

Chapter 2: Converting Ideas into Opportunities

True/False

1. The frameworks in which a sustainable, high-profit company is constructed are called business models.
Ans: True Page: 22
2. Geographical location no longer provides any significant advantage for access to major sources of capital.
Ans: True Page: 24
3. A product life cycle is the time that a product is able to command a high profit margin in the market before it becomes obsolete or develops intense competition.
Ans: True Page: 24
4. Product development times have increased from 200 days three years ago to an average of 225 days now.
Ans: False Page: 24
5. Fortunately, it is becoming easier for a company to build around a single product idea without strong patent protection.
Ans: False Page: 25
6. If someone desires to be an entrepreneur, then innovation skills can be effectively learned.
Ans: True Page: 30
7. The first step for any entrepreneur is to generate an idea for a new business.
Ans: True Page: 37
8. The closed model of innovation has a range of options for accessing external knowledge and leveraging internal competencies.
Ans: False Page: 34
9. To eliminate receiving questionable data, you should train and monitor survey recorders and telephone interviews to ensure consistent results.
Ans: True Page: 45
10. Empathy is a helpful attribute when trying to understand what problems a potential customer may be experiencing when trying to accomplish specific tasks.
Ans: True Page 39

11. Frameworks for innovation include analogies; intersection of technology trends, solving points of pain; analyzing existing businesses; and preliminary screening.

Ans: False

Pages: 30-36

12. Before seeking patent protection, all of the following three criteria should be met: the product/service represents a breakthrough; the innovation will be valuable for at least ten years; and the patent search fee and application are affordable.

Ans: False

Page: 46

Short Answer / Fill in the Blank

13. Successful _____ is the use of new technological knowledge, and/or new market knowledge, employed within a business model that can deliver a new product and/or service to customers who will purchase at a price that will provide profits.

Ans: innovation

Page: 26

14. The _____ is often used to illustrate the difference in which the performance achieved by new innovation is plotted against time.

Ans: S-curve

Page: 26

15. Usually, improvements can be made with _____ innovations, pushing the original curve higher.

Ans: incremental

Page: 26

16. The term _____ is often used to describe innovations that disrupt the status quo.

Ans: disruptive innovation

Page: 28

17. The term _____ refers to how businesses use the internet to broadcast an enterprise's needs and problems to a large and diverse audience in the form of an "open call" for solutions.

Ans: crowdsourcing

Page: 36

18. Only about 10% of existing _____ have actually been commercialized; the remainder are still potential opportunities.

Ans: Patents

Page: 37

19. Many new companies are built around a disruptive or _____ technology.

Ans: breakthrough

Page: 37

20. An entrepreneur may need to have ___ to ___ years of living expenses saved before taking a serious plunge into the world of venture creation.

Ans: One-two years

Page: 42

Multiple Choice

21. To protect against new products being copied, manufactured and shipped from other countries, an entrepreneur should:

- a. Avoid international agreements of all types.
- b. Focus only on one international supplier.
- c. Create only one product.
- d. Employ a sound intellectual property strategy.

Ans: D

Page: 24

22. When framing the opportunity, which of the following is **not** question entrepreneurs should ask themselves when identifying which business ideas have real commercial potential?

- a. What is the problem or job to be done?
- b. How does the government manage the supply chain?
- c. Who experiences these problems primarily (the customer)?
- d. What key benefits (or value) does the customer want from an optimal solution to their problem?

Ans: B

Page: 38

23. Identifying who the potential customer is will help the entrepreneur

- a. conclude that their product is really a product for everyone, everywhere.
- b. devise a strategy which will get the product to each and every person, regardless of cost.
- c. identify serious customers who are actively looking for solutions in the early stages of the business.
- d. discourage momentum in the later stages of business.

Ans: C

Page: 39

24. Some of the assessments included in preliminary screening of a venture include considering:

- a. Proprietary status
- b. Daily operating procedures
- c. Both a and b
- d. Neither or b.

Ans: A

Page: 40

25. At the second stage of analysis, an entrepreneur should consider

- a. customer benefits
- b. competitors
- c. proprietary status
- d. problem to be solved.

Ans: B

Page: 38

26. Ecosystem contributors include:

- a. Infrastructure
- b. Profit
- c. Primary drivers
- d. Knowledge experts

Ans: D

Page: 41

27. Infrastructure refers to

- a. The skills, capabilities and resources you and your team bring to the venture.
- b. Information related to customers' purchasing behavior and competitors' pricing.
- c. Externally generated data from market research firms.
- d. Patent protections, if certain conditions exist.

Ans: A

Pages: 43 & 54

28. The following question would be helpful to identify the customer community:

- a. Are there regulatory issues related to operating this venture?
- b. Who are your competitors?
- c. Do you have the motivation to carry out this venture?
- d. Who wants a solution the most?

Ans: D

Pages: 39 & 49

29. _____ funds are a very small part of total growth capital.

- a. Technology
- b. Trade
- c. Venture capital
- d. International

Ans: C

Page: 24

30. A product life cycle is continually:

- e. increasing
- f. declining
- g. increasing in a step ladder pattern
- h. fluctuating

Ans: B

Page: 24

31. Incremental innovation means that:

- a. A start-up company grows slowly.
- b. Improvements are made on existing products and services.
- c. Innovation is only applied to the way that things are made.
- d. It is the safest strategy for a start-up to follow.

Ans: B

Page: 26

32. Radical or disruptive innovation means that:

- a. Nothing from the past is retained.
- b. It applies only to products.
- c. It changes the rules of competition.
- d. It is too risky for a start-up to follow.

Ans: C

Page: 26

33. Which of the following is not on the list of some important innovations by U.S. small firms in the last century:

- a. GPA
- b. Airplane
- c. Zipper
- d. Heat sensor

Ans: A

Pages: 28-29

34. All of the following are ways to build upon already existing material and still provide a profit-driven concept *except*:

- a. Market the product at a higher price.
- b. Add value to an existing product or service.
- c. Develop or redesign a new version of an existing product.
- d. Develop ideas as an extension or redesign an existing service.

Ans: A

Page: 37

35. There are more than _____ patents issued in the United States.

- a. 31 million
- b. 17 million
- c. 8 million
- d. 60 million

Ans: C

Page: 36

36. Only about _____ percent of existing patents have actually been commercialized.

- a. 20
- b. 10
- c. 2
- d. 32

Ans: B

Page: 36

37. To eliminate receiving questionable data, all of these pitfalls must be avoided except:

- a. Train and monitor survey recorders.
- b. Make certain that the answers are accurate by maintaining an objective method of questioning.
- c. Ensure that all of the participants are asked the same questions.
- d. Eliminate telephone interviews.

Ans: D

Page: 45

38. All of the following are cost-cutting recommendations except:

- a. Use search engines and web pages
- b. Use social media methods to access potential customers
- c. Test only one product at a time
- d. Use the telephone instead of mail survey

Ans: C

Page: 45