

What's In It for Me?

Thanks to Darry Trampe, Nebraska Council on Economic Education. This activity is part of a curriculum designed to meet a number of Nebraska Academic Standards for the high school.

The purpose of this activity is to address **Economic Concepts**, including costs and benefits of owning and operating a business, realizing that being your own boss involves trade-offs, examining the incentives for starting a business, as well as the opportunity costs involved.

PROCESS:

1. In small groups students should list as many **reasons for starting a business** as possible. After one minute, ask group recorder to report on how many reasons they listed (number of reasons only, now).
2. Then ask the students to use the backside of their paper to add additional reasons that they have not listed before. Announce that there will be a prize for each member of the group that has the most new reasons and show the prizes.
3. After one minute ask the each group recorder to list their reasons on the board...doing it at the same time to save time and keep groups from trying to add more reasons.
4. Determine which group had the most reasons on the second round and award prizes.

DISCUSSION: Use this activity to discuss the following economic concepts (italicized below).

1. Why were most groups able to come up with more reasons in the second round? If not more reasons, did you work harder in the second round? Discuss the value of an incentive such as the prizes. *Incentives are factors that motivate and influence human behavior.*
2. Point out that the reasons listed on the board are “incentives” for people to go into business for themselves. Economic incentives influence people to go into business for themselves to either achieve financial or material gain or to avoid financial or material loss. Ask students to point out the “economic incentives” from their lists.
3. Discuss “trade-offs”, the decisions that involve accepting or choosing less of one thing to get more of something else. Ask students to identify some of the trade-offs entrepreneurs must make.
4. Discuss the following: *“Because a decision to start their own business will involve making trade-offs, an entrepreneur needs to weigh the benefits (what they will gain) against the costs (what they will give up) of each alternative they are considering. In order to receive the most satisfaction from their decision, they should choose the alternative that gives them the most benefits and the least costs based on their criteria.”*
5. Hand out copies of the cases of Sue and Indy (next page) and ask them to read instructions. Answer questions about the process they are to use to evaluate the stories. Ask half the class to evaluate the decision-making grid for Sue, and half for Indy. Then, in pairs, have students compare their outcomes and discuss the differences in values that resulted in the differences in outcomes.
6. With the entire class, discuss the decision most students made for Indy and the decision most made for Sue. Ask what alternative was the second best choice for each girl. Explain that for whichever choice each girl made on the decision grid, the second best alternative would be their “opportunity cost”. Explain that *“opportunity cost is the forgone benefit of the next best alternative when scarce resources are used for one purpose rather than another.”*
7. Conclude the lesson by reviewing the following points:
 - a.) *Entrepreneurs must analyze the costs and benefits of going into business;*
 - b.) *make trade-offs that will result in the greatest satisfaction from the decision they make; and*
 - c.) *give something up for the alternative they choose and that something is the opportunity cost of making their decision.*

WHAT IS THE BEST CHOICE?

Instructions: Two young women are considering starting their own business. Indiana Pendant (or Indy as she is known to her friends) and Sue Curity are discussing their potential businesses with each other and decide that they essentially have three options to consider and that five criteria are important for determining the best option. These choices are shown on the following decision-making grid. Using the information for each woman below, complete the decision-making grid for each woman and list which alternative each woman would choose from her first choice to her third choice.

	Steady Income () Points	Unlimited Earnings () Points	Time With Family & Friends () Points	Freedom to Make Decisions () Points	Responsibility for Success () Points	Total Points
A. Full Time Operation of Business						
B. Work Part-time and Run Business Part-time						
C. Work Full Time and Forget Business						

Indy Pendant: Indy ran for and was elected president of her class and was also a member of her school's speech and drama teams as well as participated in student government at her school. Despite all of her activities she still managed to maintain a solid grade point average. When asked how she was able to do everything she did and still do well in school, she said that she took responsibility for her classes and made some decisions that took away time from her family and friends. But it was worth it to achieve the success she experienced. Upon graduation she feels that starting her own business is definitely a choice.

Sue Curity: Like Indy, Sue was a very good student in school who worked hard and had all her assignments completed on time. She received good grades and graduated with a high grade point average. However, because she felt it was important to do well in school she chose not to participate in any extra curricular activities in school but did have a part-time job so she could save money for college. She knew that having a part-time job would take away time from her homework and if she were involved in extra activities in school, she would not be able to spend as much time with her friends as she would like. Sue said that she would like to start her own business as long as it would provide her a steady income and she could spend a lot of time with both her family and friends.

Assignment: In pairs students should play the role of Indy or Sue, rank the criteria as their role model would have done and then compare the results of their ranking.

- 1 Draw a decision-making grid like the sample above in order to weigh costs and benefits to determine if Sue and Indy should start their own business.
- 2 For your role model, rank the criteria from one to five, putting the rank in the box at the top of each column.
- 3 Then rank each of the three career options from one to three for each of the criteria.
- 4 Determine the points assigned to each career option by multiplying the rank given for that career option (number in the columns) by the rank given for each criteria option (top of each column).
- 5 Insert that number in the appropriate box and add across to find the total points. (Note that the lowest total is the highest priority career choice)
- 6 Compare the differences in the rankings based on the differences in attitudes of Indy and Sue. Be ready to share with the class what you think each girl would decide.