



Wollo University
Kombolcha Institute of Technology
School of Mechanical and Chemical Engineering
Department of Industrial Engineering

Course: Entrepreneurship for Engineers
Chapter six

Instructors: Haileluel M. (Dr) ,Meaza E., Nigsite D.
and Yared A.

Kombolcha

6. Risk and insurance of business enterprise

6.1 Risk and risk management ?

- ✓ *Risk is the possibility of suffering some form of loss or damage as a result of decision making. It is the Chance of an unfavorable outcome associated with an action.*
- ✓ *Uncertainty is not knowing what will happen in the future. The greater the uncertainty, the greater the risk.*
- ✓ *If there was no risk, there would be no return to the ability to successfully manage it. For each decision there is a risk-return trade-off.*

6. Risk and insurance of business enterprise

- ✓ *Anytime there is a possibility of loss (risk), there should also be an opportunity for profit. Entrepreneurs must decide between different alternatives with various levels of risk.*
- ✓ *Successful Entrepreneurs take calculated risks; they set their own objectives at a level where there is a moderate risk of failure.*
- ✓ *They have internal locus of control. For they take responsibility for their actions. They did not blame fate or some other external force.*

6.1 Risk & risk Management

- ✓ *However, even with carefully planned road map there is risk here comes the need for risk management and Insurance. A sudden unexpected event can derail even the most detailed plan unless you have anticipated and planned for catastrophic events.*
- ✓ *Hence, insurance products are useful in managing these risks. The entrepreneur should evaluate his life, disability, liability/umbrella, and long-term care insurance*
- ✓ *Risk management is the control of an individual's or company's chances of failure through insurance measures.*

6.2 The Process of Risk Management

The Enterprise Risk management (ERM)process encompasses:

- ❖ Articulating risk strategies and promoting a positive risk culture
- ❖ Designing a risk governance structure
- ❖ Comprehensive and robust risk identification, assessment, and measurement
- ❖ Formulating a spectrum of risk response options
- ❖ Implementing risk control policies and procedures •
Monitoring and reporting.

Source: (Toronto leadership center,2015)

Entrepreneurship for Engineers:2020

