**Chapter 2 Recognizing Opportunities and Generating Ideas**

1) Kathryn Kerrigan, the company profiled in the opening feature for Chapter 2, sells shoes.

Kerrigan's original idea for the company stemmed from her recognition that:

A) there were no athletic shoes specifically designed for older women

B) there were no fashionable shoes available for young girls

C) there were no low cost women's shoes available in the Chicago area

D) there were no small shoes available for petite women

E) there were no fashionable shoes available for tall women

Answer: E

2) A(n) \_\_\_\_\_\_\_\_ is a favorable set of circumstances that creates a need for a new product,

service, or business.

A) idea

B) scheme

C) design

D) proposal

E) opportunity

Answer: E

3) According to the textbook, opportunities are:

A) tough to spot

B) easy to spot in the service sector but tough to spot in the manufacturing sector

C) easy to spot in the manufacturing sector but tough to spot in the service sector

D) easy to spot

E) neither easy nor tough to spot

Answer: A

4) An opportunity has four essential qualities:

A) attractive, timely, durable, and anchored in a product, service, or business that creates or adds

value for its buyer or end user

B) practical, opportune, appropriate, and anchored in a product, service, or business that is

efficient and effective

C) realistic, striking, timely, and anchored in a product, service, or business that is timely

D) attention-getting, attractive, timely, and anchored in a product, service, or business that

creates or adds value for its buyer or end user

E) attractive, durable, resilient, and opportune

Answer: A

5) Kate Williams is starting a fashion boutique in an upscale mall near Kansas City. She wants to

open her store during the time period in which a business like hers can realistically enter the new

market. Kate is trying to open her business while the \_\_\_\_\_\_\_\_ is open.

A) safe harbor

B) window of opportunity

C) portal of entry

D) doorway of opportunity

E) safety zone

Answer: B

Diff: 2 Page Ref: 43

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

6) The term "window of opportunity," as discussed in Chapter 2, describes the time period in

which a firm can:

A) obtain funding or financing

B) hire new employees

C) obtain patent protection for a new product

D) realistically enter a new market

E) get government approval for a regulated product or service

Answer: D

7) Which of the following is correct regarding opportunities and ideas?

A) An opportunity and an idea are essentially the same thing.

B) An idea almost always meets the criteria of an opportunity.

C) An opportunity is a thought, an impression, or a notion.

D) An idea is a favorable set of circumstances that creates a need for a new product, service, or

business.

E) It's important to discern whether a particular idea meets the tests of an opportunity.

Answer: E

8) A(n) \_\_\_\_\_\_\_\_ is a thought, impression, or notion. A(n) \_\_\_\_\_\_\_\_ is a favorable set of

circumstances that creates the need for a new product, service, or business.

A) scheme, notion

B) opportunity, idea

C) idea, design

D) idea, opportunity

E) notion, scheme

Answer: D

9) Jason Carroll is thinking about starting a chain of fitness centers for people who are 50 years

old or older. Which of the following is not an appropriate criteria for Jason to test his idea

against?

A) Determine whether the "window of opportunity" is open.

B) Determine whether a fitness center for people who are 50 years or older meets the threshold

of being a good idea.

C) Determine the extent to which the notion takes advantage of an environmental trend, solves a

problem, or fills a gap in the marketplace.

D) Determine whether opening a fitness center for people 50 years old or older is timely.

E) Determine whether opening a fitness center for people 50 years old or older is a concept that

creates value for its buyer or end user.

Answer: B

10) The three ways to identify an opportunity include:

A) observing trends, solving a problem, and finding gaps in the marketplace

B) studying industry trade journals, talking to consumers, and solving a problem

C) observing trends, conducting brainstorming sessions, and studying industry trade journals

D) observing trends, talking to consumers, and finding gaps in the marketplace

E) reading books, solving a problem, and findings gaps in the marketplace

Answer: A

11) GasBuddy and GasPriceWatch.com are companies started to help consumers save money on

gas. Which environmental trend is most likely to have provided the impetus for the creation of

these companies?

A) regulatory changes

B) political changes

C) social forces

D) technological advances

E) economic forces

Answer: E

12) Economic forces impact the opportunities available to entrepreneurs. Which of the following

alternatives reflects a set of economic forces that would be of interest to entrepreneurs?

A) level of disposable income, new uses of old technologies, and new laws and regulations

B) new technologies, consumer spending patterns, and new laws

C) level of disposable income, consumer spending patterns, and level of interest rates

D) social and cultural trends, level of interest rates, and what people think is "in"

E) new changes in political areas, new laws, and level of disposable income

Answer: C

13) Which of the following is not an example of a social force?

A) changes in interest rates

B) increased interest in healthy foods

C) retirement of baby boomers

D) increased diversity of the workforce

E) increased interest in green products

Answer: A

14) The aging of the U.S. population has resulted in several new firms that have been founded to

help older Americans stay in their homes longer, as an alternative to assisted living or moving

into nursing homes. The aging of the U.S. population is an important \_\_\_\_\_\_\_\_ that is creating

opportunities in many areas for entrepreneurial firms.

A) economic force

B) regulatory force

C) legal force

D) technological advances

E) social force

Answer: E

15) The increasing number of spas opening in the United States is attributed to a jump in the

number of people trying to deal more effectively with mental health and wellness issues. The

increased emphasis on mental health and wellness in the United States is an important:

A) political trend

B) economic trend

C) legal trend

D) social trend

E) technological advances

Answer: D

16) Hulu.com allows people to watch television shows and movies on the Internet. Hulu.com's

business opportunity was made possible by \_\_\_\_\_\_\_\_ that enhanced the ability of television

shows and movies to be uploaded to the Internet and played by anyone with a suitable computer

and an Internet connection.

A) social forces

B) technological advances

C) legal changes

D) regulatory changes

E) economic forces

Answer: B

17) If a new firm was launched to help other firms comply with The Patriot Act, that opportunity

was created by:

A) changes in economic forces

B) demographic changes

C) changes in social forces

D) changes in technological forces

E) political actions and regulatory changes

Answer: E

18) GreatCall is a company that was started to produce cell phones for older people. Many cell

phones are too complicated and the buttons are too small for older people to effectively use.

Which of the following approaches to identifying an opportunity was most likely the impetus for

GreatCall?

A) observing trends

B) studying industry reports

C) solving a problem

D) talking to consumers

E) finding gaps in the marketplace

Answer: C

19) Hank Simms is a very capable computer programmer. Recently, he noticed a problem that

many programmers have, and thought of a solution to the problem that might represent an

opportunity for a new software product. Hank's idea for a new software product is an example of

a \_\_\_\_\_\_\_\_ discovery.

A) serendipitous

B) knowable

C) traditional

D) conventional

E) predictable

Answer: A

20) The Savvy Entrepreneurial Firm feature in Chapter 2 focuses on iHearSafe, ZUCA, and J.J.

Creations, three entrepreneurial startups. While each firm is different and is successful in its own

right, the main point of the feature is to illustrate that:

A) companies are often started by everyday people solving problems in their everyday lives

B) closely monitoring environmental trends is an effective way to identify business opportunities

C) one of the most important points to consider before launching a business is to determine if its

window of opportunity is open

1. finding gaps in the marketplace is an effective way of identifying business opportunities

E) both economic and social forces impact the opportunities available to entrepreneurs

Answer: A

21) Small clothing boutiques and specialty shops often start because there is a need for a

particular product but large retailers like Target, JC Penny, and Kohl's can't sell enough of the

item to stock it on their shelves. If a clothing boutique started to sell designer clothes or clothing

for hard-to-fit people because the clothing wasn't being offered by a larger retailer, the best way

to describe how that idea was recognized is:

A) finding a gap in the marketplace

B) brainstorming

C) observing trends

D) solving a problem

E) talking to consumers

Answer: A

22) Curves International, which was founded in 1992 by Gary Heavin, is a fitness center just for

women. At the time Curves was founded, most fitness centers targeted fitness enthusiasts and

included a number of amenities, ranging from showers and towel service to swimming pools.

Rather than competing head-to-head against these centers, Heavin opened a fitness center

targeted towards what he felt was an ignored part of the marketplace: women who wanted to lose

weight. The best way to describe how Heavin's business idea was recognized is:

A) brainstorming

B) talking to consumers

C) reading industry reports

D) observing trends

E) finding a gap in the marketplace

Answer: E

23) The process of perceiving the possibility of a profitable new business, product or service idea

is referred to as:

A) inspired detection

B) creative recognition

24) Which of the following statements is incorrect regarding the personal characteristics of

entrepreneurs?

A) Some people think that entrepreneurs have a "sixth sense" that allows them to see

opportunities that others miss.

B) The extent and depth of an individual's social network affects opportunity recognition.

C) Several studies show that prior experience in an industry actually blinds an entrepreneur to

the recognition of new opportunities in the same industry.

D) Creativity is the process of generating novel or useful ideas.

E) The corridor principle states that once an entrepreneur starts a firm, he or she begins a journey

down a path where "corridors" leading to new venture opportunities become apparent.

Answer: C

25) Frank Patterson started a firm in 2008 that creates and manufactures accessories for Harley-

Davidson motorcycles. He started with four accessories, and after several months added three

new accessories that have been very successful. The fact that Frank recognized the opportunity

for the three new accessories only after he started his firm and become immersed in the

motorcycle industry is an example of the \_\_\_\_\_\_\_\_ at work.

A) opportunity tenet

B) opportunity rule

C) chance rule

D) access principle

E) corridor principle

Answer: E

26) The ability to notice things without engaging in deliberate search is referred to as:

A) cognitive alertness

B) cognitive awareness

C) managerial alertness

D) entrepreneurial alertness

E) individual awareness

Answer: D

27) Melanie Meyers, who has launched several successful entrepreneurial firms, seems to have a

"sixth sense" that allows her to see opportunities that others miss. Melanie's ability is referred to

as:

A) individual awareness

B) cognitive alertness

C) entrepreneurial alertness

D) individual readiness

E) cognitive readiness

Answer: C

28) Which of the following statements is incorrect in regard to entrepreneurial alertness?

A) The research findings on entrepreneurial alertness are conclusive.

B) Alertness is largely a learned skill.

C) People who have more knowledge of an area tend to be more alert to opportunities in that area

than others.

D) The term "entrepreneurial alertness" is often associated with a "sixth sense" that seems to

allows some people to see opportunities that others miss.

E) Entrepreneurial alertness is defined as the ability to notice things without engaging in

deliberate search.

Answer: A

29) According to the textbook, in a survey of 65 start-ups, \_\_\_\_\_\_\_\_ of the founders reported

that they got their business ideas through social contacts.

A) 90 percent

B) 50 percent

C) 66 percent

D) 12 percent

E) 33 percent

Answer: B

30) An individual who identifies a business idea on his or her own is referred to as a:

A) separate entrepreneur

B) functional entrepreneur

C) lone entrepreneur

D) individual entrepreneur

E) solo entrepreneur

Answer: E

31) A network entrepreneur is an individual who identifies his or her business idea:

A) on their own

B) through the assistance of a paid consultant

C) through social contacts

D) with one or more partners

E) through a business incubator program

Answer: C

32) A solo entrepreneur is an individual who identified his or her business idea \_\_\_\_\_\_\_\_. A

network entrepreneur is an individual who identified his or her business idea \_\_\_\_\_\_\_\_.

A) through social contacts, on their own

B) through a business incubator program, through social contacts

C) on their own, through social contacts

D) through the assistance of a paid consultant, through social contacts

E) with one or more partners, on their own

Answer: C

33) \_\_\_\_\_\_\_\_ are characterized by frequent interactions that form between coworkers, friends,

and spouses.

A) Balanced relationships

B) Weak-tie relationships

C) Lateral-tie relationships

D) Moderate-tie relationships

E) Strong-tie relationships

Answer: E

34) Most of Karen's ideas come from interacting with coworkers, friends, her spouse, her

parents, and other people that share the same beliefs that she does. Karen is getting most of her

ideas through \_\_\_\_\_\_\_\_ relationships.

A) weak-tie relationships

B) social-tie relationships

C) strong-tie relationships

D) multiple-tie relationships

E) vertical-tie relationships

Answer: C

35) Alex has a number of casual acquaintances that he interacts with infrequently. The

relationships that Alex has with these people are referred to as: \_\_\_\_\_\_\_\_.

A) strong-tie relationships

B) moderate-tie relationships

C) lateral-tie relationships

D) weak-tie relationships

E) multiple-tie relationships

Answer: D

36) According to research in this area, it is more likely that an entrepreneur will get a new

business idea through a \_\_\_\_\_\_\_\_ relationship than the alternatives.

A) weak-tie

B) moderate-tie

C) vertical-tie

D) lateral-tie

E) strong-tie

Answer: A

Diff: 2 Page Ref: 55

Topic: Personal Characteristics of the Entrepreneur

37) \_\_\_\_\_\_\_\_ is the process of generating a novel or useful idea.

A) Innovation

B) Imagining

C) Creativity

D) Visualization

E) Envisioning

38) Which of the following represents the correct order of the five stages of the creative process?

A) preparation, incubation, elaboration, insight, evaluation

B) insight, preparation, incubation, elaboration, insight

C) preparation, incubation, insight, evaluation, elaboration

D) incubation, evaluation, insight, preparation, elaboration

E) incubation, preparation, evaluation, elaboration, insight

Answer: C

39) Marie is a very creative person. Often, when trying to generate a novel or useful idea, she

spends several days "mulling over" the idea, which is her way of thinking it through, at both the

conscious and unconscious level. The stage of the creative process that Marie is in while she is

mulling over an idea is referred to as:

A) preparation

B) insight

C) evaluation

D) elaboration

E) incubation

Answer: E

40) In the five-stage creative process, the flash of recognition, or what is sometimes referred to

as the "eureka" experience, occurs in the:

A) insight stage

B) preparation stage

C) incubation stage

D) elaboration stage

E) evaluation stage

Answer: A

41) \_\_\_\_\_\_\_\_ is (are) used to generate a number of ideas quickly.

A) Insight groups

B) Competitive intelligence gatherings

C) Examination groups

D) Survey groups

E) Brainstorming

42) Which of the following is not one of the rules for a formal brainstorming session?

A) no criticism is allowed

B) the session moves quickly

C) freewheeling is encouraged

D) leapfrogging is encouraged

E) the session is used for decision making

Answer: E

43) The number one rule for a brainstorming sessions is:

A) no criticism is allowed

B) no freewheeling is allowed

C) no leapfrogging is allowed

D) no more than 10 people are allowed to participate

E) no wild or unrealistic ideas are allowed

Answer: A

44) According to the textbook, a focus group is a gathering of 5 to 10 people who are selected

because:

A) they are most likely to purchase large amounts of the product or service being discussed

B) they responded to a self-selected opinion pool about the topic being discussed

C) of their relationship to the issue being discussed

D) they responded to a mail survey about the topic being discussed

E) they are spokespersons for the topic being discussed

Answer: C

45) According to the textbook, the best approach to utilizing a library for entrepreneurship-

related research is to:

A) discuss your general area of interest with a reference librarian

B) focus your efforts on studying newspapers and periodicals

C) focus your efforts on browsing through industry-related materials

D) discuss your general area of interest with other library patrons

E) focus your efforts on academic journals

Answer: A

46) An example of a valuable library resources is IBISWorld, which is a:

A) business publication

B) academic journal

C) Census Bureau publication

D) trade journal

E) database of industry-related information

Answer: E

47) To make sure that its customers are satisfied and to probe for new product ideas, Intuit

routinely sends employees to the facilities of their customers. This technique for generating new

business ideas is called:

A) brainstorming

B) day-in-the-life research

C) focus group

D) survey

E) customer advisory board

Answer: B

48) A(n) \_\_\_\_\_\_\_\_ is a physical or digital repository for storing ideas.

A) suggestion bank

B) idea depository

C) suggestion pool

D) idea bank

E) proposition pool

Answer: D

49) Which of the following is an example of how to encourage creativity at the organizational

level?

A) Maintain a "stiff" organizational culture with no room for different behaviors.

B) Elevate creativity's importance throughout the organization.

C) Pigeonhole employees; keep them in the same job for years.

D) Make no attempt to hire creative people.

E) Promote a mentality suggesting that the best solutions to all problems have already been

found.

Answer: B

50) Which of the following selections is an example of how to discourage creativity at the

individual level?

A) Protect people who make honest mistakes and are willing to learn from them.

B) Speculate, be open, and build on others' ideas.

C) Punish mistakes or failed ideas.

D) Deal with employees as equals to show that status isn't very important.

E) Listen attentively in order to acknowledge and provide early support to ideas.

Answer: C

51) An opportunity is a favorable set of circumstances that creates a need for a new product,

service, or business.

Answer: TRUE

52) An opportunity has four essential qualities: it is (1) rare, (2) attractive, (3) timely, and (4)

resilient.

Answer: FALSE

53) The term "window of opportunity" is a metaphor describing the time period in which a firm

Answer: TRUE

54) An opportunity is a thought, impression, or notion.

Answer: FALSE

55) The three ways to identify an opportunity include observing trends, solving a problem, and

finding gaps in the marketplace.

Answer: TRUE

56) Economic factors, social factors, technological advances, and political action and regulatory

changes are the most important trends to follow in trying to identify opportunities.

Answer: TRUE

57) Many specialty shops and boutiques exist because an entrepreneur recognized a gap in the

marketplace and started a firm to fill the gap.

Answer: TRUE

58) The term "opportunity recognition" refers to the process of perceiving the possibility of a

profitable new business or a new product or service.

Answer: TRUE

59) Several studies have shown that prior experience in an industry blinds an entrepreneur to

potential business opportunities in the same industry.

Answer: FALSE

60) Most entrepreneurs believe they are more "alert" than others.

Answer: TRUE

61) Strong-tie relationships are characterized by infrequent interaction and ties between casual

acquaintances.

Answer: FALSE

62) It is more likely that an entrepreneur will get a new business idea through a weak-tie than a

strong-tie relationship.

Answer: TRUE

63) The five stages of the creative process include preparation, incubation, insight, evaluation,

and elaboration.

Answer: TRUE

64) Evaluation is the stage of the creative process during which an idea is subjected to scrutiny

and analyzed for its viability.

Answer: TRUE

65) Elaboration is the stage of the creative process when the solution to a problem is seen or an

idea is born.

Answer: FALSE

66) Brainstorming is used to generate a number of ideas quickly.

Answer: TRUE

67) Brainstorming sessions are designed to move slowly, so ideas can be presented and

evaluated.

Answer: FALSE

68) A focus group is a gathering of 5 to 10 people who are selected because of their relationship

to the issue being discussed.

Answer: TRUE

Diff: 2 Page Ref: 59

Topic: Personal Characteristics of the Entrepreneur

69) An idea bank is a physical or digital repository for storing ideas.

Answer: TRUE

70) Creativity and innovation are almost identical concepts.

Answer: FALSE

71) Describe the difference between an idea and an opportunity. Why is the distinction

important?

Answer: An opportunity is a favorable set of circumstances that creates a need for a new

product, service, or business. An opportunity has four essential qualities: it is (1) attractive, (2)

durable, (3) timely, and (4) is anchored in a product, service, or business that creates or adds

value for its buyer of end user. In contrast, an idea is a thought, impression, or notion. It may or

may not meet the criteria of an opportunity. This distinction between an idea and an opportunity

is important because many entrepreneurial ventures fail not because the entrepreneurs that

launched them didn't work hard, but rather because there was no real opportunity to begin with.

72) Describe the three separate ways that entrepreneurs identify new business, product, and

service opportunities?

Answer: The three ways that entrepreneurs identify new business, product, and service

opportunities are through observing trends, solving a problem, and finding gaps in the

marketplace.

The first approach to identifying opportunities is to observe trends and study how they create

opportunities to pursue. Economic forces, social factors, technological advances, and political

action and regulatory changes are the most important trends to follow. The second approach to

identifying opportunities is solving a problem. Sometimes identifying opportunities simply

involves noticing a problem and finding a way to solve it. These problems can be pinpointed

through observing trends and through more simple means, such as intuition, serendipity, or

chance. The third approach is finding gaps in the marketplace. This approach is accomplished by

finding a need that customers have that is not being satisfiedby either large, established firms or

entrepreneurial ventures. Large retailers like Wal-Mart, Costco, and Home Depot compete

primarily on price by serving large groups of customers with similar needs. They do this by

offering the most popular items targeted towards mainstream consumers. While this approach

allows the large retailers to achieve economies of scale, it leaves gaps in the marketplace.

Entrepreneurs step in to start businesses to fill these gaps. There are also gaps in the marketplace

that represent consumer needs that aren't being met by anyone.

73) Describe the difference between strong-tie and weak-tie relationships. Is it more likely that

an entrepreneur will get new ideas through strong-tie or weak-tie relationships?

Answer: Strong-tie relationships are characterized by frequent interaction and form between

coworkers, friends, and spouses. Weak-tie relationships are characterized by infrequent

interaction and form between casual acquaintances. According to research in this area, it is more

likely that an entrepreneur will get a new business idea through a weak-tie than a strong-tie

relationship because strong-tie relationships, which typically form between like-minded

individuals, tend to reinforce insights and ideas the individuals already have. Weak-tie

relationships, on the other hand, which form between casual acquaintances, are not as apt to be

between like-minded individuals, so one person may say something to another that sparks a

completely new idea.

74) Describe how brainstorming can help facilitate the generation of ideas, and outline the four

rules for conducting a brainstorming session.

Answer: Brainstorming is a technique that is used to generate a number of ideas quickly. Among

the purposes a brainstorming session could be used for, is the generation of new business,

product, or service ideas.

In a brainstorming session, the leader of the group of people is instructed to come up with ideas.

One person shares an idea, another person reacts to it, another person reacts to the reaction, and

so on. A flip chart is typically used to record all the ideas. A productive session is freewheeling

and lively. The main objective is to create an atmosphere of enthusiasm and originality where

lots of ideas are generated. The four strict rules of brainstorming are as follows:

1. No criticism is allowed.

2. Freewheeling is encouraged; the more ideas, the better.

3. The session moves quickly, and nothing is permitted to slow down the pace.

4. Leapfrogging is encouraged. This means using one idea as a means of jumping forward

quickly to other ideas.

1. Describe how library and Internet research can be used to generate new business ideas.

Answer: Library and Internet research are important tools for generating business ideas. A

natural tendency is to think that an idea should be chosen, the process of researching the idea

should then begin. This approach is too linear. Often, the best ideas emerge when the general

notion of an idea, like creating casual electronic games for adults, is merged with extensive

library and Internet research, which might provide insights into the best types of casual games to

create. The best approach to utilizing a library is to discuss your general area of interest with a

reference librarian, who can point you to useful resources, such as industry-specific magazines,

trade journals, and industry reports. Simply browsing through several issues of a trade journal

can spark new ideas. Internet research is also important. If you are starting from scratch, simply

typing "new business ideas" into Google or Yahoo! will produce links to newspaper and

magazine articles about the "hottest" and "latest" new business ideas. If you have a specific idea

in mind, a useful technique is to set up a Google or Yahoo! e-mail alert using keywords that

pertain to your topic of interest. The Internet can also be used for specific searches and to access

blogs that provide insightful information on almost any topic.