

Assignment week 5: Risk & Uncertainty

Learning objectives

At the end of this week you are able to:

- Identify the key risks facing your business and the implications for how these can be managed
- Apply the concept of affordable loss

Supportive learning materials (obligatory):

- Web lectures:
 - Risk and Uncertainty
 - Dealing with risk: causal approach
 - Affordable loss
- Readings:
 - Chapter 11 in the course hand book by Paul Burns

Assignment description

While developing your business model over the last few weeks, you probably experienced that this activity is surrounded by high levels of uncertainty and/or risk. Nevertheless, you were required to make some decisions and proceed with your business idea. In addition, one of the central themes of this course is the difference between causal and effectual approaches towards entrepreneurship. You have learned that serial entrepreneurs tend to emphasize effectual approaches over causal ones. A crucial difference between the two approaches is the underlying logic. The causal approach focuses on trying to predict the future and the associated risks, while the effectual approach accepts that there is a huge amount of uncertainty and instead focuses on controllable aspects of an unpredictable future. With this assignment the concepts of risk and uncertainty are treated more profoundly. In specific, the objective of this assignment is to apply the two approaches to your business case.

- When critically reviewing your business model and based on the insights of the web lecture “dealing with risk: causal approach”
 - Identify the risks relating to the different building blocks of your business model and assess the probability of occurring. This leads to a set of key risks that need monitoring or managing
 - Regarding the key risks identified in the step above:
 - Develop an appropriate risk indicator
 - Develop a strategy for mitigating or managing the risk
 - Develop a plan B for the biggest risk affecting your business
- However, part of your business future is also unpredictable. Under such circumstances it is recommendable to focus on the things that you can control. A useful approach is calculating your affordable loss. Given the resources available within your team, calculate the affordable loss for your business idea.
 - List the financial resources you can invest in your business
 - List the elements of human capital you can invest in your business
 - List the elements of social capital you can invest in your business

- List the amount on money (expenditures) that you need to at least survive in the short run
- Write down the maximum loss you are willing to accept if the start-up fails. Also consider team dynamics when assessing this. Are there crucial differences between team members that could cause conflict? How will you manage this?
- What are your conclusions regarding risk and uncertainty based upon the two exercises above? Did this exercise provide any new insights for your business model? Do you need to revise your business model? If so, why and how?

Deliverables related to this assignment: Deadline is 18th of December 2015

- Team-related deliverables:
 - A report providing an overview of
 - Risks and strategies to manage risk
 - Affordable loss
 - Fourth iteration of slide deck on business model
 - Overview of previous business model (after assignment 4)
 - Overview of new business model
 - Did you change your business model based on the insights provided by conducting a risk analysis and calculation of affordable loss? If so, what and why did you change?
- Individual deliverable:
 - Reflection report:
 - What went well during this assignment? And what was your role in it?
 - What were the difficulties in the team and your individual behavior?
 - What is your preferred strategy towards dealing with risk/uncertainty? Why?
 - What did you learn about yourself during the execution of this assignment?
 - What are learning points for next assignments? What did you learn during this assignment that could affect your behavior in a professional setting (either as an entrepreneur or employee of a company)?