**Chapter 1 Introduction to Entrepreneurship**

1) Klimit, the company profiled in the opening feature for Chapter 1, plans to make money on

the ski jackets and other apparel products that will use its proprietary technology by:

A) manufacturing the products and selling them via catalogues and the Internet

B) manufacturing the products and selling through large retailers like Gap and Old Navy

C) franchising

D) manufacturing the products and selling them through ski shops and other specialty stores

E) licensing its technology to outdoor gear and apparel companies

Answer: E

2) According to the Global Entrepreneurship Monitor (GEM) 2007 study, about \_\_\_\_\_\_\_\_ of

adults in the United States are either starting a business or are running a business that has been in

existence for less than 3 1/2 years.

A) 3.8 percent

B) 7.5 percent

C) 9.6 percent

D) 12.0 percent

E) 15.2 percent

Answer: C

3) According to the Global Entrepreneurship Monitor (GEM) 2007 study, the majority of people

in high-income countries are drawn to entrepreneurship for the following reasons:

A) to take advantage of an attractive opportunity, to pursue independence, and to increase their

incomes

B) lack of career prospects, government incentives, and to increase their incomes

C) lack of promotional opportunities in their jobs, to pursue independence, and government

incentives

D) to pursue a personal interest, lack of promotional opportunities in their jobs, and to increase

their incomes

E) to take advantage of an attractive opportunity, lack of career prospects, and government

incentives

Answer: A

4) Which of the following statements regarding business success (or failure) rates is correct?

A) 9 out of 10 businesses fail within the first four years.

B) After four years, 50 percent of new businesses are still open.

C) After four years, 25 percent of new businesses are still open.

D) 2 out of 3 businesses fail within the first four years.

E) After four years, 10 percent of new businesses are still open.

Answer: B

5) Starbucks is a firm that is proactive, innovative and risk-taking. From this description, we can

most accurately conclude that Starbucks has a high level of:

A) inventive zeal

B) innovative intensity

C) entrepreneurial intensity

D) creative intensity

E) general zeal

Answer: C

6) Jim Brill is the founder of a company named Extreme Sports Supreme. The company makes

products for extreme sports enthusiasts such as BMX bikers, hang gliders, parasailers, and

surfers. Jim wants his company to pursue a high level of corporate entrepreneurship. To achieve

that goal, Jim's firm should be:

A) innovative, risk averse, and take a "wait and see" posture

B) take a "wait and see" posture, innovative, and risk taking

C) proactive, not innovative, and risk taking

D) take a "wait and see" posture, not innovative, and risk averse

E) proactive, innovative, and risk taking

Answer: E

7) Google is an established firm that encourages and emphasizes entrepreneurial behavior

throughout its various divisions. According to the textbook, Google practices:

A) commercial entrepreneurship

B) corporate entrepreneurship

C) deliberate entrepreneurship

D) business entrepreneurship

E) innovative entrepreneurship

Answer: B

8) The three primary reasons that people become entrepreneurs and start their own firms are to:

A) pursue their own ideas, realize financial rewards, and eliminate risk in their lives

B) do what they were "born" to do, be their own boss, and capture more of the spotlight

C) take big risks, be their own boss, and do what they were "born" to do

D) be their own boss, pursue their own ideas, and realize financial rewards

E) capture more of the spotlight, pursue their own ideas, and take big risks

Answer: D

9) According to the textbook, the number one reason that people become entrepreneurs is to:

A) realize financial rewards

B) reduce the risk in their lives

C) be their own boss

D) capture more of the spotlight

E) pursue their own ideas

Answer: C

10) Kate Saunders is starting a firm in the fashion industry primarily to pursue financial rewards.

According to the textbook, starting a business to make a lot of money:

A) often fails to live up to its hype

B) is equally as satisfying as other reasons for starting a business

C) is the number one reason people start their own business

D) is the number two reason that people start their own business, right behind the lack of better

career prospects

E) does not rank among the top three reasons that people start their own business

Answer: A

11) According to the textbook, the four characteristics of successful entrepreneurs are:

A) passion for the business, is on the cutting edge of technological change, is very charismatic,

and tenacity despite failure

B) is young and energetic, passion for the business, product/customer focus, and seeks

recognition

C) passion for the business, tenacity despite failure, product/customer focus, and execution

intelligence

D) is on the cutting edge of technological change, is forward thinking, tenacity despite failure,

and product/customer focus

E) passion for the business, seeks recognition, is young and energetic, and execution intelligence

Answer: C

12) The number one characteristic shared by successful entrepreneurs is:

A) a charismatic personality

B) passion for the business

C) a desire to employ other people

D) a desire to fulfill a lifetime dream

E) being on the cutting edge of technological change

Answer: B

13) Kendall Toms recently launched a medical startup. He is very excited about the business

because he strongly believes that the products his firm is working on will make a positive

differences in peoples' lives. Kendall's excitement results from which of the following

characteristics of entrepreneurs?

A) passion for the business

B) tenacity despite failure

C) desire to be his own boss

D) desire to be on the cutting edge of technological change

E) desire to gain financial rewards

Answer: A

14) The What Went Wrong? feature in Chapter 1 focuses on ProtectMyPhotos, a company that

was launched in 2006 but eventually went out of business. According to the feature, the business

failed primarily as a result of:

A) a loss of passion for the business idea

B) poor execution

C) a lack of tenacity on the part of the founders

D) a lack of funding

E) a lack of managerial expertise

Answer: A

15) Jim Johnson, who is at heart a craftsperson, recently started a firm to manufacture what he

believes is the safest and the most versatile snowboard available. Jim's desire is to sell his

snowboard to as many people as possible, because he firmly believes in the merits of his product.

Jim's story best illustrates which of the following characteristics or attributes of successful

entrepreneurs?

A) execution intelligence

B) a desire to be your own boss

C) tenacity despite failure

D) desire to gain financial rewards

E) product/customer focus

Answer: E

16) Chad and Allison Druxman launched a firm several years ago and have been particularly

successful in introducing new products to the marketplace. One thing that Chad and Allison are

particularly good at is translating their thoughts, creativity, and imaginations into products that

reach the marketplace. The ability to make this happen is most closely related to which of the

following characteristics of successful entrepreneurs?

A) passion for the business

B) execution intelligence

C) tenacity despite failure

D) product/market focus

E) a desire for recognition

Answer: B

17) The Savvy Entrepreneurial Firm feature in Chapter 1 focuses on Guitar Hero and iRobot, two

companies that have produced successful products. The feature's main purpose is to illustrate the

importance of \_\_\_\_\_\_\_\_ as a key characteristic of the founders of entrepreneurial firms.

A) execution intelligence

B) a desire to pursue your own ideas

C) tenacity despite failure

D) passion for the business

E) product/customer focus

Answer: C

18) Which of the following is not one of the five common myths about entrepreneurs?

A) Entrepreneurs are networkers.

B) Entrepreneurs are moderate risk takers.

C) Entrepreneurs should be young and energetic.

D) Entrepreneurs love the spotlight.

E) Entrepreneurs are born not made.

Answer: A

19) Which of the following was not identified in the textbook as one of the main characteristics

of successful entrepreneurs?

A) execution intelligence

B) seeks recognition

C) product/customer focus

D) passion for the business

E) tenacity despite failure

Answer: B

20) According to the textbook, entrepreneurs are \_\_\_\_\_\_\_\_ risk takers.

A) forceful

B) moderate

C) high

D) low

E) aggressive

Answer: B

21) Suppose you are a Small Business Development Center counselor and you're looking at the

personality profiles of five potential entrepreneurs. Based on the profiles, which individual has

the most desirable mix of personal characteristics to become a successful entrepreneur?

A) Candidate A: creative, decisive, moderate risk taker

B) Candidate B: seeks recognition, self-starter, strong work ethic

C) Candidate C: visionary, high risk taker, energetic

D) Candidate D: high risk taker, achievement motivated, is a networker

E) Candidate E: tolerant for ambiguity, seeks recognition, motivated primarily by money

Answer: A

22) Which of the following is not a personality trait or characteristic common among

entrepreneurs?

A) persuasive

B) visionary

C) intolerant of ambiguity

D) is a networker

E) achievement motivated

Answer: C

23) Which of the following statement is correct?

A) Entrepreneurs love the spotlight.

B) The major attributes that lenders and venture capitalists look for in entrepreneurs favor

younger rather than older entrepreneurs.

C) Entrepreneurs are born not made.

D) Entrepreneurs tend to be high risk takers.

E) Studies show that people with parents who were self-employed are more likely to become

entrepreneurs.

Answer: E

24) According to the textbook, the most active age range for early stage entrepreneurial activity

is:

A) 19 to 30 years old

B) 25 to 34 years old

C) 32 to 44 years old

D) 38 to 50 years old

E) 44 to 58 years old

Answer: B

25) According to Chapter 1, investors often cite the \_\_\_\_\_\_\_\_ as their most important criterion in

the decision to fund new ventures.

A) financial position of the new venture

B) strength of the industry the new firm is entering

C) strength of the new venture's marketing plan

D) strength of the business idea

E) strength of the entrepreneur

Answer: E

26) According to Chapter 1, a sentiment that venture capitalists often express is that:

A) the strength of the entrepreneur and the strength of the business idea are of equal importance

B) they would never fund a strong entrepreneur with a weak business idea

C) they would rather fund a strong entrepreneur with a mediocre business idea than fund a strong

business idea with a mediocre entrepreneur

D) a new venture's marketing plan is more important than either the strength of the entrepreneur

or the strength of the business idea

E) they would rather fund a strong business idea with a mediocre entrepreneur, than a strong

entrepreneur with a mediocre business idea

Answer: C

Diff: 3

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Topic: Introduction to Entrepreneurship

27) Atlantic Printing LLC is a startup that is working on a new technology for the printing

industry. Because the technology its working on is highly proprietary, the company is located in

the warehouse district of a large eastern city. Atlantic's founder, Sarah Sims, rarely gives

interviews, and is careful to not divulge much about what the company is doing. Which of the

following common myths about entrepreneurs does the behavior of its founder, Sarah Sims,

dispel?

A) Entrepreneurs are born, not made.

B) Entrepreneurs are gamblers.

C) Entrepreneurs are motivated primarily by money.

D) Entrepreneurs should be young and energetic.

E) Entrepreneurs love the spotlight.

Answer: E

28) According to the textbook, there are three types of startup firms:

A) lifestyle firms, general firms, and entrepreneurial firms

B) standard-of-living firms, statutory firms, and general firms

C) entrepreneurial firms, standard-of-living firms, and statutory firms

D) lifestyle firms, salary-substitute firms, and entrepreneurial firms

E) innovative firms, entrepreneurial firms, and standard firms

Answer: D

29) According to the textbook, there are three types of startup firms: entrepreneurial firms,

lifestyle firms, and:

A) civil firms

B) salary-substitute firms

C) statutory firms

D) standard-of-living firms

E) innovative firms

Answer: B

30) Missouri Steak and Seafood is a restaurant that has been owned by Cameron Peterson for the

past nine years. The restaurant offers a menu that is typical for steak and seafood restaurants, and

affords Cameron a level of income that is similar that what he would earn in a conventional job.

According to the textbook, Missouri Steak and Seafood is an example of a:

A) salary-substitute firm

B) entrepreneurial firm

C) standard-of-living firm

D) lifestyle firm

E) everyday-life firm

Answer: A

31) Tahoe Trips & Trails, a company mentioned in Chapter 1, leads multiday outdoor adventure

trips for private groups and corporate clients to Lake Tahoe, Yosemite, Death Valley, and similar

locations. The company was started by Hanna Sullivan, an individual that gave up a prestigious

job with a private investment company because Tahoe Trips & Trails better accommodates her

personal lifestyle. Tahoe Trips & Trails is an example of a \_\_\_\_\_\_\_\_ firm.

A) entrepreneurial

B) salary-substitute

C) standard-of-living

D) statutory

E) lifestyle

Answer: E

32) Entrepreneurial firms:

A) offer common products to customers and are not particularly innovative

B) bring new products and services to market, that are not particularly innovative

C) offer common products to customers, are not particularly innovative, and provide their owner

or owners the opportunity to pursue a particular lifestyle and earn a living while doing so

D) provide their owner or owners the opportunity to pursue a particular lifestyle and earn a living

while doing so

E) bring new products and services to market by creating and seizing opportunities

Answer: E

Diff: 2

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Topic: Introduction to Entrepreneurship

33) Which of the following statements is true regarding the demographics of entrepreneurs in the

United States?

A) Over the past 10 years, the demographic makeup of entrepreneurial firms has remained

relatively unchanged.

B) Of the 26 million businesses in the United States, a decreasing number are owned by women

and minorities.

C) Between 1997 and 2002, the fastest-growing area of women-owned firms was health care.

D) There is strong evidence to suggest that the number of seniors choosing entrepreneurial

careers is increasing.

E) Interest in entrepreneurship among young people remains flat.

Answer: D

34) Which of the following statements is not true about women-owned businesses in the United

States?

A) Recent studies show that women-owned firms remain less profitable than male-owned firms.

B) Although historically women-owned businesses have been primarily in health care and

professional services, that emphasis is changing.

C) Between 1997 and 2002, the fastest growing area of women- owned businesses was

construction.

D) The number of women-owned firms reflects the growing breadth and economic prowess of

women-owned businesses in the United States.

E) There were 6.5 million women-owned businesses in 2002, the most recent year the U.S.

Census Bureau collected business ownership data.

Answer: A

35) Among minorities, \_\_\_\_\_\_\_\_ owned firms had the highest growth rate between 1997 and

2002.

A) Pacific Islander

B) Asian American

C) Hispanic

D) African American

E) American Indian

Answer: D

36) Which of the following was not given in the textbook as a reason for the increase in the

number of senior entrepreneurs?

A) Seniors tend to be more passionate about new business ideas than middle-aged or younger

prospective entrepreneurs.

B) Many seniors have extensive business experience and other qualities that equip them for an

entrepreneurial career.

C) Growing worries among seniors that they need to earn additional income to pay for future

health care services and other expenses.

D) An increasing desire among older workers for more personal fulfillment in their lives

E) corporate downsizing.

Answer: A

37) A Gallup study revealed that \_\_\_\_\_\_\_\_ high school students want to start their own

companies.

A) 1 out of 10

B) 3 out of 10

C) 5 out of 10

D) 7 out of 10

E) 9 out of 10

Answer: D

Diff: 3

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38) As new products are introduced, that are better than their existing generation of products,

sales normally increase, because the new products provide consumers increased value or worth.

This process, which is called \_\_\_\_\_\_\_\_, stimulates economic activity, which is a good thing for

the economy.

A) creative destruction

B) repetitive destruction

C) iterative replacement

D) inventive replacement

E) iterative destruction

Answer: A

39) In his/her book *The Theory of Economic Development*, \_\_\_\_\_\_\_\_ argued that entrepreneurs

develop new products and technologies that over time make current products and technologies

obsolete. This process is called creative destruction.

A) Michael Porter

B) H.H. Stevenson

C) Joseph Schumpeter

D) Michael Gerber

E) Edith Penrose

Answer: C

40) According to the textbook, entrepreneurship has historically had (a):

A) major impact on the economy and minor impact on society

B) minor impact on both the economy and society

C) major impact on society and minor impact on the economy

D) major impact on both the economy and society

E) no impact on either the economy or society

Answer: D

41) \_\_\_\_\_\_\_\_ is the process of creating something new, which is central to the entrepreneurial

process.

A) Creative destruction

B) Modernism

C) Execution

D) Creativity

E) Innovation

Answer: E

42) According to the textbook, small entrepreneurial firms produce \_\_\_\_\_\_\_\_ more patents per

employee than large patenting firms.

A) 2

B) 5

C) 9

D) 13

E) 20

Answer: D

43) Which of the following statement is incorrect regarding the economic impact of

entrepreneurial firms?

A) Small firms are more innovative than large firms.

B) Small firms produce more patents per employee than large firms.

C) Economic activity is moving increasingly in the direction of small rather than large firms.

D) Small businesses employ more than half of all private sector employees in the United States.

E) Small businesses create about one-third of all new jobs.

Answer: E

44) Topics Entertainment, the focus of the Partnering for Success feature in Chapter 1, produces

"boxed sets" of children's DVDs featuring the best products from small producers. What is the

primary lesson that entrepreneurial firms can learn from reading about what Topics

Entertainment is doing?

A) Developing a product or service that helps individuals and businesses work more smoothly

and efficiently is a viable business idea.

B) Small firms often benefit by partnering with larger firms to gain access to their managerial

talent

C) innovation is often not the key to entrepreneurial success.

D) By partnering with a large company, small companies can distribute their products more

widely and gain more visibility than they would ever be able to do on their own.

E) Quick success can rapidly erode into failure if a business becomes overly confident and starts

chasing deals that don't make sense.

Answer: D

45) Which of the following is the correct sequence for the four steps in the entrepreneurial

process?

A) deciding to become an entrepreneur, developing successful business ideas, moving from an

idea to an entrepreneurial firm, managing the growing entrepreneurial firm

B) developing successful business ideas, deciding to become an entrepreneur, moving from an

idea to an entrepreneurial firm, managing and growing the entrepreneurial firm

C) developing successful business ideas, moving from an idea to an entrepreneurial firm,

deciding to become an entrepreneur, managing and growing the entrepreneurial firm

D) deciding to become an entrepreneur, moving from an idea to an entrepreneurial firm,

developing successful business ideas, managing and growing the entrepreneurial firm

E) deciding to become an entrepreneur, moving from an idea to an entrepreneurial firm,

developing successful business ideas, managing and growing the entrepreneurial firm

Answer: A

46) Which of the following is not one of the four steps of the entrepreneurial process?

A) deciding to become an entrepreneur

B) determining how to seize the spotlight

C) developing successful business ideas

D) moving from an idea to an entrepreneurial firm

E) managing and growing the entrepreneurial firm

Answer: B

47) An event that prompts an individual to become an entrepreneur, such as losing a job,

inheriting money, or accommodating a certain lifestyle, is referred to as a(n):

A) prompting event

B) entrepreneurial prompt

C) initiating event

D) triggering event

E) kick off event

Answer: D

48) A \_\_\_\_\_\_\_\_ is a written document that describes all the aspects of a business venture in a

concise manner.

A) business plan

B) business model

C) operations plan

D) corporate plan

E) contingency plan

Answer: A

49) A firm's \_\_\_\_\_\_\_\_ is a plan for how it competes, uses its resources, structures its

relationships, interfaces with customers, and creates value to sustain itself on the basis of the

value it creates

A) business plan

B) business model

C) tactical model

D) strategic plan

E) operations model

Answer: B

50) Katherine Frans just received an inheritance of $50,000 from her grandmother. She has

decided to use the money to start a business that she has always been interested in starting. For

Katherine, the $50,000 inheritance represents a \_\_\_\_\_\_\_\_ that prompted her to start a business.

A) lifestyle event

B) threshold event

C) initiative event

D) milestone event

E) triggering event

Answer: E

51) According to the results of the GEM 2007 study, about 1 out of every 20 American adults is

actively engaged in starting a business or is the owner/manager of a business that is less than 3

1/2 years old.

Answer: FALSE

52) According to reliable statistics, 9 out of 10 businesses fail in their first few years of

existence.

53) Entrepreneurship is the process by which individuals pursue opportunities without regard to

resources they currently control.

Answer: TRUE

54) Established firms with an entrepreneurial emphasis are proactive, innovative, and risk-taking.

Answer: TRUE

55) The number one reason that people become entrepreneurs is to pursue financial rewards.

Answer: FALSE

56) The number one characteristic shared by successful entrepreneurs is passion for the business.

Answer: TRUE

57) The four main characteristics of successful entrepreneurs are: passion for the business,

execution intelligence, product/customer focus, and tenacity despite failure.

Answer: TRUE

58) Because entrepreneurs are very tenacious and they have a product/customer focus, the

success rate associated with their efforts is naturally high.

Answer: FALSE

59) Entrepreneurs are born not made.

Answer: FALSE

60) Entrepreneurs are usually moderate, rather than high, risk-takers.

Answer: TRUE

61) The most active age range for business ownership is 35 to 45 years old.

Answer: TRUE

62) In terms of the "types" of startup firms, entrepreneurial firms are firms that provide their

owner or owners the opportunity to pursue a particular lifestyle, and make a living at it.

Answer: FALSE

63) Over the past 10 years, the demographic makeup of entrepreneurial firms has remained fairly

stable in the United States and around the world.

Answer: FALSE

64) There is strong evidence to suggest that the number of older people choosing entrepreneurial

careers is increasing rapidly.

Answer: TRUE

65) Unfortunately, statistics show that there is very little interest in entrepreneurship among high

school students in the United States.

Answer: FALSE

66) Joseph Schumpeter argued that entrepreneurs develop new products and technologies that

over time make current products and technologies obsolete, and this process, which he called

creative destruction, is good because it stimulates economic activity.

Answer: TRUE

67) Innovation is the process of creating something new, which is central to the entrepreneurial

process.

Answer: TRUE

68) In the past two decades, economic activity has moved increasingly in the direction of large

firms, rather than smaller entrepreneurial firms.

Answer: FALSE

69) The entrepreneurial process consists of four steps: deciding to become an entrepreneur,

developing successful business ideas, moving from an idea to an entrepreneurial firm, and

managing and growing the entrepreneurial firm.

Answer: TRUE

70) A business model is a written document that describes all the aspects of a business venture in

a concise manner.

Answer: FALSE

71) What is entrepreneurship? What is the essence of entrepreneurial behavior?

Answer: Entrepreneurship is the process by which individuals pursue opportunities without

regard to the resources they currently control. The essence of entrepreneurial behavior is

identifying opportunities and putting useful ideas into practice.

72) Describe the three primary reasons that people become entrepreneurs and start their own

firms.

Answer: The three primary reasons that people become entrepreneurs and start their own firms

are to (1) be their own boss, (2) pursue their own ideas, and (3) realize financial rewards.

The first of these reasons being one's own boss is given most commonly. Many entrepreneurs

want to be their own boss because either they have had a long-time ambition to own their own

firm or they have become frustrated working in traditional jobs. The second reason people start

their own firms is to pursue their own ideas. Some people are naturally alert, and when they

recognize ideas for new products or services, they have a desire to see those ideas realized. The

third reason people start their own firms is to pursue financial rewards. This motivation,

however, is typically secondary to the first two.

73) Describe the four main characteristics of successful entrepreneurs.

Answer: The four main characteristics of successful entrepreneurs are: passion for the business,

product/customer focus, tenacity despite failure, and execution intelligence.

The number one characteristic shared by successful entrepreneurs is passion of their business,

whether it is in the context of a new firm or an existing business. This passion typically stems

from the entrepreneur's belief that the business will positively influence people's lives. A second

defining characteristic of successful entrepreneurs is a product/customer focus. This

characteristic underscores two of the most important elements in any business products and

customers. The third characteristic of successful entrepreneurs is tenacity despite failure.

Because entrepreneurs are typically trying something new, the failure rate associated with their

efforts is naturally high. The litmus test for entrepreneurs is their ability to persevere through

setbacks and failures. The fourth characteristic of successful entrepreneurs is execution

intelligence. The ability to effectively execute a business idea means developing a business

model, putting together a new venture team, raising money, establishing partnerships, managing

finances, leading and motivating employees, and so on.

74) Identify the three types of start-up firms, and discuss how they differ. Provide examples of

each type of firm.

Answer: The three types of start-up firms are: salary-substitute firms, lifestyle firms, and

entrepreneurial firms.

Salary-substitute firms are small firms that afford their owners a level of income similar to what

they would earn in a conventional job. Examples of salary-substitute firms are dry cleaners,

convenience stores, restaurants, accounting firms, retail stores, and hairstyling salons. Lifestyle

firms provide their owner or owners the opportunity to pursue a particular lifestyle and earn a

living while doing so. Examples of lifestyle firms include ski instructors, golf pros, and tour

guides. Entrepreneurial firms bring new products and services to market by creating and seizing

opportunities. There are many examples of entrepreneurial firms in computer software,

biotechnology, and medical devices.

75) Identify and discuss the three primary reasons that entrepreneurial behavior has a strong

impact on the United States economy.

Answer: The two reasons that entrepreneurial behavior has a strong impact on the United States

economy are as follows: innovation and job creation

Innovation is the process of creating something new, which is central to the entrepreneurial

process. According to the National Federation for Independent Businesses, small firms (fewer

than 500 employees) are twice as innovative per employee as larger firms. In addition, small

innovative firms produce 13 times more patents per employee than large patenting firms. In

regard to job creation, entrepreneurial firms play a major role. Small businesses employ more

than half of all private sector employees in the United States and create about two-thirds of new