Chapter 1: Defining Your Industry Focus and the Type of Business You Want to Start

Multiple Choice Questions (answer is denoted by an asterisk)

1. Effective innovation is most often driven by
    a. looking yourself in the mirror and saying whatever comes to mind.
    b. stealing ideas from current competitors.
    c. hiring a bunch of young, smart kids.
    d. talking to consumers or business customers and finding their problems.*

2. The LOT-R Test measures a person's:
    a. Access to lots of venture capital
    b. How many people they know who can be useful to a business
    c. Optimistic attitude –the ability to deal with adversity of all types *
    d. Ability to sell a new product

3. Which is not a necessity to know about a new venture during the startup phase?
    a. Target industry
    b. Target customer
    c. Business model
    d. The Board of Directors*

4. What is not a key factor when assessing a potential industry?
    a. Industry growth
    b. Government regulations
    c. Competitors' activities
    d. Exit valuation*

5. What is a venture focus?
    a. Target industry and type of business*
    b. How your business will make money

c. Idea for a potential venture

d. How your competitors address customers' issues

6. Who are initial reference customers?

    a. First customers who use your product and will recommend it to others*

    b. Customers who you interview during initial field research

    c. Friends and family who invest in your company

    d. People who sign up for a trial product

7. Defining the "who" in a venture and articulating who buys your products versus who uses your product, is referred to as your
    a. venture concept.
    b. venture focus.
    c. target customer.*
    d. market niche.

8. What is not necessarily an important criteria when trying to select a target industry for starting a venture:
    a. Major trends sweeping across the industry
    b. The intensity of current competition in the industry
    c. The activity level of new companies, venture deals, and M&A transactions
    d. An industry that was super hot last year*

9. What factors do you have to consider when selecting a target industry for a venture:
    a. The technology life cycle stage of the industry overall, often reflected by new technologies, products, and services recently announced by players in the industry
    b. The channels of distribution within an industry
    c. No existing barriers to entry that might make your life extremely difficult as an entrepreneur
    d. All of the above*

10. Where do the authors recommend that you look for competitors' information?
    a. Competitors' websites*
    b. CNN.com
    c. Watching CNBC on cable TV
    d. Department of Labor website

11. What are considered internal factors affecting entrepreneurship?

a. Work experience
b. Education background
c. Family background and business experience
d. All of the above*

12. What are examples of external factors affecting entrepreneurship?
    a. Market demand
    b. Industry trends
    c. Customer needs
    d. All of the above*

13. According to the authors of the text, what should drive the design of your product?
    a. Market demand*
    b. Your competition
    c. Convenience
    d. Saving money

14. What should the industry that you will potentially enter balance?
    a. Internal strengths and industry sector with favorable supply demand*
    b. Fun and profit
    c. Current and future demand
    d. Invention and innovation

15. What is an industry?
    a. The financial services sector
    b. The economy of a country
    c. A group of firms that produce products and services that are close substitutes for each other*
    d. An individual who works really hard

16. What is a niche within an industry?
    a. A subdivision of an industry which includes a set of competitors that address particular customer groups*
    b. A geographic region of an economy
    c. A new type of technology

d. A new emerging customer group

17. What trend should you look for when determining the attractiveness of an industry sector?
    a. Presence of government regulation
    b. Large companies that are making a lot of money
    c. Modest profitability within the industry
    d. Upward growth in customer demand for new products and services*

18. Which of the following is not a barrier to entry:
    a. Capital
    b. Manufacturing
    c. Marketing
    d. All are potential barriers to entry*

19. Entrepreneurs typically want to enter the industry at which stage of the life cycle?
    a. Emergent and Growth Stage*
    b. Mature
    c. Exit
    d. Decline

20. What are examples of an industry trend:
    a. New types of fuel for the energy industry
    b. The aging of the population for the health care industry
    c. The use of sensors and computers to make cities "smart" in the public sector
    d. All of the above*

21. Most industries are in flux, this flux is not caused by:
    a. Social Challenges
    b. Technological Innovation
    c. Societal Trends
    d. Government Intervention*

22. A new corporate venture has all of the following advantages over a startup except for

a. Distribution Channels
b. Agility*
c. Credibility
d. Manufacturing

23. The most important reason to understand what segments & niches of your industry are the subject of venture activity is:
    a. It greatly increases the chances of you raising money if needed*
    b. It can give you an insight into what other companies are doing
    c. You can recognize customer trends and desires
    d. You can find competition you previously didn't know of

24. Which type of venture experiences (on average) the greatest success when they enter the field near the beginning of the growth stage?
    a. Service Based Ventures
    b. Consumer Product Ventures
    c. Technology Based Ventures*
    d. Manufacturing Ventures

25. What personal factors help shape your selection of a target industry in addition to your own person enthusiasm and passion for a particular set of products or services:
    a. Your own work experience
    b. Your educational experience, including business or technical skills
    c. A family business (your family!)
    d. All of the above *

Essay Questions:

1. What is the difference between invention and innovation?
2. What is an industry analysis and what types of information must be gathered to conduct such an analysis effectively?
3. Why is it important to have or acquire experience in a particular industry in order to grow a successful business in that industry? Can you give a few examples that are exceptions to this general rule?