

# **Learning Business Management and Economics By Doing**

## **A 4-H Business Management Workshop**

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Extension Division  
Virginia Polytechnic Institute and State University  
Blacksburg, Virginia 24061

## Preface

The purpose of this publication is to help Extension Specialists, Extension Agents, 4-H Leaders, Agribusiness Leaders, and other citizens understand how effective programs in business and economics can be conducted with 4-H and other youth groups. The purpose is to provide some specific guidelines and procedures for conducting a 4-H Business Management Workshop with youth. This publication was prepared by members of the 4-H Economics and Business Task Force from the Southern Extension Marketing Committee.

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# Learning Business Management and Economics By Doing

## *A 4-H Business Management Workshop*

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To paraphrase Mark Twain, "Everybody talks about economic education but no one does anything about it." An obvious overstatement, this statement does serve to illustrate a point.

Judging by the number of business failures each year, adults have a serious lack of understanding of economic and business management. It is imperative that today's youth be better equipped. Extension can and should help them face the rigors of economic life.

Until recently, there were few planned, organized attempts in Extension to teach youth economics and business management. They are subjects difficult to dramatize or to incorporate into direct-participant-involvement projects and activities. Youth and adults tend to view them as dry, boring lecture subjects.

This, however, need not be the case. Business management and economics can be fascinating fun-subjects for youth. They can be taught through action programs rather than lectures, so youth can learn by doing. Business Management Workshops are one way of doing this.

### **Learning Goals**

In planning and developing a 4-H Business Management Workshop, learning goals are:

- (1) To enable 4-H'ers to learn the role and importance of such basic business management skills as planning, organization, budgeting, production, merchandising, scheduling, record keeping, and evaluation.
- (2) To enable 4-H'ers to learn and appreciate the opportunities, rewards, risks, and frustrations involved in operating a business.
- (3) To enable 4-H'ers to learn and appreciate the economic forces of "supply" (resource evaluation) and "demand" (market analysis).

### **Procedure**

A Business Management Workshop is based on the 4-H slogan, "Learning by Doing." The 4-H'ers involved actually organize a "company," plan and manufacture products, "sell" these products, and determine their "profit" or "loss." One suggested procedure for conducting a workshop is as follows.

### **Obtaining Support**

This program is a "natural" for obtaining involvement and support from the business community. It has been a contention of some business people that 4-H seeks their support and contributions yet has done little to teach economics, business management, or free enterprise through existing projects. With the Business Management Workshop, it can be demonstrated to them that this deficiency is being remedied. Chambers of Commerce, Civic groups, and individual companies are excellent potential supporters for the program — politically, socially, and economically. This project also may be used to obtain new 4-H lay leaders, community business people who work with the 4-H program.

### **Participants**

For the workshop to be most successful, enough participants are needed to (a) have enough "companies" to stage a successful competitive trade show, and (b) have enough persons to produce enough products for the show. Forty-five persons (5-6 companies) is about the minimum number desired. Up to 60 is quite feasible. To date, a participant age range from 14-18 has been quite satisfactory. A "Live-in" workshop held in facilities where there is considerable freedom of movement is recommended. 4-H Camps or Extension Educational Centers provide excellent facilities.

### **Program**

Several variations of the same basic format have been employed in conducting 4-H Business Management Workshops. Among the factors dictating the variations were length of time available, composition of the group, experiences and interests of the instructional staff, and the facilities available. The basic format, however, has been the following:

A. **Time Frame** — To date, workshops have been a weekend endeavor. All have started either Friday afternoon at 3:00 or Friday evening at 7:00. They have progressed through Saturday morning sessions; Saturday afternoon sessions, a Saturday evening session; and a Sunday morning session, ending with Sunday lunch. Total "instructional" time is difficult to pinpoint due to the informal teaching approach followed. A typical program is:

*Friday*

5:00 - 5:45 PM Registration  
6:00 PM Dinner  
7:30-10:00 PM First Session - Orientation and Planning  
10:00-11:30 PM Recreation  
12:00 PM Lights Out

*Saturday*

7:30 AM Breakfast  
8:15-11:45 PM Second Session - Production  
12:00 Noon Lunch  
1:00 - 4:00 PM Third Session - Production  
4:00 - 4:30 PM Preparation for Trade Show  
6:00 PM Banquet - Speaker (Local Businessman)  
7:30 - 8:45 PM Fourth Session - Trade Show  
9:00-12:00 PM Recreation  
12:00 PM Lights Out

*Sunday*

8:00 AM Breakfast  
8:45-10:30 AM Fifth Session - Evaluation  
11:15-11:30 AM Recreation  
11:30 AM Lunch  
12:00 Noon Workshop Ends

**Resources Available** – In general, three types of resources are made available to workshop participants, raw materials, tools, and “money” (4-H dollars). These are made available in the following way:

**Money** – Initial capital, “4-H dollars,” (e.g. \$150 4-H) is “loaned” to each company at the beginning of the workshop. This money is used to buy raw materials or to rent production tools from the community store (operated



by the teaching staff). This money must be repaid at the end of the trade sale before a company’s “profits” are determined. In addition, each participant, including teaching staff, is provided with 4-H dollars (e.g. \$75 4-H) prior to the trade sale. These are used by the participants to purchase the merchandise produced by the various companies during the workshop.

**Raw Materials** – A community store is established and stocked with production supplies. Every sort of “junk” imaginable can be included in the stock. In addition, tissue paper, paper clips, yarn, string, etc., are desirable. Each of these are priced in terms of 4-H dollars. However, no attempt has been made to confine the availability of raw materials to those in the store.

Some examples of material costs in 4-H dollars are:

Tissue paper . . . . .	1 4-H dollar / sheet
Yarn . . . . .	1 4-H dollar / foot
Paper clips . . . . .	1 4-H dollar / 5 clips
Sandpaper . . . . .	1 4-H dollar / 1/4 sheet

Pine cones, tin cans, bottles, rocks, etc., available elsewhere are also utilized.

**Tools** – Hammers, scissors, saws, screwdrivers, glue, crayons, staplers, etc., are available for rental from the community store at fixed 4-H dollar rates per hour (e.g. \$5 4-H per hour).

**B. Sessions** — A very informal style of presentation and procedure is followed. In general, the discovery learning process is utilized. Participants themselves identify and solve or initiate action to obtain information concerning problems such as organization, pricing, merchandising, and other aspects of business management. Using a Friday evening to Sunday lunch time span, the following general sequence of learning experiences is followed:

**Friday Evening**

First, there is an orientation concerning the general rules and regulations concerning behavior, procedures, etc.; introduction of instructional staff; and discussion of the objectives and procedures for the workshop.

Following this, the participants are divided (by random numbering) into "companies" of 8-10 persons. Each company then meets as a group to choose a company name and a secretary-treasurer. The secretary-treasurer has several duties, which are: (1) being custodian of company funds, (2) purchasing or renting articles at the company store, (3) keeping records of such purchases in a notebook provided for this purpose, (4) keeping a record of sales in the same notebook, and (5) acting as company spokesperson when reports are made to the total workshop group.



(For purposes of more involvement, a separate spokesperson may be desired). The names of each company and secretary-treasurer (and spokesperson if elected) then are recorded by the teaching staff.

At this point, all secretary-treasurers are given a short orientation concerning the operation of the community store, its policies and procedures, and its limitations. They, in turn, take this information back to their companies and all workshop participants are given an opportunity to look at the materials and tools available in the community store. Among the topics covered in this orientation are: (1) that only the secretary-treasurer may buy from the store, (2) the rules on rentals, (3) the credit policy (no credit), and (4) the return policy (no returns).

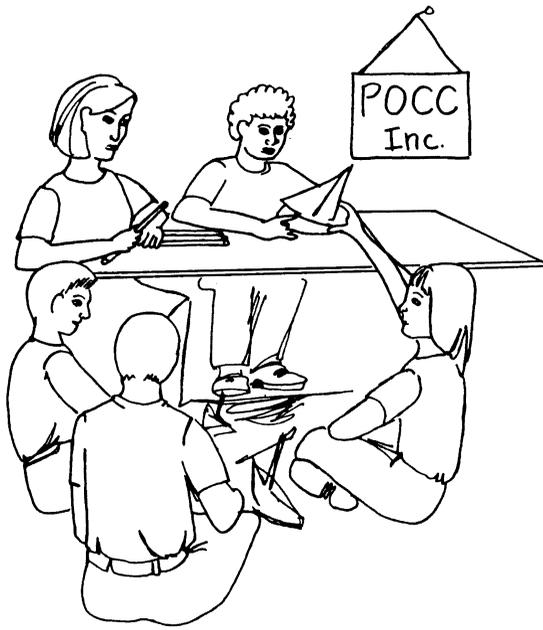
During the rest of the period, participants work in their companies planning and beginning production.

**Saturday Morning**

This period is spent primarily on production of finished items. Instructional staff should circulate among the companies to stimulate ideas, to encourage participation, and to informally discuss concepts or principles of economics and business management.

**Saturday Afternoon**

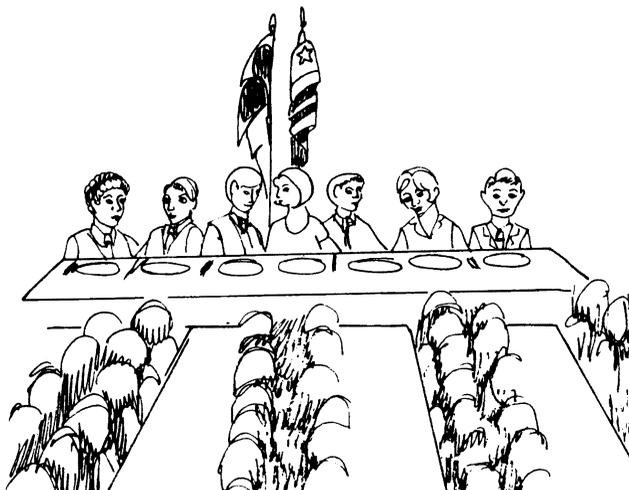
Saturday afternoon, each company finishes production, formulates its advertising, pricing, and merchandising plans, and displays its wares on a table provided for this purpose.



Periodically during all sessions, the group is called together for short discussions of such subjects as market analysis, pricing, time utilization, comparisons with real life business, etc. An example of such a discussion would be on pricing strategy. Points covered could include: (1) total market population; (2) amount of money each person has to spend; (3) estimate of competitor's actions; and (4) sales potential. Seldom do these discussions last more than 10 minutes.

**Saturday Dinner (Banquet – "Dress-Up" Occasion)**

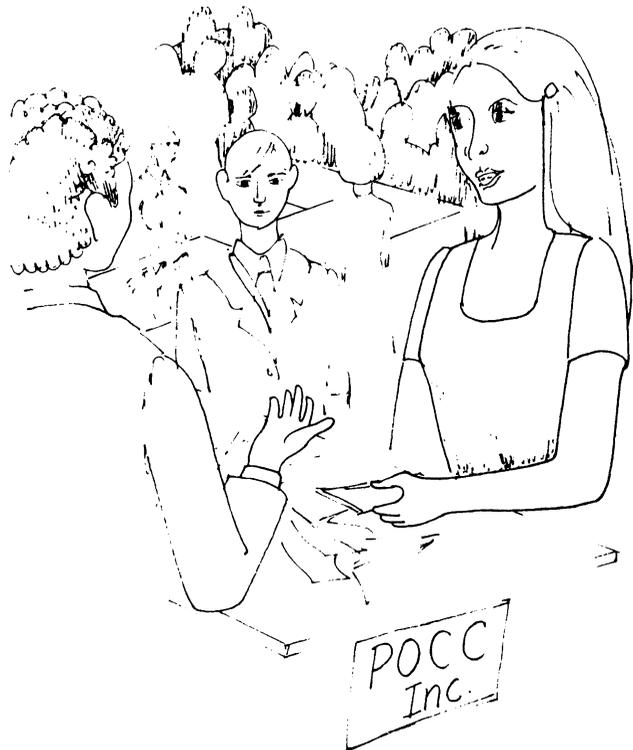
This has proven to be a most worthwhile aspect of the workshop. This event has impressed the participants for three reasons: (1) it is a banquet such as adult business people would attend; (2) the speaker gives a talk similar to those delivered at an adult business persons' banquet; and (3) it is a "dress-up" occasion. The best results have been from speakers who were able to grasp the scope of the workshop companies and draw concrete comparisons between their activities and those of a real-life business organization.



**Saturday Evening**

This is, in many ways, the highlight of the workshop for the participants. Here is where they see the successes and failures of their efforts. Briefly the procedure is this:

- (1) Each workshop participant is given a pre-determined (and identical) sum of 4-H dollars (e.g. \$75).
- (2) The rules of the trade sale are explained. Three suggestions are:
  - (a) no person should buy from his own company,
  - (b) only *goods* produced during the sessions should be sold (no gambling booths, slave auctions, etc. are permitted),
  - (c) no person puts unspent dollars into the company treasury.
- (3) A signal is given for the trade show to open.
- (4) After about 30 minutes, a signal is given for the trade show to end. It has been found that better learning may result if this signal is given while a few items remain unsold.



Following the conclusion of the trade show, each secretary-treasurer must count the company's total sales, subtract all costs, repay the original loan, and report on the company's profits to the entire workshop group.

Each company then meets to evaluate its performance; what it did right, where it erred, where it could have improved, how it would change procedures in another workshop, etc.

### *Sunday Morning*

Several activities have been conducted during this period. Among them are: (a) distribution and analysis of the "Let's Start a 4-H Business" publications relative to what has been done during the workshop; (b) a meeting of each company to evaluate the workshop in terms of educational strengths and weaknesses and how the information learned at the workshop might be utilized in individual 4-H clubs; and (c) having each participant write a short statement about what was learned from the workshop. This, of course, is invaluable to the teaching staff in planning future workshops and obtaining support for them.

### **Publications**

Two publications are distributed to participants as resource materials during the Sunday AM period. They are: (1) *Virginia Extension Publication*, 451, "Let's Start a 4-H Business, Member's Guide;" and (2) *Virginia Extension Publication*, 452, "Let's Start a 4-H Business, Leader's Guide."

Other publications which could be utilized are:

- (1) How We Organize to do Business in America, American Institute of Cooperation, Washington, D.C.
- (2) 4-H Commodity Marketing Handbook, Chicago Board of Trade, Chicago, Illinois.

### **Summary**

Business Management Workshops are a fun, hands-on, *learn-by-doing* way of teaching business management and economics. Few participants will come out of one able to list the "Five Functions of Business" or to quote many economic terms. And obviously many vital topics, such as labor costs and analysis, credit, and total costs, receive little

or no formal treatment. Participant evaluation responses, however, show that often these are recognized as and considered part of the discovery learning process. And participants come away with a clearer concept of what business is, the complexities of operating it, and its role in daily living.

