

ARE YOU READY TO TAKE THE RISK?

FEDERAL RESERVE BANK of KANSAS CITY

TEACHER INTRODUCTION

What is your risk-taking personality? Are you a jump-in-with-both-feet kind of person, or someone who looks for the safest route? Or do you, after considering the pros and cons of a situation, fit somewhere in between?

As teachers, how we assess and take risks may affect how we teach about risk. It is hard to keep emotions and feelings out of the equation when we discuss risk-taking with students. If we are generally risk averse, or uncomfortable taking risks, we may incorporate our wariness into classroom work and behavior. For example, when assigning new projects, do you ask students to go the straight and narrow path of research and presentation? Or do you allow them the flexibility to try new methods to complete work? In class discussions, do you allow students to question the status quo on controversial topics? What is your overall attitude toward failure, whether it is a botched test or a poorly written paper? Your reaction to these situations teaches students about your risk tolerance.

Entrepreneurship is a prime example of a risk-taking enterprise. To create and run a business successfully, an entrepreneur needs to embrace a certain amount of risk and learn to rebound from failure. Some teachers haven't had an entrepreneurial experience, and some may not know an entrepreneur personally. So teaching about this topic may not come naturally. In addition, the career of teaching itself is considered a secure and safe occupation, one less likely to attract those with risk-taking tendencies. The result: an entrepreneurial mindset may not be as prevalent in the average classroom.

Taking the Entrepreneurial Self-Assessment Survey (Handout 1) before teaching the risk lesson will give teachers an overview of their entrepreneurial tendencies and a realistic picture of an entrepreneur's attitude toward work and life. It should help them prepare to teach the lesson with an entrepreneurial frame of mind. Teachers only need to recognize and convey these entrepreneurial characteristics, not become entrepreneurs.

Gallup University studied entrepreneurial talent for its book, *Entrepreneurial StrengthsFinder*, written by Jim Clifton and Sangeeta Bharadwaj Badal. Teachers should be aware of the following results from this research:

- The traits of risk-taking, initiative, self-efficacy and creativity are seen in entrepreneurs.
- These traits affect behaviors, such as setting goals, tolerating failure and experimentation.
- Developing these behaviors can lead to business creation and success for the entrepreneur.

On whether entrepreneurial talent is innate or learned, the Gallup study found the tendency toward entrepreneurship is between 37 percent and 48 percent innate. Entrepreneurs are most likely to be successful when they use their natural abilities. It is possible to learn and practice these abilities if they don't come naturally; the research suggests, however, that leveraging natural abilities may be more effective. Whatever entrepreneurial potential someone might have, it is important to recognize and nurture it from an early age for optimal success.



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LESSON DESCRIPTION

In this lesson, students take a self-assessment survey of their entrepreneurial potential. They learn about Gallup's 10 talents of successful entrepreneurs and apply this knowledge to solve a business problem in a given scenario. The lesson assessment includes research and evaluation of the talents of famous entrepreneurs.

GRADE LEVEL

7-12

CONCEPTS

Risk, risk averse, risk tolerance, entrepreneur

OBJECTIVES

Students will:

1. Define risk, risk averse, risk tolerance and entrepreneur.
 2. Determine their entrepreneurial potential through taking a self-assessment.
 3. Identify the talents of a successful entrepreneur.
 4. Connect entrepreneurial talents to solving business problems.
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TIME REQUIRED

60 minutes

MATERIALS

Visual 1: Risk Quote

Visuals 2A and 2B: Characteristics of an Entrepreneur

Visual 3: 10 Talents of Successful Entrepreneurs, one copy cut into sections, and one copy for each student

Visual 4: Business Busters, cut into strips for random drawing

Visual 4A: Business Busters Answer Key

Handout 1: Entrepreneurial Self-Assessment Survey, one copy per student and one copy for teacher use

Handout 2: Business Builders, one copy per student

PREPARATION

- Read teacher background information on risk and entrepreneurship.
- Take Entrepreneurial Self-Assessment Survey and score results.
- Cut one copy of Visual 3 into sections for activity.
- Cut Visual 4 into strips for random drawing.
- Prepare a hat, basket or container for drawing. (optional)



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PROCEDURES

1. Ask students if they have heard of Mark Zuckerberg and what they know about him. (*He is the co-creator, chairman and CEO of Facebook.*) Display Visual 1 quotation about risk. Discuss the quotation using the following questions:
 - What is your definition of risk? (*Answers will vary. Risk is the possibility or chance of a loss or injury.*)
 - According to Zuckerberg, why is not taking any risks a guarantee for failure? (*Answers will vary. Students may say that if you don't try to do something, you will fail for sure. Others may say that taking a risk can lead to success, but you won't know that unless you try.*)
 - Is Zuckerberg a good example of a risk taker? Why? (*Answers will vary, but may include the idea that he took many risks in creating and establishing Facebook, since social networking sites were new and unproven.*)
2. Ask students to raise their hands if they consider themselves risk takers. Ask a volunteer from this group to explain why he or she is in this category. (*Answers will vary. Some students may say that they like to try new things and don't worry about the repercussions. Others may say taking risks keeps them from feeling bored.*)
3. Tell students that the opposite of being a risk taker is being **risk averse**, or uncomfortable taking risks. Ask students to raise their hands if they consider themselves risk averse. Choose a volunteer to explain these feelings about risk. (*Answers will vary. Students may say they worry about what might happen if they take risks, or that they will be unsuccessful at a task.*)
4. Tell students that their **risk tolerance** is their willingness to take on risks. This tolerance varies, depending on their personality and risk experiences. Emphasize that the trait of risk taking is neither good nor bad, but that it may be beneficial for certain occupations.
5. Explain to students that Zuckerberg showed risk-taking ability in becoming an **entrepreneur**, or someone who takes the risk of producing a new product or starting a new business. Ask students to identify other entrepreneurs that they are familiar with. (*Answers will vary, but may include Bill Gates, Walt Disney, Oprah Winfrey, Steve Jobs, Donald Trump, Sam Walton.*)
6. Inform students that successful entrepreneurs are risk takers and have other specialized characteristics as well. Tell them that everyone will be taking a self-assessment survey to see if they have these entrepreneurial tendencies.
7. Distribute Handout 1 to each student. Ask them to complete the assessment honestly, following the directions given, and get their final scores.
8. TEACHER NOTE: If you took the assessment previously, share this with students and tell them your score. Ask them if they think you'd be a good candidate for entrepreneurship based on your score and what they know about you. (*Answers will vary.*)
9. Ask volunteers to share a survey statement that they "strongly agreed" with. Use Visual 2 to read the explanation of the characteristics that match with the statement given and discuss.
10. Inform students that research from the Gallup Institute has identified 10 top talents of entrepreneurs. Tell them that they will discover these talents through a matching activity. Hand out the 10 talent sections cut from Visual 3 to 10 students at random. Hand out the 10 talent description sections to 10 other students. Ask students involved to stand and find their correct match, so that each talent pairs with its description. Share the resulting matches and make corrections, if necessary, using another copy of Visual 3.



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11. Tell students that they will now do a group activity to apply their entrepreneurial talents. Divide the class into groups of two or three, and distribute Handout 2 to each group member. Tell them to imagine that they are partners in a new business, and ask them to decide and write their business name and the goods or services they provide on the handout. Share business names and products briefly.
 12. Explain that each group will randomly choose a Business Buster problem scenario and will have to brainstorm and write how they would solve the entrepreneurial problem. They will need to use at least three of the 10 talents discussed previously in their problem-solving explanation, specifically describing how each talent helped in the situation. Distribute a copy of Visual 3 to each student for reference in completing the activity.
 13. Ask a member from each group to choose a Business Buster problem strip, cut from Visual 4 and placed in a hat or basket. Tell them they'll have 10 minutes to solve their problem and write their solution incorporating three or more entrepreneurial talents.
 14. Ask groups to share their scenarios, solutions and talents. If time allows, ask the class for additional talents that might have been used in scenarios to help solve business problems.
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CLOSURE

Ask students the following questions as review:

- What is risk? (*The possibility or chance of loss or injury.*)
 - What does it mean to be risk averse? (*To be uncomfortable taking a risk.*)
 - What is risk tolerance? (*The willingness to take on risk.*)
 - What is an entrepreneur? (*Someone who takes the risk of producing a new product or starting a new business.*)
 - What are some characteristics or talents of successful entrepreneurs? (*Risk taking, creative thinking, determination, independence, confidence, seeking knowledge, delegating, promoting, building relationships, having a business focus.*)
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ASSESSMENT

Choose and research a successful entrepreneur online at http://www.dallasfed.org/assets/documents/educate/lessons/entrepreneur_posters.pdf. Write a short essay about the entrepreneur, correlating three or more talents discussed in the lesson to specific times in the entrepreneur's career development.



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VISUAL 1 - RISK QUOTE

“The biggest risk is not taking any risk. . . In a world that changes really quickly, the only strategy that is guaranteed to fail is not taking risks.”

Mark Zuckerberg



<http://www.brainyquote.com/quotes/quotes/m/markzucker453450.html>



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VISUAL 2A - CHARACTERISTICS OF AN ENTREPRENEUR

The following list describes some common characteristics of an entrepreneur. The number(s) after each characteristic indicates the related statement(s) in the self-assessment form.

Works Hard (Statements 1 and 6)

Seventy-seven percent of all entrepreneurs report working 50 hours or more per week, doing a wide variety of time-consuming tasks. Such a time commitment requires a high energy level.

Wants Financial Success (Statement 4)

Entrepreneurs need to establish a reasonable financial goal to achieve through their self-employment. This goal will help you measure how well you are doing in fulfilling your financial needs.

Is Energetic (Statements 1 and 6)

Entrepreneurship requires long hours. You will frequently be unable to control the number of hours required to fulfill all the necessary tasks. You must have a high energy level to respond to the job's demands.

Takes Risks (Statement 2)

Entrepreneurs are risk takers. They risk their careers, time and money to make their product or business a success. You should feel comfortable taking reasonable risks.

Has a Need to Achieve (Statements 5 and 8)

Entrepreneurs should be willing to set high goals for themselves and enjoy striving to achieve those goals.

Is Independent (Statements 3 and 7)

Entrepreneurs consider the opportunity to be their own boss as one of the major benefits of self-employment. You should feel comfortable working independently and controlling all aspects of your business by yourself.

Has a Self-Employed Parent as a Role Model (Statement 10)

Entrepreneurs are more likely to have a parent who is self-employed. A parent's knowledge about operating a business can contribute to your success.



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VISUAL 2B - CHARACTERISTICS OF AN ENTREPRENEUR

Have Self-Confidence (Statements 11 and 14)

Entrepreneurs need self-confidence to face major challenges and difficulties within their businesses. Your belief in yourself will help you overcome the problems that affect most self-employed people at some point in their career.

Has Integrity (Statement 12)

Entrepreneurs should treat people ethically and honestly. You should be positive and ethical in your treatment of customers so they will want to patronize your business or buy your product.

Has Determination (Statement 13)

Entrepreneurs need determination to overcome business problems and obstacles. This characteristic relates to self-confidence, in that the more you believe in yourself, the more likely you are to strive for success when necessary.

Adapts to Change (Statement 9 and 15)

Entrepreneurs that can adapt to change have three qualities: the capacity to solve problems, the ability to make quick decisions, and the ability to learn from their mistakes.

Characteristics taken from the Women's Initiative for Self-Employment: <http://nebraskaticketto.org/sites/ttw.unl.edu/files/self-assessment.pdf>



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VISUAL 3 - 10 TALENTS OF SUCCESSFUL ENTREPRENEURS

| | |
|-----------------------------|--|
| Business Focus | You make decisions based on observed or anticipated effect on profit. |
| Confidence | You accurately know yourself and understand others. |
| Creative Thinker | You exhibit creativity in taking an existing idea or product and turning it into something better. |
| Delegator | You recognize that you cannot do everything and are willing to consider a shift in style and control. |
| Determination | You persevere through difficult, even seemingly insurmountable, obstacles. |
| Independent | You are prepared to do whatever needs to be done to build a successful venture. |
| Knowledge Seeker | You constantly search for information that is relevant to growing your business. |
| Promoter | You are the best spokesperson for the business. |
| Relationship Builder | You have high social awareness and an ability to build relationships that are beneficial for the firm's survival and growth. |
| Risk Taker | You instinctively know how to manage high-risk situations. |

10 Talents of Successful Entrepreneurs taken from *Entrepreneurial StrengthsFinder* by Jim Clifton and Sangeeta Bharadwaj Badal



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VISUAL 4 - BUSINESS BUSTERS

| | |
|--|--|
| <p>You are hiring more employees for your growing business. How do you conduct your interviews to get the best workers?</p> | <p>A business that offers the same product as yours just opened across the street. How will you handle this competition?</p> |
| <p>Your business had a bad review in the media. How would you deal with this setback?</p> | <p>A rainstorm flooded your business. How will you keep the business going while the damage is repaired?</p> |
| <p>Your business needs more customers to earn a profit. How will you attract people to shop in your store?</p> | <p>Your employees are scheduled for customer service training, but aren't eager to attend. How do you motivate them?</p> |
| <p>You need a new design for your business product. What process will you use to make sure the new design is successful?</p> | <p>You want to take a family vacation, but are worried about leaving your business for a week. How will you arrange for this to happen?</p> |
| <p>Your business partner is worried that the business won't make a profit and wants out. How do you convince your partner to stay?</p> | <p>Your employees often have conflicts or arguments while working. How do you handle these situations?</p> |
| <p>You have decided to fire an employee for poor work habits, coming into work late and calling in sick. How can you make this a learning experience for the worker?</p> | <p>You have an opportunity to open a second business. If you do, you will use most of the profit from the first. How do you decide whether the risk is worth it?</p> |



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VISUAL 4A - BUSINESS BUSTERS

Talents that are related to each business situation are below. Accept other reasonable answers.

| | |
|--|--|
| <p>You are hiring more employees for your growing business. How do you conduct your interviews to get the best workers? (Business Focus, Confidence, Promoter, Relationship Builder)</p> | <p>A business that offers the same product as yours just opened across the street. How will you handle this competition? (Business Focus, Creative Thinker, Determination, Independent, Promoter, Risk Taker)</p> |
| <p>Your business had a bad review in the media. How would you deal with this setback? (Confidence, Determination, Knowledge Seeker, Promoter, Risk Taker)</p> | <p>A rainstorm flooded your business. How will you keep the business going while the damage is repaired? (Business Focus, Creative Thinker, Determination, Independent, Promoter, Risk Taker)</p> |
| <p>Your business needs more customers to earn a profit. How will you attract people to shop in your store? (Business Focus, Confidence, Creative Thinker, Independent, Knowledge Seeker, Promoter, Relationship Builder, Risk Taker)</p> | <p>Your employees are scheduled for customer service training, but aren't eager to attend. How do you motivate them? (Confidence, Creative Thinking, Determination, Promoter, Relationship Builder)</p> |
| <p>You need a new design for your business product. What process will you use to make sure the new design is successful? (Creative Thinker, Knowledge Seeker, Promoter, Risk Taker)</p> | <p>You want to take a family vacation, but are worried about leaving your business for a week. How will you arrange for this to happen? (Business Focus, Confidence, Creative Thinker, Delegator, Knowledge Seeker, Risk Taker)</p> |
| <p>Your business partner is worried that the business won't make a profit and wants out. How do you convince your partner to stay? (Business Focus, Confidence, Creative Thinker, Determination, Promoter, Relationship Builder)</p> | <p>Your employees often have conflicts or arguments while working. How do you handle these situations? (Confidence, Creative Thinker, Independent, Relationship Builder)</p> |
| <p>You have decided to fire an employee for poor work habits, coming into work late and calling in sick. How can you make this a learning experience for the worker? (Business Focus, Confidence, Creative Thinker, Determination, Promoter, Relationship Builder)</p> | <p>You have an opportunity to open a second business. If you do, you will use most of the profit from the first. How do you decide whether the risk is worth it? (Business Focus, Creative Thinker, Independent, Knowledge Seeker, Risk Taker)</p> |



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HANDOUT 1 - ENTREPRENEURIAL SELF-ASSESSMENT SURVEY

This survey is for your personal information. Please answer each question as honestly as possible.

Strongly Agree

5

Somewhat Agree

3

Strongly Disagree

1

4

2

- ___ 1. I am willing to work 50 hours or more per week regularly.
- ___ 2. I am willing to accept both financial and career risks when necessary.
- ___ 3. I would like to take full responsibility for the successes and failures of my business.
- ___ 4. I would experience more financial success by operating my own business.
- ___ 5. I feel a great deal of pride when I complete a project successfully.
- ___ 6. I have a high energy level that can be maintained over a long period of time.
- ___ 7. I enjoy controlling my own work assignments and making all decisions that affect my work.
- ___ 8. I have a strong desire to achieve positive results even when it requires a lot of additional effort.
- ___ 9. I can function in ambiguous situations.
- ___ 10. One or both of my parents are/were entrepreneurs.
- ___ 11. I believe that my abilities and skills are greater than those of most of my peers.
- ___ 12. People trust me and consider me to be honest and reliable.
- ___ 13. I always try to complete every project I start, regardless of obstacles and difficulties.
- ___ 14. I am willing to do something even when other people laugh or belittle me for doing it.
- ___ 15. I can make decisions quickly.

Score

Assessment Evaluation

57-75

You have outstanding potential to become an entrepreneur.

38-56

You have satisfactory potential to become an entrepreneur.

21-37

You could work towards entrepreneurship by focusing on strength development.

15-20

You might explore other career options in addition to entrepreneurship.

Adapted from the Women's Initiative for Self-Employment: <http://nebraskatickettowork.org/sites/ttw.unl.edu/files/self-assessment.pdf>



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HANDOUT 2 - BUSINESS BUILDERS

Business Partners: _____

Business Name: _____

Goods or Services Provided: _____

Business Buster Problem:

Describe your group's solution to the problem, using at least three of the entrepreneurial talents discussed.

List the talents used in the problem solution:



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CONTENT STANDARDS

National Content Standards in Economics

- Content Standard 2: Decision Making - Make effective decisions as consumers, producers, savers, investors and citizens.
- Content Standard 14: Entrepreneurship - Identify the risks and potential returns to entrepreneurship, as well as the skills necessary to engage in it.

Common Core Standards

- Key Ideas and Details - ELA-Literacy. RH. 9-10.1; RH. 11-12.1; ELA-Literacy. RH. 9-10.2; RH. 11-12.2
- Craft and Structure - ELA-Literacy. RH. 9-10.4; RH. 11-12.4

