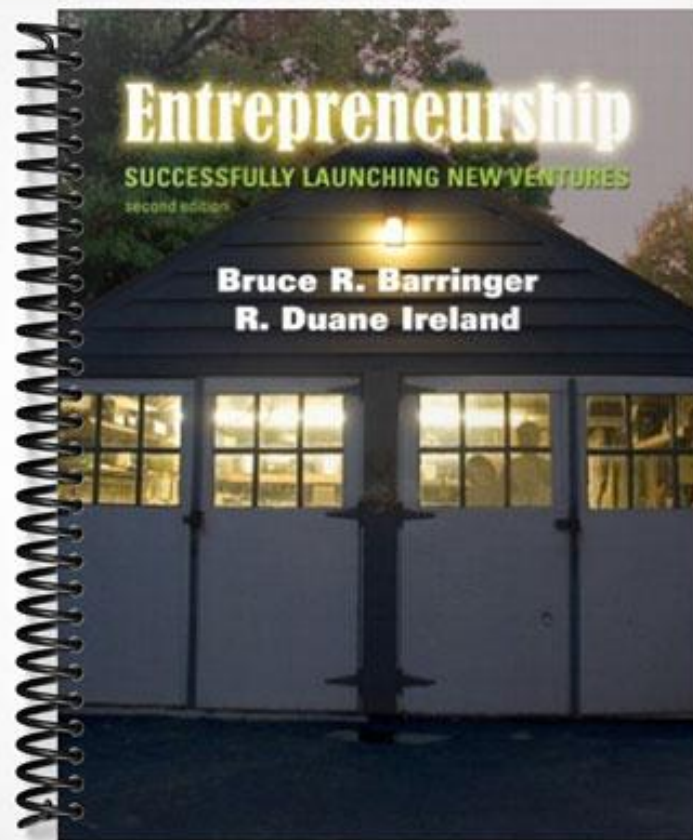


TEST BANK



CHAPTER 2

Recognizing Opportunities and Generating Ideas

MULTIPLE-CHOICE QUESTIONS

Identifying and Recognizing Opportunities

Answer: D
Easy
Page: 38

1. 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. opportunity
 - E. proposal

Answer: E
Medium
Page: 39

2. According to the textbook, opportunities are:
- A. neither easy nor tough to spot
 - B. easy to spot in manufacturing but tough to spot in the service sector
 - C. easy to spot
 - D. easy to spot in the service sector but together to spot in manufacturing
 - E. tough to spot

Answer: D
Medium
Page: 39

3. An opportunity has four essential qualities: it is
- A. showy, robust, timely, and practical
 - B. practical, realistic, timely, and attractive
 - C. technologically sophisticated, durable, practical, and timely
 - D. attractive, durable, timely, and anchored in a product, service, or business that creates or adds value for its buyer or end user
 - E. showy, sensible, timely, and anchored in a product, service, or business that creates or adds value for its buyer or end user

Answer: A
Medium
Page: 39

4. An opportunity has four essential qualities: it is attractive, timely, anchored in a product, service, or businesses that creates or adds value for its buyer or end user, and:
- A. durable
 - B. practical
 - C. realistic
 - D. attention-getting
 - E. forceful

Answer: D
Medium
Page: 39

5. The term _____ describes the time period in which a firm can realistically enter a new market.
- A. safe harbor
 - B. portal of entry
 - C. doorway of opportunity
 - D. window of opportunity
 - E. safety zone

Answer: D
Medium
Page: 39

6. The term “window of opportunity,” as discussed in Chapter 2, describes the time period in which a firm can:
- A. obtain funding or financing
 - B. hire new employees
 - C. obtain patent protection for a new product
 - D. realistically enter a new market
 - E. get government approval for a regulated product or service

Answer: E
Medium
Page: 39

7. Mary Porter is thinking about starting an e-commerce firm that would cater to soccer, fencing, and volleyball enthusiasts. Mary has been warned, however, that before she proceeds she should make sure that now is a realistic time to enter this market. In other words, Mary is being advised to make sure that the _____ is open to start the firm she is contemplating.
- A. portal of opportunity
 - B. doorway of opportunity
 - C. opportunity entryway
 - D. idea entryway
 - E. window of opportunity

Answer: A
Easy
Page: 39

8. A(n) _____ is a thought, impression, or notion. A(n) _____ is a favorable set of circumstances that creates the need for a new product, service, or business.
- A. idea, opportunity
 - B. scheme, notion
 - C. opportunity, idea
 - D. idea, design
 - E. notion, scheme

Answer: E
Medium
Page: 39

9. The story of the launch and subsequent difficulties experienced by Planet Hollywood is the focus of the “What Went Wrong?” boxed feature in Chapter 2. Planet Hollywood has failed to live up to its initial expectations primarily because it has fallen short on which of the tests of an opportunity?
- A. The idea wasn’t attractive.
 - B. The idea wasn’t realistic.
 - C. The idea wasn’t durable.
 - D. The idea wasn’t timely.
 - E. The idea wasn’t anchored in a product, service, or business that creates value for its buyer of end user.

Answer: A
Medium
Page: 40

10. The three ways to identify an opportunity include:
- A. observing trends, solving a problem, finding gaps in the marketplace
 - B. studying industry trade journals, talking to consumers, solving a problem
 - C. observing trends, conducting brainstorming sessions, studying industry trade journals
 - D. observing trends, talking to consumers, finding gaps in the marketplace
 - E. reading books, solving a problem, findings gaps in the marketplace

Answer: D
Medium
Page: 41

11. In the Savvy Entrepreneurial Firm boxed feature in Chapter 2, entrepreneurs are urged to think about taking advantage of the services offered by professional research firms such as Forrester Research and Gartner. The specific services referred to in this feature help entrepreneurs:
- A. identify potential employees
 - B. raise money
 - C. set up their accounting systems
 - D. keep up with the latest developments in their industry
 - E. identify potential board members

Answer: C
Medium
Page: 42

12. Economic forces impact the opportunities available to entrepreneurs. Which of the following selections reflects a set of economic forces that would be of interest to entrepreneurs?
- A. level of disposable income, new uses of old technologies, new laws and regulations
 - B. new technologies, consumer spending patterns, new laws
 - C. level of disposable income, consumer spending patterns, level of interest rates
 - D. social and cultural trends, level of interest rates, what people think is “in”
 - E. new changes in political areas, new laws, level of disposable income

Answer: C
Medium
Page: 42

13. Ryan Kennedy owns a chain of stores that sells DVDs, CDs, electronic games and iPod accessories. One thing that Ryan has noticed is that over the past several years, more of his products are being sold to young people, ages 16-24. Ryan attributes this trend to the steady increase in the amount of disposable income that young people have. To respond to this trend, Ryan has started stocking more products that appeal to 16 to 24 year olds. Ryan is recognizing new product opportunities as the result of changes in:
- A. regulatory forces
 - B. legal forces
 - C. economic forces
 - D. technological forces
 - E. political forces

Answer: E
Medium
Page: 43

14. The aging of the U.S. population has results in several new firms that have been founded to help older American’s stay in their homes longer, as an alternative to assisted living or moving into nursing homes. The aging of the U.S. population is an important _____ that is creating opportunities in many areas for entrepreneurial firms.
- A. economic force
 - B. regulatory force
 - C. legal force
 - D. technological force
 - E. social force

Answer: D
Medium
Page: 43

15. The increasing number of spa opening in the United States is attributed to a jump in the number of people trying to deal more effectively with mental health and wellness issues. The increased emphasis on mental health and wellness in the United States is an important:
- A. political trend
 - B. economic trend
 - C. legal trend
 - D. social trend
 - E. technological trend

Answer: D
Medium
Page: 43

16. YouTube allows people to post video clips on the Internet. YouTube's business opportunity was made possible by _____ that enhanced the ability of video clips to be easily uploaded to the Internet and played by anyone with an Internet connection.
- A. social forces
 - B. legal forces
 - C. regulatory forces
 - D. technological forces
 - E. economic forces

Answer: C
Medium
Page: 44

17. If a new firm was launched to help other firms comply with the recently passed Sarbanes-Oxley Act, that opportunity was created by:
- A. changes in economic forces
 - B. demographic changes
 - C. political actions and regulatory changes
 - D. changes in social forces
 - E. changes in technological forces

Answer: C
Medium
Page: 45

18. Java Jacket is a company that was started to produce insulated cup sleeves. Many coffee shops use Java Jacket's cup sleeves to insulate their paper coffee cups so their customers won't burn their hands or drop their coffee cups because they are too hot. Which of the following approaches to identifying an opportunity best describes how the idea for Java Jacket's cup sleeves originally came about?
- A. observing trends
 - B. studying industry reports
 - C. solving a problem
 - D. talking to consumers
 - E. finding gaps in the marketplace

Answer: E
Medium
Page: 46

19. A serendipitous discovery is a:
- A. unexpected discovery made by a novice in a particular field
 - B. expected discovery made by someone working hard to find a solution to a problem
 - C. discovery made with the assistance of a computer program
 - D. discovery that later proves to be wrong
 - E. chance discovery made by someone with a prepared mind

Answer: A
Hard
Page: 46

20. Hank Simms is a very capable computer programmer. Recently, he noticed a problem that many programmers have, and thought of a solution to the problem that might represent an opportunity for a new software product. Hank's idea for a new software product is an example of a _____ discovery.
- A. serendipitous
 - B. knowable
 - C. traditional
 - D. conventional
 - E. predictable

Finding Gaps in the Marketplace

Answer: D
Hard
Page: 47

21. Small clothing boutiques and specialty shops often start because there is a need for a particular product but large retailers like Wal-Mart, JC Penny, and the Gap 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. brainstorming
 - B. observing trends
 - C. solving a problem
 - D. finding a gap in the marketplace
 - E. talking to consumers

Answer: C
Hard
Page: 48

22. Curves International, which was founded in 1992 by Gary Heavin, is a fitness center just for women. At the time Curves was founded, most fitness centers targeted fitness enthusiasts and included a number of amenities, ranging from showers and towel service to swimming pools. Rather than competing head-to-head against these centers, Heaving opened a fitness center targeted towards what he felt was an ignored part of the marketplace: women who wanted to lose weight. The best way to describe how Heavin's business idea was recognized is:

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

Personal Characteristics of the Entrepreneur

Answer: D
Easy
Page: 48

23. The process of perceiving the possibility of a profitable new business, product or service idea is referred to as:

- A. inspired detection
- B. creative recognition
- C. idea confirmation
- D. opportunity recognition
- E. inspired discovery

Answer: E
Medium
Page: 48

24. The _____ states that once an entrepreneur starts a firm and becomes immersed in an industry, "corridors" leading to new venture opportunities become more apparent to the entrepreneur than to someone looking in from the outside.

- A. chance rule
- B. passage principle
- C. access principle
- D. opportunity rule
- E. corridor principle

Answer: A
Medium
Page: 48

25. Jacob Patterson started a firm in 2004 that creates and manufactures accessories for Harley-Davidson motorcycles. He started with four accessories, and after several months, added three new accessories, that have been very successful. The fact that Jacob recognized the opportunity for the three new accessories only after he started his firm and became immersed in the motorcycle industry is an example of the _____ at work.

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

Answer: E
Medium
Page: 48

26. Opportunity recognition may be an innate skill or a cognitive process. There are some who think that entrepreneurs have a “sixth sense” that allows them to see opportunities that others miss. This sixth sense is called:

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

Answer: B
Medium
Page: 48

27. Janet Billings, who has launched several successful entrepreneurial firms, seems to have a “sixth sense” that allows her to see opportunities that others miss. Janet’s ability is referred to as:

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

Answer: A
Hard
Page: 48

28. Which of the following statements is incorrect in regard to entrepreneurial alertness?
- A. The research findings on entrepreneurial alertness are conclusive.
 - B. Alertness is largely a learned skill.
 - C. People who have more knowledge of an area tend to be more alert to opportunities in that area than others.
 - D. The term “entrepreneurial alertness” is often associated with a “sixth sense” that seems to 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: B
Hard
Page: 49

29. According to the textbook, in a survey of 65 start-ups, _____ of the founders reported that they got their business ideas through social contacts.
- A. 90 percent
 - B. 50 percent
 - C. 66 percent
 - D. 12 percent
 - E. 33 percent

Answer: E
Medium
Page: 49

30. A solo entrepreneur is an individual who identified his or her business idea:
- A. through social contacts
 - B. through a business incubator program
 - C. through the assistance of a paid consultant
 - D. with one or more partners
 - E. on their own

Answer: B
Medium
Page: 49

31. A network entrepreneur is an individual who identified his or her business idea:
- A. on their own
 - B. through social contacts
 - C. through the assistance of a paid consultant
 - D. with one or more partners
 - E. through a business incubator program

Answer: C
Hard
Page: 49

32. A solo entrepreneur is an individual who identified his or her business idea _____. A network entrepreneur is an individual who identified his or her business idea _____.
- A. through social contacts, on their own
 - B. through a business incubator program, through social contacts
 - C. on their own, through social contacts
 - D. through the assistance of a paid consultant, through social contacts
 - E. with one or more partners, on their own

Answer: E
Medium
Page: 49

33. _____ are characterized by frequent interactions and 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: A
Medium
Page: 49

34. Most of Peter's ideas come from interacting with coworkers, friends, his spouse, and other people that share the same beliefs that he does. Peter is getting most of his ideas through _____ relationships.
- A. strong-tie relationships
 - B. weak-tie relationships
 - C. social-tie relationships
 - D. multiple-tie relationships
 - E. vertical-tie relationships

Answer: D
Medium
Page: 49

35. _____ are characterized by infrequent interactions and form between casual acquaintances.
- A. Strong-tie relationships
 - B. Moderate-tie relationships
 - C. Lateral-tie relationships
 - D. Weak-tie relationships
 - E. Multiple-tie relationships

Answer: E
Medium
Page: 49

36. According to research in the area, it is more likely than an entrepreneur will get a new business idea through _____ relationships than the alternatives.
- A. weak-tie
 - B. moderate-tie
 - C. vertical-tie
 - D. lateral-tie
 - E. strong-tie

Answer: C
Easy
Page: 49

37. _____ is the process of generating a novel or useful idea.
- A. Innovation
 - B. Vision
 - C. Creativity
 - D. Visualization
 - E. Entrepreneurship

Answer: D
Hard
Page: 49

38. Which of the following represents the correct order of the five stages of the creative process?
- A. preparation, incubation, elaboration, insight, evaluation
 - B. insight, preparation, incubation, elaboration, insight
 - C. incubation, evaluation, insight, preparation, elaboration
 - D. preparation, incubation, insight, evaluation, elaboration
 - E. incubation, preparation, evaluation, elaboration, insight

Answer: B
Medium
Page: 50

39. Elaine 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 Elaine is in while she is mulling over an idea is referred to as:
- A. preparation
 - B. incubation
 - C. insight
 - D. evaluation
 - E. elaboration

Answer: A
Medium
Page: 50

40. In the five-stage creative process, the flash of recognition, or what is sometimes referred to as the “eureka” experience, occurs in the:
- A. insight stage
 - B. preparation stage
 - C. incubation stage
 - D. elaboration stage
 - E. evaluation stage

Answer: E
Easy
Page: 51

41. _____ is (are) used to generate a number of ideas quickly.
- A. Insight groups
 - B. Competitive intelligence gatherings
 - C. Examination groups
 - D. Survey groups
 - E. Brainstorming

Answer: B
Hard
Page: 51

42. Which if the following is a violation of the rules of brainstorming?
- A. the session is lively
 - B. the session moves slowly
 - C. leapfrogging is encouraged
 - D. no criticism is allowed
 - E. freewheeling in encouraged

Answer: A
Medium
Page: 52

43. The advantage of conducting brainstorming sessions with the aid of group support system software, is that it:
- A. allows participants to submit ideas anonymously
 - B. reduces costs
 - C. eliminates criticism
 - D. makes a brainstorming session more like a focus group
 - E. slows down the pace of a brainstorming session

Answer: A
Hard
Page: 52

44. According to the textbook, a focus group is a gathering of 5 to 10 people who are selected because:
- A. of their relationship to the issue being discussed
 - B. they are most likely to purchase large amounts of the product or service being discussed
 - C. they responded to a self-selected opinion pool about the topic being discussed
 - D. the responded to a mail survey about the topic being discussed
 - E. they are spokespersons for the topic being discussed

Answer: A
Medium
Page: 53

45. According to the Partnering for Success boxed feature in Chapter 2:
- A. the role of college students in helping businesses generate new ideas is growing
 - B. the role of college professors in helping businesses generate new ideas is growing
 - C. city governments are playing an expanding role in funding the search for new business ideas
 - D. the number of business incubators on college campuses is declining
 - E. the average age of entrepreneurs in the United States continues to climb

Answer: B
Medium
Page: 54

46. To make sure that its customers are satisfied and to probe for new product ideas, Chaparral Steel 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

Encouraging and Protecting New Ideas

Answer: B
Easy
Page: 55

47. A(n) _____ is a physical or digital repository for storing ideas.
- A. suggestion bank
 - B. idea bank
 - C. idea depository
 - D. suggestion pool
 - E. proposition pool

Answer: B
Medium
Page: 55

48. Which of the following selections 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 important 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: D
Medium
Page: 56

49. Which of the following selections is an example of how to discourage creativity at the individual level?
- A. Protect people who make honest mistakes and are willing to learn from them.
 - B. Speculate, be open, and build on others' ideas.
 - C. Deal with employees as equals to show that status isn't very important.
 - D. Punish mistakes or failed ideas.
 - E. Listen attentively in order to acknowledge and provide early support to ideas.

Answer: E
Hard
Page: 56

50. Which of the following statements about intellectual property is incorrect?
- A. It can be protected through tools such as patents, copyrights, trademarks and trade secrets.
 - B. It is more than a mere idea.
 - C. It has value in the marketplace.
 - D. It is a product of human intellect.
 - E. It is tangible.

TRUE-FALSE QUESTIONS

Identifying and Recognizing Opportunities

Answer: T
Easy
Page: 38

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

Answer: F
Medium
Page: 39

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

Answer: F
Medium
Page: 39

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

Answer: T
Easy
Page: 39

54. An idea is a thought, impression, or notion.

Answer: F
Medium
Page: 39

55. By definition, an idea meets the criteria of an opportunity.

Answer: T
Medium
Page: 41

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

Answer: T
Medium
Page: 47

57. Many boutiques and specialty shops exist because an entrepreneur recognized a gap in the marketplace and started a firm to fill the gap.

Personal Characteristics of the Entrepreneur

Answer: F
Easy
Page: 48

58. The term “idea recognition” refers to the process of perceiving the possibility of a profitable new business or a new product or service.

Answer: T
Medium
Page: 48

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

Answer: F
Hard
Page: 48

60. Alertness is largely a skill a person is either born with or without.

Answer: T
Medium
Page: 49

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

Answer: F
Medium
Page: 49

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

Answer: T
Hard
Page: 49

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

Answer: F
Hard
Page: 50

64. Evaluation is the stage of the creative process that is characterized by a flash of recognition—when the solution to a problem is seen or an idea is born.

Answer: F
Hard
Page: 50

65. Elaboration is the stage of the creative process during which an idea is subjected to scrutiny and analyzed for its viability.

Answer: T
Medium
Page: 51

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

Answer: F
Hard
Page: 51

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

Answer: T
Medium
Page: 52

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

Encouraging and Protecting New Ideas

Answer: T
Easy
Page: 55

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

Answer: F
Medium
Page: 56

70. Intellectual property is any product of human effort that is tangible and has value in the marketplace.

SHORT ANSWERS

Easy
Page: 38

71. Describe the difference between an idea and an opportunity.

An opportunity is a favorable set of circumstances that creates a need for a new product, service, or business. An opportunity has four essential qualities: it is (1) attractive, (2) durable, (3) timely, and (4) is anchored in a product, service, or business that creates or adds value for its buyer of end user. In contrast, an idea is a thought, impression, or notion. It may or may not meet the criteria of an opportunity.

Medium
Page: 39

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

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.

Hard
Page: 49

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?

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.

Hard
Page: 51

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

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.

Medium
Page: 55

75. Describe the purpose of an idea bank. Provide an example of how an idea bank might be implemented.

An idea bank is a physical or digital repository for storing ideas. An example of an idea bank would be a password-protected location on a firm's Intranet that is available only to qualified employees. It may have a file for ideas that are being actively contemplated and a file for inactive ideas.