# CHAPTER 1 Dynamic Study Modules

Entrepreneurial firms \_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

bring new products and services to market

2.

\_\_\_\_\_\_\_\_ firms bring new products and services to market by creating and then seizing opportunities.

**CORRECT ANSWER:**

Entrepreneurial

3.

If Paul and Sandy decided to open a breakfast and lunch restaurant, what type of start up business would this be?

**CORRECT ANSWER:**

Salary-substitute firm

4.

Which of the following is one of the primary reasons that people become entrepreneurs and start their own firms?

**CORRECT ANSWER:**

To be their own boss

5.

The millennial demographic of entrepreneurs is \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

facing obstacles preventing them from acting on their entrepreneurial desires

6.

\_\_\_\_\_\_\_ is rarely the primary motivation behind starting an entrepreneurial firm.

**CORRECT ANSWER:**

Money

7.

Most entrepreneural firms are ***not*** \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

conservative

8.

What is ***not*** a primary characteristic of a successful entrepreneur?

**CORRECT ANSWER:**

Ability to obtain funding

9.

\_\_\_\_\_\_\_\_\_\_\_ is the first step of the entrepreneurial process.

**CORRECT ANSWER:**

Deciding to become an entrepreneur

10.

\_\_\_\_\_\_\_\_\_\_\_\_ is ***not*** a common characteristic of entrepreneurs.

**CORRECT ANSWER:**

Pessimism

11.

What feature included in each chapter of the text describes how entrepreneurs collaborate with others to achieve their objectives?

**CORRECT ANSWER:**

“Partnering for success”

12.

Over the past nine years, the number of \_\_\_\_\_\_-owned businesses has grown at a rate five times faster than the national average.

**CORRECT ANSWER:**

women

13.

In terms of the percentage of people choosing an entrepreneurial path, the \_\_\_\_\_\_ demographic is an area of concern for growth.

**CORRECT ANSWER:**

millenial

14.

Which is ***not*** one of the five primary reasons passion is important to start a entrepreneurial firm?

**CORRECT ANSWER:**

Ability to quit when times are tough

15.

Which of the following characteristics is said to be a common ***myth*** about entrepreneurs?

**CORRECT ANSWER:**

High-risk tolerance

16.

A \_\_\_\_\_\_\_ would be an example of a salary-substitute start-up firm.

**CORRECT ANSWER:**

50’s diner restaurant

17.

Entrepreneurial intensity is \_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

the position of a firm on the continuum ranging from highly conservative to highly entrepreneurial

18.

Identify the common ***myth*** about entrepreneurship in this list.

**CORRECT ANSWER:**

Entrepreneurs are born, not made.

19.

\_\_\_\_\_\_\_\_\_\_\_\_\_ is an entrepreneur’s ability to fashion a solid idea into a viable business.

**CORRECT ANSWER:**

Execution intelligence

20.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is a commonly associated personality trait and characteristic of entrepreneurs.

**CORRECT ANSWER:**

Creativity

21.

The “Partnering for Success” feature of each chapter describes how \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

entrepreneurs collaborate with others

22.

The position of a firm on the conceptual continuum ranging from highly conservative to highly entrepreneurial is referred to as its \_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

entrepreneurial intensity

23.

Products and technologies that entrepreneurs develop are \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

typically better than those they replace

24.

The ability for a successful entrepreneur to fashion a solid idea into a viable business is referred to as \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

execution intelligence

25.

Entrepreneurs develop new products and technologies that over time make current products and technologies obsolete. This process is referred to as \_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

creative destruction

26.

The truth is that entrepreneurs are usually \_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

moderate risk takers

27.

What characteristic is ***not*** required of a successful entrepreneur?

**CORRECT ANSWER:**

Ability to obtain funding

28.

Many entrepreneurs are most commonly motivated to \_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

be their own boss

29.

Suzie is not big on innovation. She opened up a bed and breakfast in the area that she grew up in. She does not have plans for expanding quickly. The type of business Suzie owns can ***best*** be described as a \_\_\_\_\_\_\_\_\_ firm.

**CORRECT ANSWER:**

lifestyle

30.

Which motivating factor is typically ***secondary*** to the other motivators behind launching an entrepreneurial firm?

**CORRECT ANSWER:**

Pursuing financial rewards

31.

Which is ***not*** a typical characteristic of entrepreneurial firms?

**CORRECT ANSWER:**

Conservative

32.

What is the first step of the entrepreneurial process?

**CORRECT ANSWER:**

Deciding to become an entrepreneur

33.

A myth about entrepreneurs is that they are usually \_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

gamblers

34.

Which of the following is commonly true of a lifestyle firm?

**CORRECT ANSWER:**

It may only employ the owner or a handful of people.

35.

Which of the following is an example of a product/customer focus?

**CORRECT ANSWER:**

Steve Jobs’ mission to get computers in as many peoples’ hands as possible.

36.

What is one of the five primary reasons passion is important to launch an entrepreneurial firm?

**CORRECT ANSWER:**

A willingness to work hard for an extended period of time.

37.

Women-owned businesses have grown at a rate \_\_\_\_\_\_ the national average over the past nine years.

**CORRECT ANSWER:**

five times faster than

38.

In 2014, roughly what percentage of private sector jobs created came from firms with less than 500 employees?

**CORRECT ANSWER:**

67%

39.

Steve Jobs’ focus on placing computers in the hands of as many people as possible is ***best*** described as an example of \_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:** product/customer focus

40.

What percentage of jobs created in 2014 came from firms with less than 500 employees?

**CORRECT ANSWER:**

67%

# CHAPTER 2 Dynamic Study Modules

1.

Strong-tie relationships are ***best*** characterized by \_\_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

frequent interaction

2.

A(n) \_\_\_\_\_\_\_\_\_ does not necessarily meet the criteria of a(n) \_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

idea; opportunity

3.

Which of the following techniques do companies utilize to meet regularly to discuss needs, wants, and problems that may lead to new ideas?

**CORRECT ANSWER:**

Customer advisory boards

4.

Which of the following is ***not*** one of the most important trends to follow?

**CORRECT ANSWER:**

Daily problems

5.

All of the following are important economic forces to evaluate ***except*** \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

millennials entering the workforce

6.

Which of the following is ***not*** one of the three approaches entrepreneurs use to identify an opportunity?

**CORRECT ANSWER:**

Advancing technology

7.

Which of the following statements about library and Internet research is ***false***?

**CORRECT ANSWER:**

Libraries are utilized quite often as a source of information for generating business ideas.

8.

The Affordable Care Act that created new business opportunities to deliver care more efficiently would be an example of a(n) \_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

political and regulatory change

9.

A \_\_\_\_\_\_\_\_\_\_\_\_ is a gathering of 5 to 10 people who are selected because of their relationship to the issue being discussed.

**CORRECT ANSWER:**

focus group

10.

Considering the amount that baby boomers spend on health care, travel, and consumer packaged goods is an example of a(n) \_\_\_\_\_\_\_\_ trend.

**CORRECT ANSWER:**

economic

11.

\_\_\_\_\_\_\_\_\_\_\_\_ are often an underutilized source of information for generating business ideas.

**CORRECT ANSWER:**

Libraries

12.

Brainstorming, focus groups, and library and Internet research are ***best*** described as approaches for \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

generating new ideas for products, services, and businesses

13.

Focus groups usually \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

involve a group of people who are familiar with a topic

14.

\_\_\_\_\_\_\_\_\_\_\_\_\_ is formally defined as the ability to notice things without engaging in a deliberate search.

**CORRECT ANSWER:**

Entrepreneurial alertness

15.

Network entrepreneurs \_\_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

identify their ideas through social contacts

16.

A favorable set of circumstances that creates a need for a new product, service, or business is referred to as a(n) \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

opportunity

17.

Which of the following statements of prior industry experience is ***not*** true?

**CORRECT ANSWER:**

Building a network of social contacts while working in a particular industry does not lead to identifying opportunities.

18.

If at any stage in the creativity process an entrepreneur gets “stuck” and cannot continue, the best choice is to return to the \_\_\_\_\_\_\_\_\_\_\_ stage.

**CORRECT ANSWER:**

preparation

19.

Aging of the population is an example of a(n) \_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

social trend

20.

Which of the following is ***not*** a common rule for conducting a formal brainstorming session?

**CORRECT ANSWER:**

Criticism is allowed.

21.

A metaphor describing the time period in which a firm can realistically enter a new market is ***best*** described as the \_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:** windowof opportunity

22.

Evaluating whether consumer spending is rising or falling is an example of analyzing a(n) \_\_\_\_\_\_\_\_\_\_ trend.

**CORRECT ANSWER:**

economic

23.

Which of the following statements about ideas and opportunities is accurate?

**CORRECT ANSWER:**

An idea does not necessarily meet the criteria of an opportunity.

24.

Relationships characterized by frequent interaction of like-minded individuals are ***best*** described as \_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

strong-tie relationships

25.

Brainstorming sessions to generate new business ideas should be \_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

free-wheeling and lively

26.

An opportunity is a(n) \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

favorable set of circumstances that creates a need for a new product, service, or business

27.

Opportunity recognition is ***best*** described as the \_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

process of perceiving the possibility of a profitable new business or a new product or service

28.

An opportunity is anchored in a product or service that \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

creates value for its buyers or end-users

29.

A window of opportunity is ***best*** described as the \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

time period in which a firm can realistically enter a new market

30.

\_\_\_\_\_\_\_\_\_\_\_\_\_ is the stage of creativity during which a person considers an idea or thinks about a problem either consciously or unconsciously.

**CORRECT ANSWER:**

Incubation

31.

\_\_\_\_\_\_\_\_\_\_ is the most significant way to gain insights about a particular industry’s characteristics.

**CORRECT ANSWER:**

Working in an industry

32.

Those who identify their business ideas through social contacts are ***best*** known as \_\_\_\_\_\_\_\_\_\_ entrepreneurs.

**CORRECT ANSWER:**

network

33.

All of the following are examples of social trends ***except*** \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

decreased consumer spending

34.

When considering the impact that entrepreneurial alertness has upon success, which of the following statements is most accurate?

**CORRECT ANSWER:**

People who have more knowledge of an area tend to be more alert to opportunities in that area than others.

35.

An opportunity is an idea that has the qualities of being all of the following ***except*** \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

profitable

36.

The process of perceiving the possibility of a profitable new business or a new product or service is referred to as \_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

opportunity recognition

37.

People who build substantial \_\_\_\_\_\_\_\_\_\_\_\_ will be more exposed to opportunities and ideas, which can lead to new business start-ups.

**CORRECT ANSWER:**

social networks

38.

Jim likes to work out late at night and noticed that all the local gyms closed before 9:00 pm. Therefore, he opened his own 24-hour fitness center. This is an example of \_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

finding a gap in the marketplace

39.

People who build a substantial network of social and professional contacts will be \_\_\_\_\_\_\_\_\_\_\_.

CORRECT ANSWER:

exposed to more opportunities and ideas than people with sparse networks

40.

A plus-sized fashion designer, Katya, notices that high-end fashion clothing is not currently available in her size. Therefore, she creates a women’s plus-size high-end clothing line. Katya has identified an opportunity by \_\_\_\_\_\_\_\_\_.

CORRECT ANSWER:

finding a gap in the marketplace

# CHAPTER 3 Dynamic Study Modules

1.

An industry/target market feasibility analysis is ***best*** described as an assessment of \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

the overall appeal to the industry and the target market of the product

2.

What type of feasibility analysis is an assessment of whether a proposed business has sufficient management expertise, organizational competence, and resources to successfully launch itself?

**CORRECT ANSWER:**

Organizational feasibility

3.

Of the following characteristics of attractive industries, which is ***not*** one of the top three factors that is normally ideal for a start-up?

**CORRECT ANSWER:**

Selling “want to have” products and services

4.

One characteristic that makes an industry attractive is that it is \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

young rather than old

5.

A one-page document containing a preliminary description of a product or service idea, including its intended benefits, target market, and positioning, is referred to as a \_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:** concept statement

6.

A product/service feasibility analysis is ***best*** described as an assessment of \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

the overall appeal of the product or service being proposed

7.

To proceed with the development of a business plan, which of the following areas of the feasibility analysis must be met?

**CORRECT ANSWER:**

Product/service feasibility, industry/target market feasibility, organizational feasibility, and financial feasibility

8.

Conducting primary research normally includes all of the following ***except*** \_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

analyzing industry studies

9.

What type of feasibility analysis is an assessment of the overall appeal to the industry and target market of the product?

**CORRECT ANSWER:**

Industry/target market feasibility analysis

10.

The two components of product/service feasibility analysis are \_\_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

desirability and demand

11.

The process of determining if a business idea is viable is ***best*** described as \_\_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

feasibility analysis

12.

If a business idea falls short on one or more of the four components of a feasibility analysis, it should be \_\_\_\_\_\_\_\_\_\_\_\_\_. **CORRECT ANSWER:** dropped or rethought

13.

Feasibility analysis is the process of \_\_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

determining if a business idea is viable

14.

What type of feasibility analysis is an assessment of the overall appeal of the product or service being proposed?

**CORRECT ANSWER:**

Product/service feasibility analysis

15.

If a business idea falls short on \_\_\_\_\_\_\_\_\_\_ of the four components of a feasibility analysis, it should be dropped or rethought.

**CORRECT ANSWER:**

one or more

16.

It is easier to discern the attractiveness of a \_\_\_\_\_\_\_\_ rather than assess the attractiveness of an \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

small target market; entire industry

17.

A concept statement is a one page document that normally includes all of the following ***except*** \_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

a description of all company employees

18.

Desirability and demand are the two components of \_\_\_\_\_\_\_\_\_\_ feasibility analysis.

**CORRECT ANSWER:**

product/service

19.

Research that is collected by the person or people completing a feasibility analysis is ***best*** described as \_\_\_\_\_\_\_\_\_\_\_\_\_\_ research.

**CORRECT ANSWER:**

primary

20.

Weighing the amount of capital invested in a new venture against the start-up’s projected rate of return is an activity conducted in assessing the \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

overall financial attractiveness of the proposed venture

21.

Management prowess and resource sufficiency are the two primary issues to consider when conducting \_\_\_\_\_\_\_\_\_\_\_ feasibility.

**CORRECT ANSWER:**

organizational

22.

Which of the following statements about industries and target markets is ***true***?

**CORRECT ANSWER:**

Most entrepreneurial start-ups select a specific target market of customers to serve.

23.

Which of the following statements about confirmation bias and utilizing online tools is ***false***?

**CORRECT ANSWER:**

It is better to administer an uniformed survey than to not conduct a survey at all.

24.

Using a combination of Google AdWords and landing pages \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

provides a more narrowly-focused approach for assessing demand for a product or service idea

25.

A financial feasibility analysis is ***best*** described as an assessment of \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

whether a proposed business has start-up cash needed, if similar businesses perform well financially, and if the new venture is financially viable

26.

Which of the following statements about the First Screen feasibility analysis template is ***incorrect***? **CORRECT ANSWER:**

The First Screen template maps out only the relevant feasibility analysis areas and may not contain items for all four types of feasibility analysis.

27.

All of the following are commonly utilized methods for determining product/service demand ***except*** \_\_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

analyzing competitor success with similar products

28.

An organizational feasibility analysis is ***best*** described as an assessment of \_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

whether a proposed business has sufficient management expertise, organizational competence, and resources to successfully launch itself

29.

Conducting secondary research normally includes all of the following ***except*** \_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

conducting focus groups

30.

Which of the following is ***not*** one of the factors that a start-up’s projected rate of return should be weighed against to assess overall financial attractiveness of the new venture?

**CORRECT ANSWER:**

The financial archival data of similar businesses

31.

What type of feasibility analysis is an assessment of whether a proposed business has start-up cash needed, if similar businesses perform well financially, and if the new venture is financially viable?

**CORRECT ANSWER:**

Financial feasibility

32.

All of the following statements about landing pages are correct ***except*** \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

a landing page is typically expensive to produce

33.

Which of the following statements about industry and target market attractiveness is ***false***?

**CORRECT ANSWER:**

It is easier to discern the attractiveness of a small target market within an industry rather than assess the attractiveness of an entire industry.

34.

Confirmation bias is ***best*** described as searching for \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

information that validates your preconceptions

35.

The two primary issues to consider in the area of organizational feasibility are \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

management prowess and resource sufficiency

36.

What type of research probes data that is already collected?

**CORRECT ANSWER:**

Secondary research

37.

\_\_\_\_\_\_\_ is a template entrepreneurial firms use to complete a feasibility analysis.

**CORRECT ANSWER:**

First screen

38.

Which of the following is ***not*** one of the four key areas of conducting a feasibility analysis?

**CORRECT ANSWER:**

Sales feasibility

39.

With regards to industries and target markets, \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

having a clear understanding of the difference between a firm’s industry and target market is important

40.

Talking \_\_\_\_\_\_\_\_ with customers is a commonly-used method for determining if there is a demand for a product or service.

**CORRECT ANSWER:**

face-to-face

41.

All of the following are categories in the Barringer/Ireland business model template except \_\_\_\_\_\_\_\_\_.

CORRECT ANSWER:

Projects

41.

The number of subscribers that a subscription-based business loses each month is best referred to as \_\_\_\_\_\_\_\_.

CORRECT ANSWER:

churn

# CHAPTER 4 Dynamic Study Modules

1.

The way that Southwest Airlines offered compelling, low-price fares to customers who wanted a “nofrills” traveling experience to an industry giving customers much more than they needed was an example of a \_\_\_\_\_\_\_\_\_ market disruption.

**CORRECT ANSWER:**

low-end

2.

Which of the following is ***not*** one of the important elements of a firm’s business models?

**CORRECT ANSWER:**

Competitor analysis

3.

Which of the following list of items pertains to the ***operations*** category of the Barringer/Ireland business model template?

**CORRECT ANSWER:**

Product (or service) production, channels, and key partners

4.

In the Barringer/Ireland business model template, product (or service) production, channels, and key partners are the items that comprise which category?

**CORRECT ANSWER:**

Operations

5.

The r***esources*** category of the Barringer/Ireland business model template includes which of the following items?

**CORRECT ANSWER:**

Core competencies and key assets

6.

The mission statement of a business should ***not*** \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

be easy to accomplish and free from risk

7.

The \_\_\_\_\_\_\_\_ aspect of a core strategy identifies the segment within a larger market that represents a narrower group of customers with similar interests the company will compete for.

**CORRECT ANSWER:**

target market

8.

The \_\_\_\_\_\_\_ category of the Barringer/Ireland Business Model Template includes revenue streams, cost structure, and financing/funding.

**CORRECT ANSWER:**

financials

9.

The financials category of the Barringer/Ireland Business Model Template describes how it earns money and contains the following aspects \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

revenue streams, cost structure, and financing/funding

10.

The Barringer/Ireland Business Model Template is ***best*** described as a \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

tool that allows an entrepreneur to describe, project, revise, and pivot a business model until all 12 parts are decided upon

11.

A low-end market disruption does ***not*** \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

offer premium products and services that serve a new market

12.

The \_\_\_\_\_\_\_\_ aspect of a core strategy describes why the business exists and what its model is supposed to accomplish.

**CORRECT ANSWER:**

business mission

13.

A(n) \_\_\_\_\_\_\_\_\_ disruption addresses a market that was not previously served.

**CORRECT ANSWER:**

new market

14.

A firm’s plan or recipe for how it creates, delivers, and captures values for its stakeholders is best described as its \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:** business model

15.

The \_\_\_\_\_\_\_\_\_ component of the Barringer/Ireland Business Model Template is comprised of core competencies and key assets.

**CORRECT ANSWER:**

resources

16.

The \_\_\_\_\_\_\_\_\_ section of the operations category of the Barringer/Ireland Business Model Template describes how a firm will deliver its products or services to its customers.

**CORRECT ANSWER:**

channels

17.

A peer-to-peer business model features a business that \_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

acts as a matchmaker between individuals with a service to offer and others who want the service

18.

The target market is ***best*** described as \_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

a segmented and narrow group of customers, with similar interests, within a larger market

19.

Which of the following statements about the Barringer/Ireland Business Model Template is ***incorrect***?

**CORRECT ANSWER:**

The Barringer/Ireland Business Model Template is not free for you to copy or use the template to help formulate the business model for an individual firm.

20.

The proper time to determine a company’s business model is \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

following the initial validation of the business idea and prior to fleshing out operational details

21.

A firm’s business model does all of the following ***except*** \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

outlines core business aspects without feedback from potential customers

22.

Uber is an example of the \_\_\_\_\_\_\_\_ standard business model.

**CORRECT ANSWER:**

peer-to-peer

23.

A business model is best described as a firm’s plan for how it creates, delivers, and captures \_\_\_\_\_\_\_.

**CORRECT ANSWER:**

value for its stakeholders

24.

A new market disruption \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

addresses a market that previously was not served

25.

A \_\_\_\_\_\_\_\_\_ business model involves a firm that provides a basic version of its service for free, and makes money by selling a premium version of the service.

**CORRECT ANSWER:**

freemium

26.

A freemium business model is best described as a business that \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

provides a basic version of its service for free and makes money by selling a premium version of the service

27.

The general types of business models are \_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

standard; disruptive

28.

When considering the timing of business model preparation, which of the following sequences is correct?

**CORRECT ANSWER:**

Initial validation of the business idea, preparation of the business model, and fleshing out the operational details

29.

The \_\_\_\_\_\_\_ section of the Barringer/Ireland Business Model Template contains sections describing how a firm’s products and services are produced, how the products/services are delivered to its customers, and who the firm will partner with to accomplish objectives and attain resources.

**CORRECT ANSWER:**

operations

30.

What four main categories comprise the Barringer/Ireland business model template?

**CORRECT ANSWER:**

Core strategy, resources, financials, and operations

31.

Churn refers to the number of \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

subscribers that a subscription-based business loses each month

32.

The two general categories of business models are \_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

standard; disruptive

33.

In the Barringer/Ireland business model template, business mission, basis of differentiation, target market, and product/market scope are the items that comprise which category?

**CORRECT ANSWER:**

Core strategy

34.

A standard business model depicts \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

existing plans or recipes firms can use to determine how they will create, deliver, and capture value for their stakeholders

35.

A disruptive business model consists of \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

rare and impactful changes in the way that a business is conducted

# CHAPTER 5 Dynamic Study Modules

1.

It is useful for a new venture to think about its \_\_\_\_\_\_\_ at both the company level and the product or service level.

**CORRECT ANSWER:**

position

2.

An emerging industry is ***best*** described as a(n) \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

new industry in which standard operating procedures have yet to be developed

3.

Which of the following is ***not*** one of the five most prevalent industry types?

**CORRECT ANSWER:**

Disruptive

4.

An industry is ***best*** defined as a group of \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

firms producing a similar product or service

5.

If you answer “no” to the question “is the industry a realistic place for a new venture?”, you should \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

reconsider the new venture

6.

Mature industries are characterized by all of the following ***except*** \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:** reduction in demand

7.

It is useful for a new venture to consider its position at the \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

company level and the product/service level

8.

Environmental trends include all of the following ***except*** \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

business trends

9.

A fragmented industry is ***best*** characterized by a(n) \_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

large number of firms of approximately equal size

10.

The first step to determining the attractiveness of an industry using the five forces model is to \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

select an industry

11.

Indirect competitors are ***best*** described as firms \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

offering close substitutes to the product the firm completing the anaylsis sells

12.

If a business leader decides to hold a Skype conference instead of traveling to the customer due to the increasing cost of airfare, this is an example of the \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

threat of substitutes

13.

A(n) \_\_\_\_\_\_\_\_\_\_ is ***best*** described as a detailed evaluation of a firm’s competitors.

**CORRECT ANSWER:**

competitor analysis

14.

Which of the following is ***not*** one of the sources of competitive intelligence?

**CORRECT ANSWER:**

Analyzing financial reports of privately-held companies

15.

Which of the following is ***not*** one of the three important Ts to utilize to become active in an industry?

**CORRECT ANSWER:**

Trade exchanges

16.

A new industry in which the standard operating procedures have yet to be developed is best described as a(n) \_\_\_\_\_\_\_\_\_ industry.

**CORRECT ANSWER:**

emerging

17.

All of the following factors affect buyers’ ability to exert pressure on suppliers ***except***:

**CORRECT ANSWER:**

Threat of forward integration

18.

A(n) \_\_\_\_\_\_\_\_\_\_ industry is one experiencing slow or no increase in demand, has numerous repeat customers, and has limited product innovation.

**CORRECT ANSWER:**

mature

19.

When studying an industry, an entrepreneur must answer all of the following questions before pursuing the idea of starting a firm ***except*** \_\_\_\_\_\_\_\_\_?

**CORRECT ANSWER:**

is the entrepreneur eager to enter the industry and start the business

20.

The bargaining power of buyers is lowest when \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

suppliers' products are differentiated

21.

All of the following responses result in a decision to reconsider the new venture ***except*** \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

answering yes to “Is the industry a realistic place for a new venture?”

22.

\_\_\_\_\_\_\_\_\_\_is ***not*** one of Porter’s five forces.

**CORRECT ANSWER:**

Bargaining power of sellers

23.

Switching costs, attractiveness of substitutes, and the threat of forward integration are factors that impact the \_\_\_\_\_\_\_\_\_\_\_ and suppress profitability of the industries they serve.

**CORRECT ANSWER:**

bargaining power of suppliers

24.

The level of fixed costs and degree of difference between products are primary factors that determine the nature and intensity of \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

rivalry among existing firms in an industry

25.

All of the following are the most prevalent types of industries ***except*** \_\_\_\_\_\_\_\_ industries.

**CORRECT ANSWER:**

casual

26.

A product patent that prevents competitors from easily replicating what the business is doing is an example of a(n) \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

government and legal barrier

27.

The experience, atmosphere, and service that Starbucks has created in its stores so customers will not buy a lower-priced coffee from a competitor is an example of its attempt to diminish the \_\_\_\_\_\_\_\_\_\_.

CORRECT ANSWER:

threat of substitutes

28.

All of the following are examples of environmental trends except the ability to \_\_\_\_\_\_\_\_\_.

CORRECT ANSWER:

outsource to lower-cost foreign markets

29.

Trade \_\_\_\_\_\_\_\_\_\_ are organizations that firms in the same industry form for the purpose of collecting and disseminating trade information, promoting industry-related issues, and providing a variety of member services.

CORRECT ANSWER:

Associations

30.

The ideal barrier to entry is a patent, trademark, or copyright, which prevents another firm from duplicating what the start-up is doing. This is an example of a \_\_\_\_\_\_\_\_\_ barrier.

CORRECT ANSWER:

government and legal

31.

Which of the following is not one of the primary factors that determine the nature and intensity of the rivalry among existing firms in an industry?

CORRECT ANSWER:

Level of variable costs

# CHAPTER 6 Dynamic Study Modules

1.

Which of the following ***best*** describes an internal reason for writing a business plan?

**CORRECT ANSWER:**

To systematically think through each aspect of the new venture.

2.

Andy is opening a new business and wants his founding team to think systematically through every aspect of his new venture. This is an example of a(n) \_\_\_\_\_\_\_\_\_ reason for developing a business plan.

**CORRECT ANSWER:**

internal

3.

An operational business plan is ***best*** described as a \_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

40 to 100 page plan that provides a blueprint for a company’s operations and provides a great level of detail for operational managers

4.

A(n) \_\_\_\_\_\_\_ business plan is typically 10 to 15 pages long and works best for businesses in the early stages of development to gauge potential investor interest in their idea.

**CORRECT ANSWER:**

summary

5.

To estimate annual sales, a new business attempts to estimate how many customers it will expect and the average amount each customer will spend. This is an example of the \_\_\_\_\_\_\_\_\_\_ estimating methods. **CORRECT ANSWER:**

utilizing the multiplication method

6.

If a new coffee shop opens by a similar café and contacts them for an estimate of their annual sales, this would be an example of the \_\_\_\_\_\_\_\_\_\_ method for estimating a new firm’s initial sales.

**CORRECT ANSWER:**

find a comparable firm

7.

A(n) \_\_\_\_\_\_\_\_\_\_\_ plan is a 40 to 100 page plan that provides a blueprint for a company’s operations and provides a great level of detail for operational managers.

**CORRECT ANSWER:**

operational business

8.

If the business plan successfully elicits the interest of a potential investor, the next step is to \_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

meet with the investor and present the plan in person

9.

While a potential investor is considering their commitment to a business investment, they do all of the following ***except*** \_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

require the presentation in both PowerPoint and a complete business plan format

10.

All of the following statements about the executive summary are correct ***except*** \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

an executive summary should be written first before other business plan sections

11.

The \_\_\_\_\_\_\_\_\_\_\_\_ business plan section would include the company’s approach to the product, price, promotion, and distribution.

**CORRECT ANSWER:**

marketing plan

12.

All of the following are external stakeholders and readers of the business plan ***except*** \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

Customers

13.

All of the following are contained in the Company Description section of the business plan ***except*** \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

competitor analysis

14.

Cost of goods sold are best described as the \_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

materials and direct labor needed to produce the revenue driver

15.

Which of the following ***best*** describes an external reason for writing a business plan?

**CORRECT ANSWER:**

To communicate the merits of the business with potential investors.

16.

The Marketing Plan section of the business plan would include \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

the company’s approach to product, price, promotion, and distribution

17.

Which of the following statements is most accurate about the relevance of the business plan to the firm’s employees?

**CORRECT ANSWER:**

The process of writing the plan may be as valuable as the plan itself.

18.

The main body of the business plan begins by describing the \_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

industry in which the firm intends to compete

19.

The \_\_\_\_\_\_\_\_\_\_\_\_ of the business plan presentation is extremely important because investors are typically looking for how well entrepreneurs think on their feet and how knowledgeable they are about the business venture. **CORRECT ANSWER:**

question-and-answer period

20.

The \_\_\_\_\_\_\_\_\_\_ part of the business plan outlines estimates of the firm’s annual sales and market share.

**CORRECT ANSWER:**

market analysis

21.

A full business plan is ***best*** described as a \_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

25 to 35 page plan outlining a company’s operations and plans in detail and it is the format that is usually used to prepare a business plan for an investor

22.

A \_\_\_\_\_\_\_ is a phrase that a business plans to use to reinforce its position in the marketplace.

**CORRECT ANSWER:**

tagline

23.

All of the following statements about a business plan are true ***except***:

**CORRECT ANSWER:**

It is a waste of time to write a business plan because of the rapidly changing marketplace.

24.

A business plan is ***best*** defined as \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

a written narrative, typically 25 to 35 pages long, that describes what a new business intends to accomplish and how it intends to accomplish it

25.

The industry analysis typically describes all of the following ***except*** the \_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

segment of the industry that the firm is targeting

26.

Joe’s business plan has a lot of speculation about what he thinks will happen but lacks hard evidence and sound research for his claims. His business plan has the \_\_\_\_\_\_\_\_\_ “red flag.”

**CORRECT ANSWER:**

poorly-cited plan

27.

All of the following are true regarding presenting the business plan ***except***:

**CORRECT ANSWER:**

If the investor is impressed and wants to learn more about the venture, he or she will commit to investing so they can receive more details.

28.

Whether in the initial meeting or on subsequent occasions, an entrepreneur will likely be all of the following ***except*** \_\_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

discouraged from moving forward with their business plan

29.

\_\_\_\_\_\_\_\_\_\_\_ is ***not*** included in the Company Description section of the business plan.

**CORRECT ANSWER:**

Company structure

30.

Estimates of a firm’s annual sales and market share can be found in the \_\_\_\_\_\_\_\_ section of the business plan.

**CORRECT ANSWER:**

market analysis

31.

A(n) \_\_\_\_\_\_\_\_\_\_\_ plan is a 25 to 35 page plan outlining a company’s operations and plans in detail and it is the format that is usually used to prepare a business plan for an investor.

**CORRECT ANSWER:**

full business

32.

In the \_\_\_\_\_\_\_\_\_\_ section of the business plan you would find the company’s mission statement.

**CORRECT ANSWER:** company description

33.

The \_\_\_\_\_\_\_\_\_\_ are the materials and direct labor needed to produce the revenue driver.

**CORRECT ANSWER:**

cost of goods sold

34.

Sarah needs funding for her new business, so she creates a business plan to communicate the venture’s merits to investors and bankers. This is an example of a(n) \_\_\_\_\_\_\_\_\_ reason for writing a business plan.

**CORRECT ANSWER:**

external

35.

An executive summary should \_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

be written last

36.

A \_\_\_\_\_\_\_\_\_\_\_ is a written narrative, typically 25 to 35 pages long, that describes what a new business intends to accomplish and how it intends to accomplish it.

**CORRECT ANSWER:**

business plan

37.

The famous cosmetic company’s L’Oreal’s statement “Because You’re Worth It” reinforces its position in the market, which is an example of a \_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

tagline

38.

A summary business plan is ***best*** described as a \_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

10 to 15 page plan that works best for companies that are very early in their development that is usually used to get feedback on the business idea

39.

Bill is considering an investment in Jill’s business and notices that Jill has not completed sound research or provided evidence for her plan. Which of the following “red flags” has been raised?

**CORRECT ANSWER:**

A poorly-cited plan

40.

The \_\_\_\_\_\_\_\_\_ section of the business plan contains a company’s mission statement, history, and current status.

**CORRECT ANSWER:** company description

**Chapter 1 – Study Plan**

1. A(n) \_\_\_\_\_ creates something new. -> **inventor**
2. Established firms with an orientation toward acting entrepreneurially practice​ \_\_\_\_\_\_\_. -> **Corporate entrepreneurship**
3. The word​ "entrepreneur" was originally used to describe people who​ "\_\_\_\_\_\_\_" between buyers and sellers. -> **take on the risk**
4. An entrepreneur assembles and then integrates all the resources needed to transform an invention into a viable business. Which of the following is NOT a resource assembled by an​ entrepreneur? -> **Confidence**
5. Entrepreneurship is defined as the process by which individuals pursue opportunities without regard to​ \_\_\_\_\_ they currently control for the purpose of exploiting future goods and services. -> **resources**
6. Conservative firms​ \_\_\_\_\_\_\_\_. -> **risk-averse**
7. 3M, a company with more than​ $30 billion in revenues in​ 2016, encourages its employees to constantly look for business opportunities in terms of future goods and services. What 3M is doing is called​ \_\_\_\_\_. -> **corporate entrepreneurship**
8. Entrepreneurial firms are typically​ \_\_\_\_ innovators. -> **proactive**
9. The most common reason why people become entrepreneurs is​ to: -> **be their own boss**
10. Some entrepreneurs transition from a traditional job to owning their own business more gradually by starting their business​ \_\_\_ to begin with. -> **part-time**
11. \_\_\_\_\_ firms often resist innovation. -> **Established**
12. When firms resist​ \_\_\_\_, employees are left with good ideas that go unfulfilled. -> **innovation**
13. Which of the following is NOT a primary characteristic of successful​ entrepreneurs? -> **lack of persistence**
14. The ability to effectively execute a business idea means developing a​ \_\_\_\_\_\_. -> **business​ model**
15. The two most important elements in any business are​ \_\_\_\_\_\_\_\_. -> **products and customers**
16. The litmus test for entrepreneurs is their ability to persevere through​ \_\_\_\_\_\_\_. -> **setbacks and failures**
17. The Chinese saying​ "To open a business is very​ easy, to keep it open is very​ difficult" indicates the importance of​ \_\_\_\_\_\_\_\_. -> **Execution intelligence**
18. The Bouqs company succeeded in the​ cut-to-order flower delivery business because of execution intelligence. As an indication of​ this, Bouqs has raised over​ $ \_\_\_\_million in funding since 2012. -> **19**
19. Studies show that people with parents who were​ \_\_\_\_\_\_\_\_ are more likely to become entrepreneurs. -> **self-employed**
20. Which one of the following is NOT a common trait and characteristic of an​ entrepreneur? -> **short attention span**
21. That entrepreneurs are gamblers is a​ \_\_\_\_. -> **myth**
22. Which one of the following is NOT a common trait or characteristic of an​ entrepreneur? -> **pessimistic disposition**
23. In the Hartford 2015​ survey, a total of​ \_\_ percent rated themselves as conservative rather than risky. -> **79**
24. \_\_\_\_\_ is rarely the primary reason entrepreneurs start new firms and persevere. -> Money
25. A bed and breakfast is an example of​ a(n) \_\_\_\_\_\_. -> **lifestyle firm**
26. A​ dry-cleaning business is an example of​ a(n) \_\_\_\_\_\_. -> **salary-substitute firm**
27. A hairstyling salon is an example of​ a(n) \_\_\_\_\_ firm. -> **salary-substitute**
28. The vast majority of small businesses are​ \_\_\_\_\_ firms. -> **salary-substitute**
29. John Dexter started​ "Dexter's Dry​ Cleaning" about six years ago and today he earns about what he was making as the manager of a large dry cleaning store before he launched his firm.​ Dexter's Dry Cleaning is an example of a​ \_\_\_\_\_\_\_ firm. -> **salary-substitute**
30. By connecting drivers and​ passengers, Uber took on the taxi market and brought a new option to customers. Uber is​ a(n) \_\_\_\_ firm. -> **entrepreneurial**
31. Women-owned businesses in the United States generated over​ \_\_\_\_ in revenues in 2016. -> **$1.6 trillion**
32. \_\_\_\_ led to a number of senior entrepreneurs. -> **Corporate downsizing**
33. According to the American Express OPEN study in​ 2016, women-owned businesses employed nearly​ \_\_\_\_ people. -> **9 million**
34. Women-owned business made up more than 60 percent of the total in the​ \_\_\_\_\_ sector. -> **health care and social assistance**
35. According to the Minority Business Development​ Agency, in 2012 the average gross receipts for​ minority-owned firms was​ $ \_\_\_\_\_\_. -> **58,119**
36. Airbnb is a​ first-of-a-kind business that provides an interface to connect people with homes to rent and those who are looking for a place to stay. Airbnb is​ a(n) \_\_\_\_ firm. -> **entrepreneurial**
37. The process of developing new products and technologies that over time make current products and technologies obsolete is called​ \_\_\_\_\_\_. -> **creative destruction**
38. The process of creative destruction can include​ \_\_\_\_. -> **new pricing**
39. IKEA launched a new retail format in the furniture industry. This is an example of​ \_\_\_\_\_\_\_\_. -> **creative destruction**
40. Warby Parker changed​ \_\_\_\_\_\_\_\_ strategies. -> **pricing**
41. \_\_\_\_\_ is the process of creating something​ new, which is central to the entrepreneurial process. -> **Innovation**
42. Bar-code scanner technology and the Internet have made it easier for companies to track the purchasing behavior of their​ customers, a fact that raises​ \_\_\_\_\_\_\_ concerns. -> **privacy**
43. Usually, a(n)​ \_\_\_\_\_ prompts an individual to become an entrepreneur. -> **triggering​ event**
44. A​ firm's \_\_\_\_ is its plan or recipe for how it​ creates, delivers, and captures value for its stakeholders. -> **business model**
45. Losing a job is an example of​ a(n) \_\_\_\_\_\_ event. -> **triggering**
46. Value creation and value capture are parts of a​ firm's \_\_\_\_\_\_\_\_. -> **business model**
47. It is usually necessary to have a written​ \_\_\_\_\_ to raise money and attract​ high-quality business partners. -> **business plan**
48. Knowing the​ \_\_\_\_ in which a firm will choose to compete is crucial to an​ entrepreneur's success. -> **industry**
49. Which of the following is not an​ "employability skill" that is critical to personal success within organizational​ settings? -> **Creative obstruction**
50. In a class​ project, Leah​ Jones, showed her group her ability to evaluate various potential opportunities to determine if any of them could become viable businesses. The skill that Leah has is​ \_\_\_\_\_\_\_\_. -> **creative destruction**

**Chapter 2 – Study Plan**

1. A(n) \_\_\_\_\_ is a favorable set of circumstances that creates a need for a new​ product, service, or business. -> **opportunity**
2. The term​ \_\_\_\_\_\_ is a metaphor describing the time period in which a firm can realistically enter a new market. -> **window of opportunity**
3. An opportunity is​ a(n) \_\_\_ set of circumstances that creates a need for a new​ product, service, or business. -> **favorable**
4. In​ 1994, Jeff Bezos quit his lucrative job at a New York investment firm and headed for Seattle with a plan to find an attractive opportunity and launch an​ e-commerce company. He founded Amazon. Amazon is an example of​ a(n) \_\_\_\_\_\_ venture. -> **externally-stimulated**
5. The term window of opportunity is a metaphor describing the​ \_\_\_\_ in which a firm can realistically enter a new market. -> **time period**
6. Bing entered the search engine market long after the​ \_\_\_\_\_\_ had​ closed, making it difficult for it to get market share. -> **window of opportunity**
7. Social networking sites​ aren't popular because they can be used to post information and photos on a website. They are popular because they allow people to connect and communicate with each​ other, which is a natural human tendency. This is an example of finding an opportunity by observing trends in​ \_\_\_\_\_. -> **social forces**
8. Jay Sorensen dropped a cup of coffee in his lap because the paper cup was too hot. This led Sorensen to invent an insulating cup sleeve and to start a company – Java Jacket – to sell it. Sorensen found his opportunity in​ \_\_\_\_\_\_\_\_. -> **solving a problem**
9. Level of disposable income is a part of​ \_\_\_\_ forces. -> **economic**
10. Demographic changes are an example of​ \_\_\_\_ forces. -> **social**
11. By​ 2020, \_\_\_\_ billion people are expected to own mobile phones. -> **2.87**
12. CitySlips makes​ portable, comfortable shoes that fit into most​ women's purses. The opportunity for CitySlips came from​ \_\_\_\_\_\_. -> **solving a problem**
13. John and Andy identified their business idea through social contacts. John and Andy are​ \_\_\_\_\_\_ entrepreneurs. -> **network**
14. An opportunity cannot be pursued until​ it's \_\_\_\_\_\_\_. -> **recognized**
15. Spouses typically have a​ \_\_\_\_\_\_\_ relationship. -> **strong-tie**
16. Which of the following relationships is more likely to spark a new​ idea? -> **Weak-tie**
17. Which of the following is NOT a step to generating new​ ideas? -> **Execution**
18. In the​ idea-generation process, insight is also called the​ "\_\_\_" experience. -> **eureka**
19. A bug report is a popular technique that is used in classrooms to​ teach\_\_\_\_\_\_. -> **brainstorming**
20. Gio Franco wanted to explore the possibility of starting a party center for kids in his small town. To get an idea of the attractiveness of the​ idea, Gio invited six set of parents of young children to discuss what they liked and what they disliked about the options available for​ children's playtime. The group of parents assembled is a​ \_\_\_\_\_\_\_. -> **focus group**
21. Linda Tethers gathered a group of people at a designated spot.​ Linda, the leader of the group asked the participants to share their ideas. One person shared an​ idea, another person reacted to​ it, another person reacted to the​ reaction, and so on. What Linda was doing is an example of a​ \_\_\_\_\_\_\_\_. -> **brainstorming**
22. Which one of the following is NOT a common rule for​ brainstorming? -> **Freeloading**
23. Dick Certo gathered 8 amateur athletes who were selected because of their relationship to the issue being​ discussed, which was finding a quick cure to a pulled hamstring. Dick was forming a​ \_\_\_\_\_\_\_\_ group. -> **focus**
24. Omega Vacuums routinely sends teams of testers to homes of its users to see how its product is working and to seek insight for new product ideas. Omega Vacuums​ day-in-the-life research is an example of​ \_\_\_\_\_\_ research. -> **anthropology**

**Ch 3 study plan**

Feasibility analysis is the process of determining whether a business idea is viable.

​\_\_\_\_\_ research is research collected by the​ person(s) completing the analysis.

Primary

Many entrepreneurs make the mistake of identifying a business idea and then jumping directly to developing a business model without doing the​ \_\_\_\_\_\_\_\_. feasibility analysis

A​ \_\_\_\_\_ is more focused on planning and selling. business plan

Getting feedback from industry experts is a type of​ \_\_\_\_\_ research. Primary

Getting data from industry studies is a type of​ \_\_\_\_\_ research.

secondary

A​ \_\_\_\_ test involves showing a preliminary description of a product or service idea.   
concept

\_\_\_\_ bias is the tendency to search for information that validates​ one's preconceptions. .

Confirmation

Although there are many important things to consider when launching a new​ venture, nothing else matters if the product or service​ \_\_\_\_\_\_\_\_. Doesn’t sell

A​ one-page document that​ includes, among other​ things, a description of the product or service and its intended target market is called the​ \_\_\_\_\_\_\_.   
concept statement

One study of 120 business founders revealed that​ \_\_\_\_\_\_\_ fully developed their products without getting feedback from potential buyers. more than half

​"Click here to rent an Omega​ car," is an example of a​ \_\_\_\_\_\_\_.. landing page

​PepsiCo, Coca-Cola, Dr.​ Pepper, and Schweppes are a group of firms that produce carbonated beverages.​ Together, these firms constitute​ a(n) \_\_\_\_\_\_.   
industry

Shelter Pups makes​ eco-friendly plush animals. The company aims its product at parents who are willing to pay a premium for​ super-safe, environmentally​ friendly, educational toys. This is Shelter​ Pups' \_\_\_\_\_\_. Target market

An attractive industry is​ \_\_\_\_\_ rather than​ \_\_\_\_\_.   
​young; old

Which of the following is NOT a characteristic of an attractive​ industry? The industry is crowded.

A​ firm's \_\_\_\_\_ is the limited portion of the industry that it goes after or to which it wants to appeal.

target market

An industry is attractive if it sells products or services that customers​ "\_\_\_\_\_\_" rather than​ "want to​ have."

must have

The two primary issues to consider in organizational feasibility analysis are management prowess and​ \_\_\_\_\_\_\_. resource sufficiency

In examining resource​ sufficiency, the focus in organizational feasibility analysis is on​ \_\_\_\_ resources.

nonfinancial

An organizational feasibility analysis is conducted to determine whether a proposed business has sufficient management​ expertise, organizational​ competence, and​ \_\_\_\_\_ to successfully launch.

Resources

Pongomania is a​ start-up that makes a popular online game. To test resource​ sufficiency, Pongomania wanted to identify its most critical nonfinancial resources. Which of the following is NOT a type of nonfinancial resource critical for a​ start-up like​ Pongomania?

Recreational facilities

If a​ start-up requires employees with specialized​ skills, the​ community's labor pool is a​ \_\_\_\_\_\_.

key resource

If a firm introduces a new business​ process, \_\_\_\_\_ is a key resource.

intellectual property protection

​\_\_\_\_ is a template entrepreneurial firms use to complete a feasibility analysis.   
First Screen

The final section of First Screen is called​ "\_\_\_\_\_\_\_."   
Overall Potential

First Screen is a template entrepreneurial firms use to complete a​ \_\_\_\_\_\_\_.

feasibility analysis

Once the business idea cuts muster at the First Screen​ stage, the next step is to complete a​ \_\_\_\_\_\_.

business plan

The final section of First Screen is called​ \_\_\_\_\_\_.

overall potential

Which is the first section of First​ Screen?

Strength of business idea

**CH-4 STUDY PLAN**

Uber provides transportation service for people by quickly connecting riders with the owners of private cars who are willing to provide rides. As far as local taxis are​ concerned, Uber's business model​ \_\_\_ their business.

disrupts

The three important elements of a​ firm's business model are its target​ market, its basis for​ differentiation, and its​ \_\_\_\_\_\_\_.   
 key assets

The proper time to determine a​ company's business model is following the initial validation of the business idea and prior to fleshing out the​ \_\_\_\_\_\_\_\_\_.

operational details

A​ firm's business model is its plan or recipe for how it​ creates, delivers, and captures value for its​ \_\_\_\_\_\_.   
stakeholders

For the​ start-up Her​ Campus, there are​ 4,000-plus college females volunteering in chapters across the country writing articles in which they believe other college females will be interested. The volunteer group is an example of​ \_\_\_\_\_\_ in Her​ Campus's business model.

key assets

Over the course of the last few​ years, Etsy has built a network of over 1.7 million sellers of artisanal goods. The fact that it would take a tremendous effort on the part of a competitor to match​ Etsy's network of sellers makes​ Etsy's business model difficult to​ \_\_\_\_\_.   
 copy

Netflix has a subscription business​ model, where it adds and loses subscribers each month. One of the disadvantages of the subscription business model is​ \_\_\_\_.   
 churn

​Ryanair, like Southwest​ Airlines, provides​ point-to-point, no-frills airline​ service, in​ Ryanair's case across Europe. This is an example of​ \_\_\_\_\_\_\_ disruption.

low-end

.

Most of the standard business​ models, with the exception of the​ \_\_\_\_\_\_ model, have been in place for some time.

freemium

Pandora uses a business model where the firm provides a basic version of its service for free and makes money by selling a premium version of the service. It is using the​ \_\_\_\_\_\_ business model.

freemium

Companies that feature a​ subscription-based business model normally offer a high level of customer service to​ \_\_\_\_\_\_\_\_.

prevent churn

​Google's AdWords program​ \_\_\_\_\_ Yahoo's business model that required advertisers to spend at least​ $10,000 for a minimum ad buy.

disrupted

At a very​ broad, 50,000-foot​ level, a mission statement indicates how a firm intends to create value for​ \_\_\_\_\_\_\_.

Stakeholders

Etsy generates its revenues by bringing two parties together to complete a sale. Its revenue stream is based on​ \_\_\_\_.

Commissions

​Microsoft's statement​ "to enable people and businesses throughout the world to realize their full​ potential" is an example of a​ company's \_\_\_\_\_.

.

mission

There are several rules of thumb for writing mission statements. Which one of the following is NOT a rule of​ thumb?

CEVAP:   
How much profits should we​ make?

Airbnb connects someone who wants temporary access to an apartment with someone who owns an apartment. Its revenue stream is called​ \_\_\_\_\_

matchmaking

Using the freemium​ model, Dropbox currently has​ \_\_\_\_\_\_ million customers.

200

**CH-5 STUDY PLAN**

It is useful for a new venture to think about its​ \_\_\_\_\_ at both the company level and the product or service level.

position

Prior to launching his​ Korean-Mexican fusion​ restaurant, Gregory Kim is making a detailed evaluation of the restaurants in his market area. Gregory Kim is doing a​ \_\_\_\_ analysis.

competitor

An

indash–depth

analysis of​ a(n) \_\_\_\_\_ helps a firm determine whether the niche or target markets it identified during its feasibility analysis are accessible and which ones represent the best points of entry for the new firm.

industry

Which one of the following is a question an entrepreneur has to ask before pursuing the idea of starting a​ firm?

Cevap:   
Is the industry a realistic place for a new venture to​ enter?

It is useful for a new venture to think about its position at​ \_\_\_\_ the company level and the product or service level.

Both

According to​ IBISWorld, the market for​ e-books is expected to grow at an annual rate of​ \_\_\_ percent over the next 5 years.

3.7

John Banega developed a drug that offers a potential cure for pediatric blindness.​ However, he finds a number of government and legal issues that make it difficult for him to launch his drug company. Which of the following force is he facing in the five forces model of industry​ analysis?

Threat of stakeholders

Access to distribution channels are a relevant factor in which of the five​ forces?

Threat of new entrants

Which of the following is a substitute for​ Coca-Cola, the carbonated​ beverage, as per the five forces​ model?

Water

If the price of the United States Postal​ Service's express mail gets too​ high, people will increasingly attach documents to​ e-mail messages. This is an example of​ \_\_\_\_\_\_\_\_.

threat of substitutes

​\_\_\_\_\_\_ occur(s) when​ mass-producing a product results in lower average costs.

Economies of scale

The need to invest​ \_\_\_\_ to gain entrance to an industry is a barrier to entry.

large amounts of Money

The five forces model helps a firm determine whether it should enter a particular industry and whether it can​ \_\_\_\_\_\_\_\_\_\_\_\_\_.

carve out an attractive position in that industry

The five forces in the five forces model determine the threat to industry​ \_\_\_\_\_\_\_.

profitability

The five forces model can be used by a firm to​ \_\_\_\_\_\_\_\_\_.

find out whether it can carve out an attractive position in that industry

Each of the five forces in the five forces model represents a threat to industry​ \_\_\_\_\_\_.

profitability

Prior to launching​ Pete's Seafood​ Restaurant, Pete Axthelm found out that the number of seafood suppliers in his market area was small relative to the number of seafood restaurants. Pete concluded that for seafood​ restaurants, the​ \_\_\_\_\_\_\_\_\_\_\_\_\_ is​ \_\_\_\_\_\_\_\_\_\_\_\_.

bargaining power of​ suppliers; high

The five forces model provides a picture of an industry​ \_\_\_\_\_\_.

"as is"

​A(n) \_\_\_\_\_ industry is an industry or a part of an industry that is experiencing a reduction in demand.

declining

​

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

fragmented

An emerging industry is one​ \_\_\_\_\_\_\_\_\_\_\_\_\_.

in which standard operating procedures have yet to be developed

Because a high level of uncertainty characterizes​ \_\_\_\_\_ industries, any opportunity that is captured may be​ short-lived.

Emerging

​\_\_\_\_\_\_ is an opportunity in fragmented industries

Consolidation

Slow increases in demand are a feature of​ \_\_\_\_\_ industries.

mature

​\_\_\_\_\_ competitors are businesses that offer products or services that are identical or highly similar to those of the firm in question.

Direct

​Coffee, milk,​ tea, and water are​ \_\_\_\_\_\_ competitors for​ Coca-Cola.

indirect

For Delta​ Airlines, United Airlines is​ a(n) \_\_\_\_\_ competitor.

Direct

Sun​ Tzu's quote​ "Time spent in reconnaissance is seldom​ wasted" is relevant to​ \_\_\_\_\_\_.

competitor analysis

The information that is gathered by a firm to learn about its competitors is called​ \_\_\_\_\_\_\_.

competitive intelligence

A(n) \_\_\_\_\_\_\_\_\_ helps identify a​ firm's primary source of competitive advantage.

competitive analysis grid

**CH-6 STUDY PLAN**

Writing a​ \_\_\_\_\_\_ forces a​ firm's founders to systematically think through each aspect of their new venture.

business plan

A 2015 Wells​ Fargo/Gallup Small Business Index survey found that only​ \_\_\_\_ percent of business owners have a formal business plan.

33

Of the primary reasons to write a business​ plan, the fact that writing it forces the founding team to systematically think through every aspect of its new venture is​ \_\_\_\_\_\_ reason.

an internal

Of the primary reasons to write a business​ plan, the fact that it communicates the merits of a new venture to investors and bankers is​ \_\_\_\_\_\_ reason.

an external

According to the 2015 Wells​ Fargo/Gallup Small Business Index​ Survey, \_\_\_\_ percent of the owners said that they have a business plan.

33

A business plan is a written document that describes what a new business intends to accomplish and​ \_\_\_\_\_\_\_\_\_\_\_.

how it intends to accomplish it

A clearly written business plan is important for both the management team and​ \_\_\_\_\_\_\_\_.

the​ rank-and-file employees

The typical length of a business plan is​ \_\_\_\_\_\_ pages.

​25-35

A clearly written business plan helps​ \_\_\_\_\_\_\_\_\_\_\_ operate in sync and move forward in a consistent and purposeful manner.

a​ firm's rank-and-file employees

Investors and potential business partners are​ \_\_\_\_\_\_

external stakeholders

Which of the following is NOT a primary audience for a​ firm's business​ plan?

Customers

The existence of a business plan is particularly useful for the​ \_\_\_\_\_\_\_\_ of a young firm.

functional department heads

Which of the following is NOT a red flag in a business​ plan?

A lack of sloppiness in any area.

Sami Peters and Elaine​ Brody, two entrepreneurship majors in​ college, are founders of a company that is in the very early stages of its development. They wrote up a​ 12-page plan mainly to seek funding to further analyze their business opportunity. What Sami and Elaine wrote is called a​ \_\_\_\_business plan

summary

Which of the following is a red flag in a business​ plan?

Founders with none of their own money at risk

For most business​ plans, \_\_\_\_\_\_ pages are sufficient.

25 – 35

Many investors skip directly to the​ \_\_\_\_\_\_ portion of the plan.

financial projections

Citations are important in a business plan because​ \_\_\_\_\_\_\_\_\_.

a plan should be built on hard evidence and sound​ research, which need to be cited

An executive summary​ shouldn't exceed​ \_\_\_\_ -spaced pages.

two single

Neha Bhagat and Charles Martin are writing the business plan for their entrepreneurial​ start-up, Juiced​ Up, a vegan juice venture. They are working on the main body of their business plan. They should focus on the​ \_\_\_\_\_\_\_\_\_.

industry analysis

Art Vandalay is putting together the business plan that he had created for his​ start-up. His business plan should begin with the​ \_\_\_\_\_\_.

executive summary

The current status section of the business plan should reveal how far along the company is in its development. A good way to frame this discussion is to think in terms of​ \_\_\_\_\_\_.

milestones

The gross margin is also called the​ \_\_\_\_\_\_ margin.,

.

Contribution

Juiced​ Up's main​ product, the​ "Mega Vegan," sells for​ $9.95. If the labor and materials amount to​ $3, the contribution margin of the​ "Mega Vegan" is​ $\_\_\_\_\_.

6.95

Which of the following is NOT one of the 12 PowerPoint slides to include in an investor​ presentation?

Mission Statement

The oral presentation of a business plan​ \_\_\_\_\_\_.

should avoid technical jargon

The investor will typically ask the firm to make a​ \_\_\_\_ -minute presentation.

.

​15-to-20

The ideal number of slides for a business plan presentation is​ \_\_\_.

12

Which of these slides is NOT a part of the 12 PowerPoint slides to include in an investor​ presentation?

Mission statement

The last slide in the​ 12-PowerPoint-slide investor presentation is the​ \_\_\_\_\_ slide.

summary

**Chapter 1 – Study Plan**

1. A(n) \_\_\_\_\_ creates something new. -> **inventor**
2. Established firms with an orientation toward acting entrepreneurially practice​ \_\_\_\_\_\_\_. -> **Corporate entrepreneurship**
3. The word​ "entrepreneur" was originally used to describe people who​ "\_\_\_\_\_\_\_" between buyers and sellers. -> **take on the risk**
4. An entrepreneur assembles and then integrates all the resources needed to transform an invention into a viable business. Which of the following is NOT a resource assembled by an​ entrepreneur? -> **Confidence**
5. Entrepreneurship is defined as the process by which individuals pursue opportunities without regard to​ \_\_\_\_\_ they currently control for the purpose of exploiting future goods and services. -> **resources**
6. Conservative firms​ \_\_\_\_\_\_\_\_. -> **risk-averse**
7. 3M, a company with more than​ $30 billion in revenues in​ 2016, encourages its employees to constantly look for business opportunities in terms of future goods and services. What 3M is doing is called​ \_\_\_\_\_. -> **corporate entrepreneurship**
8. Entrepreneurial firms are typically​ \_\_\_\_ innovators. -> **proactive**
9. The most common reason why people become entrepreneurs is​ to: -> **be their own boss**
10. Some entrepreneurs transition from a traditional job to owning their own business more gradually by starting their business​ \_\_\_ to begin with. -> **part-time**
11. \_\_\_\_\_ firms often resist innovation. -> **Established**
12. When firms resist​ \_\_\_\_, employees are left with good ideas that go unfulfilled. -> **innovation**
13. Which of the following is NOT a primary characteristic of successful​ entrepreneurs? -> **lack of persistence**
14. The ability to effectively execute a business idea means developing a​ \_\_\_\_\_\_. -> **business​ model**
15. The two most important elements in any business are​ \_\_\_\_\_\_\_\_. -> **products and customers**
16. The litmus test for entrepreneurs is their ability to persevere through​ \_\_\_\_\_\_\_. -> **setbacks and failures**
17. The Chinese saying​ "To open a business is very​ easy, to keep it open is very​ difficult" indicates the importance of​ \_\_\_\_\_\_\_\_. -> **Execution intelligence**
18. The Bouqs company succeeded in the​ cut-to-order flower delivery business because of execution intelligence. As an indication of​ this, Bouqs has raised over​ $ \_\_\_\_million in funding since 2012. -> **19**
19. Studies show that people with parents who were​ \_\_\_\_\_\_\_\_ are more likely to become entrepreneurs. -> **self-employed**
20. Which one of the following is NOT a common trait and characteristic of an​ entrepreneur? -> **short attention span**
21. That entrepreneurs are gamblers is a​ \_\_\_\_. -> **myth**
22. Which one of the following is NOT a common trait or characteristic of an​ entrepreneur? -> **pessimistic disposition**
23. In the Hartford 2015​ survey, a total of​ \_\_ percent rated themselves as conservative rather than risky. -> **79**
24. \_\_\_\_\_ is rarely the primary reason entrepreneurs start new firms and persevere. -> Money
25. A bed and breakfast is an example of​ a(n) \_\_\_\_\_\_. -> **lifestyle firm**
26. A​ dry-cleaning business is an example of​ a(n) \_\_\_\_\_\_. -> **salary-substitute firm**
27. A hairstyling salon is an example of​ a(n) \_\_\_\_\_ firm. -> **salary-substitute**
28. The vast majority of small businesses are​ \_\_\_\_\_ firms. -> **salary-substitute**
29. John Dexter started​ "Dexter's Dry​ Cleaning" about six years ago and today he earns about what he was making as the manager of a large dry cleaning store before he launched his firm.​ Dexter's Dry Cleaning is an example of a​ \_\_\_\_\_\_\_ firm. -> **salary-substitute**
30. By connecting drivers and​ passengers, Uber took on the taxi market and brought a new option to customers. Uber is​ a(n) \_\_\_\_ firm. -> **entrepreneurial**
31. Women-owned businesses in the United States generated over​ \_\_\_\_ in revenues in 2016. -> **$1.6 trillion**
32. \_\_\_\_ led to a number of senior entrepreneurs. -> **Corporate downsizing**
33. According to the American Express OPEN study in​ 2016, women-owned businesses employed nearly​ \_\_\_\_ people. -> **9 million**
34. Women-owned business made up more than 60 percent of the total in the​ \_\_\_\_\_ sector. -> **health care and social assistance**
35. According to the Minority Business Development​ Agency, in 2012 the average gross receipts for​ minority-owned firms was​ $ \_\_\_\_\_\_. -> **58,119**
36. Airbnb is a​ first-of-a-kind business that provides an interface to connect people with homes to rent and those who are looking for a place to stay. Airbnb is​ a(n) \_\_\_\_ firm. -> **entrepreneurial**
37. The process of developing new products and technologies that over time make current products and technologies obsolete is called​ \_\_\_\_\_\_. -> **creative destruction**
38. The process of creative destruction can include​ \_\_\_\_. -> **new pricing**
39. IKEA launched a new retail format in the furniture industry. This is an example of​ \_\_\_\_\_\_\_\_. -> **creative destruction**
40. Warby Parker changed​ \_\_\_\_\_\_\_\_ strategies. -> **pricing**
41. \_\_\_\_\_ is the process of creating something​ new, which is central to the entrepreneurial process. -> **Innovation**
42. Bar-code scanner technology and the Internet have made it easier for companies to track the purchasing behavior of their​ customers, a fact that raises​ \_\_\_\_\_\_\_ concerns. -> **privacy**
43. Usually, a(n)​ \_\_\_\_\_ prompts an individual to become an entrepreneur. -> **triggering​ event**
44. A​ firm's \_\_\_\_ is its plan or recipe for how it​ creates, delivers, and captures value for its stakeholders. -> **business model**
45. Losing a job is an example of​ a(n) \_\_\_\_\_\_ event. -> **triggering**
46. Value creation and value capture are parts of a​ firm's \_\_\_\_\_\_\_\_. -> **business model**
47. It is usually necessary to have a written​ \_\_\_\_\_ to raise money and attract​ high-quality business partners. -> **business plan**
48. Knowing the​ \_\_\_\_ in which a firm will choose to compete is crucial to an​ entrepreneur's success. -> **industry**
49. Which of the following is not an​ "employability skill" that is critical to personal success within organizational​ settings? -> **Creative obstruction**
50. In a class​ project, Leah​ Jones, showed her group her ability to evaluate various potential opportunities to determine if any of them could become viable businesses. The skill that Leah has is​ \_\_\_\_\_\_\_\_. -> **creative destruction**

**Chapter 2 – Study Plan**

1. A(n) \_\_\_\_\_ is a favorable set of circumstances that creates a need for a new​ product, service, or business. -> **opportunity**
2. The term​ \_\_\_\_\_\_ is a metaphor describing the time period in which a firm can realistically enter a new market. -> **window of opportunity**
3. An opportunity is​ a(n) \_\_\_ set of circumstances that creates a need for a new​ product, service, or business. -> **favorable**
4. In​ 1994, Jeff Bezos quit his lucrative job at a New York investment firm and headed for Seattle with a plan to find an attractive opportunity and launch an​ e-commerce company. He founded Amazon. Amazon is an example of​ a(n) \_\_\_\_\_\_ venture. -> **externally-stimulated**
5. The term window of opportunity is a metaphor describing the​ \_\_\_\_ in which a firm can realistically enter a new market. -> **time period**
6. Bing entered the search engine market long after the​ \_\_\_\_\_\_ had​ closed, making it difficult for it to get market share. -> **window of opportunity**
7. Social networking sites​ aren't popular because they can be used to post information and photos on a website. They are popular because they allow people to connect and communicate with each​ other, which is a natural human tendency. This is an example of finding an opportunity by observing trends in​ \_\_\_\_\_. -> **social forces**
8. Jay Sorensen dropped a cup of coffee in his lap because the paper cup was too hot. This led Sorensen to invent an insulating cup sleeve and to start a company – Java Jacket – to sell it. Sorensen found his opportunity in​ \_\_\_\_\_\_\_\_. -> **solving a problem**
9. Level of disposable income is a part of​ \_\_\_\_ forces. -> **economic**
10. Demographic changes are an example of​ \_\_\_\_ forces. -> **social**
11. By​ 2020, \_\_\_\_ billion people are expected to own mobile phones. -> **2.87**
12. CitySlips makes​ portable, comfortable shoes that fit into most​ women's purses. The opportunity for CitySlips came from​ \_\_\_\_\_\_. -> **solving a problem**
13. John and Andy identified their business idea through social contacts. John and Andy are​ \_\_\_\_\_\_ entrepreneurs. -> **network**
14. An opportunity cannot be pursued until​ it's \_\_\_\_\_\_\_. -> **recognized**
15. Spouses typically have a​ \_\_\_\_\_\_\_ relationship. -> **strong-tie**
16. Which of the following relationships is more likely to spark a new​ idea? -> **Weak-tie**
17. Which of the following is NOT a step to generating new​ ideas? -> **Execution**
18. In the​ idea-generation process, insight is also called the​ "\_\_\_" experience. -> **eureka**
19. A bug report is a popular technique that is used in classrooms to​ teach\_\_\_\_\_\_. -> **brainstorming**
20. Gio Franco wanted to explore the possibility of starting a party center for kids in his small town. To get an idea of the attractiveness of the​ idea, Gio invited six set of parents of young children to discuss what they liked and what they disliked about the options available for​ children's playtime. The group of parents assembled is a​ \_\_\_\_\_\_\_. -> **focus group**
21. Linda Tethers gathered a group of people at a designated spot.​ Linda, the leader of the group asked the participants to share their ideas. One person shared an​ idea, another person reacted to​ it, another person reacted to the​ reaction, and so on. What Linda was doing is an example of a​ \_\_\_\_\_\_\_\_. -> **brainstorming**
22. Which one of the following is NOT a common rule for​ brainstorming? -> **Freeloading**
23. Dick Certo gathered 8 amateur athletes who were selected because of their relationship to the issue being​ discussed, which was finding a quick cure to a pulled hamstring. Dick was forming a​ \_\_\_\_\_\_\_\_ group. -> **focus**
24. Omega Vacuums routinely sends teams of testers to homes of its users to see how its product is working and to seek insight for new product ideas. Omega Vacuums​ day-in-the-life research is an example of​ \_\_\_\_\_\_ research. -> **anthropology**

**Chapter 4 – Dynamic Study Modules**

1. A business model is best described as a firm’s plan for how it creates, delivers, and captures \_\_\_\_\_\_\_. -> **value for its stakeholders**
2. A firm’s plan or recipe for how it creates, delivers, and captures values for its stakeholders is best described as its \_\_\_\_\_\_\_\_\_. -> **business model**
3. The proper time to determine a company’s business model is \_\_\_\_\_\_\_\_. -> **following the initial validation of the business idea and prior to fleshing out operational details**
4. A peer-to-peer business model features a business that \_\_\_\_\_\_\_\_\_\_. -> **acts as a matchmaker between individuals with a service to offer and others who want the service**
5. What four main categories comprise the Barringer/Ireland business model template? -> **Core strategy, resources, financials, and operations**
6. The financials category of the Barringer/Ireland Business Model Template describes how it earns money and contains the following aspects \_\_\_\_\_\_\_\_\_. -> **revenue streams, cost structure, and financing/funding**
7. A firm’s business model does all of the following except \_\_\_\_\_\_\_\_. -> **outlines core business aspects without feedback from potential customers**
8. The Barringer/Ireland Business Model Template is best described as a \_\_\_\_\_\_\_\_. -> **tool that allows an entrepreneur to describe, project, revise, and pivot a business model until all 12 parts are decided upon**
9. The mission statement of a business should not \_\_\_\_\_\_\_\_. -> **be easy to accomplish and free from risk**
10. Which of the following list of components pertains to the core strategy category of the Barringer/Ireland business model template? -> **Business mission, basis of differentiation, target market, and product/market scope**
11. The way that Southwest Airlines offered compelling, low-price fares to customers who wanted a “no-frills” traveling experience to an industry giving customers much more than they needed was an example of a \_\_\_\_\_\_\_\_\_ market disruption. -> **low-end**
12. Churn refers to the number of \_\_\_\_\_\_\_\_. -> **subscribers that a subscription-based business loses each month**
13. The two general categories of business models are \_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_. -> **standard; disruptive**
14. The \_\_\_\_\_\_\_\_ aspect of a core strategy identifies the segment within a larger market that represents a narrower group of customers with similar interests the company will compete for. -> **target market**
15. A \_\_\_\_\_\_\_\_\_\_ business model is a rare impactful model that changes the way business is conducted in an industry. -> **disruptive**
16. Which of the following list of items pertains to the operations category of the Barringer/Ireland business model template? -> **Product (or service) production, channels, and key partners**
17. When considering the timing of business model preparation, which of the following sequences is correct? -> **Initial validation of the business idea, preparation of the business model, and fleshing out the operational details**
18. A freemium business model is best described as a business that \_\_\_\_\_\_\_\_. -> **provides a basic version of its service for free and makes money by selling a premium version of the service**
19. The \_\_\_\_\_\_\_\_\_ section of the operations category of the Barringer/Ireland Business Model Template describes how a firm will deliver its products or services to its customers. -> **channels**
20. The r**esources** category of the Barringer/Ireland business model template includes which of the following items? -> **Core competencies and key assets**
21. A \_\_\_\_\_\_\_\_\_ business model depicts existing plans or recipes firms can use to determine how they will create, deliver, and capture value for their stakeholders. -> **standard**
22. A new market disruption \_\_\_\_\_\_\_\_. -> **addresses a market that previously was not served**

**Chapter 5 – Dynamic Study Modules**

1. \_\_\_\_\_\_\_\_\_\_ is the final step in using the five forces model to determine industry attractiveness. -> **Use the table to identify the threats that are most often relevant to industry profitability.**
2. The first step to determining the attractiveness of an industry using the five forces model is to \_\_\_\_\_\_\_\_\_. -> **select an industry**
3. All of the following responses result in a decision to reconsider the new venture except \_\_\_\_\_\_\_\_. -> **answering yes to “Is the industry a realistic place for a new venture?”**
4. If you answer “no” to the question “is the industry a realistic place for a new venture?”, you should \_\_\_\_\_\_\_\_\_. -> **reconsider the new venture**
5. An emerging industry is best described as a(n) \_\_\_\_\_\_\_\_. -> **new industry in which standard operating procedures have yet to be developed**
6. All of the following factors affect buyers’ ability to exert pressure on suppliers except: -> **Threat of forward integration**
7. Mature industries are characterized by all of the following except \_\_\_\_\_\_\_\_\_. -> **reduction in demand**
8. Factors such as buyer group concentration and the degree of standardization of supplier’s products affect the \_\_\_\_\_\_\_\_\_\_. -> **bargaining power of buyers**
9. Which of the following is not one of the five most prevalent industry types? -> **Disruptive**
10. Which of the following is not one of the primary factors that impacts the ability of suppliers to exert pressure on buyers and suppress the profitability of the industries they serve? -> **Threat of backward integration**
11. Which of the following statements about Porter’s five forces model is **not** true? -> **Well-managed companies try to position their firms in a way that enhances or increases Porter’s five forces.**
12. Environmental trends include all of the following except \_\_\_\_\_\_\_\_\_. -> **business trends**
13. A fragmented industry is best characterized by a(n) \_\_\_\_\_\_\_\_\_\_. -> **large number of firms of approximately equal size**
14. In various studies, researchers have found that between 8 to 30 percent of the variation in firm profitability is directly attributable to the \_\_\_\_\_\_\_\_\_. -> **industry in which a firm competes**
15. Firms offering close substitutes to the product the firm completing the anaylsis sells are best described as \_\_\_\_\_\_\_\_\_. -> **indirect**
16. If a business leader decides to hold a Skype conference instead of traveling to the customer due to the increasing cost of airfare, this is an example of the \_\_\_\_\_\_\_\_\_. -> **threat of substitutes**
17. Which of the following statements about the bargaining power of buyers is true? -> **If the buyers are concentrated, they can pressure the suppliers to lower costs.**
18. A(n) \_\_\_\_\_\_\_\_\_\_ is best described as a detailed evaluation of a firm’s competitors. -> **competitor analysis**
19. Which of the following is not one of the sources of competitive intelligence? -> **Analyzing financial reports of privately-held companies**
20. Which of the following is not one of the three important Ts to utilize to become active in an industry? -> **Trade exchanges**
21. A new industry in which the standard operating procedures have yet to be developed is best described as a(n) \_\_\_\_\_\_\_\_\_ industry. -> **emerging**
22. A(n) \_\_\_\_\_\_\_\_\_\_ industry is one experiencing slow or no increase in demand, has numerous repeat customers, and has limited product innovation. -> **mature**
23. It is useful for a new venture to think about its \_\_\_\_\_\_\_ at both the company level and the product or service level. -> **position**
24. \_\_\_\_\_\_\_\_\_\_is not one of Porter’s five forces. -> **Bargaining power of sellers**
25. Switching costs, attractiveness of substitutes, and the threat of forward integration are factors that impact the \_\_\_\_\_\_\_\_\_\_\_ and suppress profitability of the industries they serve. -> **bargaining power of suppliers**
26. The level of fixed costs and degree of difference between products are primary factors that determine the nature and intensity of \_\_\_\_\_\_\_\_\_. -> **rivalry among existing firms in an industry**
27. All of the following are the most prevalent types of industries **except** \_\_\_\_\_\_\_\_ industries. -> **casual**
28. A product patent that prevents competitors from easily replicating what the business is doing is an example of a(n) \_\_\_\_\_\_\_\_\_. -> **government and legal barrier**

**Chapter 6 – Dynamic Study Modules**

1. All of the following are contained in the Company Description section of the business plan except \_\_\_\_\_\_\_\_\_. -> **competitor analysis**
2. \_\_\_\_\_\_\_\_\_\_\_ is not included in the Company Description section of the business plan. -> **Company structure**
3. Whether in the initial meeting or on subsequent occasions, an entrepreneur will likely be all of the following except \_\_\_\_\_\_\_\_\_\_\_\_\_. -> **discouraged from moving forward with their business plan**
4. The \_\_\_\_\_\_\_\_\_\_ part of the business plan outlines estimates of the firm’s annual sales and market share. -> **market analysis**
5. Which of the following statements is most accurate about the relevance of the business plan to the firm’s employees? -> **The process of writing the plan may be as valuable as the plan itself.**
6. Cost of goods sold are best described as the \_\_\_\_\_\_\_\_\_\_\_\_. -> **materials and direct labor needed to produce the revenue driver**
7. If a new coffee shop opens by a similar café and contacts them for an estimate of their annual sales, this would be an example of the \_\_\_\_\_\_\_\_\_\_ method for estimating a new firm’s initial sales. -> **find a comparable firm**
8. Andy is opening a new business and wants his founding team to think systematically through every aspect of his new venture. This is an example of a(n) \_\_\_\_\_\_\_\_\_ reason for developing a business plan. -> **internal**
9. In the \_\_\_\_\_\_\_\_\_\_ section of the business plan you would find the company’s mission statement. -> **company description**
10. Sarah needs funding for her new business, so she creates a business plan to communicate the venture’s merits to investors and bankers. This is an example of a(n) \_\_\_\_\_\_\_\_\_ reason for writing a business plan. -> **external**
11. A(n) \_\_\_\_\_\_\_ business plan is typically 10 to 15 pages long and works best for businesses in the early stages of development to gauge potential investor interest in their idea. -> **summary**
12. An executive summary should \_\_\_\_\_\_\_\_\_\_. -> **be written last**
13. A \_\_\_\_\_\_\_\_\_\_\_ is a written narrative, typically 25 to 35 pages long, that describes what a new business intends to accomplish and how it intends to accomplish it. -> **business plan**
14. A(n) \_\_\_\_\_\_\_\_\_\_\_ plan is a 40 to 100 page plan that provides a blueprint for a company’s operations and provides a great level of detail for operational managers. -> **operational business**
15. The famous cosmetic company’s L’Oreal’s statement “Because You’re Worth It” reinforces its position in the market, which is an example of a \_\_\_\_\_\_\_\_. -> **tagline**
16. If the business plan successfully elicits the interest of a potential investor, the next step is to \_\_\_\_\_\_\_\_\_\_\_\_. -> **meet with the investor and present the plan in person**
17. A full business plan is best described as a \_\_\_\_\_\_\_\_\_\_. -> **25 to 35 page plan outlining a company’s operations and plans in detail and it is the format that is usually used to prepare a business plan for an investor**
18. The Marketing Plan section of the business plan would include \_\_\_\_\_\_\_\_\_\_\_\_\_\_. -> **the company’s approach to product, price, promotion, and distribution**
19. The industry analysis typically describes all of the following except the \_\_\_\_\_\_\_\_\_. -> **segment of the industry that the firm is targeting**
20. All of the following are external stakeholders and readers of the business plan except \_\_\_\_\_\_\_\_. -> **Customers**
21. Joe’s business plan has a lot of speculation about what he thinks will happen but lacks hard evidence and sound research for his claims. His business plan has the \_\_\_\_\_\_\_\_\_ “red flag.” -> **poorly-cited plan**

**Entrepreneurship: Successfully Launching New Ventures**

**Sixth Edition, Global Edition**

**Chapter 1**

**Introduction to Entrepreneurship**

**There is tremendous interest in entrepreneurship in the U.S. and around the world.**

**According to the 2015/2016 G E M study, 11.9% of Americans are actively engaged in starting a business or are the owner/manager of a business that is less than three years old.**

**Indications of Increased Interest in Entrepreneurship**

**Books**

Amazon.com lists over 58,510 books dealing with entrepreneurship and 80,686 focused on small business.

**What Is Entrepreneurship?**

**Academic Definition (Stevenson and Jarillo)**

Entrepreneurship is the process by which individuals pursue opportunities without regard to resources they currently control.

**Alternative View**

Entrepreneurship is the art of turning an idea into a business.

**Explanation of What Entrepreneurs Do**

Entrepreneurs assemble and then integrate all the resources needed – the money, the people, the business model, the strategy – to transform an invention or an idea into a viable business.

**Corporate Entrepreneurship** (1 of 2)

**Corporate Entrepreneurship**

* + Is the conceptualization of entrepreneurship at the firm level.
  + All firms fall along a conceptual continuum that ranges from highly conservative to highly entrepreneurial.
  + The position of a firm on this continuum is referred to as its entrepreneurial intensity.

**Corporate Entrepreneurship** (2 of 2)

**Entrepreneurial Firms**

* **Proactive**
* **Innovative**
* **Risk taking**

**Conservative Firms**

* **Take a more “wait and see” posture**
* **Less innovative**
* **Risk averse**

**Why Become an Entrepreneur?**

**The three primary reasons that people become entrepreneurs and start their own firms.**

Desire to be their own boss

Desire to pursue their own ideas

Financial rewards

**Characteristics of Successful Entrepreneurs** (1 of 3)

**Figure 1.1 Four Primary Characteristics of Successful Entrepreneurs**

**Characteristics of Successful Entrepreneurs** (2 of 3)

**Passion for the Business**

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

This passion typically stems from the entrepreneur’s belief that the business will positively influence people’s lives.

**Product/Customer Focus**

A second defining characteristic of successful entrepreneurs is a product/customer focus.

An entrepreneur’s keen focus on products and customers typically stems from the fact that most entrepreneurs are, at heart, craftspeople.

**Characteristics of Successful Entrepreneurs** (3 of 3)

**Tenacity Despite Failure**

Because entrepreneurs are typically trying something new, the failure rate is naturally high.

A defining characteristic for successful entrepreneurs is their ability to persevere through setbacks and failures.

**Execution Intelligence**

The ability to fashion a solid business idea into a viable business is a key characteristic of successful entrepreneurs.

**Common Myths About Entrepreneurs** (1 of 7)

**Myth 1: Entrepreneurs Are Born, Not Made**

This myth is based on the mistaken belief that some people are genetically predisposed to be entrepreneurs.

The consensus of many studies is that no one is “born” to be an entrepreneur; everyone has the potential to become one.

Whether someone does or doesn’t become an entrepreneur is a function of their environment, life experiences, and personal choices.

**Common Myths About Entrepreneurs** (2 of 7)

**Although no one is “born” to be an entrepreneur, there are common traits and characteristics of successful entrepreneurs**

* **A moderate risk taker**
* **Persuasive**
* **Promoter**
* **Resource assembler/leverager**
* **Creative**
* **Self-starter**
* **Tenacious**
* **Tolerant of ambiguity**
* **Visionary**
* **Optimistic disposition**
* **A networker**
* **Achievement motivated**
* **Alert to opportunities**
* **Self-confident**
* **Decisive**
* **Energetic**
* **A strong work ethic**
* **Lengthy attention span**

**Common Myths About Entrepreneurs** (3 of 7)

**Myth 2: Entrepreneurs Are Gamblers**

Most entrepreneurs are moderate risk takers.

The idea that entrepreneurs are gamblers originates from two sources:

Entrepreneurs typically have jobs that are less structured, and so they face a more uncertain set of possibilities than people in traditional jobs.

Many entrepreneurs have a strong need to achieve and set challenging goals, a behavior that is often equated with risk taking.

**Common Myths About Entrepreneurs** (4 of 7)

**Myth 3: Entrepreneurs Are Motivated Primarily by Money**

While it is naïve to think that entrepreneurs don’t seek financial rewards, money is rarely the reason entrepreneurs start new firms.

In fact, some entrepreneurs warn that the pursuit of money can be distracting.

**Common Myths About Entrepreneurs** (5 of 7)

**Myth 4: Entrepreneurs Should Be Young and Energetic**

Entrepreneurial activity is fairly evenly spread out over age ranges.

While it is important to be energetic, investors often cite the strength of the entrepreneur as their most important criterion in making investment decisions.

What makes an entrepreneur “strong” in the eyes of an investor is experience, maturity, a solid reputation, and a track record of success.

These criteria favor older rather than younger entrepreneurs.

**Common Myths About Entrepreneurs** (6 of 7)

**Table 1.4 Age Distribution of Business Owners**

**Source: R. W. Fairlie, A. Morelix, E.J. Reedy, and J. Russell, *2015 The Kauffman Index of Startup Activity: National Trends*.**

**Common Myths About Entrepreneurs** (7 of 7)

**Myth 5: Entrepreneurs Love the Spotlight**

While some entrepreneurs are flamboyant, the vast majority of them do not attract public attention.

As evidence of this, consider the following question: “How many entrepreneurs could you name?”

Most of us could come up with Jeff Bezos of Amazon.com, Mark Zuckerberg of Facebook, Larry Page and Sergey Brin of Google or maybe Elon Musk of Tesla and SpaceX.

But few could name the founders of Netflix, YouTube, or DIRECTV, even though we frequently use those firms’ services.

**Figure 1.2 Types of Start-Up Firms**

**Changing Demographics   
of Entrepreneurs** (1 of 5)

**Women Entrepreneurs**

While men are more likely to start businesses than women, the number of women-owned businesses is increasing.

According to a study commissioned by American Express OPEN, as of 2016, there were 11.3 million women-owned businesses in the United States.

Over the past nine years, the number of women-owned businesses has grown at a rate five times faster than the national average.

**Changing Demographics   
of Entrepreneurs** (2 of 5)

**Minority Entrepreneurs**

There has been a substantial increase in minority entrepreneurs in the United States.

According to recent estimates, there are eight million minority-owned firms in the United States—a 38 percent increase since 2007.

An important factor facilitating the growth of minority entrepreneurs is the number of organizations that promote and provide assistance.

Examples include the Latin Business Association, the Black Business Association, and The National Center for American Indian Enterprise Development.

**Changing Demographics   
of Entrepreneurs** (3 of 5)

**Senior Entrepreneurs**

The numbers of seniors starting businesses is substantial and growing.

The percentage of individuals age 62 and older starting a business increased from 4.2 percent in 1988 to 5.4 percent in 2015.

Many people in the 60 and older age range have substantial business experience, financial resources, and excellent vigor and health.

This makes them excellent candidates to start businesses in many industries.

**Changing Demographics   
of Entrepreneurs** (4 of 5)

**Millennial Entrepreneurs**

A desire to pursue an entrepreneurial career is high among millennials.

Despite this desire, in 2013 only 3.6 percent of all businesses in the United States were owned by someone under the age of 30.

A 2016 study by EY and EIG found that the biggest obstacles preventing millennials from starting businesses are lack of finances, lack of desire, fear of failure, and lack of knowledge of the business start-up process.

**Changing Demographics   
of Entrepreneurs** (5 of 5)

**Millennial Entrepreneurs (continued)**

There are many factors at work to encourage millennials to consider entrepreneurship as a career.

More than 2,300 colleges and universities in the United States offer at lease one course in entrepreneurship.

A number of organizations have been established to encourage college students to consider becoming entrepreneurs.

These include 3-Day Startup, Dorm Room Fund, CEO (Collegiate Entrepreneurs’ Organization), Startup Weekend, and VentureWell.

**Economic Impact of Entrepreneurial Firms**

**Innovation**

Is the process of creating something new, which is central to the entrepreneurial process.

Small innovative firms are 16 times more productive than larger innovative firms in terms of patents per employee.

**Job Creation**

Small businesses create a substantial number of net new jobs in the United States.

Firms with 500 or fewer employees created two million of the roughly three million private sector jobs in 2014.

**Entrepreneurial Firms’ Impact on Society and Larger Firms**

**Impact on Society**

The innovations of entrepreneurial firms have a dramatic impact on society.

Think of all the new products and services that make our lives easier, enhance our productivity at work, improve our health, and entertain us.

**Impact on Larger Firms**

Many entrepreneurial firms have built their entire business models around producing products and services that help larger firms become more efficient and effective.

**The Entrepreneurial Process**

**The Entrepreneurial Process Consists of Four Steps**

**Step 1: Deciding to become an entrepreneur.**

**Step 2: Developing successful business ideas.**

**Step 3: Moving from an idea to an entrepreneurial firm.**

**Step 4: Managing and growing the entrepreneurial firm.**

**Steps in the Entrepreneurial Process** (1 of 2)

**Steps in the Entrepreneurial Process** (2 of 2)

**Chapter 2**

**Opportunity Defined**

* An opportunity is a favorable set of circumstances that creates a need for a new product, service, or business.
* What is an Opportunity? (2 of 2)

**Figure 2.1** Four Essential Qualities of an Opportunity

* Figure 2.2 Three Ways to Identify   
  an Opportunity
* First Approach: Observing Trends (1 of 2)
* Observing Trends
  + Trends create opportunities for entrepreneurs to pursue.
  + The most important trends are:
    - Economic forces
    - Social forces
    - Technological advances
    - Political and regulatory changes
  + It’s important to be aware of changes in these areas.
* First Approach: Observing Trends (2 of 2)

**Figure 2.3** Environmental Trends Suggesting Business, Product, or Service Opportunity Gaps

* Trend 1: Economic Forces

Economic trends help determine areas that are ripe for new start-ups and areas that start-ups should avoid.

**Example of Economic Trend Creating a Favorable Opportunity**

* A weak economy favors start-ups that help consumers save money.
* An example is GasBuddy.com, a company started to help consumers save money on gas.
* Trend 2: Social Forces

Social trends alter how people and businesses behave and set their priorities. These trends provide opportunities for new businesses to accommodate the changes.

**Examples of Social Trends**

* Aging of the population.
* The increasing diversity of the population.
* Millennials entering the workforce.
* Growth in the use of mobile devices.
* An increasing focus on health and wellness.
* Trend 3: Technological Advances (1 of 2)

Advances in technology frequently create business opportunities.

**Examples of Entire Industries that Have Been Created as the Result of Technological Advances**

* Computer industry
* Internet
* Biotechnology
* Digital photography
* Trend 3: Technological Advances (2 of 2)

Once a technology is created, products often emerge to advance it.

**Example: Rokit Boost**

An example is Rokit Boost, a high-end mobile accessories company that makes smartphone cases, headphones, portable USB device chargers, and Bluetooth speakers. Rokit Boost wouldn’t exist if it weren’t for the advent of the smartphone.

* Trend 4: Political Action and Regulatory Changes (1 of 2)

Political and regulatory changes also provide the basis for opportunities.

**General Example**

This happened with the passage of the Affordable Care Act in 2010. The provisions of the act yielded opportunities for entrepreneurs to launch electronic records start-ups, apps to help patients monitor their medication, and similar companies.

* Trend 4: Political Action and Regulatory Changes (2 of 2)

Political change also engenders new business and product opportunities. For example, global political instability and the threat of terrorism have resulted in many firms becoming more security-conscious.

**Specific Example**

Evolv Technology is a start-up that has assembled a multidisciplinary team of experts to identify, invent, and apply new technologies to meet current terrorism-related threats.

* Second Approach: Solving a Problem (1 of 2)
* Solving a Problem
  + Sometimes identifying opportunities simply involves noticing a problem and finding a way to solve it.
  + These problems can be pinpointed through observing trends and through more simple means, such as intuition, serendipity, or chance.
  + Many companies have been started by people who have experienced a problem in their own lives, and then realized that the solution to the problem represented a business opportunity.
* Second Approach: Solving a Problem (2 of 2)

**Specific Example**

Sometimes people aren’t able to access energy to recharge their smartphones for a period of time. A number of companies have solved this problem in innovative ways. An example is the $70 Eton BoostTurbin 2000, which is a device that weighs less than four ounces. It combines a battery with a hand crank that provides enough power to fully charge a typical smartphone.

* Third Approach: Finding Gaps in the Marketplace (1 of 2)
* Gaps in the Marketplace
  + A third approach to identifying opportunities is to find a gap in the marketplace.
  + A gap in the marketplace is often created when a product or service is needed by a specific group of people but doesn’t represent a large enough market to be of interest to mainstream retailers or manufacturers.
* Third Approach: Finding Gaps in the Marketplace (2 of 2)

Product gaps in the marketplace represent potentially viable business opportunities.

**Specific Example**

Tish Cirovolo realized there were no guitars on the market made specifically for females. To fill this gap, she started Daisy Rock Guitars, a company that makes guitars just for women and girls. Daisy Rock guitars are stylish, come in feminine colors, and incorporate design features that accommodate a woman’s smaller hand and build.

* Personal Characteristics of the Entrepreneur

Characteristics that tend to make some people better at recognizing opportunities than others

* Prior Industry Experience
* Cognitive Factors
* Social Networks
* Creativity
* Prior Industry Experience (1 of 2)
* Prior Industry Experience
  + Studies have shown that prior experience in an industry helps an entrepreneur recognize business opportunities.
    - By working in an industry, an individual may spot a market niche that is underserved.
    - It is also possible that by working in an industry, an individual builds a network of social contacts who provide insights that lead to recognizing new opportunities.
    - Prior Industry Experience (2 of 2)
* Prior Industry Experience
  + It is also important to note that anecdotal evidence suggests that people outside an industry can sometimes enter it with a new set of eyes, and as a result innovate in ways that people with prior experience might find difficult.
    - For example, Elon Musk, the founder of Tesla, had no prior experience in the auto industry.
    - Debbie Fields, the founder of Mrs. Fields Cookies, had no prior experience in the food industry.
* Cognitive Factors
* Cognitive Factors
  + Studies have shown that opportunity recognition may be an innate skill or cognitive process.
  + Some people believe that entrepreneurs have a “sixth sense” that allows them to see opportunities that others miss.
  + This “sixth sense” is called entrepreneurial alertness, which is formally defined as the ability to notice things without engaging in deliberate search.
* Social Networks (1 of 3)
* Social Networks
  + The extent and depth of an individual’s social network affects opportunity recognition.
  + People who build a substantial network of social and professional contacts will be exposed to more opportunities and ideas than people with sparse networks.
  + Research results suggest that between 40% and 50% of people who start a business got their idea via a social contact.
* Strong-Tie Vs. Weak-Tie Relationships
  + All of us have relationships with other people that are called “ties.” (See next slide.)
* Social Networks (2 of 3)
* Nature of Strong-Tie Vs. Weak-Tie Relationships
  + 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.
* Result
  + It is more likely that an entrepreneur will get new business ideas through weak-tie rather than strong-tie relationships. (See next slide.)
* Social Networks (3 of 3)

Why weak-tie relationships lead to more new business ideas than strong-tie relationships

* Creativity (1 of 2)
* Creativity
  + Creativity is the process of generating a novel or useful idea.
  + Opportunity recognition may be, at least in part, a creative process.
  + For an individual, the creative process can be broken down into five stages, as shown on the next slide.
* Creativity (2 of 2)

**Figure 2.4** Five Steps to Generating Creative Ideas

* Full View of the Opportunity Recognition Process
* Depicts the connection between an awareness of emerging trends and the personal characteristics of the entrepreneur

**Figure 2.5** The Opportunity Recognition Process

* Techniques for Generating Ideas
* Brainstorming
* Focus Groups
* Library and Internet Research
* Brainstorming
* Brainstorming
  + Is the process of generating several ideas about a specific topic.
  + A brainstorming “session” typically involves a group of people, and should be targeted to a specific topic.
  + Rules for a brainstorming session:
    - No criticism.
    - Freewheeling is encouraged.
    - The session should move quickly.
    - Leap-frogging is encouraged.
* Focus Groups
* Focus Group
  + Focus groups involve a group of people who are familiar with a topic, are brought together to respond to questions, and who are able to shed light on an issue through the give-and-take nature of group discussions.
  + They work best as a follow-up to brainstorming, when the general idea for a business has been formulated but further refinement of the idea is needed.
* Library and Internet Research (1 of 3)
* Library Research
  + Libraries are an often underutilized source of information for generating new business ideas.
  + The best approach is to talk to a reference librarian, who can point out useful resources, such as industry-specific magazines, trade journals, and industry reports.
  + Simply browsing through several issues of a trade journal or an industry report on a topic can spark new ideas.
* Library and Internet Research (2 of 3)

Large public and university libraries typically have access to search engines and industry reports that would cost thousands of dollars to access on your own.

**Examples of Useful Search Engines and Industry Reports**

* BizMiner
* ProQuest
* IBISWorld
* Mintel
* LexisNexis Academic
* Library and Internet Research (3 of 3)
* Internet Research
  + If you are starting from scratch, simply typing “new business ideas” into a search engine will produce links to newspaper and magazine articles about the “hottest” and “latest” new business ideas.
  + If you have a specific topic in mind, setting up Google mail alerts will provide you with links to a constant stream of newspaper articles, blog posts, and news releases about the topic.
  + Targeted searches are also useful.
* Other Techniques
* Customer Advisory Boards
  + Some companies set up customer advisory boards that meet regularly to discuss needs, wants, and problems that may lead to new ideas.
* Day-In-The-Life Research
  + A type of anthropological research, where the employees of a company spend a day with a customer.
* Entrepreneurship: Successfully Launching New Ventures
* Sixth Edition, Global Edition
* **Chapter 3**
* Feasibility *Analysis*
* Learning Objectives (1 of 2)

**3.1** Explain what a feasibility analysis is and why it’s important.

**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.

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

* Learning Objectives (2 of 2)

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

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

**3.6** Describe a feasibility analysis template and explain when it is important for entrepreneurs to use this template.

* What Is Feasibility Analysis?

**Feasibility Analysis**

* Feasibility analysis is the process of determining whether a business idea is viable.
* It is the preliminary evaluation of a business idea, conducted for the purpose of determining whether the idea is worth pursuing.
* When to Conduct a Feasibility Analysis
* Timing of Feasibility Analysis
  + The proper time to conduct a feasibility analysis is early in thinking through the prospects for a new business.
  + The thought is to screen ideas before a lot of resources are spent on them.
* Components of a Properly Conducted Feasibility Analysis
  + A properly conducted feasibility analysis includes four separate components, as discussed in the following slides.
* Feasibility Analysis

**Figure 3.1** Role of Feasibility Analysis in Developing Successful Business Ideas

* Forms of Feasibility Analysis
* Product/Service Feasibility
* Industry/Target Market Feasibility
* Organizational Feasibility
* Financial Feasibility
* Outline for a Comprehensive Feasibility Analysis

**Table 3.1** Feasibility Analysis

Part 1: Product/Service Feasibility

1. Product/service desirability
2. Product/service demand

Part 2: Industry/Target Market Feasibility

1. Industry attractiveness
2. Target market attractiveness

Part 3: Organizational Feasibility

1. Management prowess
2. Resource sufficiency

Part 4: Financial Feasibility

1. Total start-up cash needed
2. Financial performance of similar businesses
3. Overall financial attractiveness of the proposed venture

Overall Assessment

* Product/Service Feasibility Analysis (1 of 2)

**Purpose**

* Is an assessment of the overall appeal of the product or service being proposed.
* Before a prospective firm rushes a new product or service into development, it should be sure that the product or service is what prospective customers want.
* Product/Service Feasibility Analysis (2 of 2)

**Components of product/service feasibility analysis**

* Product/Service Desirability
* Product/Service Demand
* Product/Service Desirability (1 of 3)

First, ask the following questions to determine the basic appeal of the product or service.

* 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 take advantage of a gap in the marketplace?
* Is this a good time to introduce the product or service to the market?
* Are there any fatal flaws in the product or service’s basic design or concept?
* Product/Service Desirability (2 of 3)
* Second, Administer a Concept Test
  + A concept statement should be developed.
  + A concept statement is a one-page description of a product or service idea that is distributed to people who are asked to provide feedback on the potential of the idea.
  + The feedback will hopefully provide the entrepreneur:
    - A sense of the viability of the product or service idea.
    - Suggestions for how the idea can be strengthened or “tweaked” before proceeding further.
* Product/Service Desirability (3 of 3)

**Figure 3.2** New Venture Fitness Drinks’ Concept Statement

* Product/Service Demand (1 of 10)
  + There are three steps to assessing product/service demand.
  + **Step 1:** Talking Face-to-Face with Potential Customers
  + **Step 2:** Using Online Tools
  + **Step 3:** Library, Internet and Gumshoe Research
* Product/Service Demand (2 of 10)
* Step 1: Talking Face-to-Face with Potential Customers
  + The only way to know if your product or service is what people want is by talking to them.
  + The idea is to gauge customer reaction to the general concept of what you want to sell, and then tweak, revise, and improve on the idea based on the feedback.
  + In some cases, talking with potential customers will cause an entrepreneur to abandon an idea.
    - Entrepreneurs are often surprised to find that a product idea they think solves a problem gets lukewarm reception when they talk to actual customers.
* Product/Service Demand (3 of 10)
* Step 2: Utilizing Online Tools
  + The second way to assess demand is to utilize online tools to gauge reaction from potential customers.
  + Online tools include the following:
    - Administrating surveys
    - Querying Q&A sites
    - Utilizing Google Trends
    - Purchasing Google AdWords to direct users to landing pages to see how many people request additional information.
* Product/Service Demand (4 of 10)
* Surveys and Q&A Sites
  + Surveys can be generated and easily administered via web sites like Survey Monkey.
    - Surveys are most effective in validating what you’ve learned from face-to-face interviews rather than collecting initial data.
  + Q&A Sites, such as Quora and Bright Journey, can be helpful in assessing product demand.
    - You might pose a question on a Q&A site such as “Does Chicago need better food delivery services?” The responses may provide insight about demand for food delivery services in Chicago.
* Product/Service Demand (5 of 10)
* Google Trends
  + Allows you to enter a search term (such as skiing or running) to see if the term is trending upwards or downwards in Google search queries.
  + An upward trajectory may indicate strong consumer interest, while a downward trajectory may indicate that consumer interest is waning.
* Product/Service Demand (6 of 10)
* Google AdWords Coupled With Landing Pages
  + Some entrepreneurs buy text ads on search engines that show up when a user is searching for a product that is close to their idea.
  + If the searcher clicks on the text ad, they are taken to a landing page that describes the idea.
  + There may be a link on the landing page that says “For future updates please enter your e-mail address.” Demand for the idea can be assessed by how many people click on the text ad and enter their e-mail address.
* Product/Service Demand (7 of 10)
* Step 3: Library, Internet and Gumshoe Research
  + The third way to assess the demand for a product or service idea is to conduct library, Internet, and gumshoe research.
* Product/Service Demand (8 of 10)
* Library Research
  + Library research provides access to archival data, which can provide useful information.
  + For example, if one were thinking about starting a company to sell educational toys, archival research may answer question such as:
    - What is the trajectory of the toy industry?
    - What do industry experts say are the most important factors that parents consider when buying toys?
    - Is there a trade association for the makers of educational toys that can provide additional information?
* Product/Service Demand (9 of 10)
* Internet Research
  + The Internet Resource Table in Appendix 3.3 provides specific recommendations of online resources to utilize.
    - For example, IBISWorld, which is available for free through most university libraries, provides current industry reports on hundreds of industries.
  + More general Internet research is also helpful.
    - Simply typing a query into Google such as “market demand for educational toys” will often produce helpful articles and industry reports.
* Product/Service Demand (10 of 10)
* Gumshoe Research
  + Simple gumshoe research is also important for gaining a sense of the likely demand for a product or service idea.
  + A gumshoe is a detective or an investigator that scrounges around for information or clues wherever they can be found.
  + Don’t be bashful. Ask people what they think about your product or service idea. If your idea is to sell educational toys, spend a week volunteering at a day care center and watch how children interact with toys. Take the owner of a toy store to lunch and discuss your ideas.
* Industry/Target Market Feasibility Analysis (1 of 2)

**Purpose**

* Is an assessment of the overall appeal of the industry and the target market for the proposed business.
* An industry is a group of firms producing a similar product or service.
* A firm’s target market is the limited portion of the industry it plans to go after.
* Industry/Target Market Feasibility Analysis (2 of 2)

**Components of industry/target market feasibility analysis**

* Industry Attractiveness
* Target Market Attractiveness
* Industry Attractiveness (1 of 2)
  + Industries vary in terms of their overall attractiveness.
  + In general, the most attractive industries have the characteristics depicted on the next slide.
  + Particularly important—the degree to which environmental and business trends are moving in favor rather than against the industry.
* Industry Attractiveness (2 of 2)

Characteristics of Attractive Industries

* Are young rather than old.
* Are early rather than late in their life cycle.
* Are fragmented rather than concentrated.
* Are growing rather than shrinking.
* Are selling products and services that customers “must have” rather than “want to have.”
* Are not crowded.
* Have high rather than low operating margins.
* Are not highly dependent on the historically low price of a key raw material, like gasoline or flour, to remain profitable
* Target Market Attractiveness
  + 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.
  + Assessing the attractiveness of a target market is tougher than assessing the attractiveness of an entire industry.
  + Often, considerable ingenuity must be employed to find information to assess the attractiveness of a specific target market.
* Organizational Feasibility Analysis (1 of 2)

**Purpose**

* Is conducted to determine whether a proposed business has sufficient management expertise, organizational competence, and resources to successfully launch a business.
* Focuses on non-financial resources (financial resources are considered later)
* Organizational Feasibility Analysis (2 of 2)

**Components of organizational feasibility analysis**

* Management Prowess
* Resource Sufficiency
* Management Prowess
  + A proposed business should candidly evaluate the prowess, or ability, of its management team to satisfy itself that management has the requisite passion and expertise to launch the venture.
  + Two of the most important factors in this area are:
    - The passion that the sole entrepreneur or the founding team has for the business idea.
    - The extent to which the sole entrepreneur or the founding team understands the markets in which the firm will participate.
* Resource Sufficiency (1 of 2)
  + This topic pertains to an assessment of whether an entrepreneur has sufficient resources to launch the proposed venture.
  + To test resource sufficiency, a firm should list the 6 to 12 most critical nonfinancial resources that will be needed to move the business idea forward successfully.
    - If critical resources are not available in certain areas, it may be impractical to proceed with the business idea.
* Resource Sufficiency (2 of 2)

Examples of nonfinancial resources that may be critical to the successful launch of a new business

* Affordable office space.
* Lab space, manufacturing space, or space to launch a service business.
* Availability of contract manufacturers or service providers.
* Key management employees (now and in the future).
* Key support personnel (now and in the future).
* Ability to obtain intellectual property protection.
* Ability to form favorable business partnerships.
* Financial Feasibility Analysis (1 of 2)

**Purpose**

* Is the final component of a comprehensive feasibility analysis.
* A preliminary financial assessment is sufficient.
* Financial Feasibility Analysis (2 of 2)

**Components of financial feasibility analysis**

* Total Start-Up Cash Needed
* Financial Performance of Similar Businesses
* Overall Financial Attractiveness of the Proposed Venture
* Total Start-Up Cash Needed
  + The first issue refers to the total cash needed to prepare the business to make its first sale.
  + **An actual budget should be prepared that lists all the anticipated capital purchases and operating expenses needed to generate the first $1 in revenues.**
  + The point of this exercise is to determine if the proposed venture is realistic given the total start-up cash needed.
* Financial Performance of Similar Businesses
  + Estimate the proposed start-up’s financial performance by comparing it to similar, already established businesses.
  + There are several ways to doing this, all of which involve a little ethical detective work.
    - First, there are many reports available, some for free and some that require a fee, offering detailed industry trend analysis and reports on thousands of individual firms.
    - Second, simple observational research may be needed. For example, the owners of New Venture Fitness Drinks could estimate their sales by tracking the number of people who patronize similar restaurants and estimating the average amount each customer spends.
* Overall Financial Attractiveness of the Proposed Venture (1 of 2)
* Overall Financial Attractiveness of the Proposed Investment
  + A number of other financial factors are associated with promising business start-ups.
  + In the feasibility analysis stage, the extent to which a business opportunity is positive relative to each factor is based on an estimate rather than actual performance.
  + The information on the next slide lists the factors that pertain to the overall attractiveness of the financial feasibility of the business idea.
* Overall Financial Attractiveness of the Proposed Venture (2 of 2)

Financial Factors Associated With Promising Business Opportunities

* Steady and rapid growth in sales during the first 5 to 7 years in a clearly defined market niche.
* High percentage of recurring revenue—meaning that once a firm wins a client, the client will provide recurring sources of revenue.
* Ability to forecast income and expenses with a reasonable degree of certainty.
* Internally generated funds to finance and sustain growth.
* Availability of an exit opportunity for investors to convert equity to cash.
* A Feasibility Analysis Template
  + First Screen, shown in Appendix 3.2, is a template for completing a feasibility analysis.
  + It’s called “First Screen” because it’s a tool that can be used in the initial pass at determining the feasibility of a business idea.
  + If a business idea cuts muster at this stage, the next step is to complete a business plan.
* Entrepreneurship: Successfully Launching New Ventures
* Sixth Edition, Global Edition
* **Chapter 4**
* Developing an *Effective* Business Model
* Learning Objectives

**4.1** Describe business models and discuss their importance.

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

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

* Business Models
* Business Model
  + A business model is a firm’s plan or recipe for how it creates, delivers, and captures value for its stakeholders.
  + The proper time to develop a business model is following the feasibility analysis stage and prior to fleshing out the operational details of the company.
  + A firm’s business model is integral to its ability to succeed both in the short and long term.
* General Categories of Business   
  Models (1 of 5)
* Standard Business Models
  + The first category is standard business models.
  + Standard business models depict existing plans or recipes firms can use to determine how they will create, deliver, and capture value.
  + There are a number of standard or common business models, which are shown on the next two slides.
* General Categories of Business   
  Models (2 of 5)
* Standard Business Models
* General Categories of Business   
  Models (3 of 5)
* Standard Business Models
* General Categories of Business   
  Models (4 of 5)
* Disruptive Business Models
  + The second category is disruptive business models.
  + Disruptive business models, which are rare, are ones that do not fit the profile of a standard business model.
  + They are impactful enough that they disrupt or change the way business is conducted in an industry or an important niche within an industry.
  + The next slides depict four business models that were disruptive when they were introduced.
* General Categories of Business   
  Models (5 of 5)
* Disruptive Business Models
* Barringer/Ireland Business Model Template (1 of 2)
* Barringer/Ireland Business Model Template
  + Although not everyone agrees precisely on the components of a business model, many agree that a successful business model has a common set of attributes.
  + These attributes can be laid out in a visual framework or template so it is easy to see the individual parts and their interrelationships.
  + The Barringer/Ireland Business Model Template is shown in the next slide.
* Barringer/Ireland Business Model Template (2 of 2)

**Figure 4.2** Barringer/Ireland Business Model Template

* Core Strategy (1 of 5)
* Core Strategy
  + The first component of the business model 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
    - Product/Market Scope
* Core Strategy (2 of 5)
* Business Mission
  + A business’s mission or mission statement describes why it exists and what its business model is supposed to accomplish.
  + If carefully written and used properly, a mission statement can articulate a business’s overarching priorities and act as its financial and moral compass.
  + A well-written mission statement is something that a business can continually refer back to as it makes important decisions in other elements of its business model.
* Core Strategy (3 of 5)
* Basis of Differentiation
  + It’s important that a business clearly articulate the points that differentiate its product or service from competitors.
  + A company’s basis of differentiation is what causes consumers to pick one company’s products over another’s.
  + It is what solves a problem or satisfies a customer need.
  + It is best to limit a company’s basis of differentiation to two to three key points.
  + Make sure that your points of differentiation refer to benefits rather than features.
* Core Strategy (4 of 5)
* Target Market
  + The identification of the target market in which the firm will compete is extremely important.
  + A target market is a place within a larger market segment that represents a narrow group of customers with similar interests.
  + A firm’s target market should be made explicit in the business model template.
* Core Strategy (5 of 5)
* Product/Market Scope
  + A company’s product/market scope defines the products and markets on which it will concentrate.
  + Most firms start with a narrow (or limited) product/market scope, and pursue adjacent product and market opportunities as the company grows and becomes more financially secure.
  + In completing the business model template, a company should be very clear about its initial product/market scope and project 3-5 years in the future in terms of anticipated expansion.
* Resources (1 of 3)
* Resources
  + The second component of a business model is resources.
  + Resources are the inputs a firm uses to produce, sell, distribute, and service a product or service.
  + A firm’s most important resources, both tangible and intangible, must be both difficult to imitate and hard to find a substitute for.
    - This stipulation is necessary for an individual company’s business model to be competitive over the long term.
* Resources (2 of 3)
* Core Competencies
  + 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.
  + Most start-ups will list two to three core competencies in their business model template.
* Resources (3 of 3)
* Key Assets
  + Key assets are the assets that a firm owns that enable its business model to work. The assets can be physical, financial, intellectual, or human.
    - Physical assets include physical space, equipment, vehicles, and distribution networks.
    - Intellectual assets include resources such as patents, trademarks, copyrights, and trade secrets, along with a company’s brand and its reputation.
    - Financial assets include cash, lines of credit, and commitments from investors.
    - Human assets include a company’s founder or founders, its key employees, and its advisors.
* Financials (1 of 5)
* Financials
  + The third component of a firm’s business model focuses on its financials.
  + This is the only section of a firm’s business model that describes how it earns money—thus, it is extremely important.
  + For most businesses, the manner in which it makes money is one of the most fundamental aspects of its business model.
* Financials (2 of 5)
* Revenue Streams
  + A firm’s revenue streams describe the ways in which it makes money.
  + Some businesses have a single revenue stream while others have several.
  + For example, most restaurants have a single revenue stream. Their customers order a meal and pay for it. Other restaurants may have several revenue streams—including meals, a catering service, product sales (such as bottled barbeque sauce for a barbeque restaurant), and apparel products with the name of the restaurant on them.
* Financials (3 of 5)
* Cost Structure
  + A business’s cost structure describes the most important costs incurred to support its business model.
  + It costs money to establish a basis of differentiation, develop core competencies, acquire and develop key assets, and so forth.
  + Generally, the goal for this box in a firm’s business model template is threefold:
    - Identify whether the business is a cost-driven or value-driven business.
    - Identify the nature of the business’s costs.
    - Identify the business’s major cost categories.
* Financials (4 of 5)
* Financing/Funding
  + Many business models rely on a certain amount of financing or funding to bring their business model to life.
  + At the business model stage projections do not need to be completed to determine the exact amount of money that is needed. An approximation is sufficient.
  + There are three categories of costs to consider:
    - Capital costs.
    - One-time expenses, such as building a Web site and training initial employees.
    - Provisions for ramp-up expenses (most businesses incur costs before they earn revenues).
* Financials (5 of 5)
* Financing/Funding (continued)
  + Some entrepreneurs are able to draw from personal resources to fund their business. In other cases, the business may be simple enough that it is funded from its own profits from day one.
  + In many cases, however, an initial infusion of funding or financing is needed.
  + The business model template should indicate the appropriate amount of funding that will be needed and where the money will most likely come from.
* Operations (1 of 5)
* Operations
  + The final quadrant in a firm’s business model focuses on operations.
  + Operations are both integral to a firm’s overall business model and represent the day-to-day heartbeat of a firm.
* Operations (2 of 5)
* Product (or Service) Production
  + This section focuses on how a firm’s products and/or services are produced.
  + For example, if a firm sells a physical product, the product can be manufactured or produced in-house, by a contract manufacturer, or via an outsource provider.
    - This decision has a major impact on all aspects of a firm’s business model.
  + If a firm is producing a service rather than a physical product, a brief description of how the service will be produced should be provided.
* Operations (3 of 5)
* Channels
  + A company’s channels describe how it delivers its product or service to its customers.
  + Businesses either sell direct, through intermediaries (such as distributors and wholesalers), or via a combination of both.
  + Some firms employ a sales force that calls on potential customers to try to close sales. This is an expensive strategy but necessary in some instances.
* Operations (4 of 5)
* Key Partners
  + The final element of a firm’s business model is key partners.
  + Start-ups, in particular, typically do not have sufficient resources (or funding) to perform all the tasks necessary to make their business models work, so they rely on key partners to perform important roles.
  + The table on the next slide identifies the most common types of business partnerships.
* Operations (5 of 5)

**Source**: B. Barringer and J. S. Harrison, “Walking a Tightrope: Creating Value Through Interorganizational Relationships,” *Journal of Management* 26, no. 3 (2000): 367–403.

**Table 4.4** The Most Common Types of Business Partnerships

* Entrepreneurship: Successfully Launching New Ventures
* Sixth Edition, Global Edition
* **Chapter 5**
* Industry and Competitor *Analysis*
* Learning Objectives

**5.1** Explain the purpose of an industry analysis.

**5.2** Identify and discuss the five competitive forces that determine industry profitability.

**5.3** Explain the value that entrepreneurial firms create by successfully using the five forces model.

**5.4** Identify the five primary industry types and the opportunities they offer.

**5.5** Explain the purpose of a competitor analysis and a competitive analysis grid.

* What is Industry Analysis?
* Industry
  + An industry is a group of firms producing a similar product or service, such as music, Pilates and Yoga studios, and solar panels.
* Industry Analysis
  + Is business research that focuses on the potential of an industry.
* Why Is Industry Analysis Important?

**Industry Analysis**

Importance

* 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 analysis helps a firm determine if the target market it identified during feasibility analysis is favorable for a new firm.
* Three Key Questions

When studying an industry, an entrepreneur must answer three questions before pursuing the idea of starting a firm.

* Question 1
  + Is the industry accessible—in other words, is it a realistic place for a new venture to enter?
  + Question 2
    - Does the industry contain markets that are ripe for innovation or are underserved?
    - Question 3
* Are there positions in the industry that will avoid some of the negative attributes of the industry as a whole?
* Techniques Available to Assess Industry Attractiveness
* Assessing Industry Attractiveness
  + Study Environmental and Business Trends
  + The Five Competitive Forces Model
* Studying Industry Trends (1 of 3)
* The first technique an entrepreneur has available to discern the attractiveness of an industry is to study industry trends.
* There are two types of trends:
  + Environmental trends
  + Business trends
* Studying Industry Trends (2 of 3)
* Environmental Trends
  + The strength of an industry often surges or wanes because environmental trends shift in favor or against the industry.
  + Environmental trends include economic trends, social trends, technological advances, and political and regulatory changes.
  + For example, companies in industries selling products to seniors, such as the hearing aid industry, benefit from the social trend of the aging of the population.
* Studying Industry Trends (3 of 3)
* Business Trends
  + Other trends affect industries that aren’t environmental trends per se but are part of the core nature of an industry.
  + For example, the firms in some industries benefit from an increasing ability to outsource manufacturing or service functions to lower-cost foreign labor markets, while firms in other industries don’t share this advantage.
* The Five Competitive Forces Model (1 of 3)
* Explanation of the Five Forces Model
  + The five competitive forces model is a framework for understanding the structure of an industry.
  + The model is composed of the forces that determine industry profitability.
  + They help determine the average rate of return for the firms in an industry.
* The Five Competitive Forces Model (2 of 3)
* Explanation of the Five Forces Model (continued)
  + Each of the five forces impacts the average rate of return for the firms in an industry by applying pressure on industry profitability.
  + Well-managed firms try to position their firms in a way that avoids or diminishes these forces—in an attempt to beat the average rate of return of the industry.
* The Five Competitive Forces Model (3 of 3)

**Figure 5.1** Forces That Determine Industry Profitability

* Threat of Substitutes (1 of 2)
* Threat of Substitutes
  + The price that consumers are willing to pay for a product depends in part on the availability of substitute products.
  + For example, there are few, if any, substitutes for prescription medicines, which is one of the reasons the pharmaceutical industry is so profitable.
  + In contrast, when close substitutes for a product exist, industry profitability is suppressed, because consumers will opt out if the price gets too high.
* Threat of Substitutes (2 of 2)
* Threat of Substitutes (continued)
  + The extent to which substitutes suppress the profitability of an industry depends on the propensity for buyers to substitute between alternatives.
  + This is why firms in an industry often offer their customers amenities to reduce the likelihood that they will switch to a substitute product, even in light of a price increase.
* Threat of New Entrants (1 of 6)
* Threat of New Entrants
  + If the firms in an industry are highly profitable, the industry becomes a magnet to new entrants.
  + Unless something is done to stop this, the competition in the industry will increase, and average industry profitability will decline.
  + Firms in an industry try to keep the number of new entrants low by erecting barriers to entry.
    - A barrier to entry is a condition that creates a disincentive for a new firm to enter an industry.
* Threat of New Entrants (2 of 6)

Barriers to Entry

* Threat of New Entrants (3 of 6)

Barriers to Entry (continued)

* Threat of New Entrants (4 of 6)
* Nontraditional Barriers to Entry
  + It is difficult for start-ups to execute barriers to entry that are expensive, such as economies of scale, because money is usually tight.
  + Start-ups have to rely on nontraditional barriers to entry to discourage new entrants, such as assembling a world-class management team that would be difficult for another company to replicate.
* Threat of New Entrants (5 of 6)

Nontraditional Barriers to Entry

* Threat of New Entrants (6 of 6)

Nontraditional Barriers to Entry (continued)

* Rivalry Among Existing Firms (1 of 3)
* Rivalry Among Existing Firms
  + In most industries, the major determinant of industry profitability is the level of competition among existing firms.
  + Some industries are fiercely competitive, to the point where prices are pushed below the level of costs, and industry-wide losses occur.
  + In other industries, competition is much less intense and price competition is subdued.
* Rivalry Among Existing Firms (2 of 3)

Factors that determine the intensity of the rivalry among existing firms in an industry

* Rivalry Among Existing Firms (3 of 3)

Factors that determine the intensity of the rivalry among existing firms in an industry (continued)

* Bargaining Power of Suppliers (1 of 3)
* Bargaining Power of Suppliers
  + Suppliers can suppress the profitability of the industries to which they sell by raising prices or reducing the quality of the components they provide.
  + If a supplier reduces the quality of the components it supplies, the quality of the finished product will suffer, and the manufacturer will eventually have to lower its price.
  + If the suppliers are powerful relative to the firms in the industry to which they sell, industry profitability can suffer.
* Bargaining Power of Suppliers (2 of 3)

Factors that have an impact on the ability of suppliers to exert pressure on buyers

* Bargaining Power of Suppliers (3 of 3)

Factors that have an impact on the ability of suppliers to exert pressure on buyers (continued)

* Bargaining Power of Buyers (1 of 3)
* Bargaining Power of Buyers
  + Buyers can suppress the profitability of the industries from which they purchase by demanding price concessions or increases in quality.
  + For example, the automobile industry is dominated by a handful of large companies that buy products from thousands of suppliers in different industries. This allows the automakers to suppress the profitability of the industries from which they buy by demanding price reductions.
* Bargaining Power of Buyers (2 of 3)

Factors that have an impact on the ability of buyers to exert pressure on suppliers

* Bargaining Power of Buyers (3 of 3)

Factors that have an impact on the ability of buyers to exert pressure on suppliers (continued)

* First Application of the Five Forces Model (1 of 2)
* First Application of the Model
  + The five forces model can be used to assess the attractiveness of an industry by determining the level of threat to industry profitability for each of the forces.
  + If a firm fills out the form shown on the next slide and several of the threats to industry profitability are high, the firm may want to reconsider entering the industry or think carefully about the position it would occupy.
* First Application of the Five Forces Model (2 of 2)

Assessing Industry Attractiveness Using the Five Forces Model

**Instructions:**

**Step 1**: Select in industry.

**Step 2**: Determine the level of threat to industry profitability for each of the forces (low, medium or high).

**Step 3**: Use the table to develop an overall feel for the attractiveness of the industry.

**Step 4**: Use the table to identify the threats that are most often relevant to industry profitability.

* Second Application of the Five Forces Model (1 of 2)
* Second Application of the Model
  + The second way a new firm can apply the five forces model to help determine whether it should enter an industry is by using the model to answer several key questions.
  + The questions are shown in the figure on the next slide, and help a firm project the potential success of a new venture in a particular industry.
* Second Application of the Five Forces Model (2 of 2)

Using the Five Forces Model to Pose Questions to Determine the Potential Success of a New Venture in an Industry

* Industry Types and the Opportunities They Offer (1 of 3)
* Emerging Industries
  + Industries in which standard operating procedures have yet to be developed.
    - Opportunity: First-mover advantage.
* Fragmented Industries
  + Industries that are characterized by a large number of firms of approximately equal size.
    - Opportunity: Consolidation.
* Industry Types and the Opportunities They Offer (2 of 3)
* Mature Industries
  + Industries that are experiencing slow or no increase in demand.
    - Opportunities: Process innovation and after-sale service innovation.
* Declining Industries
  + Industries that are experiencing a reduction in demand.
    - Opportunities: Leadership, establishing a niche market, and pursuing a cost reduction strategy.
* Industry Types and the Opportunities They Offer (3 of 3)
* Global Industries
  + Industries that are experiencing significant international sales.
    - Opportunities: Multidomestic and global strategies.
* Competitor Analysis
* What is a Competitor Analysis?
  + A competitor analysis is a detailed analysis of a firm’s competition.
  + It helps a firm understand the positions of its major competitors and the opportunities that are available.
  + A competitive analysis grid is a tool for organizing the information a firm collects about its competitors.
* Identifying Competitors

Types of Competitors New Ventures Face

* Sources of Competitive Intelligence (1 of 2)
* Collecting Competitive Intelligence
  + To complete a competitive analysis grid, a firm must first understand the strategies and behaviors of its competitors.
  + The information that is gathered by a firm to learn about its competitors is referred to as competitive intelligence.
  + A new venture should take care that it collects competitive intelligence in a professional and ethical manner.
* Sources of Competitive Intelligence (2 of 2)

Ethical ways to obtain information about competitors

* Attend conferences and trade shows.
* Purchase competitors’ products.
* Study competitors’ Web sites and social media sites.
* Set up Google e-mail alerts.
* Read industry-related books, magazines, and Web sites.
* Talk to customers about what motivated them to buy your product as opposed to your competitor’s product.
* Completing a Competitive Analysis Grid
* Competitive Analysis Grid
  + A tool for organizing the information a firm collects about its competitors.
  + A competitive analysis grid can help a firm see how it stacks up against its competitors, provide ideas for markets to pursue, and identify its primary sources of competitive advantage.
* Competitive Analysis Grid for Panera Bread

**Table 5.5** Competitive Analysis Grid for Panera Bread

* Entrepreneurship: Successfully Launching New Ventures
* Sixth Edition, Global Edition
* **Chapter 6**
* Writing a *Business* Plan
* Learning Objectives

**6.1** Explain the purpose of a business plan.

**6.2** Describe who reads a business plan and what they are looking for.

**6.3** Discuss the guidelines to follow to write an effective business plan.

**6.4** Identify and describe a suggested outline of a business plan.

**6.5** Explain how to effectively present a business plan to potential investors.

* What Is a Business Plan?
* Business Plan
  + A business plan is a written narrative, typically 25 to 35 pages long, that describes what a new business intends to accomplish and how it intends to accomplish it.
* Dual-Use Document
  + For most new ventures, the business plan is a dual-purpose document that is used both inside and outside the firm.
* Who Reads the Business Plan—and What Are They Looking For?

There are two primary audiences for a firm’s business plan

* Guidelines for Writing a Business   
  Plan (1 of 5)
* Structure of the Business Plan
  + To make the best impression, a business plan should follow a conventional structure, such as the outline for the business plan shown in the chapter.
  + Although some entrepreneurs want to demonstrate creativity, departing from the basic structure of the conventional business plan is usually a mistake.
  + Typically, investors are busy people and want a plan where they can easily find critical information.
* Guidelines for Writing a Business   
  Plan (2 of 5)
  + Software Packages
    - There are many software packages available that employ an interactive, menu-driven approach to assist in the writing of a business plan.
    - Some of these programs are very helpful. However, entrepreneurs should avoid a boilerplate plan that looks as though it came from a “canned” source.
  + Sense of Excitement
    - Along with facts and figures, a business plan needs to project a sense of anticipation and excitement about the possibilities that surround a new venture.
* Guidelines for Writing a Business   
  Plan (3 of 5)
* Content of the Business Plan
  + The business plan should give clear and concise information on all the important aspects of the proposed venture.
  + It must be long enough to provide sufficient information yet short enough to maintain reader interest.
  + For most plans, 25 to 35 pages is sufficient.
* Types of Business Plans
  + There are three types of business plans, which are shown on the next slide.
* Guidelines for Writing a Business   
  Plan (4 of 5)

**Figure 6.2** Types of Business Plans

* Guidelines for Writing a Business   
  Plan (5 of 5)
* Recognizing the Elements of the Plan May Change
  + It’s important to recognize that the plan will usually change while written.
  + New insights invariably emerge when an entrepreneur or a team of entrepreneurs immerse themselves in writing the plan and start getting feedback from others.
* Outline of Business Plan
  + A suggested outline of a business plan is shown on the next several slides.
  + Most business plans do not include all the elements introduced in the sample plan; we include them here for the purpose of completeness.
  + Each entrepreneur must decide which elements to include in his or her plan.
* Section 1: Executive Summary (1 of 2)
* Executive Summary
  + The executive summary is a short overview of the entire business plan.
  + It provides a busy reader with everything that needs to be known about the new venture’s distinctive nature.
  + An executive summary shouldn’t exceed two single-spaced pages.
  + Even though the executive summary appears at the beginning of the business plan, it should be written last.
    - The plan itself will evolve as it’s written, so not everything is known at the outset.
* Section 1: Executive Summary (2 of 2)

**Key Insights**

* In many instances an investor will first ask for a copy of the firm’s PowerPoint deck or executive summary and will request of a copy of the full business plan only if the PowerPoint deck or executive summary is sufficiently convincing.
* The executive summary, then, is arguably the most important section of a business plan.
* Section 2: Industry Analysis (1 of 2)
* Industry Analysis
  + This section should begin by describing the industry the business will enter in terms of its size, growth rate, and sales projections.
  + Items to include in this section:
    - Industry size, growth rate, and sales projections.
    - Industry structure.
    - Nature of participants.
    - Key success factors.
    - Industry trends.
    - Long-term prospects.
* Section 2: Industry Analysis (2 of 2)

**Key Insights**

* Before a business selects a target market it should have a good grasp of its industry—including where its promising areas are and where its points of vulnerability are.
* The industry that a company participates in largely defines the playing field that a firm will participate in.
* Section 3: Company Description (1 of 2)
* Company Description
  + This section begins with a general description of the company.
  + Items to include in this section:
    - Company description.
    - Company history.
    - Mission statement.
    - Products and services.
    - Current status.
    - Legal status and ownership.
    - Key partnerships (if any).
* Section 3: Company Description (2 of 2)

**Key Insights**

* While at first glance this section may seem less important than the others, it is extremely important.
* It demonstrates to your reader that you know how to translate an idea into a business.
* Section 4: Market Analysis (1 of 2)
* Market Analysis
  + The market analysis breaks the industry into segments and zeroes in on the specific segment (or target market) to which the firm will try to appeal.
  + Items to include in this section:
    - Market segmentation and target market selection.
    - Buyer behavior.
    - Competitor analysis.
    - Estimate of the firm’s annual sales and market share.
* Section 4: Market Analysis (2 of 2)

**Key Insights**

* Most start-ups do not service their entire industry. Instead, they focus on servicing a specific (target) market within the industry.
* It’s important to include a section in the market analysis that deals with the behavior of the consumers in the market. The more a start-up knows about the consumers in its target market, the more it can tailor its products or services appropriately.
* Section 5: The Economics of the   
  Business (1 of 3)
* The Economics of the Business
  + This section addresses the basic logic of how profits are earned in the business and how many units of a business’s profits must be sold for the business to “break even” and then start earning a profit.
  + Items to include in this section:
    - Revenue drivers and profit margins.
    - Fixed and variable costs.
    - Operating leverage and its implications.
    - Start-up costs.
    - Break-even chart and calculations.
* Section 5: The Economics of the   
  Business (2 of 3)

**Key Insights**

* Two companies in the same industry may make profits in different ways. One may be a high-margin, low-volume business, while the other may be a low-margin, high-volume business. It’s important to check to make sure the approach you select is sound.
* Computing a break-even analysis is an extremely useful exercise for any proposed or existing business.
* Section 5: The Economics of the   
  Business (3 of 3)

**Key Insights**

* An example for break-even point analysis
  + Colin is the managerial accountant in charge of Company A, which sells water bottles. He previously determined that the fixed costs of Company A consist of property taxes, a lease, and executive salaries, which add up to $100,000. The variable costs associated with producing one water bottle is $2 per unit. The water bottle is sold at a premium price of $12. To determine the break even point of Company A’s premium water bottle
    - **Break even quantity = $100,000 / ($12 – $2) = 10,000**
  + Therefore, given the fixed costs, variable costs, and selling price of the water bottles, Company A would need to sell 10,000 units of water bottles to break even.
* Section 6: Marketing Plan (1 of 2)
* Marketing Plan
  + The marketing plan focuses on how the business will market and sell its product or service.
  + Items to include in this section:
    - Overall marketing strategy.
    - Product, price, promotions, and distribution.
    - Sales process (or cycle).
    - Sales tactics.
* Section 6: Marketing Plan (2 of 2)

**Key Insights**

* The best way to describe a start-up’s marketing plan is to start by articulating its marketing strategy, positioning, and points of differentiation, and then talk about how these overall aspects of the plan will be supported by price, promotional mix, and distribution strategy.
* It’s also important to discuss the company sales process.
* Section 7: Product (or Service) Design and Development Plan (1 of 2)
* Design and Development Plan
  + If you’re developing a completely new product or service, you need to include a section in your business plan that focuses on the status of your development efforts.
  + Items to include in this section:
    - Development status and tasks.
    - Challenges and risks.
    - Projected development costs.
    - Proprietary issues (patents, trademarks, copyrights, licenses, brand names).
* Section 7: Product (or Service) Design and Development Plan (2 of 2)

**Key Insights**

* Many seemingly promising start-ups never get off the ground because their product development efforts stall or the actual development of the product or service turns out to be more difficult than thought.
* As a result, this is a very important section for businesses developing a completely new product or service.
* Section 8: Operations Plan (1 of 2)
* Operations Plan
  + Outlines how your business will be run and how your product or service will be produced.
  + A useful way to illustrate how your business will be run is to describe it in terms of “back stage” (unseen to the customer) and “front stage” (seen by the customer) activities.
  + Items to include in this section:
    - General approach to operations.
    - Business location.
    - Facilities and equipment.
* Section 8: Operations Plan (2 of 2)

**Key Insights**

* You have to strike a careful balance between adequately describing this topic and providing too much detail.
* As a result, it is best to keep this section short and crisp.
* Section 9: Management Team and Company Structure (1 of 2)
* Management Team and Company Structure
  + The management team of a new venture typically consists of the founder or founders and a handful of key management personnel.
  + Items to include in this section:
    - Management team.
    - Board of directors (if you have one).
    - Board of advisors (if you have one).
    - Company structure.
* Section 9: Management Team and Company Structure (2 of 2)

**Key Insights**

* This is a critical section of a business plan.
* Many investors and others who read the business plan look first at the executive summary and then go directly to the management team section to assess the strength of the people starting the firm.
* Section 10: Overall Schedule (1 of 2)
* Overall Schedule
  + A schedule should be prepared that shows the major events required to launch the business.
  + The schedule should be in the format of milestones critical to the business’s success.
  + Examples of milestones:
    - Incorporating the venture.
    - Completion of prototypes.
    - Rental of facilities.
    - Obtaining critical financing.
    - Starting production.
    - Obtaining the first sale.
* Section 10: Overall Schedule (2 of 2)

**Key Insight**

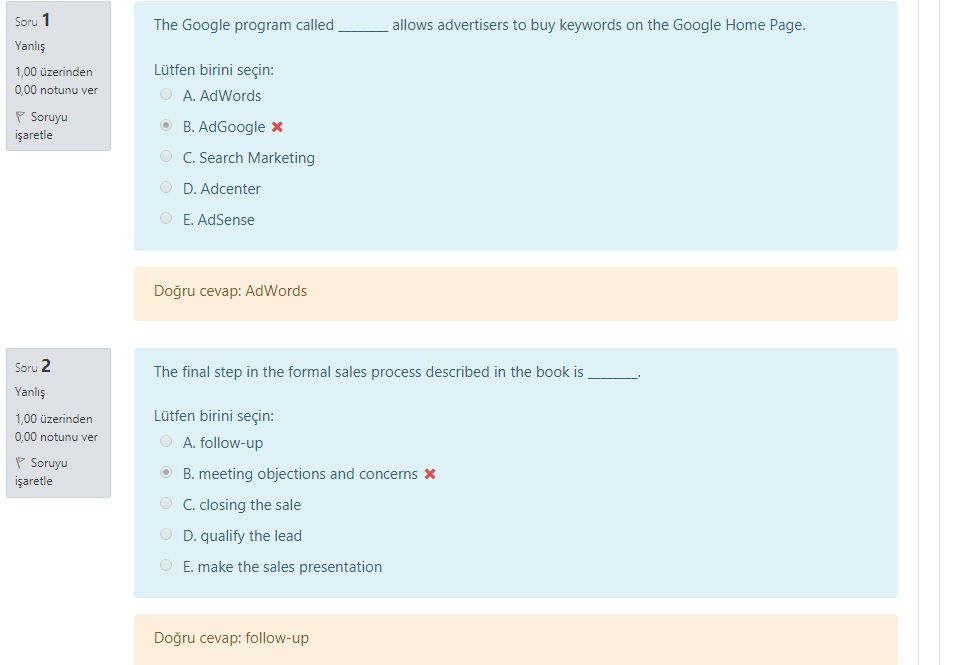
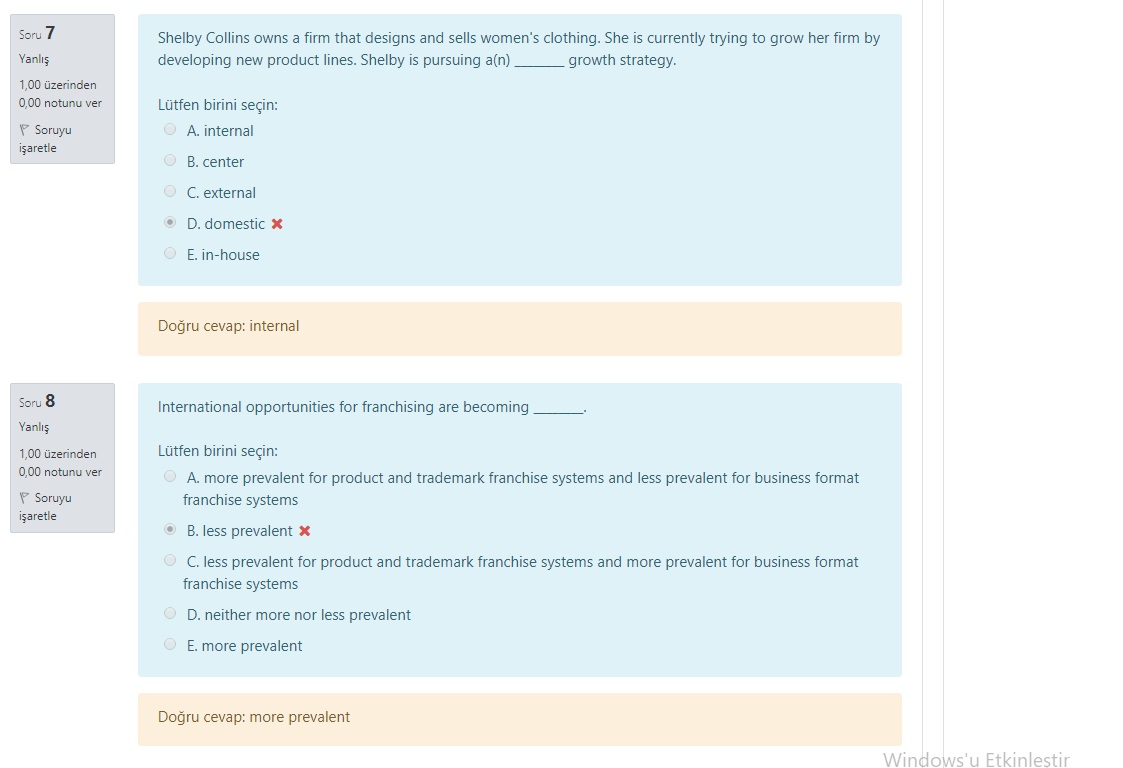
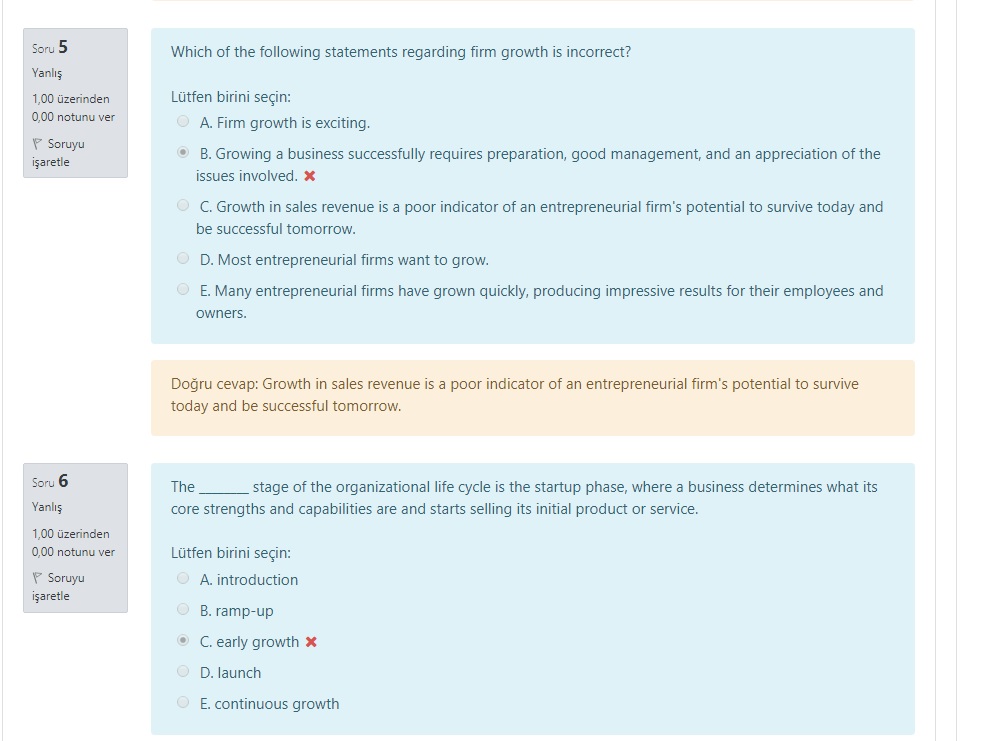
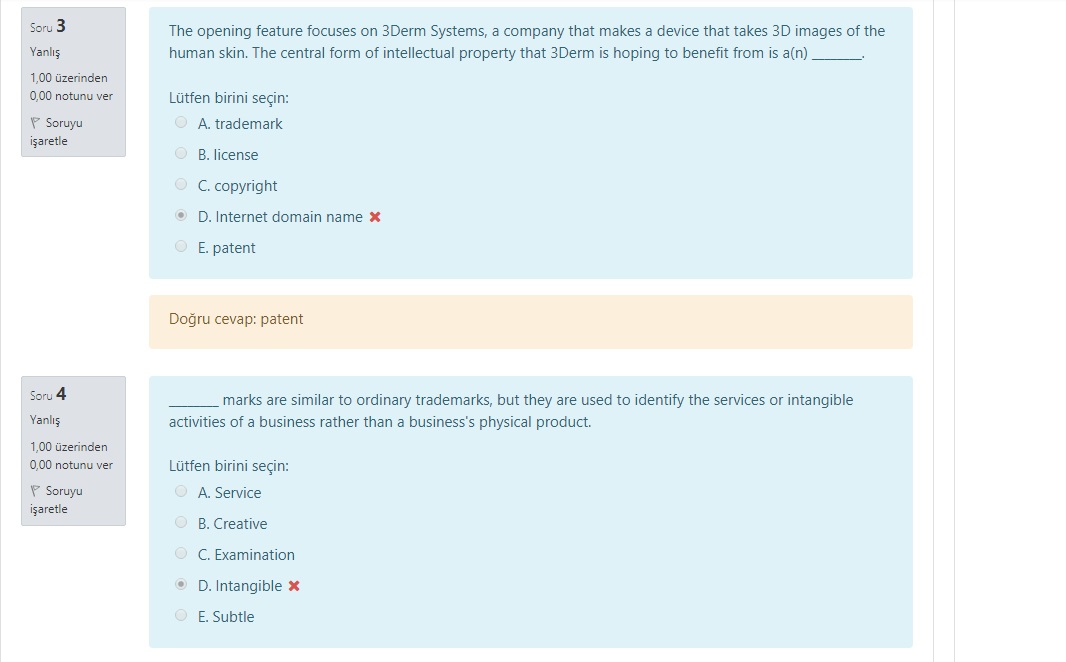
* An effectively prepared and presented schedule can be extremely helpful in convincing potential investors that the management team is aware of what needs to take place to launch the venture and has a plan in place to get there.
* Section 11: Financial Projections (1 of 2)
* Financial Projections
  + The final section of a business plan presents a firm’s pro forma (or projected) financial projections.
  + Items to include in this section:
    - Sources and uses of funds statement.
    - Assumptions sheet.
    - Pro forma income statements.
    - Pro forma balance sheets.
    - Pro forma cash flows.
    - Ratio analysis.
* Section 11: Financial Projections (2 of 2)

**Key Insights**

* Having completed the earlier sections of the plan, it’s easy to see why the financial projections come last.
* They take the plans you’ve developed and express them in financial terms.
* Presenting the Business Plan to   
  Investors (1 of 2)
* The Oral Presentation
  + The first rule in making an oral presentation is to follow directions. If you’re told you have 20 minutes, don’t talk for more than the allotted time.
  + The presentation should be smooth and well-rehearsed.
  + The slides should be sharp and not cluttered.
* Questions and Feedback to Expect from Investors
  + The smart entrepreneur has a good idea of the questions that will be asked, and will be prepared for those queries.
* Presenting the Business Plan to   
  Investors (2 of 2)

Twelve PowerPoint Slides to Include in an Investor Presentation

1. Title Slide
2. Problem
3. Solution
4. Opportunity and target market
5. Technology
6. Competition
7. Marketing and sales
8. Management team
9. Financial projections
10. Current status
11. Financing sought
12. Summary



**CHAPTER 7 DYNAMIC**

Which of the following is ***not*** one of the disadvantages of a subchapter S-corporation?

The personal liabilities of the owners of the corporation.

A \_\_\_\_\_\_\_\_\_\_\_\_\_ binds an employee or another party to not share a company’s trade secrets.

nondisclosure agreement

In strong ethical cultures, entrepreneurs, managers, and supervisors lead by example by doing all of the following **except** \_\_\_\_\_\_\_\_\_\_\_\_

provide limited information about major company changes

The buyback clause is ***best*** described as a legal obligation that outlines how departing founders \_\_\_\_\_\_\_\_\_\_\_\_.

sell their interest in the firm to the remaining founders

Utilizing nondisclosure and noncompete agreements lend themselves to \_\_\_\_\_\_\_\_\_\_\_\_\_ that entrepreneurs should take to avoid legal disputes.

getting everything in writing

Codes of conduct are \_\_\_\_\_\_\_\_\_\_\_\_.

intended to influence people to behave in ways that are consistent with a firm’s ethical orientation

All of the following are steps that entrepreneurs should take to avoid legal disputes ***except*** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

accepting verbal agreements

When it comes to hiring attorneys, most business owners \_\_\_\_\_\_\_\_\_\_\_\_.

can do much of the preliminary work on their own and then rely on an attorney for guidance and advice

Which of the following is **not** a way for entrepreneurs to determine the licenses and permits necessary for their business?

Operate the business until you receive notice of penalties.

\_\_\_\_\_\_\_\_\_\_\_\_\_ are the most prevalent form of business organization, involving only one person who has complete control over the business.

Sole proprietorships

The part of the founders’ agreement that addresses how a departing founder’s interest in the company will be sold or transferred to remaining founders is referred to as a \_\_\_\_\_\_\_\_\_\_\_.

buyback clause

All businesses, other than \_\_\_\_\_\_\_\_\_\_, are required to obtain a Federal Employee Identification Number (or EIN).

sole proprietorships

A(n) \_\_\_\_\_\_\_\_\_\_\_ is a formal statement of an organization’s values regarding certain ethical and social issues.

code of conduct

Entrepreneurs can take many steps to avoid legal disputes and complications, such as \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

getting everything in writing

According to the 2016 Global Business Ethics Survey (GBES), the \_\_\_\_\_\_\_\_\_\_\_\_ factor is an important warning sign of future workplace misconduct.

pressure to compromise organizational standards

All of the following statements about licenses and permits are true ***except***?

The majority of businesses require federal licenses for operation.

If you are entrepreneur, \_\_\_\_\_\_\_\_\_\_\_\_\_\_ would be ***least*** effective in determining the required licenses and permits to run your business.

operating the business until you receive notice of penalties

Which of the following statements about hiring an attorney is ***false***?

Entrepreneurs should hire a close friend of the family, even if they don’t specialize in business start-ups.

The buyback clause is ***best*** described as a legal obligation that outlines how departing founders \_\_\_\_\_\_\_\_\_\_\_\_.

sell their interest in the firm to the remaining founders

An ethical training program accomplishes all of the following ***except*** \_\_\_\_\_\_\_\_\_\_\_\_\_.

covering answers to every potential ethical dilemma employees may face

When selecting an attorney, you should \_\_\_\_\_\_\_\_\_\_\_.

discuss the fees to get an idea of what the start-up process costs

One of the disadvantages of a \_\_\_\_\_\_\_\_\_\_\_\_\_ is that it is subject to double taxation because it is taxed as a separate legal entity.

C-corporation

When considering leading by example to create a strong ethical culture, which of the following statements is**most** accurate?

Everyone involved with a start-up plays an important role in developing a strong ethical culture.

Creating a noncompete agreement preventing an individual from competing against a former employer for a specific period of time would be an example of \_\_\_\_\_\_\_\_\_\_\_\_\_.

getting everything in writing

All of the following are advantages of a general partnership ***except*** \_\_\_\_\_\_\_\_\_\_\_.

unlimited liability on the part of each general partner

\_\_\_\_\_\_\_\_\_\_\_\_\_ is a separate taxable entity.

C-corporation

A new venture has created a formal statement of the organization’s values regarding certain ethical and social issues. This is **best** described as a(n) \_\_\_\_\_\_\_\_\_\_\_.

code of conduct

Which of the following statements about licenses and permits is **most** accurate?

The number and type of permits or licenses required depends upon the nature of the business and the requirements for the state and local areas of the business.

A \_\_\_\_\_\_\_\_\_\_\_\_ is best described as a form of business organization involving only one person; the person and the business are essentially the same.

sole proprietorship

Which of the following is **not** a way for entrepreneurs to determine the licenses and permits necessary for their business?

Operate the business until you receive notice of penalties.

Selecting a name for a business and obtaining a fictitious business name permit if needed is an important task because \_\_\_\_\_\_\_\_\_\_\_\_.

it needs to comply with the law and the business’s name is a critical part of its identity and its branding strategy

All of the following are considerations when selecting an attorney ***except*** \_\_\_\_\_\_\_\_\_\_.

selecting an attorney who wants to invest in your business

\_\_\_\_\_\_\_\_\_\_\_\_\_ is **not** an example of something that would be part of an ethical training program.

Practicing apology statements

A(n) \_\_\_\_\_\_\_\_ is similar to a C-corporation in that the owners are not subject to personal liability for the behavior of the business.

S-corporation

Angela feels like she is being harassed at work but it seems normal for her department. She should review \_\_\_\_\_\_\_\_\_\_\_\_\_ to gain an understanding of how the organization formally views ethical issues such as this.

the code of conduct

The 2016 Global Business Ethics Survey (GBES) identified all of the following as a key metric of insight into the ethics environment of an organization **except** \_\_\_\_\_\_\_\_\_\_\_ misconduct.

Planned

A Federal Employee Identification Number (or EIN) must be obtained for all businesses **except** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

sole proprietorships

A nondisclosure agreement \_\_\_\_\_\_\_\_\_\_\_\_\_.

binds an employee or another party to not share a company’s trade secrets

If a business wants to legally operate under a fictitious name, they \_\_\_\_\_\_\_\_

must obtain a fictitious business name permit

The \_\_\_\_\_\_\_\_\_\_\_\_\_\_ is ***not*** typically found in a founders’ agreement.

formal statement of the organization’s values regarding ethical and social issues

A founders’ agreement typically contains all of the following ***except*** \_\_\_\_\_\_\_\_\_\_.

the pro forma financial statements for the first three years of operations

The primary disadvantage of a \_\_\_\_\_\_\_\_\_\_ is that partners have unlimited liability for debts and obligations

general partnership



The buyback clause is ***best*** described as a legal obligation that outlines how departing founders \_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

sell their interest in the firm to the remaining founders

see more



Which of the following is ***not*** a way for entrepreneurs to determine the licenses and permits necessary for their business?

**CORRECT ANSWER:**

Operate the business until you receive notice of penalties.

see more



Codes of conduct are \_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

intended to influence people to behave in ways that are consistent with a firm’s ethical orientation

see more



\_\_\_\_\_\_\_\_\_\_\_\_\_ is a separate taxable entity.

**CORRECT ANSWER:**

C-corporation

see more



Which of the following statements about licenses and permits is ***most*** accurate?

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The number and type of permits or licenses required depends upon the nature of the business and the requirements for the state and local areas of the business.

see more



The part of the founders’ agreement that addresses how a departing founder’s interest in the company will be sold or transferred to remaining founders is referred to as a \_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

buyback clause

see more



According to the 2016 Global Business Ethics Survey (GBES), the \_\_\_\_\_\_\_\_\_\_\_\_ factor is an important warning sign of future workplace misconduct.

**CORRECT ANSWER:**

pressure to compromise organizational standards

see more



A \_\_\_\_\_\_\_\_\_\_\_\_ is best described as a form of business organization involving only one person; the person and the business are essentially the same.

**CORRECT ANSWER:**

sole proprietorship

see more



Entrepreneurs can take many steps to avoid legal disputes and complications, such as \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

getting everything in writing

see more



\_\_\_\_\_\_\_\_\_\_\_\_\_ are the most prevalent form of business organization, involving only one person who has complete control over the business.

**CORRECT ANSWER:**

Sole proprietorships

see more



\_\_\_\_\_\_\_\_\_\_\_\_\_ is ***not*** an example of something that would be part of an ethical training program.

**CORRECT ANSWER:**

Practicing apology statements

see more



Utilizing nondisclosure and noncompete agreements lend themselves to \_\_\_\_\_\_\_\_\_\_\_\_\_ that entrepreneurs should take to avoid legal disputes.

**CORRECT ANSWER:**

getting everything in writing

see more



Selecting a name for a business and obtaining a fictitious business name permit if needed is an important task because \_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

it needs to comply with the law and the business’s name is a critical part of its identity and its branding strategy

see more



Angela feels like she is being harassed at work but it seems normal for her department. She should review \_\_\_\_\_\_\_\_\_\_\_\_\_ to gain an understanding of how the organization formally views ethical issues such as this.

**CORRECT ANSWER:**

the code of conduct

see more



A \_\_\_\_\_\_\_\_\_\_\_\_\_ binds an employee or another party to not share a company’s trade secrets.

**CORRECT ANSWER:**

nondisclosure agreement

see more



All of the following are steps that entrepreneurs should take to avoid legal disputes ***except*** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

accepting verbal agreements

see more



In strong ethical cultures, entrepreneurs, managers, and supervisors lead by example by doing all of the following ***except*** \_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

provide limited information about major company changes

see more



One of the disadvantages of a \_\_\_\_\_\_\_\_\_\_\_\_\_ is that it is subject to double taxation because it is taxed as a separate legal entity.

**CORRECT ANSWER:**

C-corporation

see more



An ethical training program accomplishes all of the following ***except*** \_\_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

covering answers to every potential ethical dilemma employees may face

see more



All of the following statements about licenses and permits are true ***except***?

**CORRECT ANSWER:**

The majority of businesses require federal licenses for operation.

see more



If a business wants to legally operate under a fictitious name, they \_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

must obtain a fictitious business name permit

see more



When considering leading by example to create a strong ethical culture, which of the following statements is***most*** accurate?

**CORRECT ANSWER:**

Everyone involved with a start-up plays an important role in developing a strong ethical culture.

see more



Which of the following is ***not*** one of the disadvantages of a subchapter S-corporation?

**CORRECT ANSWER:**

The personal liabilities of the owners of the corporation.

see more



When it comes to hiring attorneys, most business owners \_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

can do much of the preliminary work on their own and then rely on an attorney for guidance and advice

see more



A(n) \_\_\_\_\_\_\_\_\_\_\_ is a formal statement of an organization’s values regarding certain ethical and social issues.

**CORRECT ANSWER:**

code of conduct

see more



The \_\_\_\_\_\_\_\_\_\_\_\_\_\_ is ***not*** typically found in a founders’ agreement.

**CORRECT ANSWER:**

formal statement of the organization’s values regarding ethical and social issues

see more



All businesses, other than \_\_\_\_\_\_\_\_\_\_, are required to obtain a Federal Employee Identification Number (or EIN).

**CORRECT ANSWER:**

sole proprietorships

see more



All of the following are advantages of a general partnership ***except*** \_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

unlimited liability on the part of each general partner

see more



If you are entrepreneur, \_\_\_\_\_\_\_\_\_\_\_\_\_\_ would be ***least*** effective in determining the required licenses and permits to run your business.

**CORRECT ANSWER:**

operating the business until you receive notice of penalties

see more



When selecting an attorney, you should \_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

discuss the fees to get an idea of what the start-up process costs

see more



A founders’ agreement typically contains all of the following ***except*** \_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

the pro forma financial statements for the first three years of operations

see more



A Federal Employee Identification Number (or EIN) must be obtained for all businesses ***except*** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

sole proprietorships

see more



A new venture has created a formal statement of the organization’s values regarding certain ethical and social issues. This is ***best*** described as a(n) \_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

code of conduct

see more



A(n) \_\_\_\_\_\_\_\_ is similar to a C-corporation in that the owners are not subject to personal liability for the behavior of the business.

**CORRECT ANSWER:**

S-corporation

see more



Which of the following statements about hiring an attorney is ***false***?

**CORRECT ANSWER:**

Entrepreneurs should hire a close friend of the family, even if they don’t specialize in business start-ups.

see more



The primary disadvantage of a \_\_\_\_\_\_\_\_\_\_ is that partners have unlimited liability for debts and obligations.

**CORRECT ANSWER:**

general partnership

see more



All of the following are considerations when selecting an attorney ***except*** \_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

selecting an attorney who wants to invest in your business

see more



A nondisclosure agreement \_\_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

binds an employee or another party to not share a company’s trade secrets

see more



Creating a noncompete agreement preventing an individual from competing against a former employer for a specific period of time would be an example of \_\_\_\_\_\_\_\_\_\_\_\_\_.

**CORRECT ANSWER:**

getting everything in writing

see more



The 2016 Global Business Ethics Survey (GBES) identified all of the following as a key metric of insight into the ethics environment of an organization ***except*** \_\_\_\_\_\_\_\_\_\_\_ misconduct.

**CORRECT ANSWER:**

Planned

**Chapter 9 dynamic**

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

Those leading an entrepreneurial venture often turn to consultants for help and advice because \_\_\_\_\_\_\_\_\_\_\_.

while large firms can afford to employ experts in many areas, new firms typically can’t

A \_\_\_\_\_\_\_\_\_\_\_ is a freelancer who works remotely from a home office providing administrative, technical, or creative assistance to clients.

virtual assistant

A board of directors is ***best***described as \_\_\_\_\_\_\_\_\_\_\_\_.

a panel of individuals who are elected by a corporation’s shareholders to oversee the management of the firm

The new-venture team \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

includes founders, key employees, and advisors

An advantage businesses have in using freelancers and virtual assistants is that they are considered to be “independent contractors.” As a result \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

the business is not responsible for costs beyond their hourly or contracted pay

An entrepreneur could utilize a \_\_\_\_\_\_\_\_\_\_\_\_\_ to help prioritize their hiring needs because it identifies important skills that the firm possesses and may still need.

skills profile

Which statement is ***not*** accurate regarding the preferred attributes of a founder(s) of an entrepreneurial venture?

New ventures that are started by an individual can provide greater resources and a broad array of positive attributes than ventures started by teams.

If a new venture organizes as a corporation, it is legally required to have a \_\_\_\_\_\_\_\_\_\_\_, which is a panel of individuals who are elected by a corporation’s shareholders to oversee the management of the firm.

board of directors

Those leading an entrepreneurial venture often turn to \_\_\_\_\_\_\_\_\_\_\_ for help and advice because while large firms can afford to employ experts in many areas, new firms typically can’t.

consultants

All of the following are ways that entrepreneurs may overcome the liability of newness ***except*** \_\_\_\_\_\_\_\_\_\_\_\_\_

limiting the opportunity for outside individuals to work inside the venture

All of the following are true regarding the size and qualities of the founders or founding team ***except*** \_\_\_\_\_\_\_\_\_\_

the larger the founding team, the better

Which of these is ***not*** one of the formal responsibilities of the firm’s board of directors?

Providing nonbinding advice that they cannot be held liable for

\_\_\_\_\_\_\_\_\_\_\_\_\_\_ are ***not*** considered to be elements of a new-venture team.

All company employees

All of the following are common mistakes made when putting a new-venture team together ***except*** \_\_\_\_\_\_\_\_\_\_\_\_.

sharing ownership with top managers in the firm

A virtual assistant is ***best*** described as \_\_\_\_\_\_\_\_\_\_\_\_\_

a freelancer who provides administrative, technical, or creative assistance to clients remotely from a home Office

All of the following are preferred attributes of the founder(s) of an entrepreneurial venture ***except*** \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

a firm started by an individual

Many businesses utilize \_\_\_\_\_\_\_\_\_\_\_\_\_ because they are classified as “independent contractors,” where the company is not responsible for costs such as workers’ compensation, Social Security, and Medicare taxes.

freelancers and virtual assistants

The board of directors has all of the following formal responsibilities ***except*** \_\_\_\_\_\_\_\_

signaling to shareholders that the firm is about to fail

All of the following are attributes of strong board members ***except*** \_\_\_\_\_\_\_\_\_

the ability and willingness to be mentored by the CEO

Unlike a board of directors, an advisory board \_\_\_\_\_\_\_\_\_

possesses no legal responsibility for the firm and gives nonbinding advice

Jack is in business for himself. He works on his own time, with his own laptop and software, performing website design services for a number of different clients. Jack is **best** described as a(n) \_\_\_\_\_\_\_\_\_\_\_.

Freelancer

Which of the following is ***not*** a common mistake made when assembling a new-venture team?

Having clear and specific plans for filling clearly existing skills gaps.

\_\_\_\_\_\_\_\_\_\_\_\_\_ is not considered to be an attribute of a strong board member.

Ability and willingness to be mentored by the CEO

An advisory board is ***best***described as a \_\_\_\_\_

panel of experts who are asked by a firm’s managers to provide counsel and advice on an ongoing basis

A \_\_\_\_\_\_\_\_\_\_\_\_\_ is a chart that depicts the most important skills that are needed and where skills gaps exist within the firm.

skills profile

The \_\_\_\_\_\_\_\_\_\_\_ is ***best*** described as the group of founders, key employees, and advisers that move a new venture from an idea to a fully functioning firm.

new-venture team

A(n) \_\_\_\_\_\_\_\_\_\_\_\_ possesses no legal responsibility for the firm and gives nonbinding advice.

advisory board

The \_\_\_\_\_\_\_\_\_\_\_ 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 firm lacks a “track record” with outside buyers and suppliers.

liability of newness

All of the following are primary elements of a new-venture team ***except*** \_\_\_\_\_\_\_\_\_\_\_\_\_.

all employees

A person who works for a business as an apprentice or trainee for the purpose of obtaining practical experience is **best** described as a(n) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

* intern

When it comes to the size and qualities of the founder or founding team, which of the below statements is most accurate?

A founding team can be too big, causing communication problems and increased potential for conflict.

When a high-quality individual agrees to serve on a firm’s board, the individual is in essence \_\_\_\_\_\_\_\_\_\_\_ that the company has potential to be successful.

Signaling

Founders must often “work” their social and personal networks to \_\_\_\_\_\_\_\_\_\_\_\_\_.

raise money or gain access to critical resources on behalf of their firms

Which of the following activities would be ***least*** helpful for entrepreneurs trying to overcome liability of newness?

Limiting the opportunity for outside individuals to work inside the venture

\_\_\_\_\_\_\_\_\_\_\_\_\_ is considered building and maintaining relationships with people whose interests are similar or whose relationships can bring advantages to the firm.

Networking

A(n) \_\_\_\_\_\_\_\_\_\_ is a panel of experts who are asked by a firm’s managers to provide counsel and advice on an ongoing basis.

advisory board

Signaling is ***best*** described as when a high-quality individual ------------------------

agrees to serve on a firm’s board, essentially “signaling” that the company has potential to be successful

An intern is **best** described as \_\_\_\_\_\_\_\_\_\_\_\_\_.

a person who works for a business as an apprentice or trainee for the purpose of obtaining practical experience

**CHAPTER 10 DYNAMiC**

Which of the following statements regarding how entrepreneurs go about the task of raising capital is most accurate?

Entrepreneurs lack experience in this area.

Angel investors, private placement, venture capital, and initial public offerings are the most common sources of \_\_\_\_\_\_\_\_\_\_\_\_.

equity financing

The SBIR and STTR programs are ***best*** described as \_\_\_\_\_\_\_\_

sources of early-stage funding offered by the U.S. Government for technology firms working on projects in specific areas

The first sale of stock by a firm to the public is referred to as a(n) \_\_\_\_\_\_\_\_\_\_\_\_.

initial public offering

Equity financing is ***best*** described as \_\_\_\_\_\_\_\_\_\_\_\_

exchanging partial ownership of a firm, usually in the form of stock, in return for funding

Equity investors do ***not*** \_\_\_\_\_\_\_\_\_\_\_\_.

require money to be paid back

Which is the first step involved in properly preparing to raise debt or equity financing?

Determine precisely how much money the company needs.

Rewards-based crowdfunding \_\_\_\_\_\_\_\_\_\_\_\_\_.

allows entrepreneurs to raise money in exchange for some type of amenity

\_\_\_\_\_\_\_\_\_\_\_\_\_ means exchanging partial ownership of a firm, usually in the form of stock, in return for funding.

Equity financing

Which is a major advantage of obtaining a loan as opposed to equity funding?

None of the ownership of the firm is surrendered.

Which is **not** one of the sources of equity funding?

SBA guarantees

The most common sources of debt financing are \_\_\_\_\_\_\_\_\_\_\_\_.

commercial banks and the Small Business Administration

All of the following statements about equity funding is true **except**\_\_\_\_\_\_\_\_\_\_\_\_.

money received from an equity investor has to be paid back

A company’s burn rate is ***best*** described as the \_\_\_\_\_\_\_\_\_\_\_\_\_.

rate at which it is spending its capital until it reaches profitability

Although it is not considered debt financing, companies may also generate cash by \_\_\_\_\_\_\_\_\_\_, which is a financial transaction whereby a business sells its accounts receivable to a third party at a discount in exchange for cash.

factoring

An elevator speech is typically prepared during which step of the debt or equity financing process?

Developing a strategy for engaging potential investors or bankers

One major disadvantage of getting a loan is \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

lenders often impose strict conditions and require collateral

A company’s \_\_\_\_\_\_\_\_\_\_\_ is the rate at which it is spending its capital until it reaches profitability.

burn rate

Commerical banks and the Small Business Administration are the most common sources of \_\_\_\_\_\_\_\_\_\_\_\_\_.

debt financing

The vast majority of founders contribute \_\_\_\_\_\_\_\_\_\_\_\_\_\_ funds, in the form of personal savings or credit, along with sweat equity to their ventures.

personal

When entrepreneurs are starting the process of properly preparing to raise debt or equity financing, they would ***first*** \_\_\_\_\_\_\_\_\_\_\_\_.

determine precisely how much money the company needs

Factoring is one way for a business to generate cash, which is ***best*** described as \_\_\_\_\_\_\_\_\_\_\_\_\_.

a financial transaction whereby a business sells its account receivable to a third party at a discount in exchange for cash

\_\_\_\_\_\_\_\_\_\_\_\_\_ is ***not*** one of the reasons most entrepreneurial ventures need to raise money during their early life.

Rapid product development cycles

An initial public offering (IPO) is **best**described as the \_\_\_\_\_\_\_\_\_\_

first sale of stock by a firm to the public

Two sources of early-stage funding offered by the U.S. Government for technology firms working on projects in specific areas are \_\_\_\_\_\_\_\_\_\_\_

the Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR) programs

Many entrepreneurs go about the task of raising capital haphazardly because they \_\_\_\_\_\_\_\_\_\_\_\_.

lack experience in this area

\_\_\_\_\_\_\_\_\_\_\_\_ is ***not*** one of the sources of equity funding.

Factoring

Which would ***not*** be an example of a bootstrapping method?

Buying equipment instead of leasing it.

While developing a strategy for engaging potential investors or bankers, the lead entrepreneur should prepare a brief, carefully constructed statement outlining the merits of the business opportunity. This statement is referred to as a(n) \_\_\_\_\_\_\_\_\_\_\_\_.

elevator speech

Bootstrapping is ***best*** described as \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

finding ways to avoid the need for external financing or funding through creativity, ingenuity, thriftiness, cost-cutting, or any means necessary

The vast majority of founders contribute their own time and effort into their new venture, which makes a big difference to its success. This is referred to as \_\_\_\_\_\_\_\_\_\_\_\_.

sweat equity

All of the following are examples of bootstrapping methods ***except***:

buying new instead of used equipment

\_\_\_\_\_\_\_\_\_\_\_ is ***best*** described as finding ways to avoid the need for external financing or funding through creativity, ingenuity, thriftiness, cost-cutting, or any means necessary.

Bootstrapping

Carry is ***best*** described as the \_\_\_\_\_\_\_\_\_\_\_\_\_.

percentage of the profits the venture capitalists receive

Which would ***not*** be an example of a bootstrapping method?

Buying equipment instead of leasing it.

\_\_\_\_\_\_\_\_\_\_\_\_ is ***not*** one of the reasons most entrepreneurial ventures need to raise money during their early life.

Negative sweat equity

All of the following should be avoided when it comes to funding ventures through friends and family ***except***:

Stipulating the terms of the loan with a set repayment schedule.

When it comes to funding ventures through friends and family, which of these would be the ***best*** to do?

Stipulating the terms of the loan with a set repayment schedule.

The percentage of the profits the venture capitalists receive is called the \_\_\_\_\_\_\_\_\_\_\_.

* carry

**chapter 8 dynamic**

A \_\_\_\_\_\_\_\_\_\_\_ is ***best*** described as a snapshot of a company’s assets, liabilities, and owners’ equity at a specific point in time.

balance sheet

The balance sheet and the statement of cash flows are examples of \_\_\_\_\_\_\_\_\_\_\_, which quantitatively describe a firm’s financial health.

financial statements

The statement of cash flows summarizes the \_\_\_\_\_\_\_\_\_\_\_\_\_.

changes in a firm’s cash position for a specified period of time and details about why the changes occurred

Raising money and managing a company’s finances in a way that achieves the highest rate of return are activities ***best*** described as \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

financial management

For a new venture just starting their business, the  \_\_\_\_\_\_\_\_\_\_\_\_ step in the financial management process would be skipped*.*

preparation of historic financial statements

If a firm is using regression analysis, they are trying  \_\_\_\_\_\_\_\_\_\_\_\_\_.

to project future values, such as sales, by finding statistical relationships between variables

Budgets are***best*** described as \_\_\_\_\_\_\_\_\_\_\_\_.

itemized forecasts of a company’s income, expenses, and capital needs and are also an important tool for financial planning and control

A company’s 10-K annual report is all of the following ***except*** \_\_\_\_\_\_\_\_\_\_\_.

forward-looking projections for future periods based on forecasts

All of the following are examples of historical financial statements ***except*** the \_\_\_\_\_\_\_\_\_\_\_\_.

pro forma financial statement

A completely ***new***venture would start with the \_\_\_\_\_\_\_\_\_\_\_ step in the financial management process.

preparation of forecasts

When total revenue received equals total costs associated with the sale of a product, this is ***best*** described as the \_\_\_\_\_\_\_\_\_\_\_\_\_.

break-even point

The most comprehensive filing required by the SEC that contains detailed information about the company’s business is referred to as the \_\_\_\_\_\_\_\_\_\_\_\_.

10-K

All of the following are true about pro forma financial statements ***except*** \_\_\_\_\_\_\_\_\_\_\_.

they should be prepared in isolation

Which of the following questions is ***not*** typically addressed with financial management?

Cevap: How will we avoid legal disputes?

Efficiency is **best** described as \_\_\_\_\_\_\_\_\_\_\_\_.

how productively a firm utilizes its assets relative to its revenue and its profits

For a firm to be \_\_\_\_\_\_\_\_\_\_\_\_, it must not only earn a profit and remain liquid but also keep its debt in check.

Stable

\_\_\_\_\_\_\_\_\_\_\_\_ is ***best*** described as the strength and vigor of the firm’s overall financial posture.

Stability

A pro forma balance sheet will enable a firm to \_\_\_\_\_\_\_\_\_\_\_\_.

evaluate how its business’s activities will affect its ability to meet its short-term liabilities and how its finances will evolve over time

Liquidity is ***best*** defined as \_\_\_\_\_\_\_\_\_\_\_\_\_.

a company’s ability to meet its short-term obligations

The preparation of pro forma statements should ***not*** \_\_\_\_\_\_\_\_\_\_\_\_.

be prepared in isolation

The financial management of a firm deals with all of the following questions **except**:

How will we staff our company?

Pro forma financial statements are ***best*** described as \_\_\_\_\_\_\_\_\_\_\_\_\_.

projections for future periods based on forecasts and are typically completed for two to three years in the future

The \_\_\_\_\_\_\_\_\_\_\_\_ summarizes a firm’s operating, investing, and financing activities for a specified period of time.

statement of cash flows

Forecasts are based upon a company’s \_\_\_\_\_\_\_\_\_\_\_.

past performance, current circumstances, and future plans

Financial management deals with \_\_\_\_\_\_\_\_\_\_\_ and \_\_\_\_\_\_\_\_\_\_.

raising money; managing a company’s finances to achieve the highest rate of return

The \_\_\_\_\_\_\_\_\_\_\_ reflects the results of the operations of a firm over a specific period of time and includes figures such as net sales and cost of goods sold.

income statement

\_\_\_\_\_\_\_\_\_\_\_\_\_ are ***best*** described as an estimate of a firm’s future sales, income, expenses, and capital expenditures based upon its past performance, its current circumstances, and its future plans.

Forecasts

In the first one to three years, many start-ups are not \_\_\_\_\_\_\_\_\_\_\_\_\_, but they must attain this objective to remain viable and provide a return to its owners.

profitable

\_\_\_\_\_\_\_\_\_\_\_\_ is best described as a company’s ability to meet its short-term financial obligations.

Liquidity

If a financial manager is mostly concerned with the company’s ability to make a profit, he/she is most concerned with \_\_\_\_\_\_\_\_\_\_\_\_\_.

profitability

If a financial manager wants to get a sense of how her/his business’s activities will affect its ability to meet its short-term liabilities and how its finances will evolve over time, (s)he should prepare a pro forma \_\_\_\_\_\_\_\_\_\_\_\_\_.

balance sheet

\_\_\_\_\_\_\_\_\_\_\_\_\_ is how productively a firm utilizes its assets relative to its revenue and its profits.

Efficiency

All of the following are the most commonly used financial statements ***except*** \_\_\_\_\_\_\_\_\_\_\_\_.

the asset and receivables statement

\_\_\_\_\_\_\_\_\_\_\_\_ are itemized forecasts of a company’s income, expenses, and capital needs.

Budgets

Which of the following statements is the ***most*** accurate regarding pro forma financial statements?

Pro forma financial statements are projections for future periods based on forecasts and are typically completed for two to three years in the future.

Assets, liabilities, and owners’ equity are found within a company’s \_\_\_\_\_\_\_\_\_\_.

balance sheet

The break-even point is ***best*** described as the point at which \_\_\_\_\_\_\_\_\_\_\_\_.

total revenue received equals total costs associated with the sale of a product

Net sales, cost of goods sold, and operating expenses are three key numbers to evaluate in a(n) \_\_\_\_\_\_\_\_\_\_\_\_.

income statement

\_\_\_\_\_\_\_\_\_\_\_\_\_ is ***best*** described as a statistical technique used to find relationships between variables for the purpose of predicting future values.

Regression analysis

The \_\_\_\_\_\_\_\_\_\_ is not considered to be a historical financial statement because it is a projection of future periods based on forecasts.

pro forma financial statement

**Study plan 7**

According to the 2016 Global Business Ethics​ Survey, what percentage of employees were retaliated against when they reported​ misconduct?

36

A​ \_\_\_\_\_\_ is a formal statement of an​ organization's values on certain ethical and social issues.

code of conduct

In the 2016 Global Business Ethics​ Survey, \_\_\_ percent of the U.S. respondents surveyed said that they reported misconduct.

76

In the 2016 Global Business Ethics​ Survey, \_\_\_ percent of the U.S. respondents surveyed reported retaliation against reporters of misconduct.

53

The key takeaway from the 2016 Global Business Ethics Survey is that the most important thing an organization can do to combat ethical misconduct is to​ \_\_\_\_\_\_\_.

establish a strong ethical culture

A(n) \_\_\_\_\_ dilemma is a situation that involves doing something that is beneficial to oneself or the organization but may go against​ one's moral code.

ethical

A​ \_\_\_\_\_ is a written document that deals with issues such as how individual founders will be compensated for the cash or the​ "sweat equity" they put into the firm.

​founders' agreement

A​ \_\_\_\_\_ clause legally obligates departing founders to sell to the remaining founders their interest in the firm if the remaining founders are interested.

Buyback

Which of the following is NOT an item included in a​ founders' agreement?

How profits will be made

A buyback clause legally obligates departing founders to sell to the​ \_\_\_\_\_\_.

remaining founders

In​ mediation, \_\_\_\_\_\_\_\_\_\_​ help(s) those involved in a dispute reach an agreement.

an impartial third party

A noncompete agreement prevents an individual from competing against a former employer​ \_\_\_\_\_\_\_\_.

for a specific period of time

Which of the following is NOT a type of permit required for engaging in certain types of​ activities?

Product

​Andy's Street​ Café puts tables and chairs on the sidewalk for its patrons that intrudes into the​ city's right-of-way. To​ operate, Andy's Street​ Café will need a​ \_\_\_ permit.

sidewalk cafe

If​ Andy's Street​ Café wants to sell food in city​ streets, it is required to get​ a(n) \_\_\_\_ permit.

.

street vendor

​Omega, Inc. wants to open and operate​ Ally's Bakery.​ Omega, Inc. needs to get a​ \_\_\_\_\_ permit.

fictitious business name

If you want to erect a sign to advertise your​ business, you will need a​ \_\_\_\_ permit.

Signage

Which type of business is NOT required to obtain a Federal Employee Identification Number or​ EIN?

A sole proprietorship with no employees

Since fusion cuisine in high traffic locations are a very attractive​ investment, the owners of​ FuseMex, a publicly traded​ "C" corporation have​ \_\_\_\_.

liquidity

A(n) \_\_\_\_\_\_\_\_ can sell stock to the public that is not taxed at the entity level.

S Corporation

Which of the following is NOT a disadvantage of a sole​ proprietorship?

The business is easy to dissolve.

A corporation is formed by filing​ \_\_\_\_\_\_\_.

articles of incorporation

In a​ \_\_\_\_\_\_, the voting stock is held by a small number of individuals and is very thinly or infrequently traded.

closely held Corporation

Which of the following is NOT a standard that a business must meet to qualify for status as a subchapter S​ corporation?

It can have no more than 10 members.

**Study plan 8**

Which of the following is NOT a question with which the financial management of a firm​ deals?

How can we sell our​ products?

Financial management deals with two​ activities: \_\_\_\_\_\_\_ and managing a​ company's finances in a way that achieves the highest rate of return.

raising Money

Financial management deals with two activities

long dash—

raising money and managing a​ company's finances in a way that​ \_\_\_\_\_\_\_.

achieves the highest rate of return

Money for a firm either comes from external sources​ (e.g., investors or​ lenders) or is internally generated through​ \_\_\_\_\_\_\_\_\_.

earnings

Which of the following is NOT a question dealt with by a​ firm's financial​ management?

How can we sell more​ products?

Money for a firm either comes from external resources such as​ \_\_\_\_\_ or is​ internally-generated through earnings.

investors or Lenders

​\_\_\_\_\_\_\_ is how productively a firm utilizes its assets relative to its revenues and its profits.

Efficiency

​\_\_\_\_\_ is a​ company's ability to meet its​ short-term financial obligations.

Liquidity

The financial objective of​ \_\_\_\_\_\_ deals with the strength and vigor of the​ firm's overall financial posture.

stability

Many​ start-ups are not profitable during their first​ \_\_\_\_\_\_\_\_ years.

1dash–3

​\_\_\_\_ is how productively a firm utilizes its assets relative to its revenue and its profits.

Efficiency

Juice Heaven has​ long-term debt of​ $100,000 and​ stockholders' equity of​ $400,000. Juice​ Heaven's debt-to-equity ratio is​ \_\_\_\_\_.

0.25

​\_\_\_\_\_ are itemized forecasts of a​ company's income,​ expenses, and capital needs.

Budgets

​\_\_\_\_ are an important tool for financial planning and control.

Budgets

A financial statement is a written report that​ \_\_\_\_\_\_ describes a​ firm's financial health.

Quantitatively

Budgets are​ \_\_\_\_ forecasts of a​ company's income,​ expenses, and capital needs.

itemized

Forecasts are an estimate of a​ firm's future income and​ expenses, based on past​ performance, its current​ circumstances, and its​ \_\_\_\_\_.

future plans

The process of financial management begins by tracking the​ company's past financial performance through the preparation and analysis of​ \_\_\_\_\_\_.

financial statements

​\_\_\_\_\_ firms are required by the Securities and Exchange Commission​ (SEC) to prepare financial statements and make them available to the public.

Publicly-traded

The most comprehensive filing to the SEC required of​ publicly-traded firms is the​ \_\_\_\_.

​10-K

Historical financial statements reflect past performance and are usually prepared​ \_\_\_\_\_\_\_.

on quarterly and annual bases

The​ 10-K for any​ publicly-traded firm is​ \_\_\_\_\_\_\_\_\_\_\_.

made available by the Securities and Exchange Commission​ (SEC)

Pro forma financial statements are​ \_\_\_\_\_\_\_\_\_\_\_\_\_.

not required by the SEC

The 10–K is similar to the​ \_\_\_\_.

annual report

A​ firm's \_\_\_\_\_ ratio equals its current assets divided by its current liabilities.

Current

A​ firm's current assets are​ $75,000 and its current liabilities are​ $63,000. Its working capital is​ \_\_\_.

$12,000

Which is the right order of preparation of the three financial​ documents?

The income​ statement, the balance​ sheet, and the statement of cash flows.

The​ \_\_\_\_\_ reflects the results of the operations of a firm over a specified period of time.

income statement

Joe​ Smith, an analyst at a venture capital firm is analyzing the prospect of his firm investing in​ Juicevana, an organic juice chain that recently went public. He wants to calculate​ Juicevana's PE ratio. If​ Juicevana's stock price is​ $20 and its earnings per share is​ $2, its​ P/E ratio is​ \_\_\_.

10

Furniture that a firm owns is a​ \_\_\_\_\_.

fixed asset

​\_\_\_\_\_\_ is a statistical technique used to find relationships between variables for the purpose of predicting future values.

Regression

​Marlo's Appliances believes that annually it has to have revenues of at least​ $440,000 to fully meet its total costs. For​ Marlo's Appliances,​ $440,000 is its​ \_\_\_\_\_\_\_\_\_.

​break-even point

Forecasts should be accompanied by​ a(n) \_\_\_\_\_.

assumptions sheet

Which is the first forecast​ developed?

Sales

A statistical technique used in forecasting is​ \_\_\_\_\_\_ analysis.

regression

The constant ratio method of forecasting goes​ hand-in-hand with​ \_\_\_\_\_\_\_.

percent-of-sales method

A​ firm's pro forma financial statements are similar to its historic financial statements except that​ \_\_\_\_\_\_\_\_\_\_.

they look forward rather than track the past

Juice​ Heaven's current assets are​ $200,000 and its current liabilities are​ $50,000. Its current ratio is​ \_\_\_\_.

4.0

A​ firm's \_\_\_\_\_ is similar to its historical financial statements except that it looks forward rather than tracks the past.

pro forma

A​ firm's pro forma financials should be prepared​ \_\_\_\_\_.

in conjunction with the​ firm's overall planning activities

The preparation of pro forma statements​ \_\_\_\_\_\_.

helps firms rethink their strategies

If a firm has current assets of​ $300,000 and current liabilities of​ $100,000, its current ratio is​ \_\_\_\_.

3.0

**Study plan 9**

A​ new-venture team is the group of​ founders, key​ employees, and​ \_\_\_\_\_ that move a new venture from an idea to a fully functioning firm.

advisers

Many firms have a board of​ directors, \_\_\_\_\_,​ investors, and other professionals on whom they rely for direction and advice.

a board of advisers

A​ new-venture team is the group of​ founders, \_\_\_\_, and advisers that move a new venture from an idea to a fully functioning firm.

key employees

In​ start-up firms, the liability of newness causes​ \_\_\_\_.

failure

A lack of a​ "track record" with outside buyers and suppliers causes a​ start-up firm to suffer from​ \_\_\_\_\_.

the liability of newness

By persuading​ high-quality individuals to join as directors or​ advisers, a​ start-up gains​ \_\_\_\_\_ that opens doors that otherwise would be closed.

legitimacy

When team​ members' areas of expertise are very similar to one​ another, the team is said to be​ \_\_\_\_\_\_\_\_.

homogeneous

The founding team at​ Orlando, Florida-based​ Ally's Organics has two women and two men. One of the women has​ 22-years' experience in​ marketing, the other is just out of college.​ Tom, one of the​ founders, has traveled extensively to various countries as a consultant to manufacturing firms.​ Ally's Organics' founding team is​ \_\_\_\_\_\_\_.

heterogeneous

Which of the following is NOT a common mistake made in putting together a​ new-venture team?

Placing qualified friends or family members in management positions.

The​ four-member founding team at​ Newby's Electronics are all​ 21-22-year old males who graduated from college with accounting degrees. Newby​ Electronics' founding team is​ \_\_\_\_\_\_\_ .

Homogeneous

Prior entrepreneurial​ experience, \_\_\_\_\_\_, and networking are attributes that strengthen the chances of a​ founder's success.

relevant industry experience

​Max, the chief marketing officer of Maxwell​ Orchards, Inc., serves on the​ company's Board of Directors. Max is​ a(n) \_\_\_\_\_\_\_.

inside director

In many​ start-ups, \_\_\_\_\_ become an important part of the​ new-venture team and fill what some entrepreneurs call​ "talent holes."

Professionals

To grow his​ firm, Morales​ Motors, Juan Morales has decided to set up a board of advisers. Juan wants to approach people in his network but is confused as to what the ideal size of an advisory board is. Juan should know that most boards of advisers have between​ \_\_\_\_\_\_\_\_ and​ \_\_\_\_\_\_\_\_ members.

5; 15

The ideal number of members on a board of advisers is​ \_\_\_\_\_.

5-15

Which of the following is NOT a best practice​ (guideline) when organizing a board of​ advisors?

A board of advisors should consist of people that the company can brag about.

Which of the following is NOT a way lenders and investors add value to an entrepreneurial​ venture?

Help generate profits.

An advisory board is a panel of experts​ \_\_\_\_\_\_\_\_\_\_\_\_ to provide counsel and advice on an ongoing basis.

who are asked by a​ firm's managers

​A(n) \_\_\_\_ is an individual who gives professional or expert advice.

Consultant

A​ (n) \_\_\_\_\_\_\_\_ is a freelancer who provides​ administrative, technical, or creative assistance to clients remotely from a home office.

virtual assistant

A consultant is an individual who​ \_\_\_\_\_\_\_\_\_\_.

gives professional and expert advice

A supply chain expert who offers advice on how to streamline a​ firm's supply chain is​ a(n) \_\_\_\_\_\_\_ consultant.

specialist

A feasibility study or an industry analysis is typically prepared by​ a(n) \_\_\_\_\_\_ consultant.

Generalist

An example of a nonprofit organization that provides free consulting services to small businesses is​ \_\_\_\_\_.

SCORE

**STUDY PLAN 10**

Raising money for a startdash–up is​ \_\_\_\_\_\_\_.

a balancing act

Many entrepreneurs launch their firms with the intention of funding all their needs​ \_\_\_\_.

internally

Many entrepreneurs go about the task of raising capital​ \_\_\_\_\_\_.

Haphazardly

Many entrepreneurs go about the task of raising capital haphazardly because they lack experience in this area and because they​ \_\_\_\_\_\_.

​don't know much about their choices

Entrepreneurs need to have as full an understanding as possible of the​ \_\_\_\_\_ with regard to raising money.

alternatives that are available

​\_\_\_\_\_\_\_\_ is a balancing act.

Raising Money

A​ company's \_\_\_\_\_ is the rate at which it is spending its capital until it reaches profitability.

burn rate

It typically takes between​ \_\_\_\_\_\_ to develop an electronic game.

2 and 4 years

There are three reasons that most entrepreneurial ventures need to raise money during their early​ life: cash flow​ challenges, \_\_\_\_\_, and lengthy product development cycles.

capital investments

A​ company's burn rate is the rate at which it is spending its​ \_\_\_\_ until it reaches profitability.

Capital

In the prescription drug​ industry, the path from the research lab to the patient takes an average of​ \_\_\_\_\_ years.

10

In some​ industries, firms need to raise money to pay the​ up-front costs of​ \_\_\_\_\_\_\_.

lengthy product development cycles

The vast majority of founders contribute personal funds along with​ \_\_\_\_\_\_\_ to their ventures.

sweat equity

​\_\_\_\_\_ is the term attached to the general philosophy of minimizing startdash–up expenses by aggressively pursuing costdash–cutting techniques and moneydash–saving tactics.

Bootstrapping

According to​ Fundable, the average amount invested out of an​ entrepreneur's friends and family is​ $ \_\_\_\_\_.

23,000

Which of the following is NOT a bootstrapping​ method?

Buying independently of other businesses.

According to​ Fundable, on​ average, \_\_\_\_\_\_\_ percent of​ start-ups are funded by friends and family.

38

Because many founders do not have a substantial amount of cash to put into their​ ventures, it is often​ \_\_\_\_\_\_ that​ make(s) up the difference.

sweat equity

A(n) \_\_\_\_\_ is an occurrence that converts some or all of a​ company's stock into cash.

liquidity event

Which of the following is NOT a topic you should speak about in a​ 60-second elevator​ pitch?

How quickly you will be profitable.

Once a​ start-up's financial needs exceed what personal​ funds, friends and​ family, and bootstrapping can​ provide, \_\_\_\_\_\_\_\_\_ and​ \_\_\_\_\_\_\_\_ are the two most common sources of funds.

​debt; equity

Equity financing means exchanging partial ownership of a​ firm, usually in the form of​ \_\_\_\_, in return for funding.

Stock

What is the typical time horizon for equity investors to get their money​ back?

3–5 years

The three most common liquidity events for a new venture are when​ \_\_\_\_\_\_, finds a​ buyer, or merges with another company.

it goes public

​A(n) \_\_\_\_\_\_ is the first sale of stock by a firm to the public.

IPO

The​ \_\_\_\_\_\_ process refers to investigating the merits of a potential venture and verifying the key claims made in the business plan.

due diligence

Angel investors typically invest in companies that have the potential to grow​ \_\_\_\_\_ percent to​ \_\_\_\_\_\_ percent per year before they are acquired or go public.

30; 40

The venture capitalists who manage the venture fund are called​ \_\_\_\_\_.

general partners

If the Matrix venture capital firm raised a​ $100 million fund and then the fund grew to​ $500 million and the carry was 20​ percent, the carry amount would be​ $\_\_\_\_\_ million.

80

Investments made very early in a​ venture's life to fund the development of a prototype and feasibility analysis are called​ \_\_\_\_\_\_\_ money.

seed

Anthurium Florals borrowed​ $100,000 from a bank that had to be paid back at​ $10,000 per month with a 6 percent interest. This was a​ \_\_\_\_\_\_.

​single-purpose loan

Anthurium Florals needed cash and so it sold its​ $50,000 in accounts receivable to Omega Financing at a 20 percent discount. The financial transaction that Anthurium Florals did is called​ \_\_\_\_\_ .

Factoring

There are two common types of​ loans: a​ single-purpose loan and​ a(n) \_\_\_\_\_\_.

line of credit

In a​ \_\_\_\_\_, the lender provides a business a lump sum of money in exchange for a share of future sales that covers the payment amount plus fees.

merchant cash advance

Vendor credit is also known as​ \_\_\_\_\_.

trade credit

The standard terms for The Spice​ Market, a retailer of a variety of​ spices, is to order products from vendors that are shipped on net 30 terms. This means The Spice Market is getting​ \_\_\_\_\_.

vendor credit

​\_\_\_\_\_ is the practice of funding a project or new venture by raising monetary contributions from a large number of​ people, typically via the Internet.

Crowdfunding

​\_\_\_\_ is when the lender provides a business with a lump sum of money in exchange for a share of future sales.

Merchant cash advance

There are two types of crowdfunding​ sites: \_\_\_\_\_ and​ equity-based crowdfunding.

​rewards-based

The major advantage of​ \_\_\_\_\_ is that it enables a company to acquire the use of assets with very little or no down payment and no loss of ownership.

leasing

The SBIR program is a competitive grant program that provides over​ $\_\_\_\_ per year to small businesses for​ early-stage and developmental projects.

2.5 billion

Historically, less than​ \_\_\_ percent of Phase I SBIR proposals are funded.

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