

# Chapter 23

Content Statement 23. Entrepreneurs in Ohio and the United States organize productive resources and take risks to make a profit and compete with other producers.

## Key Terms

entrepreneur

human resources

benefits

productive resources

capital goods

profit

natural resources

risks

compete

## Introducing...Productive Resources!

In Ohio and in every other state, several types of **productive resources** are necessary to produce goods or services:

- natural resources
  - human resources
  - capital goods

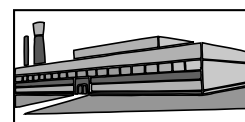
**Natural resources** are productive resources that come from nature, like trees, minerals, and land. For example, if your business produces cars, you need natural resources like iron and coal. They are used to make steel, which is used to make a car. If you have a small carpentry business, you need wood from trees.



**Human resources** consist of the talents and skills of human beings that contribute to the production of goods and services. All goods and services include some form of human labor. A farmer works in fields to provide fruit and vegetables to consumers. A builder provides labor when he or she designs a building and oversees the construction of that building.



**Capital goods** consist of human-made materials needed to produce goods and services. Capital goods include buildings, machinery, equipment, and tools. A factory and all the computers and machines inside it are capital goods because they are used to provide goods and services. A restaurant and the items inside it are capital goods as well. Capital goods are man-made resources that are not consumed.



### Vocabulary

#### **productive resources:**

*the resources used to make goods and services*



## Essential Skills

Label each item below with the correct productive resource. Write N for natural resource, H for human resource, and C for capital good.

- |                                 |                          |
|---------------------------------|--------------------------|
| ____ 1. hammer to build a house | 5. ____ teacher          |
| ____ 2. iron for making steel   | 6. ____ factory worker   |
| ____ 3. factory                 | 7. ____ computer         |
| ____ 4. waitress                | 8. ____ fertile farmland |



Complete the lists below.

List some of the **natural resources** available in Ohio that could be used to build a school.

\_\_\_\_\_

List some of the **human resources** needed to build a school.

\_\_\_\_\_

List some of the **capital goods** needed to build a school.

\_\_\_\_\_

CCRI.4.1; CCRI.4.4; CCRI.4.10

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## Entrepreneurs Put It All Together

An **entrepreneur** is an individual who organizes the use of productive resources (natural, human, and capital) to produce goods or services. Entrepreneurs are willing to take **risks** to identify and develop new products or start a new business. They recognize opportunities to use productive resources to make a **profit**. They make decisions about how much of a resource to use and the best way to use it. They are risk-takers, planners, organizers, and managers.



What characteristics make someone a successful entrepreneur? Being a visionary! Having determination! Having tenacity (stick-to-it-iveness)! Being unafraid of risk! Having the ability to secure the necessary money to get started! Knowing how to get the goods or services to the marketplace! Knowing how to let consumers know about the product (advertising and marketing)!

Why are entrepreneurs willing to take risks to start new businesses? They have a dream! They're on a mission with a vision! They've got high hopes and expectations! They believe in themselves and their ideas! They want to do something no one else has done in a way no one else has, and be successful! They want to make a profit! They want to **compete** with other producers!

Innovation (a new way to do something) takes a lot of hard work. As Thomas Edison said, "Genius is one percent inspiration, ninety-nine percent perspiration."



## Think About It

Decide whether the statements below are facts or opinions. Write F for fact and O for opinion.

- \_\_\_ 1. Entrepreneurs pull together productive resources to produce a good or service.
- \_\_\_ 2. It is more difficult to be an entrepreneur in the computer industry than in the restaurant business.
- \_\_\_ 3. Entrepreneurs are willing to take risks to start a business.
- \_\_\_ 4. One goal of an entrepreneur is to make a profit.
- \_\_\_ 5. The hardest part of being an entrepreneur is managing the employees you hire.
- \_\_\_ 6. Entrepreneurs are the most innovative people in the business world.
- \_\_\_ 7. Entrepreneurs compete with other producers.
- \_\_\_ 8. The word "entrepreneur" comes from the French word *entreprendre*, meaning "to undertake."

CCRI.4.1; CCRI.4.10

## Writing Prompt

Thomas Edison is best known as an inventor, but he was an entrepreneur as well. He started more than 100 businesses and partnerships. He worked hard! It took him several years to perfect the first practical light bulb. Look online for quotations by Thomas Edison. Choose three and explain how each quote shows characteristics of a successful entrepreneur.

CCW.4.2; CCW.4.3

### Link

via Ohio Experience Portal to  
Primary & Secondary Sources

## Profit is Important!



One thing entrepreneurs must consider is profit and loss. *Profit* results from the sale of goods and services. Profit takes place if the business is able to sell what it produces for more than what it costs to make. If a business is not able to do this, then the business has a *loss*. No entrepreneur wants to have a loss in his or her business!

For example, if you decide to open a lemonade stand on your street, you will have to have supplies (table, signs, lemonade, cups, ice, cooler, and pitcher). If your supply costs add up to more than you make at the lemonade stand that day—do you have a profit or a loss? You have a loss. What can you do to change that? You can either adjust the cost of your lemonade so that you can have a profit, or decrease the cost of your supplies.



## Math Experience

1. Complete the math activity on profit and loss. The first one has been completed for you.



COST OF SUPPLIES	SALES	PROFIT?	LOSS?	HOW MUCH PROFIT/LOSS?
\$5.25	\$8.75	yes	no	\$3.50 profit
\$10.00	\$11.75			
\$28.00	\$28.00			
\$12.50	\$13.75			

2. Imagine you have a business recycling carpet scraps into other materials. You need to transport 16,000 pounds of carpet from Atlanta, Georgia, to your factory in Cincinnati, Ohio, by railroad. It will cost you \$0.22 per pound for transportation. Find out the mileage between the two cities and calculate the cost of transporting the carpet.

CCRI.4.2; 5NBT.7

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## Hard to Believe But True!

Have you ever heard of Firestone tires? Born in Columbiana, Ohio, Harvey Firestone started out working for a buggy company in the late 1800s. He started his own business and created a special kind of tire for the first automobile, the Ford Model T. His business took off! The Firestone Tire and Rubber Company grew to become a major manufacturer of tires in the United States!

# Challenges of Entrepreneurship

Being an entrepreneur is not easy! There are many challenges involved in competing with other producers in the marketplace, but the entrepreneur is willing to accept the challenges.

Some of the **benefits** and **risks** of being an entrepreneur include:

## Benefits:

- *Being your own boss.* You get to do what you like to do, and make the most of your own strengths and skills.
- *Enjoyment and excitement.* Entrepreneurship can be very exciting! Every day is full of new opportunities.
- *Flexibility and freedom.* You can work when you want to and schedule your time around your family's needs.
- *Profit potential.* You will be rewarded for the success of your business—and the sky is the limit!



## Risks:

- *Tough competition.* Staying competitive in the marketplace is hard work! You need to constantly monitor the competition, make adjustments, and bring in more customers!
- *No regular salary.* Giving up a regular paycheck can be scary! If business slows down, your income is affected. Or worse, your business could fail altogether.
- *Work schedule.* Entrepreneurs often work very long hours, especially in the start-up phase of a business. Plus, your business may be on your mind all the time!
- *Stress.* Being responsible for all decisions and administration of the business can be stressful.

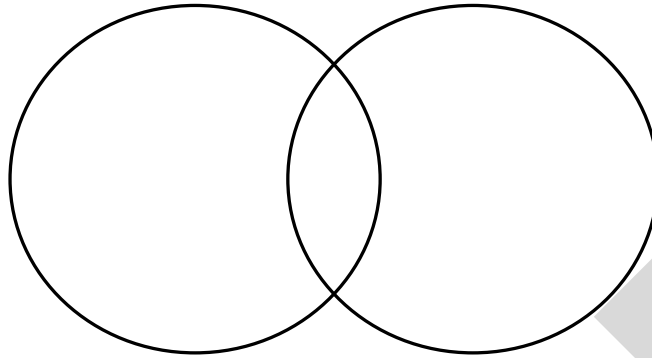




## Essential Skills

Draw a Venn diagram like the one pictured here. Use the diagram to compare and contrast being an entrepreneur with being an employee of a company. Include risks and benefits.

CCRI.4.1; CCRI.4.5



## Special Economics Info

1. Imagine you start a business making chocolate chip cookies. Create a list of all the productive resources needed to make your product. List natural resources, human resources, and capital goods needed. Identify where these resources come from.
2. Now, list the risks involved in making your product. For example, what might happen if the price of sugar or chocolate chips rises dramatically? What if you have a flood in your business and have to shut down for two weeks for repairs? You will need to think fast on your feet—like a true entrepreneur!
3. And finally, list the benefits of having a chocolate chip cookie business!



CCRI.4.2; CCW.4.2

## Writing Prompt

**Do decisions made by entrepreneurs determine the success of a business?**

Choose an Ohio entrepreneur to research. Use that person's experiences to write an opinion piece to answer the question. Support your opinion with at least three examples from your research.

CCW.4.1; CCW.4.7; CCW.4.8

### Link

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Primary & Secondary Sources