

# What Is a Business Opportunity?

## OBJECTIVES

- Identify ways to recognize business opportunities
- Explain how to use creative thinking to generate ideas
- Compare various types of business opportunities
- Describe methods used to evaluate business opportunities



Quickly consider this question:

If you started a business, what would it be?

Write your answer on a piece of paper. Think about your reasons for choosing this business.

## Recognizing Opportunities

Usually you start a business because you see an opportunity. A **business opportunity** is a consumer need or want that can potentially be met by a new business. In economics, a **need** is defined as something that people must have to survive, such as water, food, clothing, or shelter. A **want** is a product or service that people desire.

## Ideas versus Opportunities

Not every business idea is a good business opportunity. For example, you might have an idea for a neighborhood restaurant. But if that idea has no commercial potential, if it can't make a profit, it isn't an opportunity. If the public didn't like the type of food you planned to serve, for example, the business would be doomed to fail.

Your idea could be an opportunity in a different location, however. Let's say that the people in another town really wanted your potential restaurant's cuisine. In addition, no similar restaurant currently existed in the area. In this case, your idea *could* be a real opportunity.

## VOCABULARY

- business broker
- business opportunity
- calculated risk
- cost/benefit analysis
- creative thinking
- critical thinking
- feasibility
- franchisee
- franchisor
- intangible
- need
- nondisclosure agreement
- opportunity cost
- prototype
- royalty fee
- SWOT analysis
- trade show
- want
- window of opportunity



You can ask yourself five questions to begin the process of determining if a business idea might be a good business opportunity. If the answer to any of these questions is "no," there is a good chance that the idea is not a real business opportunity. (As you read this book, you'll discover practical ways of answering these questions.)

- Does the idea fill a need or want that's not currently being met?
- Will the idea work in the location or in the way that you plan to sell it?
- Can you put the idea into action within a reasonable amount of time—that is, before someone else does or while resources are still available? This concept is called the **window of opportunity**: the period of time you have to act before the opportunity is lost.
- Do you have the resources and skills to create the business (or know someone else who could help you do it)?
- Can you provide the product or service at a price that will attract customers but still earn a reasonable profit?

### Sources of Opportunity

Staying aware of things going on around you can help you recognize potential business opportunities. Here are just a few sources of ideas:

- **Problems.** Many well-known companies were started because an entrepreneur wanted to solve a problem. A problem could be something you are experiencing personally. Or it could be a problem you observe others experiencing. What product or service would improve your life or the lives of others? What would you like to buy that is not available for purchase in your area?
- **Changes.** Our world is continually changing—changes in laws and regulations, social customs, local and national trends, even the weather. Change often produces needs or wants that no one is currently supplying. Consider climate change and the trend toward taking better care of the environment. Many new business opportunities have occurred because people are interested in purchasing "green" products and services.
- **New Discoveries.** The creation of totally new products and services can happen by accident. For example, someone who has an enjoyable hobby can discover something recognizable as a business opportunity. Inventions also come about because someone wanted to find a way to solve a problem. Other examples include changes in technology or medical and technological discoveries that entrepreneurs find ways to convert into products and services.
- **Existing Products and Services.** You can get ideas for opportunities from businesses that already exist. This is *not* the same



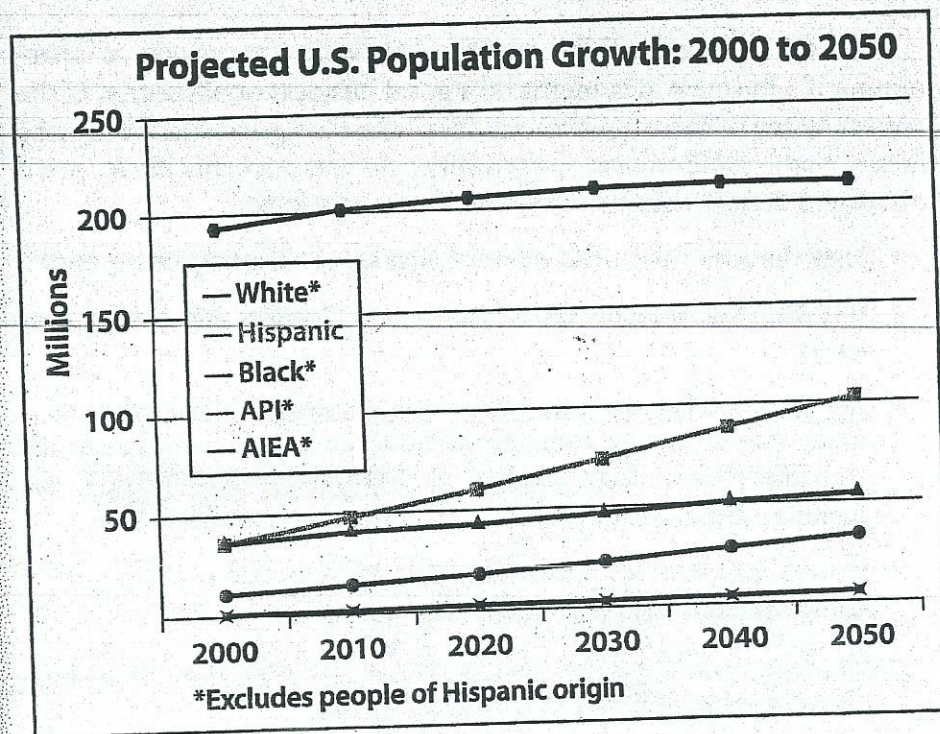


Figure 6-2

### Trends

This graph projects U.S. population growth from 2000 to 2050 based on U.S. Census Bureau estimates.

**Interpreting Graphs.** What area suggests the greatest increase in business opportunity?

API: Asian or Pacific Islander

AIEA: American Indian, Eskimo, or Aleut

thing as copying a product or service and then calling it by another name (which can be illegal). Instead, it means looking for ways to significantly improve a product, perhaps at a lower price. It could also involve improving the quality and manner in which customers are served—including such features as better locations, longer hours, or quicker service.

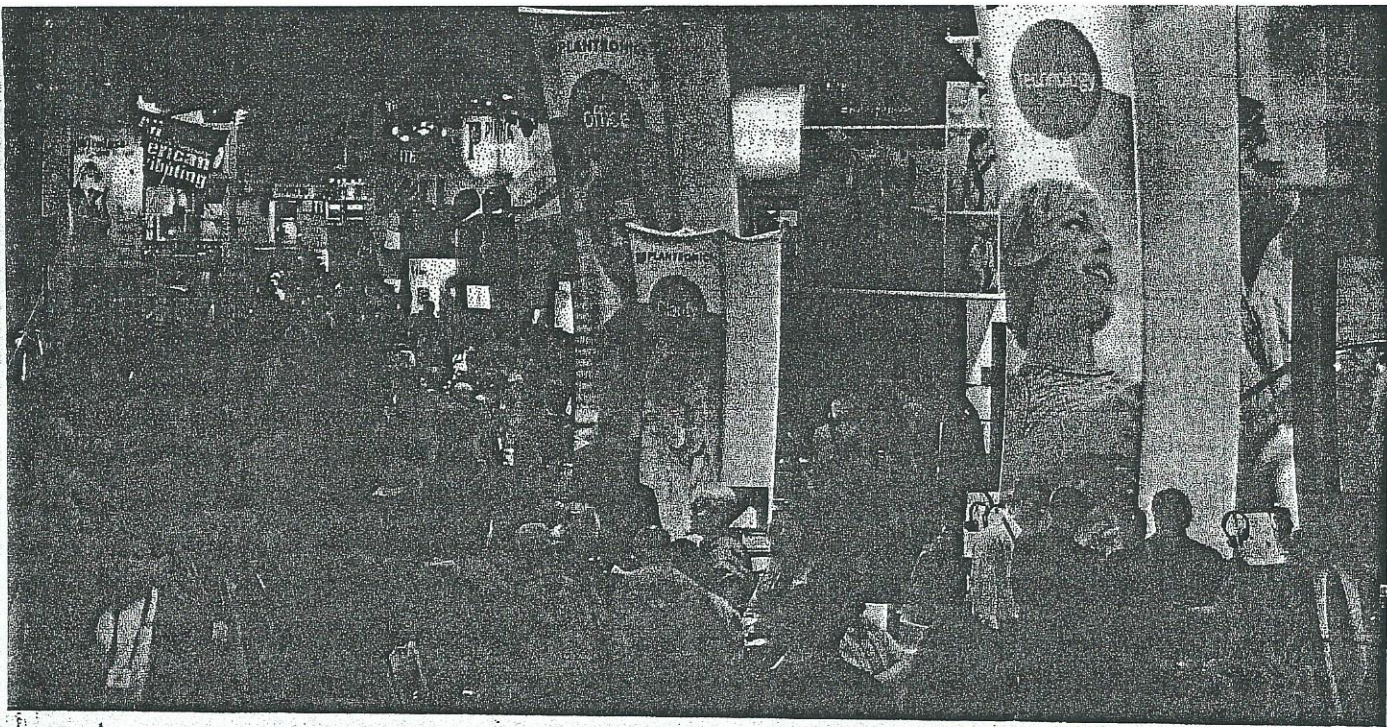
- **Unique Knowledge.** Entrepreneurs sometimes turn one-of-a-kind experiences or uncommon knowledge into a product or service that benefits others. Think about your own knowledge and experiences. Is there anything unique or unusual that you could use to create something new or to help others?

## Where to Look for Opportunities

There are many ways to locate business opportunities. Your own community is a good place to begin. Here are some resources you might find useful:

- **Newspapers and Magazines.** Examine not only your local newspapers but also those from such metropolitan areas as New York, Miami, Chicago, Dallas/Fort Worth, and Los Angeles. Sampling the news from across the country may help you see a developing national trend. News magazines such as *Time* and *Newsweek* are other resources, as are magazines published about your particular city or region. In addition, take a look at specialized magazines that focus on a hobby or subject you are interested in.
- **Business and Governmental Agencies.** Some good examples of government agencies that provide useful statistical data and





▲ Trade shows can help give you ideas for new businesses

other information are the U.S. Census Bureau, U.S. Department of Labor, and U.S. Small Business Administration. You can also contact your local Better Business Bureau or Chamber of Commerce for information on businesses in your area.

- **Trade Resources.** Various types of trade resources can help you get ideas for new businesses. A **trade show** is a convention where related businesses come to promote their products or services. Similarly, trade magazines are published for specific types of businesses. Trade associations exist for nearly every industry. A few examples of trade associations include the American Booksellers Association, Pet Sitters International, the Soap and Detergent Association, and the National Roofing Contractors Association.
- **World Wide Web.** Surfing the Web is a great way to explore just about any topic. By browsing, you might discover sites that you otherwise would not have known about.



*When is a business idea a business opportunity?*

## Thinking Creatively

Entrepreneurs are constantly coming up with business ideas by thinking creatively. Training yourself to think like an entrepreneur may take some practice, but it is well worth the effort.

### Types of Thinking

**Creative thinking** is a thought process that involves looking at a situation or object in new ways. It is also called *lateral* thinking. The phrases "Think outside the box" and "Use your imagination" refer to



creative thinking. You can also define creative thinking as having an attitude that “plays” with many possibilities.

In contrast, **critical thinking** is also called *vertical* thinking, but it doesn’t mean you are being negative. Critical thinking refers to a logical thought process that involves analyzing and evaluating a situation or object. Perhaps you’ve asked someone to help critique an essay or project on which you were working. They read or analyzed what you did. Then, they probably evaluated the project, suggesting things you could change.

Creative and critical thinking are both important, but they tend to produce different results. It is wise to learn when and how to apply them. For example, creative thinking works well for generating ideas and recognizing opportunities. Later in this chapter you will learn more about how to apply critical thinking when evaluating business opportunities.

## Creative Thinking Techniques

You can help yourself think more creatively. Here are a few techniques:

- **Challenge the Usual.** Ask lots of “Why?” and “What if?” questions. Challenge what you believe about how products should work or how things are done.
- **Think Backward.** Sometimes solving a problem is easier when you start by imagining the end result you want. Then mentally trace imaginary steps backward to see how you could get there.
- **Be Flexible.** There is almost always more than one way to solve a problem. Force yourself to examine things from different angles. Problems can even become solutions. Take Post-it® Notes, for

## YOUR BUSINESS CAREER

### Respect

Respect is a vital component of all healthy relationships. Most high school students know that you have to give people respect to get it back.

The first step to gaining respect is to respect yourself. Think about the relationships you have in your life. The best ones are those where you can be yourself, express your opinions freely, and make decisions together. You never feel pressured to do something that you would not be comfortable doing.

As you join the workforce or move on to college after high school, you will encounter people with an assortment of ideas, temperaments, and beliefs. Don’t forget that respect is shown both in actions and in words. When people are respectful, they don’t

put people down or make them feel uncomfortable. They accept the individual differences and beliefs of others.

#### THINKING CRITICALLY

**Drawing Conclusions.** Imagine that a coworker has asked you to do something with which you are not comfortable. How can turning that person down indicate that you respect yourself? How might this action actually command respect from others?

*To read more about respect for yourself and others, go to “Your Business Career” on the Student Center at [entrepreneurship.pearson.com](http://entrepreneurship.pearson.com).*



example. A glue created by a 3M scientist was not very strong. Later, another 3M scientist thought about using the glue in a different way—and that produced a *very* successful product.

- **Judge Later.** When brainstorming ideas, don't worry about being practical. Also, try not to be negative or prejudiced. Those attitudes lower creativity. Not all ideas have to make sense in the beginning. You'll have time later to decide which ones are not useful. Sometimes ideas that seem silly at first inspire other, more useful, solutions later.
- **Draw Idea Maps.** Use whiteboards, chalkboards, and poster boards to sketch out ideas. For example, one thought might branch out into six directions, and some of those branches might generate additional ideas. Drawing possibilities in this way often helps you to see a bigger picture, with new possibilities that you might have otherwise missed. You might also try using sticky notes on a wall or poster board. This method allows you to move ideas around.



▲ *Brainstorming can help you generate ideas*

- **Brainstorm in a Group.** Ask your friends, family, and classmates to help you generate ideas. The old saying “two heads are better than one” is often true. All of these thinking techniques can be used when working in a group.
- **Daydream.** Letting your mind wander is okay; just make sure you pick an appropriate time. With your eyes closed, practice



visualizing what your new product or service would be. What would it look like, smell like, taste like, feel like, sound like?

Whether thinking creatively on your own or in a group, keeping a positive attitude helps build creativity. Former First Lady Eleanor Roosevelt wrote: "The future belongs to those who believe in the beauty of their dreams."



*What is the difference between critical thinking and creative thinking?*

## Turning Ideas into Opportunities

After you've generated a number of business ideas, the next step is to compare options for applying them. Should you start a new business or buy one that already exists? Does the problem you've identified call for a new invention or the modification of an old product? Here are four common ways to turn ideas into opportunities:

- Start a new business
- Buy an independent business
- Buy a franchise
- Become an inventor

### Starting a New Business

The beauty of starting a new business is that you can build it your own way. However, you must make many decisions and complete many tasks before your business can run effectively. This could initially be a real challenge if you don't have the necessary resources or skills. How much time and effort are you willing to invest? How will you obtain the knowledge and skills you need to start and operate a new business?

A potential disadvantage of starting a new business is the amount of risk or uncertainty involved. If your product or service is new, you may have difficulty predicting how well it will sell. There typically will be less information available on which you can base your decisions. How much are you willing to risk?

Although starting a new business may seem overwhelming, everything doesn't have to happen at once. As the saying goes, "Rome wasn't built in a day." With proper planning and strong motivation, you can succeed in building a new business, one step at a time.

### Buying an Independent Business

When you start a business from the ground up, becoming successful can take a long time. That's one reason some entrepreneurs prefer to purchase a business that already exists. Finding a business for sale is similar to looking for a house to buy. You can start by reading advertisements in



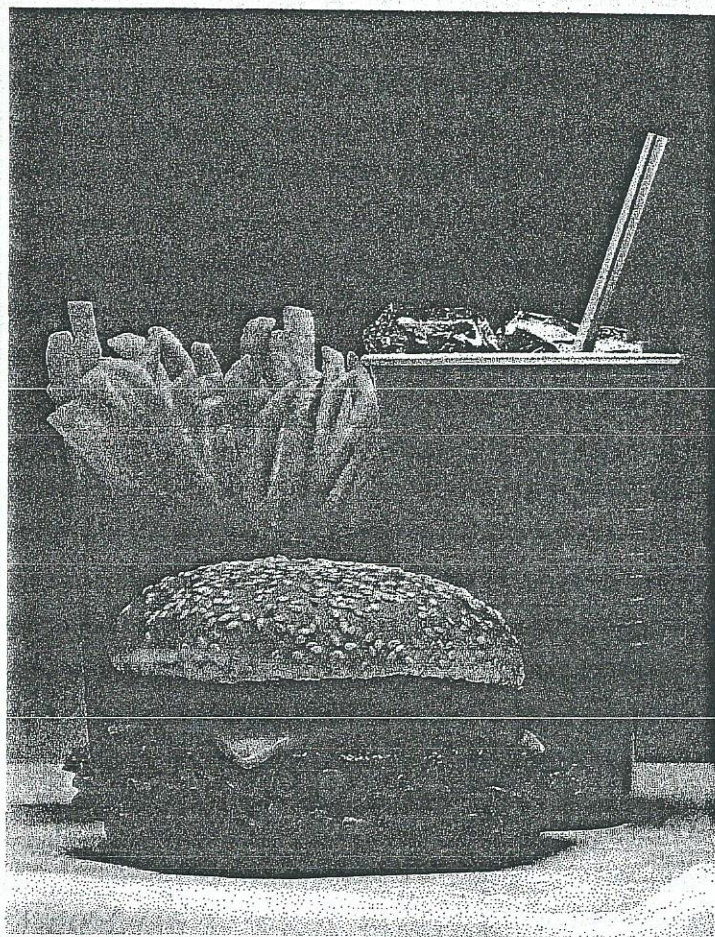
local newspapers and real estate magazines. You may also want to hire a **business broker**, someone who is licensed to sell businesses.

An existing business normally has much already in place: trained employees, operating equipment, merchandise and supplies on hand, established credit for making new purchases, and established procedures for running the company. Most important of all, an existing business already has customers. If current customers are happy with the products or services, their continued purchases will help to ensure your success.

Sometimes the previous owner of an independent business is willing to provide a period of training for the new owner. The business seller may also allow for a down payment, followed by monthly installments. This can reduce the amount of money you need to borrow from a bank, family, or friends.

Buying an independent business is still very much an entrepreneurial activity. You may not have initially created the business, but you will be responsible for its continued growth and success. For example, you can use your business skills and creativity to attract additional customers. You might also find new ways to improve the current processes and procedures of the business. You may even decide to add new products or services at some point.

Buying a business usually requires a large amount of money initially. In comparison, you may not have to invest much money at the beginning when you start a new business. When buying a business, you also risk inheriting problems—both visible and hidden ones.



▲ **Figure 6-3**

### **Franchises**

Many fast-food restaurants are franchises.

**Recognizing Patterns.** *What are the names of some fast-food franchise businesses located in your community?*

### **Buying a Franchise**

As you learned in an earlier chapter, a franchise is a way to buy a business in the name of another company. This legal agreement gives the **franchisee**, or franchise buyer, the right to sell the company's products or services in a particular location and for a specified length of time. The franchise seller is called a **franchisor**.

As you've already learned, buying a business has less risk than starting a new one. This is particularly true of franchises. Some sources estimate that a franchise has a 90% or better chance of success. Some of the reasons for this include:

- **Proven System.** Most franchises have a system in place that has already been tested. Following the proven processes and procedures created by the franchisor helps ensure the success of your business.



- **Customer Awareness.** People tend to buy from businesses they recognize and trust. When you buy a franchise that is well known and liked, you will benefit from the name and reputation already established.
- **Multiple Benefits Provided by the Franchisor.** A franchisor provides initial training on how to operate the business. In addition, the franchisor provides ongoing support in answering questions. An individual franchise also benefits from the national advertising purchased by the franchisor.
- **Exclusive Geographical Area.** A franchisor allows only a certain number of franchises to operate within a particular region. This keeps competition down.
- **Easier Financing.** Bankers are often more likely to lend money to an individual buying a franchise, because historically franchises have a high rate of success. From the bankers' point of view, a franchisee is less likely to default on a loan than owners of other types of businesses.

Owning a franchise may also give you additional opportunities to grow as an entrepreneur. Once you become a successful franchise owner, you may want to buy additional units of the same franchise. You will manage all the teams who work at the various sites.

There are also some downsides to consider before buying a franchise:

- **Initial and Ongoing Fees.** When you first buy a franchise, you pay a fairly high fee for the right to operate it. This cost can range from \$5,000 to \$100,000 or even higher. You need additional money to set up and operate a franchise. For example, you must purchase equipment. You need to set aside money to pay bills and employees until the business is making enough profit. A franchise owner also pays a **royalty fee** to the franchisor. This is a regular, ongoing payment that is based on a percentage of the sales a franchise earns.
- **Less Entrepreneurial Freedom.** Starting a new business or buying an independent business presents decision-making freedom. When you own a franchise, however, you must abide by the rules in the agreement. If you fail to meet the conditions of the franchise, the franchisor can cancel the agreement and put you out of business. There is also no guarantee that the franchisor will renew your agreement when it expires.

## Becoming an Inventor

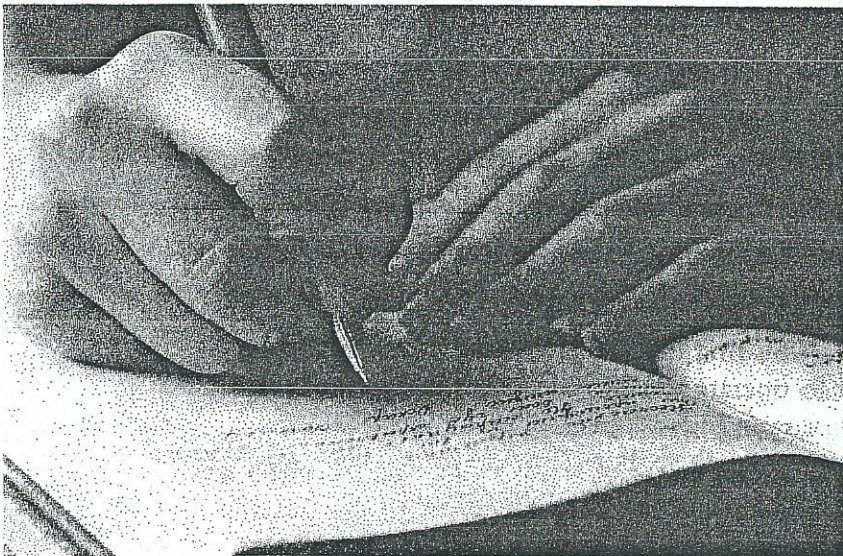
Some entrepreneurs invent new products, designs, or processes. They may choose to sell or license their inventions to someone else. Or they may create a business of their own that uses or manufactures the



invention. Often inventors significantly change an existing product or process, rather than creating a totally new one, just as the following two companies did:

- **HurriQuake Nail.** The HurriQuake nail is designed to resist pulling out of wood during hurricanes and earthquakes. Because building a house with HurriQuake nails only costs about \$15 more, a lot of builders are likely to purchase HurriQuakes instead of standard nails.
- **XO Laptop.** One Laptop Per Child (OLPC) is a nonprofit organization with the goal of providing laptops for children worldwide. OLPC found a way to create a low-cost laptop called the XO. They also reduced the laptop's energy use by 90 percent. This was achieved by inventing a new kind of screen display.

Whether you want to create a new invention or improve an existing one, here are some of the things you will need to do:



▲ *Inventors should keep a detailed logbook.*

- **Keep a Logbook.** Keep a detailed record, with dates, of everything related to your potential invention. Start with the date when you first thought of the idea. Use a type of notebook that is hardbound, not a loose-leaf binder. Your logbook can be used in the future to help prove the origin of your invention. In addition, a logbook is a good way to keep track of your sketches, notes, and research information.
- **Conduct a Search.** Find out whether somebody else has already patented an invention that's the same or similar to yours. A patent provides a legal means for protecting an invention. A patent gives the inventor the exclusive right to make, use, and sell the invention for a certain period of time. Patents are issued by the U.S. government's Patent and Trademark Office ([www.uspto.gov](http://www.uspto.gov)). If no one has patented an invention like yours, you may want to consider applying for a patent.
- **Create a Prototype.** A **prototype** is a model on which future reproductions of an invention are based. Start by building a non-working model out of materials such as foam, wood, or cardboard. This step will help you determine the correct form and shape of the product. With CAD (computer-aided design) software, you can also make an electronic drawing of your invention. Later you will also need to create a working prototype. This is an exact



sample of how the final product will look, move, and operate. Any manufacturer or designer with whom you discuss your product should be asked to sign a **nondisclosure agreement**. This is a legal document in which a person or group agrees to keep certain information confidential.



*What are four common ways you can turn an idea into a business opportunity?*

## Evaluating an Opportunity

Once you've gathered your ideas, tested them to see if they appeared to be opportunities, and compared various ways of activating them, you will need to make a more detailed evaluation. Start with the business ideas you like best. Then use critical thinking to logically evaluate the **feasibility** of each idea. Feasibility refers to how possible or worthwhile it is to pursue your idea, to see if it is actually an opportunity. You can use three practical methods for determining the feasibility of your business ideas:

- Cost/benefit analysis
- Opportunity-cost analysis
- SWOT analysis

### Cost/Benefit Analysis

Even though it is necessary to take risks as an entrepreneur, successful people take a **calculated risk**. This means carefully considering the potential costs and benefits. One method used to determine a calculated risk is called **cost/benefit analysis**. It is the process of adding up all the expected benefits of an opportunity and subtracting all the expected costs. If the benefits outweigh the costs, the opportunity may be worthwhile.

Costs can be one-time payments or ongoing. Benefits are most often received over a period of time. For example, perhaps you want to buy a computer but you currently don't have the money to pay for it. The purchase price could be a one-time cost if you save up and pay cash for it in six months. But if you use a credit card to buy the computer today, you should calculate how much extra you will pay in interest charges over the next six months. If buying the computer now enables you to earn more money than the total interest, the benefit may outweigh the cost.

A difficulty in cost/benefit analysis is assigning a monetary value to **intangible** (nonmaterial) things. For example, what is the value of your time? In what ways can you use your time most profitably? Obviously, some costs and benefits have to be based on personal values and priorities. What you find important may not be the same as for someone else.



Another difficult part of doing a cost/benefit analysis is that you can't precisely assign numbers to the costs or the benefits at the beginning of your evaluation. You have to think only in general terms. Eventually, as you continue with the business planning process, you will need to calculate the actual costs and benefits as accurately as you can.

### Opportunity-Cost Analysis

An important factor often overlooked when evaluating ideas is the **opportunity cost**. This is the value of what you will give up to get something. An opportunity-cost analysis examines the potential benefits that you forfeit when you choose one course of action over others.

Suppose you are offered a one-year internship at a company where you can gain valuable work experience. However, you will not receive wages. To make the best decision, you should compare the benefits the internship offers with the benefits of any opportunities you will be losing or postponing. These might include the chance to go to college immediately, earn money at a different job, or start a business.

Money can be invested to earn more money over a period of time. An opportunity cost is the benefit you don't receive by investing the money in one way versus another. For example, if you spend \$500 to buy products you were going to sell, rather than depositing the money in a savings account, you won't get the interest you would have earned on the \$500. But your calculated risk is that you will earn more from selling the products than you would have earned in interest on the \$500.

### SWOT Analysis

Another way to determine an idea's feasibility is to perform a **SWOT analysis**. A SWOT analysis is a business evaluation method that draws its name from the four areas it evaluates (Strengths, Weaknesses, Opportunities, and Threats):

- **Strengths.** What skills do you have that would enable you to do well with this specific opportunity? What resources do you have available (time, money, and people who can help you)? Do you have any unique knowledge or experiences that could give you an edge?
- **Weaknesses.** In what skill or knowledge areas do you need to improve? What resources are you lacking? What might potential customers see as a weakness in your product or service?
- **Opportunities.** Does this business idea fill an unmet need or want? Are there any trends or changes happening in your community that you could use as an advantage? What could you do better than other companies already in the same type of business? Does the proposed business location give you any advantages?



- **Threats.** What obstacles stand in the way of pursuing this opportunity? What current trends could potentially harm your business? How fierce is the competition in this business area? Does this business idea have a short window of opportunity?

The following table shows an example of a simple SWOT analysis for starting a DJ business. Notice that strengths and opportunities are placed side by side in the chart. This helps you to see if you currently have the strengths you need to take advantage of existing opportunities. Ask yourself, "What can I do to build my strengths so I can make the most of my opportunities?"

Likewise, weaknesses and threats are placed side by side in a SWOT analysis. This allows you to evaluate whether your weaknesses make existing threats more serious. Ask yourself, "What can I do to address my weaknesses so I can minimize potential threats?"

### SWOT ANALYSIS: STARTING A DJ BUSINESS

#### Strengths

I have experience working in a music store and know what type of music is bought most often.

Together, my potential partner and I have the necessary equipment and music resources.

I have an older brother who was a DJ when he was younger. He can answer questions and provide helpful tips.

#### Opportunities

Some friends have already asked me to DJ at upcoming parties.

My potential partner knows another DJ who says we can sub for him.

People in our area really like salsa music. Maybe we could add that to our play list.

#### Weaknesses

I'm not sure how dependable my potential partner will be. He is often late.

We need money to continue building our music library and keep it current.

We need a way to transport our equipment from place to place.

#### Threats

There are several good DJs already in the neighborhood.

People planning parties don't know us and already know the established DJs.

If times are hard economically, people won't pay for expensive parties with DJs.



Keep in mind that you can also use a SWOT analysis to evaluate a business after it is up and running. Many companies perform a SWOT analysis periodically to stay aware of changes that could help or harm their businesses.



*What do we call the value of something given up to get something else?*



**Your Business Plan.** Continue developing your standard business plan. Go to “Section 6.2” of the *Business Plan Project* in your *Student Activity Workbook*, or “Section 6.2” of the BizTech Software.

## ASSESSMENT 6.2

### Reviewing Objectives

1. What is the difference between a business idea and a business opportunity?
2. List at least three creative-thinking techniques used to generate ideas.
3. Name four common ways of turning business ideas into opportunities.
4. Describe three practical methods for determining the feasibility of a business idea.

### Critical Thinking

5. **Comparing/Contrasting.** Compare the advantages and disadvantages of buying an independent business versus buying a franchise. How are these business opportunities alike? How are they different?
6. **Relating Concepts.** What type of business opportunities match well with your current goals, both financial and nonfinancial?

### Working Together

Working in a team, create a poster that compares the opportunity cost of a high school diploma, an associate's degree, and a bachelor's degree. Assume that college tuition is \$5,000 per school year. Select a specific career area and calculate the annual salary each type of degree would earn working in it. Does the cost of education outweigh the long-term earning potential?

### Social Studies

#### Connecting to Your Community

List 10 major issues that have appeared in the local news over the past few months. Which of these could be solved or reduced by creating a business that doesn't yet exist in your community?



CHAPTER SUMMARY

6.1 What Is a Business Plan?

A business plan is a statement of your business goals, the resources you need to achieve them, and how you can be met and how you are going to achieve them. You need a complete, well-written plan before you start a business, and a good business plan will also guide you as you develop the company. The plan for a for-profit business is significantly different from that for a nonprofit organization. There are four main types of business plans, each intended for a different audience: the brief summary, the oral presentation, the investor's business plan, and the operational plan. Each type of plan addresses The Three C's: concept, customer, and capital. Most business plans include seven parts: product or service, market analysis, strategy, company description, organization and management, plan for growth, and financials. In addition, business plans include an executive summary.

## 6.2 What Is a Business Opportunity?

A business opportunity is a consumer need or want that can be met by a new business venture. However, not every idea is an opportunity. An idea with no commercial potential isn't an opportunity. Ideas for business opportunities can arise from problems, changes/trends, new discoveries and inventions, existing products and services that need improvement, and unique knowledge or experiences. Places to look for opportunities include newspapers, magazines, business and governmental agencies, trade resources, and the Internet. Once you've generated an idea, the next step is to compare options for applying it. Major choices include starting a new business, buying an independent business, buying a franchise, and becoming an inventor. Finally, you need to evaluate the feasibility of your ideas. Practical ways to do this include performing a cost/benefit analysis, an opportunity-cost analysis, and a SWOT analysis.

### REVIEW VOCABULARY

Write a two-page article for the school newspaper. Describe what a business opportunity is and why you need to write a business plan before you start a business. Use at least ten of the following terms as you can in your article.

- business broker (p. 154)
- business opportunity (p. 147)
- business plan (p. 139)
- calculated risk (p. 157)
- cost/benefit analysis (p. 157)
- creative thinking (p. 150)
- critical thinking (p. 151)
- executive summary (p. 142)
- feasibility (p. 157)
- franchisee (p. 154)
- franchisor (p. 154)
- intangible (p. 157)
- need (p. 147)
- nondisclosure agreement (p. 157)
- opportunity cost (p. 158)
- prototype (p. 156)
- royalty fee (p. 155)
- SWOT analysis (p. 158)
- trade show (p. 150)
- want (p. 147)
- window of opportunity (p. 148)



## CHECK YOUR UNDERSTANDING

Choose the letter that best answers the question or completes the statement.

1. Which of the following is *not* one of "The Three C's"?
  - a. concept
  - b. competition
  - c. customer
  - d. capital
2. A patent
  - a. is issued by the U.S. government
  - b. provides a legal means for protecting an invention
  - c. involves research to avoid duplication
  - d. all of the above
3. A brief summary business plan should take no more than
  - a. 30 seconds to 3 minutes
  - b. 3 to 5 minutes
  - c. 5 to 10 minutes
  - d. 10 to 15 minutes
4. The period of time you have to act on a business opportunity before it disappears is called the
  - a. opportunity time limit
  - b. window of opportunity
  - c. reasonable time frame
  - d. none of the above
5. The type of business that provides the greatest amount of entrepreneurial freedom is a(n)
  - a. business you start from scratch
  - b. independent business you purchase
  - c. franchise
  - d. family business
6. Which of the following types of business plans is meant for use within the business only?
  - a. brief summary
  - b. oral presentation
  - c. investor's business plan
  - d. operational business plan
7. Which of the following is *not* used to evaluate the feasibility of a business opportunity?
  - a. invention analysis
  - b. cost/benefit analysis
  - c. opportunity-cost analysis
  - d. SWOT analysis
8. Who is the intended audience for the oral presentation type of business plan?
  - a. potential employees
  - b. potential investors
  - c. newspaper reporters
  - d. a and c
9. Which of the following is *not* a characteristic of creative thinking?
  - a. using your imagination
  - b. lateral thinking
  - c. looking at a situation in new ways
  - d. vertical thinking
10. A royalty fee is a(n)
  - a. single fee paid when a franchise agreement expires
  - b. ongoing payment based on a percentage of sales
  - c. single fee paid when the franchise agreement is signed
  - d. ongoing payment based on the value of the business
11. The business plan of a for-profit company typically focuses on
  - a. the business mission
  - b. the products or services that support the mission
  - c. financial goals
  - d. a and b
12. Which of the following is true about a business plan?
  - a. developing it is simple and straightforward
  - b. once developed, it doesn't change
  - c. it has a set format
  - d. it will need to be changed from time to time