



TREND BISNIS

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ENTREPRENEURSHIP AND WEALTH BUILDING

One thing you can learn from the chapter-opening Getting to Know feature is that success in business is based on constantly adapting to the market. A **business** is any activity that seeks to provide goods and services to others while operating at a profit. To earn that profit, you provide desired goods, jobs, and services to people in the area. **Goods** are *tangible* products such as computers, food, clothing, cars, and appliances. **Services** are *intangible* products (i.e., products that can't be held in your hand) such as education, health care, insurance, recreation, and travel and tourism.¹ Once you have developed the right goods and services, based on consumer wants and needs, you need to reach those consumers using whatever media they prefer, including blogs, tweets, Facebook, TV advertising, and more.²



business

Any activity that seeks to provide goods and services to others while operating at a profit.

goods

Tangible products such as computers, food, clothing, cars, and appliances.

services

Intangible products (i.e., products that can't be held in your hand) such as education, health care, insurance, recreation, and travel and tourism.

entrepreneur

A person who risks time and money to start and manage a business.

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

When a business's expenses are more than its revenues.



Matching Risk with Profit

Risk is the chance an entrepreneur takes of losing time and money on a business that may not prove profitable. Profit, remember, is the amount of money a business earns *above and beyond* what it pays out for salaries and other expenses. For example, if you were to start a business selling hot dogs from a cart in the summer, you would have to pay for the cart rental. You would also have to pay for the hot dogs and other materials, and for someone to run the cart while you were away. After you paid your employee and yourself, paid for the food and materials you used, paid the rent on the cart, and paid your taxes, any money left over would be profit.



Standard of Living and Quality of Life

Entrepreneurs such as Sam Walton (Walmart) and Bill Gates (Microsoft) not only became wealthy themselves; they also provided employment for many other people. Walmart is currently the nation's largest private employer.



The term **standard of living** refers to the amount of goods and services people can buy with the money they have. For example, the United States has one of the highest standards of living in the world, even though workers in some other countries, such as Germany and Japan, may on average make more money per

hour. How can that be? Prices for goods and services in Germany and Japan are higher than in the United States, so a person in those countries can buy less than what a person in the United States can buy with the same amount of money. For example, a bottle of beer may cost \$7 in Japan and \$3 in the United States.

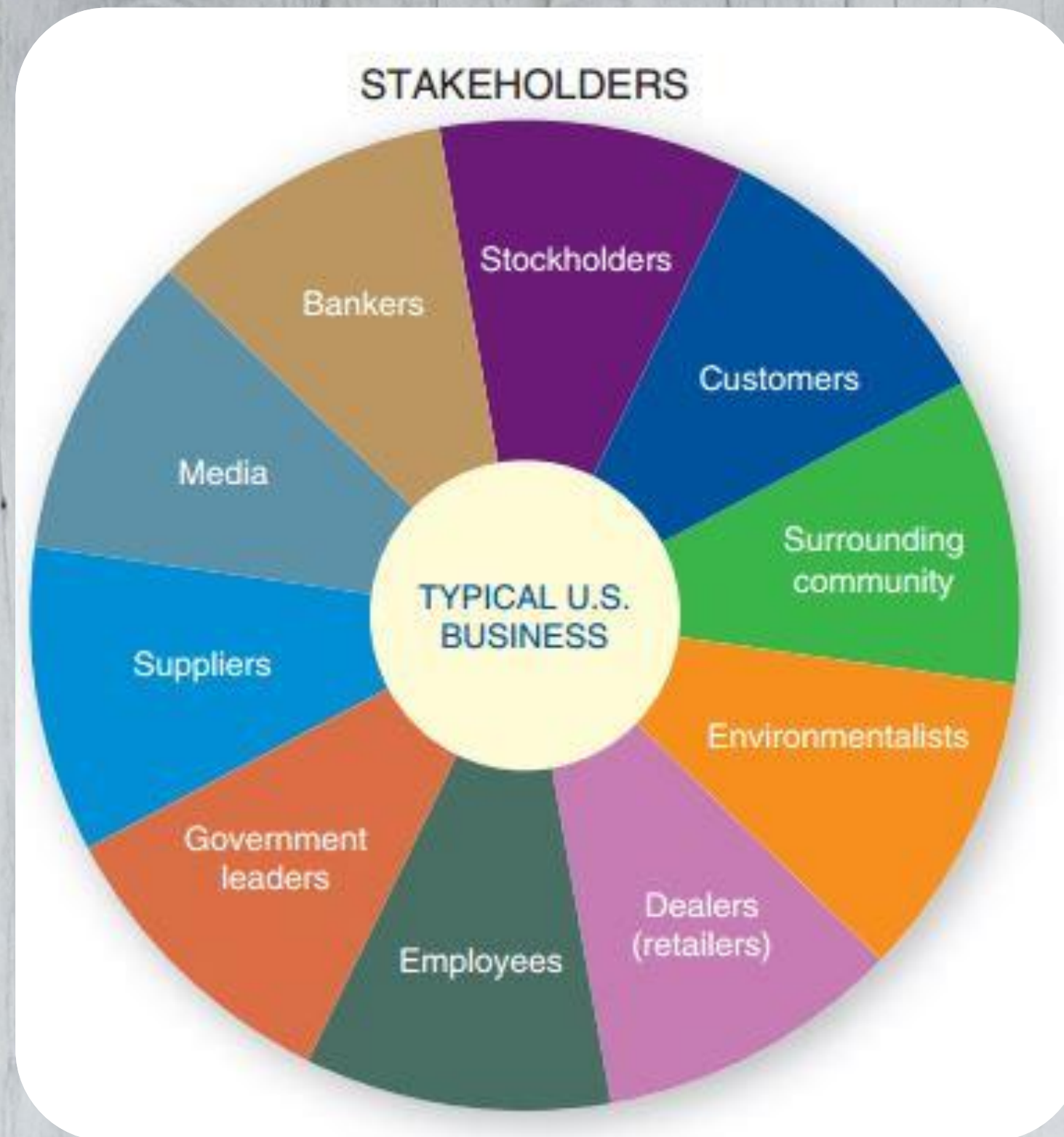


The term **quality of life** refers to the general well-being of a society in terms of its political freedom, natural environment, education, health care, safety, amount of leisure, and rewards that add to the satisfaction and joy that other goods and services provide. Maintaining a high quality of life requires the combined efforts of businesses, nonprofit organizations, and government agencies. Remember, there is more to quality of life than simply making money.



Responding to the Various Business Stakeholders

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. They include customers, employees, stockholders, suppliers, dealers (retailers), bankers, people in the surrounding community, the media, environmentalists, competitors, unions, critics, and elected government leaders (see Figure 1.1).⁹





Using Business Principles in Nonprofit Organizations

Despite their efforts to satisfy their stakeholders, businesses cannot do everything needed to make a community all it can be. Nonprofit organizations—such as public schools, civic associations, charities like the United Way and the Salvation Army, and groups devoted to social causes—also make a major contribution to the welfare of society. A **nonprofit organization** is an organization whose goals do not include making a personal profit for its owners or organizers. Nonprofit organizations often do strive for financial gains, but they use them to meet their social or educational goals rather than for personal profit.



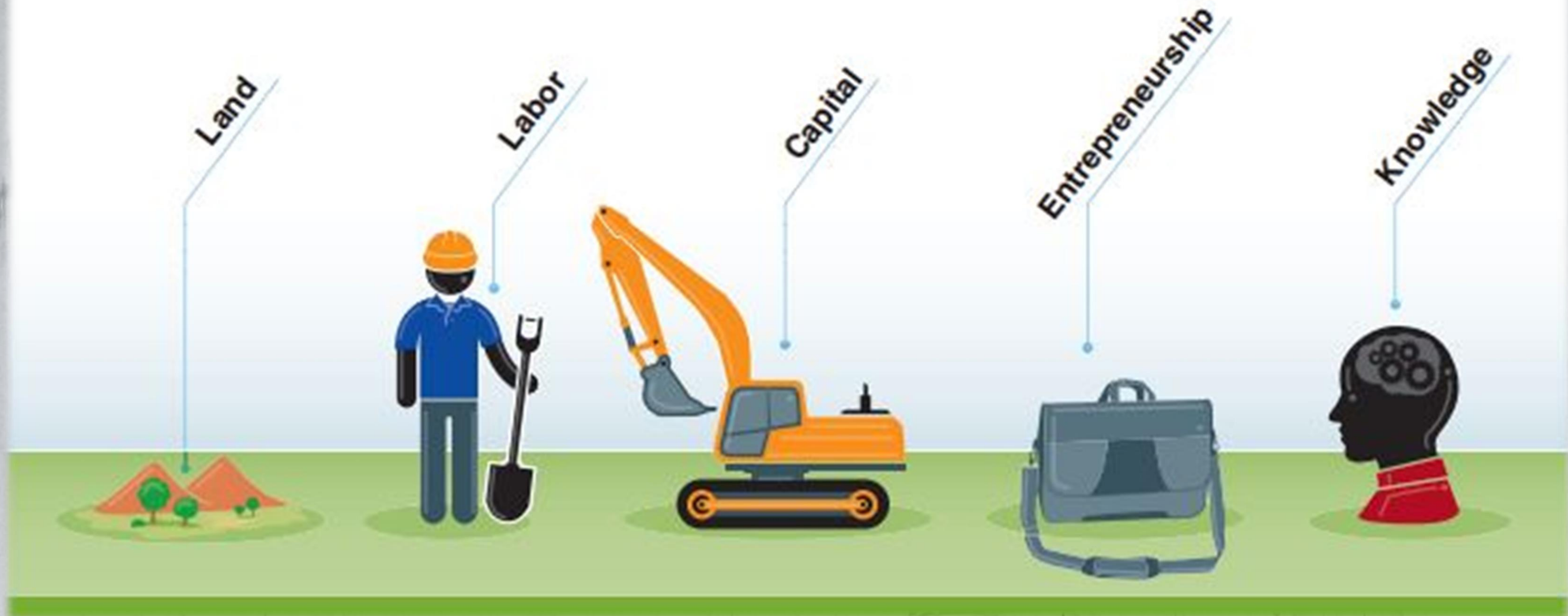
The Importance of Entrepreneurs to the Creation of Wealth

years. They began by identifying five **factors of production** that seemed to contribute to wealth (see Figure 1.2):

1. *Land* (or natural resources). Land and other natural resources are used to make homes, cars, and other products.
2. *Labor* (workers). People have always been an important resource in producing goods and services, but many people are now being replaced by technology.
3. *Capital*. (This includes machines, tools, buildings, or whatever else is used in the production of goods. It may not include money; money is used to buy factors of production but is not always considered a factor by itself.)
4. *Entrepreneurship*. All the resources in the world have little value unless entrepreneurs are willing to take the risk of starting businesses to use those resources.
5. *Knowledge*. Information technology has revolutionized business, making it possible to quickly determine wants and needs and to respond with desired goods and services.



FIGURE 1.2 THE FIVE FACTORS OF PRODUCTION





The **business environment** consists of the surrounding factors that either help or hinder the development of businesses. Figure 1.3 shows the five elements in the business environment:

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



FIGURE 1.3 TODAY'S
DYNAMIC BUSINESS
ENVIRONMENT





The Technological Environment

Since prehistoric times, humans have felt the need to create tools that make work easier. Few technological changes have had a more comprehensive and lasting impact on businesses, however, than the emergence of information technology (IT): computers, networks, smartphones, and the Internet. Read the nearby Reaching Beyond Our Borders box to learn more about how technology makes it possible for freelance employees to find good, lucrative work even though they don't even need to live in the same country as their employers.



technology

Everything from phones and copiers to computers, mobile devices, medical imaging machines, and the various software programs and apps that make business processes more effective, efficient, and productive.

productivity

The amount of output you generate given the amount of input (e.g., hours worked).



The Growth of E-Commerce E-commerce is the buying and selling of goods online. There are two major types of e-commerce transactions: business-to-consumer (B2C) and business-to-business (B2B). As important as the Internet has been to retailers like Amazon in the consumer market, it has become even more important in the B2B market, where businesses sell goods and services to one another, such as IBM selling consulting services to a local bank. Websites have become the new stores.

Traditional businesses must deal with the competition from B2B and B2C firms, and vice versa. Many new parents would just as soon buy used items posted on Craigslist than shop in a baby-goods store. Starting a business on eBay has never been easier. E-commerce has become so important that we will discuss it throughout the text.

THANK YOU!

Do You Have Any Questions?

