

***Entrepreneurship: Successfully Launching New Ventures, 4e (Barringer/Ireland)***  
**Chapter 2 Recognizing Opportunities and Generating Ideas**

1) BenchPrep, the company profiled in the opening feature for Chapter 2, sells an iPhone app to help students prepare for the GMAT and other exams. The original idea for the company stemmed from the founders' recognition that if people could use their iPhones to study for the GMAT:

- A) they wouldn't have to carry heavy study books around and they could maximize their study time by catching a few minutes of studying between meetings and on similar occasions
- B) they could study more questions and a computer within the app could keep track of their progress on practice exams
- C) they could save money by not having to buy multiple study guides and a small computer within the app could keep track of their progress on practice exams
- D) they wouldn't have to carry heavy study books around and they could interact online with other people preparing for the GMAT and similar exams
- E) they could maximize their study time by catching a few minutes of studying between meetings and on similar occasions and they could save money by not having to buy multiple study guides

Answer: A

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Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

- A) idea
- B) scheme
- C) design
- D) proposal
- E) opportunity

Answer: E

Diff: 1 Page Ref: 43

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

3) According to the textbook, opportunities are:

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

Answer: D

Diff: 2 Page Ref: 43

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

4) An opportunity has four essential qualities:

- A) attractive, timely, durable, and anchored in a product, service, or business that creates or adds value for its buyer or end user
- B) practical, opportune, appropriate, and anchored in a product, service, or business that is efficient and effective
- C) realistic, striking, timely, and anchored in a product, service, or business that is timely
- D) attention-getting, attractive, timely, and anchored in a product, service, or business that creates or adds value for its buyer or end user
- E) attractive, durable, resilient, and opportune

Answer: A

Diff: 2 Page Ref: 43

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

5) Shelly Ford is starting a fashion boutique in an upscale mall near San Antonio. She wants to open her store during the time period in which a business like hers can realistically enter the new market. Shelly is trying to open her business while the \_\_\_\_\_ is open.

- A) safe harbor
- B) window of opportunity
- C) portal of entry
- D) doorway of opportunity
- E) safety zone

Answer: B

Diff: 2 Page Ref: 43

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

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

Answer: D

Diff: 2 Page Ref: 43

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

- A) An opportunity and an idea are essentially the same thing.
- B) An idea almost always meets the criteria of an opportunity.
- C) An opportunity is a thought, an impression, or a notion.
- D) An idea is a favorable set of circumstances that creates a need for a new product, service, or business.
- E) It's important to discern whether a particular idea meets the criteria for an opportunity.

Answer: E

Diff: 2 Page Ref: 43

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

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

Answer: B

Diff: 1 Page Ref: 43

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

- A) Determine whether the "window of opportunity" is open.
- B) Determine whether a fitness center for young adults ages 18-30 meets the threshold of being a good idea.
- C) Determine the extent to which the notion takes advantage of an environmental trend, solves a problem, or fills a gap in the marketplace.
- D) Determine whether opening a fitness center for young adults ages 18-30 is timely.
- E) Determine whether opening a fitness center for young adults ages 18-30 is a concept that creates value for its buyer or end user.

Answer: B

Diff: 2 Page Ref: 43

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

10) The three ways to identify an opportunity include:

- A) observing trends, solving a problem, and finding gaps in the marketplace
- B) studying industry trade journals, talking to consumers, and solving a problem
- C) observing trends, conducting brainstorming sessions, and studying industry trade journals
- D) observing trends, talking to consumers, and finding gaps in the marketplace
- E) reading books, solving a problem, and findings gaps in the marketplace

Answer: A

Diff: 2 Page Ref: 44

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

11) GasBuddy and GasPriceWatch.com are companies started to help consumers save money on gas. Which environmental trend is most likely to have provided the impetus for the creation of these companies?

- A) regulatory changes
- B) political changes
- C) economic forces
- D) technological advances
- E) social forces

Answer: C

Diff: 2 Page Ref: 45

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

12) Economic forces impact the opportunities available to entrepreneurs. Which of the following alternatives reflects a set of economic forces that would be of interest to entrepreneurs?

- A) level of disposable income, new uses of old technologies, and new laws and regulations
- B) new technologies, consumer spending patterns, and new laws
- C) interest rates, consumer spending patterns, and level of disposable income
- D) social and cultural trends, level of interest rates, and what people think is "in"
- E) new changes in political areas, new laws, and level of disposable income

Answer: C

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Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

- A) changes in interest rates
- B) emphasis on clean forms of energy including wind, solar, biofuels, and others
- C) aging of baby boomers
- D) increased diversity of the workforce
- E) increasing number of people going back to school and/or retraining for new jobs

Answer: A

Diff: 2 Page Ref: 47

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

14) An increased focus on health and wellness has resulted in a number of new business ideas including healthier foods and beverages, yoga instruction and training centers, and nutrition consulting. An increased focus on health and wellness is an important \_\_\_\_\_ that is creating opportunities in many areas for entrepreneurial firms.

- A) economic force
- B) regulatory force
- C) legal force
- D) technological advances
- E) social force

Answer: E

Diff: 2 Page Ref: 47

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

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

Answer: D

Diff: 2 Page Ref: 47

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

16) Hulu.com allows people to watch television shows and movies on the Internet. Hulu.com's business opportunity was made possible by \_\_\_\_\_ that enhanced the ability of television shows and movies to be uploaded to the Internet and played by anyone with a suitable computer and an Internet connection.

- A) social forces
- B) technological advances
- C) legal changes
- D) regulatory changes
- E) economic forces

Answer: B

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Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

17) If a new firm was launched to help public schools comply with The No Child Left Behind Act of 2002, that opportunity was created by:

- A) changes in economic forces
- B) demographic changes
- C) changes in social forces
- D) changes in technological forces
- E) political actions and regulatory changes

Answer: E

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Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

- A) observing trends
- B) studying government reports
- C) finding gaps in the marketplace
- D) talking to consumers
- E) solving a problem

Answer: E

Diff: 2 Page Ref: 50

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

19) Sharon Simms is a very capable computer engineer. Recently, she noticed a problem that computer engineers have, and thought of a solution to the problem that might represent an opportunity for a new software product. Sharon's idea for a new software product is an example of a(n) \_\_\_\_\_ discovery.

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

Answer: B

Diff: 2 Page Ref: 50

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

20) The Savvy Entrepreneurial Firm feature in Chapter 2 focuses on Xhale and Vestagen, two entrepreneurial startups. While each firm is different and is successful in its own right, the main point of the feature is to illustrate that:

- A) entrepreneurial startups can solve the same problem in different ways
- B) entrepreneurial firms are often started by everyday people solving everyday problems
- C) one of the most important points to consider before launching a business is to determine if its window of opportunity is open
- D) finding gaps in the marketplace is an effective way of identifying business opportunities
- E) both economic and social forces impact the opportunities available to entrepreneurs

Answer: A

Diff: 2 Page Ref: 52

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

21) Clothing boutiques and specialty shops often start because there is a need for a particular product but large retailers like Wal-Mart and Costco can't sell enough of the item to stock it on their shelves. If a clothing boutique started to sell designer clothes or clothing for hard-to-fit people because the clothing wasn't being offered by a larger retailer, the best way to describe how that idea was recognized is:

- A) finding a gap in the marketplace
- B) brainstorming
- C) observing trends
- D) solving a problem
- E) talking to consumers

Answer: A

Diff: 3 Page Ref: 53

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

- A) brainstorming
- B) talking to consumers
- C) reading industry reports
- D) observing trends
- E) finding a gap in the marketplace

Answer: E

Diff: 3 Page Ref: 54

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

23) A common way that gaps in the marketplace are recognized is:

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

Answer: D

Diff: 1 Page Ref: 54

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business



24) The What Went Wrong? feature in Chapter 1 focuses on Clearly Canadian, a company that introduced a line of fruit-flavored bottled water in the early 1990s. The main takeaway from the feature is that:

- A) if a firm says it's capitalizing on an environmental trend, solving a problem, or filling a gap in the marketplace, it has to deliver on its promises
- B) if a firm is basing its business idea on solving a problem, its solution must be better than solutions that are currently available
- C) if a firm is capitalizing on an environmental trend, it must be a trend that will stay in place for a minimum of 3-5 years for the opportunity to be sustainable
- D) brainstorming is an effective technique for generating business ideas
- E) focus groups are an effective technique for generating business ideas

Answer: A

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Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

25) Which of the following statements is incorrect regarding the personal characteristics of entrepreneurs?

- A) Some people think that entrepreneurs have a "sixth sense" that allows them to see opportunities that others miss.
- B) The extent and depth of an individual's social network affects opportunity recognition.
- C) Several studies show that prior experience in an industry actually blinds an entrepreneur to the recognition of new opportunities in the same industry.
- D) Creativity is the process of generating novel or useful ideas.
- E) The corridor principle states that once an entrepreneur starts a firm, he or she begins a journey down a path where "corridors" leading to new venture opportunities become apparent.

Answer: C

Diff: 3 Page Ref: 55

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

26) Frank Patterson started a firm in 2011 that creates and manufactures accessories for Apple iPhones. He started with four accessories, and after several months added three new accessories that have been very successful. The fact that Frank recognized the opportunity for the three new accessories only after he started his firm and become immersed in the iPhone accessory industry is an example of the \_\_\_\_\_ at work.

- A) opportunity tenet
- B) opportunity rule
- C) chance rule
- D) access principle
- E) corridor principle

Answer: E

Diff: 2 Page Ref: 55

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

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

Answer: D

Diff: 2 Page Ref: 55

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

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

Answer: C

Diff: 2 Page Ref: 55

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

- 29) Which of the following statements is incorrect in regard to entrepreneurial alertness?
- A) The research findings on entrepreneurial alertness are conclusive.
  - B) Alertness is largely a learned skill.
  - C) People who have more knowledge of an area tend to be more alert to opportunities in that area than others.
  - D) The term "entrepreneurial alertness" is often associated with a "sixth sense" that seems to allow some people to see opportunities that others miss.
  - E) Entrepreneurial alertness is defined as the ability to notice things without engaging in deliberate search.

Answer: A

Diff: 3 Page Ref: 56

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

Answer: D

Diff: 3 Page Ref: 57

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

- 31) An individual who identifies a business idea on his or her own is referred to as a(n):
- A) separate entrepreneur
  - B) functional entrepreneur
  - C) lone entrepreneur
  - D) individual entrepreneur
  - E) solo entrepreneur

Answer: E

Diff: 2 Page Ref: 57

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

- A) on their own
- B) through the assistance of a paid consultant
- C) through social contacts
- D) with one or more partners
- E) through a business incubator program

Answer: C

Diff: 2 Page Ref: 57

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

- A) through social contacts, on their own
- B) through a business incubator program, through social contacts
- C) on their own, through social contacts
- D) through the assistance of a paid consultant, through social contacts
- E) with one or more partners, on their own

Answer: C

Diff: 3 Page Ref: 57

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

34) \_\_\_\_\_ are characterized by frequent interactions that form between coworkers, friends, and spouses.

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

Answer: E

Diff: 2 Page Ref: 57

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

35) Most of Jacob's ideas come from interacting with coworkers, friends, his spouse, his parents, and other people that share the same beliefs that he does. Jacob is getting most of his ideas through:

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

Answer: C

Diff: 2 Page Ref: 57

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

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

Answer: D

Diff: 2 Page Ref: 57

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

37) According to research in this area, it is more likely that an entrepreneur will get a new business idea through a \_\_\_\_\_ relationship than the alternatives.

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

Answer: A

Diff: 2 Page Ref: 57

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

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

Answer: C

Diff: 1 Page Ref: 57

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

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

Answer: C

Diff: 3 Page Ref: 57

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

40) Macy is a very creative person. Often, when trying to generate a novel or useful idea, she spends several days "mulling over" the idea, which is her way of thinking it through, at both the conscious and unconscious level. The stage of the creative process that Macy is in while she is mulling over an idea is referred to as:

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

Answer: E

Diff: 2 Page Ref: 58

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

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

Answer: A

Diff: 2 Page Ref: 58

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

- A) Insight groups
- B) Competitive intelligence gatherings
- C) Examination groups
- D) Survey groups
- E) Brainstorming

Answer: E

Diff: 1 Page Ref: 59

Topic: Techniques for Generating Ideas

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

- A) no criticism is allowed
- B) the session moves quickly
- C) freewheeling is encouraged
- D) leapfrogging is encouraged
- E) the session is used for decision making

Answer: E

Diff: 2 Page Ref: 59

Topic: Techniques for Generating Ideas

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

- A) no criticism is allowed
- B) no freewheeling is allowed
- C) no leapfrogging is allowed
- D) no more than 10 people are allowed to participate
- E) no wild or unrealistic ideas are allowed

Answer: A

Diff: 2 Page Ref: 59

Topic: Techniques for Generating Ideas

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

- A) they are most likely to purchase large amounts of the product or service being discussed
- B) they responded to a self-selected opinion poll about the topic being discussed
- C) of their relationship to the issue being discussed
- D) they responded to a mail survey about the topic being discussed
- E) they are spokespersons for the topic being discussed

Answer: C

Diff: 2 Page Ref: 60

Topic: Techniques for Generating Ideas

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

46) According to the textbook, the best approach to utilizing a library for entrepreneurship-related research is to:

- A) discuss your general area of interest with a reference librarian
- B) focus your efforts on studying newspapers and periodicals
- C) focus your efforts on browsing through industry-related materials
- D) discuss your general area of interest with other library patrons
- E) focus your efforts on academic journals

Answer: A

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Topic: Techniques for Generating Ideas

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business



47) An example of a valuable library resources is IBISWorld, which is a(n):

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

Answer: E

Diff: 2 Page Ref: 61

Topic: Techniques for Generating Ideas

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

48) To make sure that its customers are satisfied and to probe for new product ideas, Intuit routinely sends employees to the facilities of their customers. This technique for generating new business ideas is called:

- A) brainstorming
- B) day-in-the-life research
- C) focus group
- D) survey
- E) customer advisory board

Answer: B

Diff: 2 Page Ref: 61

Topic: Techniques for Generating Ideas

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

- A) suggestion bank
- B) idea depository
- C) suggestion pool
- D) idea bank
- E) proposition pool

Answer: D

Diff: 1 Page Ref: 63

Topic: Encouraging and Protecting New Ideas

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

50) Which of the following is an example of how to encourage creativity at the organizational level?

- A) Maintain a "stiff" organizational culture with no room for different behaviors.
- B) Elevate creativity's importance throughout the organization.
- C) Pigeonhole employees; keep them in the same job for years.
- D) Make no attempt to hire creative people.
- E) Promote a mentality suggesting that the best solutions to all problems have already been found.

Answer: B

Diff: 2 Page Ref: 63

Topic: Encouraging and Protecting New Ideas

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

Answer: FALSE

Diff: 1 Page Ref: 43

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

Answer: FALSE

Diff: 2 Page Ref: 43

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

Answer: FALSE

Diff: 2 Page Ref: 43

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

Answer: TRUE

Diff: 1 Page Ref: 44

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

Answer: TRUE

Diff: 2 Page Ref: 44

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

56) Economic factors, social factors, technological advances, and political action and regulatory changes are the most important trends to follow in trying to identify opportunities.

Answer: TRUE

Diff: 2 Page Ref: 44

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

Answer: FALSE

Diff: 2 Page Ref: 44

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

58) Aging of baby boomers, the increasing diversity of the workplace, and increasing interest in healthy foods and "green" products are important economic trends.

Answer: FALSE

Diff: 1 Page Ref: 47

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

Answer: TRUE

Diff: 2 Page Ref: 55

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

Answer: TRUE

Diff: 2 Page Ref: 55

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

Answer: TRUE

Diff: 2 Page Ref: 57

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

Answer: FALSE

Diff: 3 Page Ref: 57

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

Answer: TRUE

Diff: 3 Page Ref: 57

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

Answer: FALSE

Diff: 2 Page Ref: 58

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

Answer: TRUE

Diff: 2 Page Ref: 58

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

Answer: TRUE

Diff: 2 Page Ref: 59

Topic: Techniques for Generating Ideas

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

Answer: FALSE

Diff: 3 Page Ref: 59

Topic: Techniques for Generating Ideas

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

Answer: FALSE

Diff: 2 Page Ref: 60

Topic: Techniques for Generating Ideas

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

Answer: TRUE

Diff: 1 Page Ref: 63

Topic: Encouraging and Protecting New Ideas

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

70) Creativity and innovation are almost identical concepts.

Answer: FALSE

Diff: 2 Page Ref: 63

Topic: Encouraging and Protecting New Ideas

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

Answer: An opportunity is a favorable set of circumstances that creates a need for a new product, service, or business. An opportunity has four essential qualities: it is (1) attractive, (2) durable, (3) timely, and (4) is anchored in a product, service, or business that creates or adds value for its buyer or end user. In contrast, an idea is a thought, impression, or notion. It may or may not meet the criteria of an opportunity. This distinction between an idea and an opportunity is important because many entrepreneurial ventures fail not because the entrepreneurs that launched them didn't work hard, but rather because there was no real opportunity to begin with.

Diff: 1 Page Ref: 43

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

Answer: The three ways that entrepreneurs identify new business, product, and service opportunities are through observing trends, solving a problem, and finding gaps in the marketplace.

The first approach to identifying opportunities is to observe trends and study how they create opportunities to pursue. Economic forces, social factors, technological advances, and political action and regulatory changes are the most important trends to follow. The second approach to identifying opportunities is solving a problem. Sometimes identifying opportunities simply involves noticing a problem and finding a way to solve it. These problems can be pinpointed through observing trends and through more simple means, such as intuition, serendipity, or chance. The third approach is finding gaps in the marketplace. This approach is accomplished by finding a need that customers have that is not being satisfied—by either large, established firms or entrepreneurial ventures. Large retailers like Wal-Mart, Costco, and Home Depot compete primarily on price by serving large groups of customers with similar needs. They do this by offering the most popular items targeted towards mainstream consumers. While this approach allows the large retailers to achieve economies of scale, it leaves gaps in the marketplace. Entrepreneurs step in to start businesses to fill these gaps. There are also gaps in the marketplace that represent consumer needs that aren't being met by anyone.

Diff: 2 Page Ref: 44

Topic: Identifying and Recognizing Opportunities

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

73) Describe the difference between strong-tie and weak-tie relationships. Is it more likely that an entrepreneur will get new ideas through strong-tie or weak-tie relationships?

Answer: Strong-tie relationships are characterized by frequent interaction and form between coworkers, friends, and spouses. Weak-tie relationships are characterized by infrequent interaction and form between casual acquaintances. According to research in this area, it is more likely that an entrepreneur will get a new business idea through a weak-tie than a strong-tie relationship because strong-tie relationships, which typically form between like-minded individuals, tend to reinforce insights and ideas the individuals already have. Weak-tie relationships, on the other hand, which form between casual acquaintances, are not as apt to be between like-minded individuals, so one person may say something to another that sparks a completely new idea.

Diff: 3 Page Ref: 57

Topic: Personal Characteristics of the Entrepreneur

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

74) Describe how brainstorming can help facilitate the generation of ideas, and outline the four rules for conducting a brainstorming session.

Answer: Brainstorming is a technique that is used to generate a number of ideas quickly. Among the purposes a brainstorming session could be used for, is the generation of new business, product, or service ideas.

In a brainstorming session, the leader of the group of people is instructed to come up with ideas. One person shares an idea, another person reacts to it, another person reacts to the reaction, and so on. A flip chart is typically used to record all the ideas. A productive session is freewheeling and lively. The main objective is to create an atmosphere of enthusiasm and originality where lots of ideas are generated. The four strict rules of brainstorming are as follows:

1. No criticism is allowed.
2. Freewheeling is encouraged; the more ideas, the better.
3. The session moves quickly, and nothing is permitted to slow down the pace.
4. Leapfrogging is encouraged. This means using one idea as a means of jumping forward quickly to other ideas.

Diff: 2 Page Ref: 59

Topic: Techniques for Generating Ideas

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business

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

Answer: Library and Internet research are important tools for generating business ideas. A natural tendency is to think that an idea should be chosen, the process of researching the idea should then begin. This approach is too linear. Often, the best ideas emerge when the general notion of an idea, like creating casual electronic games for adults, is merged with extensive library and Internet research, which might provide insights into the best types of casual games to create. The best approach to utilizing a library is to discuss your general area of interest with a reference librarian, who can point you to useful resources, such as industry-specific magazines, trade journals, and industry reports. Simply browsing through several issues of a trade journal can spark new ideas. Internet research is also important. If you are starting from scratch, simply typing "new business ideas" into Google or Yahoo! will produce links to newspaper and magazine articles about the "hottest" and "latest" new business ideas. If you have a specific idea in mind, a useful technique is to set up a Google or Yahoo! e-mail alert using keywords that pertain to your topic of interest. The Internet can also be used for specific searches and to access blogs that provide insightful information on almost any topic.

Diff: 2 Page Ref: 61

Topic: Techniques for Generating Ideas

AACSB: Reflective Thinking

Objective: Describe the role of entrepreneurs and small business