

Entrepreneurship

Question Catalogue

January 17, 2021

1 Question Catalogue

1.1 Session 1

What is the activity of an entrepreneur according to Jean Baptiste Say?

"The entrepreneur shifts economic resources out of an area of lower and into an area of higher productivity."

How does Joseph Schumpeter define "entrepreneurship"?

Entrepreneurship is about new factor combinations leading to new products, production methods or new markets. It is about creative destruction.

What are the career reasons of nascent entrepreneurs? Name and explain them.

- Independence (freedom & control in use of one's time)
- Self-realization (pursue self-directed goals)
- Financial success (earn money, achieve financial security)
- Recognition (have status & approval by others)
- Role (follow family traditions or follow example of others)
- Innovation (accomplish something new)

What are the motives for starting a business, according to GEM 2019?

- To make a difference in the world;
- To build great wealth or very high income;
- To continue a family tradition;
- To earn a living because jobs are scarce.

Please name the listed five forms of capital and name at least one example.

- **Natural Capital** (raw materials, energy, land)
- **Financial Capital** (money, bonds)
- **Intellectual Capital** (human capital: skills, knowledge)
- **Organizational Capital** (machines, patents)
- **Social Capital** (stakeholder relationships)

Please give one example of "Creative Destruction" related to entrepreneurship.

- Static: Efficiency and price are main drivers of competition
- Dynamic: Old established business models declining and failing

What are the key activities of entrepreneurs according to Byers et al. (2011)?

- Seek and establish organized activity
- Create value for stakeholders by
 - finding resource arrangements
 - introducing new products and processes
 - identifying new markets to serve needs of a target group
- Devote time and effort
- Assume necessary financial, psychic and social risks

What is a Business Opportunity according to Dorf & Byers?

An opportunity is a timely and favorable juncture of circumstances providing a good chance for a successful venture.

Please name the nine categories of an opportunity (mentioned in the lecture).

- Increasing the value of a product or service
- New applications of existing means or technologies
- Creating mass markets
- Customization for individuals
- Increasing reach
- Managing the supply chain
- Convergence of industries
- Process innovation
- Increasing the scale of the firm

What are the characteristics of an attractive opportunity? Name and explain them shortly.

- Timely: a current need
- Solvable: can be solved in the near future with accessible resources
- Important: on the priority list of the customer
- Profitable: adequate willingness to pay
- Context: favorable regulatory and industry situation

What is an entrepreneurial competence according to Tittel & Terzidis? What does competence consist of? Explain the different parts.

We define a competence as the disposition to generate adequate actions to responsibly solve problems in variable situations.

- Knowledge is the body of facts, principles, theories and practices that is related to a field (inspired by EQF).
- Skill is the ability to apply knowledge and use know-how to complete tasks (inspired by EQF).
- Attitude is a disposition to respond favorably or unfavorably to an object, person, institution, or event (Ajzen, I. 2005, p.3).

Name the six verbs that describe personal competence according to Tittel & Terzidis.

Be, Learn, Create, Want, Dare, Do

What are the stages of Action Learning?

- Listen: Impulse
- Do: Activity & experience
- Reflect: what, how, why, how else
- Internalize: Theorize & practice

1.2 Session 2

How is strategy defined and what does strategic management deal with according to Terzidis (2017)?

A strategy is a plan or roadmap for the fundamental behavior of an organization in order to achieve its mission and long-term goals.

Strategic management deals with the initiatives taken by entrepreneurs involving the utilization of resources to enhance the performance of firms in their external environments.

Name the three key principles for strategic positioning (Porter, 2008).

- Strategy is the creation of a unique and valuable position, involving a different set of activities.
- Strategy requires you to make trade-offs in competing—to choose what not to do.
- Strategy involves creating “fit” (coherence) among a company’s activities.

Which questions you need to ask yourself for finding the balance (IKIGAI)?

- What you love,
- What you are good at,
- What the world needs, and
- What you can be paid for.

What is the definition of a firm according Coase (1937)?

A firm [...] consists of the system of relationships which comes into existence when the direction of resources is dependent on an entrepreneur.

“The firm as a system” – in which markets is the firm embedded?

- Customer market,
- Labor market,
- Capital market,
- Supplier market,
- Complementary partners

What is an industry according to Byers and Dorf?

An industry is a group of firms producing products that are close substitutes for each other and serve the same customer.

Please describe the Industry Lifecycle and explain, if necessary, what is meant by the different phases.

- Emerging phase
- Growth phase
- Mature phase
- Declining phase

Please describe Porter’s Five Forces Model – name all of the forces and differentiate between horizontal and vertical competition.

- Horizontal competition:
 - Aspiring entrants can require new investment for you to stay competitive.
 - You must stand up to existing competition.
 - Substitute offerings can lure customers away.

- Vertical competition:
 - Customers can force down prices by playing you and your rivals against one another.
 - Powerful suppliers may constrain your profits if they charge higher prices.

Give a definition of the term ‘business model’ according to Terzidis (2017).

A business model is an idealized and aggregated representation of how a firm creates value for all its stakeholders.

What are the business model V4 dimensions according to Al Debeid and Avison (2011)?

- Value Proposition (business logic of creating value for customers, ...)
- Value Architecture (technological architecture and organizational infrastructure)
- Value Network (coordination and collaboration)
- Value Finance

What are the Business Models Functions (according to Al Debei & Avison (2011))?

- Alignment Instrument
- Interceding Framework
- Knowledge Capital

Please name the building blocks of the Business Model Canvas.

- Key partners
- Key activities
- Key resources
- Value proposition
- Customer relationships
- Channels
- Customer segments
- Cost structure
- Revenue streams

What is a model according to Stachowiak?

- Mapping (model represents something)
- Idealization (abstraction, not everything mapped)
- Pragmatism (concrete, pragmatic contexts)

Name the limitations of the Business Model Canvas.

- The purpose of the firm is not mentioned.
- Market structure and competitors are not mentioned.
- There is no explicit mentioning of the ‘value network’.
- Implication about the capital needs (e.g. need for working capital) are not mapped.

Fill the business model canvas for Campusjäger!

<u>1. Key Partners</u> <ul style="list-style-type: none"> Who are our Key Partners? Who are our key suppliers? Which Key resources are we acquiring from partners? Which Key Activities do partners perform? 	<u>4. Key Activities</u> <ul style="list-style-type: none"> What Key Activities do our Value Propositions require? Our Distribution Channels? Customer relationships? Revenue streams? 	<u>3. Value Propositions</u> <ul style="list-style-type: none"> What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? What bundles of product and services are we offering to each Customer segment? Which customer needs are we satisfying? 	<u>9. Customer Relationships</u> <ul style="list-style-type: none"> What type of relationship does each of our Customer Segments expect us to establish and maintain with them? How are they integrated with the rest of our business model? How costly are they? 	<u>2. Customer Segments</u> <ul style="list-style-type: none"> For whom are we creating value? Who are our most important customers?
	<u>8. Key Resources</u> <ul style="list-style-type: none"> What Key Resources do our Value Propositions require? Our Distribution Channels? Customer relationships? Revenue streams? 		<u>5. Channels</u> <ul style="list-style-type: none"> Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines? 	
<u>7. Cost Structure</u> <ul style="list-style-type: none"> What are the most important costs inherent in our business model? Which Key resources are most expensive? Which Key activities are most expensive? 		<u>6. Revenue Streams</u> <ul style="list-style-type: none"> For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each revenue Stream contribute to overall revenues? 		

Name the ten rules for good Business Design.

- Good business model design depends as much on art and intuition as it does on science and analysis.
- Good business model design requires deep knowledge of customer needs and the technological and organizational resources that might meet those needs.
- All good business models require an understanding of current business models at work in the market. Most new business model designs involve the hybridizations of others.
- Alignment and coherence is desirable so that the business model elements will be mutually reinforcing.
- Strategic analysis must be tied to business model design and vice versa. Strategy guides business model design and is also to some extent shaped by it.
- Business models should be coupled with strategies and assets that make imitation difficult. Imitation will occur sooner or later, and pioneers must be fast learners.
- Identifying the customer segment(s) to focus on first in order to learn and achieve proof-of-concept and business model viability is a critical capability.
- When n-sided markets are involved, getting started early and effectively seeding the n sides is critical.
- Good business model reengineering skills are an important component of strong dynamic capabilities. They enable proficient seizing.
- The introduction of new business models into an existing organization is always difficult and may require a separate organizational unit.

What is a Start-Up & what is a Lean Start-Up according to Ries?

- Start-up:** A startup is a human institution designed to create a new product or service under conditions of extreme uncertainty.
- Lean Start-up:** Lean Startup is a method to systematically reduce the risk of projects with high uncertainty.

What are the six stages of validated learning according to Ries?

- IDEAS:** Hypothesis
- BUILD:** Build experiment
- PRODUCT:** Minimum viable product
- MEASURE:** Run experiment, record data
- DATA:** Collected data
- LEARN:** Interpret data

What is a Pivot according to Ries? Give an example and explain shortly.

A Pivot is a structured course correction designed to test a new fundamental hypothesis about the product, strategy and engine of growth.

1.3 Session 3

Please name 5 top reasons why startups fail according to the lecture.

All top reasons:

- No market need
- Run out of cash
- Not the right team
- Got outcompeted
- Pricing/Cost issues
- User un-friendly product
- Product without a business model
- Poor marketing
- Ignore customers

Please give a definition of market, the actors who determine the market according to Homburg (2017).

A market is the place, where a supply of products meets the demand for these products, which creates a price. This may occur in a real or in a virtual place.

Market activity is determined by the following actors:

- Buyers
- Providers
- Partners
- State institutions
- Interest groups

Give a definition of marketing according to the American Marketing Association.

Marketing is the activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings that have value for customers, clients, partners and society at large.

Name the 4 P's of the Marketing Mix according to Hisrich and Ramadani (2017). List at least three examples, according to the Lecture.

- Product
- Price
- Promotion
- Place

Name the three Key Challenges of New Ventures and the explanation for each.

- **Liability of Newness:** Liability of newness lead to higher failure rates of new firms compared to older ones. New firms have to create processes, new relationships and have a lack of reputation and experience.
- **Liability of Smallness:** New ventures usually start off with few employees and limited financial resources. Their ability to sustain economic downtrends is limited. They encounter critical gaps in required skills. Smallness is negatively correlated with survival rates.
- **Uncertainty and Turbulence:** Uncertainty is directly connected to a valuable opportunity.

What is market segmentation according to Wendell Smith?

Market segmentation involves viewing a heterogeneous market as a number of smaller homogeneous markets, in response to differing preferences, attributable to the desires of customers for more precise satisfaction of their varying wants.

Name the different categories of customers and list the three mentioned characteristics.

High Level Categories:

- **B2C:** Business to Consumer
- **B2B:** Business to Business
- **B2G:** Business to Government
- **B2H:** Business to Healthcare

Characteristics

- Customer facing processes are completely different
- Product definition, delivery, pricing is different
- Sales processes are different

How is Value and the Value proposition defined in the lecture (inspired by Byers et al)

Value is the worth, importance or usefulness to the customer.

Value proposition is a promise of value to be delivered, communicated and acknowledged.

What are the five dimensions of value of an offering according to Dorf & Byers?

- Product
- Price
- Access
- Service
- Experience

Please give the definition of a 'job' and its three characteristics according to the Job to be done theory (Ulwick 2016).



Figure 1: From *Spongebob Squarepants*, Season 3, Episode 7b

Definition: A job is the progress a customer seeks in a particular context.

Characteristics:

- A job is stable; it doesn't change over time.
- A job has no geographical boundaries.
- A job is solution agnostic.

What is the desired outcome? Please rephrase the three listed descriptions of the lecture

Descriptions from lecture:

- Desired Outcome Statements measure the success when getting a job done.
- They describe how in the view of the customer, it is possible to get the job done in a better way.
- Desired Outcome Statement: Direction of improvement + Performance Metric + Object of control + Context Clarifier

Desired Outcome is what the customer needs to achieve (Required Outcome) and how they need to achieve it (Appropriate Experience). See <https://sixteenventures.com/desired-outcome>.

What are the three approaches to determine the price of an offering?

Price can be determined in the three following ways:

- Cost-based
- Competition-based
- Value-based

What are the three steps of the Strategic Marketing Process (STP)?

- Segmenting
- Targeting
- Positioning

What are the five stages of innovation diffusion according to Roger (1983) and Moore (1991)?

- Innovators
- Early Adopters
- Early Majority
- Late Majority
- Laggards

What are the four questions asked in the method described by van Westendorp (1976) What are the key statements of those?

Questions:

1. At what price would you consider the product to be so expensive, that you would not consider buying it?
2. at what price would you consider the product to be priced so low, that you would feel the quality could not be very good?
3. At what price would you consider the product starting to get expensive, so that it is not of the question, but you would have to give some thought to buying it?
4. At what price would you consider the product to be a bargain - a great buy for the money?

Key statements

1. Too expensive
2. Too cheap
3. Expensive/High Side
4. Inexpensive/Good Value

Name the 8 listed methods according to the lecture to evaluate the market size.

- Market reports and estimates
- Top Down
- Sum of competitors
- Bottom Up
- Value Chain (Forward and Back)
- GDP Correlation
- Adjacent Market Method
- Social Media Analysis

What are the intended outcomes of a competitor analysis according to the lecture? Name the three listed outcomes.

A CA strengthens the knowledge base for informed decisions, reduces risks and enables the formulation and implementation of a strategy.

- An understanding of your competitive environment
- A positioning of your product and company in the competitive environment
- Enabling to iterate ones business model

What are the six steps of the competitor analysis? Describe them briefly.

1. **Start:** Write down your company statement to start your analysis,
2. **Set-Up:** Specify the parameters for your analysis
3. **Identify your competitors:** Think about companies in and outside your industry with the same technology, distribution channel, production process, which solve the same problem
4. **Collect:** Collect the information specified using the determined sources and methods
5. **Present and Capture:** General information, Value Proposition/Network/Architecture/Finance
6. **Synthesize and conclude:** Analyze the information, draw your conclusions and develop your positioning

1.4 Session 4

What is a patent (definition used in the lecture)?

A patent is an exclusion right of limited duration, which the state grants for the disclosure of an invention.

The patent holder is the only authorized person to use the patented invention.

Name the three highlighted characteristics of a patent and the respective descriptions.

- **Novelty:** An invention is considered new if it is not state of the art.
- **Inventive activity:** An invention requires an inventive step; it may not be obvious for an expert skilled in the art.
- **Industrial application:** An invention needs to have an industrial application.

What are the findings of patents according to Häussner et al. (2012)?

While preparing a patent application is costly and requires the disclosure of private information, **patents have an important signaling value.**

What are the three steps of a patent application?

1. Patent Application
2. Inspection Process
3. Disclosure

Please name the different steps of the patent application process and assign it to the respective category. Also name all subitems with at least one description per category.

1. Patent Application (**Filing**)
 - Heading & Summary
 - Full Description
 - Key Section: Patent Claims
 - Drawings
2. Inspection Process (**Examination**)
 - Heading & Summary
 - Full Description
 - Key Section: Patent Claims
 - Drawings
3. Disclosure of Patent Application (**Examination**)
 - Heading & Summary
 - Full Description
 - Key Section: Patent Claims
 - Drawings
4. Violation (**Infringement**)
 - Patent infringement lawsuit
 - Claims

What is excluded from patenting in Germany? Name three examples.

- Business ideas, plans and regulations
- Plant and animal species
- Unethical inventions
- Some inventions in microbiology, biotechnology and software can be patented
- Substitution of material (e.g. plastic for metal)
- Change of size/form of an existing machine/component
- Making something more transportable
- Substitution of one element with a similar one

Please name three opportunities and three risks related to patenting.

Opportunities	Risks
Control over patent and invention	Disclosure of the invention after 18 months
Competitors cannot apply for the same patent: monopoly	Application process expensive
Reputation, innovation and higher valuation	Maintenance expensive due to annual fees
Communication & cooperation with partner	Enforcing patent infringements involves high legal expenses and lawyer costs
Monitoring competitors through their patents	

What is the PCT? What does it provide? Please define as written in the lecture.

The **Patent Cooperation Treaty** (PCT) is an international patent law treaty, concluded in 1970. It provides a unified procedure for filing patent applications to protect inventions in each of its contracting states.

What is a NTBF? Please define according to the lecture.

A **New Technology-Based Firm** (NTBF) is an entrepreneurial organization with the goal to actively create, develop and/or commercialize offerings based on technology and/or research, particularly innovative products, processes, applications and services, which is no more than 12 years in operation.

Please name the Success Factors of New Ventures according to Song et al. (2008).

- Supply chain integration
- Market scope
- Firm age
- Size of founding team
- Financial resources
- Founders' marketing experience
- Founders' industry experience
- Existence of patent protection

What is technology push according to the lecture?

Technology push is the development and market introduction of a new technology-based product or service initiated by new technologies rather than customer needs.

What is market pull according to the lecture?

Market pull is the development and market introduction of a new product or service induced by customer demand. This requires the identification of latent unsatisfied customer needs. The needs can be identified by market research with appropriate instruments, e.g. customer surveys or qualitative methods (including 'design thinking').

Name the four levels of the TAS framework according to Terzidis & Vogel (2017).

- Foundation
- Technology application selection
- Explorative development
- Product introduction

What are the 9 Technology Readiness Levels (TRLs) according to the model of NASA?

1. Basic principles observed and reported
2. Technology concept and/or application formulated
3. Analytical and experimental critical function and/or characteristic proof-of-concept
4. Component and/or breadboard validation in laboratory environment
5. Component and/or breadboard validation in relevant environment
6. System/subsystem model or prototype demonstration in a relevant environment
7. System prototype demonstration in environment
8. Actual system completed and qualified through test and demonstration
9. Actual system proven through successful operations

What is a technology according to the lecture? Name all four subitems.

1. A technology is an artifact that performs a specific function by transforming, transporting or storing energy, matter or information.
2. It is implemented as a specific systemic arrangement (technical system).
3. It refers to tools, machines, techniques, crafts, systems and software.
4. Technology is applied to solve problems and achieve goals.

Please fill a Technology Canvas on the next page with the historic example of cloud computing given in the lecture.

Table 1: General technology canvas

Example Application	Core Idea, Function	Promise & Novelty
What is an example where the technology is used?	Transformation, transportation, storage of energy, matter, information	Potential benefits and what is new
Current Practice	Drawing, Structure	Limitations
What practices are used currently? What are limitations of current practices?	Drawing related to the central concept, typically describing the structure	What are limitations or weaknesses?

Table 2: Technology canvas for cloud computing

Example Application	Core Idea, Function	Promise & Novelty
Web Shops, Mail	<ul style="list-style-type: none"> • Dynamic deployment of scalable IT services through shared IT resources over networks. • Real-time self-service based on Internet technologies • Many companies work on the same platform and share unassigned IT resources (multi-tenant/multi-tenancy) 	<ul style="list-style-type: none"> • On-demand self-service. • Scalable IT resources. • Back-up services. • Consumption-based billing.
Current Practice	Drawing, Structure	Limitations
Each company installs a dedicated client-server environment (single-tenant architecture)	See Figure 2	<ul style="list-style-type: none"> • Concerns about Data Protection • Trust in Provider is key

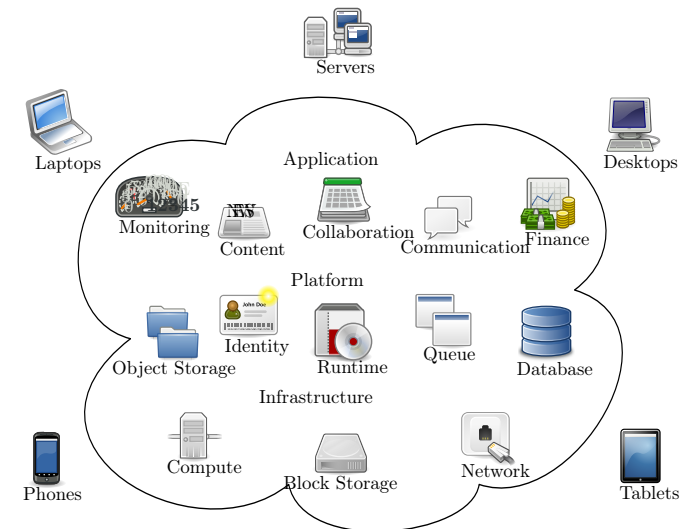


Figure 2: Drawing for cloud computing canvas

1.5 Session 5

How defines Terzidis (2019) Leadership and the leader, according to the lecture?

Leadership ist organizing a group of people to achieve a common goal.

Leader is somebody whom people follow, somebody who guides or directs others.

According to Luhmann, what are the three characteristics of a Modern Organization?

Organizations have decision-making autonomy: they have the ability to reach their own decisions about their members, their goals and their hierarchies.

Characteristics

- Membership
- Goals
- Hierarchies

What are the six traits, that are related to leadership (Northouse, 2016)?

- Intelligence
- Self-Confidence
- Determination
- Integrity
- Sociability
- Emotional Intelligence

What are the five factor personality model dimensions that are related to leadership (Northouse, 2016)?

- High extraversion
- High conscientiousness
- High openness
- Low neuroticism
- High agreeableness

What is the Basic Assumption of Transformatioal Leadership according to Northouse, 2016)?

Effective Leadership is a process that transforms people. Followers and leader are inextricably bound together in this transformation process.

Please name the six principles of effective leadership according to Malik (2006) and explain each one in your own words.

- **Result orientation**
 - In management, the only thing that matters are results
 - It is not the input that matters, but the output
 - The nature of the result depends on the purpose of the organization
 - In professional life, it is often more about duty than about fun
 - This is a management principle, not necessarily a life principle
- **Contribution to the whole**
 - Holistic thinking is important, having collective goal in mind
 - The principle is key to sustainable motivation
 - What matters is what you contribute – within the company and within the value creation network

- **Focus on new things**
 - Being effective demands focus on a core challenge instead of dissipating your energies
- **Use strengths**
 - Fixation on weaknesses is dead end
 - It takes time and patience to observe strengths of team members: What is easy for a team member?
 - Only if you assign tasks that match with strengths, there will be a good motivation and performance
 - Deficits in knowledge, skills, attitudes and habits can be changed; individuality not.
- **Create trust**
 - We all do management mistakes. A team needs trust to overcome this and live a robust relationship.
 - Example: Fault management: Your teams mistakes are your mistakes. Your mistakes are your mistakes. Integrity, consistency, reliability and authenticity are key.
- **Think positive**
 - Positive or constructive thinking is key
 - See opportunities rather than problems
 - Be proactive
 - Give your best

What are the five tasks of effective leadership according to Malik (2006)?

- Create goals
- Organize
- Decide
- Monitor
- Develop people

Please define the term 'decision' using the definitions of Mintzberg (1976) and the Gabler business dictionary (Wirtschaftslexikon).

Mintzberg: Decision is a specific commitment to action (usually a commitment of resources).

Wirtschaftslexikon: Decision is the selection of an action from a set of available alternatives, with an intentional accent, taking into account possible environmental conditions.

Please name the 7 stages of a decision-making process according to Malik (2011).

1. Precise definition of the problem
2. Specification of the requirements and criteria the decision has to fulfill
3. Working-out the alternatives (all alternatives!)
4. Analysis of risks and consequences of all alternatives; setting limitations
5. Making the decision
6. Implementation plan
7. Establishment of feedback-loops: Follow-up and follow-through

What are the seven tools of effective leadership according to Malik?

- Meetings
- Reports
- Job Design
- Personal working methodology
- Budget
- Performance assessment
- "Waste disposal"

1.6 Session 6

Name the three forms of external financing mentioned in the lecture. For each of those, name the three outlined definitions.

- **Equity capital:**
 - Having a share implies to co-own the companies
 - Control rights, co-determination rights, information rights
 - Direct participation in business success & failure
- **Mezzanine capital**
 - Repayment obligation, profit-linked interest
 - Optional control rights, co-determination/information rights
 - Potential participation in failure
- **Loans/Borrowed capital**
 - Repayment obligation, interest payment
 - Investors do not hold any shares
 - No participation in business success

Please name all categories of internal financing for funding a start-up

- Self-financing
- Boot-strapping

What is the definition of risk (according to the Gabler Online Wirtschaftslexikon)?

A risk is an indication of the possibility that with some probability a loss may occur in connection with a decision or an expected benefit may not materialize.

What is the legal definition of Bankruptcy? Please name the main liability of the management, according to the Insolvency code.

Legal definition:

A company is in a crisis, if it does not obtain loans at market prices anymore. It is then said to be 'unworthy of credit'.

Liability of the management:

- Delayed filing for insolvency (Insolvenzverschleppung): 3 weeks
- If the company you manage enters a crisis, you must act and inform the authorities.

What are the three reasons for insolvency (InsO §17-19)?

- Illiquidity (Zahlungsunfähigkeit)
- Imminent insolvency (Drohende Zahlungsunfähigkeit)
- Over-indebtedness (Überschuldung)

The risk of the investors depends on the type of investment: Please categorize the different types of external financing (diagram 1). Name the two definitions for each type.

- **Equity capital:**
 - Highest liability risk
 - Lowest rank in case of insolvency or liquidation
- **Mezzanine Capital:**

- Lower ranked than borrowed capital
- Higher interest rate than loans
- **Loans/borrowed capital:**
 - Reduced risk
 - Highest rank in case of insolvency or liquidation

Please fill out the Start-up Financing Cycle (diagram 2).

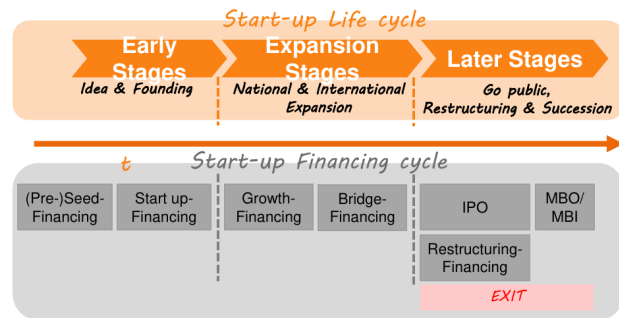


Figure 3: Financing Cycle

Early-Stages: Why is it difficult for start-ups to obtain loans according to Hof (2017)? Name all the mentioned aspects.

- Lack of securities
- No track record
- Irreversibility of R&D costs (sunk cost)
- Risk of failure
- High uncertainty about
 - Market opportunities
 - development of the company
- Asymmetric information
 - skills of the founders?
 - Difficulty to evaluate the quality of the product/technology

What are the characteristics of the Idea phase according to the lecture?

- Idea generation, prototyping, feasibility studies, team building etc.
- No revenues, no profits/moderate losses
- Financing from own cash-flows is not possible

What are the characteristics of the start-up phase according to the lecture?

- Company foundation, product development reaches production stage, first marketing concepts, partnerships
- First revenues, first small profits/high losses

- Rising capital requirements

What are the top five motivations of Business Angels for Investing according to Brandenburger et al. (2012)?

- Supporting young entrepreneurs
- Contribute own professional experience
- For fun
- Potentially fruitful investment
- To play a role in the entrepreneurial process

Name the five top factors in the category Entrepreneur and team according to Brandenburger et al. (2012).

- Trustworthiness
- Enthusiasm
- Achievement motivation
- Ability to communicate the product
- Frustration tolerance

Name the six main phases of the funding process.

- Deal Origination
- Screening
- Evaluation
- Deal Closing
- Post-Investment Activities
- Exit

How do investors identify new companies according to the lecture? Name three.

- Through direct contact from the entrepreneur (e.g., cold call, email, application platform).
- Through an active search for deals.
- Through a referral process.

Name and explain the several events an investor can make an exit through according to Cumming and MacIntosh (2003).

- Acquisition: the company as a whole is sold.
- Initial public offering (IPO): the investor sells the shares on the stock market.
- Buy-back: the investor sells the shares to the founders.
- Secondary sale: the investor sells shares to another investor.
- Write off: the investor realizes a capital loss.

How is a failure defined according to Gage (2012)?

If failure is defined as failing to see the projected return on investment - say, a specific revenue growth rate or date to break even on cash flow - then more than 95% of start-ups fail.

Name the 5 top reasons why Startups fail.

- No Market Need
- Run out of Cash
- Not the Right Team
- Got Outcompeted
- Pricing/Cost Issues

1.7 Session 7

Explain the three mentioned reasons why it is necessary to have a business plan according to the lecture.

- Every major project needs a business plan. It is a roadmap and basis for funding decisions.
- Writing a business plan is an intensely focused activity. It requires honest thinking about your business concept.
- The more mature a business, the more you need a structured plan. Do not over-plan in the first phases.

What are the four key objectives of EXIST according to the lecture?

- Establish a culture of entrepreneurship in university teaching, research and administration [...].

... translate the findings of academic research into economic value [...].

- Promote the huge potential for business ideas and entrepreneurs at universities and research institutions [...].

... increase the number of innovative business start-ups and create [...] new jobs [...]

Please name a typical structure of a business plan.

- Cover page and table of content
- Executive summary
- Business description
- Business environment analysis
- Industry background
- Competitive analysis
- Market analysis
- Marketing plan
- Operations plan
- Management team
- Financial plan
- Attachments and milestones

What are the four sections of the EXIST business plan template? (Gründerstipendium)

1. Executive Summary
2. Business Idea
3. Market/Competition
4. Operational Planning

What are the three definitions mentioned in the lecture for pricing (Simon, 2004; Piercy et al., 2010; Ingenbleek et al, 2003)?

- The price is a key factor for profits.(Simon 2004)
- It has high strategic impact. (Piercy et al. 2010)
- It can be determined in three ways (Ingenbleek et al. 2003, Monroe 1990, Hinterhuber 2008)
 - Cost-based
 - Competition-based
 - Value-based

Please explain GbR, GmbH and UG according to the slides in the lecture.

- Gesellschaft bürgerlichen Rechts (GbR)
 - Unlimited personal liability, no capital required
 - Joint management (if not agreed differently)
- Gesellschaft mit beschränkter Haftung (GmbH)
 - Limited personal liability, 25 k€ minimum capital
 - Notarial act for partners' agreement (Gesellschaftervertrag)
- Unternehmergesellschaft (UG)
 - Start a GmbH with 1 EUR.
 - 25 % of the profits must go into a reserve until the minimum initial capital of 25 k€ has been raised.

What is the definition of Risk according to Vaughan (2008).

Risk is a condition in which there is a possibility of an adverse deviation from a desired outcome that is expected or hoped for.

Please name the five points of the Consequence Scale including the explanations.

1. **Irrelevant:** the risk doesn't impact changes in the company's goals and objectives
2. **Minor:** the risk can be treated with existing resources
3. **Moderate:** the impact of risk can be treated, but additional resources are required
4. **Major:** treatment of the risk will require significant additional resources from other sectors or sources
5. **Significant:** the risk might cause the company to fail achieving its goals and in some cases can prove to be fatal to the company

Please name the five points of the Likelihood Scale including the explanations.

1. **Rare:** the risk might occur only in extraordinary circumstances. Such a risk has occurred somewhere else and might occur once in every 5+ years. Probability of occurrence is lower than 5%.
2. **Unlikely:** the risk might occur at some point, for example, once in 5 years. Probability of occurrence is 5–30%.
3. **Possible:** the risk might occur at some point, for example, once in 3 years. Probability of occurrence is 30–70%.
4. **Likely:** the risk might occur, at least once during the year. Probability of occurrence is 70–95%.
5. **Almost certain:** the risk is expected to occur in the majority of cases, occurs often during the relevant year. Probability of occurrence is 95–100%.

Please name the three options to treat risks including the explanation, mentioned in the lecture.

- **Risk avoidance:** includes taking proactive measures, such as requiring clients to cover purchased goods with credit through a collateral, or not undertaking any activities at all, which is expected to be damaging.
- **Risk reduction:** includes taking concrete measures to minimize the consequences of a specific risk, such as installing alarms to secure assets from eventual thefts, or installing fire alarms.
- **Risk anticipation:**, in literature, also known as the self-insurance strategy, where entrepreneurs leave aside some amount of money in order to cover damages if a risk occur.

Please name the steps of the Linear causation approach.

analyze, plan, do, check, act

Please name the steps of the Linear causation approach in an entrepreneurial context.

market research, segmentation, positioning, business plan, financing and staff, "go live"

Please name and explain the five principle of effectuation according to Sarasvathy (2009)?

- **Bird-in-Hand Principle:** entrepreneurs take means driven action when building a new venture
- **Affordable Loss Principle:** entrepreneurs limit risk by defining what they can afford to lose at each step
- **Crazy Quilt Principle:** entrepreneurs build partnerships with self-selecting stakeholders.
- **Lemonade Principle:** entrepreneurs invite the surprise factor
- **Pilot-in-the-Plane Principle:** entrepreneurs know their actions will result in the desired outcomes. Focus on activities within their control.