Why Entrepreneurs Should Take Risks
Part 1

It's a known fact that <u>over thirty percent of startups fail within two years.</u> This isn't meant to scare you into avoiding starting your own business, but to showcase the reality of entrepreneurship. <mark><u>Successful entrepreneurship involves taking risks.</u></mark>

Countless entrepreneurs have taken risks to get their businesses to where they are now. Taking risks, however, does not mean going into business blindly and then expecting great results. Instead, successfully approaching risks requires careful planning and an underlying strategy.

Why do entrepreneurs take risks?

Every entrepreneur has a different reason for wanting to start their own business. That means you and every other entrepreneur are deciding to take different risks specific to your idea. However, the actual reason why entrepreneurs decide to take risks can be narrowed down to the following 5 reasons.

1. You will never know unless you try

Nobody can really be sure if risks will pay off, no matter how calculated they may be. But this should not stop you from taking risks. If you want your business to succeed, risks are necessary. According to a quote by Frederick Wilcox, *"Progress always involves risks. You can't steal second base and keep your foot on first."*

You don't know how the future will play out or if your business will be successful. However, you can plan ahead to help mitigate the potential for failure. Developing a business strategy, exploring financial scenarios, and revisiting initial performance are just a few ways to help you navigate the unknown. You'll never know unless you try, and you can at least set yourself up to handle different situations.

2. You learn from taking risks

Some risks may not pay off, but an optimistic risk-taker will always look at failure as an opportunity to learn. Social Media Examiner owner Michael Stelzner writes that the willingness to experiment with new ideas is key to business growth. As he puts it, *"nothing ventured, nothing gained."*

Failure will teach you how to think and plan strategically. Just remember that not all risks are good ones, and when you fail, learn from it and adjust your strategy. In fact, this type of thinking should become integrated

within the way you do business. Whether you succeed, fail or land somewhere in the middle, it's important to have a system in place that helps you analyze that performance.

3. Innovation and opportunity are tied to risk

Innovation involves changing how people do things. Combine that with the fact that customers have constantly changing demands and you have consistent opportunities for new business. It is about sharing and teaching what we know and putting new ideas into practice as a constant state of progress.

Business leaders accept risk as a cost of opportunity and innovation. They know it cannot happen if you will not accept the risk that your undertaking might fail. The level of risk may be lessened, however, if you make all possible calculations and evaluate which options are best before proceeding to the next step. The more clearly you can validate your idea or a specific direction, the more likely you are to succeed even if it's risky.

4. Those who take risks already have a competitive advantage

Since most people tend to avoid risk, those who are brave enough to take risks already have a competitive advantage. Similar to the concept of a first-mover advantage, when most individuals stay away from risk, that means less competition for risk-takers. This means if you've found a worthwhile opportunity, and no one else has jumped on it, you're the only business reaping the benefits and communicating with customers.

So anytime you're considering taking a risk, keep your competitors in mind. If you don't take the risk they may opt to do so instead. But as long as you understand the potential return, you can rest assured knowing whether it's a worthwhile risk or not.

5. Risk-takers may be more content and satisfied with their lives

Most people are not willing to take risks, but a study on risk-taking revealed that there is a link between willingness to take risks and personal satisfaction. You won't look back and dwell on what could have been or the fear you felt when facing uncertainty. Instead, you know what was on the other side of that "what-if" scenario and can feel proud of the fact that you were willing to take risks to grow your business.