enhancer on page 1.64 of this manual.)

PPT 1-49  
The Evolution of Business



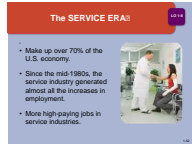
PPT 1-50  
The Agricultural Era



PPT 1-51  
The Manufacturing Era



PPT 1-52  
The Service Era



the increases in employment.

3. Service-sector growth has slowed, but is still the largest area of growth.
4. There are more high-paying jobs in the service sector than in the goods-producing sector.

#### **D. YOUR FUTURE IN BUSINESS**

1. The service sector now seems to be losing out to a new era.
2. This information-based global revolution will alter the way business is done in the future.
3. Most of the **CONCEPTS AND PRINCIPLES** that make business more effective and efficient are also applicable in government agencies and non-profit organizations.

### **V. SUMMARY**

**PPT 1-53**  
The Information Technology Era

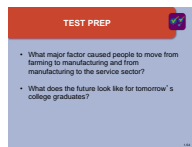


**TEXT FIGURE 1.4**  
What Is the Service Sector?

This text figure gives a representative list of services as classified by the government.

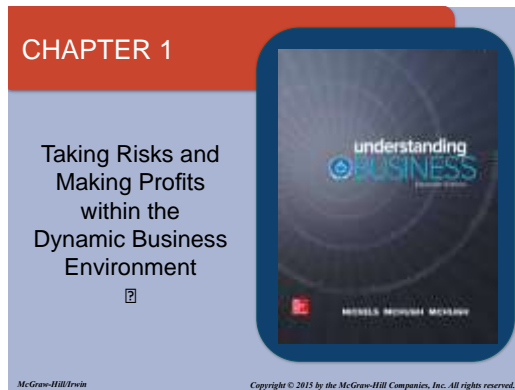
**test  
prep**

**PPT 1-54**  
Test Prep

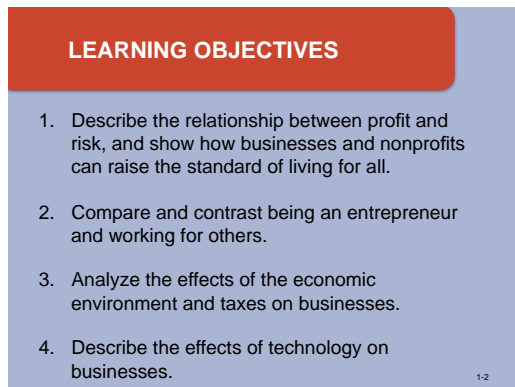


# PowerPoint slide notes

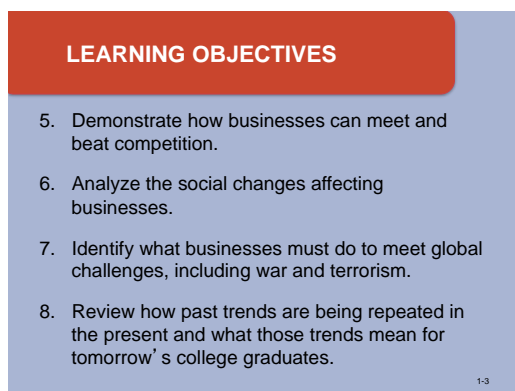
## PPT 1-1 Chapter Title



## PPT 1-2 Learning Objectives



## PPT 1-3 Learning Objectives



**PPT 1-4**  
Sammy Hagar

**SAMMY HAGAR**  
Entrepreneur

- Has juggled a long music career with lucrative businesses.
- Started investing while in his first band.
- Opened the Cabo Wabo Cantina in 1990 and has since increased the brand.
- Donates large amounts to help feed the hungry.



**PPT 1-5** Answer: Target  
Name That Company

**NAME that COMPANY**

Just before Christmas 2013, hackers stole more than 110 million credit card numbers from this retailer's computer system requiring all customers to monitor activity on these accounts and or get new credit cards. The company's profits fell nearly 50% for the quarter.

Name that company!

**PPT 1-6**  
Goods and Services

**GOODS and SERVICES** LO 1-1

- **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.*
- Successfully filling a market need means you could make money for yourself and provide jobs for others.

It is important to make sure that students understand the difference between goods and services. Emphasize that 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.

**PPT 1-7**  
**Business and Entrepreneurship**

**BUSINESS and ENTREPRENEURSHIP** LO 1-1

- **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.
- Success in business is often based on the strategy of finding a need and filling it.


1-7

In the United States the entrepreneur is held in high regard. Most students have heard of Sam Walton and Michael Dell, but it often adds to the classroom experience if they understand how these entrepreneurs started their businesses. Sam Walton started Walmart 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.

**PPT 1-8**  
**Revenue, Profit and Loss**

**REVENUE, PROFIT AND LOSS** LO 1-1

- **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's expenses are more than its revenues.




1-8

About 80,000 businesses in the United States close each year.

**PPT 1-9**  
**Risk**

**RISK** LO 1-1

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



1-9

Irish entrepreneur Denis O'Brien makes billions by selling cell phones in the poorest and most violent countries in the world. Big risk, big profit.


**PPT 1-10**  
How is Tax Money Used?

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

**HOW is TAX MONEY USED?** LO 1-1

**Taxes are used to provide:**

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



1-10

**PPT 1-11**  
Standard of Living

Workers in Japan may make more than Americans, but a bottle of beer may cost \$7 in Japan.

**STANDARD of LIVING** LO 1-1

- **Standard of Living** -- *The amount of goods and services people can buy with the money they have.*
- The U.S. has one of the highest standards of living in the world.
- Workers in other countries may make more money, but prices for products are higher.



Photo Credit: Walmart Stores

1-11

**PPT 1-12**  
Quality of Live

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

**QUALITY of LIFE** LO 1-1

- **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.*



1-12



**PPT 1-13**  
Stakeholders

**STAKEHOLDERS** LO 1-1

- **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
  - Bankers
  - Environmentalists

1-13

**PPT 1-14**  
Stakeholders

**STAKEHOLDERS** LO 1-1

1-14

**PPT 1-15**  
Outsourcing and Insourcing

**OUTSOURCING and INSOURCING** LO 1-1

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

1-15

1. 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 issue and one that students often do not understand. When discussing this topic with students, it is important for students to understand that outsourcing has occurred for years and does not always involve a company from the United States locating jobs in another country.
2. Once students understand outsourcing, the concept of insourcing can be discussed. For example, 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.

**PPT 1-16**  
Nonprofit Organizations

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

**NONPROFIT ORGANIZATIONS** LO 1-1

- **Nonprofit Organization** -- An organization whose goals do not include making a personal profit for its owners or organizers. [2]



1-16

**PPT 1-17**  
Well-Known Nonprofits in the United States

**WELL-KNOWN NONPROFITS in the UNITED STATES** LO 1-1

[United Way](#)      [American Heart Association](#)  
[Salvation Army](#)      [American Cancer Society](#)  
[American Red Cross](#) [2]




1-17

1. This slide provides a listing of well-known nonprofit organizations in the United States.
2. Some of the better known nonprofit organizations include: Salvation Army, United Way and the American Red Cross.
3. Ask students to identify smaller, local nonprofit organizations and discuss how they contribute to the community's quality of life.

**PPT 1-18**  
Keeping Strong Employees at Nonprofits

**KEEPING STRONG EMPLOYEES at NONPROFITS** LO 1-1

1. Set ambitious, but realistic goals.
2. Allow all employees to work **with** the groups they are serving.
3. Give employees a break. Nonprofit work is draining. [2]



Source: Fair Company, accessed October 2014. 1-18

1. Since few nonprofits can compete for qualified employees by offering higher salaries, they must find other ways to recruit, hire, and retain workers.
2. Many nonprofit workers choose to accept lower wages in exchange for the feeling that they are helping a good cause.
3. Since nonprofit work is often exhausting, managers need to find ways to help employees relax and celebrate their good works.

**PPT 1-19**  
Test Prep

**TEST PREP**

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

1-19

1. 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.
2. Standard of living is the amount of goods and services a person can buy with the money he or she has. 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.
3. 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 make the highest profit.
4. 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.

**PPT 1-20**  
The Ups and Downs of Entrepreneurship

**THE UPS and DOWNS of ENTREPRENEURSHIP**

<u>The UPS</u>	<u>The DOWNS</u>
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.

1-20

**PPT 1-21**

**How a Food Truck Helped Rebuild a Storm-Struck Community**

**HOW a FOOD TRUCK HELPED REBUILD a STORM-STRUCK COMMUNITY**

- After witnessing the destruction left behind after Hurricane Sandy, Mike Diamond started Rockaway Plate to serve free lunches.
- Now the truck is a profitable business that helps local teens gain work experience.



1-21

**PPT 1-22**

**Who Takes the Entrepreneurial Challenge?**

**WHO TAKES the ENTREPRENEURIAL CHALLENGE?**

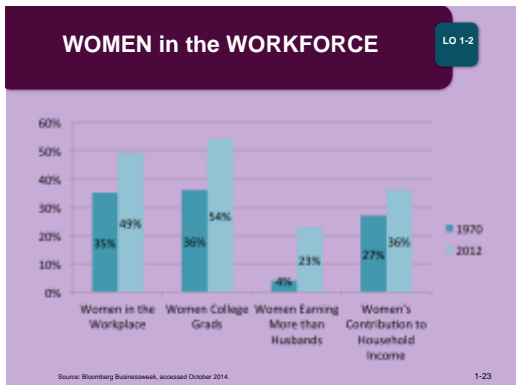
- Millions of people have started businesses and succeeded.
- The number of Hispanic-owned businesses in the U.S. has grown dramatically.
- Women now own over one-third of all businesses.



1-22

**PPT 1-23**

**Women in the Workforce**



1. In the past 40 years, the number of working women has increased significantly.
2. A considerable number even out earn their husbands; something that seemed unheard of in the past.
3. In 1970, there were 0 female CEOs in Fortune 500 companies. In 2014, there were 24 (a record high!).

**PPT 1-24**

**Five Factors of Production**

**FIVE FACTORS of PRODUCTION** LO 1-2

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

1-24

**PPT 1-25**  
**Test Prep**

**TEST PREP** LO 1-2

- 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?

1-25

1. When working for others, someone else assumes the entrepreneurial risk and provides you with benefits (life health insurance, vacation time, etc.).
2. As an entrepreneur you have the freedom to make your own decisions and the potential for creating wealth, while sacrificing the benefits that working for others often provides.
3. The factors of production are land, labor, capital, entrepreneurship, and knowledge. Of these, entrepreneurship and knowledge seem to be the most important for creating wealth.

**PPT 1-26**

**What is the Business Environment?**

**WHAT is the BUSINESS ENVIRONMENT?** LO 1-3

1-26

**PPT 1-27**  
Government's Role in Business

**GOVERNMENT'S ROLE in BUSINESS** LO 1-3

**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.

1-27

**PPT 1-28**  
Corruption Worldwide

**CORRUPTION WORLDWIDE** LO 1-3


<u>Least Corrupt</u>	<u>Most Corrupt</u>
1. Denmark	1. Somalia
2. New Zealand	2. North Korea
3. Finland	3. Afghanistan
4. Sweden	4. Sudan
5. Norway	5. South Sudan

Source: Transparency International, October 2014.

1-28

1. Transparency International conducts and publishes the corruption studies annually.
2. The most corrupt countries on the list include Somalia and North Korea. The least corrupt countries are Denmark and New Zealand (tie).
3. Ask the students - What impact does corruption have on business? *Responses may include: Businesses do not flourish and capitalism and economic independence are suppressed creating a very negative business and social environment. Most corrupt countries tend to be developing countries.*

**PPT 1-29**  
Ethics Begins with You

**ETHICS BEGINS with YOU** 

☐ The number of employees calling in sick has reached a five-year high. 3/5 of all callers were not even sick. Others conduct personal business at work, play video games and check their Facebook pages while at work.

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

1-29

**PPT 1-30** Technology affects people in all industries.  
**Benefits of Technology**

**BENEFITS of TECHNOLOGY** LO 1-4

- **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).*

1-30

**PPT 1-31**  
**Connecting Companies with Global Freelancers**

**CONNECTING COMPANIES with GLOBAL FREELANCERS** 

- Since the Great Recession, freelancers are more important than ever before.
- Freelance employees don't even have to live in the same country as their employers.
- [Elance](#) is taking advantage of this development with its over 8 million registrants. 

1-31

**PPT 1-32**  
**E-Commerce**

**E-COMMERCE** LO 1-4

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



1-32

**PPT 1-33**  
**Cyber Attacks on Businesses**

**CYBER ATTACKS on BUSINESSES** LO 1-4

- 80% of cyber attacks involve weak passwords.
- Since 2012, there has been an 8% increase in malware attacks with an average loss of \$92,000!
- Since 2012, there has been a 125% increase in social media phishing attacks, stealing over \$1 billion from businesses.
- 29% of security breaches are hackers pretending to be you and resetting your passwords.

Source: Inc., January 2014. 1-33

1. We keep hearing about security breaches on big businesses, like Target and Home Depot. However, all businesses are at risk.
2. There are many, many ways a hacker can hurt your business. This slide focuses on the five biggest threats to small business.
3. Ask your students: How can businesses prepare themselves and protect their employees and customers from such hacks?

**PPT 1-34**  
**Databases and Identity Theft**

**DATABASES and IDENTITY THEFT** LO 1-4

- **Database** -- *An electronic storage file for information.*
- **Identity Theft** -- *The obtaining of individuals' personal information, such as Social Security and credit card numbers, for illegal purposes.*




Photo Credit: Jack Spade 1-34

**PPT 1-35**  
**Protect Yourself from Identity Theft**

**PROTECT YOURSELF from IDENTITY THEFT** LO 1-4

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 whom 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), accessed October 2014. 1-35

1. The number of ID theft cases is rising every year. The Federal Trade Commission estimates that 9 million people per year have their identities stolen.
2. About 39% of the victims were between the ages of 18-39 (the same age group of many students).
3. Approximately 16% of the victims had a personal relationship with the thief.
4. Top five states for identity theft (per capita): Arizona, California, Nevada, Texas, and Florida.
5. Ask the students – How often do you throw away mail or other documents with your personal information on it without shredding it? (*It is becoming imperative that we shred all documents with personal info and keep the sharing of private info such as credit card, bank account info, and social security numbers to a very limited number of people.*)



**PPT 1-36**  
Using Empowerment to Compete in Today's Market

**USING EMPOWERMENT to COMPETE in TODAY'S MARKET** LO 1-5

- 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.

1-36

**PPT 1-37**  
Demography

**DEMOGRAPHY** LO 1-6

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




1-37

**PPT 1-38**  
Demography of the U.S. by Age

**DEMOGRAPHY of the U.S. by AGE** LO 1-6

**% by Age Group**



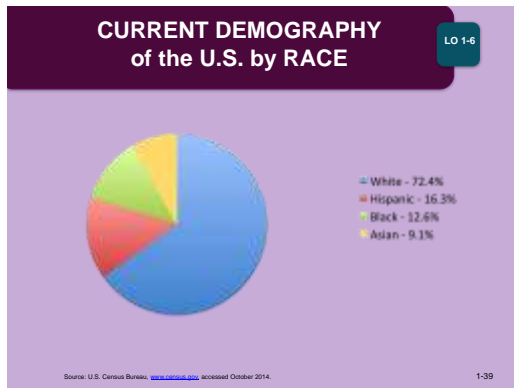
Under 18	23.7%
18 to 24	10%
25 to 34	12.7%
35 to 44	13%
45 to 54	14.5%
55 to 64	12.3%
65 and Over	13.8%

Source: U.S. Census Bureau, [www.census.gov](http://www.census.gov), accessed October 2014.

1-38

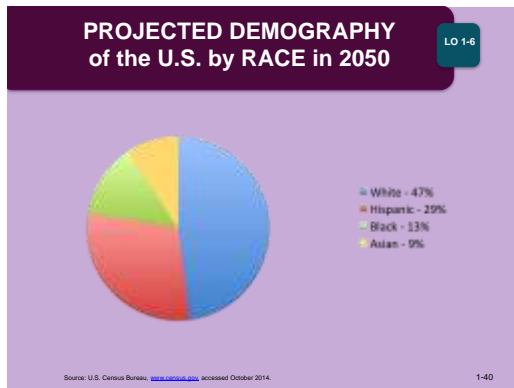
1. This slide highlights the age of the population in the United States.
2. Demography is the statistical study of the human population in terms of its size, density, and other characteristics such as age, race, gender, income, etc.
3. The slide gives insight into the aging of the population with 66% of the population older than 24 years old.
4. Ask students -- How will the aging of the population impact businesses? (*Businesses will need to reexamine their approach to marketing and human resources in order to meet the challenges facing them. While some businesses will fail, other new businesses will emerge creating new opportunities.*)

**PPT 1-39**  
 Projected Demography of the U.S. by Race



1. This slide shows the current demography of the U.S. based by the races respondents listed.
2. Note to the students that the numbers will not add up to 100% exactly because of the amount of respondents that listed more than one race.

**PPT 1-40**  
 Projected Demography of the U.S. by Race in 2050



1. This slide gives insight into the changing ethnic landscape of the United States.
2. Legal and illegal immigrants have had a dramatic effect on many states.
3. Many local services, such as health care and education, are making efforts to adapt. Some changes include changing signs, brochures and websites to reflect this change in demographics.
4. Ask students - What changes have you noticed in your particular city? (*Answers may vary, but might include bilingual signs in government offices and the use of emergency room translators in local hospitals*).

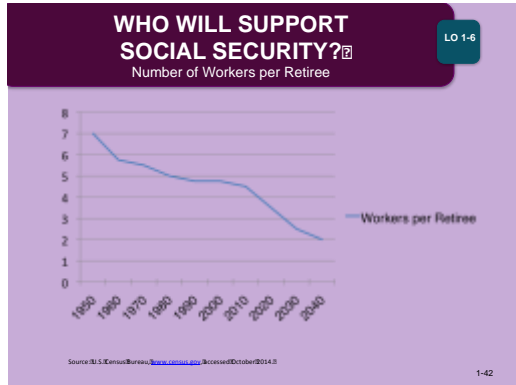
**PPT 1-41**  
 U.S. Population Changes

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

1-41

When discussing how demographic changes experienced in this country over the past 30 years have affected businesses, it often helps to use the grocery store as an example. 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. Engaging students in this discussion is often useful to their understanding of how businesses must adapt to changing demographic circumstances.

**PPT 1-42**  
Who Will Support Social Security?



1. The number of workers per retiree has dropped dramatically since 1950.
2. Ask the students - What impact will the decline of the number of workers per retiree have in the future? (*In the future government might have to raise taxes and reduce benefits for individuals or use a means test in an effort to prevent Social Security payments from bankrupting the government.*)

**PPT 1-43**  
What is Diversity?

**WHAT is DIVERSITY?**

LO 1-6

- The U.S. Equal Employment Opportunity Commission prohibits laws discriminating against:
  - Age
  - Disability
  - Genetic information
  - National origin
  - Pregnancy
  - Race
  - Religion
  - Sex

1-43

**PPT 1-44**  
Important Changes to the Global Environment

**IMPORTANT CHANGES to the GLOBAL ENVIRONMENT**

LO 1-7

1. Growth of global competition.
2. Increase of free trade among nations.
3. Development of efficient distribution systems.
4. Advances in communication systems.



1-44

**PPT 1-45**  
Increasing Costs of the Global Environment

Ask students -- Can terrorism and an economic crisis decrease economic cooperation and free trade among nations? *(This question is at the same time alarming and thought provoking. Given recent events, asking students this question will get them thinking about how the world and events in far away places can impact their lives.)*

**INCREASING COSTS of the GLOBAL ENVIRONMENT** LO 1-7

- Wars cost billions of dollars.
- Tax money is diverted.
- Cost of security goes up.
- Cost of insurance goes up.



1-45

**PPT 1-46**  
Gourmet Airport Eateries Take Flight

**GOURMET AIRPORT EATERIES TAKE FLIGHT** LO 1-7



- Airport restaurants have more regulations than traditional spots.
- People are likely to spend more when travelling.
- This has led to more gourmet restaurants popping up in airports.

1-46

**PPT 1-47**  
Global Greening

Links go to each company website's *green* section.

**GLOBAL GREENING** LO 1-7

- **Climate Change** -- Movement of the temperature of the planet up or down over time.
- **Greening** -- Trend toward saving energy and producing products that cause less harm to the environment.
- Many companies like [GE](#), [Coca-Cola](#), [British Airways](#) and [Shell](#) are adopting green practices.



1-47

**PPT 1-48**  
Test Prep

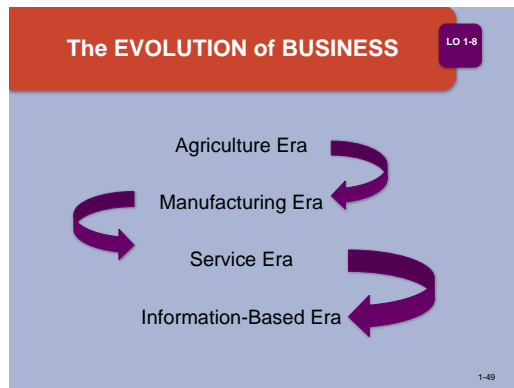
**TEST PREP**

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

1-48

1. The government can foster entrepreneurship by:
  - Allowing private ownership of business
  - Passing laws that enable businesses to write enforceable contracts
  - Establishing a currency that is tradable in world markets
  - Minimizing corruption in business and in its own ranks
2. 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.
3. Empowerment is allowing workers to make decisions essential to producing high-quality goods and services.
4. Technology changes, identity theft, changing demographics, diversity, climate change, war, and terrorism are several issues of concern.

**PPT 1-49**  
The Evolution of Business



This slide, along with the next four, gives students a sense of perspective into the evolution of the U.S. economy.

**PPT 1-50**  
The Agricultural Era

**The AGRICULTURAL ERA**

- 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.

LO 1-8


1-50

Agriculture was the leading industry in the U.S. in the 1800s. Technology has made farming so efficient, the number of farmers has dropped from about 33% of the population to about 1%. However, it is still a major industry in the U.S.

### PPT 1-51 The Manufacturing Era

**The MANUFACTURING ERA** LO 1-8

- 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.



1-51

### PPT 1-52 The Service Era

**The SERVICE ERA** LO 1-8

- Make up over 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 industries.



1-52

### PPT 1-53 The Information Technology Era


**The INFORMATION TECHNOLOGY ERA** LO 1-8

- IT affects:
  - Agriculture
  - Industry
  - Service



1-53

**PPT 1-54**  
**Test Prep**

**TEST PREP** 

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

1-54

1. Efficiencies in agriculture led to the reduction in farms and growth in industry that 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.
2. The information-based global revolution will alter all sections of the economy. It will be an interesting opportunity for college graduates.

# lecture enhancers

*“My grandfather once told me that there are two kinds of people: those who work and those who take the credit. He told me to try to be in the first group; there was less competition there.”*

*Indira Gandhi*

*“Success consists of going from failure to failure without loss of enthusiasm.”*

*Winston Churchill*

## lecture enhancer 1-1

### THE WORLD’S RICHEST PEOPLE

In 2014, there were over 1,600 billionaires in the world. According to *Forbes* magazine, their combined worth was \$6.4 trillion.<sup>1</sup>

Rank	Name	Country of Citizenship	Age	Worth (\$ billions)
1	William Gates III	United States	59	\$80.8
2	Warren Buffett	United States	84	73.6
3	Carlos Slim Helu and family	Mexico	74	70.8
4	Amancio Ortega	Spain	78	61.4
5	Larry Ellison	United States	70	51.3
6	Charles Koch	United States	71	41.3
7	David Koch	United States	74	41.3
8	Christy Walton and family	United States	59	40.6
9	Jim Walton	United States	66	39.7
10	Alice Walton	United States	65	38.2



## lecture enhancer 1-2

### NON-TRADITIONAL STUDENTS BECOME THE NORM

When people think about the average American college student, their minds often wander to images of fresh-faced teenagers hitting campus right out of high school on their parents' dime. But in reality, only one-third of the nation's more than 20 million students enrolled in two- and four-year universities fit that description.

Though it may not surprise seasoned professors, the idea of the "traditional" college student is becoming increasingly outdated. According to recent data collected by the U.S. Department of Education, about 40 percent of college students are older than 25. More than one-third attend classes part-time, and almost 20 percent work full-time. Although most students attend four-year public and private universities, approximately 40 percent are enrolled in community colleges or for-profit institutions. Enrollment of international students has also shot up by 35 percent between 2000 and 2012. As high schools have provided fewer students over the years, universities have ramped up overseas recruiting considerably.

Despite the increase in their numbers, however, non-traditional students are likely to face more challenges in their college tenure than typical teens and twenty-somethings. That's because school services are often designed to cater to young people with lots of free time rather than working folks. Some colleges have revamped old systems or added resources to accommodate these new students. For instance, a big increase in veteran enrollment at George Washington University found the school unable to meet the needs of many of its ex-military undergrads. Once some of these disillusioned students began to drop out, GWU expanded its veterans' affairs office and hired a former Navy vice admiral to look after the school's more than 1,000 student veterans. Many students now receive a personalized education experience that takes their life experience into account.<sup>ii</sup>

## lecture enhancer 1-3

### QUIRKY: MAKING INVENTORS' DREAMS REALITY

Although many people can think of a great business idea, not everybody has the time or money to see their product come into fruition. That is unless they're lucky enough to have their idea produced by crowd-sourcing manufacturer Quirky. The New York-based company has built a \$50 million business by turning user-submitted blueprints into marketable goods.

Each week Quirky receives more than 2,000 invention ideas from its community of approximately 500,000 members. Staffers then select the best ideas of the bunch for the Eval, a highly stage-directed debate about the submissions that is broadcast live over the Internet. Quirky's charismatic CEO Ben Kaufman leads the discussion with members of his 150-strong staff until they decide on three or four products to greenlight. So far the company's biggest success has been the Pivot Power, a flexible power strip that bends to fit every plug. The item's inventor came to Quirky after finding little appreciation for his idea elsewhere, including a NASA product development competition that only rewarded a t-shirt as first prize. Once it hit Quirky the Pivot Power became an instant success and has sold more than 665,000 units so far.

Some amateur inventors remain wary of Quirky since submitting a concept to the site automatically grants intellectual property rights to the company. Nevertheless, Quirky needs to retain full ownership of an idea if it is to develop it to the furthest extent. In fact, the creator of the Pivot Power knew nothing about electrical engineering when he submitted the basic blueprint of his idea. Most Quirky designs are fully realized by the company after what amounts to a spark of inspiration from one of its users. The company doesn't just shine in the R&D room and on the factory floor, though. Besides connections with a number of major retailers, Quirky also recently entered into a partnership with General Electric. The two companies will share patents and release products under a shared Quirky + G.E. brand.<sup>iii</sup>

## lecture enhancer 1-4

### **SOCIAL ENTREPRENEURSHIP: IMPROVING WORLD HEALTH WITHOUT PROFITS**

Knowing that Victoria Hale was a pharmaceutical scientist, a friend called her, desperate. Their 13-year-old daughter had been diagnosed with a deadly form of cancer called Ewing's sarcoma. The daughter's doctors were offering little hope, and the cancer was spreading fast. Could Hale help? With the aid of a former FDA colleague, she began searching for experimental compounds that might offer any ray of hope. They found two substances that had shown initial promise in fighting the cancer, but both were sitting idle on laboratory shelves. No one was working to develop the compounds into drugs. The cancer was too rare to create an attractive market for new treatments.

The young girl lost her battle with cancer, and Hale was determined to change things. She created OneWorldHealth, the first U.S. nonprofit pharmaceutical company.

Hale identified five disease categories that she believed could benefit from an aggressive drug development effort, but would not be profitable. Her plan was this: Find research on these diseases that had already been conducted, but nothing had been done because the drug would not be profitable. She would then persuade the pharmaceutical company to donate the information to her in return for tax write-offs. Finally, she would seek funding from foundations and others to make those drugs available.

Hale got \$4.7 million from the Bill and Melinda Gates Foundation for researching diseases in the developing world. She also negotiated deals with the World Health Organization and the National Institutes of Health to do some clinical trials. Hale hopes that she can sell some drugs at a profit in order to continue her work.

As scientists and companies heard about the organization's efforts, many began calling to say "We've got something you might be interested in." Many scientists are also volunteering their time and expertise. Hale doesn't find this surprising. "Most pharmaceutical researchers got into the business because they wanted to ease suffering and save lives. Systems may be flawed, but most people want to do the right thing," says Hale.

All organizations need money to operate. One of the major sources of money is investors who give money to firms in order to make a profit. Those firms have to be profitable. Nonprofit organizations usually rely on the donations from others to keep operating. Often that money comes from profit-making companies, like Celera, who are concerned about disease prevention, but can't stay in business unless they make a profit. Hale has found a way to link these organizations.<sup>iv</sup>

## lecture enhancer 1-5

### **MOBILE ENTREPRENEURS OPERATE ON THE GO**

For many years, the famous phrase "location, location, location" served as one of the most unflinching maxims in the business lexicon. But as the digital age has broken down borders and streamlined

commerce, the importance of physical locations has diminished. In fact, some intrepid entrepreneurs have given up permanent addresses entirely in order to cut down costs and increase mobility.

The types of business best suited for going off the physical grid are tech companies, service providers, media firms and even accountants. For instance, Margis Murgatroyd and her husband have jetsetted across the globe since 2012 while earning a six-figure income from their Internet marketing company. Although the pair gets the opportunity to visit many exotic locales, unfortunately their independent lifestyle requires them to work long hours. “You have to learn to develop self-motivation and consistent scheduling habits,” says Jimmy Hayes, an expat entrepreneur who operates a travel-gear line in Vietnam. “Otherwise it’s too easy to get distracted by the fun outside your door.”

These business nomads utilize every tool at their disposal to stay connected with the world around them. One mobile entrepreneur, Meg McAllister, ensures she stays in touch by renting mailboxes and using a service to transcribe her voicemail and faxes into email as she travels throughout North America. “Indie consultants worry that they’ll seem small-time to a client if they don’t have all the trappings a larger company does,” McAllister says. “I prefer to present it as a plus to clients. The more overhead I have, the higher my fees need to be to cover them. At the end of the day, my clients don’t care where I get the job done, just that I get the job done.” While some roving entrepreneurs crisscross international borders, others concentrate on a single country. As a matter of fact, a particularly plucky married couple travels the U.S. in their Winnebago as one works as a valuation consultant and the other operates a pet website.<sup>v</sup>

## lecture enhancer 1-6

### AMERICA’S LOST DECADE

It’s no secret that the past few years have been rough on the U.S. economy. Sadly, though, the American financial sector’s recent rockiness tells only a portion of the decade’s dire story. When looked at as a whole, the time known by some as the “Oughts” (2000–2009) was an enormous step backward for the economy. While every decade since the 1940s has seen job growth of at least 20%, from December 1999 on there has been zero net job creation in the United States. Adjusted for inflation, middle-income households made less money in 2008 than in 1999, marking the first decade to see falling median incomes since the data were first gathered in the 1960s. Finally, the net worth of American assets, such as the value of their houses and retirement funds, has also declined, another unprecedented occurrence in recent American economic history.

Some of these sobering figures could be attributed to poor timing, seeing as the prosperous 1990s gave way to the burst of the dot-com bubble in the early 2000s. But while bad luck may have a little to do with America’s disastrous decade, most of the Oughts’ stagnation stemmed from the trillions of dollars funneled into housing investment and consumer spending. The money that made its way into these markets found no sustainability, eventually creating a distorted depiction of economic growth that failed to reflect America’s toxic addiction to debt. In total, household debt increased 117% from 1999 to its peak in 2008. At the same time, corporate debt spiraled out of control as financial firms engaged in fruitless buyouts and dumped billions into commercial real estate. The 2008 burst of the housing bubble eventually brought the financial world back to reality, where it has been struggling to pick up the pieces ever since.

For all its destructive elements, the economic debacle of the 2000s has succeeded in providing government officials, financial experts, and the public with some much-needed perspective. Due to the magnitude of the Oughts' financial failures, economists will be unraveling all its lessons for some time. However, one obvious source of reform for regulators is the banking industry. Instead of monitoring individual banks closely, regulators must now observe the banking industry as a whole to measure its overall effect on the economy. Reforms to Federal Reserve policy are also expected, but Fed officials are still uncertain how to implement them.<sup>vi</sup>

## lecture enhancer 1-7

### CRASH TESTING CARS WITH COMPUTERS

Research and development has long been an expensive element of the auto industry. For decades devising even the smallest addition to an engine could cost millions of dollars and take as long as eight months to accomplish. But thanks to advances in technology over the last five years, engineers can now test dozens of designs within a virtual environment. As a result, automakers are at last seeking affordable innovations in fuel efficiency and overall vehicle performance.

For instance, in 2010 Ford was nearly ready to roll out the latest edition of its bestselling Explorer model. However, a problem with the vehicle's brake rotor threatened to push back the launch until a replacement could be made. While this could have taken months to do just a few years before, Ford engineers were able to design, test and manufacture a new rotor within a week. The company's high-powered software allows them to create the most efficient design possible, which is then altered to factor in manufacturing constraints. With a price tag of only a few thousand dollars, the process allows automakers to take chances on designs that they could never have realized previously.

One of those new designs includes a 1.5-liter engine that will be introduced in China later this year. This small, fuel-efficient engine will allow drivers to avoid expensive taxes on larger engines without sacrificing performance. In fact, carmakers will face similar restrictions in the American market once regulations requiring vehicles to double in fuel efficiency goes into effect in 2025. Simulating the R&D process will allow Detroit manufacturers to experiment with a number of designs. Free of their reliance on physical prototypes, carmakers can now run their vehicles through situations where they encounter extreme cold, intense heat and other environments. The software also allows engineers to crash cars repeatedly in order to judge their safety standards. All these high-tech features require substantial computing power, which Ford houses in several multi-story buildings packed with machines. Expect big things in the future from Detroit if their technology can stay ahead of the curve.<sup>vii</sup>

## lecture enhancer 1-8

### SNAPCHAT: THE LATEST COMMUNICATION REVOLUTION

Technology expands at such a rapid clip that even the most seemingly enduring advancements can turn obsolete in a blink. For instance, just a year few years ago industry experts predicted text messaging would all but eradicate casual phone conversations from many people's daily lives. But while Americans continue to text quite a bit, they're not doing it as much as they used to. According to a telecommunications consulting firm, the average U.S. cell phone user sends 628 texts per quarter, down by 8 percent from 2011.

Instead, many people, especially teens and 20-somethings, are relying more and more on photo sharing apps like Snapchat to communicate. Rather than tediously typing away on their smartphone keyboards, Snapchat lets users take a quick picture to convey their message. The sender then decides how long the photo's recipient will get to look at the image before it disappears. The fact that all of this can take place over the course of just a few seconds makes it even more efficient than texting. On top of that,

many young people feel more expressive communicating visually rather than verbally. After all, a text only contains a few sentences, but a picture is worth a thousand words.

The Snapchat stats are staggering: every day users send a total of 350 million photos and videos through the app. And while some may dismiss Snapchat as a youthful fad, keep in mind that similar criticisms were levied at Facebook and Twitter in their early days. Nevertheless, one true problem that Snapchat shares with the larger social networks is its potential for profitability. The app currently generates no revenue and faces increased competition from copycat outfits like Facebook's Instagram Direct. But even if Snapchat fails to capitalize on its own popularity, experts agree that photo-messaging is here to stay no matter what. As one telecommunications professor at University of Michigan put it: "The motivations are there to share yourself in a symbolic way, in an economical way, in a more in-the-moment way."<sup>viii</sup>

## lecture enhancer 1-9

### PREVENTING IDENTITY THEFT

Each year, millions of Americans fall prey to identity theft. Your identity is not just your unique DNA and fingerprints. It is also your Social Security number, credit card numbers, driver's license number, telephone calling records, date of birth, home address, phone numbers, and passwords. An identity thief can use those bits of information to take over your credit rating, bank account, and credit card accounts.

For example, personal information on about 650,000 customers of JCPenney and up to 100 other retailers could have been compromised when a computer disk went missing. GE Money, which handled credit card operations for JCPenney and many other retailers, reported that the missing information included Social Security numbers for about 150,000 people.

The Identity Theft Resource Center says there has been a sixfold increase in the number of credit breaches in the United States.

#### HOW IDENTITY IS STOLEN

Thieves often rely on hacking vulnerable computer systems to harvest information. In 2005, the credit card processing agency CardSystems revealed that it improperly kept information on credit card customers for research. When hackers breached the system, over 40 million customers were exposed.

In January 2009, Heartland Payment announced that the company's card processing system had been hacked. En route to Heartland's processing centers, data-sniffing software captured credit card information from the card's magnetic strip. This included everything needed to duplicate a card: card number, expiration date, and internal bank codes. Since the company handles more than 1.2 billion credit card transactions ranging from restaurants to retailers to payroll systems, chances are someone in every state was affected by this data loss.

Con artists can also pose as legitimate debt collectors or insurance agencies, scamming businesses into sending them sensitive information. In 2004, ChoicePoint sent thousands of reports stocked with names, Social Security numbers, and financial information to con artists.

Thieves can also harvest your individual information in a number of creative ways. "Dumpster diving" involves sorting through trash bins for loan applications, credit card documents, or anything printed with Social Security numbers. Crooks can lurk at ATMs or phone booths and "shoulder surf," picking off PINs, credit card numbers, and passwords. Some talented con artists have even attached data storage devices to ATMs to steal credit and debit card numbers. "Phishing," posing by e-mail or phone as a legitimate company and claiming that there is a problem with a customer's account, regularly takes in gullible consumers. Then there is the low-tech technique of stealing credit cards, tax info, and financial correspondence by rifling through unprotected mailboxes. Finally there is the good old-fashioned method of stealing wallets and purses.

## **HOW YOU CAN PROTECT YOURSELF**

1. Place the contents of your wallet on a photocopy machine. Do both sides of each license, credit card, and so on. That way you will know what you had in your wallet and all of the account numbers and phone numbers to call and cancel. Keep the photocopy in a safe place.
2. Don't use the last four digits of your Social Security number, your mom's maiden name, birthdate, or pet's name as your password or PIN.
3. Shred financial documents and paperwork with personal information before you discard them; in fact, shred every piece of trash containing your credit card number, bank account number, Social Security number, or tax information.
4. Review your bills each month for misuse; store canceled checks safely; shred preapproved credit offers before throwing them away.
5. The next time you order checks, have your checks printed with only your initials (instead of first name) and last name. If someone takes your checkbook, he or she will not know if you sign your checks with just your initials or your first name, but your bank will know how you sign your checks.
6. Do not sign the back of your credit cards. Instead, put "PHOTO ID REQUIRED."
7. When you are writing checks to pay on your credit card accounts, do not put the complete account number on the "For" or "Memo" line. Instead, just put the last four numbers. The credit card company knows the rest of the number. That way no one who might be handling your check as it passes through the entire check-processing channel will have access to it.
8. Put your work phone number on your checks instead of your home phone. If you have a Post Office box, use that instead of your home address. If you do not have a P.O. Box, use your work address. Never have your Social Security number printed on your checks. You can add it at the checkout if it is absolutely necessary (and it usually is NOT). But if you have it printed, anyone can get it.
9. Never click on links sent in unsolicited e-mails; instead, type in a Web address you know. Use firewalls, antispyware, and antivirus software to protect your home computer.
10. Most states are now moving away from using Social Security numbers on driver's licenses. When you renew your license, ask about using a substitute number.

## **SIGNS THAT YOUR IDENTITY MIGHT HAVE BEEN STOLEN**

Be alert to signs that require immediate attention such as:

1. Bills that do not arrive as expected
2. Unexpected credit cards or account statements
3. Denials of credit for no apparent reason
4. Calls or letters about purchases you did not make

## **WHAT TO DO IF YOUR IDENTITY IS STOLEN<sup>ix</sup>**

1. Immediately cancel your credit cards. The key is having the toll-free numbers and your card numbers on hand so you know whom to call. Keep those where you can find them. Follow up in writing with copies of supporting documents. Choose new passwords for new accounts.
2. File a police report immediately in the jurisdiction where your credit cards were stolen. This proves to credit providers that you were diligent, and this is the first step toward an investigation.
3. Call the three national credit reporting organizations immediately to place a fraud alert on your name and Social Security number. The alert means any company that checks your credit knows your information was stolen, and it has to contact you by phone to authorize new credit.

4. File a complaint with the Federal Trade Commission, and report the fraud to the Social Security Administration.

Below are the important telephone numbers you will need to begin rebuilding your credit:

Equifax: 1-800-766-0008 ([www.equifax.com](http://www.equifax.com))

Experian: 1-888-EXPERIAN ([www.experian.com](http://www.experian.com))

Trans Union: 1-800-680-7289 ([www.transunion.com](http://www.transunion.com))

Federal Trade Commission 1-877-ID-THEFT ([www.ftc.gov/idtheft](http://www.ftc.gov/idtheft))

Social Security Administration (fraud line): 1-800-269-0271 ([www.ssa.gov](http://www.ssa.gov))

## lecture enhancer 1-10

### THE HIGH DEMAND FOR GREEN DEGREES

We all know the job market has been tough on new college grads the past few years. Despite drive and degrees, many graduates left school only to find few opportunities for the young and inexperienced. In order to avoid the job crunch, currently enrolled students are beginning to seek majors that are more likely to promise success in the job market after graduation. One such area is environmental sustainability, which the Obama administration estimates will have 52% job growth through 2016. As a result, more schools are adding green majors to their curriculums, and students are filling the classes in droves.

In 2005 only three schools had energy and environmental sustainability degree programs. In 2008 though, colleges big and small created more than 100 major, minor or certificate programs in green studies. Even cash-strapped schools that have cut other majors are adding sustainability degrees to their curriculum. The idea is too good for many colleges to pass up: Students want to take the classes, and employers actually want to hire the trained students. For example, Arizona State University established an undergrad program in sustainability studies. Now the school has about 600 sustainability majors on campus, an unprecedented number for a new degree program.

Similar programs have been established in top-flight schools like MIT and the University of California–Berkeley. Some colleges, such as Illinois State University, have received grant money from the Department of Energy to start up sustainability course plans. For several of these schools, renewable energy and environmental majors can be among the most selective degree programs. But as long as green jobs stay in demand, which by all accounts they should, green degrees are expected to turn up at even more schools.<sup>x</sup>

## lecture enhancer 1-11

### MILESTONES IN BUSINESS

190	Development of the abacus
1776	American Revolution
1790	First patent laws are passed
1830s	Labor begins to organize
1834	McCormick patents wheat harvester
1841	First American advertising agency
1867	Invention of the typewriter
1876	Invention of the phone
1903	Wright brothers invent airplanes
1911	Invention of air conditioning
1930	First supermarket/Beginning of Depression
1946	A general-purpose computer is available
1950s	The service economy takes off
1955	Disneyland opens
1963	Equal pay for equal work
1972	E-mail is invented
1976	Apple Computers are introduced
1981	IBM PCs enter the fray
1996–2000	Fastest-growing industries are in services: computer and data processing, health, public relations, residential care, etc.
2003	Genetic engineering growing in importance
2007–2008	Housing market collapses; stock market falls over 50%; government nationalizes major financial institutions
2009	Stem cell research is approved



# critical thinking exercises

Name: \_\_\_\_\_

Date: \_\_\_\_\_

## critical thinking exercise 1-1

### HOW MUCH PROFIT?

The text defines profit as “the amount a business earns above and beyond what it spends for salaries and other expenses.” Choose a large corporation representing each of the following types of companies. Using the above profit definition, how much profit as a percentage of sales do you think each corporation earns? In other words, out of every dollar a company earns, how much does it keep?

1. **BANKING**

Corporation \_\_\_\_\_ Percent Estimated Profit \_\_\_\_\_

2. **FOOD MANUFACTURER**

Corporation \_\_\_\_\_ Percent Estimated Profit \_\_\_\_\_

3. **AIRLINE**

Corporation \_\_\_\_\_ Percent Estimated Profit \_\_\_\_\_

4. **COMPUTER COMPANY**

Corporation \_\_\_\_\_ Percent Estimated Profit \_\_\_\_\_

5. **OIL AND PETROLEUM**

Corporation \_\_\_\_\_ Percent Estimated Profit \_\_\_\_\_

## notes on critical thinking exercise 1-1

Students often have a much-exaggerated idea of the amount of profit big corporations make. This exercise should help set the record straight.

Each spring, *Fortune* magazine publishes a comprehensive listing of the largest U.S. corporations along with annual income, profit, employees, and so on. There are several financial references on the Web, such as [www.moneycentral.msn.com/investor](http://www.moneycentral.msn.com/investor), [www.biz.yahoo.com](http://www.biz.yahoo.com), or [www.marketwatch.com](http://www.marketwatch.com). You can also find the information on each corporation's website. You can use these resources to find the most recent profit figures for comparison.

Name: \_\_\_\_\_

Date: \_\_\_\_\_

## critical thinking exercise 1-2

### JOB AND CAREER VERSUS OWNING A BUSINESS

To help make a decision about the advantages of pursuing a career and the advantages of owning your own business, use the list below to answer some basic questions. At the end, look at your two choices and see where you might have a reason to pursue your anticipated career or where you might find an interest and potential desire to be a small-business owner.

1. **CAREER SALARY OPPORTUNITIES** (circle one)  
*Beginning Salary* (average/good/excellent)  
*Upper Job Salary* (average/good/excellent)
2. **CAREER JOB OPPORTUNITIES** (circle one)  
*Growing Field* (yes/no)  
*Requires Trade School/Associate Degree/Bachelor's Degree* (yes/no)  
*Best-Sized Company for Career Job* (small/middle-sized/large)
3. **SMALL-BUSINESS OWNERSHIP OPPORTUNITIES** (circle one)  
*Requires Up-Front Investment* (small investment/medium-sized investment/large investment)  
*Potential Franchise Has a Good Business Model* (yes/no)  
*Competition from Other Franchise Owners Will Be* (nonexistent/some competition/will be very competitive)
4. **POTENTIAL RETURN ON THE SMALL-BUSINESS PURCHASE** (circle one)  
*Provides Purchase of Additional Locations* (yes/no)  
*Has Name Recognition* (yes/no)  
*Has a Good Support System* (yes/no)
5. If you could, would pursuing your ideal career be worth the investment? (yes/no)
6. Are you willing to make the investment (more schooling) and work for moderate pay to get the knowledge and experience to make this investment pay off? (yes/no)
7. If you could investment in your own business, would you and could you obtain the necessary finances to make this happen? (yes/no)
8. Is the risk of the unknown in the business environment worth the pursuit of your time, money, and family adjustment to own your own business? (yes/no)
9. Given the two choices, what direction would you rather pursue?

Name: \_\_\_\_\_

Date: \_\_\_\_\_

## **critical thinking exercise 1-3**

### **MAKING ETHICAL DECISIONS**

Throughout the textbook, you will see a box in chapters called Making Ethical Decisions. You will be given a short description of a situation and then asked what you would do in that situation. These boxes may or may not be assigned by your professor, but you will benefit greatly by reading them and answering the questions. If they are assigned, you probably won't be required to hand in a written report. Your professor will probably have no real way of knowing if you read the boxes and answered the questions. You are likely to be "on your honor."

This is your first ethical situation in this course: You come to a Making Ethical Decisions box in your text. What do you decide to do—read and answer the questions, or skip it and go on?

Use the questions below to help you make your decision.

1. What is the problem?
2. What are your alternatives?
3. What are the effects of each alternative? (What will happen if you choose that alternative?)
4. Which alternative will you choose? Why?
5. Is your choice ethical? (Would you want your family and professor to know of your decision? Would you want it printed in the school paper? Is it fair to all parties involved?)

## notes on critical thinking exercise 1-3

It is easy to skip ethical boxes in a text because they don't seem to have any direct relationship to your main goal in this class—to learn about business so you can get a good job and make good money. The problem is that businesspeople tend to have the same attitude. They don't want to waste their time making ethical decisions—they want to make decisions that result in more profit for the firm. There comes a time, however, when society must recognize the need for making moral and ethical decisions and puts so much pressure on people that they conform. This can take the form of laws, but it is much easier to permit more freedom for people to choose to act morally and ethically on their own. You should encourage your students to choose what is right always, and what is right in this case is to consider the moral and ethical ramifications of their business decisions so that it becomes automatic. “Is it right?” should be heard in corporate offices as often as “Is it profitable?”

## **bonus case 1-1**

### **NETWORKING OUTSIDE THE NET**

On the surface, people appear to network with one another now more than ever. Social media dominate many people's lives while smartphones ensure that everybody can get in touch with everyone else anywhere at anytime. Nevertheless, digital interaction is no replacement for genuine human contact. As social media become more prevalent and accessible, the information they disseminate runs the risk of losing its value. To put it another way, Which carries more weight: a handshake or a Facebook poke?

For recent grads and experienced rat race veterans alike, nothing beats the old networking maxim "See and be seen." Industry events and conferences provide invaluable face time and can be found listed in trade magazines and, ironically, on social networks. Though living one's professional life solely online can be detrimental, Facebook and Twitter are useful for finding solid networking spots, especially informal gatherings. Green Drinks, for instance, regularly hosts casual get-togethers for green industry professionals to meet and exchange information.

Networking face-to-face also means maintaining a professional image. Not only does that entail dressing well and speaking clearly, it also includes promptly returning correspondence and clearing your Facebook page of any regrettable photos. Again, it's important to remember that social media and "real life" are not separate things. Social networking practices like "tweetups" help bridge the gap by putting people in physical contact with those who have active online personas. Finally, keep in mind that networking goes both ways. If people come off too aggressive about their own ambitions, they may appear too wrapped up in their own endeavors to care much about their contacts. Young professionals are advised to be ready to give assistance first rather than asking for it on the first meeting. That way they can build a rapport of equality that could pay off in the long term.

### **discussion questions for bonus case 1-2**

1. What can we conclude about digital interaction and human contact?
2. Why is it important to keep your Facebook account professional?

### **notes on discussion questions for bonus case 1-2**

1. *What can we conclude about digital interaction and human contact?*

It's obvious that, used correctly, the two can go together like peanut butter and jelly. As the abstract notes, industry events and conferences provide valuable face time with peers and contacts. Social media can keep you informed about such opportunities and also facilitate valuable follow-up after key events.

2. *Why is it important to keep your Facebook account professional?*

Your Facebook page provides a image of you in the same way your personal appearance does. Regrettable photos or postings can come back to hurt a person's image and perhaps his or her career.

---

<sup>i</sup> Source: “The World’s Billionaires,” Forbes, accessed December 2014.

<sup>ii</sup> Source: Jenna Johnson, “Today’s Typical College Students Juggle Work, Children and Bills with Coursework,” The Washington Post, September 14, 2013

<sup>iii</sup> Source: Josh Dean, “Is This the World’s Most Creative Manufacturer?” Inc., October 2013.

<sup>iv</sup> Sources: Allison Overholt, “Health and the Profit Motive,” Fast Company, February 2003, p. 38; Victoria Hale, “Creating More Paths to Hope,” Newsweek, December 6, 2004.

<sup>v</sup> Source: Elaine Glusac, “Operating a Business Without a Permanent Address,” Entrepreneur, January 31, 2014.

<sup>vi</sup> Source: Neil Irwin, “A Lost Decade for U.S. Economy, Workers,” The Washington Post, January 1, 2010.

<sup>vii</sup> Source: Mike Ramsey, “Car-Part Designers Step on the Gas,” The Wall Street Journal, October 21, 2013.

<sup>viii</sup> Source: Victor Luckerson, “Photo Messages Could Make Texting Disappear,” Time, December 30, 2013.

<sup>ix</sup> Sources: “Your Privacy for Sale,” Consumer Reports, July; “Deter, Detect, Defend: Avoid ID Theft,” The Federal Trade Commission, [www.ftc.gov](http://www.ftc.gov); Sid Kirchheimer, “Phishing Phrenzy,” AARP Bulletin, February 2007; David Koenig, “Data Lost on 650,000 Credit Card Holders,” Associated Press, January 18, 2008; “Major Data Breach Puts Millions at Risk,” CBS News, January 23, 2009; Brennon Slattery, “Heartland Has No Heart for Violated Customers,” PC World, [www.PCWorld.com](http://www.PCWorld.com), January 21, 2009; Elinor Mills, “Three Data Breaches Hit Florida, One Hits the Feds,” CNET News, [www.CNET.com](http://www.CNET.com), February 20, 2009; Erik Larkin, “Keep Tabs on Your Financial Data to Fight Identity Theft,” PC World, [www.PCWorld.com](http://www.PCWorld.com), August 15, 2008; Elinor Mills, “‘SMiShing’ Fishes for Personal Data Over Cell Phone,” CNET News, [www.CNET.com](http://www.CNET.com).

<sup>x</sup> Source: Julie Schmidt, “As Colleges Add Green Majors and Minors, Classes Fill Up,” USA Today, December 28, 2009.