

Entrepreneurship: Successfully Launching New Ventures, 3e (Barringer/Ireland)
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

Diff: 1 Page Ref: 4

Topic: Introduction to Entrepreneurship

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

Diff: 2 Page Ref: 5

Topic: Introduction to Entrepreneurship

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

Diff: 2 Page Ref: 5

Topic: Introduction to Entrepreneurship

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

Diff: 3 Page Ref: 5

Topic: Introduction to Entrepreneurship

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

Diff: 2 Page Ref: 6

Topic: Introduction to Entrepreneurship

AACSB: Analytic Skills

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

Diff: 2 Page Ref: 7

Topic: Introduction to Entrepreneurship

AACSB: Reflective Thinking

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

Diff: 2 Page Ref: 7

Topic: Introduction to Entrepreneurship

- 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

Diff: 2 Page Ref: 8

Topic: Introduction to Entrepreneurship

- 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

Diff: 1 Page Ref: 8

Topic: Introduction to Entrepreneurship

- 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

Diff: 2 Page Ref: 9

Topic: Introduction to Entrepreneurship

AACSB: Reflective Thinking

- 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

Diff: 3 Page Ref: 9

Topic: Introduction to Entrepreneurship

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

Diff: 2 Page Ref: 9

Topic: Introduction to Entrepreneurship

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

Diff: 2 Page Ref: 9

Topic: Introduction to Entrepreneurship

AACSB: Analytic Skills

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

Diff: 1 Page Ref: 11

Topic: Introduction to Entrepreneurship

AACSB: Reflective Thinking

15) Jim Johnson, who is at heart a craftsman, 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

Diff: 2 Page Ref: 12

Topic: Introduction to Entrepreneurship

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

Diff: 2 Page Ref: 13

Topic: Introduction to Entrepreneurship

AACSB: Reflective Thinking

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

Diff: 3 Page Ref: 14

Topic: Introduction to Entrepreneurship

AACSB: Reflective Thinking

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

Diff: 2 Page Ref: 15

Topic: Introduction to Entrepreneurship

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

Diff: 2 Page Ref: 16

Topic: Introduction to Entrepreneurship

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

- A) forceful
- B) moderate
- C) high
- D) low
- E) aggressive

Answer: B

Diff: 2 Page Ref: 16

Topic: Introduction to Entrepreneurship

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

Diff: 3 Page Ref: 16

Topic: Introduction to Entrepreneurship

AACSB: Reflective Thinking

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

Diff: 3 Page Ref: 16

Topic: Introduction to Entrepreneurship

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

Diff: 2 Page Ref: 16

Topic: Introduction to Entrepreneurship

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

Diff: 3 Page Ref: 17

Topic: Introduction to Entrepreneurship

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

Diff: 2 Page Ref: 17

Topic: Introduction to Entrepreneurship

- 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 Page Ref: 17

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

Diff: 2 Page Ref: 17

Topic: Introduction to Entrepreneurship

AACSB: Analytic Skills

- 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

Diff: 2 Page Ref: 17

Topic: Introduction to Entrepreneurship

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

Diff: 1 Page Ref: 17

Topic: Introduction to Entrepreneurship

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

Diff: 2 Page Ref: 17

Topic: Introduction to Entrepreneurship

AACSB: Analytic Skills

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

Diff: 1 Page Ref: 18

Topic: Introduction to Entrepreneurship

AACSB: Analytic Skills

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 Page Ref: 18

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

Diff: 2 Page Ref: 19

Topic: Introduction to Entrepreneurship

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

Diff: 2 Page Ref: 19

Topic: Changing Demographics of Entrepreneurs

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

Diff: 3 Page Ref: 19

Topic: Changing Demographics of Entrepreneurs

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

Diff: 2 Page Ref: 19

Topic: Changing Demographics of Entrepreneurs

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 Page Ref: 20

Topic: Changing Demographics of Entrepreneurs

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

Diff: 2 Page Ref: 21

Topic: Entrepreneurship's Importance

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

Diff: 2 Page Ref: 21

Topic: Entrepreneurship's Importance

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

Diff: 1 Page Ref: 21

Topic: Entrepreneurship's Importance

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

Diff: 1 Page Ref: 21

Topic: Entrepreneurship's Importance

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

Diff: 3 Page Ref: 21

Topic: Entrepreneurship's Importance

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

Diff: 3 Page Ref: 21

Topic: Entrepreneurship's Importance

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

Diff: 3 Page Ref: 23

Topic: Entrepreneurship's Importance

AACSB: Reflective Thinking

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

Diff: 3 Page Ref: 23

Topic: Entrepreneurship's Importance

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

Diff: 1 Page Ref: 23

Topic: The Entrepreneurial Process

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

Diff: 1 Page Ref: 25

Topic: The Entrepreneurial Process

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

Diff: 1 Page Ref: 25

Topic: The Entrepreneurial Process

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

Diff: 2 Page Ref: 25

Topic: The Entrepreneurial Process

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

Diff: 3 Page Ref: 25

Topic: The Entrepreneurial Process

AACSB: Reflective Thinking

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

Diff: 2 Page Ref: 5

Topic: Introduction to Entrepreneurship

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

Answer: FALSE

Diff: 2 Page Ref: 5

Topic: Introduction to Entrepreneurship

53) Entrepreneurship is the process by which individuals pursue opportunities without regard to resources they currently control.

Answer: TRUE

Diff: 1 Page Ref: 6

Topic: Introduction to Entrepreneurship

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

Answer: TRUE

Diff: 2 Page Ref: 7

Topic: Introduction to Entrepreneurship

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

Answer: FALSE

Diff: 2 Page Ref: 9

Topic: Introduction to Entrepreneurship

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

Answer: TRUE

Diff: 1 Page Ref: 8

Topic: Introduction to Entrepreneurship

57) The four main characteristics of successful entrepreneurs are: passion for the business, execution intelligence, product/customer focus, and tenacity despite failure.

Answer: TRUE

Diff: 2 Page Ref: 9

Topic: Introduction to Entrepreneurship

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

Diff: 3 Page Ref: 12

Topic: Introduction to Entrepreneurship

59) Entrepreneurs are born not made.

Answer: FALSE

Diff: 2 Page Ref: 15

Topic: Introduction to Entrepreneurship

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

Answer: TRUE

Diff: 3 Page Ref: 16

Topic: Introduction to Entrepreneurship

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

Answer: TRUE

Diff: 2 Page Ref: 17

Topic: Introduction to Entrepreneurship

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

Diff: 1 Page Ref: 18

Topic: Introduction to Entrepreneurship

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

Diff: 2 Page Ref: 18

Topic: Changing Demographics of Entrepreneurs

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

Answer: TRUE

Diff: 2 Page Ref: 19

Topic: Entrepreneurship's Importance

65) Unfortunately, statistics show that there is very little interest in entrepreneurship among high school students in the United States.

Answer: FALSE

Diff: 2 Page Ref: 20

Topic: Changing Demographics of Entrepreneurs

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

Diff: 2 Page Ref: 21

Topic: Entrepreneurship's Importance

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

Answer: TRUE

Diff: 1 Page Ref: 21

Topic: Entrepreneurship's Importance

68) In the past two decades, economic activity has moved increasingly in the direction of large firms, rather than smaller entrepreneurial firms.

Answer: FALSE

Diff: 3 Page Ref: 21

Topic: Entrepreneurship's Importance

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

Diff: 2 Page Ref: 23

Topic: The Entrepreneurial Process

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

Answer: FALSE

Diff: 2 Page Ref: 25

Topic: The Entrepreneurial Process

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.

Diff: 1 Page Ref: 6

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.

Diff: 2 Page Ref: 8

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.

Diff: 2 Page Ref: 9

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.

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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 jobs.

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