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Entrepreneurship

Entrepreneurs are individuals who take risks to develop new products and start new businesses.

ENTREPRENEURSHIP

Definition/Background

Entrepreneurs are people who are willing to take the financial risk of starting, running and managing a business. Often, entrepreneurs bring new goods or services to the marketplace. Starting a new business such as a "drive thru" that sells fruit-freezes is difficult and risky. Challenges abound: hiring and managing the workers to make and serve the freezes, ordering supplies and making sure they arrive on time, giving prompt and courteous service so customers will return, and earning enough money to pay workers, taxes, suppliers and everyone else involved in the production and sales process, while still leaving something for the owner.

Spending money and using resources to supply a product is risky because costs are incurred before consumers decide whether they will purchase the product at a price sufficiently high to cover the costs. Starting a new business or producing an entirely new product is especially risky because, in the case of a new product, producers know even less about how consumers will react. Entrepreneurs accept the risks and organize productive resources to get products produced. The financial incentive for taking on a risk is profit, which is the income that entrepreneurs receive for their effort. Losses are the financial incentives that tell entrepreneurs to stop using resources as they have been using them. In addition to profits, entrepreneurs respond to other incentives, including the opportunity to be their own boss, the chance to achieve recognition, and the satisfaction of creating new products or improving existing ones. In addition to financial losses, other disincentives to which entrepreneurs respond include the responsibility, long hours, and stress of running a business.

Understanding the roles of entrepreneurs, profits and losses is important to workers, business owners, and consumers. Wages and employment opportunities at a business depend on the business' success in earning profits and avoiding losses. Similarly, public policies that affect the profitability of a business will influence not only the owners and employees of the business, but also the consumers who buy the products produced by the business.

Teaching Ideas

1. The names of many entrepreneurs are familiar to students and the business practices of these famous men and women illustrate the risks and rewards of entrepreneurship. Encourage students to read biographies of Walt Disney, Bill Gates, Maggie Walker and Sam Walton among others. Ask the students to describe the ways in which their book's subject became and succeeded as an entrepreneur.
2. Discuss the difference between an inventor and an entrepreneur. An inventor can develop a new product in his or her basement but will become an entrepreneur only upon moving the product from the basement to the marketplace. What characteristics separate the inventor from the entrepreneur? Can someone be both?
3. Invite an entrepreneur to speak to your students. Contact your local Chamber of Commerce for speakers.

Lessons and Resources

Print Lessons

Financial Fitness for Life: Pocket Power - Grades K-2, Lesson 2 - Working for Income Resources A to Z, Lesson 4: Entrepreneurs Exist Everywhere (upper elementary)

Choices & Changes: In Life, School, & Work - Grades 5-6, Lesson 7 - Can I Produce Something People Want?

Adventures in Economics and US History: Volume 2 A Young Nation, Lesson 7: Inventors: Dreaming Up New Ideas (upper elementary/middle)

Online Lessons

Arthur's Funny Money (elementary)

<http://www.powellcenter.org/uploads/1ArthurFunnyMoneyU.pdf>

I Can Be an Entrepreneur (elementary, middle)

<http://www.econedlink.org/lessons/index.php?lesson=EM396&page=teacher>

US History: Inventors and Entrepreneurs (elementary, middle)

<http://www.econedlink.org/lessons/index.php?page=teacher&lid=62&comment=1>

Economics of Freedom (middle)

http://www.powellcenter.org/uploads/Economics_of_FreedomU.pdf

Fed Resources

Entrepreneurs and the Economy

<http://www.dallasfed.org/educate/everyday/ev3.html>

Free Enterprise - The Economics of Cooperation

<http://dallasfed.org/educate/free/index.html>

Maggie Walker

http://www.richmondfed.org/publications/education/maggie_walker/index.cfm

Literature

- **A Basket of Bangles: How a Business Begins** by Ginger Paul Howard. Millbrook Press, 2002. A young woman from Bangladesh borrows money and starts her own business. [Grades K-3]
Lesson available at http://www.stlouisfed.org/education_resources/lesson_plans_k-5.cfm
- **One Hen: How One Small Loan Made a Big Difference** by Katie Smith Milway. Kojo, a boy from Africa, takes one hen and creates a thriving business. [Grades K-5]
- **Lunch Money** by Andrew Clements. Simon and Schuster, 2005. Young Greg Kenton has a gift for making money and he is working hard to make sure his school allows him to do it. [Grades 3-7]

VIRGINIA COUNCIL ON ECONOMIC EDUCATION

VCEE is a nonprofit organization providing Virginia's K-12 teachers with professional development, quality curriculum and other resources to promote economic and financial education. Visit www.vcee.org or contact VCEE or one of its affiliated centers for economic education to learn about specific opportunities.

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The Virginia Council on Economic Education, in cooperation with The Federal Reserve Bank of Richmond, is pleased to provide this poster featuring a winning entry from the 2009-2010 Color the Economic Concepts Contest.

Teachers in Grades K-8: Give your students the opportunity to illustrate their knowledge of economic concepts in a creative and fun way. They may be selected for a poster next year! Winning students also receive a \$50 U.S. Savings Bond.

Entries must be received by April 29, 2011. See www.vcee.org for more details.

For more resources on teaching economics and the Federal Reserve System go to www.richmondfed.org/educational_info. You'll find free and easy to use resources such as lesson plans, workshop information and publications.

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