Do I Have What it Takes to be an Entrepreneur – and Is My Community Ready?

Teacher’s Guide

Introduction:
This lesson introduces the concept of entrepreneurship and its depth and breadth in a region. According to a 2005 Gallup poll of Nebraska business owners, over half of the entrepreneurs surveyed said they first thought about starting their business between the ages of 18 and 29, showing the importance of introducing entrepreneurial concepts early. Entrepreneurship is one of the foundations of a dynamic market economy as entrepreneurs are the risk takers and the visionaries who help bring new and innovative ideas to the marketplace. In rural communities, the value of the entrepreneur is especially important in encouraging economic growth and development in an increasingly global marketplace. This lesson is applicable for students in any size community; however, some exercises ask questions specifically from a rural perspective.

Grade Level:
9 – 12

Concepts:
- Entrepreneurship
- Economic resources
- Economic growth

Time Required:
Two 45-minute class periods. Each Student Activity is designed to be completed in one class period.

Nebraska Content Standards:
- Entrepreneurial Skills Essential Learning (ENT) 12.1.1, 12.2.2, and 12.11.3
- Business Education Essential Learning (BE) 12.5.1 and 12.6.1
- Reading/Speaking/Listening (R/W) 12.1.2, 12.1.6, and 12.2.5
- Mathematics (M) 12.2.2 and 12.4.7
- Science (S) 12.1.1 and 12.1.2
- Social Studies/History (SS/H) 12.3.11 and 12.4.4

Teacher Preparation:
- Become familiar with the locally owned businesses in your community.
- Review the data for your county from the Bureau of Economic Analysis’ Regional Economic Information System (BEA-REIS). To access the online data, go to http://www.bea.gov/bea/regional/reis. Select Table CA30 – Regional economic profiles. Select your state for the major area and then choose your county for the minor area.
Choose the most recent year available and then select “Display” to show the data on the screen. The data can be ordered on CD-ROM or downloaded and used offline if an Internet connection is not available in your classroom.

- Review the economic terms included in the glossary.

**Objectives:**
- Students will define entrepreneurship
- Students will describe the characteristics of an entrepreneur
- Students will calculate entrepreneurship rates for their county
- Students will evaluate their region’s assets that foster entrepreneurship
- Students will contemplate how to foster entrepreneurial spirit in their community

**Lesson Description:**
This lesson provides students with the opportunity to identify what an entrepreneur is and how entrepreneurship encourages economic growth and development. Students will have the opportunity to research the level of entrepreneurship present in their own county, evaluate the factors that spur entrepreneurship in their region, and consider how they might help foster additional entrepreneurial spirit in their community.

**Teaching Aids and Materials:**
- Teacher’s Guide
- Copies of Student Activity 1
- Copies of Student Activity 2
- Copies of Glossary
- Self-adhesive note pads or sheets of paper on the wall
- Computer with Internet access or copies of the required data for analysis (one per group)

**Procedure – Class Period 1:**
1. Ask the students to define entrepreneurship. (The students’ answers may vary.)

2. Explain that the purpose of this lesson is to introduce students to the concept of entrepreneurship and to give them the opportunity to examine the level of entrepreneurship in their county.

3. Explain that entrepreneurship is when a person is able to combine productive resources (labor, land, and capital) in a new or different way to produce a product. Ask the students if they can think of any entrepreneurs. (The students’ answers may vary.) Typically, students may name famous entrepreneurs they see on television such as Bill Gates, Martha Stewart, and Donald Trump. If the students do not readily name business owners from your community, remind them of some of the local businesses in your area and the people who own them.

4. Ask the students to name some of the characteristics of successful entrepreneurs. (The students’ answers may vary. Some possible responses could include: creative, innovative,
risk taker, hardworking, intelligent, driven, open to new ideas, always trying to improve, and
good manager.) Have them write the characteristics on self-adhesive notepad paper and stick
them to the wall. (Alternatively, have large pieces of paper taped to walls around the room
on which the students may write their responses.)

5. Distribute a copy of Student Activity 1 to each student.

6. Divide the students into groups of four or five. Ask the groups to discuss the characteristics
of entrepreneurs posted around the room. Encourage the students to think about the
characteristics and which might apply to themselves. Ask the students to complete Exercise
1. (The students each may have a slightly different list of personal entrepreneurial
characteristics.)

7. Ask the students why someone would want to start a business. (The students’ answers may
vary. Some possible responses could include: be your own boss, do something different,
provide a needed service, and follow your dreams.) Have them write the reasons on self-
adhesive notepad paper and stick them to the wall. (Alternatively, have large pieces of paper
taped to walls around the room on which the students may write their responses.)

8. Ask if any of the students have ever considered starting a business. (The students’ answers
will vary.) Ask the students to consider what type of business they might like to own. Ask
the students to complete Exercise 2. (The students each may have different reasons for
opening a business and the type of business they would like to own.)

9. Ask the students to think about the businesses in your community and the larger county. Ask
the students to name all of the locally owned businesses they can recall. Encourage the
students to think about doctors, dentists, veterinarians, gas stations, automobile repair shops,
auto dealers, barber and beauty shops, grocery stores, manufacturing companies, feed and
seed stores, restaurants, hardware stores, etc. (You may need to remind students that some
chain stores and restaurants, such as Ace Hardware and McDonald’s, can be locally owned
franchises.) You do not need to record the business names; however, you may wish to keep a
tally of how many different businesses the students are able to name. This can be used to
compare with the data in Exercise 3.

10. Ask the students to think about how the businesses they named have affected the community
and the county. If some of those businesses didn’t exist, how might that change the economy
in the area? Is there a business that fostered economic growth by bringing other new
businesses into the area? (An example of this could be when a manufacturing facility builds
a new plant and other companies and suppliers move into the area to support the
manufacturing facility.)

11. If you have Internet access or have an offline copy of the BEA-REIS data, display the most
recent annual data for your county, Table CA30 – Regional Economic Profiles, on the screen.
(To access the online data, go to http://www.bea.gov/bea/regional/reis. Select Table CA30 –
Regional economic profiles. Select your state for the major area and then choose your
county for the minor area. Choose the most recent year available and then select “Display”
to show the data on the screen.) If computer access is not available, distribute a printed copy of the table to each group of students.

12. Explain that the students are going to calculate two different measures of entrepreneurship for their county. **Entrepreneurial breadth** measures the concentration of entrepreneurs within a county. When an area has a relatively high percentage of entrepreneurs, it can encourage additional entrepreneurs to flourish in the area and improve the overall quality of life. **Entrepreneurial depth** measures the income and value that entrepreneurs create in a county. The income generated by entrepreneurial enterprises helps drive economic growth in an area. Explain that the students will be calculating one measure for entrepreneurial breadth and one measure for entrepreneurial depth based on income. (The data needed to calculate entrepreneurial depth based on value-added are not as quickly accessible for this exercise.)

13. Ask the students to locate the data items requested in the table of Exercise 3a and fill in the values for their county. (The values will vary for each county, but all students should have the same answers for their county.) Once the students have located the data, ask them to complete Exercise 3b by calculating the entrepreneurial breadth and entrepreneurial depth values for the county.

14. Ask the students for the entrepreneurial breadth measurement for their county. Is the percentage relatively high or relatively low? What does a higher or lower entrepreneurial breadth measurement imply about the county? Explain that a higher percentage of entrepreneurs to non-entrepreneurs indicates that a county has a greater concentration of entrepreneurs. Rural areas sometimes have a higher breadth measurement because there are few large cities nearby. As a result, there may be a number of smaller local businesses that develop to meet the needs of the surrounding communities. Urban areas tend to have lower entrepreneurial breadth measurements in part due to denser population and the concentration of larger, corporate-owned businesses.

15. Ask the students for the entrepreneurial depth (by income) measurement for their county. Is the value relatively high or relatively low? What does a higher or lower entrepreneurial depth measurement imply about the county? Explain that a higher average income of entrepreneurs in a county can indicate greater success and prosperity with their businesses. However, a lower average entrepreneurial income does not necessarily mean that the entrepreneurs are less successful. Some entrepreneurs may only operate a business part-time or as a second job; therefore, the level of income produced by the business may be lower than for full-time entrepreneurs.

16. Explain that two common types of entrepreneurs are “lifestyle entrepreneurs” and “high growth entrepreneurs.” Ask the students to define each term. (The students’ answers may vary. You may want to write some of the students’ definitions on the board.) Explain that lifestyle entrepreneurs generally open small businesses such as antique shops, diners or cafes, and other unique businesses that provide income and also give something back to the local community. They tend to employ only a small number of people. A high entrepreneurial breadth measurement may be an indication of a large number of lifestyle entrepreneurs in an area. Explain that high growth entrepreneurs have businesses that
typically employ a larger number of people and use technology to a great extent. These businesses often have a significant positive economic impact on a region and increase prosperity. A high entrepreneurial depth measurement may be in indication of more high growth entrepreneurs in an area.

17. Ask the students to think about the businesses in their community. Would the characterize them as lifestyle businesses or high growth businesses? (The students’ answers may vary; however, lifestyle businesses are generally predominant in rural areas.) Explain that both forms of business are important and provide income to their owners. Explain that rural areas often face challenges when trying to develop greater entrepreneurial breadth and depth. Ask the students to consider why the high growth businesses tend to be located in more urban areas. Ask the students how they might foster more high growth businesses in their community. (The students’ answer may vary. You may want to write several of the responses on the board.)

18. Ask the students to consider the entrepreneurial breadth and depth measurements for their county. Do they believe their county is poised to encourage more entrepreneurial growth and economic development? Why or why not? Ask the students to complete Exercise 3c. (The students’ answers will vary, but should reflect a level of thought that demonstrates comprehension of the concepts of entrepreneurial breadth and depth as well as an understanding of their community and county.)

End of Class Period 1

Procedure – Class Period 2:
1. Review with the students the concepts covered during class period 1:
   A. Characteristics of an entrepreneur: Review some of the characteristics listed by the students in class period 1, Step 4, above. (Some of these could include creative, innovative, risk taker, hardworking, intelligent, driven, open to new ideas, always trying to improve, and good manager.)
   B. Entrepreneurial breadth: the concentration of entrepreneurs within a county. Review the entrepreneurial breadth calculation for your county.
   C. Entrepreneurial depth: the income and value entrepreneurs create in a county. Review the entrepreneurial depth calculation for your county.

2. Explain that today the students will examine their own county and have the opportunity to discuss several of the factors that drive the entrepreneurial breadth and depth calculations.

3. Ask the students to recall their responses to Exercise 3c on Student Activity 1. They were asked to consider if the measures of entrepreneurial breadth and entrepreneurial depth fit or did not fit their impression of your community and your county. If desired, ask some of the students to share their thoughts about what the entrepreneurial breadth and depth measurements indicated about your county.
4. Divide the students into groups of four or five. Explain that the calculations for entrepreneurial breadth and depth need to be examined in the context of the local economy. There are several basic regional economic factors that are analyzed. Ask each group to discuss and define each of the following terms: financial capital, human capital, infrastructure, local economy size, and natural amenities. (The students’ answers may vary. You may want to write several of the answers on the board.)

5. Distribute a copy of Student Activity 2 and the Glossary to each student. Ask the students to review the definitions of the terms below. How do their definitions compare with the definitions in the glossary?
   A. **Financial capital**: The funds used to invest in a business (often for capital resources); typically obtained through loans from a bank or other lending institution or organization.
   B. **Human capital**: The combination of workers’ training, education, and physical talents used to produce goods and services; labor.
   C. **Infrastructure**: The foundations of a community such as schools, roads, interstates, railroads, and public utilities (water, electricity, telecommunications).
   D. **Local economy size**: The vibrance, diversity, and density of the labor, resource, and product markets in an area.
   E. **Natural amenities**: The features of a region such as topography (mountains, valleys, beaches), water area (lakes, rivers, oceans), and climate (days of sunshine, amount of snow, level of humidity, average seasonal temperature).

6. Ask the students to complete Exercise 1. (The students’ answers will vary, but should reflect a level of thought that demonstrates comprehension of the concepts of financial capital, human capital, infrastructure, local economy size, and natural amenities, as well as an understanding of their community and county.)

7. Ask a member of each group to share a few of the group’s pros and cons for each economic factor recorded in Exercise 1. (The students’ answers will vary.)

8. Ask the students why financial capital is important to entrepreneurial growth and economic development. (The students’ answers may vary.) Explain that access to financial capital is one of the critical factors in encouraging entrepreneurial growth and success. Bank loans are often a primary source of financial capital, and having a personal relationship with a local bank can benefit an entrepreneur when securing funding. However, smaller banks that are common in rural areas may have fewer funds available to loan and may be hesitant to lend money for new ideas they view as too risky.

9. Ask the students why human capital is important to entrepreneurial growth and economic development. (The students’ answers may vary.) Explain that human capital is another critical factor, especially for entrepreneurial depth in an area. Several key components of human capital that contribute to increased entrepreneurial activity include percent of the population with a college education, percent of foreign-born residents, and the percent of creative sector employment (artists, writers, designers, musicians, performers, etc.).
10. Ask the students why infrastructure is important to entrepreneurial growth and economic development. (The students’ answers may vary.) Explain that infrastructure provides entrepreneurs with access to markets. Proximity to interstate highways and availability of high speed broadband Internet access are both important factors in encouraging entrepreneurial growth and success. The Internet can provide entrepreneurs with access to the global marketplace, and interstate highways allow for convenient transportation of incoming raw materials and outgoing finished products.

11. Ask the students why the size of the local economy is important to entrepreneurial growth and economic development. (The students’ answers may vary.) Explain that the size of the local economy can also affect the growth of entrepreneurial breadth and depth. Urban and metropolitan areas tend to have a higher degree of agglomeration (concentrations of business and resources) and have greater access to the necessary economic resources conducive to entrepreneurial activity. Smaller, rural economies may have a lesser degree of agglomeration; thereby, reducing the range of economic resources available locally.

12. Ask the students why an area’s natural amenities are important to entrepreneurial growth and economic development. (The students’ answers may vary.) Explain that natural amenities can draw entrepreneurs to a particular area. In some cases, entrepreneurs live in an area because it is conducive to the lifestyle they desire – perhaps living near a mountain because they like to snow ski – and they open a business to help support that lifestyle. Other natural amenities, such as climate and access to recreational opportunities, combine with other considerations (such as schools, public safety, and cost of living) to create an appealing quality of life.

13. Ask the students to consider the differences between rural and urban areas with regard to each of the five factors affecting entrepreneurship. Ask the students if they would change any of their answers in Exercise 1 now that they have learned more about each factor. (The students’ answers will vary.)

14. Explain that urban areas do tend to have some advantages (such as a larger labor supply, easy access to transportation systems, etc.) over rural areas. Ask the students to consider how a rural area might be able to highlight its existing benefits to a potential entrepreneur and encourage him or her to open a business in your county.

15. Ask the students to complete Exercise 2. (The students’ answers will vary, but should reflect a level of thought that demonstrates comprehension of the concepts of financial capital, human capital, infrastructure, local economy size, and natural amenities, as well as an understanding of their community and county.)

16. Ask the students to consider their answer in Exercise 2. Explain that they are now the entrepreneur who is looking for a location to open a business. Ask them to complete Exercise 3. (The students’ answers will vary, but should reflect a level of thought that demonstrates comprehension of the concepts of financial capital, human capital, infrastructure, local economy size, and natural amenities, as well as an understanding of their community and county.)
17. Ask the students to recall the type of business they would open (from Student Activity 1, Exercise 2). Ask them to think again about their community and their county from the perspective of an entrepreneur. Do they still want to open the same type of business? Do they have a new idea for a business that would benefit their community? Ask the students to complete Exercise 4.

Closure:
Review the key points of the lesson and reinforce the idea of entrepreneurship with some of the accompanying data from a 2005 Gallup survey on entrepreneurship in Nebraska. The survey questioned the general public and business owners in the state.

1. What is entrepreneurship? (Entrepreneurship is the human resource that assumes the risk in order to produce a product or service. The entrepreneur combines the necessary economic resources of land, labor, and capital with managing, organizing, and decision-making.)

2. What are some characteristics of an entrepreneur? (Each entrepreneur is unique; however, many share a number of common characteristics that may include creativity, innovativeness, being a risk taker, hardworking, intelligent, driven, open to new ideas, always trying to improve, and being a good manager.)

3. Based on the data from the Bureau of Economic Analysis’ Regional Economic Information System (BEA-REIS), what are the measurements of entrepreneurial breadth and entrepreneurial depth in your county? (The measurements will be different each year for each county. For quick reference, record the values below.)

   Entrepreneurial Breadth: ____________   Entrepreneurial Depth: ____________

4. As a future entrepreneur, what are some of the factors that would encourage you to start your business in your community? Are there any changes that you would want to make in order to foster more entrepreneurial growth in the area? (The students’ answers to this question will vary. Encourage them to think critically and use the discussion about the key factors that affect entrepreneurship.)

5. Ask the students how many of them have thought about wanting to have their own business. Share the following information from the Gallup survey: 55% of the business owners surveyed in Nebraska indicated they first thought about starting their business between the ages of 18 and 29.

6. Ask the students why they would like to start their own business. (The students’ answers will vary.) Share the following information from the Gallup survey: 50% of business owners surveyed in Nebraska indicated that the reason they started their own business was to be their own boss.

7. Ask the students what the best preparation is for starting a business. (The students’ answers may vary.) Share the following information from the Gallup survey: 23% of business
owners surveyed in Nebraska indicated that education and skills provided the most preparation for starting their own business, and 27% indicated that life experiences were the most important preparation.

8. Ask the students how important each of the following factors are when deciding to open a business. Ask them to rank each factor using a five-point scale where 5 is very important and 1 is not important. (The students’ answers may vary.) Please note this question mirrors a question from the Gallup survey. Share the responses of Nebraska business owners to the 2005 Gallup survey displayed in the table below.

<table>
<thead>
<tr>
<th>Factor</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work experience in technology*</td>
<td>38%</td>
<td>20%</td>
<td>13%</td>
<td>9%</td>
<td>19%</td>
</tr>
<tr>
<td>Education in high school and before</td>
<td>35%</td>
<td>21%</td>
<td>22%</td>
<td>5%</td>
<td>18%</td>
</tr>
<tr>
<td>Education in college or university</td>
<td>28%</td>
<td>20%</td>
<td>14%</td>
<td>7%</td>
<td>31%</td>
</tr>
<tr>
<td>Using personal computers</td>
<td>22%</td>
<td>20%</td>
<td>14%</td>
<td>7%</td>
<td>37%</td>
</tr>
<tr>
<td>Conversations with friends or family*</td>
<td>15%</td>
<td>21%</td>
<td>26%</td>
<td>15%</td>
<td>23%</td>
</tr>
<tr>
<td>Using the Internet and World Wide Web</td>
<td>15%</td>
<td>14%</td>
<td>12%</td>
<td>13%</td>
<td>46%</td>
</tr>
<tr>
<td>Seeing something in the media*</td>
<td>4%</td>
<td>7%</td>
<td>20%</td>
<td>20%</td>
<td>48%</td>
</tr>
</tbody>
</table>

* Percentages do not total 100% because some respondents answered “Don’t Know.”

**Extension Learning Activities:**

The following extension learning activities may provide your students with the opportunity to build on the information presented in this lesson.

1. Interview a local entrepreneur. Ask the students to prepare several interview questions to ask a local entrepreneur about his or her business. The list of questions can be generated as a classroom project so all students will use the same set of questions. Questions might include: When did they open the business? What did they do before they opened the business? What prompted them to open the business? What do they feel helped prepare them the best for opening and running a business?

2. Read an article about entrepreneurship and prepare a short report about it. One resource is *The Main Street Economist*, published by the Federal Reserve Bank of Kansas City. It is available online at www.KansasCityFed.org/RuralCenter/MainStreet/MainStMain.htm.

3. Work with a class in another school in a neighboring county to explore options for fostering entrepreneurship across the region.