Dealing with Risk

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Introduction

Entrepreneurship is inherently associated with risk, as individuals venture into new business opportunities with uncertain outcomes. Understanding the nature of risk in entrepreneurship is crucial for entrepreneurs, policymakers, and researchers.

Learning Objectives

Upon completion of this Module, trainees should be able to:

- Enhanced knowledge of various risks faced by entrepreneurs.
- Enhanced skills in selecting and applying appropriate risk mitigation strategies.
- Improved ability to assess the potential impact of risks on entrepreneurial ventures.
- Improved ability to identify and classify risks in entrepreneurial ventures.
- Strengthened skills in selecting effective risk management strategies.
- Strengthened mindset for proactive risk management in entrepreneurship.
- Strengthened critical thinking and decision-making abilities in risk management
- Increased ability to identify and categorize risks in entrepreneurial contexts.

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What is Risk?

Risk refers to the degree of uncertainty and/or potential financial loss inherent in an investment decision. It's mainly influenced by:

- Risk perception;
- Decision-making processes
- Financial implications;
- Performance outcomes;
- Stakeholder dynamics.

Not controlling risks lead into some of following impacts and dangers

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What are the Impacts and Dangers?

Not controlling risks have implications an can lead into some of following impacts and dangers:

- Impacts on Goal Setting
- Emotional and Performance Consequences
- Resource Constraints
- Team Dynamics
- Perceptions of Legitimacy
- Sustainability Considerations
- Contextual Challenges
- Technological Disruptions

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What are the Impacts and Dangers?

Let's be more specific with some of the above mentioned terms

Team Dynamics: Team composition and decision-making processes play a vital role in managing risk and influencing entrepreneurial outcomes (Klotz, Hmieleski, Bradley, & Busenitz, 2014).

Poor teamwork, conflicts, or lack of diverse perspectives can impede effective risk assessment and mitigation.

Perceptions of Legitimacy: Stakeholders' perceptions of risk and legitimacy impact entrepreneurial success (McMullen & Shepherd, 2014). Entrepreneurial ventures that are perceived as illegitimate or risky may face resistance from external parties, leading to challenges in securing resources, partnerships, or customer trust.

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What are the Impacts and Dangers?

Let's be more specific with some of the above mentioned terms

Sustainability Considerations: Balancing economic, environmental, and social dimensions of sustainability presents risks and opportunities for entrepreneurs (Shepherd, Patzelt, & DeTienne, 2015). Failure to address sustainability risks may lead to reputational damage, regulatory issues, or missed market opportunities.

Contextual Challenges: Risk perception and management are influenced by social, political, and cultural contexts (McMullen & Shepherd, 2014). Entrepreneurs must navigate these contexts and address the associated risks and challenges to gain legitimacy and operate effectively.

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What are the Impacts and Dangers?

Let's be more specific with some of the above mentioned terms

Technological Disruptions: Rapid technological advancements introduce both opportunities and risks for entrepreneurs. Emerging technologies such as AI, blockchain, and IoT require entrepreneurs to adapt, understand new risks, and seize opportunities in the evolving digital landscape.

Understanding these impacts and dangers of risk in entrepreneurship is crucial for entrepreneurs, policymakers, and support networks. Entrepreneurs must develop strategies to assess and manage risks effectively, seek appropriate resources, build resilient teams, and navigate the contextual complexities. Policymakers and support networks can provide targeted assistance, access to capital, and regulatory frameworks that encourage risk-taking while addressing potential pitfalls. By addressing the challenges and harnessing the opportunities associated with risk, entrepreneurs can increase their chances of success and contribute to economic growth and innovation.

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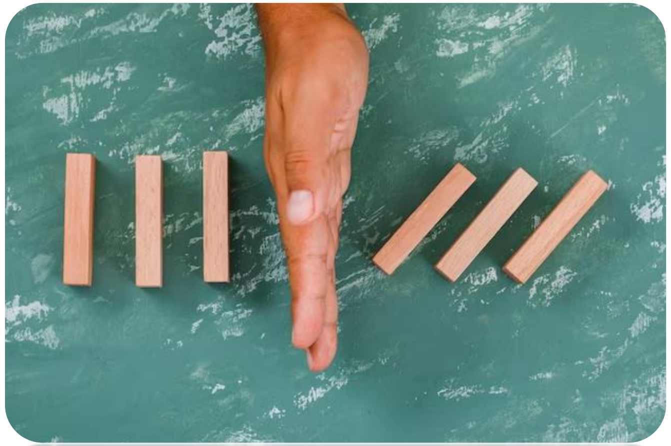
How to control Risk in Entrepreneurship?



- Risk in entrepreneurship is a crucial aspect that entrepreneurs must navigate effectively.
- Self-efficacy and risk perception play a significant role in entrepreneurs' adoption of ambitious goals.
- Affective states influence effort expenditure and performance among entrepreneurs.
- Human and social capital are essential in managing financial risk and resource constraints.
- New venture teams are critical in decision-making processes and risk management.
- Entrepreneurial success depends on managing stakeholders' perceptions of risk and legitimacy.

These key points highlight the importance of understanding and managing risk in entrepreneurship, including factors such as self-perception, emotions, capital resources, team dynamics, and stakeholder engagement.

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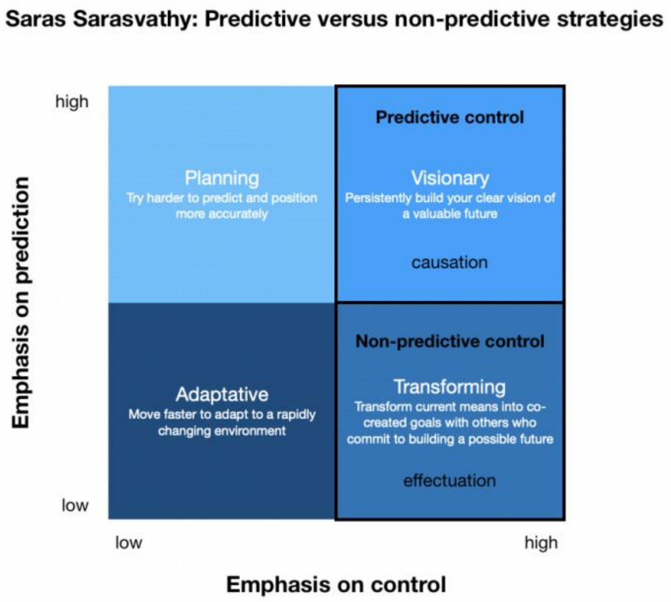
How to control Risk in Entrepreneurship?

Entrepreneurship is a dynamic and multifaceted concept that involves identifying opportunities, mobilizing resources, and taking calculated risks to create value.

Understanding the nature of entrepreneurship and its link to risk is crucial!



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How to control Risk in Entrepreneurship?

Having in consideration the basic of Risk the important task that follows it's understand, how to control in order to reduce, solve or avoid the risks.
Some of the primary resources for this enemy pass by:

- Primary Resources For This Enemy
  - Contextual factors and Risk
  - Perception and Decision-Making
  - Management and Resources

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How to control Risk in Entrepreneurship?

Contextual factors play a significant role in shaping the entrepreneurial landscape and influencing the perception and management of risk.

Contextual factors and Risk
- Environmental
- Resource constraints
- Team dynamics and collaboration
- Stakeholder relationships

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How to control Risk in Entrepreneurship?

Risk perception and decision-making are fundamental aspects of entrepreneurship, influencing the actions and outcomes of entrepreneurs.

- Perception and Decision-Making
  - Cognitive biases
  - Processes

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STAY AFLOAT

How to control Risk in Entrepreneurship?

Managing risks and all the variants associated to reduce, solve and/or avoid bigger negatives impacts is recommended as a crucial procedure, and all the variants associated to reduce, solve and/or avoid bigger negatives impacts, such as

To have the basics of risk management the internal control it’s the main resource of regulation risks, due to the inside perception of the welfare and social insurance of systems, that leads into a set of practices where it’s evident the state of risks.

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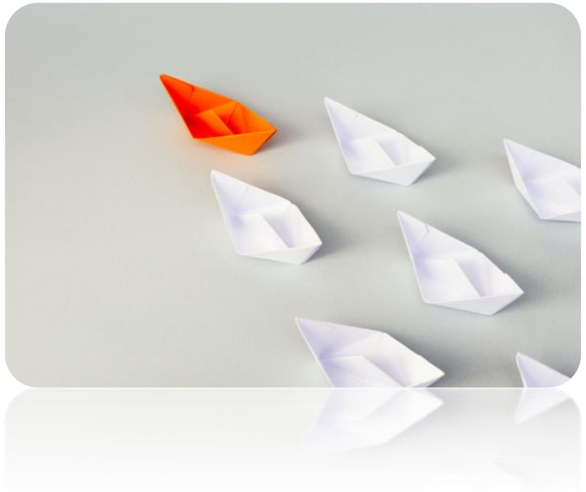

How to control Risk in Entrepreneurship?

To have the basics of risk management, internal control it's the main resource of regulation risks, due to the inside perception of the welfare and social insurance of systems.

Management and Resources

- Communication
- Based Regulation
- Team Dynamics

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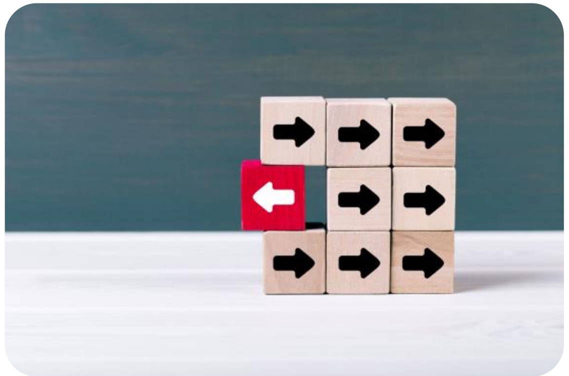
What can go wrong on control Risk and uncertainty?



Currently, some organizations are effective in dealing with the risks that leads to the desired positive impacts, moving away the main negative impacts, but the hidden less obvious aspects sometimes can be dangers that lead into an increasing set of problems. Some of these less obvious dangers of Risk that leads to uncertainty are:

- Legalization and Hyper-internal control
- Dealing with unknown risks
- Inefficient in identifying and analyzing known Risk Factors
- Integrating experience and judgment with analytical models

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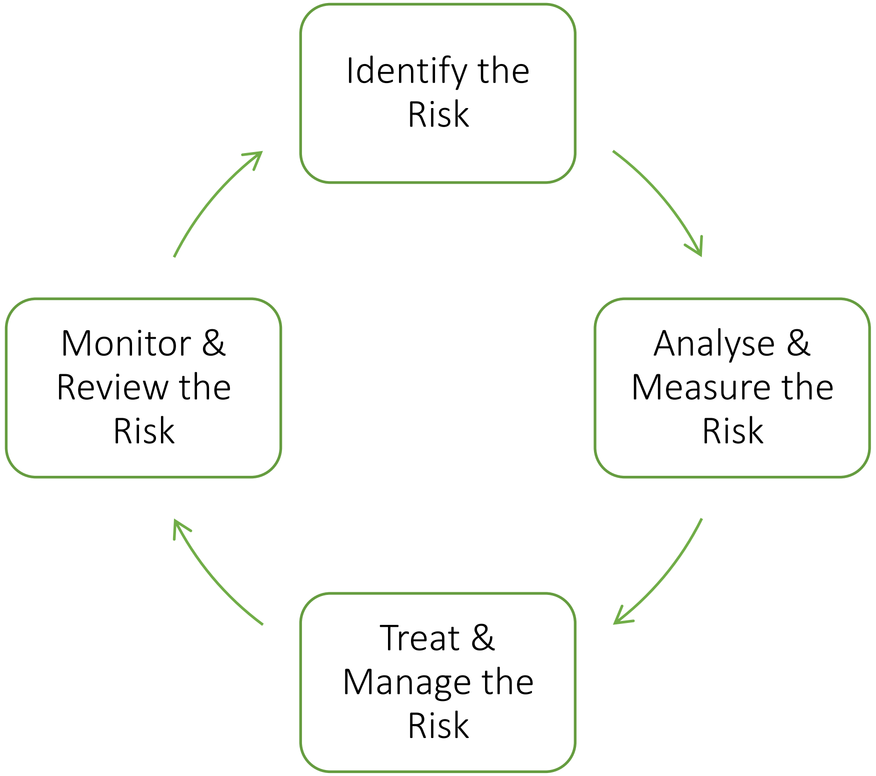
Strategies and approaches to deal with risk in entrepreneurship!

The new wave of risks management has some new challenges regarding the complexification of the exchanges, even though some old basic strategies and approaches continue to be the base of dealing with risk and uncertainty. One of these resources is the cycle of 4 stages



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HOW TO DEAL WITH ENEMIES (8 examples)

By implementing these strategies and approaches, entrepreneurs can enhance their ability to effectively manage risk, increase their chances of success, and create sustainable and resilient ventures. Additionally, collaboration with support networks, engagement with mentorship programs, and leveraging government initiatives can provide valuable guidance and resources to navigate risks effectively.

1. Develop Self-Efficacy and Goal-Setting Skills
2. Emotion Regulation and Stress Management
3. Resource Mobilization and Bootstrapping
4. Foster Effective Team Dynamics
5. Establish Legitimacy and Manage Stakeholder Perceptions
6. Embrace Sustainable Entrepreneurship Practices
7. Embrace Technological Advancements
8. Continuous Learning and Adaptation

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HOW TO DEAL WITH ENEMIES

The team work and projects, perform primal role in organization of business, firms and partnerships mainly related with the high performance in increasing productivity in both manufacturing and service delivering (Georgiadis, 2014), that leads into the need of planning, control and evaluate the internal and external dynamics of the team in order to manage the risks associated with.

These dynamics need to take in account 3 main variants to ensure that all the conditions associated with the achieving of the goals are fulfill:

- Number of agents collaborating to the same project e/or task;
- Time between the start of the project, milestones and deliverable date;
- Effort associated with each task correlated with the difficulty to achieve.

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HOW TO DEAL WITH ENEMIES (2 Successful examples)

Walt Disney Company: Disney has been a pioneer in the entertainment industry. They took risks by creating the first feature-length animated film, "Snow White and the Seven Dwarfs," in 1937, which was a massive success. Changes in consumer preferences, economic downturns, or shifts in technology can impact their revenue. They also acquired companies like Pixar, Marvel, and Lucasfilm to diversify their content portfolio.

McDonald's introduced the concept of fast-food franchising, which was a novel idea in the 1950s. They standardized their processes and menu to manage consistency and risk. The fast-food industry is highly competitive, and McDonald's faces competition from numerous rivals. Market saturation in some regions can limit growth potential.

Note: These examples demonstrate the entrepreneurial mindset and strategies employed by successful individuals to navigate risks, overcome challenges, and build thriving ventures.

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- Impacts on Goal Setting: Risk-taking propensity and self-efficacy can influence entrepreneurs' adoption of unattainable goals (Baron, Mueller, & Wolfe, 2016). While risk-taking is essential for entrepreneurial success, setting unrealistic goals can lead to failure and disappointment.
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- Emotional and Performance Consequences: Affective states, such as feelings and emotions, can significantly impact entrepreneurs' effort and performance (Foo, Uy, & Baron, 2016). Negative emotions or high levels of stress related to risk can hinder decision-making and overall performance.
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- Resource Constraints: Resource limitations and financial risk are common challenges faced by entrepreneurs (Grichnik, Brinckmann, & Singh, 2014). Insufficient access to capital and limited resources can hamper business development and growth, potentially leading to failure.