

QUIZ

DIGITAL ENTREPRENEURSHIP: CREATIVITY, INNOVATION AND VALUE CREATION

Activity:

This group activity is designed to move students from theoretical understanding to practical application by mirroring the three core pillars of the course: Creativity, Innovation, and Value Creation.

Group Activity: The "Digital Value Sprint"

Objective: To identify a friction in a traditional industry and design a digital solution using the frameworks provided in the course text.

Phase 1: The Creative Catalyst (Amabile's Model)

Form Teams: Groups of 3–5.

The Task: Students must select a "traditional" industry (e.g., local agriculture, waste management, or elderly care).

The Audit: Before brainstorming, the team must perform a quick "Amabile Audit" of themselves:

Intrinsic Motivation: Why does this specific industry matter to the team?

Domain Skills: What collective knowledge do they already have?

Creative Thinking: Assign one member as the "Perspective Shifter" to challenge every initial idea.

Output: Present one "problem presentation" (an identified gap) and one validated "idea generation" outcome.

Phase 2: The Innovation Ecosystem Audit

The Task: Analyze how the proposed idea fits into the larger innovation system.

Analysis: Teams must answer:

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Creative Destruction: Which old business patterns is your idea "destroying" or restructuring?

Ecosystem Impact: How will your digital start-up interact with existing infrastructure and institutions?

Connectivity: How does your solution use big data or digital adoption to meet the changing needs of society?

Phase 3: The Digital Value Blueprint

The Task: Map the idea onto the **Digital Value Creation Process**.

Framework Application:

Information Needs: What specific data does the customer want?

Friction Identification: Where is the "conflict" in the current process that stops value from being realized?

Digital Enablers: Which specific technologies (AI, IoT, Cloud, etc.) will fulfill those information needs and reduce the friction?

Feedback Loop: Design a mechanism where customer consumption data improves the digital enablers.

Final Deliverable: The Value Pitch

Each group delivers a 5-minute presentation that must include a visual representation of their **Digital Value Chain**, clearly showing the synergy between the digital enablers and the core business value.

DIGITAL BUSINESS MODEL

1. According to the course material, what is the primary distinction between a Digital Business Model (DBM) and a traditional business model that has adopted digital tools?

A. A DBM is primarily defined by the use of 5G and IoT to reduce operational costs.

B. A DBM's main goal is to transition physical assets into digital formats for easier storage.

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C. A DBM represents a new business logic designed to create new sources of value and reshape competition.

D. A DBM focuses on optimizing existing linear processes through better software.

2. In the 'DNA of Digital Value Creation,' how does the 'Content' element differ in a DBM compared to a traditional model?

A. It eliminates the need for customer engagement metrics.

B. It focuses on the transactional sale of non-digital products.

C. It prioritizes physical/tangible resources over data infrastructure.

D. It shifts from a static product to a continuous utility and holistic experience.

3. The 'Experience Pillar' (the 'How') of digital strategy emphasizes which of the following capabilities?

A. The monetization of data and insights.

B. Selling 'uptime' instead of a physical machine.

C. Personalization at scale using algorithms.

D. Managing a complex web of third-party developers.

4. According to the MIT CISR framework by Weill and Woerner, what is the central implication for entrepreneurs regarding digital transformation?

A. Success is guaranteed by achieving the highest technological capacity.

B. Transformation is fundamentally about organizational change and reinvention.

C. The strategy should focus exclusively on mobile and IoT connectivity.

D. The primary focus should be on reducing the digital threat from competitors.

5. Which theory explains why companies like eBay often experience a 'winner-takes-all' market position?

A. Dynamic Capabilities Theory

B. Servitization Theory

C. Network Effects

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D. Resource-Based View (RBV)

6. What is the relationship between Dynamic Capabilities (DC) and Network Effects (NE) in a digital context?

A. DC acts as the sustaining mechanism that allows a firm to handle the scaling challenges created by NE.

B. NE and DC are mutually exclusive; a firm must choose one strategy over the other.

C. DC provides the growth loop, while NE manages the internal resources.

D. NE is only relevant for physical products, while DC is only for digital services.

7. In the digital sphere, VRIN resources (Valuable, Rare, Inimitable, Non-substitutable) are increasingly derived from which of the following?

A. Proprietary data sets, sophisticated algorithms, and a culture of rapid learning.

B. Linear supply chains with fixed pricing models.

C. Physical real estate and manufacturing equipment.

D. Standardized software that can be purchased by any competitor.

8. Why is the traditional Business Model Canvas (BMC) considered 'static' and in need of adaptation for digital business?

A. It does not allow for any representation of value propositions.

B. It struggles to capture changes in strategy and the complex interaction between ecosystem components.

C. It focuses only on digital revenue streams and ignores physical costs.

D. It contains too many building blocks for a digital startup to manage.

9. According to the DBM Taxonomy, which dimension describes the configuration of core resources such as digitized business processes and data infrastructure?

A. Value Architecture

B. Value Finance

C. Value Proposition

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D. Value Network

10. What distinguishes a 'learning platform' from other digital platform typologies?

A. It is used exclusively by educational institutions.

B. It focuses solely on social connectivity between users.

C. It does not require any inbound customer integration.

D. It leverages continuous data feedback loops from all parties to systematically enhance service.

Case Study: "Zephyr Logistics" – The Transformation Challenge

Background: Zephyr Logistics is a traditional 20-year-old firm specializing in regional freight. Their current business model relies on physical assets (a fleet of trucks), linear transactions (one-off shipping contracts), and manual processes (phone-based dispatch and paper logs).

The Crisis: A new digital-native startup, "SwiftLink," has entered the market. SwiftLink owns no trucks but uses an AI-driven platform to connect independent drivers with shippers, offering real-time tracking, dynamic pricing, and a seamless mobile experience. Zephyr is losing its best clients to SwiftLink's lower costs and superior "experience offering."

Your Task: The Digital Re-Architecture

As a strategic consultant, you must help Zephyr's leadership reinvent their model using the pillars and theories from your course. Complete the following three phases.

Phase 1: Identifying the DNA Shift

Using Section 2 of your course material, fill in the "New Logic" for Zephyr to move from a traditional BM to a DBM.

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Element	Zephyr's Traditional Logic	Zephyr's New Digital Logic (Proposed)
Content	Selling space in a truck (Static Product).	
Architecture	Physical trucks and manual dispatch.	
Value Sharing	Flat fee per shipment.	

Phase 2: Applying the Strategic Pillars (The WHAT, HOW, and WHY)

Propose one specific strategic action for Zephyr under each pillar to counter "SwiftLink."

The Content Pillar (WHAT): How can Zephyr move from "Freight Delivery" to "Servitization" or "Information-as-a-Product"?

Example Action:.....

The Experience Pillar (HOW): How will Zephyr create "Continuous Connection" with its shippers?

Example Action:.....

The Platform Pillar (WHY): How can Zephyr move toward an "Asset-Light" logic?

Example Action:.....

Phase 3: Theoretical Foundation

Answer the following two strategic questions to ensure the new model is sustainable:

Harnessing Network Effects (NE): If Zephyr opens its dispatch software to outside independent drivers (becoming a platform), how does the "Winner-Takes-All" concept help them defeat SwiftLink?

Building Dynamic Capabilities (DC): Zephyr's staff is used to paper and phones. According to the VRIN criteria, why is "Organizational Culture" a more valuable resource for Zephyr's survival than just buying new GPS software?

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CUSTOMER ACQUISITION AND RETENTION IN DIGITAL ENTREPRENEURSHIP

1. What is the primary goal of the Customer Acquisition (C/A) process, as stated in the text?

- A. Lower the Customer Acquisition Cost (CAC) while increasing the volume of high-quality leads.
- B. Increase the Lifetime Value (LTV) of the customer base.
- C. Provide seamless onboarding for new users to reach the 'Aha! Moment'.
- D. Monitor Return on Ad Spend (ROAS) across all marketing channels.

Index: Think about the main objective when a company is trying to get new customers.

2. Which of the following is explicitly categorized as an Organic Customer Acquisition Strategy?

- A. Search Engine Optimization (SEO)
- B. Affiliate Marketing
- C. Influencer Marketing
- D. Paid Search (PPC)

Index: Organic strategies build results slowly over time and often result in lower long-term cost.

3. Paid Acquisition strategies, such as Social Media Advertising, require careful monitoring of which key financial metric?

- A. Return on Ad Spend (ROAS)
- B. Net Promoter Score (NPS)
- C. Churn Rate
- D. Lifetime Value (LTV)

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Index: This metric specifically helps determine if the immediate financial investment in ads is worthwhile.

4. According to the text, what critical time period marks the beginning of the Customer Retention process?

- A. The 30 days following the first purchase.
- B. The first 7 days following a customer's sign-up.
- C. After a customer has completed their first support request.
- D. The point when the customer receives their first personalized content.

Index: Retention is a race to prove value as quickly as possible, right from the start.

5. In the context of 'Seamless Onboarding', what is the 'Aha! Moment'?

- A. The first time a user contacts Omni-Channel Support.
- B. The moment the user realizes the value of the product and how it solves their problem.
- C. The point where the customer is incentivized to refer a new user.
- D. The completion of a successful transaction or payment.

Index: This concept is about a sudden realization of benefit.

6. What is the recommended ideal benchmark for the LTV: CAC Ratio for a healthy digital business?

- A. 3:1 or higher (LTV is at least 3x the CAC)
- B. 5:1 (LTV is 5x the CAC)
- C. 1:3 or lower (CAC is at least 3x the LTV)
- D. 1:1 (LTV is equal to CAC)

Index: The value a customer brings over their life should significantly outweigh the cost of acquiring them.

7. The retention strategy 'Closing the Loop' primarily involves which action?

- A. Providing rewards for continued engagement via a loyalty program.

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B. Soliciting feedback via Net Promoter Score (NPS) and Customer Satisfaction (CSAT) surveys.

C. Segmenting the audience into 'power users' and 'at-risk users'.

D. Acting on customer feedback and informing the customer that their input resulted in a change.

Index: This action is the final, trust-building response to a customer's input.

8. Affiliate Marketing is described as paying external partners a commission for traffic or sales. Under which broad category of Customer Acquisition Strategies does this fall?

A. Personalization and Communication

B. Organic Strategies

C. Paid Strategies

D. Community and Network Strategies

Index: This strategy leverages others' audiences, similar to a referral program.

9. What is the formula provided in the text for calculating the Churn Rate?

A. $(\text{Lost customers} / \text{Total customers at start of period}) \times 100$

B. $\text{Average purchase value} \times \text{Average purchase frequency} \times \text{Average customer lifespan}$

C. $\text{Total marketing/sales spend} / \text{Number of new customers}$

D. $\text{Average purchase value} / \text{Average purchase frequency}$

Index: Churn measures the loss of customers relative to the starting customer base.

10. According to the Bain & Company statistic cited, a 5% increase in customer retention can increase profits by what range?

A. 50% to 100%

B. 25% to 95%

C. 10% to 25%

D. 15% to 50%

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Index: The impact of retention on profitability is significant, demonstrating its importance.

INNOVATION AND DEVELOPMENT OF DIGITAL PRODUCTS

1. Short-Answer Questions (Conceptual Mastery)

- A. Define Digital Entrepreneurial Orientation (DEO) and explain its relationship to a firm's Technology Absorptive Capacity (TAC).
- B. Identify the three critical characteristics of consumer demand in the digital era and briefly explain how "Interactivity" facilitates co-creation.
- C. What is the primary objective of a Minimum Viable Product (MVP) according to the Lean Startup philosophy?
- D. Briefly describe the "Hard Fact" archetype within the Arc PMF Framework. What is the main barrier to adoption in this scenario?
- E. List three warning signs that indicate a startup has failed to achieve Product-Market Fit.

2. Long-Answer Questions (Application & Analysis)

- A. The Methodology Synthesis: Explain why applying Design Thinking, Lean Startup, or Agile in isolation is often considered insufficient for today's rapid digital market. How does an integrated approach reduce entrepreneurial risk?
- B. The Death Valley Curve: Describe the transition from the MVP launch to the growth stage. Why do approximately 90% of startups fail during this period, and what role does "commercial viability" play in overcoming this curve?
- C. The Arc PMF Framework: Compare and contrast the "Hair on Fire" and "Future Vision" archetypes. How do their requirements for talent acquisition and funding models differ?

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D. Scaling Dynamics: Using the example of Digital Health Technology (DHT) firms, discuss the balance between internal operational optimization and external regulatory compliance in the scaling process.

3. Essay Questions (Critical Thinking & Synthesis)

A. Value Creation in the Digital Economy: "In the digital economy, the strategic imperative shifts from optimizing production to mastering the industrialization of technological assets." Evaluate this statement with reference to proprietary algorithms, data sets, and network effects. Use examples to illustrate how technology itself becomes the value-generating asset.

B. The Fallacy of the Lean Startup: Critical academic assessments suggest that the Lean Startup model may be contextually outdated for some modern ventures. Critically analyze the limitations of the "Build-Measure-Learn" loop in high-uncertainty environments. Does the high failure rate of startups suggest a flaw in the model or a flaw in its execution?

C. Strategy Follows Archetype: "Operational strategy—including go-to-market and talent acquisition—must be tailored to the specific archetype of the problem being solved." Develop an argument for why a "Future Vision" startup would fail if it adopted the go-to-market strategy of a "Hair on Fire" startup. Use the Amazon Fire Phone case study to support your analysis of PMF misalignment.