

The Wild West of new business

Level: Intermediate advanced

Timing: 90 minutes plus

Material needed: One copy of the student worksheet, Part A or B of the article and Vocabulary record per student

Group size: Any

Overview

This lesson plan for both pre-experience and in-work business students is based around an original article first published in *Business Spotlight* Issue 6/2013. The article is about new businesses and various ways of funding them, with the emphasis on crowdfunding.

The tasks in the student worksheets will help the students to understand the content of the article and the language used, and also provide extra questions for discussion as well as a research task.

The teacher's notes provide suggestions for teaching and learning strategies as well as ideas on how to present the tasks in the classroom, any necessary answer keys and extension tasks (for in class or as homework).

Lead-in

Discussing these two questions will help the students to understand the title and analogies used in the article about the Wild West as well as its relationship with business.

Key (possible answers):

- The term Wild West refers to the area of the United States west of the Mississippi river, specifically during the latter part of the 19th century and into the early 20th century.*
- Many business owners today have become frustrated with their jobs in bureaucratic organizations. Faced with incremental salary increases, uncertainty over lay-offs, or just the desire to make a living in a manner they choose, today's entrepreneur and yesterday's cowboy have plenty in common. Vast differences in technology, business conditions and the world are obvious, yet the shared essence of the cowboy and the entrepreneur is achieving dreams through significant risk.*

Key words

Divide the class into two equal groups, naming them A and B. Give group A the first part of the article, Part A

and group B the second part of the article, Part B. Each group should read the definitions for the words and expressions in their part of the article and try to find the words that match them. The definitions are numbered chronologically according to the order the words appear in the article.

At this point, the groups should not exchange answers or read the other part of the article.

Key:

Part A: 1. venture capitalists; 2. investors; 3. fair-trade goods; 4. entrepreneur; 5. seed money; 6. potential; 7. donate; 8. contributions; 9. corruption

Part B: 1. disillusioned; 2. founders; 3. techies; 4. prowling; 5. selling out; 6. mentor; 7. stagnant economy; 8. platforms; 9. nurtured

Asking questions to obtain missing information

a. Students pair up so that they sit with a student who had looked at the other half of the article (this can also be done in groups of four). The students then explain the key words and expressions that they found in task 2 to the other student(s) who read the other part of the article. The students should write these new words next to their definitions in task 2 on their worksheet.

b. Once the words have been exchanged and explained, the students should make questions about the article using their partner's nine key words in order to get information about the part of the article they did not read.

An example of an explanation and a follow-up question has been given for the word *investors* in the worksheet. The students should continue explaining and asking in this manner.

c. Now the students ask any further questions they would like to know about the half of the article they did not read. If, when there are no further questions, the other student thinks that their partner is still missing some essential information, they should provide it.

Language – multi-word expressions

Students put the words in the right order to make expressions from both halves of the article. Then, ask them to write sentences of their own using these expressions.

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Key:

1. pilot consumer research; 2. return on investment; 3. the barriers to entry are so low; 4. to shift the balance away from

Teaching and learning strategy: working with long texts

Every now and then it's good to challenge the students by providing them with a longer-than-average reading text. If you do not have the time in class for them to read and work with a long text, there are various ways to deal with it.

This lesson plan divides the text into two equal parts and provides tasks for the students to do in order to exchange all the information. This is often called 'jigsaw reading'.

Alternatively, if you know what text you are going to deal with in advance, you can set the reading as homework or as a pre-class task.

Another idea would be to use the long text to develop scanning and skim-reading skills. For this you might want to prepare some basic comprehension questions in advance.

There is also something to be said for students reading aloud to each other. They may not want to do this in front of the whole group, so why not get them to read alternative paragraphs or sections to each other?

For a more tactile approach, you could copy the text and cut it up into sections (not too many). Give one whole text (in cut sections) to a pair or small group of students and ask them to put the pieces into the correct order and recreate the text.

Whatever approach you take, make sure that, in the end, each student has their own copy of the complete text to read in their own time.

Discussion

The students discuss the concepts and basic principles of four ideas and business models that are mentioned and (partly) explained in the article. If they feel they need further information, they could either use the internet to find more information during the class or you could divide the ideas up so that each student has one to research as homework.

Webquest

Again, this task can be done in class, if the technology allows, or as homework.

Vocabulary record

Here, students should be encouraged to record all the new and useful vocabulary they have learned during the lesson, not only in the form presented in the article but also in related forms.

Related topics on onestopenglish

For follow-up lessons on the same or related topics go to the following lesson plans in the Business section on onestopenglish:

Business Spotlight: Money, money, money
<http://www.onestopenglish.com/business/business-spotlight/money-money-money/553060.article>

Business Spotlight: What I've learned: Tony Hawk
<http://www.onestopenglish.com/business/business-spotlight/what-ive-learned-tony-hawk/550947.article>

You may also find topical and relevant Guardian news lessons here on onestopenglish:
<http://www.onestopenglish.com/skills/news-lessons/>

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1 Lead-in

Answer the questions below.

- What is the Wild West?
- What comparisons could there be between new start-up businesses today and the Wild West?

2 Key words

Write the key words and expressions from the article next to their definitions.

Student A (Part A)

- people who put their money into a new business in order to make a profit from it _____
- people who invest their money in a new business that may or may not be successful _____ (two words)
- items that have been sourced from developing countries for which a proper price has been paid so that the producer is not exploited _____ (three words)
- someone who uses their own or other people's money to start a new business _____
- cash that is used for starting a business or project _____ (two words)
- the possibility to develop or achieve something in the future _____
- to give money to help someone or something _____
- amounts of money that people give in order to achieve something or to help make it successful _____
- dishonest or illegal behaviour by officials or people in positions of power, especially when they accept money in exchange for doing things for others _____

Student B (Part B)

- disappointed because you have discovered that someone or something is not as good as you had believed _____
- people who start a business or company _____
- people who know a lot about technology or computers, especially as their job _____
- moving around something in a quiet way, especially because you intend to do something bad or take advantage of someone / something _____
- doing something that shows you no longer have the same moral principles that you used to have _____
- an experienced person who helps someone who has less experience, especially in their job _____
- when the country's trade system does not grow _____ (two words)
- computer systems and the programs that can be used with them _____
- looked after, cared for, and helped to develop _____

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Part A

by Vicki Sussens

1 When banks shy away and profit-oriented venture capitalists hold back, young, innovative companies are able to turn to the support of many individuals. VICKI SUSSENS throws light on a couple of examples.

2 They're young, they wear brightly coloured clothing to work and they call everyone by their first name. Felix Weth and his team in Berlin have started an online auction website called Fairnopoly. A play on the name Monopoly, it aims to be a fair business that is truly democratic, owned by small investors rather than venture capitalists and trading in sustainable, fair-trade goods. "In five years, we want to take on eBay and Amazon," says the determined young entrepreneur.

3 Idealistic? Maybe, but the public likes the idea. The team financed their business through Germany's biggest crowdfunding site, Startnext, raising €210,163 – double the amount they had hoped for.

4 In an article in *The Independent*, business journalist Margareta Pagano recently called crowdfunding "one of the most thrilling developments in finance for at least a couple of hundred years". The online method of raising funds not only provides young start-ups with the seed money that risk-shy banks and profit-hungry venture capitalists are not happy to give. It's also a good way to test an idea with consumers, because the public decides whether or not a project will be funded.

5 The model is simple. Someone wanting to crowdfund presents a business plan to the operators of a crowdfunding site (also called a 'platform'). They then decide whether the business has potential. If it does, it is introduced to the public online in as much detail as possible. Users give feedback and, if they like the project, become 'fans' by clicking a button marked 'become a fan'. The project must attract a minimum number of fans, and a funding minimum is set, below which the firm would not be able to finance itself. If these goals are not reached, funders' money is returned and the project is withdrawn from the platform. Crowdfunding is, in effect, a free and effective form of pilot consumer research.

6 In their high-ceilinged, open-plan offices in the heart of Berlin, the Fairnopoly staff stand in small groups over computers, sit in deep discussions or talk animatedly on the phone. Their favourite 'toy', the table-football table, stands



untouched. "We're working very hard now," says founder Weth, who, like most of the staff, is in his early 30s. Parties to celebrate the fundraising success are over and Fairnopoly has entered a serious phase. It has just gone online in a test stage, open only to members and fans. The pressure is huge because the time is growing between the end of the crowdfunding action in March and actually having something to show. Funders will want to see results.

7 There are two main kinds of crowdfunding for businesses. In its original form, which is still popular, sites such as Kickstarter, which pioneered crowdfunding, provide a platform for artists to get financial support for creative projects. Mostly, funders donate to a project they like. Sometimes, funders receive a small reward such as a free work of art or, in the case of a business, a product. The second form is 'crowdinvesting', also called 'crowdequity', whereby projects offer a return on investment.

8 Contributions, in all cases, can be as small as a few euros and are given an upper limit to keep the 'crowd' concept and prevent big investors from buying too much control. Fairnopoly chose crowdinvesting, limiting investments to €10,000 a person. The 'crowd' is fundamental to its business concept, which it calls a 'cooperative 2.0', the '2.0' standing for the web. "The aim is to bring the crowd into the company and its product development through open sourcing," says Weth. This means all users can have a say in how it operates, and anyone who works on the project receives shares in the firm.

9 There is a strong idealistic element to crowdfunding, which has been called 'democratic financing'. Fairnopoly, for example, wants to promote responsible consumption, fair-trade goods and recycling. It also wants to use a percentage of each transaction to support organizations campaigning against corruption. "We wanted as many small investors as possible who believe in our concept of fair business and who will spread it," says Weth.

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Part B

by Vicki Sussens

- 10 A recent survey of Fairnopoly's 1,000 funders found that the majority had chosen to invest because of the firm's ideals and not for the return on investment. More than half said that keeping big investors out of Fairnopoly was "especially important" to them.
- 11 Over in London, Rob Symington and Dom Jackman have also used democratic financing to promote an ideal. Their start-up, an internet platform called Escape the City, helps people who feel stuck in corporate jobs to network and find more exciting ways to earn their living.
- 12 In 2010, they were both management consultants with Ernst & Young in London. At the time, Mike Howe, who joined the firm later, was an investment banker... with Merrill Lynch in the City. One day, Symington wrote an email to Jackman saying, "I want to escape this job" — using an image of a computer escape key instead of the word *escape*. Jackman wrote back saying he thought there was a business idea in the escape concept. And so there was. In fact, the escape key would become the company logo.
- 13 The more they thought about it, the more they realized there were a great many talented, ambitious people who, like them, were disillusioned with their jobs. The two young men, then both in their late 20s, tested the idea with their huge number of friends on Facebook and started a blog to discuss the idea before developing a website users could subscribe to. They knew the best way to prove the business had potential was to develop a large community of members.
- 14 Howe joined in 2011 after moving to New York, and as membership grew to 50,000, the founders realized that the potential was even bigger than they had thought. So they escaped their own jobs to work full-time on Escape the City. But while they had business experience, they were not techies and the few freelance program developers they could afford to pay were not enough to run a large online community. So they turned to crowdfunding to raise the money they would need for full-time technical staff, choosing the British crowdinvestment site, Crowdcube. Instead of opening investment to the public, they restricted it to members on their mailing list, raising £600,000 in less than two weeks from 395 people. A prowling venture

capital firm thought the idea was good and offered to finance the business, but the founders had chosen crowdfunding because it fitted better with their business concept. By raising funds through the corporate world, they felt they would have been selling out.

Crowdfunding is a logical development for a generation that is used to sharing their lives and building large networks of friends and followers online. "We're far more comfortable using digital technologies to reach people than those who've been working for 20 years," says Symington. He calls the internet "the Wild West" for starting businesses because the barriers to entry are so low.

Symington communicates with customers in a way his father, also a businessman, would find unimaginable. "We use Twitter, Facebook and email to talk to our clients in a very open and honest way. So, I'll write a blog about the 27 things I have learned since starting this business. My father would never share this information with his customers."

Two concepts are driving the young start-up movement, says Symington: "the lean start-up" and "permission marketing". The lean start-up idea comes from a book of the same name by Eric Ries. In it, Ries says that, if you speak to potential customers often when you start your business, you avoid building something no one wants. "We've made mistakes when we followed our feelings rather than listening to our community," says Symington.

The 'permission marketing' concept comes from another mentor, the New York entrepreneur Seth Godin, who wrote a book on the subject in 1999. "If I pay millions of dollars to interrupt your TV programme so that I can shout at you about my products, you are soon going to stop listening," explains Symington. "But if I say, 'I'd like to send you ten opportunities to do something fantastic with your life, but you have to decide that you want to hear from me', it is far stronger. It has nothing to do with technology; it's just a simple way of communicating."

Crowdfunding acts as a lifeline to young people entering their careers during a stagnant economy. "We started a business because the career paths our parents took look really unattractive," says Symington.

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20 And crowdfunding is growing. Globally, total funds raised through crowds grew by 81 per cent in 2012 compared to 2011. Over 500 platforms funded more than one million projects and raised \$2.7 billion, according to the 2013 Crowdfunding Industry Report by Massolution, a company that helps firms develop crowdsourcing business models. The report expects the 2013 figures to double again compared to 2012. This may be an underestimate. Crowdcube, the first site in the world to have raised over €10 million in total, reports that investment in its projects in the first six months of 2013 increased by 579 per cent compared to

the first six months of 2012.

21 Most importantly, as Margareta Pagano wrote in *The Independent*, "if carefully nurtured, crowdfunding has the power to shift the balance away from the big financial institutions that wrecked the economy, and give it back to the small business owners and the small investor to help kick-start growth."

22 It won't be the first time that feisty, young start-ups have successfully disrupted tired, old business models.

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3 Asking questions to obtain missing information

a. Explain your key words and expressions from task 2 to your partner who read the other part of the article (A or B). Write the new key words explained by your partner next to the correct definitions.

E.g. An investor is a person who puts their money into a business in order to make a profit from it.

b. Ask questions about the part of the article you did not read. Use your partner's nine key words to form the questions and get the information.

E.g. What kind of business did the investors put their money into?

c. Ask any further questions you would like to know about the part of the article you did not read. If you think your partner is still missing some essential information about your part of the article, tell them about it now.

4 Language – multi-word expressions

Put these words in the correct order to make expressions from the article.

1. research consumer pilot (para 4)
2. on investment return (para 6)
3. entry the to low are so barriers (para 15)
4. the balance away to shift from (para 21)

5 Discussion

Discuss the concepts of:

- crowdfunding / crowdequity
- fair trade
- lean start-up
- permission marketing

6 Webquest

Research one of the websites mentioned in the article. Find the most interesting start-up or one that simply appeals to you. Present it to the other students and say why you would consider donating to it and what you would get in return.

