## 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

1. Geographical location no longer provides any significant advantage for access to major sources of capital.

Ans: True Page: 24

1. 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

1. Product development times have increased from 200 days three years ago to an average of 225 days now.

Ans: False Page: 24

1. Fortunately, it is becoming easier for a company to build around a single product idea without strong patent protection.

Ans: False Page: 25

1. If someone desires to be an entrepreneur, then innovation skills can be effectively learned.

Ans: True Page: 30

1. The first step for any entrepreneur is to generate an idea for a new business.

Ans: True Page: 37

1. The closed model of innovation has a range of options for accessing external knowledge and leveraging internal competencies.

Ans: False Page: 34

1. To eliminate receiving questionable data, you should train and monitor survey recorders and telephone interviews to ensure consistent results.

Ans: True Page: 45

1. 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

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

Ans: False Pages: 30-36

1. 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

1. 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

1. 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

1. Usually, improvements can be made with \_\_\_\_\_\_\_\_\_\_\_\_ innovations, pushing the original curve higher.

Ans: incremental Page: 26

1. The term \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ is often used to describe innovations that disrupt the status quo.

Ans: disruptive innovation Page: 28

1. 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

1. Only about 10% of existing \_\_\_\_\_\_\_\_\_\_\_ have actually been commercialized; the remainder are still potential opportunities.

Ans: Patents Page: 37

1. 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:

* 1. 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?

* 1. What is the problem or job to be done?
  2. How does the government manage the supply chain?
  3. Who experiences these problems primarily (the customer)?
  4. 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

1. Some of the assessments included in preliminary screening of a venture include considering:
2. Proprietary status
3. Daily operating procedures
4. Both a and b
5. 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:

1. Are there regulatory issues related to operating this venture?
2. Who are your competitors?
3. Do you have the motivation to carry out this venture?
4. Who wants a solution the most?

Ans: D Pages: 39 & 49

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

* 1. Technology
  2. Trade
  3. Venture capital
  4. International

Ans: C Page: 24

30. A product life cycle is continually:

* 1. increasing
  2. declining
  3. increasing in a step ladder pattern
  4. fluctuating

Ans: B Page: 24

1. Incremental innovation means that:
   1. A start-up company grows slowly.
   2. Improvements are made on existing products and services.
   3. Innovation is only applied to the way that things are made.
   4. It is the safest strategy for a start-up to follow.

Ans: B Page: 26

1. Radical or disruptive innovation means that:
   1. Nothing from the past is retained.
   2. It applies only to products.
   3. It changes the rules of competition.
   4. It is too risky for a start-up to follow.

Ans: C Page: 26

1. Which of the following is not on the list of some important innovations by U.S. small firms in the last century:
   1. GPA
   2. Airplane
   3. Zipper
   4. Heat sensor

Ans: A Pages: 28-29

1. All of the following are ways to build upon already existing material and still provide a profit-driven concept *except*:
   1. Market the product at a higher price.
   2. Add value to an existing product or service.
   3. Develop or redesign a new version of an existing product.
   4. Develop ideas as an extension or redesign an existing service.

Ans: A Page: 37

1. There are more than \_\_\_\_\_\_\_\_\_\_\_ patents issued in the United States.
   1. 31 million
   2. 17 million
   3. 8 million
   4. 60 million

Ans: C Page: 36

1. Only about \_\_\_\_\_\_\_\_ percent of existing patents have actually been commercialized.
   1. 20
   2. 10
   3. 2
   4. 32

Ans: B Page: 36

1. To eliminate receiving questionable data, all of these pitfalls must be avoided except:
   1. Train and monitor survey recorders.
   2. Make certain that the answers are accurate by maintaining an objective method of questioning.
   3. Ensure that all of the participants are asked the same questions.
   4. Eliminate telephone interviews.

Ans: D Page: 45

1. All of the following are cost-cutting recommendations except:
   1. Use search engines and web pages
   2. Use social media methods to access potential customers
   3. Test only one product at a time
   4. Use the telephone instead of mail survey

Ans: C Page: 45