

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

**Dr. Péter POPOVICS PhD.**

*Assistant professor, coach*

*Dept. Enterprise Development*

*Team Academy Debrecen*

## **Learning Goal 1**

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

## Business

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

## Goods

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

## Services

**Def: Intangible products** (products that can't held in your hand) such as education, health care, insurance, travel and tourism.

## **Material Services**

**Material Services** always aim some kind of goods/products.

e.g.: **delivering** - you will transport sg. from one place to another,

a **car mechanic** - will repair your car.

## **Non-material Services**

A **non-material services** always aim the people.

e.g.: doctor, policeman, army, theatre, etc.



## Revenue

**Def:** The **total amount of money a business takes in** during a given period by selling goods and services.

## Profit

**Def:** The amount of money **a business earns above** and beyond what it spends for salaries and other expenses needed to run the operation.

## Loss

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

---

If a business **loses money over time**, it will likely **have to close**, putting its employees out of work.

---

# Risk

**Def:** **Risk** is the **chance** an entrepreneur takes of **losing time and money on a business** that may not prove profitable.

## Profit calculation:

e.g.: selling hot dogs from a cart in the summer time

Costs:

- cart rental fee
- material costs
- pay for someone to run the business
- your salary
- taxes

After you payed the costs, any **money left over** would be profit.

**Keep in mind that profit is over and above the money you pay yourself in salary!**

## Matching Risk with Profit

Not all enterprises make the same amount of profit.  
Those they take the **most risk** may take the **most profit**.

e.g.: open a business **in an inner city** or **in suburban areas**  
**Which has higher risks and why?**

business in an inner city the risk is higher, because **insurance and rent are usually higher**, than in suburban areas, but **reduced competition** makes substantial profit possible.

**Big risk, big profits!**

# Standard of Living and Quality of Life

Why we pay taxes? Who should pay it? What happen with the money we pay in?  
What would happen if no one pay taxes?

**Businesses and their employees pay taxes** that the government and local communities use to build hospitals, schools, libraries, playgrounds, roads and other public facilities.

Also help to keep the environment clean, support people in need and provide police and fire protection.

**Taxes help everyone in their communities.**

**Businesses are part of an economic system that contributes to the standard of living and quality of life for everyone in the country.**



# Standard of Living

What is it mean? Where is the highest in the world?

**Def: Standard of living** refers to the amount of goods and services people can buy with the money they have.

The **USA** has the **highest standards of living** in the world.

Interesting question: workers earn average more money per our in other countries e.g.: Germany, Japan, than in the USA.

How can that be?

**Prices for goods and services in Germany and Japan are higher than in the States, so a person in those countries can buy less than what a person in the USA can buy with the same amount of money.**

bottle of beer: 7 in Japan and only 3 in USA

reasons: higher taxes, stricter gov. regulations

# Quality of life

**Def:** **Quality of life** refers to the general well-being of a society.

It means political freedom, natural environment, education, health care, safety, amount of leisure and rewards that add to than satisfaction and joy that other goods and services provide.

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

**Working to build a higher standard of living may cause lower quality of life if it means less time with the family or more stress.**

# Stakeholder

**Def: Stakeholder** 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 communities, the media, environmentalists and elected government leader.

# Outsourcing

**Def: Outsourcing** means contracting with other companies (often in other countries) to do some or all the functions of a firm, like production or accounting tasks.

Outsourcing has had serious consequences in some states where jobs have been lost to overseas competitors.

The other side of the outsourcing coin is **insourcing**.  
Insourcing creates many new jobs and helps off-set those being outsourced.

**Thank you for your attention!**