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MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.

1) The first thing you need to start a business is:
   A) A product or service
   B) A business plan
   C) Financial support
   D) An idea

   Answer: D

2) Which of the following approaches assumes that events such as demographic change, sociopolitical trends, or growth give rise to new business opportunities?
   A) Financial approach
   B) Environment approach
   C) Societal approach
   D) Economic approach

   Answer: D

3) Which element in the opportunity recognition process developed by Lumpkin, Hills and Shrader refers to that part of the process where the individual contemplates an idea or a specific problem?
   A) Evaluation
   B) Preparation
   C) Incubation
   D) Insight

   Answer: C

4) Which element in the opportunity recognition process developed by Lumpkin, Hills and Shrader involves moving the concept forward if it survives the evaluation stage?
   A) Preparation
   B) Incubation
   C) Elaboration
   D) Insight

   Answer: C

5) All of the following are basic elements in the opportunity recognition process developed by Lumpkin, Hills and Shrader, ***except*****:**
   A) Insight
   B) Incubation
   C) Elaboration
   D) Development

   Answer: D

6) Of the three basic categories into which most new concepts fall, which of the following types caters to consumers in new markets?
   A) Type C
   B) Type B
   C) Type D
   D) Type A

   Answer: D

Building Your Dream (Canadian) 10th edition Good Test Bank

7) 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 D
   C) Type B
   D) Type C

   Answer: C

8) 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 D
   B) Type A
   C) Type C
   D) Type B

   Answer: C

9) 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 B
   B) Type D
   C) Type A
   D) Type C

   Answer: D

10) Most "mom–and–pop" stores are considered:
   A) High–growth ventures
   B) Stable, enduring ventures
   C) Lifestyle ventures
   D) No–growth ventures

   Answer: C

11) A key factor in starting a high–growth venture is:
   A) Choosing the right industry to enter.
   B) Selecting the correct location.
   C) Attracting the most investors.
   D) Retaining the best leadership.

   Answer: A

12) The most common source of new venture ideas is:
   A) Magazines and other publications
   B) Social contacts
   C) Trade shows and conventions
   D) Prior work experience

   Answer: D

Building Your Dream (Canadian) 10th edition Good Test Bank

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

Answer: D

14) 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) Anchoring
B) 99 Lives
C) CHANCE
D) Being Alive

Answer: C

15) Which of the following is the name of the technology that enables IP address enabled sensors to perform a specific task of measuring a certain unit and potentially respond to input and create a response through other connected mechanisms?
A) Global Positioning Satellite (GPS)
B) Cloud computing
C) Radio Frequency Identification (RFID)
D) Internet of Things (Iot)

Answer: D

16) The first step in the opportunity selection process is to:
A) Observe market trends and study industry reports.
B) Identify your business and personal objectives.
C) Learn more about your favourite industries.
D) Identify promising industry segments.

Answer: B

17) If you are looking at catering to the _____ market(s), you must look at demographic and psychographic factors.
A) Commercial
B) Consumer
C) Industrial
D) Electronics

Answer: B

18) If you are looking at catering to the _____ market, use company size, industry, geographic location, and number of employees to identify a segment.
A) Retail
B) Services
C) Industrial
D) Consumer

Answer: C

Building Your Dream (Canadian) 10th edition Good Test Bank

19) After you have learned more about your favourite industries, the next step in the six step opportunity selection process is:
A) Identify promising industry segments.
B) Compare possible solutions with your objectives and opportunities in the marketplace.
C) Identify problem areas, and brainstorm solutions.
D) Focus on the most promising opportunities.

Answer: A

20) The "ideal" business, according to Richard Buskirk, involves all of the following, ***except*:**
A) Has a recognized, measurable market
B) Is government regulated
C) Provides 100 percent gross margin
D) Requires no labour force

Answer: B

21) Which of the following entry strategies allows the owner to bypass the costly startup phase?
A) Buying a franchise
B) Buying an existing business
C) Incorporation
D) Developing an e–business

Answer: B

22) All of the following are possible **disadvantages** when you purchase an existing business, ***except*:**
A) Established clientele
B) The cost of "goodwill"
C) Labour difficulties
D) Inheriting a bad image

Answer: A

23) The individual who designs and develops a business, and then sells the rights to operate that business to others is called:
A) A franchiseship
B) A franchisor
C) A franchisee
D) A franchise

Answer: B

24) During the opportunity recognition process, elaboration involves moving the concept forward if it survives the evaluation stage.
A) True
B) False

Answer: A

25) While an idea is at the center of every opportunity, not every idea represents an opportunity to start a viable business.
A) True
B) False

Answer: A

Building Your Dream (Canadian) 10th edition Good Test Bank

26) The opportunity recognition process is linear.
A) True
B) False
Answer: B

27) The *Canadian Innovation Centre* has a program to help inventors and entrepreneurs crystallize their ideas and commercialize and market the resulting products.
A) True
B) False
Answer: A

28) 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.
A) True
B) False
Answer: A

29) In order for group brainstorming to be effective, all members of the group should be considered equal, there should be no leader, manager, or facilitator.
A) True
B) False
Answer: B

30) Maintaining wellness is an emerging theme that will create a growing demand for a variety of fitness and health–related products.
A) True
B) False
Answer: A

31) 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.
A) True
B) False
Answer: B

32) In order to determine the which ideas you should evaluate Knowles and Bilyea suggest that you think of the process of selecting the right opportunity for yourself a huge funnel equipped with a series of filters.
A) True
B) False
Answer: A

33) Once you have a thorough understanding of one or more industry situations you are now in a position to identify possible market segments and profile your typical target customer.
A) True
B) False
Answer: A

Building Your Dream (Canadian) 10th edition Good Test Bank

34) Demographic factors include lifestyle, leisure activities, and buying patterns.
A) True
B) False
Answer: B

35) Fashion products usually have extremely long life cycles.
A) True
B) False
Answer: B

36) The failure rate of franchised businesses is reported to be the same as that for independently established firms.
A) True
B) False
Answer: B

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

37) Describe, with an example, each of the three basic categories into which new entrepreneurial concepts fall.
Answer: 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.

38) List and briefly describe the five basic elements in the opportunity recognition process developed by Lumpkin, Hills, and Shrader.
Answer: See Figure 2.2

39) Summarize the two basic approaches to understanding how entrepreneurs recognize opportunities.
Answer: The economic approach assumes that events occur in the economy that give rise to new opportunities. These may be conditions such as demographic changes, for example, aging baby boomers; sociopolitical trends, such as the increasing recognition and acceptance of gay consumers or the explosive growth currently taking place in certain market areas; or changes in government regulations. The second major approach to opportunity recognition views it as a multi stage and often very complex process. One of the more comprehensive was developed by Lumpkin, Hills, and Shrader. They viewed the opportunity recognition process as a type of creativity consisting of five basic elements–preparation, incubation, insight, evaluation, and elaboration. This framework is illustrated in Figure 2.2.

40) Discuss the conflict that may arise when your hobby turns into an entrepreneurial venture.
Answer: 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.

Building Your Dream (Canadian) 10th edition Good Test Bank

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

Answer: 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.

42) List five of the best business opportunities for 2016.

Answer: Food trucks, cloud consulting, senior services, drones, kid friendly app development, freelancing, mobile repair, custom made festival gifts, search engine optimization (SEO) Consultant, training

43) Outline the six steps in the opportunity selection process.

Answer: 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.

44) Why is the "ideal business" one that requires no labour force?

Answer: Once you hire an employee, you have a lot of government paperwork to deal with relating to Employment Insurance, Canada Pension Plan contributions, and other legal requirements. You are also subject to a broad range of regulations concerning such things as occupational health and safety, human rights, and pay equity. Few small business operators enjoy dealing with these requirements, as these can be quite time consuming. If your business demands the hiring of additional employees, you must be prepared to take on the responsibility for managing these people effectively.

45) Describe the Venture Opportunity Screening Model (VOSM), including the five constructs on which the model is based.

Answer: The VOSM is intended to give you a clearer idea of the relative attractiveness of a number of new venture opportunities you may be considering. The model is based on a series of constructs identified by entrepreneurs as being important in their venture selection process. It aims to distinguish between high value opportunities that are worthy of exploration and low value opportunities less likely to be worth pursuing. These constructs have been clustered into a number of categories to facilitate their assessment. These include:

- The assessment of the market opportunity
- The role of innovation
- Strategic potential
- The investment, risk, and return situation
- The effectiveness of the people involved in the venture

Building Your Dream (Canadian) 10th edition Good Test Bank

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

Answer: 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

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