

Exercise walk-through

1.6

Entrepreneurship

University Business

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The method

Method — Evaluate the opportunity before the passion

Three questions, in order:

- 1 **Who exactly has the problem?** Not “young people” – “office workers within 400 m who want lunch bread and find the shop shut at 3 pm”.
- 2 **How is it solved today?** The competitor is the current workaround: the supermarket loaf, the skipped lunch. Your offer must beat that, not a blank page.
- 3 **Why would they switch?** A reason specific enough to be wrong: “fresh at 5 pm beats stale supermarket bread for the evening meal”.

If these three have no answers, the opportunity is a mood.

Method — Risk versus uncertainty

Risk has known probabilities – a 10% chance the fit-out costs overrun; it can be priced and padded. **Uncertainty** has none – will campus students want bakery bread at all? Entrepreneurship lives in the second column. The tools differ: risk is managed with buffers and insurance; uncertainty is managed by **buying information cheaply** – a stall before a shop, a pilot before a rollout.

Exercises 2.1·2.2

2.1 For “office workers want bread after 3 pm”, answer the three evaluation questions in one line each. [3]

2.2 Classify as risk or uncertainty, with a reason: (a) flour price may rise 10%; (b) the campus canteen may become popular; (c) the oven may need repairs. [3]

Exercises 2.1·2.2

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2.1

- Who: office workers within ~400 m wanting bread after the shop's 3 pm close.
- Solved today by: the supermarket loaf or skipping – the real competitors.
- Why switch: fresh-baked evening bread beats a stale alternative – a claim specific enough to be tested.

2.2 Classify as risk or uncertainty, with a reason: (a) flour price may rise 10%; (b) the campus canteen may become popular; (c) the oven may need repairs. [3]

2.2

- (a) Risk: price movements have history and probabilities – hedge or pad.
- (b) Uncertainty: no meaningful prior for a new canteen's popularity – buy information (observe early weeks).
- (c) Risk: failure rates are known – maintenance reserve.

Exercise 2.3

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- A milestone is a dated, measurable checkpoint whose result changes what you do next.
- A forecast is an assertion about the future that spends nothing on information.

Exercise 3.1

3.1 Nimbus considers a night-market stall selling filled bread rolls, Saturdays only, October to December.

Design an evidence-first evaluation: answer the three opportunity questions with the evidence you would gather for each (state method and metric); then write two milestones with dates, targets and kill conditions; and name the single cheapest piece of information Nimbus could buy first.

[8]

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3.1

- Q1 who/method: count and survey the night-market crowd one Saturday – number of attendees, share leaving with food purchases (metric).
- Q2 solved today/method: observe what food stalls trade and their queues – the current workaround identified by what people already buy.
- Q3 why switch/method: sell a one-night trial batch – conversion (batches sold / passes) at a stated price tests the switch reason, not the sentiment.
- Milestones: M1 – trial night, target $\geq 80\%$ of batch sold by 21:00, kill if $< 50\%$; M2 – four-week run, average margin $\geq$ shop's evening margin, kill condition stated.
- Cheapest first: one Saturday of counted observation – footfall and food-stall queues – before any stall cost at all.

Exercise 3.2

3.2 “Entrepreneurs take risks – that is the job.”

Assess this claim using the risk/uncertainty distinction and the course’s evidence-first tools: state what entrepreneurs actually manage (and how), give one example of a risk handled by buffering and one uncertainty handled by buying information cheaply, and explain why milestone planning beats forecasting under uncertainty. [6]

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3.2

- The claim is half right: entrepreneurs bear uncertainty, but the craft is managing it – converting unknowns into knowns at the lowest possible cost.
- Risk buffered: oven breakdown handled by a maintenance reserve priced from known failure rates.
- Uncertainty bought cheaply: the market stall before the shop – a month of stall data for hundreds, not a lease for tens of thousands.
- Forecasting under uncertainty asserts what nobody can know; each assertion is unprotected.
- Milestones spend money on information and keep the exit cheap at every step – the plan learns.
- Conclusion: the job is not daring but the disciplined purchase of information.