BUSINESS: ***Creating informed, discerning employees, consumers and future leaders***

Topic 1.1.2 Risk and Reward

Key Vocabulary

Risk – something bad / negative that could happen

Reward – something good / a positive effect

Financial – related to money

Non-financial – non-money related

Profit – what a business has left from its income after paying all of its costs

Core Knowledge

Starting and running a business are risky activities. A large percentage of start-up businesses fail in the first five years.

Risks are things that can go wrong. These include:

- Business failure
- Financial loss
- Lack of security due to not having a regular income

Business can fail because:

- An entrepreneur does not know the market well
- Not having enough capital to start the business
- Poor decision making
- Competition from other businesses
- Not meeting the needs of customers

Rewards are what can be achieved through business success. These include:

- Profit
- Personal independence

Misconceptions

- Although risks can cause a business to fail, careful planning and research can reduce risks
- Don't confuse the term 'security'. It is not about prevention from theft, but about regular income

Application

Thomas Cook, BHS – businesses that have failed. Find out why

Richard Branson – an entrepreneur worth billions, but he still takes risks when starting new ventures. Why would this be?

Topic Links

Role of enterprise – entrepreneurs are the individuals who take risks

Ownership – different types of ownership have different levels of risk for the owner

Customer needs – knowing what these are helps to reduce risk

Market research – doing this helps to reduce risk