
Ewing Marion Kauffman

Marion Laboratories, Ewing Marion Kauffman Foundation

By M. Karen Hubbard

LESSON DESCRIPTION

In this lesson, students read about Ewing Marion Kauffman, an entrepreneur and philanthropist. They examine how Mr. Kauffman would have reduced his costs by beginning his business in his home. Students choose a business they could operate in their homes and consider how using resources they have in their homes could reduce their costs.

ECONOMIC CONCEPTS

- entrepreneur
- natural resources
- capital resources
- human resources
- opportunity cost

RELATED CONCEPTS

- reading comprehension
- categorizing
- map reading

MATERIALS

- One copy of “Ewing Marion Kauffman” reading for each student
- One copy of Activity 1 – “Mr. Kauffman’s Resources of Production for His First Business” for each student
- Pencils for each student
- Optional: One index card for each student for Extension activity.

TIME

45 minutes or 2 class periods of 30 minutes

PROCEDURE

1. Explain that an “entrepreneur” is someone who thinks of a good or service that someone would like to buy and produces it. An entrepreneur takes a risk that people will not like the good or service, and that all of the time,

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- effort, and money he or she has spent to make the product will have been for nothing.
2. Explain that some entrepreneurs think of goods or services that have never been thought of before, like the Hula Hoop, the first video game, the first car, or the first television. We often think about entrepreneurs as being the first in their areas of business, but most entrepreneurs begin a business producing something that has already been produced by someone else. These entrepreneurs have an idea of how to improve the good or service or how to produce it better.
 3. Discuss:
 - a. Look at a Missouri map and locate Kansas City, Missouri.
 - b. What state is west of Kansas City, Missouri? (Kansas)
 - c. After World War II, what did Mr. Kauffman do? (He became a salesman for a pharmaceutical company in Decatur, Illinois.)
 - d. What happened within his first year on the job? (He became the highest paid employee of the company.)
 - e. Why did he resign from this job? (The company reduced the size of his territory and reduced his commissions.)
 - f. What are commissions? (a fee or percentage of sale allowed to salesperson for services)
 - g. How did this affect Mr. Kauffman's income? (He earned less money.)
 - h. What did Mr. Kauffman do as a result of earning less money? (He quit and started his own business.)
 - i. What business did he start? (pharmaceutical company)
 - j. What is a pharmaceutical company? (If the students do not know, ask them to look it up in a dictionary – company which makes medicine.
 - k. Where did Mr. Kauffman start his company? (in the basement of his home) Why? (to keep his costs of production down)

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- I. How did starting his company in his home help keep his costs down? (used resources he already owned instead of having to buy new resources)
 - m. What resources did Mr. Kauffman not have to spend as much money on? (land on which to build a laboratory and the actual laboratory building)
 4. Explain that Mr. Kauffman would need resources to start his pharmaceutical company. Besides the entrepreneur, there are three types of resources: natural – anything that comes from the earth and used to produce a good/service; human – people who do work; capital – anything that is made by people and used to make other goods or provide services and can be used over and over again, i.e., tools, machines, buildings.
 5. Explain to students that they will be doing an activity sheet considering the resources Mr. Kauffman used and the ones he did not have to buy. Tell the students to categorize the resources in the Answer Box beside the correct resource and under the correct heading.
 6. When students have completed the activity, check for understanding.

EXTENSION

1. Distribute an index card to each student. Ask students to think of a business they could start in their home using some of the resources they already have in their households. Encourage them to think about the capital they have in their homes and how it could be used in a business. (Some possible businesses would be baking, lawn raking, lawn mowing, greeting cards and jewelry making.) Instruct them to write the type of business they would have on their index cards.
2. Instruct students to walk around the room seeking another student with the same business idea. If there are students who are having difficulty thinking of a business, have them join a student with a business idea they like.
3. Place students with similar business ideas into small groups. Instruct them to turn their cards over and draw a line down the middle of their cards. In one column, instruct them to list the resources for their business that they would already have available in their homes. In the other column, instruct them to list the resources for their business that they would have to buy.

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4. Ask students to present their business ideas. Choose at least one business and reproduce the lists on the board. Point out that they would not have to pay for resources that were already in the home.
 5. As other businesses report, generate discussion by asking other students to add any resources a group fails to mention.
 6. Explain that even though they would not have to pay for the resources they have at home, there could still be an opportunity cost. Define opportunity cost as the next best alternative when a decision is made. Provide the following example of opportunity cost.

Gina started a greeting card business in her home. She had a chair and a desk with a lamp on it. She also used her mother's scissors and tape, and she borrowed her sister's markers and stickers. One day, Gina was busy completing an order for three birthday cards. She was hurrying through the finishing touches when her mother shouted, "Where are my scissors? I have to take them to my club meeting. We're wrapping gifts to give to children." Gina replied, "I have your scissors, Mom. I'll be finished with them in ten minutes." Gina's mother replied, "I need them now, Gina. I'm late!" Gina had to return the scissors to her mother.

The next day, Gina's mom returned the scissors. Gina was hard at work completing the order from the day before when she suddenly remembered that she had a big geography test the next day. She had to read her textbook and she had to study a map of Missouri, but her desk was covered with paper, markers, stickers and glue. Gina had to decide how to use her desk. She decided to gather all of her greeting card materials and place them in a box so that she had room for her book and map.

7. Ask the following questions:
 - a. What was the opportunity cost of Gina using her mom's scissors in her business? (She had to give them up when her mother wanted to use them. Her business was delayed.)
 - b. What was the opportunity cost of Gina using her desk for her business? (She either had to give up her desk for studying or she had to pack her business's resources away when she was using the desk for studying.)

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8. Instruct students to examine their lists of resources they would already have in their home business. Ask each group to think of the ways those resources are being used now. Ask what opportunity costs they might encounter when using those resources. (Answers will vary but should reflect that resources cannot be used for two different purposes at the same time.)
 9. Ask each group if it is possible to start this business now? If not, when? Answers will vary, but help students recognize when the business would be age appropriate.
 10. Explain that many businesses begin in the home. Students should think about the opportunities they may have to begin a business.
 11. Teacher can invite an entrepreneur from the community to discuss the risks and benefits of starting a business.

Name _____

MR. KAUFFMAN'S RESOURCES OF PRODUCTION FOR HIS FIRST BUSINESS

| RESOURCES | RESOURCES MR. KAUFFMAN BOUGHT OR ALREADY HAD | RESOURCES MR. KAUFFMAN DID NOT HAVE TO BUY |
|-----------|--|--|
| Natural | | |
| Human | | |
| Capital | | |

Compare the two lists and write how you think this helped Mr. Kauffman when he started his first business.

ANSWER BOX

| | | | | |
|------------------|----------------------------|--------------|------------------------------------|-----------|
| Mr. Kauffman | New furnace | New building | New furniture | New lamps |
| Other workers | Tables, workbenches | | Utensils found in his home | |
| All new utensils | Shells for calcium tablets | | Land for a new laboratory building | |
| | Building (his home) | | Land where his home was located | |

**MR. KAUFFMAN'S RESOURCES OF PRODUCTION FOR HIS FIRST BUSINESS
(ANSWER SHEET)**

| RESOURCES | RESOURCES MR. KAUFFMAN BOUGHT OR ALREADY HAD | RESOURCES MR. KAUFFMAN DID NOT HAVE TO BUY |
|-----------|---|---|
| Natural | Land where his home was located Shells for calcium tablets | Land for new laboratory building |
| Human | Mr. Kauffman | Other workers |
| Capital | Building (his home) Tables, workbenches Utensils found in home Lights Furnace | New building New furniture All new utensils New lamps New furnace |

Compare the two lists and write how you think this helped Mr. Kauffman when he started his first business.

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In 1916, Ewing Marion Kauffman was born on a farm in Garden City, Missouri. When he was a boy his family moved to Kansas City, Missouri, which he called home the rest of his life.

Mr. Kauffman became a salesman for a pharmaceutical company in Decatur, Illinois, after his service as an officer in the Navy during World War II. With his commissions (a fee or percentage of sale allowed to salesperson for services) he became the highest paid employee of the company, including the company's president, within a year. Kauffman resigned when the company reduced the size of his territory and trimmed his commissions. He started his own pharmaceutical company in the basement of his home in 1950. By operating his business out of his home, he was able to use fewer resources. For example, he didn't have to buy land to build a laboratory. He didn't have to buy a laboratory building, which is a capital resource. There are other capital resources that Mr. Kauffman would have had around his home. For example, he would have had lights and a furnace for heat. He may have had workbenches or tables. Using these items would have reduced his costs.

He decided to manufacture a calcium supplement made from crushed oyster shells. (Shelled animals have calcium in their shells. At this time, oyster shells were thought to be a good source of calcium.) In 1964, the company was incorporated as the Marion Laboratories Inc. Mr. Kauffman used his middle name so customers would not think that his business was a one-man operation. He had sales of \$36,000 and a net profit of \$1,000 after his first year in business.

During the first decade of business, the cost of researching and developing new drugs was very high. Marion Laboratories decided to save millions of dollars by establishing a niche in the marketplace by improving products that had been discovered but rejected by other companies. This worked out well. The company spent \$1.8 million to improve these products and earned \$12 million in sales.

In 1989, Mr. Kauffman sold his business to Merrell Dow. It had grown to be a globally diversified health care giant with nearly \$1 billion in sales and employing 3,400 associates.

Mr. Kauffman purchased the Kansas City Royals in 1968 and made it a model sports franchise. This purchase boosted Kansas City's civic pride and economy. The team won six division titles, two American League pennants, and a World Series championship in 1985.

The Ewing Marion Kauffman Foundation was begun by Ewing Kauffman in the mid-60's. The vision of the Foundation was to foster "a society of economically independent individuals who are engaged citizens, contributing to the improvement of their communities." He wanted to help young people, especially from disadvantaged backgrounds, to reach their full potential by getting a quality education. Mr. Kauffman felt the best way to help young people become successful and to improve the economy was to encourage entrepreneurship. Today, the mission of the Kauffman Foundation reflects Kauffman's commitment to education and entrepreneurship. It is the 30th largest foundation with approximately \$2 billion.