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Entrepreneurship: Successfully Launching New Ventures, 5e (Barringer/Ireland)

Chapter 1 Introduction to Entrepreneurship

1) Pure Fix Cycles, the company profiled in the opening feature of Chapter 1, was launched by four co-founders and sells _____.

- A) fixed gear, single speed bikes
- B) entry level bikes that sell in the \$100 price range
- C) bikes that are durable enough that they almost never need to be fixed
- D) high quality bikes that sell in the \$1,000+ price range
- E) multiple gear, multiple speed bikes

Answer: A

Diff: 1 Page Ref: 3

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Reflective Thinking

2) Which of the following is an accurate characterization of interest in entrepreneurship?

- A) There is minimal interest in entrepreneurship across the world.
- B) There is minimal interest in entrepreneurship in North America and Europe, but significant interest in Asia and Australia.
- C) There is significant interest in entrepreneurship in North America and Europe, but minimal interest in Asia and Australia.
- D) While interest in entrepreneurship was once high, it is waning in popularity across the world.
- E) There is tremendous interest in entrepreneurship across the world.

Answer: E

Diff: 1 Page Ref: 3

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Application of Knowledge

3) According to the Global Entrepreneurship Monitor (GEM) 2013 survey, about _____ percent of adults in the United States are either starting a business or are running a business that has been in existence for less than 3 1/2 years.

- A) 3.8
- B) 5.5
- C) 7.6
- D) 9.0
- E) 12.7

Answer: E

Diff: 3 Page Ref: 5

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Application of Knowledge

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4) According to the Global Entrepreneurship Monitor (GEM) 2013 study, the majority of people in high-income countries are drawn to entrepreneurship _____.

- A) to take advantage of an attractive opportunity
- B) due to lack of career prospects
- C) as a result of government incentives
- D) because an important role model was an entrepreneur
- E) to gain prestige

Answer: A

Diff: 2 Page Ref: 5

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Reflective Thinking

5) Which of the following statements regarding survival rates of entrepreneurial firms in the United States is correct?

- A) As high as 50 percent after four years
- B) As high as 60 percent after four years
- C) As high as 70 percent after four years
- D) As high as 80 percent after four years
- E) As high as 90 percent after four years

Answer: A

Diff: 2 Page Ref: 6

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Reflective Thinking

6) Cody Rodgers is the founder of a company named Extreme Sports Apparel. The company makes apparel products for extreme sports enthusiasts such as rock climbers, triathletes, skateboarders, and BMX bikers. Cody wants his company to pursue a high level of corporate entrepreneurship. To achieve that goal, Cody's firm should be _____.

- A) innovative, risk averse, and take a "wait and see" posture
- B) taking a "wait and see" posture, innovative, and risk taking
- C) proactive, not innovative, and risk taking
- D) taking a "wait and see" posture, not innovative, and risk averse
- E) proactive, innovative, and risk taking

Answer: E

Diff: 2 Page Ref: 6

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Analytical Thinking

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7) Google is a firm that is proactive, innovative and risk-taking. From this description, we can most accurately conclude that Google has a high level of _____.

- A) enterprise focus
- B) innovative intensity
- C) entrepreneurial intensity
- D) creative intensity
- E) innovative concentration

Answer: C

Diff: 2 Page Ref: 7

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Reflective Thinking

8) Apple is an established firm that encourages and emphasizes entrepreneurial behavior throughout its various divisions. According to the textbook, Apple practices _____ entrepreneurship.

- A) tactical
- B) corporate
- C) strategic
- D) business
- E) enterprise

Answer: B

Diff: 2 Page Ref: 7

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Reflective Thinking

9) According to the opening feature on Pure Fix Cycles, one of the biggest challenges the startup now faces is an increasingly competitive marketplace.

Answer: TRUE

Diff: 1 Page Ref: 3

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Reflective Thinking

10) According to the results of the GEM 2013 survey, about 1 out of every 8 American adults is actively engaged in starting a business or is the owner/manager of a business that is less than 3 1/2 years old.

Answer: TRUE

Diff: 2 Page Ref: 5

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Application of Knowledge

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11) According to reliable statistics, 9 out of 10 businesses fail in their first few years of existence.

Answer: FALSE

Diff: 2 Page Ref: 5

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Reflective Thinking

12) Entrepreneurship is the process by which individuals pursue opportunities within the constraints of the resources they control.

Answer: FALSE

Diff: 1 Page Ref: 6

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Reflective Thinking

13) Established firms with an entrepreneurial emphasis are proactive, innovative, and risk-taking.

Answer: TRUE

Diff: 2 Page Ref: 7

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Analytical Thinking

14) What is entrepreneurship? What is the essence of entrepreneurial behavior?

Answer: Entrepreneurship is the process by which individuals pursue opportunities without regard to the resources they currently control. The essence of entrepreneurial behavior is identifying opportunities and putting useful ideas into practice.

Diff: 1 Page Ref: 6

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Reflective Thinking

15) Describe the three primary reasons that people become entrepreneurs and start their own firms.

Answer: The three primary reasons that people become entrepreneurs and start their own firms are to (1) be their own boss, (2) pursue their own ideas, and (3) realize financial rewards.

The first of these reasons-being one's own boss-is given most commonly. Many entrepreneurs want to be their own boss because either they have had a long-time ambition to own their own firm or they have become frustrated working in traditional jobs. The second reason people start their own firms is to pursue their own ideas. Some people are naturally alert, and when they recognize ideas for new products or services, they have a desire to see those ideas realized. The third reason people start their own firms is to pursue financial rewards. This motivation, however, is typically secondary to the first two.

Diff: 2 Page Ref: 7

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Reflective Thinking

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16) The three primary reasons that people become entrepreneurs and start their own firms are to _____.

- A) gain prestige, realize financial rewards, and eliminate risk in their lives
- B) do what they were "born" to do, be their own boss, and gain prestige
- C) take big risks, be their own boss, and do what they were "born" to do
- D) be their own boss, pursue their own ideas, and realize financial rewards
- E) take advantage of government subsidies, pursue their own ideas, and realize financial rewards

Answer: D

Diff: 2 Page Ref: 7

LO: 1.2: Discuss three main reasons people decide to become entrepreneurs.

AACSB: Reflective Thinking

17) According to the textbook, the number one reason that people become entrepreneurs is to _____.

- A) realize financial rewards
- B) gain prestige
- C) be their own boss
- D) continue a family tradition
- E) pursue their own ideas

Answer: C

Diff: 1 Page Ref: 7

LO: 1.2: Discuss three main reasons people decide to become entrepreneurs.

AACSB: Reflective Thinking

18) Kasey Stevenson is starting a firm in the women's clothing industry primarily to pursue financial rewards. According to the textbook, starting a business to make a lot of money _____.

- A) often fails to live up to its hype
- B) is equally as satisfying as other reasons for starting a business
- C) is the number one reason people start their own business
- D) is the number two reason that people start their own business, right behind the lack of better career prospects
- E) does not rank among the top three reasons that people start their own business

Answer: A

Diff: 2 Page Ref: 8

LO: 1.2: Discuss three main reasons people decide to become entrepreneurs.

AACSB: Reflective Thinking

19) The number one reason that people become entrepreneurs is to pursue financial rewards.

Answer: FALSE

Diff: 2 Page Ref: 7

LO: 1.2: Discuss three main reasons people decide to become entrepreneurs.

AACSB: Reflective Thinking

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20) According to the textbook, the four characteristics of successful entrepreneurs are _____.

- A) passion for the business, on the cutting edge of technological change, very charismatic, and tenacity despite failure
- B) young and energetic, passion for the business, product/customer focus, and seeks recognition
- C) passion for the business, tenacity despite failure, product/customer focus, and execution intelligence
- D) on the cutting edge of technological change, forward thinking, tenacity despite failure, and product/customer focus
- E) passion for the business, seeks recognition, young and energetic, and execution intelligence

Answer: C

Diff: 2 Page Ref: 9

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Reflective Thinking

21) The number one characteristic shared by successful entrepreneurs is _____.

- A) a desire to achieve financial rewards
- B) a passion for the business
- C) a desire to employ other people
- D) a desire to fulfill a lifetime dream
- E) a desire to bring a revolutionary new product or service to market

Answer: B

Diff: 2 Page Ref: 9

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Reflective Thinking

22) According to the textbook, the passion that motivates people to launch entrepreneurial firms typically stems from the entrepreneur's belief that the business will _____.

- A) positively influence people's lives
- B) make a lot of money
- C) increase his or her prestige
- D) lead to a high-level job in the corporate sector
- E) provide for a secure retirement

Answer: A

Diff: 2 Page Ref: 9

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Reflective Thinking

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23) Which of the following was not identified in the textbook as one of the five primary reasons passion is important for the launch of a successful entrepreneurial organization?

- A) The ability to stick to a plan even when faced with evidence that changes are needed
- B) A willingness to work hard for an extended period of time
- C) The ability to overcome setbacks and "no's"
- D) The ability to listen to feedback on the limitations of your organization and yourself
- E) The ability to learn and iterate.

Answer: A

Diff: 3 Page Ref: 10

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Analytical Thinking

24) The What Went Wrong? feature in Chapter 1 focuses on Prim, a failed startup in the laundry industry. According to the feature, Prim failed largely as a result of _____.

- A) lack of product/customer focus
- B) poor intellectual property protection
- C) the individuals who started the firm were too young and inexperienced
- D) poor execution intelligence
- E) a lack of passion and resolve

Answer: E

Diff: 2 Page Ref: 11

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Reflective Thinking

25) Stacey Wills, who is at heart a craftsperson, recently started a firm to manufacturer a new innovative food blender. Stacey's desire is to sell her food blender to as many people as possible because she firmly believes in the merits of her product. Stacey's story best illustrates which of the following characteristics, or attributes, of a successful entrepreneur?

- A) Product/customer focus
- B) Execution intelligence
- C) Tenacity despite failure
- D) A desire to please consumers
- E) A desire to gain financial rewards

Answer: A

Diff: 1 Page Ref: 12

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Analytical Thinking

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26) Alex and Patty Webb launched a firm several years ago and have been particularly successful in introducing new products to the marketplace. One thing that Alex and Patty are particularly good at is translating their thoughts, creativity, and imaginations into products that reach the marketplace. The ability to make this happen is most closely related to which of the following characteristics of successful entrepreneurs?

- A) A passion for the business
- B) Execution intelligence
- C) Tenacity despite failure
- D) Product/market focus
- E) A desire for recognition

Answer: B

Diff: 2 Page Ref: 13

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Reflective Thinking

27) The Savvy Entrepreneurial Firm feature in Chapter 1 focuses on Pandora, the Internet streaming music company. The feature's main purpose is to illustrate the importance of _____ as a key characteristic of the founders and employees of entrepreneurial firms.

- A) execution intelligence
- B) a desire to pursue financial rewards
- C) tenacity despite failure
- D) passion for the business
- E) product/customer focus

Answer: C

Diff: 3 Page Ref: 14

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Analytical Thinking

28) The number one characteristic shared by successful entrepreneurs is passion for the business.

Answer: TRUE

Diff: 1 Page Ref: 9

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Reflective Thinking

29) The four main characteristics of successful entrepreneurs are: passion for the business, execution intelligence, product/customer focus, and tenacity despite failure.

Answer: TRUE

Diff: 2 Page Ref: 9

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Reflective Thinking

30) The passion that entrepreneurs have typically stems from the ability to pursue their own ideas.

Answer: FALSE

Diff: 3 Page Ref: 9

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Reflective Thinking

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31) Describe the four main characteristics of successful entrepreneurs.

Answer: The four main characteristics of successful entrepreneurs are: passion for the business, product/customer focus, tenacity despite failure, and execution intelligence. The number one characteristic shared by successful entrepreneurs is passion for their business, whether it is in the context of a new firm or an existing business. This passion typically stems from the entrepreneur's belief that the business will positively influence people's lives. A second defining characteristic of successful entrepreneurs is a product/customer focus. This characteristic underscores two of the most important elements in any business-products and customers. The third characteristic of successful entrepreneurs is tenacity despite failure. Because entrepreneurs are typically trying something new, the failure rate associated with their efforts is naturally high. The litmus test for entrepreneurs is their ability to persevere through setbacks and failures. The fourth characteristic of successful entrepreneurs is execution intelligence. The ability to effectively execute a business idea means developing a business model, putting together a new venture team, raising money, establishing partnerships, managing finances, leading and motivating employees, and so on.

Diff: 2 Page Ref: 9

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Reflective Thinking

32) Which of the following is not one of the five common myths about entrepreneurs?

- A) Entrepreneurs are tenacious.
- B) Entrepreneurs are moderate risk takers.
- C) Entrepreneurs should be young and energetic.
- D) Entrepreneurs love the spotlight.
- E) Entrepreneurs are born not made.

Answer: A

Diff: 2 Page Ref: 14

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Reflective Thinking

33) According to the textbook, entrepreneurs are _____.

- A) gamblers
- B) moderate risk takers
- C) aggressive risk takers
- D) forceful risk takers
- E) minimal risk takers

Answer: B

Diff: 2 Page Ref: 15

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Reflective Thinking

Full download link: <https://bit.ly/2Hr6PXF>

34) Which of the following was not identified in the textbook as one of the common traits and characteristics of entrepreneurs?

- A) Lengthy attention span
- B) Self-starter
- C) Tolerant of ambiguity
- D) Tenacious
- E) Pessimistic disposition

Answer: E

Diff: 3 Page Ref: 16

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Reflective Thinking

35) Suppose you are a Small Business Development Center counselor and you're looking at the personality profiles of five potential entrepreneurs. Based on the profiles, which individual has the most desirable mix of personal characteristics to become a successful entrepreneur?

- A) Candidate A: visionary, energetic, moderate risk taker
- B) Candidate B: seeks recognition, self-starter, creative
- C) Candidate C: visionary, high-risk taker, energetic
- D) Candidate D: high-risk taker, achievement-motivated, networker
- E) Candidate E: tolerant for ambiguity, seeks recognition, motivated primarily by money

Answer: A

Diff: 3 Page Ref: 16

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Reflective Thinking

36) Which of the following is not a personality trait or characteristic common among entrepreneurs?

- A) Promoter
- B) Visionary
- C) Short attention span
- D) Alert to opportunities
- E) Self-starter

Answer: C

Diff: 3 Page Ref: 16

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Reflective Thinking

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37) Which of the following statements is correct regarding entrepreneurial activity and age ranges?

- A) The highest percentage of entrepreneurs falls in the 18 to 29 age range.
- B) The highest percentage of entrepreneurs falls in the 30 to 39 age range.
- C) The highest percentage of entrepreneurs falls in the 40 to 49 age range.
- D) The highest percentage of entrepreneurs falls in the 50 to 59 age range.
- E) The highest percentage of entrepreneurs falls in the 60+ age range.

Answer: B

Diff: 2 Page Ref: 17

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Application of Knowledge

38) Which of the following statements is incorrect regarding entrepreneurial activity and age range?

- A) The highest percent of business owners fall in the 30-39 age range.
- B) The lowest percent of business owners fall in the 60+ age rage.
- C) The majority of business founders have no prior work experience.
- D) The majority of individuals who start companies are in their thirties and forties.
- E) Entrepreneurial activity is fairly evenly spread out over age ranges.

Answer: C

Diff: 2 Page Ref: 17

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Analytical Thinking

39) According to Chapter 1, investors often cite the _____ as their most important criterion in the decision to fund new ventures.

- A) financial position of the new venture
- B) strength of the industry the new firm is entering
- C) strength of the new venture's marketing plan
- D) strength of the business idea
- E) strength of the entrepreneur

Answer: E

Diff: 2 Page Ref: 17

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Reflective Thinking

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- 40) According to Chapter 1, a sentiment that venture capitalists often express is that _____.
A) the strength of the entrepreneur and the strength of the business idea are of equal importance
B) they would never fund a strong entrepreneur with a weak business idea
C) they would rather fund a strong entrepreneur with a mediocre business idea than fund a strong business idea with a mediocre entrepreneur
D) a new venture's marketing plan is more important than either the strength of the entrepreneur or the strength of the business idea
E) they would rather fund a strong business idea with a mediocre entrepreneur than fund a strong entrepreneur with a mediocre business idea

Answer: C

Diff: 3 Page Ref: 17

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Analytical Thinking

41) Pacific Fishing LLC is a startup that is working on a new technology for the fishing industry. Because the technology it's working on is highly proprietary, the company is located in the warehouse district of a large western city. Pacific's founder, Ray Sims, rarely gives interviews and is careful to not divulge much about what the company is doing. Which of the following common myths about entrepreneurs does the behavior of its founder, Ray Sims, dispel?

- A) Entrepreneurs are born, not made.
B) Entrepreneurs are gamblers.
C) Entrepreneurs are motivated primarily by money.
D) Entrepreneurs should be young and energetic.
E) Entrepreneurs love the spotlight.

Answer: E

Diff: 2 Page Ref: 17

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Reflective Thinking

42) According to the consensus of the research, some people are genetically predisposed to be entrepreneurs.

Answer: FALSE

Diff: 2 Page Ref: 15

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Analytical Thinking

43) Entrepreneurs are usually moderate, rather than high, risk-takers.

Answer: TRUE

Diff: 3 Page Ref: 15

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Reflective Thinking

44) Entrepreneurs are motivated primarily by money.

Answer: FALSE

Diff: 2 Page Ref: 16

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Reflective Thinking

45) According to the textbook, there are three types of startup firms: _____.

- A) lifestyle firms, general firms, and entrepreneurial firms
- B) standard-of-living firms, statutory firms, and general firms
- C) entrepreneurial firms, standard-of-living firms, and statutory firms
- D) lifestyle firms, salary-substitute firms, and entrepreneurial firms
- E) innovative firms, entrepreneurial firms, and standard firms

Answer: D

Diff: 2 Page Ref: 18

LO: 1.5: Describe the three types of start-up firms.

AACSB: Reflective Thinking

46) Colorado Sandwich, Soup and Salad is a casual dining restaurant that has been owned by Stephanie Peterson for the past 14 years. The restaurant offers a menu that is typical for casual dining restaurants and affords Stephanie a level of income that is similar to what she would earn in a conventional job. According to the textbook, Colorado Sandwich, Soup and Salad is an example of a(n) _____ firm.

- A) salary-substitute
- B) entrepreneurial
- C) quality-of-life
- D) lifestyle
- E) industry-standard

Answer: A

Diff: 2 Page Ref: 18

LO: 1.5: Describe the three types of start-up firms.

AACSB: Reflective Thinking

47) Montana Sky Trails leads multiday outdoor adventure trips for private groups and corporate clients to various locations across Montana. The company was started by Justin Smith, an individual that gave up a prestigious job in banking because Montana Sky Trails better accommodates his personal lifestyle. Montana Sky Trails is an example of a(n) _____ firm.

- A) entrepreneurial
- B) salary-substitute
- C) standard-of-living
- D) statutory
- E) lifestyle

Answer: E

Diff: 1 Page Ref: 18

LO: 1.5: Describe the three types of start-up firms.

AACSB: Reflective Thinking

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48) Entrepreneurial firms _____.

- A) are small firms that yield a level of income for their owner(s) that is similar to what they would earn when working for an employer
- B) bring to market new products and services that are not particularly innovative
- C) offer to customers common products that are not particularly innovative, and provide their owner(s) the opportunity to pursue a particular lifestyle and earn a living while doing so
- D) provide their owner(s) the opportunity to pursue a particular lifestyle and earn a living while doing so
- E) bring new products and services to market by creating and seizing opportunities

Answer: E

Diff: 2 Page Ref: 18

LO: 1.5: Describe the three types of start-up firms.

AACSB: Analytical Thinking

49) According to the textbook, Dropbox, Facebook, and LinkedIn are examples of _____ firms.

- A) lifestyle
- B) salary-substitute
- C) industry-standard
- D) entrepreneurial
- E) standard-of-living

Answer: D

Diff: 1 Page Ref: 18

LO: 1.5: Describe the three types of start-up firms.

AACSB: Reflective Thinking

50) The Partnering for Success feature in Chapter 1 focuses on start-up incubators and accelerators. According to the feature, participating in a start-up incubator or accelerator is an excellent way to _____.

- A) learn how to write a business plan
- B) prepare to become a franchisor
- C) gain access to mentors, partners and investors
- D) learn how to conduct an industry analysis
- E) prepare for a job in a major corporation

Answer: C

Diff: 2 Page Ref: 19

LO: 1.5: Describe the three types of start-up firms.

AACSB: Reflective Thinking

51) In terms of the "types" of startup firms, entrepreneurial firms bring new products and services to market.

Answer: TRUE

Diff: 1 Page Ref: 18

LO: 1.5: Describe the three types of start-up firms.

AACSB: Analytical Thinking

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52) Identify the three types of startup firms, and discuss how they differ. Provide examples of each type of firm.

Answer: The three types of startup firms are: salary-substitute firms, lifestyle firms, and entrepreneurial firms. Salary-substitute firms are small firms that afford their owners a level of income similar to what they would earn in a conventional job. Examples of salary-substitute firms are dry cleaners, convenience stores, restaurants, accounting firms, retail stores, and hairstyling salons. Lifestyle firms provide their owner or owners the opportunity to pursue a particular lifestyle and earn a living while doing so. Examples of lifestyle firms include ski instructors, golf pros, and tour guides. Entrepreneurial firms bring new products and services to market by creating and seizing opportunities. There are many examples of entrepreneurial firms in computer software, biotechnology, and medical devices.

Diff: 2 Page Ref: 18

LO: 1.5: Describe the three types of start-up firms.

AACSB: Reflective Thinking

53) Which of the following statements is not true about women-owned businesses in the United States?

- A) The number of women-owned businesses is decreasing.
- B) A total of 33 percent of women-owned businesses are owned by minorities.
- C) In some industries, women own a significant share of the business.
- D) The number of groups that support and advocate for women-owned businesses continues to increase.
- E) Between 1997 and 2013, the number of women-owned businesses increased at a rate of one-and-a-half times the national average.

Answer: A

Diff: 2 Page Ref: 20

LO: 1.6: Discuss the changing demographics of entrepreneurs in the United States.

AACSB: Reflective Thinking

54) There has been _____ in the number of minority entrepreneurs in the United States over the past several years.

- A) a moderate increase
- B) a substantial decrease
- C) no meaningful change
- D) a substantial increase
- E) a moderate decrease

Answer: D

Diff: 2 Page Ref: 21

LO: 1.6: Discuss the changing demographics of entrepreneurs in the United States.

AACSB: Reflective Thinking

Full download link: <https://bit.ly/2Hr6PXF>

55) Which of the following was not given in the textbook as a reason for the increase in the number of senior entrepreneurs?

- A) Seniors tend to be more passionate about new business ideas than middle-aged or younger prospective entrepreneurs.
- B) Many seniors have extensive business experience and other qualities that equip them for an entrepreneurial career.
- C) Growing worries among seniors that they need to earn additional income to pay for future health care services and other expenses
- D) An increasing desire among older workers for more personal fulfillment in their lives
- E) Corporate downsizing

Answer: A

Diff: 2 Page Ref: 21

LO: 1.6: Discuss the changing demographics of entrepreneurs in the United States.

AACSB: Reflective Thinking

56) According to a recent Gallop survey, about _____ percent of kids in grades 5-12 say they plan to start their own business.

- A) 10
- B) 20
- C) 30
- D) 40
- E) 50

Answer: D

Diff: 3 Page Ref: 21

LO: 1.6: Discuss the changing demographics of entrepreneurs in the United States.

AACSB: Reflective Thinking

57) Over the past 10 years, the demographic makeup of entrepreneurial firms has remained fairly stable in the United States and around the world.

Answer: FALSE

Diff: 2 Page Ref: 20

LO: 1.6: Discuss the changing demographics of entrepreneurs in the United States.

AACSB: Reflective Thinking

58) Although interest in entrepreneurship remains high nationwide, the number of women-owned businesses is decreasing.

Answer: FALSE

Diff: 2 Page Ref: 20

LO: 1.6: Discuss the changing demographics of entrepreneurs in the United States.

AACSB: Application of Knowledge

59) Unfortunately, statistics show that there is very little interest in entrepreneurship among young people in the United States.

Answer: FALSE

Diff: 2 Page Ref: 21

LO: 1.6: Discuss the changing demographics of entrepreneurs in the United States.

AACSB: Reflective Thinking

60) As new products that are better than the existing generation of products are introduced, sales normally increase because the new products provide consumers increased value or worth. This process, which is called _____, stimulates economic activity, which is a good thing for the economy.

- A) creative destruction
- B) repetitive destruction
- C) iterative replacement
- D) inventive replacement
- E) iterative destruction

Answer: A

Diff: 2 Page Ref: 22

LO: 1.7: Discuss the positive effects of entrepreneurship and entrepreneurial firms on economies and societies.

AACSB: Analytical Thinking

61) In the book *The Theory of Economic Development*, _____ argued that entrepreneurs develop new products and technologies that, over time, make current products and technologies obsolete. This process is called creative destruction.

- A) Malcolm Gladwell
- B) Seth Godin
- C) Joseph Schumpeter
- D) Thomas Friedman
- E) Jim Collins

Answer: C

Diff: 2 Page Ref: 22

LO: 1.7: Discuss the positive effects of entrepreneurship and entrepreneurial firms on economies and societies.

AACSB: Reflective Thinking

62) According to the textbook, entrepreneurship has historically had _____.

- A) a major impact on the economy and minor impact on society
- B) a minor impact on both the economy and society
- C) a major impact on society and minor impact on the economy
- D) a major impact on both the economy and society
- E) no impact on either the economy or society

Answer: D

Diff: 1 Page Ref: 22

LO: 1.7: Discuss the positive effects of entrepreneurship and entrepreneurial firms on economies and societies.

AACSB: Reflective Thinking

Full download link: <https://bit.ly/2Hr6PXF>

63) _____ is the process of creating something new, which is central to the entrepreneurial process.

- A) Creative destruction
- B) Modernism
- C) Execution
- D) Creativity
- E) Innovation

Answer: E

Diff: 1 Page Ref: 24

LO: 1.7: Discuss the positive effects of entrepreneurship and entrepreneurial firms on economies and societies.

AACSB: Reflective Thinking

64) In regard to patent activity (issuance), which of the following statements is correct?

- A) Small businesses outperform their larger counterparts.
- B) Small businesses underperform their larger counterparts.
- C) Small businesses and large businesses are relatively equal.
- D) Small businesses are not active in patent activity.
- E) Large businesses are not active in patent activity.

Answer: A

Diff: 2 Page Ref: 24

LO: 1.7: Discuss the positive effects of entrepreneurship and entrepreneurial firms on economies and societies.

AACSB: Reflective Thinking

65) Joseph Schumpeter argued that entrepreneurs develop new products and technologies that over time make current products and technologies obsolete, and this process, which he called creative destruction, is good because it stimulates economic activity.

Answer: TRUE

Diff: 2 Page Ref: 22

LO: 1.7: Discuss the positive effects of entrepreneurship and entrepreneurial firms on economies and societies.

AACSB: Reflective Thinking

66) Innovation is the process of creating something new, which is central to the entrepreneurial process.

Answer: TRUE

Diff: 1 Page Ref: 24

LO: 1.7: Discuss the positive effects of entrepreneurship and entrepreneurial firms on economies and societies.

AACSB: Reflective Thinking

Full download link: <https://bit.ly/2Hr6PXF>

67) Small businesses outperform their larger counterparts in terms of patent activity (issuance).

Answer: TRUE

Diff: 3 Page Ref: 24

LO: 1.7: Discuss the positive effects of entrepreneurship and entrepreneurial firms on economies and societies.

AACSB: Reflective Thinking

68) Identify and discuss the three primary reasons that entrepreneurial behavior has a strong impact on the United States economy.

Answer: The two reasons that entrepreneurial behavior has a strong impact on the United States economy are as follows: innovation and job creation. Innovation is the process of creating something new, which is central to the entrepreneurial process. According to the Small Business Administration (SBA) Office of Advocacy, small innovative firms are 16 times more productive than large innovative firms in terms of patents per employee. In regard to job creation, according to the SBA, small businesses create a substantial number of new jobs in the United States. Firms with 500 or fewer employees create 65 percent of new jobs on an annual basis.

Diff: 3 Page Ref: 24

LO: 1.7: Discuss the positive effects of entrepreneurship and entrepreneurial firms on economies and societies.

AACSB: Reflective Thinking

69) Which of the following is the correct sequence for the four steps in the entrepreneurial process?

- A) Deciding to become an entrepreneur, developing successful business ideas, moving from an idea to an entrepreneurial firm, managing the growing entrepreneurial firm
- B) Developing successful business ideas, deciding to become an entrepreneur, moving from an idea to an entrepreneurial firm, managing and growing the entrepreneurial firm
- C) Developing successful business ideas, moving from an idea to an entrepreneurial firm, deciding to become an entrepreneur, managing and growing the entrepreneurial firm
- D) Deciding to become an entrepreneur, moving from an idea to an entrepreneurial firm, developing successful business ideas, managing and growing the entrepreneurial firm
- E) Managing and growing the entrepreneurial firm, developing successful business ideas, deciding to become an entrepreneur, moving from an idea to an entrepreneurial firm

Answer: A

Diff: 3 Page Ref: 25

LO: 1.8: Explain the entrepreneurial process.

AACSB: Reflective Thinking

Full download link: <https://bit.ly/2Hr6PXF>

70) Which of the following is not one of the four steps of the entrepreneurial process?

- A) Deciding to become an entrepreneur
- B) Determining how to seize the spotlight
- C) Developing successful business ideas
- D) Moving from an idea to an entrepreneurial firm
- E) Managing and growing the entrepreneurial firm

Answer: B

Diff: 1 Page Ref: 25

LO: 1.8: Explain the entrepreneurial process.

AACSB: Reflective Thinking

71) An event that prompts an individual to become an entrepreneur, such as losing a job, inheriting money, or accommodating a certain lifestyle, is referred to as a(n) _____.

- A) prompting event
- B) entrepreneurial prompt
- C) initiating event
- D) triggering event
- E) kick-off event

Answer: D

Diff: 1 Page Ref: 25

LO: 1.8: Explain the entrepreneurial process.

AACSB: Reflective Thinking

72) Jan Berry recently received a \$500,000 inheritance from her maternal grandmother. Jan decided to use the money to start a business. According to the textbook, the inheritance that Jan received was the _____ that prompted her to start a business.

- A) prompting event
- B) entrepreneurial prompt
- C) initiating event
- D) triggering event
- E) kick-off event

Answer: D

Diff: 1 Page Ref: 25

LO: 1.8: Explain the entrepreneurial process.

AACSB: Reflective Thinking

73) A(n) _____ is a written document that describes all the aspects of a business venture in a concise manner.

- A) business plan
- B) business model
- C) operations plan
- D) corporate plan
- E) contingency plan

Answer: A

Diff: 1 Page Ref: 25

LO: 1.8: Explain the entrepreneurial process.

AACSB: Reflective Thinking

Full download link: <https://bit.ly/2Hr6PXF>

74) A firm's _____ is a plan for how it competes, uses its resources, structures its relationships, interfaces with customers, and creates value to sustain itself on the basis of the value it creates.

- A) business plan
- B) business model
- C) tactical model
- D) strategic plan
- E) operations model

Answer: B

Diff: 2 Page Ref: 25

LO: 1.8: Explain the entrepreneurial process.

AACSB: Reflective Thinking

75) The entrepreneurial process consists of four steps: deciding to become an entrepreneur, developing successful business ideas, moving from an idea to an entrepreneurial firm, and divesting or selling the entrepreneurial firm.

Answer: FALSE

Diff: 2 Page Ref: 23

LO: 1.8: Explain the entrepreneurial process.

AACSB: Reflective Thinking

Entrepreneurship: Successfully Launching New Ventures, 5e (Barringer/Ireland)

Chapter 2 Recognizing Opportunities and Generating Ideas

1) iCracked, the company profiled in the opening feature of Chapter 2, was started by AJ Forsythe and Anthony Martin, two California college students. Through personal experiences, the two discovered that an opportunity existed to start a company that would _____.

- A) repair computer printers inexpensively and conveniently
- B) repair used automobiles inexpensively and conveniently
- C) repair broken items (e.g., furniture and appliances) in college dorm rooms and apartments inexpensively and conveniently
- D) repair laptop computers inexpensively and conveniently
- E) repair iPhones inexpensively and conveniently

Answer: E

Diff: 2 Page Ref: 41

LO: 2.1: Explain the difference between opportunities and ideas.

AACSB: Analytical Thinking

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

Diff: 1 Page Ref: 43

LO: 2.1: Explain the difference between opportunities and ideas.

AACSB: Reflective Thinking

3) According to the textbook, opportunities are _____.

- A) easy to spot
- B) easy to spot in fast growing industries, but tough to spot in slow growing industries
- C) easy to spot in the manufacturing sector, but tough to spot in the service sector
- D) tough to spot
- E) neither easy nor tough to spot

Answer: D

Diff: 2 Page Ref: 43

LO: 2.1: Explain the difference between opportunities and ideas.

AACSB: Reflective Thinking

4) An opportunity has the following 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

Diff: 2 Page Ref: 43

LO: 2.1: Explain the difference between opportunities and ideas.

AACSB: Reflective Thinking

5) Brad Johnson is starting an upscale men's clothing store in a mall near Seattle. He wants to open his store during the time period in which a business like his can realistically enter the new market. Brad is trying to open his 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

LO: 2.1: Explain the difference between opportunities and ideas.

AACSB: Reflective Thinking

6) The term "window of opportunity," as discussed in Chapter 2, is a metaphor that describes the time period in which a firm can _____.

- A) obtain funding or financing
- B) hire new employees
- C) complete a financial analysis
- D) realistically enter a new market
- E) write a business plan

Answer: D

Diff: 2 Page Ref: 43

LO: 2.1: Explain the difference between opportunities and ideas.

AACSB: Reflective Thinking

- 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 criteria for an opportunity.

Answer: E

Diff: 2 Page Ref: 44

LO: 2.1: Explain the difference between opportunities and ideas.

AACSB: Analytical Thinking

- 8) A(n) _____ is a favorable set of circumstances that creates the need for a new product, service, or business. A(n) _____ is a thought, an impression or a notion.

- A) scheme, notion
- B) opportunity, idea
- C) idea, design
- D) idea, opportunity
- E) notion, scheme

Answer: B

Diff: 1 Page Ref: 44

LO: 2.1: Explain the difference between opportunities and ideas.

AACSB: Reflective Thinking

- 9) Jessica Smith is thinking about starting a chain of fitness centers for young adults ages 18-30. Which of the following is not an appropriate criterion for Jessica to test her idea against?

- A) Determine whether the "window of opportunity" is open.
- B) Determine whether a fitness center for young adults ages 18-30 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 young adults ages 18-30 is timely.
- E) Determine whether opening a fitness center for young adults ages 18-30 is a concept that creates value for its buyer or end user.

Answer: B

Diff: 2 Page Ref: 44

LO: 2.1: Explain the difference between opportunities and ideas.

AACSB: Reflective Thinking

- 10) An idea is a favorable set of circumstances that creates a need for a new product, service, or business.

Answer: FALSE

Diff: 1 Page Ref: 43

LO: 2.1: Explain the difference between opportunities and ideas.

AACSB: Reflective Thinking

11) An opportunity has four essential qualities. It is (1) rare, (2) attractive, (3) timely, and (4) anchored in a product, service, or business that creates or adds value for its buyer or end user.

Answer: TRUE

Diff: 2 Page Ref: 43

LO: 2.1: Explain the difference between opportunities and ideas.

AACSB: Analytical Thinking

12) The term "window of opportunity" is a metaphor describing the time period in which a firm can realistically raise money.

Answer: FALSE

Diff: 2 Page Ref: 43

LO: 2.1: Explain the difference between opportunities and ideas.

AACSB: Reflective Thinking

13) An idea is a thought, impression, or notion. It may or may not meet the criteria of an opportunity.

Answer: TRUE

Diff: 1 Page Ref: 43

LO: 2.1: Explain the difference between opportunities and ideas.

AACSB: Reflective Thinking

14) 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 or 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.

Diff: 1 Page Ref: 43

LO: 2.1: Explain the difference between opportunities and ideas.

AACSB: Analytical Thinking

15) 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

Diff: 2 Page Ref: 44

LO: 2.2: Describe the three general approaches entrepreneurs use to identify opportunities.

AACSB: Reflective Thinking

16) 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) Economic forces
- D) Technological advances
- E) Social forces

Answer: C

Diff: 2 Page Ref: 46

LO: 2.2: Describe the three general approaches entrepreneurs use to identify opportunities.

AACSB: Analytical Thinking

17) 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) Interest rates, consumer spending patterns, and level of disposable income
- 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

Diff: 2 Page Ref: 46

LO: 2.2: Describe the three general approaches entrepreneurs use to identify opportunities.

AACSB: Reflective Thinking

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

- A) Changes in interest rates
- B) Increasing participation in social networks
- C) Increasing diversity of the workplace
- D) Aging of the population
- E) Continual migration of people from small towns and rural areas to cities

Answer: A

Diff: 2 Page Ref: 47

LO: 2.2: Describe the three general approaches entrepreneurs use to identify opportunities.

AACSB: Reflective Thinking

19) An increased focus on health and wellness has resulted in a number of new business ideas including healthier foods and beverages, yoga instruction and training centers, and nutrition consulting. An increased focus on health and wellness 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

Diff: 2 Page Ref: 47

LO: 2.2: Describe the three general approaches entrepreneurs use to identify opportunities.

AACSB: Reflective Thinking

20) The increasing number of social networks on the Internet is attributed to a jump in the number of people who are wanting to connect with one another online. The increasing number of social networks is an important _____ trend.

- A) political
- B) economic
- C) legal
- D) social
- E) demographic

Answer: D

Diff: 2 Page Ref: 47

LO: 2.2: Describe the three general approaches entrepreneurs use to identify opportunities.

AACSB: Reflective Thinking

21) 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

Diff: 2 Page Ref: 47

LO: 2.2: Describe the three general approaches entrepreneurs use to identify opportunities.

AACSB: Reflective Thinking

22) If a new firm was launched to help businesses comply with The Affordable Care 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

Diff: 2 Page Ref: 48

LO: 2.2: Describe the three general approaches entrepreneurs use to identify opportunities.

AACSB: Reflective Thinking

23) SafetyWeb is a Web-based service that helps parents protect their children's online reputation, privacy, and safety. Which of the following approaches to identifying an opportunity was most likely the impetus for SafetyWeb?

- A) Observing trends
- B) Studying government reports
- C) Finding gaps in the marketplace
- D) Talking to consumers
- E) Solving a problem

Answer: E

Diff: 2 Page Ref: 50

LO: 2.2: Describe the three general approaches entrepreneurs use to identify opportunities.

AACSB: Reflective Thinking

24) The Savvy Entrepreneurial Firm feature in Chapter 2 focuses on a technique through which entrepreneurs can learn about emerging trends. The technique focused on in the chapter is _____.

- A) online databases
- B) newspapers and magazines
- C) targeted Internet searches
- D) social media
- E) radio and television

Answer: D

Diff: 2 Page Ref: 50

LO: 2.2: Describe the three general approaches entrepreneurs use to identify opportunities.

AACSB: Analytical Thinking

25) Casey Griggs is a very capable computer engineer. Recently, he noticed a problem that computer engineers have, and thought of a solution to the problem that might represent an opportunity for a new software product. Casey's idea for a new software product is an example of a(n) _____ discovery.

- A) chance
- B) serendipitous
- C) traditional
- D) conventional
- E) opportune

Answer: B

Diff: 2 Page Ref: 50

LO: 2.2: Describe the three general approaches entrepreneurs use to identify opportunities.

AACSB: Reflective Thinking

26) Clothing boutiques and specialty shops often start because there is a need for a particular product, but large retailers like Wal-Mart and Costco 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

Diff: 3 Page Ref: 53

LO: 2.2: Describe the three general approaches entrepreneurs use to identify opportunities.

AACSB: Reflective Thinking

27) In 2000, Tish Cirovolo realized that there were no guitars on the market made specifically for women. As a result, she started Daisy Rock Guitars, a company that makes guitars just for women. Daisy Rock Guitars are stylish and come in feminine colors, and incorporate design features that accommodate a woman's smaller hand and build. The best way to describe how Cirovolo'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

Diff: 3 Page Ref: 53

LO: 2.2: Describe the three general approaches entrepreneurs use to identify opportunities.

AACSB: Reflective Thinking

- 28) A common way that gaps in the marketplace are recognized is _____.
A) by observing changing environmental trends
B) by recognizing problems that need to be solved
C) via studying industry reports
D) when people become frustrated because they can't find a product or service that they need and recognize that other people feel the same way
E) via combined focus groups and brainstorming sessions

Answer: D

Diff: 1 Page Ref: 53

LO: 2.2: Describe the three general approaches entrepreneurs use to identify opportunities.

AACSB: Reflective Thinking

- 29) The three ways to identify an opportunity include observing trends, solving a problem, and finding gaps in the marketplace.

Answer: TRUE

Diff: 2 Page Ref: 44

LO: 2.2: Describe the three general approaches entrepreneurs use to identify opportunities.

AACSB: Reflective Thinking

- 30) 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

Diff: 2 Page Ref: 44

LO: 2.2: Describe the three general approaches entrepreneurs use to identify opportunities.

AACSB: Reflective Thinking

- 31) Many new businesses are successful by taking advantage of fads.

Answer: FALSE

Diff: 2 Page Ref: 44

LO: 2.2: Describe the three general approaches entrepreneurs use to identify opportunities.

AACSB: Reflective Thinking

- 32) Aging of the population, the increasing diversity of the workplace, and the continual migration of people from small towns and rural areas to cities are important economic trends.

Answer: FALSE

Diff: 1 Page Ref: 45

LO: 2.2: Describe the three general approaches entrepreneurs use to identify opportunities.

AACSB: Reflective Thinking

33) 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 (e.g., 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.

Diff: 2 Page Ref: 44

LO: 2.2: Describe the three general approaches entrepreneurs use to identify opportunities.

AACSB: Reflective Thinking

34) The What Wrong feature in Chapter 2 focuses on Everpix, a company that enabled users to organize and store photos online in an innovative manner. Regrettably, Everpix failed.

According to the feature, Everpix's failure resulted from that fact that its founders _____.

- A) spent too much time and energy perfecting their service at the expense of building a business
- B) spent too much time and energy raising money at the expense of perfecting their service
- C) spent too much time networking at the expense of building a business
- D) spent too much time marketing their product at the expense of perfecting their service
- E) spent too much time analyzing their market at the expense of networking

Answer: A

Diff: 2 Page Ref: 55

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

35) 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

Diff: 3 Page Ref: 55

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Analytical Thinking

36) 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

Diff: 2 Page Ref: 56

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

37) Kelly Pryor, who has launched several successful entrepreneurial firms, seems to have a "sixth sense" that allows him to see opportunities that others miss. Kelly's ability is referred to as _____.

- A) individual awareness
- B) cognitive alertness
- C) entrepreneurial alertness
- D) individual readiness
- E) cognitive readiness

Answer: C

Diff: 2 Page Ref: 56

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

- 38) 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 allow 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

Diff: 3 Page Ref: 56

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

- 39) According to the textbook, research results over time consistently suggest that somewhere between _____ percent of those who start businesses got their ideas through social contacts.
- A) 10 and 20
 - B) 20 and 30
 - C) 30 and 40
 - D) 40 and 50
 - E) 50 and 60

Answer: D

Diff: 3 Page Ref: 57

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

- 40) An individual who identifies a business idea on his or her own is referred to as a(n) _____ entrepreneur.

- A) separate
- B) functional
- C) lone
- D) individual
- E) solo

Answer: E

Diff: 2 Page Ref: 57

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

41) 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

Diff: 2 Page Ref: 57

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

42) 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

Diff: 3 Page Ref: 57

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

43) _____ relationships are characterized by frequent interactions that form between coworkers, friends, and spouses.

- A) Balanced
- B) Weak-tie
- C) Lateral-tie
- D) Moderate-tie
- E) Strong-tie

Answer: E

Diff: 2 Page Ref: 57

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

44) Most of Sarah's ideas come from interacting with coworkers, friends, her spouse, her parents, and other people that share the same beliefs that she does. Sarah is getting most of her ideas through _____ relationships.

- A) weak-tie
- B) horizontal-tie
- C) strong-tie
- D) multiple-tie
- E) vertical-tie

Answer: C

Diff: 2 Page Ref: 57

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

45) Alex has a number of casual acquaintances that he interacts with infrequently. The relationships that Alex has with these people are referred to as _____ relationships.

- A) strong-tie
- B) moderate-tie
- C) lateral-tie
- D) weak-tie
- E) multiple-tie

Answer: D

Diff: 2 Page Ref: 57

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

46) 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: 57

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

47) _____ is the process of generating a novel or useful idea.

- A) Innovation
- B) Imagining
- C) Creativity
- D) Visualization
- E) Envisioning

Answer: C

Diff: 1 Page Ref: 57

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

48) 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

Diff: 3 Page Ref: 57

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

49) Macy 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 Macy 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

Diff: 2 Page Ref: 58

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

50) In the five-stage creative process, the flash of recognition, or what is sometimes referred to as the "eureka" experience, occurs in the _____ stage.

- A) insight
- B) preparation
- C) incubation
- D) elaboration
- E) evaluation

Answer: A

Diff: 2 Page Ref: 58

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

51) In the five-stage creative process, the stage in which the creative idea is put into final form is referred to as the _____ stage.

- A) insight
- B) preparation
- C) incubation
- D) elaboration
- E) evaluation

Answer: D

Diff: 2 Page Ref: 58

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

52) Several studies have shown that prior experience in an industry helps entrepreneurs recognize business opportunities.

Answer: TRUE

Diff: 2 Page Ref: 56

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

53) Opportunity recognition may be an innate skill or cognitive process.

Answer: TRUE

Diff: 2 Page Ref: 56

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

54) Weak-tie relationships are characterized by infrequent interaction and ties between casual acquaintances.

Answer: TRUE

Diff: 2 Page Ref: 57

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

55) It is more likely that an entrepreneur will get a new business idea through a strong-tie than a weak-tie relationship.

Answer: FALSE

Diff: 3 Page Ref: 57

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

56) The five stages of the creative process include preparation, incubation, insight, evaluation, and elaboration.

Answer: TRUE

Diff: 3 Page Ref: 57

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

57) Incubation is the stage of the creative process during which an idea is subjected to scrutiny and analyzed for its viability.

Answer: FALSE

Diff: 2 Page Ref: 58

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

58) Evaluation is the stage of the creative process during which the idea is put into its final form.

Answer: FALSE

Diff: 2 Page Ref: 58

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

59) 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.

Diff: 3 Page Ref: 57

LO: 2.3: Discuss the personal characteristics of entrepreneurs that contribute to their ability to recognize business opportunities.

AACSB: Reflective Thinking

60) _____ 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

Answer: E

Diff: 1 Page Ref: 59

LO: 2.4: Identify and describe techniques entrepreneurs use to generate ideas.

AACSB: Reflective Thinking

61) 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

Diff: 2 Page Ref: 59

LO: 2.4: Identify and describe techniques entrepreneurs use to generate ideas.

AACSB: Reflective Thinking

62) The number one rule for a brainstorming session 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

Diff: 2 Page Ref: 59

LO: 2.4: Identity and describe techniques entrepreneurs use to generate ideas.

AACSB: Reflective Thinking

63) 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 poll 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

Diff: 2 Page Ref: 60

LO: 2.4: Identity and describe techniques entrepreneurs use to generate ideas.

AACSB: Reflective Thinking

64) 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

Diff: 2 Page Ref: 61

LO: 2.4: Identity and describe techniques entrepreneurs use to generate ideas.

AACSB: Reflective Thinking

65) An example of a valuable library resource is IBISWorld, which is a(n) _____.

- A) business publication
- B) academic journal
- C) Census Bureau publication
- D) trade journal
- E) database of industry-related information

Answer: E

Diff: 2 Page Ref: 61

LO: 2.4: Identity and describe techniques entrepreneurs use to generate ideas.

AACSB: Reflective Thinking

66) 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

Diff: 2 Page Ref: 62

LO: 2.4: Identity and describe techniques entrepreneurs use to generate ideas.

AACSB: Reflective Thinking

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

Answer: TRUE

Diff: 2 Page Ref: 59

LO: 2.4: Identity and describe techniques entrepreneurs use to generate ideas.

AACSB: Reflective Thinking

68) Brainstorming sessions are designed to move slowly, so ideas can be presented and evaluated.

Answer: FALSE

Diff: 3 Page Ref: 59

LO: 2.4: Identity and describe techniques entrepreneurs use to generate ideas.

AACSB: Reflective Thinking

69) Focus groups typically involve a group of people who are unfamiliar with a topic and are brought together to respond to questions.

Answer: FALSE

Diff: 2 Page Ref: 60

LO: 2.4: Identity and describe techniques entrepreneurs use to generate ideas.

AACSB: Reflective Thinking

70) 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 include 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.

Diff: 2 Page Ref: 59

LO: 2.4: Identify and describe techniques entrepreneurs use to generate ideas.

AACSB: Reflective Thinking

71) 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 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.

Diff: 2 Page Ref: 61

LO: 2.4: Identify and describe techniques entrepreneurs use to generate ideas.

AACSB: Reflective Thinking

72) 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

Diff: 1 Page Ref: 62

LO: 2.5: Discuss actions to take to encourage continuous development of new ideas in entrepreneurial firms.

AACSB: Reflective Thinking

73) 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

Diff: 2 Page Ref: 62

LO: 2.5: Discuss actions to take to encourage continuous development of new ideas in entrepreneurial firms.

AACSB: Reflective Thinking

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

Answer: TRUE

Diff: 1 Page Ref: 63

LO: 2.5: Discuss actions to take to encourage continuous development of new ideas in entrepreneurial firms.

AACSB: Reflective Thinking

75) Creativity and innovation are almost identical concepts.

Answer: FALSE

Diff: 2 Page Ref: 63

LO: 2.5: Discuss actions to take to encourage continuous development of new ideas in entrepreneurial firms.

AACSB: Reflective Thinking

Entrepreneurship: Successfully Launching New Ventures, 5e (Barringer/Ireland)
Chapter 3 Feasibility Analysis

1) LuminAid, the company profiled in the opening feature of Chapter 3, was started to produce solar pillows, which are solar powered devices that are simple and can be easily and affordably shipped to disaster locations. The feature describes how LuminAid sought to validate its business idea. According to the feature _____.

1. A) LuminAid was unable to validate its business idea and the idea was dropped
2. B) LuminAid's feasibility analysis was incomplete, and the company has struggled ever since it was launched
3. C) LuminAid's feasibility analysis was flawed, and the company failed
4. D) LuminAid did an exemplary job validating its business idea, and its solar pillow is now available via the company's Web site, Amazon.com, LL Bean and several similar outlets
5. E) LuminAid's feasibility analysis was well done, and the company was acquired by Coleman before it could launch its solar pillow as an independent company

Answer: D

Diff: 1 Page Ref: 75

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: An7.3alytical Thinking

2) _____ is the process of determining whether a business idea is viable.

1. A) Feasibility analysis
2. B) Opportunity recognition
3. C) Viability analysis
4. D) Achievability analysis
5. E) Scenario analysis

Answer: A

Diff: 1 Page Ref: 77

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

3) _____ research is research that is collected by the person or persons completing the analysis. _____ research probes data that is already collected.

1. A) Primary, Derivative
2. B) Secondary, Primary
3. C) Primary, Secondary
4. D) Indirect, Direct
5. E) Direct, Indirect

Answer: C

Diff: 1 Page Ref: 78

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

4) Cynthia Jones recently surveyed 200 of her classmates to get a sense of the demand for a new software product she is working on. Collecting data via a survey you administer yourself is referred to as _____ research.

1. A) direct
2. B) derivative
3. C) primary
4. D) secondary
5. E) initial

Answer: C

Diff: 2 Page Ref: 78

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

5) Talking to industry experts, obtaining feedback from prospective customers, and administering surveys are examples of _____ research.

1. A) primary
2. B) secondary
3. C) derivative
4. D) principal
5. E) fundamental

Answer: A

Diff: 1 Page Ref: 78

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

6) Trade journals, industry-related publications, government statistics, and competitors' Web sites are examples of _____ research.

1. A) secondary
2. B) action
3. C) principal
4. D) legacy
5. E) vertical

Answer: A

Diff: 2 Page Ref: 78

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

7) Jennifer Burroughs is thinking about starting a firm in the upscale women's fashion industry. To get a full appreciation of the competitive nature of the industry, and how she might position her products, Jennifer has spent considerable time looking at industry-related publications, Hoover's Online, and ABI-Inform, which is a database that provides access to articles covering a wide-variety of business and industry related issues. Jennifer is conducting _____ research.

1. A) primary
2. B) secondary
3. C) action
4. D) temporary
5. E) purposeful

Answer: B

Diff: 2 Page Ref: 78

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

8) Which of the following is not one of the four areas of feasibility analysis discussed in the textbook?

1. A) Product/service feasibility
2. B) Financial feasibility
3. C) Societal feasibility
4. D) Organizational feasibility
5. E) Industry/market feasibility

Answer: C

Diff: 2 Page Ref: 78

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

9) Feasibility analysis is the process of determining if a business idea is viable.

Answer: TRUE

Diff: 1 Page Ref: 77

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

10) A feasibility analysis is an assessment of a potential product or service idea rather than a potential business.

Answer: FALSE

Diff: 2 Page Ref: 77

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

11) The four forms of feasibility analysis include: product/service feasibility, industry/target market feasibility, organizational feasibility, and financial feasibility.

Answer: TRUE

Diff: 2 Page Ref: 77

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

12) Primary research probes data that is already collected.

Answer: FALSE

Diff: 2 Page Ref: 78

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

13) Census Bureau data, analyst forecasts, and other pertinent information gleaned through library and Internet research are examples of primary research.

Answer: FALSE

Diff: 2 Page Ref: 78

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

14) Describe the purpose of feasibility analysis. When should a feasibility analysis be conducted relative to opportunity recognition and the development of a business plan?

Answer: Feasibility analysis is the process of determining if a business idea is viable. As a preliminary evaluation of a business idea, a feasibility analysis is completed to determine if an idea is worth pursuing and to screen ideas before spending resources on them. Feasibility analysis follows the opportunity recognition stage but comes before the development of a business plan.

Diff: 1 Page Ref: 77

LO: 3.1: Explain what a feasibility analysis is and why it's important.

AACSB: Reflective Thinking

15) _____ feasibility is an assessment of the overall appeal of the product or service being proposed.

1. A) Consumer
2. B) Industry/market segment
3. C) Industry/market
4. D) Product/service
5. E) Purchaser/end-user

Answer: D

Diff: 1 Page Ref: 78

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

16) The two components of product/service feasibility analysis are _____ and _____.

1. A) product/service value; product/service affordability
2. B) product/service demand; product/service timeliness
3. C) product/service timeliness; product/service value
4. D) product/service durability; product/service value
5. E) product/service desirability; product/service demand

Answer: E

Diff: 2 Page Ref: 78

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

17) Does it make sense? Is it reasonable? Is it something consumers will get excited about? Does it take advantage of an environmental trend, solve a problem, or fill a gap in the marketplace?

These are the types of questions asked during the _____ feasibility component of a complete feasibility analysis.

1. A) financial
2. B) industry/target market
3. C) organizational
4. D) concept
5. E) product/service

Answer: E

Diff: 2 Page Ref: 79

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Analytical Thinking

18) Which of the following is not a part of assessing the product/service feasibility of a business idea?

1. A) "Get out of the building" and talk to potential customers
2. B) Surveying potential customers
3. C) Library research
4. D) Analyzing industry attractiveness
5. E) Concept test

Answer: D

Diff: 2 Page Ref: 79

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

19) A(n) _____ involves showing a preliminary description of a product or service idea to prospective customers to gauge customer interest, desirability, and purchase intent.

1. A) concept test
2. B) product/service statement
3. C) impression test
4. D) idea prospectus
5. E) idea test

Answer: A

Diff: 1 Page Ref: 79

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

20) Which of the following items is typically not included in a concept statement?

1. A) A brief description of the company's management team
2. B) A description of how the product or service will be sold and distributed
3. C) A description of how much money the new venture needs
4. D) The benefits of the product or service
5. E) The intended target market

Answer: C

Diff: 3 Page Ref: 79

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Analytical Thinking

21) Tracy Brady is in the process of developing an exciting new product in the smartphone industry. She'd like to show a preliminary description of the product to industry experts and prospective customers to solicit their feedback. Tracy should complete and distribute a(n) _____ statement.

1. A) perception
2. B) usability
3. C) early adopter
4. D) concept
5. E) adoption risk-reward

Answer: D

Diff: 2 Page Ref: 79

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

22) Which of the following is an incorrect approach to administering a concept test?

1. A) The concept statement shouldn't exceed one page.
2. B) After the concept statement is developed; it should be shown to at least 10 people.
3. C) The best candidates to distribute a concept statement to are family and friends.
4. D) If time permits, a concept statement should be used in an iterative manner and distributed to several groups of people.
5. E) A short survey should be attached to the concept statement to solicit feedback.

Answer: C

Diff: 2 Page Ref: 79

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

23) A/B split testing, landing pages, prototyping services, and Web site usability testing are all online tools available to assist in the _____ stage of developing a business idea.

1. A) opportunity recognition
2. B) feasibility analysis
3. C) business model
4. D) business plan
5. E) growth plan

Answer: B

Diff: 2 Page Ref: 81

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

24) PickFu and Ubounce are Web sites that provide access to _____.

1. A) 3D printing services
2. B) Web site usability testing
3. C) online whiteboarding services
4. D) A/B split testing services
5. E) feedback on business ideas

Answer: D

Diff: 3 Page Ref: 81

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

25) Foundersuite, Quirky and Unassumer are Web sites that provide access to _____.

1. A) feedback on business ideas
2. B) landing pages
3. C) surveys
4. D) prototyping services
5. E) market research

Answer: A

Diff: 3 Page Ref: 82

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

26) Three commonly utilized methods for determining product/service demand are _____.

1. A) assessing the overall financial attractiveness of the proposed venture, talking face-to-face with potential customers, and assessing industry attractiveness
2. B) analyzing the financial performance of other businesses, talking face-to-face with potential customers, and assessing target market attractiveness
3. C) assessing target market attractiveness; utilizing online tools, such as Google AdWords and landing pages; and calculating total startup cash needed
4. D) assessing industry attractiveness; library, Internet and gumshoe research; and talking face-to-face with friends and family
5. E) talking face-to-face with potential customers; utilizing online tools, such as Google AdWords and landing pages; and library, Internet and gumshoe research

Answer: E

Diff: 3 Page Ref: 83

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

27) Katlin Smith is investigating the feasibility of developing an iPhone app to help high school students with math. To get a good handle on the potential demand for her service, Katlin is scrounging around for information wherever she can find it. She even spent two weeks volunteering as a math tutor at a local high school to see how students responded to her methods. Katlin is conducting _____ research.

1. A) parallel
2. B) derivative

3. C) gumshoe
4. D) secondary
5. E) on-the-ground

Answer: C

Diff: 2 Page Ref: 83

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

28) Conner Brandshaw is investigating the feasibility of a new type of electronic game targeting middle school and high school-age boys. Which of the following is an example of “gumshoe research” that Conner could conduct to get a sense of the likely demand for his game?

1. A) Download electronic games industry reports from the Internet.
2. B) Administer a buying intentions survey.
3. C) Administer a concept test.
4. D) Look at the Web sites of a number of companies that sell electronic games.
5. E) Spend several days in electronic games arcades and stores to observe the types of games that attract the interest of middle school age and high school age boys.

Answer: E

Diff: 2 Page Ref: 83

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

29) According to the textbook, the only way to know if your product or service is what people want is by _____.

1. A) interviewing industry experts
2. B) library, Internet and gumshoe research
3. C) conducting brainstorming sessions
4. D) talking to them
5. E) surveying them

Answer: D

Diff: 2 Page Ref: 83

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

30) A _____ is a single Web page that typically provides direct sales copy, like “click here to buy a Hawaiian vacation.”

1. A) sales page
2. B) marketing page
3. C) destination page
4. D) call for action page
5. E) landing page

Answer: E

Diff: 2 Page Ref: 84

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

31) Product/service feasibility analysis is an assessment of the overall appeal of the product or service being proposed.

Answer: TRUE

Diff: 1 Page Ref: 78

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

32) The two components to product/service feasibility analysis are product/service desirability and total startup funds needed.

Answer: FALSE

Diff: 2 Page Ref: 78

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

33) A concept statement should be two to three pages long.

Answer: FALSE

Diff: 2 Page Ref: 79

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

34) The temptation to show a concept statement to friends and family members should be avoided because they are predisposed to give positive feedback.

Answer: TRUE

Diff: 2 Page Ref: 79

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

35) Quirky is a Web site that allows you to submit product ideas to a community that vets and provides feedback on the ideas.

Answer: TRUE

Diff: 2 Page Ref: 82

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

36) Describe what a concept statement is, and what it should include.

Answer: A concept statement is a preliminary description of a business. It should include:

- A description of the product or service being offered.
- The intended target market.
- The benefits of the product or service.
- A description of how the product will be positioned relative to similar ones in the market.
- A description of how the product or service will be sold and distributed.

The concept statement is administered as part of product/market feasibility analysis and should be used to get initial feedback and input regarding a business idea.

Diff: 2 Page Ref: 79

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

37) What is gumshoe research and why is it important?

Answer: Gumshoe research is simply doing what it takes to collect sufficient information to assess the target market feasibility of a product idea. A gumshoe is a detective or an investigator that scrounges around for information or clues wherever they can be found. This type of research can take creative forms. For example, if your idea is to sell educational toys, you might spend a week volunteering at a day care center and watch how children interact with toys. Similarly, you might spend some time browsing through a toy store and observing the types of toys that get the most attention. Gumshoe research is simply being inventive in regard to the activities that can be undertaken to better understand your industry and target market's attractiveness.

Diff: 2 Page Ref: 85

LO: 3.2: Describe a product/service feasibility analysis, explain its purpose, and discuss the two primary issues that a proposed business should consider in this area.

AACSB: Reflective Thinking

38) A(n) _____ is a group of firms producing a similar product or service. A firm's _____ is the limited portion of the industry that it goes after or to which it wants to appeal.

1. A) target market; industry
2. B) trade group; industry
3. C) industry; trade group
4. D) competitive group; target market
5. E) industry; target market

Answer: E

Diff: 1 Page Ref: 85

LO: 3.3: Describe an industry/market feasibility analysis, explain its purpose, and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

39) The two components of industry/target market feasibility analysis are _____.

1. A) industry status and target market status
2. B) industry attractiveness and target market attractiveness
3. C) industry sufficiency and target market demand
4. D) industry attractiveness and product/service demand
5. E) industry evolution and target market attractiveness

Answer: B

Diff: 2 Page Ref: 85

LO: 3.3: Describe an industry/market feasibility analysis, explain its purpose, and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

40) _____ feasibility analysis is an assessment of the overall appeal of the industry and market for the product or service being proposed.

1. A) Institutional
2. B) Financial
3. C) Organizational
4. D) Product/service
5. E) Industry/target market

Answer: E

Diff: 1 Page Ref: 85

LO: 3.3: Describe an industry/market feasibility analysis, explain its purpose, and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

41) Which of the following issues should be considered in industry/target market feasibility analysis?

1. A) Gaps in the marketplace
2. B) Financial performance of similar businesses
3. C) Resource sufficiency
4. D) Industry attractiveness
5. E) Management prowess

Answer: D

Diff: 2 Page Ref: 85

LO: 3.3: Describe an industry/market feasibility analysis, explain its purpose, and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

42) The Savvy Entrepreneurial Firm feature in Chapter 3 focuses on Bill Gross, and how a company he was leading, Knowledge Adventure, made a 180-degree turn on the positioning of a product. According to the feature, Gross and his team made the change as a result of _____.

1. A) observing how customers acted when buying their product
2. B) studying industry trends
3. C) conducting Internet research
4. D) administering a concept test and a buying intentions survey
5. E) hiring consultants to provide them advice

Answer: A

Diff: 2 Page Ref: 85

LO: 3.3: Describe an industry/market feasibility analysis, explain its purpose, and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

43) Which of the following is not an attribute of an attractive industry?

1. A) Is young rather than old
2. B) Is not crowded
3. C) Is late rather than early in its life cycle
4. D) Is important to the customer
5. E) Is fragmented rather than concentrated

Answer: C

Diff: 2 Page Ref: 87

LO: 3.3: Describe an industry/market feasibility analysis, explain its purpose, and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

44) Mintel, IBISWorld, and Bizminer are databases most likely to be used during the _____ feasibility stage of the feasibility analysis process.

1. A) organizational
2. B) economic
3. C) political/legal
4. D) industry/target market
5. E) product/service

Answer: D

Diff: 3 Page Ref: 88

LO: 3.3: Describe an industry/market feasibility analysis, explain its purpose, and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

45) Which of the following statements about target markets is incorrect?

1. A) There is a distinct difference between a firm's industry and its target market.

2. B) The challenge in identifying an attractive target market is to find a market that's large enough for the proposed business but is yet small enough to avoid attracting larger competitors.
3. C) By focusing on a target market, a firm can usually avoid head-to-head competition with industry leaders and can focus on serving a specialized market very well.
4. D) A target market is a place within a larger market segment that represents a narrower group of customers with similar needs.
5. E) It's generally easier to find good information about a target market than an industry as a whole.

Answer: E

Diff: 2 Page Ref: 88

LO: 3.3: Describe an industry/market feasibility analysis, explain its purpose, and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

46) _____ feasibility analysis is conducted to determine whether a proposed business has sufficient management expertise, organizational competence, and resources to successfully launch its business.

1. A) Industry/market
2. B) Institutional
3. C) Financial
4. D) Organizational
5. E) Product/service

Answer: D

Diff: 1 Page Ref: 88

LO: 3.3: Describe an industry/market feasibility analysis, explain its purpose, and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

47) Industry/target market feasibility is an assessment of the overall appeal of the industry and the target market for the product or service being proposed.

Answer: TRUE

Diff: 1 Page Ref: 85

LO: 3.3: Describe an industry/market feasibility analysis, explain its purpose, and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

48) Describe the purpose of industry/target market feasibility analysis, and identify the two primary issues that should be considered. What is the difference between a firm's industry and its target market?

Answer: Industry/market feasibility analysis is an assessment of the overall appeal of the industry and the target market for the product or service being promoted. For industry/target market feasibility analysis, there are two primary issues that a proposed business should consider: industry attractiveness and target market attractiveness. There is a distinct difference between a firm's industry and its target market. An industry is a group of firms producing a similar product or service, such as computers, cars, or electronic games. A firm's target market is the limited portion of the industry that it goes after or to which it wants to appeal. Most firms do not try to service their entire industry. Instead, they select or carve out a specific target market and try to service that market very well.

Diff: 2 Page Ref: 85

LO: 3.3: Describe an industry/market feasibility analysis, explain its purpose, and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

49) The two primary issues to consider in organizational feasibility analysis are _____.

1. A) target market attractiveness and financial rate of return
2. B) management prowess and resource sufficiency
3. C) capital requirements and industry attractiveness
4. D) concept testing and financial rate of return
5. E) industry attractiveness and overall attractiveness of the investment

Answer: B

Diff: 2 Page Ref: 88

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

50) The two primary issues to consider in organizational feasibility analysis are management prowess and _____.

1. A) market timeliness
2. B) concept testing
3. C) resource sufficiency
4. D) target market attractiveness
5. E) total startup cash needed

Answer: C

Diff: 2 Page Ref: 89

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

51) A(n) _____ team is the group of founders, key employees, and advisers that either manage or help manage a new business in its startup years.

1. A) opening
2. B) entrepreneurial
3. C) scout
4. D) launch
5. E) new venture

Answer: E

Diff: 1 Page Ref: 89

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

52) According to the textbook, two of the most important factors to consider regarding "management prowess" are _____.

1. A) the passion the sole entrepreneur or the management team has for the business idea and the extent to which the management team or sole entrepreneur understands the markets in which the firm will participate
2. B) whether the members of the management team have worked successfully together before and the passion the sole entrepreneur or the management team has for the business idea
3. C) whether the members of the management team are good "networkers" and the extent to which the management team or sole entrepreneur understands the markets in which the firm will participate
4. D) the educational and functional backgrounds of the management team or sole entrepreneur
5. E) whether the members of the management team are good "networkers" and the passion the sole entrepreneur or the management team has for the business idea

Answer: A

Diff: 3 Page Ref: 89

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

53) The focus in organizational feasibility analysis is on _____.

1. A) financial resources for manufacturing firms and nonfinancial resources for service firms
2. B) financial resources for service firms and nonfinancial resources for manufacturing firms
3. C) nonfinancial and financial resources equally
4. D) nonfinancial resources
5. E) financial resources

Answer: D

Diff: 2 Page Ref: 89

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

54) The What Went Wrong? Feature in Chapter 3 focuses on Standout Jobs. Although the company was acquired by a larger firm in 2010, it was not considered to be a financial success. According to the case, Standout Jobs failed to meet expectations for the following three reasons:

1. A) First, the company's timing was bad; second, prior to launch, the company's management team didn't have a strong enough understanding of the HR/recruitment market; and third, the company's leaders found that you can't shove a solution down your customer's throats
2. B) First, the company's product had flaws; second, the company's management team didn't have a strong enough understanding of the HR/recruitment market; and third, the company's marketing plan was ineffective
3. C) First, the company's management team was inexperienced; second, the company's timing was bad; and third, the company was poorly financed
4. D) First, the company's product had flaws; second, the company management team was inexperienced; and third, the company found that you can't shove a solution down your customer's throats
5. E) First, the company's feasibility analysis was poor; second, the company's management team didn't have a strong enough understanding of the HR/recruitment market; and third, the company was poorly financed

Answer: A

Diff: 1 Page Ref: 90

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

55) The Partnering for Success feature in Chapter 3 focuses on the task of finding the right business partner. According to the feature, which of the following is an incorrect rule-of-thumb in finding a business partner?

1. A) Know the skills and experiences you need in a partner.
2. B) Make sure you and your partner's work habits are compatible.
3. C) Make sure you and your partner have common goals and aspirations.
4. D) Pick a partner that is similar rather than different from you in terms of skills, abilities, and functional background.
5. E) Hire a lawyer to negotiate the partnership agreement.

Answer: D

Diff: 2 Page Ref: 92

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

56) Which of the following is an example of a resource that normally would not be evaluated as part of the “resource sufficiency” stage of organizational feasibility analysis?

1. A) Ability to form favorable business partnerships
2. B) Financial resources
3. C) Affordable office space
4. D) Key equipment needed to operate the business
5. E) Key support personnel

Answer: B

Diff: 2 Page Ref: 92

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

57) To test resource sufficiency, a firm should list the _____ most critical non-financial resources that it will need to move its business idea forward and determine if those resources are available.

1. A) 1 to 2
2. B) 3 to 5
3. C) 6 to 12
4. D) 10 to 16
5. E) 15 to 25

Answer: C

Diff: 2 Page Ref: 92

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Analytical Thinking

58) Organizational feasibility analysis is conducted to determine whether a proposed business venture has sufficient management expertise, organizational competence, and resources to successfully launch its business.

Answer: TRUE

Diff: 2 Page Ref: 89

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

59) The focus in organizational feasibility analysis is on financial resources.

Answer: FALSE

Diff: 2 Page Ref: 89

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

60) The two primary areas to consider in organizational feasibility analysis are management prowess and resource sufficiency.

Answer: TRUE

Diff: 2 Page Ref: 89

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

61) A new venture team is the group of founders, key employees, and advisers that either manage or help manage a new business in its startup years.

Answer: TRUE

Diff: 2 Page Ref: 89

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

62) In regard to management prowess, two of the most important factors in this area are the passion that the solo entrepreneur or the management team has for the business idea and the extent to which the management team or solo entrepreneur understands the markets in which the firm will participate.

Answer: TRUE

Diff: 3 Page Ref: 89

LO: 3.4: Explain what an organizational feasibility analysis is and its purpose and discuss the two primary issues to consider when completing this analysis.

AACSB: Reflective Thinking

63) _____ feasibility analysis is a quick financial assessment of the viability of a business idea.

1. A) Organizational
2. B) Institutional
3. C) Product/service
4. D) Financial
5. E) Industry/market

Answer: D

Diff: 1 Page Ref: 92

LO: 3.5: Describe what a financial feasibility analysis is, explain its importance, and discuss the most critical issues to consider when completing this analysis.

AACSB: Reflective Thinking

64) The most important issues to consider in financial feasibility analysis are _____.

1. A) resource sufficiency, industry attractiveness, and total startup cash needed
2. B) total startup cash needed, financial performance of similar businesses, and the overall financial attractiveness of the proposed venture
3. C) target market attractiveness, resource sufficiency, and product/service demand
4. D) total startup cash needed, management prowess, and product/service demand
5. E) concept testing, total startup cash needed, and financial performance of similar businesses

Answer: B

Diff: 2 Page Ref: 92

LO: 3.5: Describe what a financial feasibility analysis is, explain its importance, and discuss the most critical issues to consider when completing this analysis.

AACSB: Reflective Thinking

65) The most important issues to consider in financial feasibility analysis are: financial performance of similar businesses, total cash needed, and _____.

1. A) the projected internal rate of return of the proposed venture
2. B) the projected years to an IPO or an acquisition for the proposed venture
3. C) management prowess
4. D) overall attractiveness of the proposed venture

5. E) the projected borrowing power of the proposed business

Answer: D

Diff: 2 Page Ref: 92

LO: 3.5: Describe what a financial feasibility analysis is, explain its importance, and discuss the most critical issues to consider when completing this analysis.

AACSB: Reflective Thinking

66) Which of the following is incorrect regarding the “total startup cash needed” component of financial feasibility analysis?

1. A) It’s not necessary to complete an actual budget of startup expenses.
2. B) When explaining where the startup funds will come from, avoid cursory explanations such as “I plan to bring investors on board” or “I’ll borrow the money.”
3. C) There are worksheets posted online that help entrepreneurs determine the startup costs to launch their venture.
4. D) An explanation of where the startup funds will come from should be included.
5. E) If the money will come from friends and family or is raised through other means, a reasonable plan should be stipulated to repay the money.

Answer: A

Diff: 2 Page Ref: 92

LO: 3.5: Describe what a financial feasibility analysis is, explain its importance, and discuss the most critical issues to consider when completing this analysis.

AACSB: Reflective Thinking

67) Which of the following factors is a negative as it pertains to the financial feasibility of a business venture?

1. A) Steady and rapid growth in sales during the first five to seven years in a clearly defined market niche
2. B) High percentage of recurring revenue—meaning that once a firm wins a client, the client will provide recurring sources of revenue
3. C) Inability to forecast income and expenses with a reasonable degree of accuracy
4. D) Internally generated funds to finance and sustain growth
5. E) Availability of an exit opportunity for investors to convert equity into cash

Answer: C

Diff: 3 Page Ref: 92

LO: 3.5: Describe what a financial feasibility analysis is, explain its importance, and discuss the most critical issues to consider when completing this analysis.

AACSB: Reflective Thinking

68) Which of the following factors is a positive as it pertains to the financial feasibility of a business venture?

1. A) Inconsistent and slow growth in sales during the first five to seven years in a clearly defined market niche
2. B) High percentage of recurring revenue
3. C) Inability to forecast income and expenses with a reasonable degree of accuracy
4. D) Reliance on externally generated funds to finance and sustain growth
5. E) Absence of an existing opportunity for investors to convert equity into cash

Answer: B

Diff: 3 Page Ref: 92

LO: 3.5: Describe what a financial feasibility analysis is, explain its importance, and discuss the most critical issues to consider when completing this analysis.

AACSB: Reflective Thinking

69) For financial feasibility analysis, a very detailed and comprehensive financial analysis is required.

Answer: FALSE

Diff: 1 Page Ref: 92

LO: 3.5: Describe what a financial feasibility analysis is, explain its importance, and discuss the most critical issues to consider when completing this analysis.

AACSB: Reflective Thinking

70) The most important issues to consider in financial feasibility analysis are total startup cash needed, financial performance of similar businesses, and overall financial attractiveness of the proposed venture.

Answer: TRUE

Diff: 2 Page Ref: 92

LO: 3.5: Describe what a financial feasibility analysis is, explain its importance, and discuss the most critical issues to consider when completing this analysis.

AACSB: Reflective Thinking

71) The template for completing a feasibility analysis included in Appendix 3.1 of the book is called the _____ analysis.

1. A) First Evaluation
2. B) Initial Screen
3. C) First Pass
4. D) First Screen
5. E) Flash Screen

Answer: D

Diff: 3 Page Ref: 94

LO: 3.6: Describe a financial feasibility analysis template and explain why it is important for entrepreneurs to use this template.

AACSB: Reflective Thinking

72) The First Screen feasibility analysis template included in Chapter 3 is called “First Screen” because _____.

1. A) it is the first feasibility analysis template created
2. B) it is the first and most important step in the opportunity recognition process
3. C) it is the first step in a sequence of several steps that must be completed before a business idea is deemed to be feasible
4. D) feasibility analysis is an entrepreneur’s initial or first pass at determining the feasibility of a business idea
5. E) it is the first of several “screens” that a business idea must pass through before it is considered to be feasible

Answer: D

Diff: 2 Page Ref: 95

LO: 3.6: Describe a financial feasibility analysis template and explain why it is important for entrepreneurs to use this template.

AACSB: Reflective Thinking

73) The mechanics for filling out a First Screen worksheet are complicated.

Answer: FALSE

Diff: 2 Page Ref: 94

LO: 3.6: Describe a financial feasibility analysis template and explain why it is important for entrepreneurs to use this template.

AACSB: Reflective Thinking

74) First Screen is a template for completing industry analysis

Answer: FALSE

Diff: 2 Page Ref: 94

LO: 3.6: Describe a financial feasibility analysis template and explain why it is important for entrepreneurs to use this template.

AACSB: Reflective Thinking

75) Briefly describe the purpose of the First Screen and how it's used.

Answer: The First Screen is a template for completing a feasibility analysis. It is called First Screen because a feasibility analysis is an entrepreneur's initial pass at determining the feasibility of a business idea. The mechanics for filling out the First Screen worksheet are straightforward. It maps the four areas of feasibility analysis accentuating the most important points in each area. The final section of the worksheet, "Overall Potential," includes a section that allows for suggested revisions of a business idea to improve its potential for feasibility. The value of the First Screen is that it (1) provides an entrepreneur an overall sense of the feasibility of a business idea and (2) draws attention to issues that suggest the idea has low potential. The fact that an issue, such as total startup cash needed, is low potential does not necessarily mean that the business idea is not feasible. By drawing attention to this issue, an entrepreneur may think through less expensive ways to launch the venture.

Diff: 3 Page Ref: 94

LO: 3.6: Describe a financial feasibility analysis template and explain why it is important for entrepreneurs to use this template.

AACSB: Reflective Thinking

Entrepreneurship: Successfully Launching New Ventures, 5e (Barringer/Ireland)
Chapter 4 Developing an Effective Business Model

1) Her Campus Media, the focus of the opening feature of Chapter 4, features a vibrant online magazine, with feature articles targeted toward all aspects of college life and survival. According to the feature, Her Campus's business model focuses on connecting companies with college females. The key to making this work is _____.

- A) the strength of Her Campus Media's management team
- B) the strength of Her Campus Media's brand
- C) the quality of the online content that Her Campus Media produces
- D) the functionality and vibrancy of the company's Web site
- E) Her Campus's unparalleled access to college females

Answer: E

Diff: 2 Page Ref: 112

LO: 4.1: Describe business models and discuss their importance.

AACSB: Reflective Thinking

2) A _____ is a firm's plan or recipe for how it creates, delivers, and captures value for its stakeholders.

- A) commercialization plan
- B) business model
- C) business plan
- D) launch plan
- E) tactical model

Answer: B

Diff: 1 Page Ref: 112

LO: 4.1: Describe business models and discuss their importance.

AACSB: Reflective Thinking

3) The Savvy Entrepreneurial Firm feature in Chapter 4 focuses on the ways in which Quirky creates, delivers and captures value for its stakeholders. According to the feature, Quirky would be a business that would be difficult to copy. According to the feature, it would be difficult to copy because _____.

- A) it has raised over \$91 million and has over 550,000 people in its network
- B) it has a highly-functional Web site and has a talented management team
- C) it has a savvy marketing plan and has over 550,000 people in its network
- D) it has raised over \$91 million and has a talented management team
- E) it has an excellent Internet domain name and has a first-mover advantage

Answer: A

Diff: 2 Page Ref: 113

LO: 4.1: Describe business models and discuss their importance.

AACSB: Reflective Thinking

- 4) Which of the following is the proper sequence for when a firm should develop a business model?
- A) Preparation of the business model, initial validation of the business idea, opportunity recognition
 - B) Initial validation of the business idea, establishing a growth plan, preparation of the business model
 - C) Initial validation of the business idea, preparation of the business model, fleshing out the operational details of the firm
 - D) Opportunity recognition, fleshing out the operational details of the firm, preparation of the business model
 - E) Opportunity recognition, preparation of the business model, establishing a growth plan for the firm

Answer: C

Diff: 2 Page Ref: 114

LO: 4.1: Describe business models and discuss their importance.

AACSB: Reflective Thinking

- 5) In regard to business models, which of the following statements is incorrect?
- A) There is a standard business model that most firms follow.
 - B) A firm's business model is inherently dependent on the collection of resources it controls and the capabilities it possesses.
 - C) It is dangerous for a company to assume that it can be successful by simply copying the business model of another firm.
 - D) A firm's business model is its plan or diagram for how it competes.
 - E) It is often difficult to determine what another firm's business model is.

Answer: A

Diff: 2 Page Ref: 114

LO: 4.1: Describe business models and discuss their importance.

AACSB: Reflective Thinking

- 6) The Partnering for Success feature in Chapter 4 focused on Web-based platforms, including Odesk, Elance, and Guru, that make it easy to identify and hire experienced _____.
A) part time employees
B) freelancers
C) interns
D) virtual assistants
E) full-time employees

Answer: B

Diff: 1 Page Ref: 132

LO: 4.1: Describe business models and discuss their importance.

AACSB: Reflective Thinking

7) A business model is a firm's plan or recipe for how it creates, delivers, and captures value for its stakeholders.

Answer: TRUE

Diff: 1 Page Ref: 112

LO: 4.1: Describe business models and discuss their importance.

AACSB: Reflective Thinking

8) What is a business model? Why is it important? Provide an example to illustrate your answer.

Answer: A business model is a firm's plan or recipe for how it creates, delivers, and captures value for its stakeholders. Business models are fundamental to a firm's ability to succeed both in the short and long term. Dropbox, for example, has what's referred to as a freemium business model. It offers customers a free account with a set amount of storage space, and makes money by selling premium accounts with more capacity. Dropbox could charge all of its users a monthly fee based on the amount of storage that they use, but that's not its business model. Its business model is based on the belief that by introducing users to its service through a free account, it will ultimately sign up more paid users. A firm's business model also describes how the core aspects of what it does fit together and complement one another.

Diff: 1 Page Ref: 112

LO: 4.1: Describe business models and discuss their importance.

AACSB: Reflective Thinking

9) The two general categories of business models are _____ and _____.

- A) normal; unique
- B) standard; disruptive
- C) ordinary; revolutionary
- D) customary; unique
- E) ordinary; disruptive

Answer: B

Diff: 2 Page Ref: 115

LO: 4.2: Identify and describe the two general types of business models—standard and disruptive business models.

AACSB: Reflective Thinking

10) _____ business models depict existing plans or recipes firms can use to determine how they will create, deliver, and capture value for their stakeholders.

- A) Revolutionary
- B) Normal
- C) Customary
- D) Disruptive
- E) Standard

Answer: E

Diff: 2 Page Ref: 115

LO: 4.2: Identify and describe the two general types of business models—standard and disruptive business models.

AACSB: Reflective Thinking

11) Brandon Jones has crafted a business model for his firm that is based on an existing plan or template for how firms in his industry create, deliver and capture value for their shareholders. Brandon has crafted a _____ business model.

- A) standard
- B) disruptive
- C) customary
- D) normal
- E) temporary

Answer: A

Diff: 2 Page Ref: 115

LO: 4.2: Identify and describe the two general types of business models—standard and disruptive business models.

AACSB: Reflective Thinking

12) Which of the following statements about business models is incorrect?

- A) There are two general types of business models.
- B) There is no perfect business model.
- C) Most of the standard business models have been in place for some time.
- D) A firm's business model is confined to its own boundaries.
- E) Firms should guard themselves against thinking that one particular business model is a "home run" regardless of circumstances.

Answer: D

Diff: 2 Page Ref: 115

LO: 4.2: Identify and describe the two general types of business models—standard and disruptive business models.

AACSB: Reflective Thinking

13) _____ refers to the number of subscribers that a subscription-based business loses each month.

- A) Agitate
- B) Churn
- C) Erosion
- D) Attrition
- E) Stir

Answer: B

Diff: 2 Page Ref: 115

LO: 4.2: Identify and describe the two general types of business models—standard and disruptive business models.

AACSB: Reflective Thinking

14) Tyler Smith founded a firm that has a subscription-based business model. Although Tyler has averaged 600 new subscribers per month, she also loses 450 subscribers per month. The number of subscribers that Tyler loses each month is referred to as _____.

- A) erosion
- B) churn
- C) destruction
- D) attrition
- E) agitation

Answer: B

Diff: 2 Page Ref: 115

LO: 4.2: Identify and describe the two general types of business models—standard and disruptive business models.

AACSB: Reflective Thinking

15) Which of the following firms has a peer-to-peer business model?

- A) Dell
- B) Dropbox
- C) Airbnb
- D) Salesforce.com
- E) Google

Answer: C

Diff: 2 Page Ref: 118

LO: 4.2: Identify and describe the two general types of business models—standard and disruptive business models.

AACSB: Reflective Thinking

16) _____ business models are ones that do not fit the profile of standard business models, and are impactful enough that they disrupt or change the way business is conducted in an industry or an important niche within an industry.

- A) Disruptive
- B) Normal
- C) Unique
- D) Incomparable
- E) Exceptional

Answer: A

Diff: 2 Page Ref: 118

LO: 4.2: Identify and describe the two general types of business models—standard and disruptive business models.

AACSB: Reflective Thinking

17) Google and its AdWords program is an example of a _____ disruptive business model.

- A) low-end
- B) new-market
- C) high-quality
- D) low-price
- E) new-channel

Answer: B

Diff: 2 Page Ref: 118

LO: 4.2: Identify and describe the two general types of business models—standard and disruptive business models.

AACSB: Reflective Thinking

18) Southwest Airlines is an example of a _____ disruptive business model.

- A) low-end
- B) new-market
- C) high-quality
- D) new-product
- E) new-channel

Answer: A

Diff: 2 Page Ref: 118

LO: 4.2: Identify and describe the two general types of business models—standard and disruptive business models.

AACSB: Reflective Thinking

19) There are two types of disruptive business models — _____ and _____.

- A) low-end; high-end
- B) new-product; new-market
- C) new-market; low-end
- D) new-channel; high-quality
- E) standard; unique

Answer: C

Diff: 2 Page Ref: 118

LO: 4.2: Identify and describe the two general types of business models—standard and disruptive business models.

AACSB: Reflective Thinking

20) Which of the following firms introduced a disruptive business model?

- A) Salesforce.com
- B) eBay
- C) Panera Bread
- D) Barnes & Nobel
- E) J. Crew

Answer: A

Diff: 2 Page Ref: 119

LO: 4.2: Identify and describe the two general types of business models—standard and disruptive business models.

AACSB: Analytical Thinking

21) Standard business models depict existing plans or recipes firms can use to determine how they will create, deliver, and capture value for their stakeholders.

Answer: TRUE

Diff: 1 Page Ref: 115

LO: 4.2: Identify and describe the two general types of business models—standard and disruptive business models.

AACSB: Reflective Thinking

22) It is important to understand that there are several perfect business models.

Answer: FALSE

Diff: 2 Page Ref: 115

LO: 4.2: Identify and describe the two general types of business models—standard and disruptive business models.

AACSB: Reflective Thinking

23) Disruptive business models are impactful enough that they disrupt or change the way business is conducted in an industry or an important niche within an industry.

Answer: TRUE

Diff: 2 Page Ref: 118

LO: 4.2: Identify and describe the two general types of business models—standard and disruptive business models.

AACSB: Reflective Thinking

24) According to the textbook, Southwest Airlines introduced a new market disruption type of disruptive business model.

Answer: FALSE

Diff: 3 Page Ref: 118

LO: 4.2: Identify and describe the two general types of business models—standard and disruptive business models.

AACSB: Reflective Thinking

25) The Barringer/Ireland Business Model Template has five major categories and 14 individual parts.

Answer: FALSE

Diff: 2 Page Ref: 120

LO: 4.2: Identify and describe the two general types of business models—standard and disruptive business models.

AACSB: Reflective Thinking

26) What is the difference between standard business models and disruptive business models? Include examples of both in your answer.

Answer: Standard business models depict existing plans or recipes firms can use to determine how they will create, deliver, and capture value for their stakeholders. Examples include the advertising business model, the auction business model, the low-cost business model, and the manufacture/retailer business model. Disruptive business models, which are rare, are ones that do not fit the profile of a standard business model, and are impactful enough that they disrupt or change the way business is conducted in an industry or an important niche within an industry. Examples include Dell (which introduced the direct-to-consumer computer sales model), Google (which introduced the online advertising model), and Salesforce.com (which introduced the notion of software as a service, or SaaS).

Diff: 2 Page Ref: 115

LO: 4.2: Identify and describe the two general types of business models—standard and disruptive business models.

AACSB: Reflective Thinking

27) The Barringer/Ireland Business Model Canvas consists of _____ major category(ies) and _____ parts.

- A) 1; 12
- B) 3; 9
- C) 6; 18
- D) 4; 12
- E) 2; 6

Answer: D

Diff: 2 Page Ref: 120

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

28) The four major categories in the Barringer/Ireland Business Model Template are _____.

- A) core strategy, resources, financials, and operations
- B) core strategy, value proposition, customers and channels
- C) value proposition, resources, customers and partners
- D) activities, partners, customers, and competitors
- E) value proposition, cost structure, financials, and operations

Answer: A

Diff: 2 Page Ref: 121

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

29) Which of the following is not one of the four major categories in the Barringer/Ireland Business Model Template?

- A) Operations
- B) Resources
- C) Channels
- D) Core strategy
- E) Financials

Answer: C

Diff: 2 Page Ref: 121

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

30) In the Barringer/Ireland Business Model Template, _____ describes how the firm plans to compete relative to its competitors.

- A) strategic plan
- B) grand strategy
- C) tactical strategy
- D) value proposition
- E) core strategy

Answer: E

Diff: 2 Page Ref: 120

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

31) Jamie Finch is crafting the business model for her fashion design firm. She just completed the section that describes how her firm plans to compete relative to her rivals. Jamie just completed the _____ portion of her business model template.

- A) operations
- B) core strategy
- C) resources
- D) strategic plan
- E) tactical strategy

Answer: B

Diff: 2 Page Ref: 120

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

32) Which of the following is not one of the four elements of the core strategy section of the Barringer/Ireland Business Model Template?

- A) Business mission
- B) Key assets
- C) Basis of differentiation
- D) Target market
- E) Product/market scope

Answer: B

Diff: 2 Page Ref: 121

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

33) A business's _____ describes why it exists and what its business model is supposed to accomplish.

- A) values statement
- B) importance statement
- C) differentiation statement
- D) mission statement
- E) significance statement

Answer: D

Diff: 2 Page Ref: 121

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

34) Nathan Green is starting a firm in the organic produce industry. Nathan has developed a statement—"Helping Make Your Life Better, Healthier, and Fuller"—that describes the reason his company exists and what his business model is supposed to accomplish. In the terminology used in the Barringer/Ireland Business Model Template, Nathan's statement is referred to as his _____ statement.

- A) values
- B) uniqueness
- C) differentiation
- D) mission
- E) task

Answer: D

Diff: 2 Page Ref: 121

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Analytical Thinking

35) The first box in the Barringer/Ireland Business Model Template is _____.

- A) product/market scope
- B) revenue streams
- C) business mission
- D) target market
- E) channels

Answer: C

Diff: 2 Page Ref: 121

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Analytical Thinking

36) When completing the basis of differentiation box in the Barringer/Ireland Business Model Template, it is best to limit the description to _____.

- A) two to three points
- B) one point
- C) five to 10 points
- D) two to three points for manufacturing firms and five to 10 points for service firms
- E) five to 10 points for manufacturing firms and two to three points for service firms

Answer: A

Diff: 2 Page Ref: 122

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Analytical Thinking

37) A firm's _____ market is a place within a larger market segment that represents a narrower group of customers with similar interests.

- A) aspirational
- B) ambitious
- C) constrained
- D) target
- E) objective

Answer: D

Diff: 2 Page Ref: 122

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Analytical Thinking

38) Kaitlyn Harris is opening up a women's fashion boutique that will focus on professional women that are 18-30 years old. The age range of women that Kaitlyn plans to focus on is referred to as her _____ market.

- A) controlled
- B) ambitious
- C) identifiable
- D) target
- E) aspirational

Answer: D

Diff: 2 Page Ref: 122

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Analytical Thinking

39) A company's _____ scope defines the products and markets on which it will concentrate.

- A) product/market
- B) offering/industry
- C) business/market
- D) business/industry
- E) offering/market

Answer: A

Diff: 2 Page Ref: 123

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

40) Erin Hill is working on the box in the Barringer/Ireland Business Model Template that defines the products and markets on which her firm will concentrate. Erin is working on the _____ scope portion of the business model template.

- A) offering/market
- B) offering/industry
- C) business/market
- D) business/industry
- E) product/market

Answer: E

Diff: 2 Page Ref: 123

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

41) The Resources section of the Barringer/Ireland Business Model Template consists of the _____ and _____ boxes.

- A) business mission; core competency
- B) core competency; product/market scope
- C) channels; key partners
- D) core competency; key assets
- E) revenue streams; key assets

Answer: D

Diff: 2 Page Ref: 124

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

42) In the Barringer/Ireland Business Model Template, a(n) _____ is a specific factor or capability that supports a firm's business model and sets it apart from its rivals.

- A) primary capability
- B) core competency
- C) essential asset
- D) staple proficiency
- E) key aptitude

Answer: B

Diff: 2 Page Ref: 124

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

43) Mark White is the founder of a firm that builds iPhone apps. Mark is very technically savvy, which allows him to build apps quickly and with minimal bugs or problems. In the terminology of the Barringer/Ireland Business Model Template, Mark's technical savvy is a(n) _____ of his firm.

- A) primary capability
- B) core competency
- C) essential asset
- D) staple proficiency
- E) key aptitude

Answer: B

Diff: 2 Page Ref: 124

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

44) In the terminology of the Barringer/Ireland Business Model Template, _____ assets are the assets that a firm owns that enable its business model to work.

- A) key
- B) tactical
- C) fundamental
- D) primary
- E) strategic

Answer: A

Diff: 2 Page Ref: 125

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

45) In the Barringer/Ireland Business Model Template, key assets can be _____.

- A) fixed, situational, variable, and permanent
- B) tactical, strategic, fixed, and variable
- C) tangible, intangible, variable, and fixed
- D) temporary, permanent, fixed, and variable
- E) physical, financial, intellectual, or human

Answer: E

Diff: 2 Page Ref: 125

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

46) The Financials section of the Barringer/Ireland Business Model Template consists of three boxes. The boxes are titled _____.

- A) economics of the business, startup-costs, and break-even
- B) revenue streams, cost structure, and financing/funding
- C) profit margins, revenue streams, and break-even
- D) startup-costs, operating leverage, and financing/funding
- E) fixed vs variables costs, financing/funding, and break-even

Answer: B

Diff: 2 Page Ref: 126

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

47) Which section of the Barringer/Ireland Business Model Template is the only section that describes how it makes money?

- A) Core strategy
- B) Resources
- C) Financials
- D) Operations
- E) Value proposition

Answer: C

Diff: 2 Page Ref: 126

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

48) A firm's _____ describe(s) the ways in which it makes money.

- A) proceeds account
- B) break-even analysis
- C) revenue streams
- D) cash flow
- E) income statement

Answer: C

Diff: 2 Page Ref: 126

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

49) Advertising, commissions, download fees, licensing, and product sale are examples of _____.

- A) revenue streams
- B) basis of differentiation
- C) key assets
- D) channels
- E) cost structure

Answer: A

Diff: 2 Page Ref: 127

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

50) In the terminology of the Barringer/Ireland Business Model Template, a firm's _____ structure describes the most important costs incurred to support its business model.

- A) expense
- B) cost
- C) budget
- D) overhead
- E) outflow

Answer: B

Diff: 2 Page Ref: 127

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

51) Jenna Franklin is completing the portion of the Barringer/Ireland Business Model Template that describes the most important costs that will be incurred to support her business model. Jenna is completing the _____ structure box in the business model template.

- A) expense
- B) outlay
- C) payment
- D) overhead
- E) cost

Answer: E

Diff: 2 Page Ref: 127

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

52) _____ costs are costs that remain the same despite the volume of goods or services produced. _____ costs vary proportionally with the volume of goods or services provided.

- A) Expense; Non-standard
- B) Standard; Non-Standard
- C) Fixed; Variable
- D) Non-Standard; Standard
- E) Variable; Fixed

Answer: C

Diff: 2 Page Ref: 127

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

53) According to the textbook, there are three categories of costs to consider when completing the "financing/funding" section of the Barringer/Ireland Business Model Template. These are _____.

- A) setup costs, one-time expenses, and costs associated with incorporating the firm
- B) capital costs, marketing costs, and provisions for ramp-up expenses
- C) setup costs, marketing costs, and operating costs
- D) capital costs, one-time expenses, and provisions for ramp-up expenses
- E) operating costs, capital costs, and costs associated with setting up the firm

Answer: E

Diff: 2 Page Ref: 128

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

54) The operations quadrant in the Barringer/Ireland Business Model Template includes three sections. These are _____.

- A) product (or service) production, channels, and key partners
- B) product/market scope, cost structure, and key partners
- C) key assets, cost structure, and channels
- D) key partners, financing/funding, and target market
- E) channels, core competency, and key partners

Answer: A

Diff: 2 Page Ref: 129

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

55) Sarah Green, who plans to open a garden and lawn business, is working on the portion of the Barringer/Ireland Business Model template that focuses on how her products and services will be produced. Sarah is working on the _____ section of the template.

- A) basis of differentiation
- B) product/or service production
- C) product/market scope
- D) core competency
- E) channels

Answer: B

Diff: 2 Page Ref: 129

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

56) Brad Jones is in the process of opening an electronics supply company and is working on the portion of his business plan template that describes how he will deliver his products and services to his customers. The portion of the business plan template that Brad is working on is referred to as _____.

- A) channels
- B) network
- C) linkages
- D) grids
- E) conduits

Answer: A

Diff: 2 Page Ref: 130

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

57) Cynthia Hamilton is launching a chain of smoothie restaurants. Among Cynthia's key partners will be firms that provide her the ingredients needed to make her smoothies. In the terminology of the Barringer/Ireland Business Model Template, these partners are called _____.

- A) dealers
- B) suppliers
- C) merchants
- D) traders
- E) brokers

Answer: B

Diff: 2 Page Ref: 130

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

58) An entity created by two or more firms pooling a portion of their resources to create a separate, jointly-owned organization is called a _____.

- A) trade association
- B) network
- C) joint venture
- D) consortia
- E) strategic alliance

Answer: C

Diff: 2 Page Ref: 131

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

59) The four major categories in the Barringer/Ireland Business Model Template are: core strategy, resources, financials, and operations.

Answer: TRUE

Diff: 2 Page Ref: 121

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

60) Core strategy describes what causes consumers to pick one company's products over another.

Answer: FALSE

Diff: 2 Page Ref: 120

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

61) A business's mission or mission statement describes why it exists and what its business model is supposed to accomplish.

Answer: TRUE

Diff: 2 Page Ref: 122

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

62) When competing the basis for differentiation portion of the Barringer/Ireland Business Model template, it is important to emphasize as many points of differentiation as possible.

Answer: FALSE

Diff: 2 Page Ref: 122

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

63) A company's target market is a place within a larger market segment that represents a narrower group of customers with similar interests.

Answer: TRUE

Diff: 2 Page Ref: 122

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

64) A company's product/market scope defines the products and markets on which it will concentrate.

Answer: TRUE

Diff: 2 Page Ref: 123

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

65) The resources section of the Barringer/Ireland Business Model Template includes three parts: core competency, key assets, and revenue streams.

Answer: FALSE

Diff: 2 Page Ref: 123

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

66) In the terminology of the Barringer/Ireland Business Model Template, a key asset is a specific factor or capability that support a firm's business model and sets it apart from its rivals.

Answer: FALSE

Diff: 2 Page Ref: 124

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

67) A firm's revenue streams describe the ways in which it makes money.

Answer: TRUE

Diff: 2 Page Ref: 126

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

68) Value-driven businesses focus on minimizing costs wherever possible.

Answer: FALSE

Diff: 2 Page Ref: 127

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

69) In the financing/funding section of the Barringer/Ireland Business Model Template, there are three categories of costs to consider: capital costs, one-time expenses, and provisions for ramp-up expenses.

Answer: TRUE

Diff: 2 Page Ref: 128

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

70) The operations section of the Barringer/Ireland Business Model Template includes three sections: product (or service) production, channels, and key partners.

Answer: TRUE

Diff: 2 Page Ref: 129

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

71) A company's channels describe how it delivers its product or service to its customers.

Answer: TRUE

Diff: 2 Page Ref: 130

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

72) A strategic alliance is an entity created by two or more firms pooling a portion of their resources to create a separate, jointly-owned organization.

Answer: FALSE

Diff: 2 Page Ref: 131

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

73) Describe the Barringer/Ireland Business Model Template and discuss its purpose.

Answer: The Barringer/Ireland Business Model Template is a visual template that lays out the four major categories and 12 individual parts of a firm's business model. The job of the entrepreneur, or team of entrepreneurs, is to configure their firm's business model in a manner that produces a viable and exciting business. The Barringer/Ireland Business Model template is a tool that allows an entrepreneur to describe, project, revise, and pivot a business model until all 12 parts are decided upon. The 12 parts are spread out, which provides space for ideas to be recorded, scratched out, and recorded again as ideas morph and change. The four major categories and 12 individual parts are: Core Strategy (business mission, basis of differentiation, target market, and product/market scope), Resources (core competency and key assets), Financials (revenue streams, cost structure, and financing/funding), and Operations (product or service production, channels, and key partners).

Diff: 2 Page Ref: 119

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

74) Briefly describe the four main components of the Barringer/Ireland Business Model Template. Identify the subcomponents of each the four main components of a business model.
Answer: The four main components of a business model are as follows:

- **Core Strategy.** The first component of the Barringer/Ireland Business Model Template is core strategy. A core strategy describes how the firm plans to compete relative to its competitors. The primary elements of core strategy are: business mission, basis of differentiation, target market, and product/market scope.
- **Resources.** The second component is resources. Resources are the inputs a firm uses to produce, sell, distribute, and service a product or service. At a basic level, a firm must have a sufficient amount of resources to enable its business model to work. Resources are developed and accumulated over time. The primary elements of resources are core competencies and key assets.
- **Financials.** The third component of the Barringer/Ireland Business Model Template focuses on financials. For most businesses, the manner in which it makes money is one of the most fundamental aspects around which its business model is built. The primary aspects of financials are: revenue streams, cost structure, and financing/funding.
- **Operations.** The final quadrant in a firm's business model is operations. Operations are both integral to a firm's overall business model and represent the day-to-day heartbeat of a firm. The primary elements of operations are: product or service production, channels, and key partners.

Diff: 3 Page Ref: 120

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

75) What are core competencies? Provide an example of the core competencies that are utilized by an entrepreneurial firm.

Answer: A core competency is a specific factor or capability that supports a firm's business model and sets it apart from rivals. A core competency can take on various forms, such as technical know-how, an efficient process, a trusting relationship with customers, expertise in product design, and so forth. For example, Her Campus Media has three core competencies: (1) creating content of interest to active college-aged girls, (2) recruiting and managing a volunteer network, and (3) connecting active college-aged females with major brands.

Diff: 2 Page Ref: 124

LO: 4.3: Explain the components of the Barringer/Ireland Business Model Template that entrepreneurs can use to develop a business model for their firm.

AACSB: Reflective Thinking

Entrepreneurship: Successfully Launching New Ventures, 4e (Barringer/Ireland)
Chapter 5 Industry and Competitor Analysis

- 1) Element Bars, the company profiled in the opening feature for Chapter 5, has a unique position in its industry. It has positioned itself as:
- A) a generic energy bar company that resells energy bars to companies who want to create their own branded energy bars
 - B) a niche energy bar company that sells in high-end outlets, like 5 star hotels and spas
 - C) a premium energy bar company that only uses the most wholesome and healthy ingredients, and makes special bars for vegetarians and vegans
 - D) a low-cost energy bar company that makes energy bars more accessible to people in all income brackets and still offers healthy ingredients
 - E) a customizable energy bar company that sells to individuals online and also to companies who want to create their own branded energy bars

Answer: E

Diff: 2 Page Ref: 147

Topic: Industry Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

- 2) Jeremy Banks recently started a new firm in the financial services industry. Prior to starting his firm, he spent considerable time doing research on the potential of the industry. The research that Jeremy was doing is called:

- A) industry analysis
- B) sector analysis
- C) commercial analysis
- D) business analysis
- E) target market analysis

Answer: A

Diff: 1 Page Ref: 148

Topic: Industry Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

- 3) A(n) _____ is a group of firms producing a similar product or service, such as soft drinks, electronic games, or computers.

- A) cluster
- B) division
- C) sector
- D) industry
- E) network

Answer: D

Diff: 1 Page Ref: 148

Topic: Industry Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

4) Once a firm decides to enter an industry and chooses a market in which to compete, it must gain an understanding of its competitive environment. This challenge can be undertaken by completing a(n):

- A) business analysis
- B) industry analysis
- C) competitor analysis
- D) strategic analysis
- E) market analysis

Answer: C

Diff: 1 Page Ref: 149

Topic: Industry Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

5) Each quarter, Cindy Anderson, who owns a chain of card and gift shops, does a detailed analysis of her firm's competitors. This analysis is called:

- A) competitor analysis
- B) challenger analysis
- C) strategic analysis
- D) participant analysis
- E) industry analysis

Answer: A

Diff: 2 Page Ref: 149

Topic: Industry Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

6) Which of the following is an example of an industry-level factor as opposed to a firm-level factor?

- A) a firm's assets
- B) a firm's culture
- C) the teamwork among a firm's employees
- D) a firm's products
- E) threat of substitutes

Answer: E

Diff: 2 Page Ref: 149

Topic: Industry Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

- 7) According to the textbook, which of the following statements is accurate regarding the importance of industry versus firm-specific factors as it pertains to firm profitability?
- A) Virtually all the studies have concluded that industry-specific factors are more important than firm-specific factors.
 - B) Virtually all the studies have concluded that firm-specific factors are more important than industry-specific factors.
 - C) Virtually all the studies have concluded that industry-specific factors are of almost no importance.
 - D) Virtually all the studies have concluded that firm-specific factors are of almost no importance.
 - E) Virtually all the studies have concluded that firm-specific factors and industry-specific factors are of equal importance.

Answer: B

Diff: 3 Page Ref: 149

Topic: Industry Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

- 8) In various studies, researchers have found that from _____ of the variation in firm profitability is directly attributable to the industry in which a firm competes.

- A) 4 to 12 percent
- B) 8 to 30 percent
- C) 18 to 42 percent
- D) 22 to 56 percent
- E) 34 to 70 percent

Answer: B

Diff: 3 Page Ref: 147

Topic: Industry Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

- 9) Industries that sell products to seniors, such as the eyeglass industry and the hearing aid industry, are benefiting from the aging of the population, which is an important:

- A) environmental trend
- B) business trend
- C) commerce trend
- D) statutory trend
- E) competitive trend

Answer: A

Diff: 2 Page Ref: 150

Topic: Industry Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

10) The Partnering for Success feature in Chapter 5 focuses on three things that are important for startups to become active in to learn the ins and outs of their industries. The three items focused on in the feature are?

- A) local Chambers of Commerce, trade journals, and networking events
- B) Facebook, industry-related e-mail listservs, and trade shows
- C) trade associations, trade shows, and trade journals
- D) networking events, blogs, and Facebook
- E) local Chambers of Commerce, city or university-sponsored incubators, and trade associations

Answer: C

Diff: 2 Page Ref: 151

Topic: Industry Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

11) According to the textbook, the five competitive forces included in the five-forces model determine:

- A) the average rate of new business starts in an industry
- B) the average growth rate for the firms in an industry
- C) the average rate of return for the firms in an industry
- D) the average sales for the firms in an industry
- E) the average failure rate for the firms in an industry

Answer: C

Diff: 3 Page Ref: 152

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

12) According to the textbook, how do well-managed firms respond to the five-forces that determine industry profitability?

- A) They switch industries if the forces are too compelling.
- B) They focus on one force intently and excel by overcoming that force.
- C) They overcome each of the forces.
- D) They ignore the forces.
- E) They try to position their firms in a way that avoids or diminishes the forces.

Answer: E

Diff: 2 Page Ref: 152

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

13) In general, industries are more attractive when:

- A) the majority of the threats are high
- B) the majority of the threats are low
- C) the threat of each of the forces is neutral—neither low nor high
- D) the threat of each of the five forces is high
- E) the threat of each of the five forces is low

Answer: E

Diff: 2 Page Ref: 152

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

14) The price of prescription medicine is high, partly because when someone is sick there is no real alternative to buying medicine if they want to get better. Which of Porter's five forces explains how this aspect of the prescription medicine industry helps keep profitability high?

- A) rivalry among existing firms
- B) threat of new entrants
- C) threat of substitutes
- D) bargaining power of buyers
- E) bargaining power of suppliers

Answer: C

Diff: 2 Page Ref: 152

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

15) Which of Porter's five forces is most closely associated with the concept "barrier to entry"?

- A) bargaining power of suppliers
- B) rivalry among existing firms
- C) threat of new entrants
- D) bargaining power of buyers
- E) threat of substitutes

Answer: C

Diff: 2 Page Ref: 153

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

16) Which of the following is not one of the major sources of barriers to entry?

- A) economies of scale
- B) cost advantages independent of size
- C) buyer group concentration
- D) access to distribution channels
- E) government and legal barriers

Answer: C

Diff: 2 Page Ref: 154

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

17) Shelly Brunner owns a sports themed restaurant which is located in an upscale business district in Chicago. One advantage that Shelly has is that she bought the lot she built her restaurant on 25 years ago when lots in the area were selling for \$50,000. Shelly knows that several potential competitors have looked at bare lots near his business but haven't been willing to pay the asking prices, which are as high as \$500,000. Which of the six major sources of barriers to entry is causing a disincentive for new firms to enter Shelly's industry?

- A) capital requirements
- B) economies of scale
- C) product differentiation
- D) government and legal barriers
- E) cost advantage independent of size

Answer: E

Diff: 2 Page Ref: 154

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

18) Some industries, like the athletic shoe industry, are dominated by a small number of firms with strong brands. These industries are difficult to break into without spending heavily on advertising. The barrier to entry that the firms in these types of industries have erected is referred to as:

- A) government and legal barriers
- B) capital requirements
- C) product differentiation
- D) cost advantages independent of size
- E) access to distribution channels

Answer: C

Diff: 2 Page Ref: 154

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

19) Which of Porter's five forces is most directly influenced by the following factors: number and balance of competitors, degree of difference between products, growth rate of an industry, and level of fixed costs?

- A) threat of new entrants
- B) rivalry among existing firms
- C) threat of substitutes
- D) bargaining power of buyers
- E) bargaining power of suppliers

Answer: B

Diff: 3 Page Ref: 155

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

20) If a startup pioneers an industry or a new concept within an industry, the name recognition the startup establishes may create a formidable nontraditional barrier to entry referred to as a(n):

- A) unique business model
- B) aggressive supremacy
- C) competitive superiority
- D) first-mover advantage
- E) aggressive tactical advantage

Answer: D

Diff: 2 Page Ref: 156

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

21) According to the example provided in Chapter 5, www.1800contacts.com possesses a nontraditional barrier to entry referred to as:

- A) unique business model
- B) strength of management team
- C) access to distribution channels
- D) Internet domain name
- E) first-mover advantage

Answer: D

Diff: 3 Page Ref: 156

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

- 22) Which of the following was not identified in the textbook as a nontraditional barrier to entry?
- A) inventing a new approach to an industry and executing the idea in an exemplary fashion
 - B) unique business model
 - C) capital requirements
 - D) strength of management team
 - E) passion of management team and employees

Answer: C

Diff: 2 Page Ref: 156

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

- 23) Supplier concentration, switching costs, attractiveness of substitutes, and threat of forward integration are factors that have a direct impact on:

- A) threat of new entrants
- B) bargaining power of buyers
- C) rivalry among existing firms
- D) threat of substitutes
- E) bargaining power of suppliers

Answer: E

Diff: 3 Page Ref: 157

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

- 24) John Petersen is thinking about starting a firm in the specialty chemical industry. In the industry analysis John has been conducting, one thing he has noticed is that the specialty chemical industry is characterized by the following factors: high supplier concentration, high switching costs for buyers when they switch from one supplier to another, and no attractive substitutes for the products that most of the suppliers provide. These factors concern John because they tell him that the profitability of the specialty chemical industry is suppressed by the:

- A) threat of substitutes
- B) bargaining power of buyers
- C) rivalry among existing firms
- D) bargaining power of suppliers
- E) threat of new entrants

Answer: D

Diff: 2 Page Ref: 157

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

- 25) The five industry types discussed in the book include:
- A) launching, fragmented, leveled-off, declining, and global
 - B) emerging, climbing, mature, declining, and worldwide
 - C) emerging, fragmented, mature, declining, and global
 - D) climbing, peaking, plateaued, declining, and international
 - E) launching, consolidated, plateaued, mature, and worldwide

Answer: C

Diff: 2 Page Ref: 160

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

- 26) Windspire is starting a firm in the small-scale wind-generated power industry. This industry is still so new that no standard operating procedures have been developed. Small-scale wind-generated power is an example of a(n) _____ industry.

- A) mature
- B) declining
- C) emerging
- D) global
- E) fragmented

Answer: C

Diff: 2 Page Ref: 161

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

- 27) The primary opportunity existing for startups in emerging industries is to:

- A) consolidate the industry and establish industry leadership as a result of doing so
- B) win customers by placing an emphasis on service and process innovation
- C) pursue a niche strategy, which focuses on a narrow segment of the industry that might be encouraged to grow through product or process innovation
- D) capture a first-mover advantage
- E) pursue a cost reduction strategy, which is accomplished through achieving lower costs than industry incumbents through process innovation

Answer: D

Diff: 2 Page Ref: 161

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

28) A(n) _____ industry is one that is characterized by a large number of firms of approximately equal size.

- A) fragmented
- B) mature
- C) declining
- D) emerging
- E) global

Answer: A

Diff: 2 Page Ref: 161

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

29) The primary opportunity existing for startups in fragmented industries is to:

- A) pursue a niche strategy, which focuses on a narrow segment of the industry that might be encouraged to grow through product or process innovation
- B) win customers by placing an emphasis on service and process innovation
- C) capture a first-mover advantage
- D) pursue a cost reduction strategy, which is accomplished through achieving lower costs than industry incumbents through process innovation
- E) consolidate the industry and establish industry leadership as a result of doing so

Answer: E

Diff: 2 Page Ref: 161

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

30) A(n) _____ industry is an industry that is experiencing slow or no increase in demand.

- A) declining
- B) global
- C) mature
- D) emerging
- E) fragmented

Answer: C

Diff: 2 Page Ref: 161

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

31) According to the textbook, InstyMeds in prescription drug sales, Fresh Healthy Vending in food vending, and Daisy Rock in guitars are example of entrepreneurial firms who are exploiting opportunities in _____ industries.

- A) emerging
- B) fragmented
- C) declining
- D) mature
- E) emerging

Answer: D

Diff: 3 Page Ref: 161

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

32) According to the textbook, Nucor in steel, JetBlue in airlines, and Cirque du Soleil in circuses are examples of entrepreneurial firms who are exploiting opportunities in _____ industries.

- A) fragmented
- B) emerging
- C) declining
- D) global
- E) mature

Answer: C

Diff: 2 Page Ref: 161

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

33) Opportunities for leadership, niche, harvest and divestment are associated with _____ industries.

- A) mature
- B) emerging
- C) declining
- D) fragmented
- E) global

Answer: C

Diff: 2 Page Ref: 161

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

34) According to the textbook, PharmaJet, in needleless injection systems, and d'light, in solar-powered lanterns, are examples of entrepreneurial firms who are exploiting opportunities in _____ industries.

- A) global
- B) declining
- C) mature
- D) emerging
- E) fragmented

Answer: A

Diff: 2 Page Ref: 163

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

35) The What Went Wrong? feature in Chapter 5 focuses on Eclipse Aviation. What was Eclipse Aviation's goal?

- A) to create a new segment in the private jet industry called very light jets.
- B) to create a more affordable line of private two-seat and four-seat propeller planes
- C) to create ultra-luxurious private jets
- D) to create a low-cost airline to compete head-to-head with Southwest Airlines
- E) to create a new segment in the passenger jet industry called very heavy jets

Answer: A

Diff: 2 Page Ref: 162

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

36) A(n) _____ industry is an industry that is experiencing significant international sales.

- A) global
- B) mature
- C) fragmented
- D) declining
- E) emerging

Answer: A

Diff: 2 Page Ref: 163

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

37) The two most common strategies pursued by firms in global industries are the _____ strategy and the _____ strategy.

- A) inclusive, multidomestic
- B) multidomestic, global
- C) multidomestic, worldwide
- D) inclusive, global
- E) home, worldwide

Answer: B

Diff: 2 Page Ref: 163

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

38) Firms that pursue a(n) _____ strategy compete for market share on a country-by-country basis and vary their product or service offerings to meet the demands of the local market.

- A) inclusive
- B) universal
- C) multidomestic
- D) contemporary
- E) worldwide

Answer: C

Diff: 2 Page Ref: 163

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

39) Shelly James recently launched a firm in the fruit drink industry, and has already exported her fruit drinks to 9 different countries. One thing that Shelly's firm is doing is that it is varying the tastes of the fruit drinks it sells on a country by country basis to meet the demands of the local markets. Shelly's firm is pursuing a _____ strategy.

- A) global
- B) home
- C) universal
- D) contemporary
- E) multidomestic

Answer: E

Diff: 2 Page Ref: 163

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

40) Katherine Chapman recently launched a firm in the clothing industry, targeting teens ages 13-17. One thing Katherine thinks she has accomplished is producing products that have universal appeal, so she will not vary her approach from country to country. Katherine is pursuing a _____ strategy.

- A) universal
- B) multidomestic
- C) contemporary
- D) global
- E) home

Answer: D

Diff: 2 Page Ref: 163

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

41) According to the textbook, the first step in a competitor analysis is to:

- A) develop a marketing plan
- B) develop the strategic plan
- C) study the strength of the industry
- D) study the external environment
- E) determine who the competition is

Answer: E

Diff: 1 Page Ref: 163

Topic: Competitor Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

42) According to the textbook, the three different types of competitors a business will face are:

- A) potential, direct, and upcoming
- B) indirect, fleeting, and future
- C) serious, cautious, and future
- D) direct, indirect, and future
- E) potential, fleeting, and indirect

Answer: D

Diff: 2 Page Ref: 164

Topic: Competitor Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

43) In the context of competitor analysis, businesses that offer identical or similar products are referred to as:

- A) immediate competitors
- B) direct competitors
- C) indirect competitors
- D) straight competitors
- E) urgent competitors

Answer: B

Diff: 2 Page Ref: 164

Topic: Competitor Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

44) Aquafina operates in the bottled water industry. The companies that offer identical or similar products and go after the same customers that Aquafina does are Dasani and Zephyrhills. Dasani and Zephyrhills are Aquafina's:

- A) direct competitors
- B) indirect competitors
- C) future competitors
- D) impending competitors
- E) potential competitors

Answer: A

Diff: 2 Page Ref: 164

Topic: Competitor Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

45) In the context of competitor analysis, _____ offer close substitutes to the product sold by the firm completing the analysis.

- A) potential competitors
- B) direct competitors
- C) indirect competitors
- D) impending competitors
- E) future competitors

Answer: C

Diff: 2 Page Ref: 164

Topic: Competitor Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

46) In the beverage industry, soda, fruit juice, and sports drinks are _____ competitors of bottled water.

- A) occasional
- B) infrequent
- C) indirect
- D) direct
- E) future

Answer: C

Diff: 2 Page Ref: 164

Topic: Competitor Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

47) In the context of competitor analysis, _____ are companies that are not yet direct or indirect competitors but could move into one of these roles at any time.

- A) stable competitors
- B) roundabout competitors
- C) impending competitors
- D) approximate competitors
- E) future competitors

Answer: E

Diff: 2 Page Ref: 164

Topic: Competitor Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

48) The Savvy Entrepreneurial Firm feature in Chapter 5 focuses on three firms that are doing well in crowded industries for two reasons:

- A) they have effectively differentiated themselves from their competitors and they have captured a first-mover advantage
- B) they have passionate leaders and they run savvy promotional campaigns
- C) they have captured a first-mover advantage and they have unique business models
- D) they create meaningful value for customers at a fair price and they have differentiated themselves from their competitors
- E) they are low-cost leaders and they run savvy promotional campaigns

Answer: D

Diff: 3 Page Ref: 165

Topic: Competitor Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

49) The information that is gathered by a firm to learn about its competitors is referred to as:

- A) a feasibility appraisal
- B) a workable appraisal
- C) a practical assessment
- D) a viable assessment
- E) competitive intelligence

Answer: E

Diff: 2 Page Ref: 166

Topic: Competitor Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

50) Amy has just launched a firm in the sports drink industry. She has decided to complete a grid to see how she stacks up against her competitors. Along the horizontal axis of the grid, she lists her firm along with her major competitors. Along the vertical axis of the grid, she lists the main competitive factors in her industry. Amy is completing a:

- A) strategic analysis spreadsheet
- B) tactical analysis framework
- C) competitive analysis grid
- D) strategic analysis grid
- E) behavioral analysis spreadsheet

Answer: C

Diff: 2 Page Ref: 167

Topic: Competitor Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

51) Industry analysis is business research that focuses on the potential of an industry.

Answer: TRUE

Diff: 1 Page Ref: 148

Topic: Industry Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

52) A comparison analysis is a detailed evaluation of a firm's competitors.

Answer: FALSE

Diff: 1 Page Ref: 146

Topic: Industry Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

53) Virtually all studies have concluded that firm-specific factors are more important than industry-specific factors in terms of firm profitability.

Answer: TRUE

Diff: 2 Page Ref: 149

Topic: Industry Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

54) The two trends that are most important to focus on in an industry analysis are business trends and environmental trends.

Answer: TRUE

Diff: 2 Page Ref: 150

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

55) Business trends include economic trends, social trends, technological advances, and political and regulatory changes.

Answer: FALSE

Diff: 2 Page Ref: 150

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

56) The five competitive forces model is a framework for understanding the structure of an industry.

Answer: TRUE

Diff: 2 Page Ref: 152

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

57) The best industry to enter is an industry where the threat of each of Porter's five-forces is low.

Answer: TRUE

Diff: 2 Page Ref: 152

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

58) There are four factors that determine the threat of new entrants: number and balance of competitors, degree of difference between products, growth rate of an industry, and level of fixed costs.

Answer: FALSE

Diff: 2 Page Ref: 153

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

59) In most industries, the major determinant of industry profitability is the level of competition among the firms already competing in the industry.

Answer: TRUE

Diff: 2 Page Ref: 155

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

60) If the buyers are concentrated and they buy from a large number of suppliers, then the bargaining power of buyers is increased.

Answer: TRUE

Diff: 2 Page Ref: 155

Topic: The Five Competitive Forces That Determine Industry Profitability

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

61) An emerging industry is a new industry in which standard operating procedures have yet to be developed.

Answer: TRUE

Diff: 1 Page Ref: 159

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

62) A fragmented industry is one that is characterized by a large number of firms of approximately equal size.

Answer: TRUE

Diff: 2 Page Ref: 159

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

63) The primary opportunity available to firms in fragmented industries is consolidation. The most common way to do this is through a geographic roll-up strategy, in which one firm starts acquiring similar firms that are located in different geographic areas.

Answer: TRUE

Diff: 2 Page Ref: 160

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

64) A mature industry is an industry that is experiencing slow increases in demand, numerous repeat customers, and limited product innovation.

Answer: TRUE

Diff: 2 Page Ref: 161

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

65) Firms that pursue a global strategy use the same basic approach in all foreign markets.

Answer: TRUE

Diff: 2 Page Ref: 161

Topic: Industry Types and the Opportunities They Offer

AACSB: Dynamics of Global Economy

Objective: Describe the role of entrepreneurs and small business

66) The first step in a competitor analysis is to determine who the competition is.

Answer: TRUE

Diff: 1 Page Ref: 163

Topic: Competitor Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

67) A firm's future competitors are its most important ones.

Answer: FALSE

Diff: 2 Page Ref: 164

Topic: Competitor Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

68) The three types of competitors a business will face are direct competitors, indirect competitors, and future competitors.

Answer: TRUE

Diff: 2 Page Ref: 164

Topic: Competitor Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

69) The information that is gathered by a firm to learn about its competitors is referred to as tactical intelligence.

Answer: FALSE

Diff: 2 Page Ref: 166

Topic: Competitor Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

70) A competitive analysis grid is a tool for organizing the information a firm collects about its competitors.

Answer: TRUE

Diff: 1 Page Ref: 168

Topic: Competitor Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

71) What is industry analysis? Why is it important for a new venture to complete a thorough analysis of the industry it is entering?

Answer: Industry analysis is business research that focuses on the potential of an industry. An industry is a group of firms producing a similar product, such as MP3 players, fitness drinks, or electronic games. Once it is determined that a new venture is feasible in regard to the industry and market in which it will compete, a more in-depth analysis is needed to learn the ins and outs of the industry the firm plans to enter. This analysis helps a firm determine if the target market(s) it identified during its feasibility analysis are accessible and which ones represent the best point of entry for a new firm.

Diff: 1 Page Ref: 148

Topic: Industry Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

72) Identify the five competitive forces that determine industry profitability. Explain the purpose of analyzing these forces?

Answer: The five competitive forces that determine industry profitability are the threat of substitutes, the threat of new entrants, rivalry among existing firms, bargaining power of suppliers, and bargaining power of buyers. The five competitive forces model is a framework for understanding the structure of an industry and was developed by Harvard professor Michael Porter. Each of Porter's five-forces impacts the average rate of return for the firms in an industry by applying pressure on industry profitability. Companies analyze the five-forces to try to position their firms in a way that avoids or diminishes the negative impacts of these forces.

Diff: 2 Page Ref: 152

Topic: Industry Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

73) Discuss the nontraditional barriers to entry identified in the chapter. Why is it important that entrepreneurial firms utilize one or more of these forms of barriers to entry?

Answer: The nontraditional barriers to entry, which are particularly suitable for entrepreneurial firms, are strength of management team, first-mover advantage, passion of management team and employees, unique business model, a unique Internet domain name, and inventing a new approach to an industry and executing the idea in an exemplary fashion. It is important that startups utilize one or more of these forms of barriers to entry because many of the traditional barriers to entry, like economies of scale, are expensive. It is difficult for startups to erect expensive barriers to entry because money is usually tight.

Diff: 3 Page Ref: 156

Topic: Industry Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

74) What is an emerging industry? What is the primary opportunity available to entrepreneurial firms in emerging industries? Name three examples of firms in emerging industries.

Answer: An emerging industry is a new industry in which standard operating procedures have yet to be developed. The firm that pioneers or takes the leadership of an emerging industry often captures a first-mover advantage, which is a sometimes insurmountable advantage gained by the firm initiating the first significant move into a new market. Examples of firms in emerging industries include Apple with its iTunes music store, Windspire in small-scale wind-generated power, and PharmaSecure's process for detecting counterfeit pharmaceutical products.

Diff: 2 Page Ref: 160

Topic: Industry Types and the Opportunities They Offer

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

75) What is competitive intelligence? What are some of the ways that a firm can ethically obtain information about its competitors?

Answer: The information that is gathered by a firm to learn about its competitors is referred to as competitive intelligence. There are a number of ways that a firm can ethically obtain information about its competitors. These ways include: attend conferences and trade shows, read industry related books, magazines, and Web sites, along with general business magazines, talk to potential customers about what motivated them to buy your product as opposed to your competitor, purchase competitors' products to understand their features, benefits, and shortcomings, study competitors' Web sites, and study Web sites that provide information about competitors.

Diff: 2 Page Ref: 163

Topic: Competitor Analysis

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

Entrepreneurship: Successfully Launching New Ventures, 4e (Barringer/Ireland)
Chapter 6 Developing an Effective Business Model

1) Stroome, the focus on the opening feature for Chapter 6, has developed a new Web-based service for editing and remixing video. Stroome's initial business model is based on making money in the following two ways:

- A) subscription fees and licensing its software to film producers
- B) a "freemium" pricing model and white labeling its site
- C) online advertising and affiliate fees
- D) white labeling its site and subscription fees
- E) Google AdSense and affiliate fees

Answer: B

Diff: 1 Page Ref: 180

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

2) The opening feature in Chapter 6 focuses on Stroome, an exciting new Web-based service for editing and remixing video. The idea for Stroome emerged in:

- A) a graduate communications class at the University of Southern California
- B) a student-run incubator at the University of Illinois
- C) a technology commercialization class at Cornell
- D) a city-owned new business incubator in Cleveland
- E) a business plan class at Kansas State

Answer: A

Diff: 1 Page Ref: 180

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

3) Catherine Smith has just finished writing a business plan for a startup in the medical products industry. She has now reached the point where she needs to develop a plan for how her firm will compete, use its resources, structure its relationships, interface with customers, and create value to sustain itself on the basis of the profits it earns. Jennifer needs to establish her firm's:

- A) tactical plan
- B) feasibility plan
- C) business model
- D) business template
- E) operating plan

Answer: C

Diff: 1 Page Ref: 180

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

- 4) In regard to business models, which of the following statements is incorrect?
- A) There is a standard business model that most firms follow.
 - B) A firm's business model is inherently dependent on the collection of resources it controls and the capabilities it possesses.
 - C) It is dangerous for a company to assume that it can be successful by simply copying the business model of another firm.
 - D) A firm's business model is its plan or diagram for how it competes.
 - E) It is often difficult to determine what another firm's business model is.

Answer: A

Diff: 2 Page Ref: 181

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

- 5) The term _____ refers to initiatives, such as Netflix in movie rentals and Zipcar in car sharing, which revolutionize how products are sold in an industry.

- A) product model modernism
- B) business model innovation
- C) feasibility analysis innovation
- D) value innovation
- E) opportunity innovation

Answer: B

Diff: 2 Page Ref: 181

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

- 6) The Savvy Entrepreneurial Firm feature in Chapter 6 focuses on three business model innovators: Warby Parker, Shopkick, and SunRun. What is Shopkick's business model innovation?

- A) rewarding shoppers by the number of times they visit a Web site
- B) rewarding shoppers by simply walking into a retail store
- C) rewarding shoppers by the amount of time they spend in a particular store
- D) rewarding shoppers by the number of times they visit a particular store
- E) rewarding shoppers by the number of times they "tweet" about a particular store on Twitter

Answer: B

Diff: 2 Page Ref: 183

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

- 7) Which of the following is not one of the purposes of a business model?
- A) serves as an ongoing extension of feasibility analysis
 - B) serves as a template for conducting industry analysis
 - C) focuses attention on how all the elements of a business fit together
 - D) describes why the network of participants needed to make a business idea viable is willing to work together
 - E) articulates a company's core logic to all stakeholders

Answer: A

Diff: 2 Page Ref: 184

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

- 8) In the WebHouse example included in Chapter 6, WebHouse failed because:
- A) it did not complete a feasibility analysis
 - B) it did not write a complete business plan
 - C) it couldn't motivate its suppliers or customers to participate at a sufficient scale to support the overhead of the business
 - D) it charged too much for its services
 - E) it failed to focus on developing a core strategy

Answer: C

Diff: 3 Page Ref: 185

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

- 9) The _____ is the string of activities that moves a product from the raw material stage, through manufacturing and distribution, and ultimately to the end user.
- A) consequence sequence
 - B) business chain
 - C) meaning chain
 - D) value chain
 - E) worth procession

Answer: D

Diff: 2 Page Ref: 186

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

10) Which of the following is not a "primary" activity in the value chain?

- A) inbound logistics
- B) marketing and sales
- C) service
- D) technology development
- E) outbound logistics

Answer: D

Diff: 3 Page Ref: 187

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

11) Which of the following is a "primary" activity in the value chain?

- A) resource procurement
- B) technology development
- C) outbound logistics
- D) firm infrastructure
- E) human resource management

Answer: C

Diff: 3 Page Ref: 185

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

12) According to the textbook, by studying a product's or service's value chain an organization can:

- A) identify ways to create additional value and assess whether it has the means to do so
- B) determine if its business plan needs to be revised
- C) determine if it is cost effective to manufacture the product or sell the service
- D) determine if an attractive niche market is available
- E) determine if a product or service will be successful in the marketplace

Answer: A

Diff: 3 Page Ref: 186

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

- 13) Two fatal flaws can render a business model untenable from the beginning. These are:
- A) failure to complete a business plan and failure to get funding
 - B) a complete misread of the customer and utterly unsound economics
 - C) failure to copy the industry leader's business plan and a complete misread of the customer
 - D) failure to complete a business plan and overemphasizing the importance of feasibility analysis
 - E) overemphasizing the importance of feasibility analysis and utterly unsound economics

Answer: B

Diff: 2 Page Ref: 186

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

- 14) Which of the following is a "support" activity in the value chain?

- A) inbound logistics
- B) service
- C) marketing and sales
- D) outbound logistics
- E) resource procurement

Answer: E

Diff: 3 Page Ref: 187

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

- 15) _____ involves a firm's relationship with its suppliers and involves all the activities of receiving, storing, and shipping component parts to the place where they will be added to the final product.

- A) Resource procurement
- B) Operations
- C) Outbound logistics
- D) Technology development
- E) Inbound logistics

Answer: E

Diff: 2 Page Ref: 187

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

16) _____ involves all the activities required to manufacture a product.

- A) Resource procurement
- B) Administration
- C) Operations
- D) Outbound logistics
- E) Inbound logistics

Answer: C

Diff: 2 Page Ref: 187

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

17) Two fatal flaws can render a business model untenable from the beginning. These are utterly unsound economics and:

- A) a complete misread of the customer
- B) failure to copy the industry leader's business plan
- C) overemphasis on the importance of feasibility analysis
- D) overemphasis on the importance of industry analysis
- E) failure to complete a business plan prior to developing a business model

Answer: A

Diff: 2 Page Ref: 187

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

18) The four components of a firm's business model are:

- A) marketing plan, core strategy, business plan, and customer interface
- B) core strategy, strategic resources, partnership network, and customer interface
- C) economic environment, social environment, technological environment, and legal-regulatory environment
- D) opportunity recognition, feasibility analysis, business plan, and human resource plan
- E) marketing plan, operating plan, financial plan, and human resource plan

Answer: B

Diff: 2 Page Ref: 189

Topic: Components of Effective Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

19) Which of the following is not one of the components of a firm's business model?

- A) core strategy
- B) strategic resources
- C) partnership network
- D) business plan
- E) customer interface

Answer: D

Diff: 2 Page Ref: 189

Topic: Components of Effective Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

20) The What Went Wrong? feature in Chapter 6 focuses on Joost, a company that launched in 2006 as a premier online video service that aggregated and streamed premium video online. Joost failed just three years after it launched. According to the feature, Joost's most critical mistake dealt with subtle aspects of its business model. In particular, its:

- A) core strategy wasn't focused
- B) pricing model was misguided
- C) partnership network never came together
- D) customer interface was poorly conceived
- E) customer service strategy was poorly executed

Answer: A

Diff: 2 Page Ref: 190

Topic: Components of Effective Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

21) Jeff Mommer is starting an environmentally friendly lawn and garden service. One thing that Jeff has worked hard on is determining how his company will compete in the marketplace. This element of Jeff's business model is referred to as:

- A) core strategy
- B) strategic resources
- C) partnership network
- D) fulfillment and support
- E) customer interface

Answer: A

Diff: 2 Page Ref: 189

Topic: Core Strategy

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

22) Which of the following are the primary elements of a startup's core strategy?

- A) target customer, fulfillment and support, pricing structure
- B) suppliers, partners, other key relationships
- C) pricing structure, suppliers, strategic assets
- D) core competencies, strategic assets, funding model
- E) mission statement, product/market scope, basis for differentiation

Answer: E

Diff: 2 Page Ref: 189

Topic: Core Strategy

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

23) Steven Tanner is in the process of putting together the business model for his startup and is currently working on his mission statement, product/market scope, and basis for differentiation. Steven is working on the _____ component of his business model.

- A) core strategy
- B) strategic resources
- C) partnership network
- D) customer interface
- E) feasibility analysis

Answer: A

Diff: 2 Page Ref: 189

Topic: Core Strategy

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

24) A firm's _____ describes why it exists and what its business model is supposed to accomplish.

- A) mission statement
- B) vision statement
- C) feasibility statement
- D) duty statement
- E) responsibility statement

Answer: A

Diff: 2 Page Ref: 190

Topic: Core Strategy

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

25) "Organize all the world's information and make it universally accessible and useful" is Google's:

- A) function
- B) duty
- C) credo
- D) purpose statement
- E) mission statement

Answer: E

Diff: 2 Page Ref: 191

Topic: Core Strategy

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

26) A company's _____ defines the products and markets on which it will concentrate.

- A) tactical analysis
- B) business mission
- C) product/market scope
- D) supplier/buyer scope
- E) basis of differentiation

Answer: C

Diff: 2 Page Ref: 191

Topic: Core Strategy

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

27) Which of the following statements is incorrect regarding the "core strategy" component of a firm's business model?

- A) A firm's core strategy describes how it competes relative to its competitors.
- B) The product a firm chooses has little impact on its core strategy and business model.
- C) A company's product/market scope defines the products and markets on which it will compete.
- D) From a broad perspective firms typically choose one of two generic strategies: cost leadership or differentiation.
- E) The generic strategy a firm chooses greatly affects its business model.

Answer: B

Diff: 2 Page Ref: 191

Topic: Core Strategy

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

28) From a broad perspective, firms choose one of two generic strategies to position themselves in the marketplace. These are:

- A) high quality and low cost
- B) discount pricing and premium pricing
- C) value and low cost
- D) cost leadership and differentiation
- E) cost premium and separation

Answer: D

Diff: 2 Page Ref: 190

Topic: Core Strategy

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

29) Kendra Johnson is starting a firm in the shoe industry. Her shoes will be very high quality and will be priced at the top end of the market. Kendra has chosen the generic strategy referred to as:

- A) value pricing
- B) differentiation
- C) competitive superiority
- D) separation
- E) quality plus

Answer: B

Diff: 2 Page Ref: 192

Topic: Core Strategy

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

30) Jared King is starting a firm in the electronic games industry. The firm will produce games similar to popular games on the market, but they won't be as sophisticated and will be priced at the low end of the market. Jared has chosen the generic strategy referred to as:

- A) price reduction
- B) differentiation
- C) quality plus
- D) cost leadership
- E) cost differentiation

Answer: D

Diff: 2 Page Ref: 192

Topic: Core Strategy

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

31) Firms that have a _____ strategy strive to have the lowest costs in the industry, relative to competitors' costs, and typically attract customers on that basis. In contrast, firms using a _____ strategy compete on the basis of providing unique or different products and typically compete on the basis of quality, service, timeliness, or some other important dimension.

- A) differentiation, cost leadership
- B) cost emphasis, quality leadership
- C) cost leadership, differentiation
- D) price reduction, quality plus
- E) cost differentiation, quality plus

Answer: C

Diff: 2 Page Ref: 192

Topic: Core Strategy

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

32) Match the business model component with its explanation:

- A) core strategy/how a firm structures and nurtures its partnerships
- B) customer interface/how a firm acquires and uses its resources
- C) strategic resources/how a firm acquires and uses its resources
- D) partnership network/how a firm competes
- E) core strategy/how a firm interfaces with its customers

Answer: C

Diff: 2 Page Ref: 192

Topic: Strategic Resources

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

33) Susan Spector is in the process of putting together the business model for her startup and is currently working on her core competencies and strategic assets. Which of the components of her business model is Susan working on?

- A) core strategy
- B) strategic resources
- C) partnership network
- D) customer interface
- E) feasibility analysis

Answer: B

Diff: 2 Page Ref: 192

Topic: Strategic Resources

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

34) A _____ is a resource or capability that serves as a source of a firm's competitive advantage over its rivals.

- A) foundational competency
- B) core competency
- C) distinctive attribute
- D) center attribute
- E) core element

Answer: B

Diff: 2 Page Ref: 192

Topic: Strategic Resources

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

35) Zappo's competence in customer service, Apple's competence in designing consumer products, and Netflix's competence in supply chain management are examples of _____, which serve as each of these respective firms' competitive advantage of their rivals.

- A) foundational competencies
- B) core competencies
- C) core elements
- D) distinguishing attributes
- E) foundational attributes

Answer: B

Diff: 2 Page Ref: 192

Topic: Strategic Resources

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

36) _____ is the process of adapting a firm's core competencies to exploit new opportunities.

- A) Resource leverage
- B) Capacity proficiency
- C) Ability leverage
- D) Aptitude embellishment
- E) Capacity extension

Answer: A

Diff: 2 Page Ref: 193

Topic: Strategic Resources

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

37) _____ are anything rare and valuable that a firm owns.

- A) Tactical assets
- B) Tactical properties
- C) Deliberate assets
- D) Strategic assets
- E) Operational assets

Answer: D

Diff: 2 Page Ref: 193

Topic: Strategic Resources

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

38) In a business model context, the three components of a firm's partnership network are:

- A) business mission, partners, and strategic assets
- B) core competencies, suppliers, and target customer
- C) suppliers, partners, and other key relationships
- D) business mission, product/market scope, and basis for differentiation
- E) pricing structure, fulfillment and support, and target customer

Answer: C

Diff: 2 Page Ref: 194

Topic: Partnership Network

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

39) A supplier is a company that:

- A) purchases a company's products
- B) helps a firm put together its network of contacts
- C) provides startups with funding
- D) provides startups with business advice
- E) provides parts or services to another company

Answer: E

Diff: 1 Page Ref: 194

Topic: Partnership Network

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

40) The network of companies that participate in the production of a product, from the acquisition of raw materials to the final sale, is referred to as the:

- A) input chain
- B) participation chain
- C) supply chain
- D) involvement network
- E) contribution chain

Answer: C

Diff: 2 Page Ref: 194

Topic: Partnership Network

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

41) A hub and wheel configuration with a local firm at the hub organizing the interdependencies of a complex array of firms is referred to as a:

- A) trade association
- B) strategic alliance
- C) network
- D) joint venture
- E) consortia

Answer: C

Diff: 3 Page Ref: 195

Topic: Partnership Network

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

42) An arrangement between two or more firms that establishes an exchange relationship but has no joint ownership involved is called a:

- A) network
- B) trade association
- C) consortia
- D) joint venture
- E) strategic alliance

Answer: E

Diff: 2 Page Ref: 195

Topic: Partnership Network

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

43) A _____ is a group of organizations with similar needs that band together to create a new entity to address those needs.

- A) joint venture
- B) network
- C) consortia
- D) strategic alliance
- E) trade association

Answer: C

Diff: 2 Page Ref: 195

Topic: Partnership Network

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

44) Organizations (typically nonprofit) that are formed by firms in the same industry to collect and disseminate trade information, offer legal and technical advice, furnish industry-related training, and provide a platform for collective lobbying are called:

- A) strategic alliances
- B) trade associations
- C) networks
- D) joint ventures
- E) consortia

Answer: B

Diff: 2 Page Ref: 195

Topic: Partnership Network

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

45) _____, a relatively new approach to partnering, takes place when a service provided comes inside a partner's facilities and helps the partner design and manage its supply chain.

- A) Permeating
- B) Infiltrating
- C) Penetrating
- D) Fulfilling
- E) Insourcing

Answer: E

Diff: 2 Page Ref: 195

Topic: Partnership Network

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

46) The Partnering for Success feature in Chapter 6 focuses on 99designs, an online company that features a "crowdsourcing" model for getting design work done. 99designs' approach to partnering with _____ is the essence of its disruptive business model.

- A) professional art studios
- B) freelance designers
- C) art students
- D) Google, Yahoo, and Microsoft
- E) art teachers

Answer: B

Diff: 2 Page Ref: 196

Topic: Partnership Network

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

47) In a business model context, the three components of a firm's customer interface are target customer, fulfillment and support, and:

- A) pricing structure
- B) product/market scope
- C) basic for differentiation
- D) strategic assets
- E) business mission

Answer: A

Diff: 2 Page Ref: 197

Topic: Customer Interface

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

48) A firm's _____ is the limited group of individuals or businesses that it goes after or tries to appeal to.

- A) target objective
- B) goal objective
- C) intention market
- D) target market
- E) object market

Answer: D

Diff: 2 Page Ref: 197

Topic: Customer Interface

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

49) Gary Smith just launched a firm in the sports drink industry. He has decided to focus his efforts on appealing to extreme sports enthusiasts (examples include hang gliders, rock climbers, and parachutists). In Gary's case, extreme sports enthusiasts represent his firm's:

- A) target objective
- B) target market
- C) goal objective
- D) intention market
- E) object market

Answer: B

Diff: 2 Page Ref: 197

Topic: Customer Interface

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

50) Fulfillment and support describes:

- A) how a firm manages its customer relationships
- B) the way a firm's product or service "goes to market" or how it reaches its customers
- C) how a firm manages its employees
- D) the products and markets on which a firm will compete
- E) how a firm competes relative to its competitors

Answer: B

Diff: 2 Page Ref: 198

Topic: Customer Interface

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

51) A business plan is a firm's plan or diagram for how it competes, uses its resources, structures its relationships, interfaces with customers, and creates value to sustain itself on the basis of the profits it earns.

Answer: FALSE

Diff: 1 Page Ref: 180

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

52) A firm's business model resides within its own boundaries.

Answer: FALSE

Diff: 1 Page Ref: 180

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

53) Almost all firms partner with others to make their business models work.

Answer: TRUE

Diff: 2 Page Ref: 180

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

54) There is no standard business model that dictates how firms in a particular industry should compete.

Answer: TRUE

Diff: 2 Page Ref: 181

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

55) A clearly articulated business model articulates a company's core logic to all stakeholders, including the firm's employees.

Answer: TRUE

Diff: 2 Page Ref: 184

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

56) By studying a product's value chain, an organization can identify ways to create additional value and assess whether it has the means to do so.

Answer: TRUE

Diff: 2 Page Ref: 186

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

57) The primary activities in a firm's value chain include: inbound logistics, operations, outbound logistics, marketing and sales, and service.

Answer: TRUE

Diff: 2 Page Ref: 187

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

58) Two fatal flaws can render a business model untenable from the beginning: a complete misread of the customer and underutilization of the Internet.

Answer: FALSE

Diff: 2 Page Ref: 187

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

59) The four components of an effective business model include: core strategy, strategic resources, partnership network, and customer interface.

Answer: TRUE

Diff: 2 Page Ref: 189

Topic: Components of Effective Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

60) Fortunately, if three of the four components of a firm's business model are in place, the firm has a high probability of success.

Answer: FALSE

Diff: 2 Page Ref: 189

Topic: Core Strategy

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

61) A company's product/market scope defines the products and markets on which it will concentrate.

Answer: TRUE

Diff: 2 Page Ref: 191

Topic: Core Strategy

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

62) Historically, it has been difficult for a new venture to use a differentiation strategy.

Answer: FALSE

Diff: 2 Page Ref: 192

Topic: Core Strategy

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

63) A core competency is a resource or capability that serves as a source of a firm's competitive advantage over its rivals.

Answer: TRUE

Diff: 2 Page Ref: 192

Topic: Strategic Resources

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

64) The process of adapting a company's core competencies to exploit new opportunities is referred to as resource leverage.

Answer: TRUE

Diff: 2 Page Ref: 193

Topic: Strategic Resources

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

65) Strategic assets are anything rare and valuable that a firm owns.

Answer: TRUE

Diff: 2 Page Ref: 193

Topic: Strategic Resources

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

66) Companies ultimately try to combine their core competencies and strategic assets to create a sustainable competitive advantage.

Answer: TRUE

Diff: 2 Page Ref: 193

Topic: Partnership Network

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

67) A resource chain is the network of all the companies that participate in the production of a product, from the acquisition of raw materials to the final sale.

Answer: FALSE

Diff: 2 Page Ref: 194

Topic: Partnership Network

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

68) A network is a hub-and-wheel configuration with a local firm at the hub organizing the interdependencies of a complex array of firms.

Answer: TRUE

Diff: 2 Page Ref: 195

Topic: Partnership Network

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

69) A firm's target market is the limited group of individuals or businesses that it goes after or tries to appeal to.

Answer: TRUE

Diff: 2 Page Ref: 197

Topic: Customer Interface

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

70) Fulfillment and support describes the way a firm's product or service "goes to market" or how it reaches its customers.

Answer: TRUE

Diff: 2 Page Ref: 198

Topic: Customer Interface

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

71) What is meant by the statement, "A firm's business model takes it beyond its own boundaries"? Provide an example to illustrate your answer.

Answer: Almost all firms partner with others to make their business models work. For example, Stroome's business model is based on the idea that users will voluntarily upload video and then work together to edit and mix the video in a collaborative manner. Stroome plans to partner with companies and organizations to use its technology to create their own collaborative video editing platforms. In both instances, Stroome is relying on outsiders to help its business model coalesce and add value.

Diff: 1 Page Ref: 180

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

72) Why is it important for a firm to have a well-thought-out business model?

Answer: Having a well-thought-out and clearly articulated business model is important for the following reasons:

- Serves as an ongoing extension of feasibility analysis. A business model continually asks the question, "does the business make sense?"
- Focuses attention on how all the elements of a business fit together and constitute a working whole.
- Describes why the network of participants needed to make a business idea viable is willing to work together.
- Articulates a company's core logic to all stakeholders, including the firm's employees.

Diff: 2 Page Ref: 182

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

73) Describe the two potential fatal flaws of business models.

Answer: Two fatal flaws can render a business model untenable from the beginning: a complete misread of the customer and utterly unsound economics. Business models that fall victim to one of these two flaws have lost the race before leaving the starting gate.

Diff: 2 Page Ref: 187

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

74) Briefly describe the four main components of a business model. Identify the subcomponents of each the four main components of a business model.

Answer: The four main components of a business model are as follows:

- Core strategy. The first component of a business model is the core strategy, which describes how a firm competes relative to its competitors. The core strategy's subcomponents are business mission, product/market scope, and basis for differentiation.
- Strategic resources. A firm is not able to implement a strategy without resources, so the resources a firm has affects its business model substantially. The two main subcomponents of a firm's strategic resources are core competencies and strategic assets.
- Partnership network. A firm's network of partnerships is the third component of its business model. New ventures, in particular, typically do not have the resources to perform all the tasks required to make their business models work, so they rely on partners to perform key roles. The subcomponents in this category are suppliers, partners, and other key relationships.
- Customer interface—how a firm interfaces with its customers—is the fourth component of a business model. The type of customer interface depends on how a firm chooses to compete. The subcomponents in this category include target market, fulfillment and support, and pricing strategy.

Diff: 3 Page Ref: 189

Topic: Business Models

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

75) What is a strategic asset? Provide an example of a strategic asset that is utilized by an entrepreneurial firm.

Answer: Strategic assets are anything rare and valuable that a firm owns. They include plant and equipment, location, brands, patents, customer data, a highly qualified staff, and distinctive partnerships. A particularly valuable strategic asset is a company's brand. Starbucks, for example, has worked hard to build the image of its brand, and it would take an enormous effort for another coffee retailer to achieve this same level of brand recognition.

Diff: 2 Page Ref: 193

Topic: Strategic Resources

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

Entrepreneurship: Successfully Launching New Ventures, 4e (Barringer/Ireland)
Chapter 9 Building a New Venture Team

- 1) Scripped, the company profiled in the opening feature for Chapter 9, offers Web-based screenwriting software. Which of the following statements best reflects Scripped's personnel policy?
- A) Scripped has hired aggressively and now has approximately 40 employees.
 - B) Its three cofounders are its only employees.
 - C) Scripped was founded by two UCLA MBA students and quickly grew to 10 employees.
 - D) Its founder is its only employee.
 - E) It has avoided building a large staff. Its formal employees consist of its three cofounders and an individual obtained in a merger.

Answer: E

Diff: 1 Page Ref: 289

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

- 2) A _____ is the group of founders, key employees, and advisers that move a new venture from an idea to a fully functioning firm.

- A) new venture panel
- B) startup team
- C) new venture team
- D) new project team
- E) startup cadre

Answer: C

Diff: 2 Page Ref: 290

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

- 3) Jenny Templeton is preparing to launch a home security firm. The team of people that will launch Jenny's firm are as follows: Jenny (CEO), Brent (VP-Finance), Carrie (VP-Sales), a four-person Board of Directors, a five-person Board of Advisors, and Jenny's primary investor, who will assume an advisory role. The group of people that will launch Jenny's firm is called its:

- A) startup squad
- B) new venture panel
- C) new venture team
- D) startup cadre
- E) startup troop

Answer: C

Diff: 1 Page Ref: 290

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

4) The fact that companies often falter because the people who start the firms can't adjust quickly enough to their new roles and because the firm lacks a "track record" with outside buyers and sellers, is referred to as the:

- A) liability of preparedness
- B) liability of newness
- C) burden of novelty
- D) burden of freshness
- E) millstone of innovation

Answer: B

Diff: 2 Page Ref: 291

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

5) Savanna Combs opened a clothing boutique two years ago. Unfortunately, the boutique failed after 18 months. Savanna attributes the failure of her boutique to the facts that her employees couldn't adjust quickly enough to their new roles and that her boutique lacked a "track record" with outside buyers and sellers, which made it difficult to form partnerships and make sales.

Savanna suffered from what research calls the:

- A) burden of novelty
- B) millstone of innovation
- C) liability of newness
- D) liability of preparedness
- E) burden of newness

Answer: C

Diff: 2 Page Ref: 291

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

6) The high failure rate among new ventures is due in part to the liability of newness, which refers to the fact that new companies often falter because:

- A) they are underfunded and the founders of the firms don't move quickly enough to put together boards of directors and boards of advisors that can provide them direction and advice
- B) the founders of the firms underestimate the complexities involved with starting a new business and the firms lack a "track record" with outside buyers and sellers
- C) the people who start the firms can't adjust quickly enough to their new roles and the firms lack a "track record" with outside buyers and sellers
- D) the people who start the firms can't adjust quickly enough to their new roles and they are underfunded
- E) the founders of the firms underestimate the complexities involved with starting a new business and they don't move quickly enough to establish business partnerships

Answer: C

Diff: 2 Page Ref: 291

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

7) Which of the following was not identified in the textbook as an element of a new venture team?

- A) board of advisors
- B) suppliers and vendors
- C) key employees
- D) lenders and investors
- E) management team

Answer: B

Diff: 2 Page Ref: 292

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

8) According to the textbook, studies show that more than one individual starts _____ of all new firms.

- A) 20 to 25 percent
- B) 50 to 70 percent
- C) 5 to 15 percent
- D) 30 to 40 percent
- E) 75 to 90 percent

Answer: B

Diff: 3 Page Ref: 292

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

9) The What Went Wrong feature in Chapter 9 focuses on Deever, a 2008 startup that helped software developers use cloud-based services to "test" their code in an expedient manner.

According to the feature, one of the primary reasons Deever failed was:

- A) it lacked a cofounder who loved the business side of running a startup
- B) the cofounders couldn't get along
- C) it didn't build a robust partnership network
- D) it didn't solicit advice from attorneys, bankers or business consultants
- E) it didn't have a Board of Advisors

Answer: A

Diff: 2 Page Ref: 293

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

10) Which of the following statements is untrue regarding founding teams?

- A) The members of heterogeneous teams are diverse in terms of their abilities and experiences.
- B) The members of homogenous teams are very similar in terms of their abilities and experiences.
- C) Teams that have worked together before have an edge.
- D) Studies show that more than one individual starts 50 to 70 percent of all new firms.
- E) It is generally believed that new ventures started by an individual have an advantage over new ventures started by a team.

Answer: E

Diff: 2 Page Ref: 294

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

11) Which of the following statements is incorrect regarding founding teams?

- A) The members of heterogeneous teams are diverse in terms of their abilities and experiences.
- B) Teams that are working together for the first time have an advantage over teams that have worked together before.
- C) The psychological support that cofounders of a new business can offer one another is an important element of a firm's success.
- D) The members of homogeneous teams are very similar in terms of their abilities and experiences.
- E) Studies show that more than one individual starts 50 to 70 percent of all new teams.

Answer: B

Diff: 2 Page Ref: 294

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

12) The members of heterogeneous teams are:

- A) diverse in terms of their abilities and experiences
- B) diverse in terms of their abilities, but very similar in terms of their experiences
- C) similar in terms of their abilities and experiences
- D) diverse in terms of their experiences, but very similar in terms of their abilities
- E) sometimes diverse in terms of their abilities and experiences and sometimes similar along the same dimensions

Answer: A

Diff: 2 Page Ref: 294

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

13) The members of homogeneous teams are:

- A) diverse in terms of their abilities and experiences
- B) diverse in terms of their abilities, but very similar in terms of their experiences
- C) similar in terms of their abilities and experiences
- D) diverse in terms of their experiences, but very similar in terms of their abilities
- E) sometimes diverse in terms of their abilities and experiences and sometimes similar along the same dimensions

Answer: C

Diff: 2 Page Ref: 294

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

14) According to the textbook, which of the following statements is inaccurate regarding the size and composition of the founding team of a firm?

- A) There is no relationship between a founding team's size and its effectiveness.
- B) A founding team larger than four people is typically too large to be practical.
- C) The members of a homogeneous founding team are similar in terms of their abilities and experiences.
- D) The members of a heterogeneous founding team are diverse in terms of their abilities and experiences.
- E) A founding team can be too big, causing communication problems and increasing potential for conflict.

Answer: A

Diff: 2 Page Ref: 294

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

15) According to the textbook, prior entrepreneurial experiences:

- A) is one of the poorest predictors of future entrepreneurial performance
- B) is one of the most consistent predictors of future entrepreneurial performance for entrepreneurs under 50 years of age but not for entrepreneurs over 50 years of age
- C) is one of the most consistent predictors of future entrepreneurial performance
- D) is one of the most consistent predictors of future entrepreneurial performance in service firms but not in manufacturing firms
- E) has no relationship to future entrepreneurial performance

Answer: C

Diff: 2 Page Ref: 295

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

16) Which of the following statements is not true regarding the attributes of the founder or founders of a firm?

- A) Evidence suggests that important entrepreneurial skills are enhanced through higher education.
- B) Founders with prior entrepreneurial experience are more likely to avoid costly mistakes.
- C) Founders with experience in the same industry as their new ventures will typically have "blinders" on and are typically not as effective as founders new to the industry.
- D) Founders with broad social and professional networks have an advantage.
- E) New ventures that are started by a team rather than an individual have an advantage.

Answer: C

Diff: 2 Page Ref: 295

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

17) Which of the following qualities was not identified in the textbook as a preferred attribute of the founder or founders of a firm?

- A) prior entrepreneurial experience
- B) firm started by a team
- C) relevant industry experience
- D) prior experience working in a government or university position
- E) higher education

Answer: D

Diff: 2 Page Ref: 295

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

18) The process of building and maintaining relationships with people whose interests are similar or whose relationship could bring advantages to the firm is called:

- A) linking
- B) socializing
- C) networking
- D) associating
- E) connecting

Answer: C

Diff: 2 Page Ref: 296

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

19) Ned Kite is a four time business owner. One thing that has served Ned well throughout his entrepreneurial career is his ability to build and maintain relationships with people whose interests are similar or whose relationships could bring advantages to his new ventures.

According to the textbook, Ned is a good:

- A) networker
- B) socializer
- C) linker
- D) assembler
- E) connector

Answer: A

Diff: 2 Page Ref: 296

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

20) A(n) _____ is a chart that depicts the most important skills that are needed in a new venture and where skills gaps exist.

- A) expertise report
- B) talent profile
- C) abilities summary
- D) skills profile
- E) talent summary

Answer: D

Diff: 2 Page Ref: 296

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

21) Jason Andersen just finished writing a business plan for a new type of office supply store. One thing Jason included in the "Management Team & Company Structure" section of his business plan is a chart that depicts the most important skills that are needed for his business and where skills gaps exist. Jason included a(n) _____ in his business plan.

- A) skills profile
- B) talent report
- C) abilities profile
- D) expertise report
- E) talent summary

Answer: A

Diff: 2 Page Ref: 296

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

22) A skills profile is a chart that depicts the:

- A) preferable skills and abilities of the members of a firm's board of advisors
- B) preferable skills and abilities of the members of a firm's board of directors
- C) most important skills that are needed in a business startup and where skills gaps exist
- D) skills and abilities that will be needed for a firm to maintain an aggressive growth strategy
- E) the skills of a company's customers and how those skills impact the product and services a company provides

Answer: C

Diff: 2 Page Ref: 296

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

23) The Savvy Entrepreneurial Firm feature in Chapter 9 focuses on how business founders overcome a lack of business experience. Which of the following was not mentioned as a practical way for a new business founder to overcome a lack of business experience?

- A) hiring consultants from a major consulting firm, like Bain & Company or McKinsey & Company
- B) taking on a partner that has business experience
- C) getting help from a Small Business Development Center
- D) joining a Meetup group
- E) participating in online forums

Answer: A

Diff: 2 Page Ref: 297

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

24) A 2011 survey conducted by the University of Maryland's School of Business and Network Solutions asked small business owners how well they competed with other companies for good employees, and only _____ said they were successful.

- A) 16 percent
- B) 28 percent
- C) 30 percent
- D) 46 percent
- E) 66 percent

Answer: D

Diff: 3 Page Ref: 298

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

25) If a new venture organizes as a corporation, it is legally required to have a(n) _____, which is a panel of individuals who are elected by a corporation's shareholders to oversee the management of the firm.

- A) board of advisors
- B) review team
- C) team of advisors
- D) accountability panel
- E) board of directors

Answer: E

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

26) Kate Harrison is in the process of launching an educational services firm. She plans to incorporate the firm. Because the firm will be incorporated, Kate is legally required to have a:

- A) board of investors
- B) board of advisors
- C) customer advisory board
- D) board of directors
- E) panel of advisors and peers

Answer: D

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

27) A board of directors is typically made up of both:

- A) junior and senior directors
- B) inside and outside directors
- C) experienced and inexperienced directors
- D) novice and expert directors
- E) paid and unpaid directors

Answer: B

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

28) The panel of individuals who are elected by a corporation's shareholders to oversee the management of the firm is called the:

- A) board of advisors
- B) accountability panel
- C) advisory team
- D) panel of directors
- E) board of directors

Answer: E

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

29) A board of directors is typically made up of both inside and _____ directors.

- A) leading
- B) subordinate
- C) specialist
- D) outside
- E) impartial

Answer: D

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

30) In the context of boards of directors, a(n) _____ is a person who is also an officer of the firm.

- A) outside director
- B) junior director
- C) inside director
- D) expert director
- E) senior director

Answer: C

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

31) In the context of boards of directors, a(n) _____ is someone who is not employed by the firm.

- A) outside director
- B) inside director
- C) external director
- D) impartial director
- E) peripheral director

Answer: A

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

32) James Williams is the Chief Operating Officer of a startup in the health food industry. He is also a member of his firm's board of directors. In board of directors terminology, James is a(n):

- A) inside director
- B) outside director
- C) expert director
- D) junior director
- E) senior director

Answer: A

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

33) Keith Barnes is a general partner in a venture capital firm that just funded South Florida Software, a software firm in Coral Gables, Florida. South Florida Software is incorporated, and Keith has taken a seat on the firm's board of directors. In board of directors terminology, Keith is a(n):

- A) subordinate director
- B) senior director
- C) distant director
- D) inside director
- E) outside director

Answer: E

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

34) A board of directors has three formal responsibilities:

- A) periodically update the firm's business plan, declare dividends, and write the firm's marketing plan
- B) appoint the officers of the firm, declare dividends, and oversee the affairs of the corporation
- C) write the firm's strategic plan, declare dividends, and conduct the annual meeting
- D) appoint the officers of the firm, conduct the annual meeting, and submit the firm's annual report to the Securities & Exchange Commission
- E) provide funding to the firm, write the firm's strategic plan, and submit the firm's annual report to the Securities & Exchange Commission

Answer: B

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

35) A board of directors has three formal responsibilities: appoint the officers of the firm, oversee the affairs of the corporation, and:

- A) conduct the annual meeting
- B) provide funding for the firm
- C) submit the firm's annual report to the stockholders
- D) declare dividends
- E) write the firm's strategic plan

Answer: D

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

36) A board of directors has three formal responsibilities: appoint the officers of the firm, declare dividends, and:

- A) write the firm's strategic plan
- B) conduct the annual meeting
- C) provide funding for the firm
- D) represent the firm in public relations activities
- E) oversee the affairs of the corporation

Answer: E

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

37) Which of the following statements is incorrect regarding boards of directors?

- A) If a new venture organizes as a corporation, it is not legally required to have a board of directors, but it is strongly recommended.
- B) A board is typically made up of both inside and outside directors.
- C) The board is responsible for declaring dividends.
- D) Most boards meet formally three or four times a year.
- E) The boards for publicly traded companies are required by law to have audit and compensation committees.

Answer: A

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

38) According to the textbook, although a board of directors has formal governance responsibilities, its most useful role is to:

- A) provide guidance and support to the firm's managers
- B) submit papers on behalf of the firm to the SEC
- C) represent the firm in public relations activities
- D) conduct the firm's annual meeting
- E) provide funding to the firm

Answer: A

Diff: 2 Page Ref: 301

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

39) Andy Zackery just launched a firm in the sporting goods industry. On the day the company was launched, Andy issued a press release, indicating that the vice president of Brunswick, a highly respected sporting goods company, had agreed to serve on his board of directors. Andy knows that such a high quality appointment will send an important message to his potential clientele. This phenomenon is referred to as:

- A) championing
- B) signaling
- C) profiling
- D) indicating
- E) trumping

Answer: B

Diff: 2 Page Ref: 301

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

40) Melissa Jones just launched a firm in the wireless communications industry. Shortly after the company was launched, Melissa announced that a prominent Silicon Valley venture capitalist had agreed to serve on her board of directors. Melissa knows that such a high quality appointment will send an important message to her potential business partners and clientele. This phenomenon is referred to as:

- A) trumping
- B) championing
- C) profiling
- D) signaling
- E) indicating

Answer: D

Diff: 2 Page Ref: 301

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

41) Which of the following was not identified in the textbook as an attribute of an effective board of directors?

- A) homogeneous set of experiences and talents
- B) customer-focused point of view
- C) ability and willingness to stand up to the CEO and top managers of the firm
- D) strong communication with the CEO
- E) decisiveness

Answer: A

Diff: 2 Page Ref: 302

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

42) Which of the following was not identified in the textbook as an attribute of an effective board member?

- A) strong personal and professional networks
- B) unknown in their field
- C) investment and/or operating experience
- D) ability and willingness to mentor the CEO and the top managers of the firm
- E) pattern recognition skills

Answer: B

Diff: 2 Page Ref: 302

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

43) A(n) _____ is a panel of experts who are asked by a firm's managers to provide counsel and advice on an ongoing basis.

- A) consultation board
- B) idea panel
- C) counseling panel
- D) advisory board
- E) suggestion panel

Answer: D

Diff: 2 Page Ref: 302

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

44) William Woods recently launched a printing company. One thing William is thinking about creating is a panel of experts who can provide him ongoing direction and advice regarding the future of his business. William is thinking about creating a(n):

- A) analysis panel
- B) discussion board
- C) advisory board
- D) suggestion panel
- E) accountability panel

Answer: C

Diff: 2 Page Ref: 302

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

45) Amy Phillips founded a cosmetics firm several years ago. Her firm has grown rapidly and is financially successful. One thing that Amy attributes her success to is that early on she assembled a panel of experts who provided her ongoing direction and advice about her business. What Amy created is called a(n):

- A) consultation panel
- B) suggestion panel
- C) idea board
- D) accountability panel
- E) advisory board

Answer: E

Diff: 2 Page Ref: 302

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

- 46) Which of the following statements about advisory boards is incorrect?
- A) The fact that a corporation has a board of directors does not preclude it from establishing one or more advisory boards.
 - B) An advisory board can be established for general purposes or can be set up to address a specific issue or need.
 - C) Similar to a board of directors, an advisory board has legal responsibility for the firm in certain areas.
 - D) An advisory board is a panel of experts who are asked by a firm's managers to provide counsel and advice on an ongoing basis.
 - E) A growing number of startups are forming advisory boards.

Answer: C

Diff: 2 Page Ref: 302

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

- 47) Which of the following statements about advisory boards is incorrect?
- A) If a firm has a board of directors it is not permitted to have an advisory board.
 - B) Many people are more willing to serve on a company's board of advisors than its board of directors because it requires less time and there is no potential legal liability involved.
 - C) Most boards of advisers have between 5 and 15 members.
 - D) A growing number of startups are forming advisory boards.
 - E) An advisory board can be established for general purposes or can be set up to address a specific issue or need.

Answer: A

Diff: 2 Page Ref: 302

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

- 48) According to the textbook, most boards of advisers have between:
- A) 5 and 15 members
 - B) 2 and 4 members
 - C) 10 and 18 members
 - D) 2 and 3 members
 - E) 4 and 7 members

Answer: A

Diff: 3 Page Ref: 303

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

49) The Partnering for Success feature in Chapter 9 focuses on iConclude, a company that set up a customer advisory board. The main point of the feature is:

- A) the proper time to set up a customer advisory board is just after a business has been launched
- B) the members of a firm's customer advisory board should be as diverse as possible
- C) a customer advisory board can be a good source of new product or service ideas
- D) the main purpose of a customer advisory board is to assess customer satisfaction
- E) setting up a customer advisory board before a business is launched can be a useful way of getting feedback while a product is being developed

Answer: E

Diff: 2 Page Ref: 304

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

50) Which of the following is incorrect regarding the typical role of consultants in business startups?

- A) give professional advice
- B) international consulting firms, like Accenture and Bearing Point, are financially beyond the reach of most small firms
- C) consultants fall into two categories: paid consultants and consultants who are made available for free
- D) give expert advice
- E) help manage the day-to-day activities of the firm

Answer: E

Diff: 2 Page Ref: 306

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

51) A new venture team is the group of founders, key employees, and advisers that move a new venture from an idea to a fully functioning firm.

Answer: TRUE

Diff: 1 Page Ref: 290

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

52) The term "liability of newness" refers to the fact that companies often falter because the people who start the firms can't adjust quickly enough to their new roles and because the firms lack "track records" with outside buyers and suppliers.

Answer: TRUE

Diff: 2 Page Ref: 291

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

53) Studies show that more than one individual starts 80 to 90 percent of all new firms.

Answer: FALSE

Diff: 3 Page Ref: 292

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

54) It is generally believed that new ventures started by an individual have an advantage over those started by a team.

Answer: FALSE

Diff: 2 Page Ref: 293

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

55) Founding teams that have worked together before, as opposed to teams that are working together for the first time, have an edge.

Answer: TRUE

Diff: 2 Page Ref: 294

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

56) Homogeneous teams are diverse in terms of their abilities and experiences.

Answer: FALSE

Diff: 2 Page Ref: 294

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

57) Prior entrepreneurial experience, relevant industry experience, and networking are attributes that strengthen the chances of a founder's success.

Answer: TRUE

Diff: 2 Page Ref: 295

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

58) Relevant industry experience is a poor predictor of future entrepreneurial performance.

Answer: FALSE

Diff: 2 Page Ref: 295

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

59) Networking is building and maintaining relationships with people whose interests are similar or whose relationship could bring advantages to a firm.

Answer: TRUE

Diff: 2 Page Ref: 296

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

60) A skills profile is a chart that depicts the most important skills that are needed and where skills gaps exist.

Answer: TRUE

Diff: 2 Page Ref: 296

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

61) An increasingly important approach for recruiting employees is via social media sites like LinkedIn, Facebook, and Twitter.

Answer: TRUE

Diff: 2 Page Ref: 299

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

62) Although a board of directors has formal governance responsibilities, its most useful role is to provide guidance and support to the firm's managers.

Answer: TRUE

Diff: 2 Page Ref: 301

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

63) An advisory board is a panel of experts who are asked by a firm's managers to provide counsel and advice on an ongoing basis.

Answer: TRUE

Diff: 1 Page Ref: 302

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

64) Similar to a board of directors, an advisory board possesses legal responsibility for the firm.

Answer: FALSE

Diff: 2 Page Ref: 302

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

65) An advisory board can be established for general purposes or can be set up to address a specific need.

Answer: TRUE

Diff: 2 Page Ref: 302

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

66) The fact that a corporation has a board of directors precludes it from having a board of advisors.

Answer: FALSE

Diff: 2 Page Ref: 302

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

67) Most boards of advisers have between 3 and 5 members.

Answer: FALSE

Diff: 3 Page Ref: 303

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

68) More people are willing to serve on a company's board of directors than board of advisors.

Answer: FALSE

Diff: 3 Page Ref: 303

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

69) Consultants fall into two categories: paid consultants and consultants who are made available for free or at a reduced rate through a nonprofit or government agency.

Answer: TRUE

Diff: 2 Page Ref: 306

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

70) SCORE is a for-profit organization that provides consulting services to small businesses.

Answer: FALSE

Diff: 2 Page Ref: 306

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

71) Describe the term "liability of newness" and suggest several ways that a new venture can overcome this handicap.

Answer: The term "liability of newness" refers to the fact that companies often falter because the people who start them aren't able to adjust quickly enough to their new roles and because the firms lack "track records" with outside buyers and suppliers. Assembling a talented and experienced new venture team is one path firms can take to overcome these limitations. In addition, firms able to persuade high-quality individuals to join them as directors or advisers quickly gain legitimacy with a variety of individuals, such as some of those working inside the venture as well as some people outside the venture (e.g., suppliers, customers, and investors). In turn, legitimacy opens doors that otherwise would be closed.

Diff: 2 Page Ref: 291

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

72) Are more firms started by individuals or founding teams? What are the advantages to founding a firm as a team rather than as an individual?

Answer: Studies show that more than one individual starts 50 to 70 percent of all new firms. It is generally believed that new ventures started by a team have an advantage over those started by an individual because a team brings more talent, resources, ideas, and professional contacts to a new venture than does a sole entrepreneur. In addition, the psychological support that cofounders of a new business can offer one another is an important element in the firm's success.

Diff: 2 Page Ref: 292

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

73) What is the difference between a heterogeneous and a homogeneous founding team? Which type of team has the advantage?

Answer: Heterogeneous founding teams are diverse in terms of their abilities and experiences. Homogeneous founding teams are very similar on the same dimensions. Heterogeneous teams typically have the advantage. The members of heterogeneous teams are likely to have different points of view about technology, hiring, decisions, competitive tactics, and other important activities. These different points of view are likely to generate debate and constructive conflict among the founders, reducing the likelihood that decisions will be made in haste or without the airing of alternative points of view.

Diff: 2 Page Ref: 294

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

74) What is a skills profile and what is it used for?

Answer: A skills profile is a chart that depicts the most important skills that are needed in a startup (such as executive leadership, finance, operations, HR) on the horizontal axis and lists the members of the new venture team and the skills that each individual contributes on the vertical axis. The idea is to see whether the skills that are needed to launch a firm are adequately covered by the members of the new venture team, or whether skills gaps exist that need to be filled.

Diff: 2 Page Ref: 296

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

75) What is SCORE? What is its role in helping a firm fill out its new venture team?

Answer: SCORE is a nonprofit organization that provides free consulting services to small businesses. SCORE currently has over 13,000 volunteers, who are typically retired business owners and who counsel in areas as diverse as finance, operations, and sales. SCORE helps a business fill out its new venture team by providing important advice and direction in areas that the new venture cannot provide for itself.

Diff: 2 Page Ref: 307

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

Entrepreneurship: Successfully Launching New Ventures, 4e (Barringer/Ireland)

Chapter 10 Getting Financing or Funding

- 1) inDinero, the company profiled in the opening feature for Chapter 10, is described by its cofounders as "the fastest way for small businesses to manage their finances." Which of the following is not true about inDinero's founding story?
- A) In 2009, inDinero's founders applied to TechStars, which is a Boulder, CO-based seed-stage fund/incubator, and were turned down.
 - B) The idea for inDinero originated in mid-2009 while its cofounders were still in college.
 - C) In April 2010, the founders of inDinero applied to Y Combinator, an organization that provides seed-stage funding, mentorship, and networking opportunities to participants, and were turned down.
 - D) inDinero reportedly has over 15,000 users .
 - E) In late 2009 and early 2010, the founders of inDinero tried to raise angel funding and were unsuccessful.

Answer: C

Diff: 1 Page Ref: 320

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

- 2) According to the textbook, many entrepreneurs go about the task of raising capital haphazardly because:

- A) they are uncomfortable talking about money and they haven't written a business plan
- B) they lack experience in this area and because they don't know much about their choices
- C) they are focused on the nuts and bolts of starting their business
- D) they haven't completed a feasibility analysis or business plan
- E) they are intimidated by the process and they are unsure of how much money they need

Answer: B

Diff: 2 Page Ref: 321

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

3) Kimberly Jones is the founder of a company in the medical equipment industry. Kimberly's firm is still in the feasibility analysis stage and doesn't have a product that is ready to sell. The company is spending about \$25,000 per month and expects to maintain that level of spending until it reaches profitability. The \$25,000 a month is Kimberly's:

- A) consumption rate
- B) utilization rate
- C) burn rate
- D) usage rate
- E) liquidity rate

Answer: C

Diff: 1 Page Ref: 321

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

4) The three reasons startups need funding are:

- A) cash flow challenges, capital investments, and lengthy product development cycles
- B) business research, cash flow challenges, and costs associated with building a brand
- C) bonuses for members of the new venture team, attorney fees, and lengthy product development cycles
- D) attorney fees, capital investments, and marketing research
- E) bonuses for members of the new venture team, marketing research, and personnel costs

Answer: A

Diff: 2 Page Ref: 321

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

5) In startup firms, inventory must be purchased, employees must be trained and paid, and advertising must be paid for before cash is generated from sales. Which of the following reasons that motivate firms to seek funding or financing is illustrated in this example?

- A) cash flow challenges
- B) marketing costs
- C) personnel costs
- D) capital investments
- E) lengthy product development cycles

Answer: A

Diff: 2 Page Ref: 321

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

6) For startup firms, the cost of buying real estate, building facilities, and purchasing equipment often exceeds the firm's ability to provide funds for those needs on its own. Which of the following reasons that motivate firms to seek funding or financing is illustrated in this example?

- A) lengthy product development cycles
- B) costs associated with building a brand
- C) cash flow challenges
- D) capital investments
- E) personnel costs

Answer: D

Diff: 2 Page Ref: 322

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

7) Peter Simmons owns an electronic games company. Although Peter's game designers and programmers are very good, it takes 2-3 years to develop a good electronic game. This example illustrates the need for funding or financing referred to as:

- A) personnel costs
- B) marketing costs
- C) costs associated with building a brand
- D) lengthy product development cycles
- E) cash flow challenges

Answer: D

Diff: 2 Page Ref: 322

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

8) For startup firms, some products are under development for years before they generate earnings. The upfront costs often exceed a firm's ability to fund these activities on its own. Which of the following reasons that motivate firms to seek funding or financing is illustrated in this example?

- A) cash flow challenges
- B) marketing costs
- C) capital investments
- D) personnel costs
- E) lengthy product development cycles

Answer: E

Diff: 2 Page Ref: 322

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

9) According to our textbook, the seed money that gets a company off the ground typically comes from:

- A) angel investors
- B) venture capitalists
- C) commercial banks
- D) governmental agencies
- E) the founders of the firm

Answer: E

Diff: 1 Page Ref: 323

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

10) Jason Graham's startup, which is in the electronics industry, was launched on January 1, 2009. However, prior to its formal launch, Jason spent many hours working on his business, particularly during the feasibility analysis stage. The time and effort that entrepreneurs put into their venture, that can't be easily measured from a financial point of view, is referred to as:

- A) effort equity
- B) intangible equity
- C) sweat equity
- D) worry equity
- E) fret equity

Answer: C

Diff: 2 Page Ref: 323

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

11) According to the textbook, beyond their own funds, the second source of funds for many new ventures is:

- A) government grants
- B) business angels
- C) friends and family
- D) banks
- E) venture capital

Answer: C

Diff: 2 Page Ref: 323

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

12) Bill and Megan Tempelton are planning to open a smoothie restaurant near a large soccer complex in Greeley, Colorado, and need \$75,000 to get started. They have \$15,000 of their own money, which leaves \$60,000. After getting turned down by a couple of banks, they decided to turn to their relatives and acquaintances for help. Fortunately, they were able to raise the money through a gift from Bill's grandfather, a loan from Megan's parents, and a small investment by Bill's best friend in college, Kevin. The money that an entrepreneur raises in this manner is referred to as:

- A) friends and family
- B) bootstrapping
- C) networking money
- D) compassion money
- E) legacy money

Answer: A

Diff: 2 Page Ref: 323

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

13) Amy Clark just opened a soup and salad restaurant near Golden Gate Park in San Francisco. Rather than borrow money or raise funds from investors, Amy used her creativity and ingenuity and figured out how to get her business up and running without the need for external funding. Amy is utilizing a technique referred to as:

- A) networking
- B) reaching
- C) scrounging
- D) prospecting
- E) bootstrapping

Answer: E

Diff: 3 Page Ref: 324

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

14) Which of the following was not identified in the textbook as a common (and sound) bootstrapping strategy?

- A) coordinate purchases with other businesses
- B) hire interns
- C) minimize personal expenses
- D) buy rather than lease equipment
- E) obtain payments in advance from customers

Answer: D

Diff: 3 Page Ref: 324

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

15) Equity financing (or funding) means:

- A) exchanging partial ownership in a firm, usually in the form of stock, for funding
- B) getting a grant or outright gift
- C) getting a loan
- D) getting a lease
- E) getting a loan guarantee

Answer: A

Diff: 2 Page Ref: 325

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

16) Which of the following is not a source of equity funding?

- A) initial public offering
- B) angel investors
- C) private placement
- D) venture capital
- E) government grants

Answer: E

Diff: 2 Page Ref: 325

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

17) Equity investors typically have a _____ investment horizon.

- A) 1 to 3 year
- B) 2 to 4 year
- C) 3 to 5 year
- D) 4 to 6 year
- E) 5 to 7 year

Answer: C

Diff: 2 Page Ref: 325

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

18) Which of the following statements is incorrect regarding equity funding?

- A) Equity investors expect to get their money back, along with a substantial capital gain, through the sale of their stock.
- B) Angel investors are a common source of equity funding.
- C) Equity funding is not a loan.
- D) Equity investors are very demanding.
- E) Equity investors fund the majority of the plans they consider.

Answer: E

Diff: 3 Page Ref: 325

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

19) The three most common forms of equity funding are:

- A) friends and family, venture capital, bank loans
- B) SBIR grants, SBA guaranteed loans, bank loans
- C) initial public offerings, business angels, venture capitalists
- D) friends and family, business angels, bootstrapping
- E) SBIR grants, venture capital, initial public offerings

Answer: C

Diff: 1 Page Ref: 325

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

20) Which of the following set of characteristics places a startup in the strongest position to apply for equity funding?

- A) weak cash flow, high leverage, low-to-moderate growth, unproven management
- B) strong cash flow, low leverage, audited financials, good management, healthy balance sheet
- C) unique business idea, strong cash flow, low-to-moderate growth, broad market
- D) strong cash flow, high leverage, low-to-moderate growth, unproven management
- E) unique business idea, high growth, niche market, proven management

Answer: E

Diff: 3 Page Ref: 326

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

21) A brief carefully constructed statement that outlines the merits of a business opportunity is called a(n):

- A) subway speech
- B) sway speech
- C) bootstrap speech
- D) teaser speech
- E) elevator speech

Answer: E

Diff: 2 Page Ref: 326

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

22) The Partnering for Success feature in Chapter 10 focuses on TechStars and Y Combinator: A New Breed of Start-Up Incubators. TechStars is headquartered in _____ while Y Combinator is headquartered in _____.

- A) the Silicon Valley, Chicago
- B) Boulder, CO, New York City
- C) Austin, TX, New York City
- D) the Silicon Valley, Austin, TX
- E) Chicago, Boulder, CO

Answer: B

Diff: 2 Page Ref: 326

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

23) According to a study cited in the textbook, _____ of private companies meet the criterion established by business angels for investment.

- A) 2 percent to 4 percent
- B) 10 percent to 15 percent
- C) 18 percent to 30 percent
- D) 32 percent to 48 percent
- E) 60 percent to 70 percent

Answer: B

Diff: 3 Page Ref: 329

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

- 24) Which of the following statement is not correct regarding business angels?
- A) Business angels invest in more startups on a yearly basis than venture capitalists.
 - B) The number of angel investors has decreased dramatically over the past decade.
 - C) Business angels usually take a seat on the board of directors of the firms in which they invest.
 - D) Business angels are valuable because of their willingness to make relatively small investments.
 - E) Business angels are difficult to find.

Answer: B

Diff: 2 Page Ref: 329

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

- 25) According to the textbook, the unique value provided by business angels is:
- A) they are willing to make relatively large investments
 - B) they are willing to make relatively small investments
 - C) they require a fairly low rate of return on their money
 - D) they invest money but typically don't take a seat on a company's board of directors
 - E) they are easy to find

Answer: B

Diff: 3 Page Ref: 329

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

- 26) _____ are limited partnerships of money managers who raise money in "funds" to invest in startups and growing firms.
- A) Venture capital firms
 - B) Business angels
 - C) Institutional investors
 - D) Investment bankers
 - E) Business capitalists

Answer: A

Diff: 1 Page Ref: 330

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

27) Venture capital firms are _____ of money managers who raise money in "funds" to invest in startups and growing firms.

- A) limited partnerships
- B) finance associations
- C) consortiums
- D) collations
- E) strategic partnerships

Answer: A

Diff: 2 Page Ref: 330

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

28) In 2010, venture capital firms funded _____ deals .

- A) 800
- B) 3,276
- C) 1,265
- D) 6,211
- E) 7,255

Answer: B

Diff: 3 Page Ref: 330

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

29) According to a source cited in the textbook, venture capitalists anticipate that the percentage of investments that will be home runs is about _____ or less.

- A) 20 percent
- B) 50 percent
- C) 5 percent
- D) 33 percent
- E) 45 percent

Answer: A

Diff: 3 Page Ref: 331

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

30) Once a venture capitalist makes an investment in a firm, subsequent investments are made in rounds and are referred to as:

- A) later funding
- B) successive funding
- C) subsequent backing
- D) follow-on funding
- E) ensuing backing

Answer: D

Diff: 2 Page Ref: 333

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

31) An important part of obtaining venture capital funding is going through _____, which refers to the process of investigating the merits of a potential venture and verifying the key claims made by the business plan.

- A) appropriate diligence
- B) fit diligence
- C) due diligence
- D) prior diligence
- E) responsible diligence

Answer: C

Diff: 2 Page Ref: 333

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

32) In regard to the stages (or rounds) of venture capital funding, the stage of funding that occurs when an investment is made very early in a venture's life to fund the development of a prototype and feasibility analysis is referred to as:

- A) seed funding
- B) second-stage funding
- C) first-stage funding
- D) mezzanine financing
- E) startup funding

Answer: A

Diff: 3 Page Ref: 333

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

33) The first sale of stock by a firm to the public is referred to as a(n):

- A) original public submission
- B) first unrestricted offering
- C) preemptive initial offering
- D) original open offering
- E) initial public offering

Answer: E

Diff: 2 Page Ref: 335

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

34) A(n) _____ is an institution, such as Credit Suisse First Boston, that acts as an underwriter or agent for a firm engaged in an initial public offering.

- A) venture bank
- B) statutory bank
- C) fiduciary bank
- D) investment bank
- E) public bank

Answer: D

Diff: 2 Page Ref: 335

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

35) As part of drumming up support for an IPO, the investment bank typically takes the top management team of the firm wanting to go public on a _____, which is a whirlwind tour that consists of meetings in key cities where the firm presents its business plan to groups of investors.

- A) pitch show
- B) road show
- C) pitch tour
- D) road trip
- E) tornado tour

Answer: B

Diff: 2 Page Ref: 335

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

36) Debt financing involves:

- A) raising venture capital or securing a private placement
- B) selling corporate bonds or selling stock via an IPO
- C) getting a grant or selling corporate bonds
- D) getting a loan or raising venture capital
- E) getting a loan or selling corporate bonds

Answer: E

Diff: 2 Page Ref: 336

Topic: Sources of Debt Financing

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

37) Historically, commercial banks:

- A) have been a good source of funds for startup firms
- B) have not funded startup firms at all
- C) have been a good source of funds for manufacturing firm startups but not for service firm startups
- D) have been a good source of funds for service firm startups but not for manufacturing firm startups
- E) have not been a good source of funds for startup firms

Answer: E

Diff: 2 Page Ref: 337

Topic: Sources of Debt Financing

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

38) There are two major advantages of getting a loan versus investment capital:

- A) the money doesn't have to be paid back and lenders typically take an active interest in their borrowers
- B) banks are reliable sources of funding for startups and interest payments are tax deductible
- C) the money doesn't have to be paid back and no ownership in the firm is surrendered
- D) no ownership in the firm is surrendered and interest payments are tax deductible
- E) banks are reliable sources of funding for startups and lenders typically take an active interest in borrowers

Answer: D

Diff: 2 Page Ref: 338

Topic: Sources of Debt Financing

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

39) The most notable SBA program available to small businesses is the:

- A) SBA 1060 Guaranty
- B) Code 604 Guaranty Program
- C) 7(A) Guaranty Program
- D) SBA 101 Program
- E) Small Business 401 Program

Answer: C

Diff: 2 Page Ref: 338

Topic: Sources of Debt Financing

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

40) According to a survey conducted by the National Small Business Association between August 2008 and December 2009, between _____ percent of business owners utilized vendor credit.

- A) 12 and 18
- B) 17 and 21
- C) 22 and 29
- D) 35 and 40
- E) 52 and 58

Answer: C

Diff: 2 Page Ref: 338

Topic: Sources of Debt Financing

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

41) _____ is a financial transaction whereby a business sells its accounts receivable to a third party at a discount in exchange for cash.

- A) Factoring
- B) Vendor credit
- C) Peer-to-peer lending
- D) Crowdfunding
- E) Leasing

Answer: A

Diff: 2 Page Ref: 338

Topic: Sources of Debt Financing

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

42) Prosper is the best known:

- A) factor
- B) provider of SBA guaranteed loans
- C) peer-to-peer lending network
- D) provider of vendor credit
- E) crowdfunding network

Answer: C

Diff: 2 Page Ref: 338

Topic: Sources of Debt Financing

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

43) A(n) _____ is a written agreement in which the owner of a piece of property allows an individual or business to use the property for a specified period of time in exchange for payments.

- A) assurance
- B) loan
- C) guarantee
- D) warranty
- E) lease

Answer: E

Diff: 1 Page Ref: 339

Topic: Creative Sources of Financing and Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

44) The major advantage of leasing is that:

- A) it enables a company to have access to average or above average facilities and equipment
- B) it enables a company to acquire the use of assets with little or no down payment
- C) it is cheaper in the long run than purchasing
- D) a lease agreement is easier to negotiate than a purchase agreement
- E) it is easier to obtain credit on a lease than a purchase

Answer: B

Diff: 2 Page Ref: 339

Topic: Creative Sources of Financing and Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

45) The _____ is a competitive grant program that provides over \$1 billion per year to small businesses for early-stage and development projects.

- A) SBTA Program
- B) SBIR Program
- C) SBAP Program
- D) SAIR Program
- E) SBTR Program

Answer: B

Diff: 2 Page Ref: 340

Topic: Creative Sources of Financing and Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

46) Which "phase" of the SBIR Program is intended to demonstrate the proposed innovation's technical feasibility?

- A) Phase I
- B) Phase II
- C) Phase III
- D) Phase V
- E) Phase X

Answer: A

Diff: 2 Page Ref: 340

Topic: Creative Sources of Financing and Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

47) The SBIR is a _____, meaning that firms that qualify have the potential to receive more than one grant to fund a particular proposal.

- A) two-phase program
- B) three-phase program
- C) six-phase program
- D) nine-phase program
- E) twelve-phase program

Answer: B

Diff: 2 Page Ref: 340

Topic: Creative Sources of Financing and Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

48) The main difference between the SBIR and the STTR programs is that the STTR program requires the participation of:

- A) an attorney
- B) a venture capitalist
- C) researchers working at universities or other research institutions
- D) a certified public accountant
- E) a government agency in conducting the research

Answer: C

Diff: 3 Page Ref: 341

Topic: Creative Sources of Financing and Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

49) Which of the following statements is incorrect about grant programs?

- A) Granting agencies are very visible and well-known, so it's normally not hard to find one.
- B) The federal government has grant programs beyond the SBIR and STTR programs.
- C) It's important to avoid grant-related scams.
- D) There are a limited number of organizations that offer new businesses grants.
- E) There are private foundations that grant money to both existing and startup firms.

Answer: A

Diff: 3 Page Ref: 341

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

50) The What Went Wrong? feature in Chapter 10 focuses on GoCrossCampus, a company that developed a strategy game in which students from opposing schools competed online to conquer each other's campuses. Which of the following was not identified as one of the reasons that led to GoCrossCampus's failure?

- A) The company never generated the revenue it needed to be a viable ongoing business.
- B) The fund-raising process was time-consuming.
- C) Products were released quickly, and in some cases before they were ready.
- D) Having five cofounders proved to be problematic.
- E) The company was never able to raise investment capital.

Answer: E

Diff: 2 Page Ref: 334

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

51) There are three reasons that most firms need to raise money during their early life: cash flow challenges, capital investments, and lengthy product development cycles.

Answer: TRUE

Diff: 1 Page Ref: 321

Topic: The Importance of Getting Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

52) Typically, the seed money that gets a company off the ground comes from a commercial bank.

Answer: FALSE

Diff: 2 Page Ref: 322

Topic: The Importance of Getting Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

53) The vast majority of founders contribute personal funds along with sweat equity to their ventures.

Answer: TRUE

Diff: 2 Page Ref: 323

Topic: The Importance of Getting Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

54) There are three common sources of "personal" financing for a startup firm: personal funds, friends and family, and bootstrapping.

Answer: TRUE

Diff: 2 Page Ref: 323

Topic: The Importance of Getting Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

55) Bootstrapping is the use of creativity, ingenuity, and any means possible to obtain resources other than borrowing money or raising capital from traditional sources.

Answer: TRUE

Diff: 2 Page Ref: 324

Topic: The Importance of Getting Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

56) The ideal candidate for a bank loan is a firm with a strong cash flow, low leverage, audited financial statements, good management, and a healthy balance sheet.

Answer: TRUE

Diff: 2 Page Ref: 326

Topic: The Importance of Getting Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

57) Debt financing means exchanging partial ownership in a firm in exchange for cash.

Answer: FALSE

Diff: 2 Page Ref: 329

Topic: The Importance of Getting Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

58) Angel investors, private placement, venture capital, and initial public offerings are the most common sources of equity funding.

Answer: TRUE

Diff: 2 Page Ref: 329

Topic: The Importance of Getting Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

59) Venture capitalists are individuals who invest their personal capital directly in startups.

Answer: FALSE

Diff: 2 Page Ref: 330

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

60) The number of angel investors in the United States has decreased dramatically over the past decade.

Answer: FALSE

Diff: 2 Page Ref: 329

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

61) Most business angels remain fairly anonymous and are matched up with entrepreneurs through referrals.

Answer: TRUE

Diff: 2 Page Ref: 329

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

62) Venture capital is money that is invested by venture capital firms in startups and small businesses with exceptional growth potential.

Answer: TRUE

Diff: 2 Page Ref: 330

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

63) The percentage of the profits the venture capitalist gets is called the "carry."

Answer: TRUE

Diff: 2 Page Ref: 331

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

64) Venture capital involves getting a loan or selling corporate bonds.

Answer: FALSE

Diff: 2 Page Ref: 331

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

65) Historically, commercial banks have been viewed as an excellent source of financing for startup firms.

Answer: FALSE

Diff: 2 Page Ref: 337

Topic: Sources of Equity Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

66) Approximately 80 percent of the 9,000 banks in the United States participate in the SBA Guaranteed Loan Program.

Answer: FALSE

Diff: 3 Page Ref: 338

Topic: Sources of Debt Financing

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

67) Crowdfunding is a financial transaction whereby a business sells its accounts receivable to a third party at a discount in exchange for cash.

Answer: FALSE

Diff: 2 Page Ref: 338

Topic: Sources of Debt Financing

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

68) A lease is a written agreement in which the owner of a piece of property allows an individual or business to use the property for a specified period of time in exchange for payments.

Answer: TRUE

Diff: 2 Page Ref: 339

Topic: Creative Sources of Financing and Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

69) The SBIR and STTR programs are two important sources of early stage funds for technology firms.

Answer: TRUE

Diff: 2 Page Ref: 339

Topic: Sources of Debt Financing

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

70) Historically, the vast majority of SBIR Phase 1 proposals are approved.

Answer: FALSE

Diff: 2 Page Ref: 340

Topic: Creative Sources of Financing and Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

71) Why do most firms need funding? Provide a brief explanation of each reason.

Answer: There are three reasons that most new firms need to raise money during their early life: cash flow challenges, capital investments, and lengthy product development cycles. In regard to cash flow challenges, as a firm grows, it requires an increasing amount of cash to service its customers. Often, equipment must be purchased and new employees hired and trained before the increased customer base generates additional income. In regard to capital investments, firms often need to raise money early on to fund capital investments. While it may be possible for the firm's founders to fund its initial activities, it becomes increasingly difficult for them to do so when it comes to buying property, constructing buildings, and purchasing equipment. In regard to lengthy product development cycles, firms often need to raise money to finance the upfront costs of lengthy product development cycles.

Diff: 2 Page Ref: 321

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

72) What is meant by the term "bootstrapping"? Provide several examples of the ways that entrepreneurs bootstrap to raise money or cut costs?

Answer: Bootstrapping is the use of creativity, ingenuity, and any means possible to obtain resources other than borrowing money or raising capital from traditional sources. There are many ways entrepreneurs bootstrap to raise money or cut costs. Some of the more common examples include the following:

- Buy used instead of new equipment
- Coordinate purchases with other businesses
- Leasing equipment rather than buying
- Obtain payments in advance from customers
- Minimize personal expenses
- Buy items cheaply but prudently through discount outlets or online auctions such as eBay.
- Share office space or employees with other businesses
- Hire interns

Diff: 2 Page Ref: 324

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

73) What is an elevator speech? How did it get its name?

Answer: An elevator speech is a brief, carefully constructed statement that outlines the merits of a business opportunity. Why is it called an elevator speech? If an entrepreneur stepped into an elevator on the 25th floor of a building and found that by a stroke of luck a potential investor was in the same elevator, the entrepreneur would have the time it takes to get from the 25th floor to the ground floor to try to get the investor interested in his or her business opportunity. In the same fashion, entrepreneurs typically only have a few short minutes to interest any investor in a business opportunity, whether it is in an elevator or any other setting.

Diff: 2 Page Ref: 327

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

74) What is the difference between equity funding and debt financing? What are the most common sources of equity funding and debt financing?

Answer: Equity funding means exchanging partial ownership in a firm, usually in the form of stock, for funding. Angel investors, private placement, venture capital, and initial public offering are the most common sources of equity funding. Debt financing is getting a loan. The most common sources of debt financing are commercial banks and the Small Business Administration (through its SBA 7(A) Guaranty Loan Program).

Diff: 2 Page Ref: 329

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture

75) What is a business angel? Describe the prototypical business angel. How much money do business angels typically invest in a single company?

Answer: Business angels are individuals who invest their personal capital directly in startups. The prototypical business angel is about 50 years old, has high income and wealth, is well educated, has succeeded as an entrepreneur, and is interested in the startup process. These investors generally invest between \$10,000 and \$500,000 in a single company. Business angels are hard to find. They are typically located through referrals, by someone like an attorney or an accountant.

Diff: 3 Page Ref: 329

Topic: The Importance of Getting Financing or Funding

AACSB: Reflective Thinking

Objective: Explain the process of funding an entrepreneurial business venture