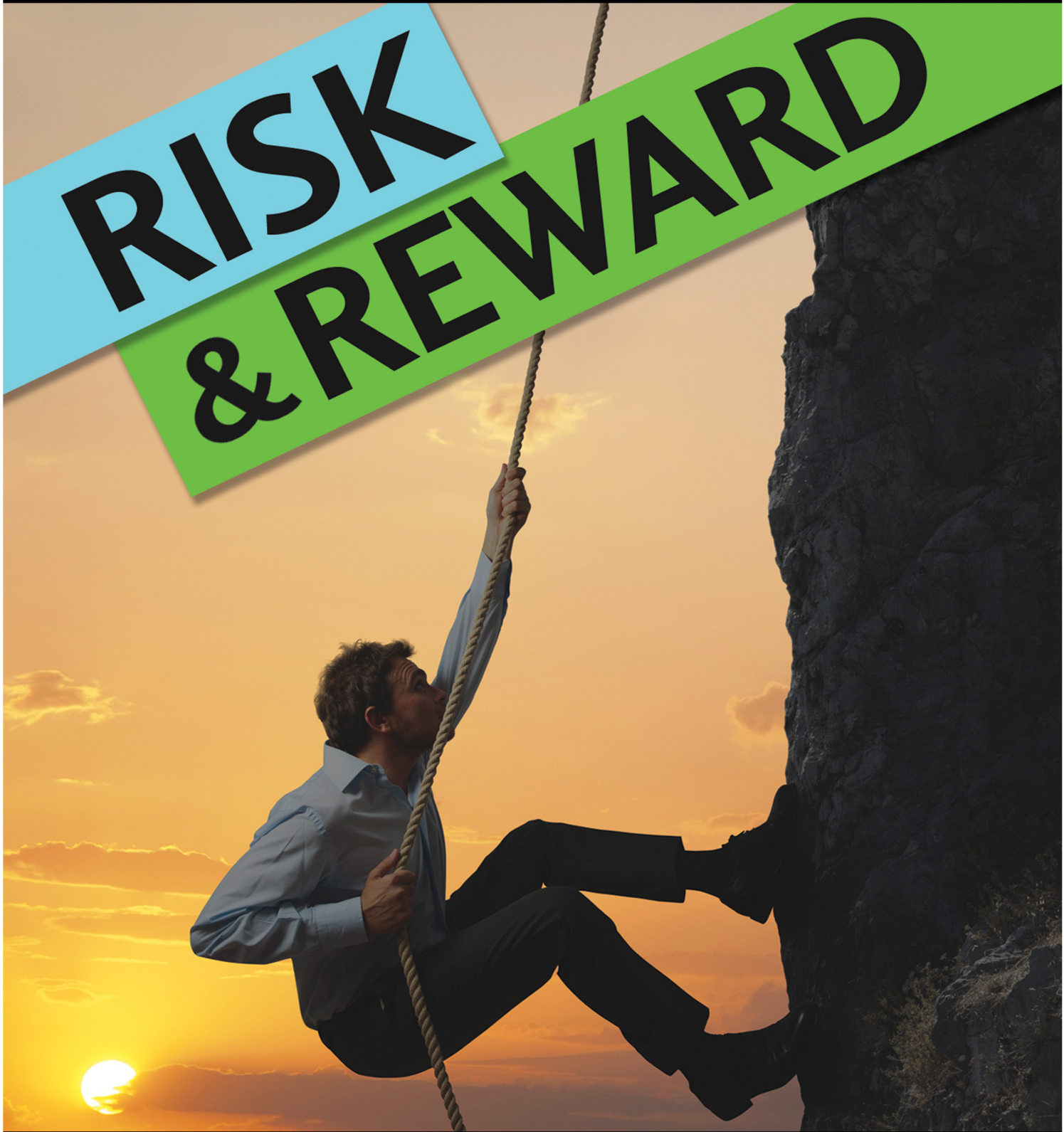


RISK & REWARD



V. 06/22

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Video Page



Risk and Reward

Teacher's Guide

This Teacher's Guide includes the following:

- Suggested Lesson Plan
- Preview Questions
- Key Terms
- Viewing Guide Worksheet
- Discussion Questions
- Quiz
- Activity
- Enrichment Activities
- Answer Key

Suggested Lesson Plan

These materials may be used in a variety of ways. For maximum benefit, we suggest the following lesson plan:

- As a class, discuss the Preview Questions and Key Terms.
- Distribute copies of the Viewing Guide for students to use as a note-taking tool during the video.
- Play the video, pausing if needed to facilitate understanding and note-taking.
- Review and discuss answers to the Viewing Guide, using the Answer Key as a guide.
- Use Discussion Questions to spark class discussion, or assign these questions as homework.
- Replay the video as preparation for the Quiz.
- Administer and grade the Quiz, using the Answer Key as a guide.
- Use the Activity for class discussion, as a small group exercise, or as an individual writing assignment.
- Optional: Assign one or more of the Enrichment Activities.

Risk and Reward

Preview Questions

(These questions are meant to be read aloud by the teacher.)

1. Suppose you had an idea for a new business. What would it take for you to get that business going?
2. If someone else had an idea for a new business and asked you to invest in it, how would you evaluate whether it was a good idea or not?
3. What do you think life was like before video games?

Key Terms and Definitions

1. Commercialize – to apply methods of business to a product or service for profit
2. Entrepreneur – a person who innovates and decides which projects to undertake. A successful entrepreneur’s actions will increase the value of resources and expand the size of the economic pie.
3. Investment – putting money into something with the expectation of gain, usually over a longer term. Most or all forms of investment involve some form of risk. There is a trade-off between risk and expected return.
4. Risk – (exposure to) the possibility of loss, injury, or other adverse or unwelcome circumstance; a chance or situation involving such a possibility
5. Venture capital – money provided to early-stage, high-potential, high-risk, growth startup companies. Venture capital is attractive for new companies with limited operating history that are too small to raise capital in the public markets and have not reached the point where they are able to secure a bank loan. In exchange for the high risk that venture capitalists assume by investing in smaller and less mature companies, venture capitalists usually get significant control over company decisions, in addition to a significant portion of the company's ownership (and consequently value).

Name: _____

Date: _____

Risk and Reward **Viewing Guide, page 1**

1. Entrepreneurs... hope that their entrepreneurial idea will attract people with money...people called _____.
2. Politicians try to create jobs with government programs. They make investments with _____.
3. This young guy wanted to know if the technology was ready to be _____.
4. The letter on Arthur Rock's desk had come from eight engineers in California...who would soon become known as the _____.
5. Arthur Rock had to get creative about finding _____ for the Traitorous Eight.
6. Sherman Fairchild was an _____ himself, and also a very wealthy man.
7. With the \$1.5 million Arthur raised, the Traitorous Eight started _____ in Mountain View, CA.
8. Fairchild was the first company to manufacture the sophisticated _____ that would power computers, rockets, and spacecraft.

Name: _____

Date: _____

Risk and Reward **Viewing Guide, page 2**

9. In 1972, Don Valentine...went in search of capital to start a _____.
10. The first game Atari designed was _____.
11. In 1974, Atari was flirting with _____ and desperately needed financial help.
12. Once we decided to finance Atari, it was a matter of trying to figure out who else would _____ in it.
13. At the time we started Genentech, there was no such thing as _____.
14. Swanson persuaded Boyer to take the idea of gene splicing into some sort of a _____ operation.
15. Everybody knows that venture capitalists shouldn't openly fund _____.
16. By _____, Tom Perkins eliminated the need to buy equipment, build a lab, and hire staff.
17. Boyer and Swanson set out to create _____.

Risk and Reward

Discussion Questions

1. Why does it take money to start a business?
2. Why are venture capitalists willing to risk a lot of money to help certain entrepreneurs? How do they decide which ones to invest in?
3. What happens when venture capitalists invest in a company that doesn't make it?
4. If you were a venture capitalist, how would you decide which ideas to back?
5. If you had a lot of money, would you want to be a venture capitalist? Why/why not?
6. Compare venture capitalism to politicians' job creation efforts. Who makes the decisions? Whose money is at risk? How are the decision-makers' incentives different?
7. Most new business ventures fail. Would investors be willing to risk their money in new companies if there were no possibility of reaping big financial rewards?
8. Besides the investors and the entrepreneurs, who else benefits from new products and technologies?
9. How can we encourage private inventors and the investors who take all the risk?
10. What might a business plan consist of? Why would a venture capitalist make light of them? Why are they part of the venture capital process? Can you think of important factors a business plan can't take into account?
11. Who were the Traitorous Eight? Why did Arthur Rock try to help them start a new company?
12. What is Silicon Valley? In what sense was Fairchild Semiconductor a Silicon Valley pioneer?
13. What were some risks of backing the Traitorous Eight?
14. What does it mean to "lend on assets"? What does Don Valentine lend on?
15. "At the time, playing video games at home was a revolutionary concept." What are the risks of investing in a revolutionary concept?
16. "Everybody knows that venture capitalists shouldn't openly fund pure research." Why do you think this is the case? (What is the difference between pure research and technology?)
17. Why did Tom Perkins persuade the genetic scientists to subcontract their initial experiment? How did this reduce the risk?
18. "Isn't it great if you can make money, and change the world for the better at the same time?" Discuss.

Name: _____

Date: _____

Risk and Reward Quiz, page 1

1. The company that created Pong was _____.
 - A) Atari
 - B) Shockley Lab
 - C) Fairchild Semiconductor
 - D) Genentech
2. The Traitorous Eight were _____.
 - A) soldiers
 - B) engineers
 - C) bankers
 - D) farmers
3. By subcontracting, Genentech reduced its startup costs from \$3 million to _____.
 - A) \$2.5 million
 - B) \$250,000
 - C) \$2500
 - D) \$25
4. Fairchild Semiconductor was the first company to manufacture _____.
 - A) video games
 - B) human insulin
 - C) silicon chips
 - D) cameras
5. In 1975, when Home Pong was launched, video games were _____.
 - A) unheard of
 - B) commonly played at home
 - C) mainly played on laptops
 - D) coin-operated

Name: _____

Date: _____

Risk and Reward Quiz, page 2

6. Which of the companies profiled in this film got its start with a phone call from a venture capitalist to a scientist, asking if the technology was ready to be commercialized?
- A) Genentech
 - B) Atari
 - C) Fairchild Semiconductor
 - D) Kleiner Perkins
7. Venture capitalism brings together investors and _____.
- A) entrepreneurs
 - B) bankers
 - C) wholesalers
 - D) retailers
8. “Everybody knows that venture capitalists shouldn’t openly fund _____.”
- A) software companies
 - B) foreign-born entrepreneurs
 - C) pure research
 - D) technology
9. Which of the following do venture capitalists *not* usually get when they invest in startups?
- A) Significant control over company decisions
 - B) A significant portion of the company’s ownership
 - C) A guaranteed return on their investment
 - D) High risk
10. The fruit orchards around Mountain View, CA, gave way to electronics companies, and the area became known as _____.
- A) Silicon Valley
 - B) Venture Valley
 - C) Apple Valley
 - D) Mountain Valley

Risk and Reward

Activity:

Who chooses? Who benefits? Who pays? What's fair?

[These four questions can be a useful tool for evaluating any policy or system. Posing the questions is a great way to stimulate critical thinking.]

As a class, or in small groups, discuss the following:

(For each question, think broadly about all the possible groups of people who may be affected.)

Under venture capitalism –

- Who chooses or decides which ideas to invest in?
- Who benefits if the startup becomes a success?
- Who pays for the investment?
- Who loses if the startup fails?
- Is the above arrangement fair? Why/why not?

What if startups receive government funding instead of venture capital?

- Who chooses or decides which ideas to invest in?
- Who benefits if the startup becomes a success?
- Who pays for the investment?
- Who loses if the startup fails?
- Is the above arrangement fair? Why/why not?

1. How are the decision-makers' incentives different under the two scenarios?
2. If an entrepreneur or startup is not able to raise money either by taking out a loan or convincing a venture capital fund to invest in their business, should the government offer them funding? Why/why not?

Risk and Reward

Enrichment Activities

Research/Writing

The film touched on business incubators in Chicago's Merchandise Mart. Research other business incubators. Where are they? Why are they located there? Have any successful businesses been developed there and have they expanded? Share your findings with the class.

Research Intel, Apple, Genentech, or Cisco. Write a report on the company's development. Be sure to address the following questions: What products have made them successful? Why? How do risk and reward figure into the company's development? How have their products affected people's lives?

There are many venture capital firms. Research one and present your findings to the class using PowerPoint. Be sure to include the firm's founders and history as well as its notable successes and failures.

Write a fictional story about life in the United States if there had been no venture capitalists.

Risk and Reward

Viewing Guide Answer Key

1. Venture capitalists
2. Taxpayers' money
3. Commercialized
4. Traitorous Eight
5. Capital
6. Entrepreneur
7. Fairchild Semiconductor
8. Silicon chips
9. Venture fund
10. Pong
11. Bankruptcy
12. Invest
13. Genetic engineering
14. Commercial
15. Pure research
16. Subcontracting
17. Human insulin

Quiz Answer Key

1. A) Atari
2. B) engineers
3. B) \$250,000
4. C) silicon chips
5. D) coin operated
6. A) Genentech
7. A) entrepreneurs
8. C) pure research
9. C) A guaranteed return on their investment
10. A) Silicon Valley

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