

★ 1. Business always involves risk

The Bible says - Matt 6:19-20 (NKJV)

“Do not lay up for yourself treasures on earth where moth and rust destroy and where thieves break in and steal; but lay up for yourself treasures in heaven where neither moth nor rust destroy and where thieves do not break in and steal”

Wealth - Nothing is for certain

Earthly treasures and investing for the purpose of gaining bigger income always involves risks.

We will never know for sure that our investment will give a return, or that the wealth we have built will last. So many unpredictable things can happen.

God – the only true security

Life on earth is very unpredictable and uncertain. The only true security that exists is God's promises and his faithfulness to us.

- That's why the best investment we can make is to invest our lives in him and his kingdom.

James gives us perspectives on the insecurity of business in his letter:

The Bible says - James 4:13-14 (NKJV).

“Come now you who say, ‘today or tomorrow we will go to such and such a city, spend a year there, buy and sell, and make a profit’ whereas you do not know what will happen tomorrow. For what is your life? It is even a vapor that appears for a little time and then vanishes away”

Because of the big insecurity and risk that money and business always involve, it is important that we never have our trust in money but in God alone.

- Knowing the uncertainty in business and the safety with God, we can rest assured on the true rock in life, Jesus Christ.

Now this insight should not lead to an irresponsible and slack behavior, but should just make us aware of where our deepest foundation lays.

- Not in our ability to do business
- Not promising business opportunities
- But God alone!

When we are clear on where our deepest trust is, we need to have good strategies for how to cope with the uncertainty of business. Because of the innate risks always involved in business, we will need to know how to face risk in the best way.

We have our trust in heaven, but we don't live there yet. So how do we manage and handle risk in the best way?

★ *A strategy to handle risk is to:*

1. **Accept** risk
2. **Foresee** risk
3. **Prepare** for risk
4. **Take small risks** in the beginning
5. **Spread** your risks
6. **Prioritize** risk prevention
7. **Seek God**

✦ 2. Accept risk

You are exposed to risk every day, and if you don't want to take risks you will stop living.

If we try to avoid every kind of risk, fear will be an ever present companion and life will be extremely suffocating.

- We must accept that risk is part of life.

✦ *Risks and opportunities*

A common rule is that

- the bigger the opportunities and possible profits, the higher the risks.
- the lower the risks, the lower the possible profits and opportunities.

They are two sides of the same coin. Every situation will hold both of them.

✦ 3. Risk aversion

Each one of us is different in the way we can cope with the stress that risk places on us.

- Some can take a high stress level and are even thrilled by high risk taking.
- Others get easily nervous when risk is at hand, and thus like to avoid risk.

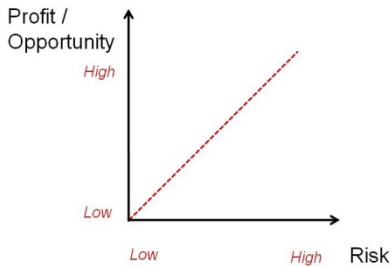
The relation we have to risk is called risk aversion.

- **High-risk aversion** means that we avoid taking risks.
- **Low risk aversion** means that we are willing to take risks because of the opportunities within.

✦ *What kind of person are you?*

- Are you a person who is willing to take risks, because you are an optimistic person, always seeing the opportunities in a situation? Entrepreneurs are usually high risktakers by nature.
- Or are you a person with high risk aversion, preferring safety?

One personality is not better than the other. Both sides are necessary to give a sound balance to business. And you must realize what kind of person you are to understand the level of risk you tend to expose yourself to. If necessary, seek input for your business from persons with the opposite relation to risk aversion.



14. Risk and business I

If you are a person who doesn't like to take risks, you might need to make sure that you do have a vision for what you are doing and dare to think some new thoughts.

- If not, you might be out of business when more aggressive competitors occur
- **If you are a high-risk taker**, you might need a sober-minded companion or wife/husband that can balance you from taking the most adventurous steps that can ruin your business.

None of us can choose only one side, only just focusing on either opportunity or risk.

- We need to find the right mix of these two sides in our planning and strategy.

✦ So before you start a business of your own, you need to ask yourself:

1. "What are the risks or the fears involved in starting a small business and working for myself?"
2. "What are the benefits of starting a small business?"

✦ 4. Doing business - Risks and benefits

The possible risks might be:

- "I will not have a fixed, dependable salary."
- "I will have to carry a big risk when I invest my money in a new business."
- "I might lose the whole investment and end up with a big debt."
- "I will have to work even harder than I am working now."
- "All my money will be tied up in one business idea."

✦ **The benefits might be:**

- "If unemployment is high where I live, I can create a job for myself."
- "I will help my community by keeping the business close to home."
- "I will earn extra income for my family."
- "I will be able to have my family to help earn money."
- "I will be able to make my own decisions."
- "I can become financially independent and create wealth."
- "I will have more control over my life."

✦ *Discussion*

Discussion

1. Am I a risk taker or do I prefer safety?
2. **What** kinds of risk might I face in the type of business I would like to do/ am doing?

✦ 5. Motivation to face risk in business

We must realize that one who does not dare, will never achieve anything.

Therefore, if we are to achieve anything, we must find the motivation to take risks.

- The motivation is connected to the benefits that we get in taking the risks.

Why do you want to take risks?

Make clear to yourself why you want to take this risk.

- What will be the benefit?

When you find the motive for risk-taking, you'll have your eyes focused on the right thing.

✦ 6. Return on investment (ROI) in the Bible

A basic principle

The Bible says - Mark 4:3-8 (NKJV)

“Listen! Behold, a sower went out to sow. And it happened, as he sowed, that some seed fell by the wayside; and the birds of the air came and devoured it, some fell on the stony ground, where it did not have much earth; and immediately it sprang up because it had no depth of the earth. But when the sun was up it was scorched, and because it had no root it withered away. And some seed fell among thorns; and the thorns grew up and choked it, and it yielded no crop. But other seed fell on good ground and produced: some thirtyfold, some sixty, and some a hundred”

Jesus taught here about the risks and opportunities in investing.

The seed in this parable refers to the word of God, but the same principle can be used to understand financial investments.

In the parable, the seed was invested in four different opportunities, but only one out of four gave a return. Three quarters of the opportunities were lost.

Still that one field, out of four, generated such good results that it gave at least 8 to 25 times more than all the seeds that were lost.

If each field received one seed, and four were sown in.

- Three produced no result.
- The one that did produce gave at least 30 grains back, that is about 8 times the total investment.

The maximum return was 100 grains on every four sown, 25 times the investment. Not a bad return!

- The risks were there, but the profits were bigger than the losses.

✦ *What can we learn from this?*

- The total profits can outdo the losses.
- We need to have a positive attitude towards taking risks.
- **Jesus was willing to take risks.** He sowed the gospel to many people, but only a few remained faithful followers after his death.

Out of those few followers that represented the good field, millions upon millions came to believe in Christ.

So be aware of risks and try to minimize/eliminate them, but your life must focus on the opportunities rather than the dangers.

✦ 7. Foresee risk

The Bible says – Prov. 27:12 (NKJV)

“A prudent man foresees evil and hides himself; the simple pass on and are punished”

To be opportunity focused does not mean that we can be naive and careless.

- Ignoring risks and threats is foolishness.
- We should be well-balanced in relation to risks and opportunities.

To be prudent and foresee possible or coming trouble will save you from much trouble.

A simple-minded and naive person will not go unpunished if he ignores possible troubles. He'll inflict a lot of pain on himself.

✦ Calculate the risks

You need to carefully calculate every risk that you might come to face in your business, and try to address them before they become a reality.

The more risks we are aware of and can identify, the lower is the probability that they will happen, because we can take preventive actions to avoid them becoming a reality.

Sometimes we desire success and profits so badly that we turn a blind eye to the risks. And because of this, we do not address the risks in time and reduce them.

If a risk is not addressed in time it might become a real threat and jeopardize the whole project we are involved in.

If we overestimate the easiness to reach success and underestimate the risk, we will underestimate the money and effort we need to put in to reach success in business.

Be conservative when calculating

Just realize that everything you attend to do will cost “double” the amount of money you planned from the beginning - and will take “triple” the amount of effort!

Over optimism and a superficial view of the price you have to pay for business success can create a lot of disappointment and deprive you of the success you actually can reach.

Many, who plan to start a business, do not take into consideration the trouble they might face. They have too rosy a view of the future. However, reality will be different.

- If you have not prepared enough to face trouble, your venture might not survive the setbacks.
- Don't only plan for a “best-case-scenario”, but also consider a “worst-case-scenario” and how to handle it.

Understand your vulnerability in times of success

We must also understand the weakness of human nature when everything goes our way. When the risks are evident and the problems big, we tend to see the risks more clearly and we are on our toes to address the risks we face.

But the biggest risks actually occur when the success is big and we become greedy for more success. We might feel invincible because of the success, and thus turn a blind eye on the existing risks and so take bigger risks than we can handle.

- This is a time to watch out; the fall might not be far away.

If we look at ours and others history, it seems like we human beings never learn to be sober during good times.

- Arrogance can so easily blind us.

We must take warning from the Bible

The Bible says – Prov. 16:18

“Pride goes before destruction and a haughty spirit before fall”

✦ 8. SWOT-analysis

A simple tool to assess risk is a SWOT analysis.

✦ What is SWOT?

In a SWOT, you write down Your Strength/ Weakness as a business man/woman and look at the possible Opportunity/Threat in your specific business situation.

✦ Example – SWOT for a prospect restaurant owner

Internal factors (in the business)

Helpful	Harmful
Strengths	Weaknesses
<p>Mrs X is good at cooking.</p> <p>Mrs X has inherited money, so she can invest</p> <p>Mr X is good at practical work.</p> <p>Grandma Y is good at cooking.</p> <p>Mother-in-law Mrs X is good at accounting</p> <p>Son X is very willing to assist after school hours.</p> <p>Son X speaks a little English.</p> <p>The planned location - Family members have a vast network in the area.</p> <p>Know a few service-minded people who might be interested in working with us.</p>	<p>Mrs X does not have very good social skills.</p> <p>Mrs X is not good at calculating.</p> <p>Mr X is a little lazy</p> <p>Mother-in-law Mrs X has a strong will.</p> <p>Unclear - Who will be the boss and have the last say?</p> <p>Financial strength – Have only money to cover 4 months without income.</p> <p>No experience in business.</p> <p>No experience in running a restaurant.</p>
Opportunities	Threats
<p>No other restaurants in the area.</p> <p>People speak about there being no place where you can have a decent meal.</p> <p>Lots of people with good salaries are living and working in the surrounding area.</p> <p>Traffic flow - All the time people are moving to and from in the area.</p>	<p>There might be other people planning to start restaurants in the area</p> <p>Potential over-establishment.</p> <p>Higher prices for meat, vegetables, fish</p> <p>Rumors that a big factory in the neighborhood will be closing down - many potential customers might be here no longer</p> <p>Dodgy landlord for the facilities?</p> <p>Not easy to find trust-worthy staff.</p>

External factors (environment)

PRAYER

“Heavenly Father

I thank you that my security is not in the riches of this world, but in the faithfulness of your love to me.

I ask that you will help me to understand how to face and handle risks in this world.

You have not given me a fearful spirit, but a spirit of love, faith and a sound mind.

Grant me the wisdom and the sensitivity to the Holy Spirit to overcome every risk in this world.”

In Jesus name! Amen

✦✦ Homework