

1.6 Entrepreneurship

Name: _____ Class: _____ Date: _____

Total: 22 marks

KEY WORDS opportunity • risk • uncertainty • milestone

Objective

Evaluate an opportunity the way evidence demands: name the customer and the problem, check how it is solved today, and say why anyone would switch. Distinguish measurable risk from unmeasurable uncertainty, size resources honestly, and plan to learn with small tests and dated milestones rather than five-year forecasts.

1 Key knowledge and worked examples

■ 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.

■ 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.

■ Worked example: milestone planning

Nimbus' second location, as milestones with dates and kill conditions:

- M1 (week 2): count footfall at the candidate site, 3 days $\times$ peak hours – proceed only if $\geq 900/\text{day}$ (measured 1,100: proceed).
- M2 (week 6): market-stall trial of the exact product at that site – average daily sales ≥ 420 (measured 390: pause, adjust assortment, one retry).
- M3 (week 10): lease only if the retry clears 420.

Each milestone spends a little money to remove one uncertainty. A five-year forecast spends nothing on information and asserts everything.

2 Practice

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]

2.3 State the difference between a milestone and a forecast in one sentence each. [2]

3 Exam-style questions

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]

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]

Solutions

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

- (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.

2.3

- 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.

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.

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.