Entrepreneurship 3rd edition Bamford Test Bank

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Entrepreneurship, 3e **(Bamford)**
Chapter 2 Individual Leadership and Entrepreneurial Start-Ups

1) There is one crucial person in a large organization: the chief executive officer.

2) The excess resources that large companies tend to have to assist them are referred to as organizational redundancies.

3) Organizational slack allows large organizations flexibility that is not available to smaller companies.

4) The most important person in an entrepreneurial business is the founder.

5) New entrepreneurial businesses tend to have slack financial resources that they can rely on, which gives them high flexibility in responding to emergencies.

6) In a small family business, the most important support group is the family.

7) Unlike the owners of entrepreneurial ventures, the people who manage operations at large, established corporations do not typically have substantial ownership in the company.

8) Large firms can fill market niches that small companies cannot afford to fill.

9) One advantage that a large firm has over a small firm is economies of scale.

10) The unlimited theory suggests that individuals act to maximize their own individual benefit.

11) According to the agency theory, a manager at a large firm is more likely to exploit organizational resources for his or her own benefit than the owner of a small firm.

12) One of the greatest assets of a small business is the owner.

13) Potential entrepreneurs must determine the level of risk that they are able to tolerate.

14) The break-even point is the time when a new business starts to profit from incoming revenues.

15) In a small business, an owner needs to consider how much debt he or she wants to accumulate in the business. The greater the debt, the lower the risk tolerance.

16) In the context of risk tolerance, most new business owners must set their risk tolerance based on the average level of risk in their specific market or industry.

17) The owner must be aware of his or her own tolerance of risk and establish a business that is consistent with that tolerance.

18) Entrepreneurial orientation relies on an owner's prior work experience.

19) Bounded rationality offers an individual from outside an industry the unconstrained role of decision-making that was not previously considered.

20) Future business owners need to understand how their own version of rationality affects their decision-making.

21) The Myers-Briggs test is used for personality evaluations.

22) A Myers-Briggs test analyzes four variables to indicate the different ways in which individuals deal with other people and their environment.

23) The philosophy of the Enneagram test is that a person is the result of all the experiences in his or her life.

24) The Big Five test is composed of five factors in decision-making criteria.

25) In the context of the triggers that encourage new business formations, circumstance motivators tend to result in more of a defensive positioning.

26) Having very little to lose financially by a failure could be a trigger for a new business.

27) Entrepreneurs driven by circumstantial motivators are often more proactive than those with personal motivation for starting a business.

28) Small business owners who are driven by circumstance motivators tend to be more proactive and drive relentlessly toward their goals.

29) The "glass ceiling" refers to the practical reality that many working women face which prevents them from advancing beyond certain levels of corporate hierarchies.

30) Two triggers for staring a new business are talking to successful entrepreneurs and being laid off from your job.

31) Family members are in a unique position to keep an individual focused on pursuing the wrong approach to an issue.

32) The reason a business is called a family business is that the owner's family plays a critical role in the success of the business.

33) Established businesses may be hesitant about buying from a start-up small business.

34) A community could have an incubator, which is a facility that houses new businesses and provides many critical services for them.

35) Business incubators work best with small manufacturing-based firms.

36) One of the negative aspects to being the owner of a family business has to do with firing a family member.

37) An entrepreneur needs to set limits to how much time he or she spends on a business for it to be successful.

38) You should start a business doing something you have a passion for because you will spend more time starting and running the business than if you start a business that does not excite you.

39) ________ occur(s) in large companies that have excess resources such as equipment and employees.
A) Unlimited boundaries
B) Limited boundaries
C) Organizational slack
D) Organizational resources

40) Identify a true statement about a large firm that has organizational slack.
A) The loss of an employee barely affects the abilities of its workforce.
B) Each employee is crucial to the survival of the firm.
C) The firm's knowledge is concentrated around a few key personnel.
D) The firm enjoys extreme financial flexibility and can survive huge annual losses if necessary.

41) In contrast to the role of leadership in a typical large organization, the founder of a new entrepreneurial business tends to play a very critical role because
A) outside experts generally work with entrepreneurial businesses.
B) the concentration of knowledge tends to be with her or him.
C) the founder tends to be the only worker at entrepreneurial businesses.
D) the employees of such new businesses tend to be unskilled or unmotivated.

42) Which of the following is an advantage that small firms have over large businesses?
A) The ability to produce services and products quickly and cheaply
B) Significant financial resources slack
C) The ability to respond quickly to changes
D) Critical knowledge spread across the firms' human resources pool

43) ________ states that individuals make decisions that maximize their own individual benefits.
A) Individual benefit theory
B) Organizational benefit theory
C) Self-fulfilling prophesy
D) Agency theory

44) Ray, a manager in Fir Tree Inc., a large and established firm, must travel to attend an annual conference. He books the most convenient flight tickets and a room in a luxurious hotel right next to the venue of the conference. Ray justifies these decisions by stating that these are time-saving measures. Ray's decisions can be best explained ________.
A) by the agency theory
B) as bounded rationality
C) through the Myers-Briggs test
D) as organizational slack

45) Why can a small business owner make decisions quicker than a big business?
A) Because the decision maker is both the owner and the manager of the business
B) Because the owner can delegate the decisions to committees
C) Because managers in big businesses have less knowledge than a small business owner
D) All of these

46) Zeus Cisterns is a large manufacturing firm with several employees. Many of the firm's employees are knowledgeable about the firm's various operations and requirements. Accordingly, the organization's functioning is barely affected when an experienced employee quits. Further, in an emergency, various employees can fulfill any critical role that needs to be handled immediately. Given these characteristics, Zeus Cisterns can be said to have ________.
A) bounded rationality
B) organizational slack
C) a strong resource network
D) a loyal worker-base

47) In the context of entrepreneurial businesses, which of the following is an advantage that small businesses have over big businesses?
A) A diverse pool of workers
B) Ability to be financially flexible
C) Large-scale manufacturing
D) Ability to produce small niche products

48) What does a potential entrepreneur need to consider when starting a new business?
A) Risk tolerance
B) Prior experience
C) Personality orientation
D) All of these

49) The break-even point is defined as
A) the time when a firm experiences steady losses during its initial stages of operation.
B) the level where a firm starts to profit from the revenue it makes from its products.
C) the time when a business must liquidate its holdings and declare bankruptcy.
D) the level where revenue coming into the firm is sufficient to cover expenses.

50) In general, the greater the debt a business owner is willing to take on, the ________ the risk tolerance.
A) lower
B) higher
C) less predictable
D) more predictable

51) ________ is a rational decision-making process that is constrained by our experiences, history, and culture.
A) Logic rationality
B) Constrained rationality
C) Bounded rationality
D) Unbounded rationality

52) In the context of entrepreneurial orientation, the presence of ________ often leads young people to be pioneers in an area, as they are not limited by the restrictions of the past.
A) family support
B) introversion
C) organizational slack
D) bounded rationality

53) Which of the following personality tests is based on the philosophy of Carl Jung?
A) Insights
B) Enneagram
C) Big Five
D) Myers-Briggs

54) Which personality test indicates the different ways individuals deal with other people and their environments?
A) Insights
B) Enneagram
C) Big Five
D) Myers-Briggs

55) Which personality test believes that a person is the result of all experiences in his or her life?
A) Insights
B) Enneagram
C) Big Five
D) Myers-Briggs

56) Which popular personality test assumes there are five components or types of an individual's personality?
A) Insights
B) Enneagram
C) Big Five
D) Myers-Briggs

57) The potential entrepreneur needs to consider ________ when starting a new business.
A) prior experience
B) education
C) rationality
D) capital

58) In the context of evaluating entrepreneurial orientation, which of the following personality tests has a bias that adults will not change their personality over time and instead hold on to the personality they develop during childhood?
A) The Big Five test
B) The Myers-Briggs test
C) The Enneagram test
D) The Rorschach test

59) Which of the following is NOT a personality dimension of the Big Five test?
A) Individualist
B) Extroversion
C) Agreeableness
D) Conscientiousness

60) Anya is an entrepreneur. To understand her own strengths and weaknesses better, she takes a personality test. The test analyzes various factors, such as whether she focuses more on the outward world or her internal world and whether she gathers information through observation or intuition. Based on these variables, the test shows Anya how she tends to deal with other people and her environment. The test that Anya took is most likely the ________.
A) Myers-Briggs test
B) Big Five test
C) HEXACO test
D) Enneagram test

61) In the context of entrepreneurship, which of the following is a typical trigger for starting a new business?
A) Being laid off from established employment
B) Getting recruitment offers from established places of work
C) Having a secure financial base
D) Migrating from one city to another

62) Which of the following is NOT a personal motivator to start a business?
A) Proactive positioning
B) Driven
C) Practical advice
D) Defensive positioning

63) Sarah works as a supervisor in a large firm. Though she is very experienced at management and planning, she has not been promoted to the role of manager. However, she notices that other supervisors with less experience are often promoted to managerial positions, even if their work is not as good as hers. She also notices that all of them are men. In this scenario, Sarah being denied a promotion is an example of ________.
A) the glass ceiling
B) nepotism
C) organizational slack
D) bounded rationality

64) Which of the following is NOT a personal motivator to start a business?
A) Being proactive
B) Feeling driven to achieve goals
C) Willing to make career-changing moves
D) Taking a defensive position

65) In the context of supports for new businesses, why are established businesses often hesitant to buy from a start-up business?
A) Because the supply structures of established businesses are resistant to incorporating new supply sources
B) Because small businesses are typically family-run establishments, making them unreliable in the long run
C) Because it is more profitable for established businesses to fulfill any requirements through resources already present within their organizational structures
D) Because it is not clear if the new business will be able to fulfill an order or service a product in the future

66) Which of the following is an advantage that family businesses enjoy over nonfamily-owned businesses?
A) Family businesses have the ability to cheaply produce large numbers of a product, whereas nonfamily-owned businesses can only produce small volumes of a product.
B) Family businesses can afford to fill niches within markets that nonfamily-owned businesses cannot afford to fill.
C) Individuals in family businesses are often willing to work at times and in conditions that employees in nonfamily-owned businesses would not accept.
D) Family businesses are able to respond quickly to change around them, whereas nonfamily-owned businesses are often slow to react to changes.

67) All of these are negatives for an owner in a family business EXCEPT:
A) firing a family member.
B) reprimanding a family member.
C) promoting a family member.
D) all of these.

68) Established businesses are often ________ to buy from a start-up small business.
A) quick
B) hesitant
C) sure
D) determined

69) Some communities offer facilities that house new businesses and provide resources for them. These are called ________.
A) small business resource centers
B) temporary business agencies
C) holding facilities
D) incubators

70) Incubators for small businesses include all of the following EXCEPT:
A) space.
B) financial loans.
C) legal expertise.
D) common receptionist.

71) Business incubators work best with which of the following type of firms?
A) Manufacturing
B) Retail
C) Service
D) Accounting

72) The Small Business Administration has set up which of these to advise individuals wanting to start a new business?
A) Service Corps of Retired Executives
B) Small Business Assistance Centers
C) Minority Enterprise Development Program
D) Community Incubator Program

73) When should a new business owner ensure there are sufficient financial resources to operate the business?
A) Prior to the start
B) Opening day
C) First payroll
D) After six-month review

74) Sofor Designs is a successful firm that has been through many difficulties. When it first opened, the firm was financially unstable, but the employees agreed to work on partial salaries. The employees are also very loyal to the founder, and they always agree to work long hours during holiday seasons to maximize on increased customer traffic. Sofor Designs' characteristics are typical of ________.
A) family businesses
B) large established businesses
C) opportunistic start-ups
D) incubated start-ups

75) A prospective small business owner wants a career playing sports, which is what he enjoys doing most. He might be drawn to try an entrepreneurial venture in order to realize:
A) personal fulfillment.
B) substantial long-term profits.
C) freedom from the control of a managerial hierarchy.
D) a sense of self-esteem as a result of building his own business.

76) ________ is a supposition that assumes individuals act to maximize their own benefit.

77) The ________ is defined as the level where revenue coming into a firm is sufficient to cover expenses.

78) The ________ theory suggests that individuals act to maximize their own individual benefit.

79) A person who wants to start a business needs a(n) ________ risk tolerance.

80) ________ is a decision that is constrained by the background and history of the person.

81) A(n) ________ is a facility that houses new businesses and provides many critical services for them.

82) Identify and list three significant advantages that a small business has over a large company.

83) What are the three areas that should be considered by potential entrepreneurs when starting a new business?

84) Starting a new business is often the result of some particular event or condition within an individual's environment. List four events that could trigger a new business.

85) In the context of triggers for starting new businesses, briefly describe circumstance motivators.

86) How do personality tests assist entrepreneurs? Describe the Myers-Briggs test.

87) Why is the role of the family so critical to the success of a family business?

88) List and explain at least three community resources.

***Entrepreneurship, 3e* (Bamford)**
Chapter 2 Individual Leadership and Entrepreneurial Start-Ups

1) There is one crucial person in a large organization: the chief executive officer.

Answer: FALSE
Explanation: In large, well-established organizations, no one person is crucial to the survival of the business, even the president of the company.
Difficulty: 1 Easy
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

2) The excess resources that large companies tend to have to assist them are referred to as organizational redundancies.

Answer: FALSE
Explanation: Large organizations have greater excess resources, including financial resources, which allow them to hire outside experts to fill any critical need that arises. These excess resources are referred to as organizational slack.
Difficulty: 1 Easy
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

3) Organizational slack allows large organizations flexibility that is not available to smaller companies.

Answer: TRUE
Explanation: These excess resources are referred to as organizational slack; they allow large organizations flexibility that is not available to smaller companies.
Difficulty: 1 Easy
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

4) The most important person in an entrepreneurial business is the founder.

Answer: TRUE
Explanation: The founder of an entrepreneurial business plays a critical role in the business's success.
Difficulty: 1 Easy
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

5) New entrepreneurial businesses tend to have slack financial resources that they can rely on, which gives them high flexibility in responding to emergencies.

Answer: FALSE
Explanation: A new entrepreneurial business has limited slack financial resources, which means the firm has limited flexibility in responding to emergency issues such as the need to hire replacements if the company loses key individuals. As a result, the founders of an entrepreneurial business and the leadership they provide play a far more critical role in the business's success than does the senior leadership of the typical large organization.
Difficulty: 2 Medium
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

6) In a small family business, the most important support group is the family.

Answer: TRUE
Explanation: In some businesses the family is a more valuable support than in others as the family may all work in the firm; these businesses are referred to as "family businesses."
Difficulty: 1 Easy
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

7) Unlike the owners of entrepreneurial ventures, the people who manage operations at large, established corporations do not typically have substantial ownership in the company.

Answer: TRUE
Explanation: The greatest advantage for an entrepreneurial business is that it is owned and run by the same person(s), whereas the individuals who manage the operations of a large, established corporation do not typically have substantial ownership in the company. The managers (agents of the owners) may own some stock, but in a large business they tend to own a very small percentage of the total stock.
Difficulty: 1 Easy
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

8) Large firms can fill market niches that small companies cannot afford to fill.

Answer: FALSE
Explanation: Entrepreneurial firms fill niches that large firms simply cannot afford to fill. Large firms do have an advantage in those situations where there are economies of scale.
Difficulty: 1 Easy
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

9) One advantage that a large firm has over a small firm is economies of scale.

Answer: TRUE
Explanation: Large firms do have an advantage in those situations where there are economies of scale.
Difficulty: 2 Medium
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

10) The unlimited theory suggests that individuals act to maximize their own individual benefit.

Answer: FALSE
Explanation: The agency theory argues that individuals act to maximize their own benefit.
Difficulty: 1 Easy
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

11) According to the agency theory, a manager at a large firm is more likely to exploit organizational resources for his or her own benefit than the owner of a small firm.

Answer: TRUE
Explanation: According to the agency theory, a manager at a large firm is more likely to exploit organizational resources for his or her own benefit than the owner of a small firm. The theory argues that individuals act to maximize their own benefit.
Difficulty: 2 Medium
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

12) One of the greatest assets of a small business is the owner.

Answer: TRUE
Explanation: One of the greatest assets of a new business is the owner of the business due to their personal involvement in, and dedication to, the business.
Difficulty: 1 Easy
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

13) Potential entrepreneurs must determine the level of risk that they are able to tolerate.

Answer: TRUE
Explanation: Potential entrepreneurs must determine their own individual level of tolerance to risk.
Difficulty: 2 Medium
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

14) The break-even point is the time when a new business starts to profit from incoming revenues.

Answer: FALSE
Explanation: The break-even point is the time when a new business has reached a level where the revenue coming into the firm is sufficient to cover expenses. It usually takes some time for a new business to reach this level.
Difficulty: 1 Easy
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

15) In a small business, an owner needs to consider how much debt he or she wants to accumulate in the business. The greater the debt, the lower the risk tolerance.

Answer: FALSE
Explanation: In general, the greater the debt you are willing to take to start your business, the higher is your risk tolerance.
Difficulty: 2 Medium
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

16) In the context of risk tolerance, most new business owners must set their risk tolerance based on the average level of risk in their specific market or industry.

Answer: FALSE
Explanation: There is not one correct answer as to what level of risk tolerance new business owners should be willing to take on. Instead, the key is that individual entrepreneurs must be aware of their tolerance of risk and establish their business in a manner that is consistent with that tolerance.
Difficulty: 1 Easy
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

17) The owner must be aware of his or her own tolerance of risk and establish a business that is consistent with that tolerance.

Answer: TRUE
Explanation: Individual entrepreneurs must be aware of their tolerance of risk and establish their business in a manner consistent with that tolerance.
Difficulty: 2 Medium
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

18) Entrepreneurial orientation relies on an owner's prior work experience.

Answer: TRUE
Explanation: The second element of entrepreneurial orientation is prior experience.
Difficulty: 1 Easy
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

19) Bounded rationality offers an individual from outside an industry the unconstrained role of decision-making that was not previously considered.

Answer: TRUE
Explanation: Bounded rationality is rational decision-making that is constrained by the background and history of the person making the decision.
Difficulty: 2 Medium
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

20) Future business owners need to understand how their own version of rationality affects their decision-making.

Answer: TRUE
Explanation: It is important for individuals to understand how their decision-making is bounded by their own version of rationality. These issues will impact how they act as they run the firm and as they analyze problems that arise in the development of business.
Difficulty: 2 Medium
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

21) The Myers-Briggs test is used for personality evaluations.

Answer: TRUE
Explanation: The Myers-Briggs test is one of the most widely used tests for personality evaluations.
Difficulty: 1 Easy
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

22) A Myers-Briggs test analyzes four variables to indicate the different ways in which individuals deal with other people and their environment.

Answer: TRUE
Explanation: A Myers-Briggs test analyzes four variables to indicate the different ways in which individuals deal with other people and their environment. The different potential arrangements of variables are believed to indicate the different ways that individuals deal with other people and their environments.
Difficulty: 1 Easy
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

23) The philosophy of the Enneagram test is that a person is the result of all the experiences in his or her life.

Answer: TRUE
Explanation: The underlying philosophy of this test is that a person is the result of all the experiences in his or her life.
Difficulty: 1 Easy
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

24) The Big Five test is composed of five factors in decision-making criteria.

Answer: FALSE
Explanation: The Big Five test is composed of five factors considered to be by many researchers the key components of an individual's environment.
Difficulty: 2 Medium
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

25) In the context of the triggers that encourage new business formations, circumstance motivators tend to result in more of a defensive positioning.

Answer: TRUE
Explanation: Circumstance motivators tend to result in more of a defensive positioning. The environment and environmental changes make opportunities available to potential business owners, but the motivation is substantially different. This is an opportunistic start-up whose staying power is more determined by other competing opportunities.
Difficulty: 2 Medium
Topic: Triggers for Starting a Business
Learning Objective: 02-03 List the triggers that encourage new business formations.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

26) Having very little to lose financially by a failure could be a trigger for a new business.

Answer: TRUE
Explanation: Typical triggers include having very little to lose financially by a failure.
Difficulty: 1 Easy
Topic: Triggers for Starting a Business
Learning Objective: 02-03 List the triggers that encourage new business formations.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

27) Entrepreneurs driven by circumstantial motivators are often more proactive than those with personal motivation for starting a business.

Answer: FALSE
Explanation: Entrepreneurs driven by personal motivators are often more proactive than those with circumstantial motivation for starting a business. Personal motivations come from the individuals themselves and as such are the strongest motivations available.
Difficulty: 1 Easy
Topic: Triggers for Starting a Business
Learning Objective: 02-03 List the triggers that encourage new business formations.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

28) Small business owners who are driven by circumstance motivators tend to be more proactive and drive relentlessly toward their goals.

Answer: FALSE
Explanation: Entrepreneurs driven by personal motivators will tend to be more proactive and drive relentlessly toward their goals.
Difficulty: 2 Medium
Topic: Triggers for Starting a Business
Learning Objective: 02-03 List the triggers that encourage new business formations.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

29) The "glass ceiling" refers to the practical reality that many working women face which prevents them from advancing beyond certain levels of corporate hierarchies.

Answer: TRUE
Explanation: The "glass ceiling" refers to the practical reality that many working women face which prevents them from advancing beyond certain levels of corporate hierarchies. It does not involve formal rules, but the practical reality that in some organizations there are limits to the levels within organizations to which women are allowed to progress.
Difficulty: 2 Medium
Topic: Triggers for Starting a Business
Learning Objective: 02-03 List the triggers that encourage new business formations.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

30) Two triggers for staring a new business are talking to successful entrepreneurs and being laid off from your job.

Answer: TRUE
Explanation: Being laid off from established employment and being spurred to action by attending a seminar, reading a book, or talking with successful entrepreneurs are triggers for starting a business.
Difficulty: 2 Medium
Topic: Triggers for Starting a Business
Learning Objective: 02-03 List the triggers that encourage new business formations.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

31) Family members are in a unique position to keep an individual focused on pursuing the wrong approach to an issue.

Answer: TRUE
Explanation: Few people know you—including your abilities and shortcoming—like your family. Family members are in a unique position to provide you with key insights when you may be pursuing the wrong approach to an issue.
Difficulty: 1 Easy
Topic: Supports
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

32) The reason a business is called a family business is that the owner's family plays a critical role in the success of the business.

Answer: TRUE
Explanation: In a family business, the principal staff members of the business are family members. There may be other employees in the firm, but typically, family members hold the key managerial decision-making positions.
Difficulty: 2 Medium
Topic: Supports
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

33) Established businesses may be hesitant about buying from a start-up small business.

Answer: TRUE
Explanation: Established businesses are often hesitant about buying from a start-up business because it is not clear if the new business will be able to fulfill an order or service the product in the future.
Difficulty: 1 Easy
Topic: Supports
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

34) A community could have an incubator, which is a facility that houses new businesses and provides many critical services for them.

Answer: TRUE
Explanation: An incubator is a facility that houses new businesses and provides many critical services for the new ventures. New businesses are expected to develop and typically leave the facility often within 18 months of founding.
Difficulty: 2 Medium
Topic: Supports
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

35) Business incubators work best with small manufacturing-based firms.

Answer: TRUE
Explanation: Business incubators work best with office-based service firms, scientific-based firms requiring lab space, or small, clean manufacturing firms.
Difficulty: 1 Easy
Topic: Supports
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

36) One of the negative aspects to being the owner of a family business has to do with firing a family member.

Answer: TRUE
Explanation: If a family member is not a good employee, it can be hard to fire that person or even reprimand him or her without rupturing the close relationship.
Difficulty: 1 Easy
Topic: Supports
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

37) An entrepreneur needs to set limits to how much time he or she spends on a business for it to be successful.

Answer: FALSE
Explanation: An entrepreneur will need to spend considerable time at the business for it to be successful. In fact, the entrepreneur will likely spend more time in starting and running the business than doing anything else in life.
Difficulty: 1 Easy
Topic: Form a Business Doing What You Like
Learning Objective: 02-05 Explain how you can evaluate those things that you enjoy the most and discover how they may lead to business opportunities.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

38) You should start a business doing something you have a passion for because you will spend more time starting and running the business than if you start a business that does not excite you.

Answer: TRUE
Explanation: An entrepreneur will need to spend considerable time at the business for it to be successful. Therefore, you need to enjoy what you do.
Difficulty: 2 Medium
Topic: Form a Business Doing What You Like
Learning Objective: 02-05 Explain how you can evaluate those things that you enjoy the most and discover how they may lead to business opportunities.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

39) ________ occur(s) in large companies that have excess resources such as equipment and employees.
A) Unlimited boundaries
B) Limited boundaries
C) Organizational slack
D) Organizational resources

Answer: C
Explanation: Organizational slack is having excess resources in a large organization.
Difficulty: 1 Easy
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

40) Identify a true statement about a large firm that has organizational slack.
A) The loss of an employee barely affects the abilities of its workforce.
B) Each employee is crucial to the survival of the firm.
C) The firm's knowledge is concentrated around a few key personnel.
D) The firm enjoys extreme financial flexibility and can survive huge annual losses if necessary.

Answer: A
Explanation: The loss of an employee barely affects the abilities of a large firm with organizational slack. Excess resources allow it a flexibility that is not available to the typical entrepreneurial venture.
Difficulty: 2 Medium
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

41) In contrast to the role of leadership in a typical large organization, the founder of a new entrepreneurial business tends to play a very critical role because
A) outside experts generally work with entrepreneurial businesses.
B) the concentration of knowledge tends to be with her or him.
C) the founder tends to be the only worker at entrepreneurial businesses.
D) the employees of such new businesses tend to be unskilled or unmotivated.

Answer: B
Explanation: In contrast to the role of leadership in a typical large organization, the founder of a new entrepreneurial business tends to play a very critical role because the concentration of knowledge tends to be with her or him. As a result, the founders of an entrepreneurial business and the leadership they provide play a far more critical role in the business's success than does the senior leadership of the typical large organization.
Difficulty: 2 Medium
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

42) Which of the following is an advantage that small firms have over large businesses?
A) The ability to produce services and products quickly and cheaply
B) Significant financial resources slack
C) The ability to respond quickly to changes
D) Critical knowledge spread across the firms' human resources pool

Answer: C
Explanation: Small firms have some significant advantages over large businesses. One of these is the ability of small firms to respond quickly to changes around them.
Difficulty: 2 Medium
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

43) ________ states that individuals make decisions that maximize their own individual benefits.
A) Individual benefit theory
B) Organizational benefit theory
C) Self-fulfilling prophesy
D) Agency theory

Answer: D
Explanation: Agency theory is a managerial theory that believes individuals act to maximize their own benefit.
Difficulty: 1 Easy
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

44) Ray, a manager in Fir Tree Inc., a large and established firm, must travel to attend an annual conference. He books the most convenient flight tickets and a room in a luxurious hotel right next to the venue of the conference. Ray justifies these decisions by stating that these are time-saving measures. Ray's decisions can be best explained ________.
A) by the agency theory
B) as bounded rationality
C) through the Myers-Briggs test
D) as organizational slack

Answer: A
Explanation: Ray's decisions can be best explained by the agency theory. The agency theory suggests that individuals act to maximize their own individual benefit. Here, Ray exploits organizational resources at Fir Tree Inc. for his own benefit.
Difficulty: 3 Hard
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Bloom's: Apply
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

45) Why can a small business owner make decisions quicker than a big business?
A) Because the decision maker is both the owner and the manager of the business
B) Because the owner can delegate the decisions to committees
C) Because managers in big businesses have less knowledge than a small business owner
D) All of these

Answer: A
Explanation: The greatest advantage for an entrepreneurial business is that it is owned and run by the same person.
Difficulty: 2 Medium
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

46) Zeus Cisterns is a large manufacturing firm with several employees. Many of the firm's employees are knowledgeable about the firm's various operations and requirements. Accordingly, the organization's functioning is barely affected when an experienced employee quits. Further, in an emergency, various employees can fulfill any critical role that needs to be handled immediately. Given these characteristics, Zeus Cisterns can be said to have ________.
A) bounded rationality
B) organizational slack
C) a strong resource network
D) a loyal worker-base

Answer: B
Explanation: Zeus Cisterns has organizational slack, which refers to resources in an organization that allow for redundancy and the quick deployment of personnel in crisis. Firms with organizational slack are able to respond to emergencies with a flexibility that is not available to most entrepreneurial firms.
Difficulty: 3 Hard
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Bloom's: Apply
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

47) In the context of entrepreneurial businesses, which of the following is an advantage that small businesses have over big businesses?
A) A diverse pool of workers
B) Ability to be financially flexible
C) Large-scale manufacturing
D) Ability to produce small niche products

Answer: D
Explanation: Small businesses can fill niches, such as producing small volumes of a particular activity. Large business cannot afford to fill such niches.
Difficulty: 2 Medium
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

48) What does a potential entrepreneur need to consider when starting a new business?
A) Risk tolerance
B) Prior experience
C) Personality orientation
D) All of these

Answer: D
Explanation: Potential entrepreneurs need to consider a number of issues. These include risk tolerance, prior experience, and personality orientation of the individual.
Difficulty: 1 Easy
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

49) The break-even point is defined as
A) the time when a firm experiences steady losses during its initial stages of operation.
B) the level where a firm starts to profit from the revenue it makes from its products.
C) the time when a business must liquidate its holdings and declare bankruptcy.
D) the level where revenue coming into the firm is sufficient to cover expenses.

Answer: D
Explanation: The break-even point is the level where revenue coming into the firm is sufficient to cover the expenses. When starting a businesses, it usually takes some time for a new business to reach this level.
Difficulty: 1 Easy
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

50) In general, the greater the debt a business owner is willing to take on, the ________ the risk tolerance.
A) lower
B) higher
C) less predictable
D) more predictable

Answer: B
Explanation: In general, the greater the debt you are willing to take to start a business, the higher your risk tolerance.
Difficulty: 1 Easy
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

51) ________ is a rational decision-making process that is constrained by our experiences, history, and culture.
A) Logic rationality
B) Constrained rationality
C) Bounded rationality
D) Unbounded rationality

Answer: C
Explanation: Bounded rationality is rational decision-making that is constrained by the background and history of the person making the decision.
Difficulty: 1 Easy
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

52) In the context of entrepreneurial orientation, the presence of ________ often leads young people to be pioneers in an area, as they are not limited by the restrictions of the past.
A) family support
B) introversion
C) organizational slack
D) bounded rationality

Answer: D
Explanation: In the context of entrepreneurial orientation, the presence of bounded rationality often leads young people to be pioneers in an area, as they are not limited by the restrictions of the past. Bounded rationality is the reason individuals from outside an industry are able to establish a new business in a manner not previously considered.
Difficulty: 2 Medium
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

53) Which of the following personality tests is based on the philosophy of Carl Jung?
A) Insights
B) Enneagram
C) Big Five
D) Myers-Briggs

Answer: D
Explanation: Myers-Briggs is one of the most widely used tests for personality evaluations. The rationale for the test is drawn from Carl Jung, a Swiss psychoanalyst who sought to incorporate broader issues into his analysis than had Freud.
Difficulty: 1 Easy
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

54) Which personality test indicates the different ways individuals deal with other people and their environments?
A) Insights
B) Enneagram
C) Big Five
D) Myers-Briggs

Answer: D
Explanation: The Myers-Briggs test is one of the most widely used tests for personality evaluations. The different potential arrangements of variables are believed to indicate the different ways that individuals deal with other people and their environments.
Difficulty: 1 Easy
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

55) Which personality test believes that a person is the result of all experiences in his or her life?
A) Insights
B) Enneagram
C) Big Five
D) Myers-Briggs

Answer: B
Explanation: The underlying philosophy of the Enneagram test is that a person is the result of all the experiences in his or her life.
Difficulty: 1 Easy
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

56) Which popular personality test assumes there are five components or types of an individual's personality?
A) Insights
B) Enneagram
C) Big Five
D) Myers-Briggs

Answer: C
Explanation: The Big Five is a test composed of five factors: open-mindedness, conscientiousness, agreeableness, emotional stability, and extroversion, considered to be the five key components of an individual's personality.
Difficulty: 1 Easy
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

57) The potential entrepreneur needs to consider ________ when starting a new business.
A) prior experience
B) education
C) rationality
D) capital

Answer: A
Explanation: Potential entrepreneurs need to consider a number of issues. These include risk tolerance, prior experience, and personality orientation of the individual.
Difficulty: 2 Medium
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

58) In the context of evaluating entrepreneurial orientation, which of the following personality tests has a bias that adults will not change their personality over time and instead hold on to the personality they develop during childhood?
A) The Big Five test
B) The Myers-Briggs test
C) The Enneagram test
D) The Rorschach test

Answer: C
Explanation: A bias in the Enneagram test is that adults will not change their personality over time, as the assumption is that they form that personality as a child. The test considers factors in childhood central in developing adult personalities.
Difficulty: 2 Medium
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

59) Which of the following is NOT a personality dimension of the Big Five test?
A) Individualist
B) Extroversion
C) Agreeableness
D) Conscientiousness

Answer: A
Explanation: The Big Five is a test composed of five factors: open-mindedness, conscientiousness, agreeableness, emotional stability, and extroversion, considered to be the five key components of an individual's personality.
Difficulty: 2 Medium
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

60) Anya is an entrepreneur. To understand her own strengths and weaknesses better, she takes a personality test. The test analyzes various factors, such as whether she focuses more on the outward world or her internal world and whether she gathers information through observation or intuition. Based on these variables, the test shows Anya how she tends to deal with other people and her environment. The test that Anya took is most likely the ________.
A) Myers-Briggs test
B) Big Five test
C) HEXACO test
D) Enneagram test

Answer: A
Explanation: The characteristics of the test that Anya took suggest that it was the Myers-Briggs personality test. The test focuses on four pairs of variables, such as extroversion-introversion and sensing-intuiting, and analyzes the variables to indicate the different ways that individuals deal with other people and their environments.
Difficulty: 3 Hard
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Apply
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

61) In the context of entrepreneurship, which of the following is a typical trigger for starting a new business?
A) Being laid off from established employment
B) Getting recruitment offers from established places of work
C) Having a secure financial base
D) Migrating from one city to another

Answer: A
Explanation: In the context of entrepreneurship, being laid off from established employment is a typical trigger for starting a new business. When people are laid off, are demoted, are forced to take reduced pay, or even survive a layoff, they are forced to think about new opportunities that they never would have considered previously.
Difficulty: 1 Easy
Topic: Triggers for Starting a Business
Learning Objective: 02-03 List the triggers that encourage new business formations.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

62) Which of the following is NOT a personal motivator to start a business?
A) Proactive positioning
B) Driven
C) Practical advice
D) Defensive positioning

Answer: D
Explanation: Personal motivations drive people to make career- and life-altering moves irrespective of "practical advice." Entrepreneurs driven by personal motivators will tend to be more proactive and drive relentlessly toward their goals.
Difficulty: 1 Easy
Topic: Triggers for Starting a Business
Learning Objective: 02-03 List the triggers that encourage new business formations.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

63) Sarah works as a supervisor in a large firm. Though she is very experienced at management and planning, she has not been promoted to the role of manager. However, she notices that other supervisors with less experience are often promoted to managerial positions, even if their work is not as good as hers. She also notices that all of them are men. In this scenario, Sarah being denied a promotion is an example of ________.
A) the glass ceiling
B) nepotism
C) organizational slack
D) bounded rationality

Answer: A
Explanation: Sarah being denied a promotion in the firm is an example of the glass ceiling. The glass ceiling is the barrier that does not involve formal rules, but the practical reality that in some organizations there are limits to the level in the corporate hierarchy to which women are allowed to progress.
Difficulty: 3 Hard
Topic: Triggers for Starting a Business
Learning Objective: 02-03 List the triggers that encourage new business formations.
Bloom's: Apply
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

64) Which of the following is NOT a personal motivator to start a business?
A) Being proactive
B) Feeling driven to achieve goals
C) Willing to make career-changing moves
D) Taking a defensive position

Answer: D
Explanation: Entrepreneurs driven by personal motivators will tend to be more proactive and drive relentlessly toward their goals.
Difficulty: 1 Easy
Topic: Triggers for Starting a Business
Learning Objective: 02-03 List the triggers that encourage new business formations.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

65) In the context of supports for new businesses, why are established businesses often hesitant to buy from a start-up business?
A) Because the supply structures of established businesses are resistant to incorporating new supply sources
B) Because small businesses are typically family-run establishments, making them unreliable in the long run
C) Because it is more profitable for established businesses to fulfill any requirements through resources already present within their organizational structures
D) Because it is not clear if the new business will be able to fulfill an order or service a product in the future

Answer: D
Explanation: Established businesses are often hesitant to buy from a start-up business, because it is not clear if the new business will be able to fulfill an order or service the product in the future. Thus, many firms will initially buy only small amounts from a new business in an effort to observe the quality and reliability of the new firm.
Difficulty: 2 Medium
Topic: Supports
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

66) Which of the following is an advantage that family businesses enjoy over nonfamily-owned businesses?
A) Family businesses have the ability to cheaply produce large numbers of a product, whereas nonfamily-owned businesses can only produce small volumes of a product.
B) Family businesses can afford to fill niches within markets that nonfamily-owned businesses cannot afford to fill.
C) Individuals in family businesses are often willing to work at times and in conditions that employees in nonfamily-owned businesses would not accept.
D) Family businesses are able to respond quickly to change around them, whereas nonfamily-owned businesses are often slow to react to changes.

Answer: C
Explanation: Individuals in family businesses are often willing to work at times and in conditions that employees in nonfamily-owned businesses would not accept. This gives family-owned businesses an advantage over nonfamily-owned businesses.
Difficulty: 2 Medium
Topic: Supports
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

67) All of these are negatives for an owner in a family business EXCEPT:
A) firing a family member.
B) reprimanding a family member.
C) promoting a family member.
D) all of these.

Answer: D
Explanation: There are potential negative long-term issues that accompany a family business: firing family members, reprimanding them, and appearance of different expectations and rewards for workers depending on whether they are related to you.
Difficulty: 2 Medium
Topic: Supports
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

68) Established businesses are often ________ to buy from a start-up small business.
A) quick
B) hesitant
C) sure
D) determined

Answer: B
Explanation: Established businesses are often hesitant about buying from a start-up business because it is not clear if the new business will be able to fulfill an order or service the product in the future.
Difficulty: 1 Easy
Topic: Supports
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

69) Some communities offer facilities that house new businesses and provide resources for them. These are called ________.
A) small business resource centers
B) temporary business agencies
C) holding facilities
D) incubators

Answer: D
Explanation: Incubators offer services such as receptionists, accounting and legal advice, and space. These services should assist new small businesses and contribute to their success.
Difficulty: 1 Easy
Topic: Supports
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

70) Incubators for small businesses include all of the following EXCEPT:
A) space.
B) financial loans.
C) legal expertise.
D) common receptionist.

Answer: B
Explanation: Incubators offer services such as receptionists, accounting and legal advice, and space. These services should assist new small businesses and contribute to their success.
Difficulty: 2 Medium
Topic: Supports
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

71) Business incubators work best with which of the following type of firms?
A) Manufacturing
B) Retail
C) Service
D) Accounting

Answer: C
Explanation: Business incubators work best with office-based service firms, scientific-based firms requiring lab space, or small, clean manufacturing firms.
Difficulty: 1 Easy
Topic: Supports
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

72) The Small Business Administration has set up which of these to advise individuals wanting to start a new business?
A) Service Corps of Retired Executives
B) Small Business Assistance Centers
C) Minority Enterprise Development Program
D) Community Incubator Program

Answer: B
Explanation: The Small Business Assistance Centers are funded by the SBA and advise individuals who intend to start new businesses.
Difficulty: 1 Easy
Topic: Supports
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

73) When should a new business owner ensure there are sufficient financial resources to operate the business?
A) Prior to the start
B) Opening day
C) First payroll
D) After six-month review

Answer: A
Explanation: It is simply good business practice to ensure that sufficient financial resources are available prior to the start of that business.
Difficulty: 1 Easy
Topic: Supports
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Bloom's: Remember
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

74) Sofor Designs is a successful firm that has been through many difficulties. When it first opened, the firm was financially unstable, but the employees agreed to work on partial salaries. The employees are also very loyal to the founder, and they always agree to work long hours during holiday seasons to maximize on increased customer traffic. Sofor Designs' characteristics are typical of ________.
A) family businesses
B) large established businesses
C) opportunistic start-ups
D) incubated start-ups

Answer: A
Explanation: Sofor Designs' characteristics are typical of family businesses. Members of family businesses are often willing to work at times and in conditions that other employees would not accept, such as working on partial salaries and working long hours during holiday seasons.
Difficulty: 3 Hard
Topic: Supports
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Bloom's: Apply
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

75) A prospective small business owner wants a career playing sports, which is what he enjoys doing most. He might be drawn to try an entrepreneurial venture in order to realize:
A) personal fulfillment.
B) substantial long-term profits.
C) freedom from the control of a managerial hierarchy.
D) a sense of self-esteem as a result of building his own business.

Answer: A
Explanation: You need to enjoy what you do.
Difficulty: 2 Medium
Topic: Form a Business Doing What You Like
Learning Objective: 02-05 Explain how you can evaluate those things that you enjoy the most and discover how they may lead to business opportunities.
Bloom's: Understand
AACSB: Analytical Thinking
Accessibility: Keyboard Navigation

76) ________ is a supposition that assumes individuals act to maximize their own benefit.

Answer: Agency theory
Explanation: Agency theory is a managerial theory that believes individuals act to maximize their own benefit.
Difficulty: 1 Easy
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Bloom's: Remember
AACSB: Analytical Thinking

77) The ________ is defined as the level where revenue coming into a firm is sufficient to cover expenses.

Answer: break-even point
Explanation: The term "break-even point" is defined as the level where revenue coming into a firm is sufficient to cover expenses. When starting a business, it will take time for the business to reach this level.
Difficulty: 1 Easy
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Remember
AACSB: Analytical Thinking

78) The ________ theory suggests that individuals act to maximize their own individual benefit.

Answer: agency
Explanation: Agency theory is a managerial theory that believes individuals act to maximize their own benefit.
Difficulty: 1 Easy
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Remember
AACSB: Analytical Thinking

79) A person who wants to start a business needs a(n) ________ risk tolerance.

Answer: higher
Explanation: The financial risk for the entrepreneur can be quite high.
Difficulty: 1 Easy
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Remember
AACSB: Analytical Thinking

80) ________ is a decision that is constrained by the background and history of the person.

Answer: Bounded rationality
Explanation: Bounded rationality is rational decision-making that is constrained by the background and history of the person making the decision.
Difficulty: 1 Easy
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Remember
AACSB: Analytical Thinking

81) A(n) ________ is a facility that houses new businesses and provides many critical services for them.

Answer: incubator
Explanation: An incubator is a facility that houses new businesses and provides many critical services for them. New businesses are expected to develop and typically leave the facility often within 18 months of founding.
Difficulty: 1 Easy
Topic: Supports
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Bloom's: Remember
AACSB: Analytical Thinking

82) Identify and list three significant advantages that a small business has over a large company.

Answer: Flexibility—responds quickly to fulfill need; fills niches that large firms simply cannot afford to fill; run and owned by the same person
Difficulty: 2 Medium
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Bloom's: Understand
AACSB: Analytical Thinking

83) What are the three areas that should be considered by potential entrepreneurs when starting a new business?

Answer: Risk tolerance, prior experience, and personality orientation of the individual
Difficulty: 2 Medium
Topic: Evaluating Your Entrepreneurial Orientation
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Bloom's: Understand
AACSB: Analytical Thinking

84) Starting a new business is often the result of some particular event or condition within an individual's environment. List four events that could trigger a new business.

Answer: Being laid off; being approached by one or more people with a new business idea, risk/return level is tolerable; attend a seminar, read a book; experiencing a mid-life crisis; inability to climb the corporate ladder
Difficulty: 2 Medium
Topic: Triggers for Starting a Business
Learning Objective: 02-03 List the triggers that encourage new business formations.
Bloom's: Understand
AACSB: Analytical Thinking

85) In the context of triggers for starting new businesses, briefly describe circumstance motivators.

Answer: Circumstance motivators are triggers for starting new businesses that tend to result in more of a defensive positioning. The environment and environmental changes make opportunities available to potential business owners, but the motivation is opportunistic rather than personal. Business owners with circumstance motivations tend to be driven by the desire to exploit opportunities in the market rather than out of personal interest. Consequently, the staying power of such businesses is largely determined by other competing opportunities.
Difficulty: 2 Medium
Topic: Triggers for Starting a Business
Learning Objective: 02-03 List the triggers that encourage new business formations.
Bloom's: Understand
AACSB: Analytical Thinking

86) How do personality tests assist entrepreneurs? Describe the Myers-Briggs test.

Answer: Personality tests assist entrepreneurs in analyzing their traits and tendencies. They help them understand their strengths and weaknesses better, but they should not be used as guides for careers.

The Myers-Briggs test focuses on four pairs of variables: extroversion-introversion (focus on outward world or internal); sensing-intuiting (how people gather information); thinking-feeling (how they make decisions); and judgment-perception (order vs. flexibility). The different potential arrangements of variables are believed to indicate the different ways that individuals deal with other people and their environments.
Difficulty: 2 Medium
Topic: Supports
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Bloom's: Understand
AACSB: Analytical Thinking

87) Why is the role of the family so critical to the success of a family business?

Answer: Principal staff members are family; long-term investment; relate your success and failures; higher level of commitment
Difficulty: 2 Medium
Topic: Supports
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Bloom's: Understand
AACSB: Analytical Thinking

88) List and explain at least three community resources.

Answer: Incubators that house new business and provide many services; small business assistance centers; center funded by the Small Business Administration that provides counseling to new business owners; SCORE (Service Corps of Retired Executives) retired executives advise and provide funding opportunities; Blue Pages—resource provided by the government to assist in starting a new business; Minority Enterprise Development Program—an agency to assist women or minority entrepreneurs
Difficulty: 2 Medium
Topic: Supports
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Bloom's: Understand
AACSB: Analytical Thinking