



What Is an Entrepreneur

Lesson adapted from the Federal Reserve Bank of Dallas lesson *Everyday Economics: What is an Entrepreneur?*

Standards and Benchmarks (see page 10)

Lesson Description

In this lesson, students will be introduced to entrepreneurs as a resource and explore their function in the economy. Students will review the four productive resources—natural, human, capital, and entrepreneurship—and identify how each is important for creating a product or service. Students will identify the incentives that motivate entrepreneurs by looking at profit and other forms of fulfillment. Using a Venn diagram, students will compare the traits of innovative and replicative entrepreneurs.

Concepts

Capital resources (capital)
Entrepreneur
Human resources (labor)
Innovative entrepreneur
Natural resources (land)
Productive resources
Replicative entrepreneur

Objectives

Students will be able to

- define productive resources, capital resources (capital), human resources (labor), and natural resources (land), and entrepreneur;
- explain the function of an entrepreneur in a market economy;
- identify the incentives that motivate entrepreneurs;
- identify the risks that entrepreneurs take; and
- compare innovative and replicative entrepreneurs.

Compelling Question

How do entrepreneurs affect the economy?

Time Required

60 minutes

Materials

- *What is an Entrepreneur? Slide deck, slides 1 through 26*
- *Entrepreneur Posters for student groups, 2–3 copies each of the 10 posters (excluding the Linda Alvarado poster, which is used as an example)*
- *Handouts 1 and 2, one copy for each student*



- *Two sticky notes for each student*
- *(Optional) Handout 3, one copy for each student*

Procedure

1. Display Slide 1. Tell students that the topic of the lesson is entrepreneurs.
2. Display Slide 2. Review the objectives for the lesson.
3. Display Slide 3. Have students turn and talk to a partner and brainstorm responses to the prompt on the slide (Entrepreneurs are...). Have partners share their ideas with the class. Responses will vary but might include the following:
 - Entrepreneurs are inventors.
 - Entrepreneurs are business owners.
 - Entrepreneurs take risks.
4. Tell students that all goods and services are produced with productive resources. Distribute a copy of *Handout 1: Vocabulary Chart* to each student. Tell students that they can add notes or examples in the third column to help them remember the vocabulary. Display Slide 4 and define **product resources** as the natural, human, and capital resources used to make goods and services. Use the graphics on the slide to discuss the following:
 - Land refers to all natural resources. **Natural resources** are things that occur in or on the earth. This includes water and fossil fuels.
 - It also includes the physical location (not the building) where business is conducted.
 - Labor refers to human resources. **Human resources** are people who work to produce goods and services.
 - This is different from the work of the entrepreneur. (See below.)
 - **Capital resources** refers to manufactured resources, including buildings where business is done, as well as the tools, equipment, and machinery used in production.
5. Display Slide 5. Ask students to look at the image of a chef in a café kitchen and tell them that the chef is producing meals for a customers. Ask students to identify the natural, human, and capital resources shown in the picture. Answers will vary but might include the following:
 - Natural resources/Land
 - Vegetables and other raw ingredients
 - Natural gas used to power the stove
 - The physical location of the restaurant
 - Human resources/Labor
 - The chef



- Capital resources
 - Pots and pans
 - Mixer
 - Utensils
 - Stove

Tell students that the person who paid for the natural, human, and capital resources is the entrepreneur. An entrepreneur is also a resource. An **entrepreneur** is a person who brings together natural, human, and capital resources to create products and services. The entrepreneur assumes the risk necessary to acquire resources to produce a good or service. The entrepreneur who started the café and hired the chef paid for all these resources, hoping that customers would come to buy meals.

6. Display Slide 6. Use the graphics on the slide and the information below to answer the question, “What is an entrepreneur?” Remind students to add notes or examples to Handout 1.
 - Entrepreneurs acquire productive resources—natural, human, and capital resources.
 - Entrepreneurs produce a good or service with those resources.
 - Entrepreneurs take their product or service to the marketplace.
 - If they are successful, entrepreneurs are rewarded in the marketplace with profits.
7. Display Slide 7. Show the graphic on the slide and discuss the risks entrepreneurs take when they bring a product or service to the market. Give each student one or two sticky notes and have them write one cost the entrepreneur might have incurred in opening the café where the chef was working on each note. Have students place their sticky notes on the board. Then have students work together as a class to group similar answers. When all answers have been grouped, review the costs the students generated. Answers will vary but might include the following:
 - Hiring the chef, waiters, and cooks
 - Buying the tables, chairs, and other furniture
 - Buying refrigerators, freezers, stoves, ovens, and other appliances
 - Stocking the kitchen with tools, spices, and other supplies
8. Discuss the following:
 - What would happen to the entrepreneur if no one came to the café? (*Answers will vary but might include if no one eats at the café, it will fail and the entrepreneur will lose the money spent acquiring resources.*)
 - How does the marketplace tell entrepreneurs that a product or service is desirable? (*Answers will vary but might include if customers in the marketplace find a product or service desirable, the business will make money and the entrepreneur will be rewarded for the risk.*)



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9. Display Slide 8. and explain that most entrepreneurs are motivated by the opportunity to make a profit. When an entrepreneur’s product or service is successful in the marketplace, the entrepreneur can earn profit—the reward for taking the risk of acquiring resources. In addition, for entrepreneurs, there is fulfillment other than profit that comes from a successful venture. Discuss the following:
- Give examples of famous entrepreneur who have reaped substantial profit from bringing a product or service to the marketplace. (*Answers will vary but might include Steve Jobs, Mark Zuckerberg, Oprah Winfrey, Madam C. J. Walker, or Bill Gates*)
 - What other motivation might entrepreneurs have for bringing a product or service to the marketplace? (*Answers will vary but might include the freedom to be their own boss or the feeling that they have impacted the world or bettered their community through their initiative, the pleasure of having their idea be in the marketplace.*)
 - Give examples entrepreneurs who might have motivations beyond profit. (*Answers will vary but may include Melinda Gates, Oprah Winfrey, Mohammad Yunus*)
10. Display Slide 9. Explain the difference between entrepreneurs and inventors. Tell students that inventors and entrepreneurs are different because of what they do after they create a product or service. An inventor might work for a company that produces and markets the good or service. For entrepreneurs, it is the risk taken in organizing productive resources and going to the market that separates them from inventors. Remind students to add notes to Handout 1.
11. Display Slide 10. and distribute a copy of Handout 2 to each student. Use the Venn diagram on the slide and the following information to distinguish between replicative and innovative entrepreneurs. Explain that there are traits that all entrepreneurs have in common—they organize productive resources, produce a product or service, and bring it to the marketplace in hopes of receiving a profit or other fulfillment. There are two types of entrepreneurs: innovative and replicative.
- Define an **innovative entrepreneur** as one who creates entirely new ventures to sell products or services that are new to consumers or one who revolutionizes a process or system that transforms the way a business operates. Enter appropriate information in the innovative side of the Venn diagram and have students do the same.
 - Name some examples of innovative entrepreneurs. (*Answers will vary but may include Steve Jobs, Mark Zuckerberg, Alexander Graham Bell, Sam Walton*)
 - Why are they innovative entrepreneurs? (*They brought brand new products to market—Jobs, Zuckerberg, Bell; They revolutionized/transformed an industry—Jobs and Walton*)
 - Define a **replicative entrepreneur** as one who provides a good or service familiar to the market and starts a business similar to others already in existence. These entrepreneurs give consumers access to a product or service they might have experienced before. Enter appropriate information in the replicative side of the Venn diagram and have students to the same.
 - Give some examples of replicative entrepreneurs. (*Answers will vary but may include a local dry cleaner, a bakery, a tow truck company, a fast-food franchisee*)
 - Is the entrepreneur who started the café we talked about earlier an innovative or a replicative entrepreneur? Why? (*Replicative because there are many other cafes and restaurants in the marketplace.*)



- Point out the pictures in the shared section of the Venn diagram and explain that all entrepreneurs engage in four actions that affect the economy. They organize productive resources, produce a product or service, and bring it to the marketplace in hopes of earning a profit or other fulfillment. Have students enter terms to reflect these traits on their Venn diagrams (productive resources, product or service, marketplace, and profit/fulfillment.)

Closure

12. Display Slides 11-13 and review key content from the lesson with the following questions.

- What are productive resources? (*the natural, human, and capital resources used to make goods and services*)
- What are natural resources/land? (*Things that occur naturally in or on the earth.*)
- What are some examples of natural resources? (*Land, trees, water, sunshine, wind, coal, crude oil.*)
- What are capital resources? (*manufactured resources, including buildings where business is done, as well as the tools, equipment, and machinery used in production*)
- What are some examples of capital resources used in this school to produce the service of education? (*desks, computers, whiteboard/chalkboards, school building*).
- What are human resources? (*Human resources are people who work to produce goods and services.*)
- What are some examples of human resources at the school who produce the service of education? (*teachers, principal, cafeteria workers, bus drivers, and janitorial resources*)
- What is an entrepreneur? (*A person who brings together land, labor, and capital resources to create products and services.*)
- What are the four actions in which all entrepreneurs engage? (*All entrepreneurs (1) organize productive resources, (2) produce a product or service, (3) bring the good or service to the market, and (4) hope to receive a profit or other form of fulfillment.*)
- What motivates entrepreneurs? (*profit and other forms of fulfillment*)
- What is the risk that entrepreneurs take in providing a product or service? (*When entrepreneurs organize and pay for resources, they do so without knowing whether the market demands the product or service they are producing. If the product or service the entrepreneurs create is not desirable, they will not earn profit.*)
- What is the difference between innovative and replicative entrepreneurs? (*Innovative entrepreneurs create entirely new ventures to sell products or services that are new to consumers, or they revolutionize a process or system that transforms the way a business operates. Replicative entrepreneurs provide a good or service familiar to the market and start businesses similar to others already in existence*)

Assessment

13. Tell students that there are many examples of entrepreneurs who have taken an idea, gathered productive resources, and brought a product to the marketplace.
14. Display Slide 14. Read the information about Linda Alvarado on the slide to the students:
15. Display Slide 15 and ask students to work with a partner to brainstorm the answers to the questions. Answers will vary but should include the following information:



- What was the idea? (*When she worked as a landscaper, she saw that many features of the landscape, such as sidewalks, had to be built by a construction company.*)
- What was the product? (*She started a construction company building sidewalks and bus shelters but expanded to large construction projects.*)
- What resources did the entrepreneur use? (*Natural—gravel, fuel, iron, wood; Human—architects, construction workers, plumbers, accountants; Capital—trucks, bulldozers, construction tools*)
- Was she an innovative or a replicative entrepreneur? Why? (*Replicative—there were many other construction firms. She didn't revolutionize the industry.*)

16. Divide students into 10 groups and distribute several copies of an Entrepreneur Poster to each group. Explain that each group should read the description of the entrepreneur on the poster and answer the questions that the class answered about Linda Alvarado. If time and resources permit, students may supplement their reading by gathering additional information online.

17. After each group has had sufficient time (5–15 minutes) to prepare the answers to the four questions, have a representative from each group stand to read the biography and answer the questions. Use the associated slide (Slides 16-25) for each group's presentation. Use the Handout and Assessment Answer Key for suggested answers.

Optional Extension

18. Use *Handout 3: Interview with an Entrepreneur* to ask students to find and interview an entrepreneur. Or invite an entrepreneur from your community to visit your class and allow students to ask the interview questions.

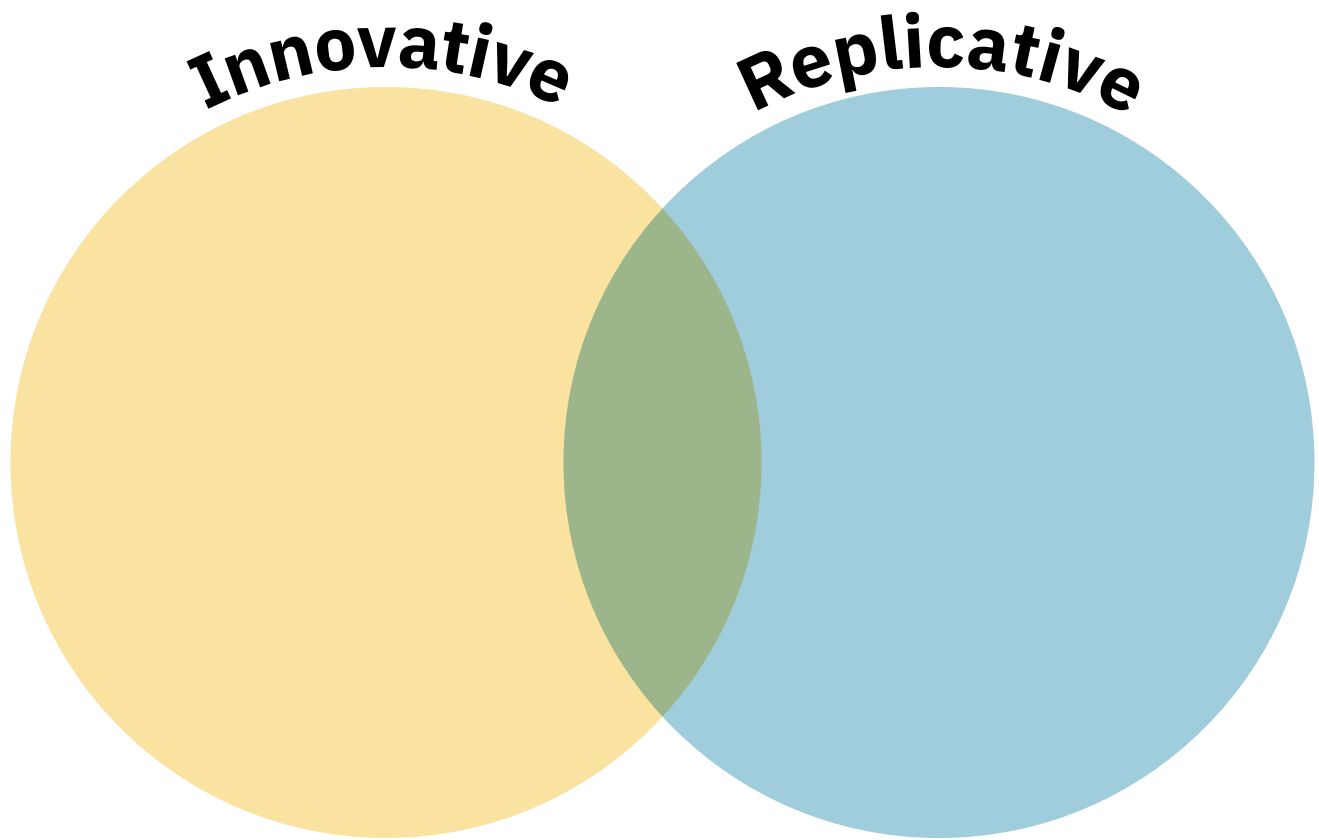


Handout 1: Vocabulary Chart

Word	Definition	Notes/Examples
Productive Resources	The natural, human, and capital resources used to make goods and services. Also known as factors of production.	
Land	Land refers to all natural resources. Natural resources occur in or on the earth. They include water and fossil fuels.	
Labor	Labor refers to human resources. Human resources are people performing work to produce goods and services.	
Capital	Capital refers to manufactured resources. These are things produced by people and used again and again to produce goods and services. They include buildings where business is done as well as tools, equipment, and machinery used in production.	
Entrepreneurs	Entrepreneurs organize resources to produce a good or service and accept the risk of taking the product to market.	
Inventor	An inventor creates a new product, but isn't the person who takes the product to market.	
Innovative Entrepreneur	An entrepreneur who creates an entirely new venture to sell products or services that are new to consumers or who revolutionizes a process or system that transforms the way a business operates.	
Replicative Entrepreneur	An entrepreneur who provides a good or service familiar to the market and starts a business similar to others that already exists. They give consumers access to a product or service they might have experienced before.	



Handout 2: Replicative and Innovative Entrepreneurs Venn Diagram





Handout 3: Interview with an Entrepreneur

Name: _____

Identify an entrepreneur who started a business in your community. Make an appointment with the entrepreneur and conduct a brief interview in person or over the phone.

Name of the entrepreneur: _____

Name of the business: _____

Describe the business: _____

Interview Questions

When did you have the initial idea for your business?

Where did you get the money required to start your business?

What was the greatest challenge you faced as you started your business?

Is this the first business that you have started? If not, what were the others?

What is a typical workday like for you? What types of responsibilities do you have?



Standards and Benchmarks

Voluntary National Content Standards in Economics

Standard 14: Entrepreneurship

Entrepreneurs take on the calculated risk of starting new businesses, either by embarking on new ventures similar to existing ones or by introducing new innovations. Entrepreneurial innovation is an important source of economic growth.

- **Benchmarks: Grade 4**

1. Entrepreneurs are individuals who are willing to take risks in order to develop new products and start new businesses. They recognize opportunities, enjoy working for themselves, and accept challenges.
2. Entrepreneurs often are innovative. They attempt to solve problems by developing and marketing new or improved products.

- **Benchmarks: Grade 8**

1. Entrepreneurs compare the expected benefits of entering a new enterprise with the expected costs.
2. Entrepreneurs accept the risks in organizing resources to produce goods and services, and they hope to earn profits.
3. Entrepreneurs and other sellers earn profits when buyers purchase the products they sell at prices high enough to cover the costs of production.
4. Entrepreneurs and other sellers incur losses when buyers do not purchase the products they sell at prices high enough to cover the costs of production.
5. 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.