

## c2

Student: \_\_\_\_\_

1. The first thing you need to start a business is:

- A. An idea
- B. Financial support
- C. A product or service
- D. A business plan

2. Which of the following approaches assumes that events such as demographic change, sociopolitical trends, or growth give rise to new business opportunities?

- A. Environment approach
- B. Societal approach
- C. Economic approach
- D. Financial approach

3. All of the following are basic elements in the opportunity recognition process developed by Lumpkin, Hills and Shrader, *except*:

- A. Incubation
- B. Development
- C. Insight
- D. Elaboration

4. Of the three basic categories into which most new concepts fall, which of the following types caters to consumers in new markets?

- A. Type A
- B. Type B
- C. Type C
- D. Type D

5. Of the three basic categories into which most new concepts fall, which of the following types introduces new technologies to the marketplace?

- A. Type A
- B. Type B
- C. Type C
- D. Type D

6. Of the three basic categories into which most new concepts fall, which of the following types provides a product which currently exists in the market, but offers greater value?

- A. Type A
- B. Type B
- C. Type C
- D. Type D

7. While Pauline was vacationing in Ireland, she frequented a fantastic modern coffee shop that had childcare facilities directly attached. She enjoyed companionship with other adults, while her children played and socialized in an exciting facility right next door. Upon returning to Canada, Pauline is planning to open a similar concept café in her community. This is an example of which type of new venture concept?

- A. Type A
- B. Type B
- C. Type C
- D. Type D

8. Most "mom-and-pop" stores are considered:

- A. High-growth ventures
- B. No-growth ventures
- C. Lifestyle ventures
- D. Stable, enduring ventures

9. A key factor in starting a high-growth venture is:

- A. Selecting the correct location.
- B. Choosing the right industry to enter.
- C. Retaining the best leadership.
- D. Attracting the most investors.

10. The most common source of new venture ideas is:

- A. Prior work experience
- B. Trade shows and conventions
- C. Social contacts
- D. Magazines and other publications

11. All of the following governmental organizations are available to assist entrepreneurs by means of business management seminars and courses, advice, information, and other assistance, *except*:

- A. Industry Canada
- B. Statistics Canada
- C. Business Development Bank of Canada (BDC)
- D. The Canadian Innovation Centre

12. Which of the following is **not** one of the evolving social trends predicted to have a major impact on Western culture, as predicted by Faith Popcorn?

- A. 99 Lives
- B. CHANCE
- C. Being Alive
- D. Anchoring

13. The first step in the opportunity selection process is to:

- A. Identify your business and personal objectives.
- B. Learn more about your favourite industries.
- C. Identify promising industry segments.
- D. Observe market trends and study industry reports.

14. If you are looking at catering to the \_\_\_\_\_ market(s), you must look at demographic and psychographic factors.

- A. Commercial
- B. Industrial
- C. Electronics
- D. Consumer

15. If you are looking at catering to the \_\_\_\_\_ market, use company size, industry, geographic location, and number of employees to identify a segment.

- A. Consumer
- B. Retail
- C. Industrial
- D. Services

16. The "ideal" business, according to Richard Buskirk, involves all of the following, *except*:

- A. Provides 100 percent gross margin
- B. Has a recognized, measurable market
- C. Requires no labour force
- D. Is government regulated

17. Which of the following entry strategies allows the owner to bypass the costly startup phase?

- A. Buying a franchise
- B. Developing an e-business
- C. Buying an existing business
- D. Incorporation

18. All of the following are possible disadvantages when you purchase an existing business, *except*:

- A. Established clientele
- B. The cost of "goodwill"
- C. Inheriting a bad image
- D. Labour difficulties

19. The individual who designs and develops a business, and then sells the rights to operate that business to others is called:

- A. A franchisor
- B. A franchisee
- C. A franchise
- D. A franchiseship

20. During the opportunity recognition process, elaboration involves moving the concept forward if it survives the evaluation stage.

True False

21. The opportunity recognition process is linear.

True False

22. The *Canadian Innovation Centre* has a program to help inventors and entrepreneurs crystallize their ideas and commercialize and market the resulting products.

True False

23. Brainstorming occurs where a group of people get together and focus on a single problem and come up with as many deliberately unusual solutions as possible.

True False

24. The "ideal" business model designed by Richard Buskirk of the University of Southern California consists of three distinct factors that affect the chances of success for any new business: independence, competitiveness, and sustainability.

True   False

25. The failure rate of franchised businesses is reported to be the same as that for independently established firms.

True   False

26. Describe, with an example, each of the three basic categories into which new entrepreneurial concepts fall.

27. Discuss the conflict that may arise when your hobby turns into an entrepreneurial venture.

28. How do new business ventures arise from casual observation? Provide an example.

29. List five of the best business opportunities for 2013.

30. Outline the six steps in the opportunity selection process.

31. Describe how the franchisor may provide assistance and support to the franchisee.

32. List and briefly describe the five basic elements in the opportunity recognition process developed by Lumpkin, Hills, and Shrader.

## c2 Key

1. (p. 31) The first thing you need to start a business is:

- A.** An idea
- B. Financial support
- C. A product or service
- D. A business plan

See Figure 2.1

*Good - Chapter 02 #1*

*Learning Objective: 02-01 Explain the process of an entrepreneurial opportunity.*

2. (p. 31) Which of the following approaches assumes that events such as demographic change, sociopolitical trends, or growth give rise to new business opportunities?

- A. Environment approach
- B. Societal approach
- C.** Economic approach
- D. Financial approach

The economic approach assumes that events occur in the economy that give rise to new opportunities. These may be conditions like demographic changes such as aging baby boomers, sociopolitical trends like the increasing recognition and acceptance of gay consumers, or the explosive growth currently taking place in certain market areas, or changes in government regulations.

*Good - Chapter 02 #2*

*Learning Objective: 02-01 Explain the process of an entrepreneurial opportunity.*

3. (p. 31-32) All of the following are basic elements in the opportunity recognition process developed by Lumpkin, Hills and Shrader, *except*:

- A. Incubation
- B.** Development
- C. Insight
- D. Elaboration

See Figure 2.2

*Good - Chapter 02 #3*

*Learning Objective: 02-01 Explain the process of an entrepreneurial opportunity.*

4. (p. 33) Of the three basic categories into which most new concepts fall, which of the following types caters to consumers in new markets?

- A.** Type A
- B. Type B
- C. Type C
- D. Type D

Type A concepts cater to consumers in new markets.

*Good - Chapter 02 #4*

*Learning Objective: 02-01 Explain the process of an entrepreneurial opportunity.*

5. (p. 33) Of the three basic categories into which most new concepts fall, which of the following types introduces new technologies to the marketplace?

- A. Type A
- B.** Type B
- C. Type C
- D. Type D

Type B concepts introduce new technologies to the marketplace.

*Good - Chapter 02 #5*

*Learning Objective: 02-01 Explain the process of an entrepreneurial opportunity.*

6. (p. 33) Of the three basic categories into which most new concepts fall, which of the following types provides a product which currently exists in the market, but offers greater value?

- A. Type A
- B. Type B
- C.** Type C
- D. Type D

Type C concepts provide consumers with new or more benefits than competitive offerings currently available in the marketplace.

*Good - Chapter 02 #6*

*Learning Objective: 02-01 Explain the process of an entrepreneurial opportunity.*



7. (p. 34) While Pauline was vacationing in Ireland, she frequented a fantastic modern coffee shop that had childcare facilities directly attached. She enjoyed companionship with other adults, while her children played and socialized in an exciting facility right next door. Upon returning to Canada, Pauline is planning to open a similar concept café in her community. This is an example of which type of new venture concept?

- A. Type A
- B. Type B
- C. Type C**
- D. Type D

Type C ideas are concepts for performing old functions in new and/or better ways.

*Good - Chapter 02 #7*

*Learning Objective: 02-01 Explain the process of an entrepreneurial opportunity.*

8. (p. 35) Most "mom-and-pop" stores are considered:

- A. High-growth ventures
- B. No-growth ventures
- C. Lifestyle ventures**
- D. Stable, enduring ventures

Lifestyle ventures include most "one-man shows," mom-and-pop stores, and other lifestyle businesses, such as gas stations, restaurants, dry cleaning shops, and small independent retail stores.

*Good - Chapter 02 #8*

*Learning Objective: 02-01 Explain the process of an entrepreneurial opportunity.*

9. (p. 35) A key factor in starting a high-growth venture is:

- A. Selecting the correct location.
- B. Choosing the right industry to enter.**
- C. Retaining the best leadership.
- D. Attracting the most investors.

A key factor in starting a high-growth venture is choosing the right industry to enter. The rate of growth of the industry as a whole often plays a large role in determining the growth patterns of startups within it.

*Good - Chapter 02 #9*

*Learning Objective: 02-01 Explain the process of an entrepreneurial opportunity.*

10. (p. 36) The most common source of new venture ideas is:

- A.** Prior work experience
- B. Trade shows and conventions
- C. Social contacts
- D. Magazines and other publications

Prior work experience is the most common source of new business ideas. It has been estimated that as many as 85 percent of new businesses started are based on product ideas similar to those of prior employers of the founders.

*Good - Chapter 02 #10*

*Learning Objective: 02-02 Identify where to look for business ideas.*

11. (p. 43) All of the following governmental organizations are available to assist entrepreneurs by means of business management seminars and courses, advice, information, and other assistance, *except*:

- A. Industry Canada
- B.** Statistics Canada
- C. Business Development Bank of Canada (BDC)
- D. The Canadian Innovation Centre

Statistics Canada is a data collection agency, not an entrepreneurial help center.

*Good - Chapter 02 #11*

*Learning Objective: 02-02 Identify where to look for business ideas.*

12. (p. 45) Which of the following is **not** one of the evolving social trends predicted to have a major impact on Western culture, as predicted by Faith Popcorn?

- A. 99 Lives
- B.** CHANCE
- C. Being Alive
- D. Anchoring

CHANCE (Charity of Hope to Assist Needy Children Everywhere) was the name of the social venture developed by social change entrepreneurs Shannon Tessier and Zack Patterson.

*Good - Chapter 02 #12*

*Learning Objective: 02-02 Identify where to look for business ideas.*

13. (p. 52) The first step in the opportunity selection process is to:

- A.** Identify your business and personal objectives.
- B. Learn more about your favourite industries.
- C. Identify promising industry segments.
- D. Observe market trends and study industry reports.

The first step is to identify your business and personal objectives.

*Good - Chapter 02 #13*

*Learning Objective: 02-03 Evaluate your business idea.*

14. (p. 53) If you are looking at catering to the \_\_\_\_\_ market(s), you must look at demographic and psychographic factors.

- A. Commercial
- B. Industrial
- C. Electronics
- D.** Consumer

If you are looking at the consumer market, identify what this prospect will look like in terms of demographic factors such as age, gender, location, income, family size, education, and so on, and in terms of psychographic and other factors such as interests, values, lifestyle, leisure activities, and buying patterns.

*Good - Chapter 02 #14*

*Learning Objective: 02-03 Evaluate your business idea.*

15. (p. 53) If you are looking at catering to the \_\_\_\_\_ market, use company size, industry, geographic location, and number of employees to identify a segment.

- A. Consumer
- B. Retail
- C.** Industrial
- D. Services

If you are looking at a commercial/industrial market, use company size, industry, geographic location, number of employees, and so on to identify promising industry segments.

*Good - Chapter 02 #15*

*Learning Objective: 02-03 Evaluate your business idea.*

16. (p. 54) The "ideal" business, according to Richard Buskirk, involves all of the following, *except*:

- A. Provides 100 percent gross margin
- B. Has a recognized, measurable market
- C. Requires no labour force
- D.** Is government regulated

The ideal business has no government regulation according to Buskirk's framework.

*Good - Chapter 02 #16*

*Learning Objective: 02-03 Evaluate your business idea.*

17. (p. 59) Which of the following entry strategies allows the owner to bypass the costly startup phase?

- A. Buying a franchise
- B. Developing an e-business
- C.** Buying an existing business
- D. Incorporation

You also acquire a location, customers, established trade relationships, and a number of other positive elements.

*Good - Chapter 02 #17*

*Learning Objective: 02-04 Choose what business model suits your idea.*

18. (p. 59) All of the following are possible disadvantages when you purchase an existing business, *except*:

- A.** Established clientele
- B. The cost of "goodwill"
- C. Inheriting a bad image
- D. Labour difficulties

Inheriting an established clientele is one of the benefits when you purchase an existing business.

*Good - Chapter 02 #18*

*Learning Objective: 02-04 Choose what business model suits your idea.*

19. (p. 59) The individual who designs and develops a business, and then sells the rights to operate that business to others is called:

- A.** A franchisor
- B. A franchisee
- C. A franchise
- D. A franchiseship

Under a franchise agreement, an established company, the *franchisor*, with one or more successful businesses operating in other locations, provides assistance to a new firm in breaking into the marketplace.

Good - Chapter 02 #19

Learning Objective: 02-04 Choose what business model suits your idea.

20. (p. 32) During the opportunity recognition process, elaboration involves moving the concept forward if it survives the evaluation stage.

**TRUE**

This means continuing the process of business planning, finalizing choices regarding business strategy and structure, organizing resources, and all other activity that may be required to actually start up the venture.

Good - Chapter 02 #20

Learning Objective: 02-01 Explain the process of an entrepreneurial opportunity.

21. (p. 32) The opportunity recognition process is linear.

**FALSE**

The process in this model appears linear; it isn't. There is constant iteration and feedback during the process.

Good - Chapter 02 #21

Learning Objective: 02-01 Explain the process of an entrepreneurial opportunity.

22. (p. 43) The *Canadian Innovation Centre* has a program to help inventors and entrepreneurs crystallize their ideas and commercialize and market the resulting products.

**TRUE**

The cost (in most cases) is nominal.

Good - Chapter 02 #22

Learning Objective: 02-02 Identify where to look for business ideas.

23. (p. 43) Brainstorming occurs where a group of people get together and focus on a single problem and come up with as many deliberately unusual solutions as possible.

**TRUE**

The idea is to come up with distinctly creative solutions. There is no criticism of ideas, and the goal is to break down any previously held preconceptions about the limits of the problem. The results of the session can then be explored and evaluated using other analysis techniques.

*Good - Chapter 02 #23*

*Learning Objective: 02-02 Identify where to look for business ideas.*

24. (p. 53) The "ideal" business model designed by Richard Buskirk of the University of Southern California consists of three distinct factors that affect the chances of success for any new business: independence, competitiveness, and sustainability.

**FALSE**

The model includes 19 characteristics. See Table 2.2: Characteristics of the "Ideal" Business

*Good - Chapter 02 #24*

*Learning Objective: 02-03 Evaluate your business idea.*

25. (p. 59) The failure rate of franchised businesses is reported to be the same as that for independently established firms.

**FALSE**

The failure rate of franchised businesses is reported to be lower than that for independently established firms.

*Good - Chapter 02 #25*

*Learning Objective: 02-04 Choose what business model suits your idea.*

26. (p. 33-34) Describe, with an example, each of the three basic categories into which new entrepreneurial concepts fall.

Type A ideas typically provide customers with a product or service that does not exist in their market but already exists somewhere else. This could be something as simple as a bar or restaurant concept that you observed while on a trip and thought would be well received in your home market area. Type B ideas involve a technically new product or process. Software you have developed to solve some business problem or a new invention or innovation that provides a better way of performing certain functions. Type C ideas are concepts for performing old functions in new and/or better ways. They probably account for the largest number of new startups. These are often "me too" kind of ideas that try to differentiate themselves from other businesses by offering better service, higher quality, better performance, or lower cost.

*Good - Chapter 02 #26*

*Learning Objective: 02-01 Explain the process of an entrepreneurial opportunity.*

27. (p. 39) Discuss the conflict that may arise when your hobby turns into an entrepreneurial venture.

Hobbies are typically activities that you and others are prepared to do at your own expense. This can exert downward pressure on the likely profitability of your business. As a result, margins are quite low in such areas as the production of arts and crafts; small-scale farming; trading in stamps, coins, and other collectibles; antique automobile restorations; and similar hobby-based operations.

*Good - Chapter 02 #27*

*Learning Objective: 02-02 Identify where to look for business ideas.*

28. (p. 39) How do new business ventures arise from casual observation? Provide an example.

Often, ideas for a new product or service result from chance observation of daily living situations. This commonly occurs when people travel and observe product or service concepts being provided that are not yet available in the United States, Canada, or, perhaps, the person's local market area. Restaurant themes and concepts, such as Thai, Mexican, health food, and salads, typically are established in most cities only after they have proven successful somewhere else. Sporting trends, such as wakeboarding and rollerblading, and fashion colours and styles are also usually imported from outside the country. For this type of observation to yield results, you have to recognize the need for a new type of product or service offering and then work out some kind of solution.

*Good - Chapter 02 #28*

*Learning Objective: 02-02 Identify where to look for business ideas.*

29. (p. 47) List five of the best business opportunities for 2013.

Organic food, senior transportation services, hot lunch delivery, general contracting services for home renovations, patient advocacy, irrigation systems, mobile apps development, pet farewell products and services, scooter sales and repair.

*Good - Chapter 02 #29*

*Learning Objective: 02-02 Identify where to look for business ideas.*

30. (p. 52) Outline the six steps in the opportunity selection process.

The opportunity selection process contains six steps:

1. Identify your business and personal objectives.
2. Learn more about your favourite industries.
3. Identify promising industry segments.
4. Identify problem areas, and brainstorm solutions.
5. Compare possible solutions with your objectives and opportunities in the marketplace.
6. Focus on the most promising opportunities.

*Good - Chapter 02 #30*

*Learning Objective: 02-03 Evaluate your business idea.*

31. (p. 59) Describe how the franchisor may provide assistance and support to the franchisee.

The assistance provided by the franchisor can take many forms, such as:

- The right to use the franchisor's brand names and registered trademarks
- The right to sell products and services developed by the franchisor
- The right to use operating systems and procedures developed by the franchisor Training in how to run the business
- Plans for the layout of the business facilities and the provision of specialized equipment
- A regional or national advertising program
- Centralized purchasing and volume discounts
- Research and development support

*Good - Chapter 02 #31*

*Learning Objective: 02-04 Choose what business model suits your idea.*

32. (p. 31) List and briefly describe the five basic elements in the opportunity recognition process developed by Lumpkin, Hills, and Shrader.

See Figure 2.2

*Good - Chapter 02 #32*

*Learning Objective: 02-01 Explain the process of an entrepreneurial opportunity.*



## c2 Summary

| <u>Category</u>                                                                  | <u># of Questions</u> |
|----------------------------------------------------------------------------------|-----------------------|
| Good - Chapter 02                                                                | 32                    |
| Learning Objective: 02-01 Explain the process of an entrepreneurial opportunity. | 13                    |
| Learning Objective: 02-02 Identify where to look for business ideas.             | 8                     |
| Learning Objective: 02-03 Evaluate your business idea.                           | 6                     |
| Learning Objective: 02-04 Choose what business model suits your idea.            | 5                     |