Agri-Entrepreneurship Program

Unit: 1

Lesson: 1.2

The Good and the Bad of Risk

Precepts: K. Emotional Growth
K1. Cope with life's trials

National Standards: NL-ENG.K-12.1 Reading for perspective
NSS.EC.9-12.14 Entrepreneurs

Student Learning Objectives: As a result of this lesson, the student will …

1. Explain the advantages and disadvantages of entrepreneurship.
2. Define and explain risk.
3. Identify difference between personal and business risk.

Instruction time for this lesson: 60 minutes

Resources:

- National FFA Organization. *Essential Learnings materials*, 2003.
- Lambling, Peggy A., Kuehl, Charles R. *Entrepreneurship*.

Upper Saddle River, New Jersey. Pearson Prentice Hall, 2007.

- Gibson, J., Usry, R., Hass, L., Liles, R.& Moore, G. *Agribusiness: Management, Marketing, Human Resource Development, Communication, & Technology*. Danville, Illinois. Interstate Publishers, Inc., 2001.
- Mariotti, S. *Entrepreneurship: Starting and operating a small business*. Upper Saddle River, New Jersey. Pearson Prentice Hall, 2007.

Tools, Equipment, and Supplies:

- Writing surface
- Writing utensil
- Copy of five business logos to affix to walls around the room
- Copies of AS.1 for each student
- Copies of Lesson Assessment for each student if needed

Key Terms:

The following terms are presented in this lesson and appear in bold italics:

Risk
Risk management
Risk tolerance

Interest Approach:

Place the TM.1-5 business logos supplied at the end of this lesson around the room. After students enter room, welcome them to class and then read a short bio of the person that started each of the five businesses. Students will be asked which person goes with each logo. Do this until all five are complete.

Welcome to class! To begin today we are going to take a journey back in time by reading the biographies of five famous entrepreneurs. Everyone sit quietly in your seats and listen intently. After I have read each bio everyone will have the opportunity as a class to choose which business logo is associated with each entrepreneur. What questions are there? Great! Let's go back in time!

Read the following bio of Walt Disney and then allow the students to guess the business logo that is associated with the bio.

Bio of Walt Disney
This young man was born on December 5, 1901 in Chicago, IL. He was one of five children, four boys and a girl. He had very early interests in art and would often sell drawings to neighbors to make

extra money. He pursued his art career by studying art and photography at McKinley High School in Chicago.

He began to love and appreciate nature, wildlife, family, and community, which are all a large part of agrarian living. His father could be quite stern, and often there was little money. He was encouraged by his mother and older brother Roy to pursue his talents.

During the fall of 1918, he attempted to enlist for military service, but was rejected because he was only sixteen years old at the time. Instead, he joined the Red Cross and was sent overseas to France, where he spent a year driving an ambulance and chauffeuring Red Cross officials. His ambulance was covered from stem to stern, not with stock camouflage, but with cartoons.

Once he returned from France, he began to pursue a career in commercial art. He started a small company called Laugh-O-Grams, which eventually fell bankrupt. With his suitcase, and twenty dollars, he headed to Hollywood to start anew.

On December 21, 1937, he premiered the first full-length animated musical feature at the Carthay Theater in Los Angeles, called *Snow White and the Seven Dwarfs*. The film was produced at the unheard cost of $1,499,000 during the depths of the Great Depression, but is still considered one of the great feats and imperishable monuments of the motion picture industry. During the next five years, he completed other full-length animated classics such as *Pinocchio, Fantasia, Dumbo, and Bambi.*

This man is responsible for which logo?
Allow students time to respond.

Read the following bio of Milton Hershey and then allow the students to guess the business logo that is associated with the bio.

Bio Milton Hershey
He was born on September 13, 1857 in Derry Township, Pennsylvania. After his formal education ended in the fourth grade, he became an apprentice to a printer in the town of Gap, PA. However, just as his formal education was doomed, so were his days as a printer. He moved on to apprentice a candy-maker in Lancaster, and it was here that he discovered his gift. In 1876, he opened his first candy shop, which failed by 1882.

He then moved to Denver, Colorado, and began working with a caramel manufacturer. Here, he discovered the art of making candy with fresh milk, and in this case, with caramel. After attempts at opening businesses in various locations around the country, he returned to Lancaster in 1886 where he opened the Lancaster Caramel Company. His new-fangled milk caramels were very popular.

He became interested in chocolate production after the Chicago International Exposition in 1893, and eventually began producing chocolate in his caramel plant. At first, he sold chocolate-covered caramels. Later, he branched out to breakfast cocoa, sweet chocolate and baking chocolate. In 1900, he sold the Caramel Company, but retained the rights to his chocolate. He returned to Derry Township, where he could take advantage of both the prosperous dairy farms and his own innovation of using milk to mass produce chocolate products.

This man is responsible for which logo?
Allow students time to respond.

Read the following bio of J.W Marriott and then allow the students to guess the business logo that is associated with the bio.

Bio J.W. Marriott
This man was born at Marriott Settlement near Ogden, Utah, and raised on his father's farm. His father gave him considerable responsibility at an early age. He was sent to San Francisco on his own with 3,000 sheep in a railcar at the age of 14. At the age of 19, as a devout Mormon, he undertook the traditional missionary work of the church for two years, being assigned to New England. On his way home after completing his mission, he passed through Washington D.C. during the sweltering summer months of 1921. While there, he walked from Capitol Hill to the Washington Monument, toiled up the steps to the top and strolled over to the Lincoln Memorial. Everywhere he went tourists and pedestrians sweltered and sweated in the sultry, humid air. On the way back to his hotel, he just stood there in the street watching the crowds. He couldn't get over it--a push cart peddler would come along the street selling lemonade and soda pop and ice cream, and in minutes, he would be cleaned out and on his way to stock up with another cartload.

In 1927, he founded A&W Root Beer franchises for Washington, D.C., Baltimore, Maryland and Richmond, Virginia. He then moved to Washington to open a nine-stool root beer stand. In 1935 he was diagnosed as having malignant cancer of the lymph nodes, and given six months to a year to live. However, he survived and lived another half century.

His restaurant chain grew, and the company went public in 1953. In 1957, he expanded his business to hotels, opening the first hotel—actually a motel--the Twin Bridges Motor Lodge in Arlington, Virginia.

This man is responsible for which logo?
Allow students time to respond.

Read the following bio of Henry Ford and then allow the students to guess the business logo that is associated with the bio.

Bio Henry Ford
He was born July 30, 1863, the first of six children. He grew up on a prosperous family farm in what is today Dearborn, Michigan. He enjoyed a childhood typical of the rural nineteenth century, spending days in a one-room school and doing farm chores. At an early age, he showed an interest in mechanical things and a dislike for farm work.

In 1879, as a sixteen-year-old, he left home for the nearby city of Detroit to work as an apprentice machinist, although he did occasionally return to help on the farm. He remained an apprentice for three years and then returned to Dearborn. During the next few years, he divided his time between operating and repairing steam engines. He found occasional work in a Detroit factory, overhauled his father's farm implements and lent a reluctant hand with other farm work.

In 1891, he became an engineer with the Edison Illuminating Company in Detroit. His promotion to Chief Engineer in 1893 gave him enough time and money to devote attention to his personal experiments on internal combustion engines. These experiments culminated in 1896 with the completion of his self-propelled vehicle, the Quadricycle. It had four wire wheels that looked like heavy bicycle wheels, was steered with a tiller like a boat, and had only two forward speeds with no reverse.

Although he was not the first to build a self-propelled vehicle with a gasoline engine, he was one of several automotive pioneers who helped this country become a nation of motorists.

What business logo is associated with the bio?

Allow time for students to respond.

Read the following bio of Harland Sanders and then allow the students to guess the business logo that is associated with the bio.

Bio Harland Sanders
This fast food entrepreneur was born on September 9, 1890 in Henryville, Indiana. After his father died when he was only six, he became responsible for feeding and taking care of his younger brother and sister. From the age of 10, he held numerous jobs, including farmer, streetcar conductor, railroad fireman, and insurance salesman.

At age 40, he was running a service station in Kentucky where he would also feed hungry travelers. He eventually moved his operation to a restaurant across the street, and featured a fried chicken so notable that he was named a Kentucky Colonel in 1935 by Governor Ruby Laffoon.
After closing the restaurant in 1952, he devoted himself to franchising his chicken business. He traveled across the country, cooking batches of chicken from restaurant to restaurant, striking deals that paid him a nickel for every chicken the restaurant sold. In 1964, with more than 600 franchised outlets, he sold his interest in the company for two million dollars to a group of investors. He continued to visit the restaurants around the world as a spokesman until he died in 1980 of leukemia at the age of 90.

After all five bio's have been read, ask the following questions:

What do all these individuals have in common?
(Answer: All entrepreneurs)

Did any of them have failures before they became successful? If so what made them continue?
(Answer: Yes; perseverance and the entrepreneurial spirit)

What are some of the advantages and disadvantages these men had in being an entrepreneur?
(Answer: A wide variety of answers, these answers will be used later in the lesson)

What a great discussion to start our class today! In our last lesson we learned about who entrepreneurs and agri-entrepreneurs are and why they are important. We have just looked at five very successful entrepreneurs and heard their stories. Today we will take a deeper look at some of the advantages and disadvantages of being an entrepreneur. Be ready to take notes and participate when asked.

Objective 1: **Explain the advantages and disadvantages of entrepreneurship.**

Students will break into trios and brainstorm a list of five advantages of being an entrepreneur and five disadvantages of being an entrepreneur. Have students think back to the discussion earlier in class to assist them in developing their list.

When I say, "List," everyone will break into groups of three and develop a list of five advantages and five disadvantages of being an entrepreneur. One person in each group will be selected as your group recorder. There will be five minutes allotted to complete your list, which everyone will share with the class. What questions are there? List.

After students have finished, have each group recorder write the advantages and disadvantages on the board and discuss their reasoning with the class. There may be a wide array of answers, but make sure students have collected each group's list along with any others not on the board.

Great job, students, now each recorder should please post your group's list of advantages and disadvantages on the board.

I. List of possible Advantages:
- A. Independence
- B. Freedom to make one's own decisions
- C. Challenge of a start-up
- D. Feelings of achievement
- E. Financial control

II. List of possible Disadvantages:
- A. Personal sacrifices (family, time, etc.)
- B. Burden of responsibility
- C. Little margin for error
- D. Opportunity to fail
- E. Loss of money

Nice lists everyone! Now reflect on each of our five entrepreneurs at the beginning of class. What did each of them have in common that might have been uncomfortable financially?

(Solicit the answer: Risk)

That's right, each of these men took great risks in their endeavors, and each of them failed before they succeeded. The one thing that each of them had in common was the risks that they were willing to take. Let us now define and explain ***risk*** and how each of us deals with it.

Objective 2: **Define and explain *risk*.**

Using the note guide (AS.1) provided at the end of this lesson, students are to capture the definitions of the following words.

Next we will investigate risk. When you receive a copy of this handout, get something to write with and wait for me to read the definitions to you.

I. ***Risk*** Definitions

A. ***Risk*** – the chance of loss

B. ***Risk management*** – dealing with ***risk*** so potential losses are minimized

C. ***Risk tolerance*** – the ability to handle losses if they occur

*Use the following questions to help students understand **risk** and how some are more willing to take risks than others. Solicit answers for each question.*

How do you think our five entrepreneurs dealt with ***risk***?
How would you deal with risk if you started your own business?
Are there different levels of risk that entrepreneurs are willing to take?
Of our five entrepreneurs, who took the greatest risk?
Are any of you dealing with risk in any of your SAE's or CDE teams?

It seems like risk comes with responsibility. What were the three terms we just discussed?

*Encourage the students to repeat after you: **risk**, **risk management** and **risk tolerance**.*

At this point have students use the <u>Hieroglyphic e-Moment</u> for each of the three definitions to help them understand the concepts. The Hieroglyphic e-Moment challenges students to create an "icon" or symbol that represents a concept – or a picture that is worth a thousand words!

To help us remember these three terms, when I say, “Draw,” you will have three minutes to shift into the mindset of an ancient artist and design a hieroglyphic or picture that represents a concept for each of the three terms we just discussed--r***isk***, ***risk management***, and ***risk tolerance*** in your notes. What questions do you have about the task? “Draw.”

Allow three minutes to draw

Our three minutes has expired, please share what you have drawn with a neighbor.

Ok, thanks for sharing it looks like we have created some great ways to remember these terms.

Objective 3: **Identify difference between personal and business *risk*.**

*Upon capturing the definitions to the words, have students continue with AS.1 and differentiate between personal and business **risk**. Upon completing AS.1, have students compare their answers with a partner.*

Let us now continue with the Risk Note Taking Guide and differentiate between personal and business risks that entrepreneurs take. When I say, “Risk,” you will have two minutes to differentiate the six personal risks from the eight business risks in the list. Raise your hand if you could teach these directions to a neighbor.
Call on a student to explain.
“Risk”

At the end of two minutes, have students break into pairs and compare their answers and justify their categorizations to their partner.

Time. Now we will pair up with the person on your left. Compare answers and justify why you placed the ***risk*** under personal or business. You will have two minutes to complete this activity. If you want to change an answer you may as you discuss it with your partner. What questions are there? Please begin.

Give students two minutes to work. At the end of two minutes review the list and ensure that students have each risk in the correct column. Discuss with students why they are in the column they are in.

I. Personal ***Risk***

A. Time
B. Away from family
C. Obstacles
D. Fulfillment vs. loss
E. Loss of money and resources
F. Pride

II. Business ***Risk***

A. Loss of other peoples money (investments
B. Loss of other people jobs
C. Business failure
D. Change in economy
E. Change in weather
F. New technology
G. New competitors
H. Disease or sickness in animals

Review/ Summary:

To review the material for the day, use the Choral Response e-Moment to restate and recall the advantages and disadvantages of being an entrepreneur, the three definitions of ***risk*** *and state the list of personal and business risks. The Choral Response e-Moment is a quick, simple, and highly effective strategy. Its use fosters vocabulary development, proper pronunciation, attentiveness, and retention through repetition. A Choral Response is simply when students repeat aloud a key phrase or word. Simply ask students to state the terms or you state them and ask them to repeat.*

Application:

- Extended classroom activity:
  Students research famous agriculture entrepreneurs and find some of their failures and successes. Arrange for a local entrepreneur to attend class as a guest speaker; explaining the risks they take helping the students relate to risk.
- FFA activity:
  Members interview individuals in the community who are successful entrepreneurs to discover their successes and failures.
- SAE activity:
  Students write a one page synopsis on how they are dealing with ***risk*** *in their SAE projects. (This could be a method of starting students' thinking about the* ***Risk Management*** *Essay*

Contest.)

Evaluation: Quiz – Lesson Assessment; Assess.1

Answers to Evaluation:

1. *Possible answer:* The chance of loss

2. *Possible answers*:

<u>Personal Risk</u>
Time
Away from family
Obstacles
Fulfillment vs. loss
Loss of money and resources
Pride

<u>Business Risk</u>
Loss of other peoples money (investments)
Loss of other people jobs
Business failure
Change in economy
Change in weather
New technology
New competitors
Disease or sickness in animals

3. *Possible answers*:

<u>List of possible Advantages</u>
Independence
Freedom to make one's own decisions
Challenge of a start-up
Feelings of achievement
Financial Control

4. *Possible answers:*

<u>List of Possible Disadvantages</u>
Personal sacrifices (family, time, etc.)
Burden of responsibility
Little margin for error

Opportunity to fail
Loss of money

Assess.1

Name ________________________________

Risk Quiz

1. Explain what risk is.

2. List three personal risks and three business risks that entrepreneurs take.

Personal	Business
1.	1.
2.	2.
3.	3.

3. List two advantages of being an entrepreneur.
    1.
    2.

4. List two disadvantages of being an entrepreneur.
    1.
    2.

AS.1

Name: __________________

Risk Note Taking Guide

Capture the definitions to the following terms:

Risk –

Risk management –

Risk tolerance –

Using the following list of risks, determine what six risks are personal and what eight risks are businesses. Be able to explain your reasoning for placing the risk under personal or business.

New technology
Change in weather
Time
Loss of other peoples money (investments)
Away from family
Obstacle
Loss of other people jobs
Change in economy
Business failure
Fulfillment vs. loss
Loss of money and resources
Pride
New competitors
Disease or sickness in animals

Personal Risk (six)

1.________________________________
2.________________________________
3.________________________________
4.________________________________
5.________________________________
6.________________________________

Business Risk (eight)

1.________________________________
2.________________________________
3.________________________________
4.________________________________
5.________________________________
6.________________________________
7.________________________________
8.________________________________

TM.1

TM.2

TM.3

TM.4

Marriott

TM.5