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Chapter 02

Individual Leadership and Entrepreneurial Start-Ups

True / False Questions

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

   True False

2. Large companies have excess resources to assist them. This excess is called boundaries unlimited.

   True False

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

   True False

4. A new entrepreneurial business has many formal procedures to follow.

   True False

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

   True False

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

True False

7. A small business has less flexibility to respond to change than a large company.

True False

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

True False

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

True False

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

True False

11. The agency theory implies that a small business owner is more likely to go on the Internet to find the cheapest travel ticket available in order to save money for the business.

True False

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

True False

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

True False

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14. The profit point is when a new business has reached a level where revenue coming into the firm is sufficient to cover expenses.

True False

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.

True False

16. There is always a certain level of risk that an owner wants to assume.

True False

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

True False

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

True False

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

True False

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

True False

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

True False

22. A Myers-Briggs test indicates the correct way that individuals should deal with other people and their environments.

True False

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

True False

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

True False

25. Starting a new business could result from a particular event or condition within an individual's environment.

True False

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

True False

27. Two triggers for starting a new business are personal motivators and circumstance motivators.

True False

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28. Small business owners who are driven by circumstance motivators are more proactive and persistent toward their goal.

True False

29. There are formal rules that must be followed in setting up the glass ceiling in an organization.

True False

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

True False

31. 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.

True False

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

True False

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

True False

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

True False

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

True False

36. According to the book, the greatest contribution to a small business owner's success is that they start a business they enjoy.

True False

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

True False

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.

True False

Multiple Choice Questions

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

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40. A small business has _____ formal procedures as compared to a larger firm to operate the company.

A. many

B. few

C. same

D. proportionate

41. A small business owner plays a _____ critical role than the senior leadership of a large company.

A. more

B. less

C. same

D. proportionate

42. All of these are advantages for a small business EXCEPT:

A. respond quickly to changes

B. owned and run by the same person

C. economies of scale

D. greater flexibility

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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. A small business owner decides to take a cheaper flight to go to his yearly conference instead of a flight that was at a better time. This decision is a form of _____.

A. agency theory

B. organizational benefit theory

C. cost savings ratio

D. inverse benefits

45. The potential entrepreneur needs to consider _____ when starting a new business.

A. risk tolerance

B. prior experience

C. personality orientation

D. All of these

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46. What is the term used to describe a new business that has reached a level where revenue coming into the firm is sufficient to cover expenses?

A. equal financial ratio

B. no risk level

C. risk tolerance

D. break-even point

47. The greater the debt the business owner is willing to take on, the _____ the risk tolerance.

A. lower

B. higher

C. same

D. inversely proportionate

48. _____ 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

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49. _____ lets individuals from outside an industry establish a new business in a way not previously considered.

A. Logic rationality

B. Constricted rationality

C. Unconstricted rationality

D. Bounded rationality

50. Which of these personality tests is based on the philosophy of Carl Jung?

A. Insights

B. Enneagram

C. Big Five

D. Myers-Briggs

51. 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

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52. 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

53. 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

54. All of the following are triggers to start a new business EXCEPT:

A. being laid off
B. intolerable risk level
C. very little to lose financially by a failure
D. experiencing a mid-life crisis

55. Which of the following is NOT a personal motivator to start a business?

A. proactive positioning
B. driven
C. practical advice
D. defensive positioning

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56. Glass ceilings in large corporations involve _____.

A. formal rules

B. limits to the level of opportunity in the corporate hierarchy

C. unblocked opportunities

D. no particular pattern for advancement

57. A small business owner should examine the _____ supports before starting a business.

A. family

B. social networks

C. community

D. all of these

58. In a family business, an owner should choose family members who provide support. The main reason is:

A. members are related

B. members give positive/negative comments

C. don't have to pay them as much

D. family member slack

59. 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

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60. Established businesses are often _____ to buy from a start-up small business.

A. quick

B. hesitant

C. sure

D. proportionate certain

61. 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

62. Incubators for small businesses include all of the following EXCEPT:

A. space

B. financial loans

C. legal expertise

D. common receptionist

63. Business incubators work best with which of the following type of firms?

A. manufacturing

B. retail

C. service

D. accounting

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64. 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

65. 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

66. According to the book, the greatest contributor to an owner's success is _____.

A. the owner doing something they enjoy

B. opportunities not available in large company

C. spending less time at work

D. no risk involved

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67. A prospective small business owner wants a career doing what he enjoys most—sports. He might be drawn to try an entrepreneurial venture in order to realize:

A. personal fulfillment

B. substantial long-term profits

C. freedom from control of a managerial hierarchy

D. a sense of self-esteem as a result of building his own business

68. A small business owner can make decisions quicker than a big business because:

A. the decision maker is both the owner and the manager of the business

B. the owner can delegate the decisions to committees

C. managers in big businesses have less knowledge than a small business owner

D. all of these

69. According to the book, what is the greatest asset of a small business?

A. investor

B. stakeholder

C. manager

D. owner

70. The potential entrepreneur needs to consider _____ when starting a new business.

A. prior experience

B. education

C. rationality

D. capital

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71. According to the book, which of the following personality tests is most widely used in universities?

A. Enneagram

B. Myers-Briggs

C. Big Five

D. Both Myers-Briggs and Big Five

72. Which of the following is NOT a personality dimension of the Big Five test?

A. individualist

B. extroversion

C. agreeableness

D. conscientiousness

73. According to the book, there are three elements of entrepreneurial orientation. Which of the following is NOT one of those elements?

A. passionate about your product or service

B. prior experience

C. personality orientation

D. risk tolerance

74. 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

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75. According to the book, which of the following is an example of circumstance motivators?

A. Individuals are laid off, are demoted, or are forced to take reduced pay by their prior employer.
B. People start their own company because they have a passion for their product or service.
C. Women, who are the fastest growing group of small business owners, who want to achieve their dreams.
D. People start their own company because they want to be their own boss.

76. In the Philly Pretzel and Dan Dizio case study, Dan Dizio funded his venture with:

A. an angel investment
B. venture Capital
C. credit card debt
D. small business loan

77. In the Friend's Home Health case study, the three potential entrepreneurs evaluated their personal motivation and risk orientations. They found that:

A. they were all equally compatible
B. Betty and Joan were more compatible as partners than either was with Bob
C. Bob and Joan were more compatible as partners than either was with Betty
D. none of them were compatible

Fill in the Blank Questions

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78. Organizational _____ is excess resources in an organization, typical of large organizations, but not of small businesses.

_____

79. _____ theory suggests that individuals act to maximize their own individual benefit.

_____

80. A person who wants to start a business needs a _____ risk tolerance.

_____

81. _____ is a decision that is constrained by the background and history of the person.

_____

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

_____

83. _____ is a supposition that assumes individuals act to maximize their own benefit.

_____

Essay Questions

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

85. Potential entrepreneurs need to consider which three areas in starting a new business?

86. 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.

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87. Distinguish between personal motivators and circumstance motivators and give examples.

88. Why is the role of the family so critical to the success of a family business?

89. List and explain at least three community resources.

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90. What are circumstance motivators? Explain your answer and provide examples.

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Chapter 02 Individual Leadership and Entrepreneurial Start-Ups Answer Key

True / False Questions

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

FALSE

In large, well-established organizations, no one person is crucial to the survival of the business, even the president of the company.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

2. Large companies have excess resources to assist them. This excess is called boundaries unlimited.

FALSE

Organizational slack is having excess resources in a large organization.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

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Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

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

TRUE

These excess resources are referred to as organizational slack; they allow large organizations flexibility that is not available to smaller companies.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

4. A new entrepreneurial business has many formal procedures to follow.

FALSE

A new entrepreneurial business has few formal procedures, a concentration of knowledge in those individuals who start the business, and limited slack resources.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

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

TRUE

The founder of an entrepreneurial business plays a critical role in the business's success.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

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

TRUE

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."

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

7. A small business has less flexibility to respond to change than a large company.

FALSE

Entrepreneurial businesses start out small, which means that these firms have greater flexibility.

AACSB: Reflective Thinking

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Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.

Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

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

FALSE

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.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.

Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

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

TRUE

Large firms do have an advantage in those situations where there are economies of scale.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.

Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

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

FALSE

The agency theory argues that individuals act to maximize their own benefit.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

11. The agency theory implies that a small business owner is more likely to go on the Internet to find the cheapest travel ticket available in order to save money for the business.

TRUE

The agency theory argues that individuals act to maximize their own benefit.

AACSB: Analytical Thinking
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: 3 Hard
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

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

TRUE

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.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

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

TRUE

Potential entrepreneurs must determine their own individual level of tolerance to risk.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Topic: Evaluating Your Entrepreneurial Orientation

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14. The profit point is when a new business has reached a level where revenue coming into the firm is sufficient to cover expenses.

FALSE

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 the expenses.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Topic: Evaluating Your Entrepreneurial Orientation

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.

FALSE

In general, the greater the debt you are willing to take to start your business, the higher is your risk tolerance.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Topic: Evaluating Your Entrepreneurial Orientation

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16. There is always a certain level of risk that an owner wants to assume.

FALSE

There are no correct percentages as to the level of risk tolerance for an owner.

AACSB: Analytical Thinking
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: 3 Hard
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Topic: Evaluating Your Entrepreneurial Orientation

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

TRUE

Individual entrepreneurs must be aware of their tolerance of risk and establish their business in a manner consistent with that tolerance.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Topic: Evaluating Your Entrepreneurial Orientation

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

TRUE

The second element of entrepreneurial orientation is prior experience.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Topic: Evaluating Your Entrepreneurial Orientation

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

TRUE

Bounded rationality is rational decision making that is constrained by the background and history of the person making the decision.

AACSB: Knowledge Application
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Topic: Evaluating Your Entrepreneurial Orientation

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

TRUE

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.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Topic: Evaluating Your Entrepreneurial Orientation

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

TRUE

The Myers-Briggs test is one of the most widely used tests for personality evaluations.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Topic: Evaluating Your Entrepreneurial Orientation

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22. A Myers-Briggs test indicates the correct way that individuals should deal with other people and their environments.

FALSE

The different potential arrangements of variable are believed to indicate the different ways that individuals deal with other people and their environments.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Topic: Evaluating Your Entrepreneurial Orientation

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

TRUE

The underlying philosophy of this test is that a person is the result of all the experiences in his or her life.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Topic: Evaluating Your Entrepreneurial Orientation

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

FALSE

The Big Five test is composed of five factors considered to be by many researchers the key components of an individual's environment.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Topic: Evaluating Your Entrepreneurial Orientation

25. Starting a new business could result from a particular event or condition within an individual's environment.

TRUE

Starting a new business is often the result of some particular event or condition within an individual's environment.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 List the triggers that encourage new business formations.
Topic: Triggers for Starting a Business

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Access Complete Test Bank for Entrepreneurship The Art Science and Process for Success 2nd Bamford

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

TRUE

Typical triggers include having very little to lose financially by a failure.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-03 List the triggers that encourage new business formations.
Topic: Triggers for Starting a Business

27. Two triggers for starting a new business are personal motivators and circumstance motivators.

TRUE

Often more than one of these triggers may be present at the same time: personal motivations and circumstance motivations.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 List the triggers that encourage new business formations.
Topic: Triggers for Starting a Business

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28. Small business owners who are driven by circumstance motivators are more proactive and persistent toward their goal.

FALSE

Entrepreneurs driven by personal motivators will tend to be more proactive and drive relentlessly toward their goals.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-03 List the triggers that encourage new business formations.
Topic: Triggers for Starting a Business

29. There are formal rules that must be followed in setting up the glass ceiling in an organization.

FALSE

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.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 List the triggers that encourage new business formations.
Topic: Triggers for Starting a Business

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

TRUE

Few people know you—including your abilities and shortcoming—like your family. Family members are in an unique position to provide you with key insights when you may be pursuing the wrong approach to an issue.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Topic: Supports

31. 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.

TRUE

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.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Topic: Supports

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

TRUE

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.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Topic: Supports

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

TRUE

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.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Topic: Supports

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

TRUE

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.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Topic: Supports

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

TRUE

Business incubators work best with office-based service firms, scientific-based firms requiring lab space, or small, clean manufacturing firms.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Topic: Supports

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36. According to the book, the greatest contribution to a small business owner's success is that they start a business they enjoy.

TRUE

Ultimately, the greatest contributor to your success as an entrepreneur is that you are doing something you enjoy.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
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.
Topic: Form a Business Doing What You Like

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

TRUE

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.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 List the triggers that encourage new business formations.
Topic: Triggers for Starting a Business

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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.

TRUE

An entrepreneur will need to spend considerable time at the business for it to be successful. Therefore, you need to enjoy what you do.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 1 Easy
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.
Topic: Form a Business Doing What You Like

Multiple Choice Questions

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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

Organizational slack is having excess resources in a large organization.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

40. A small business has _____ formal procedures as compared to a larger firm to operate the company.

A. many
B. few
C. same
D. proportionate

A new entrepreneurial business has few formal procedures, a concentration of knowledge in those individuals who start the business, and limited slack resources.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

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Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.

Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

41. A small business owner plays a _____ critical role than the senior leadership of a large company.

A. more
B. less
C. same
D. proportionate

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 a typical large organization.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.

Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

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42. All of these are advantages for a small business EXCEPT:

A. respond quickly to changes
B. owned and run by the same person
C. economies of scale
D. greater flexibility

Large firms do have an advantage in those situations where there are economies of scale; that is, large firms have the ability to produce a service or product more cheaply because it is done on a large scale.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

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

Agency theory is a managerial theory that believes individuals act to maximize their own benefit.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

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Access Complete Test Bank for Entrepreneurship The Art Science and Process for Success 2nd Bamford

Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.

Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

44. A small business owner decides to take a cheaper flight to go to his yearly conference instead of a flight that was at a better time. This decision is a form of _____.

A. agency theory
B. organizational benefit theory
C. cost savings ratio
D. inverse benefits

An individual who owns a business will always act to maximize the value of the business, since the interest of the owner and that of the business itself are aligned.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.

Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

45. The potential entrepreneur needs to consider _____ when starting a new business.

A. risk tolerance
B. prior experience
C. personality orientation
D. All of these

Potential entrepreneurs need to consider a number of issues. These include risk tolerance, prior experience, and personality orientation of the individual.

AACSB: Reflective Thinking

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Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.

Topic: Evaluating Your Entrepreneurial Orientation

46. What is the term used to describe a new business that has reached a level where revenue coming into the firm is sufficient to cover expenses?

A. equal financial ratio
B. no risk level
C. risk tolerance
D. break-even point

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 the expenses.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.

Topic: Evaluating Your Entrepreneurial Orientation

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47. The greater the debt the business owner is willing to take on, the _____ the risk tolerance.

A. lower
B. higher
C. same
D. inversely proportionate

In general, the greater the debt you are willing to take to start a business, the higher your risk tolerance.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Topic: Evaluating Your Entrepreneurial Orientation

48. _____ 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

Bounded rationality is rational decision making that is constrained by the background and history of the person making the decision.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 2 Medium

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Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.

Topic: Evaluating Your Entrepreneurial Orientation

49. _____ lets individuals from outside an industry establish a new business in a way not previously considered.

A. Logic rationality
B. Constricted rationality
C. Unconstricted rationality
D. Bounded rationality

Bounded rationality is the reason individuals from outside an industry are able to establish a new business in a manner not previously considered.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.

Topic: Evaluating Your Entrepreneurial Orientation

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50. Which of these personality tests is based on the philosophy of Carl Jung?

A. Insights
B. Enneagram
C. Big Five
D. Myers-Briggs

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.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Topic: Evaluating Your Entrepreneurial Orientation

51. 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

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.

AACSB: Reflective Thinking

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Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 1 Easy

Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.

Topic: Evaluating Your Entrepreneurial Orientation

52. 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

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

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.

Topic: Evaluating Your Entrepreneurial Orientation

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53. 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

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.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Topic: Evaluating Your Entrepreneurial Orientation

54. All of the following are triggers to start a new business EXCEPT:

A. being laid off
B. intolerable risk level
C. very little to lose financially by a failure
D. experiencing a mid-life crisis

Reaching a point financially where the risk/return level is tolerable is a trigger to starting a new business.

AACSB: Analytical Thinking
AACSB: Reflective Thinking

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Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 3 Hard

Learning Objective: 02-03 List the triggers that encourage new business formations.

Topic: Triggers for Starting a Business

55. Which of the following is NOT a personal motivator to start a business?

A. proactive positioning

B. driven

C. practical advice

D. defensive positioning

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.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 2 Medium

Learning Objective: 02-03 List the triggers that encourage new business formations.

Topic: Triggers for Starting a Business

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56. Glass ceilings in large corporations involve _____.

A. formal rules
B. limits to the level of opportunity in the corporate hierarchy
C. unblocked opportunities
D. no particular pattern for advancement

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.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 List the triggers that encourage new business formations.
Topic: Triggers for Starting a Business

57. A small business owner should examine the _____ supports before starting a business.

A. family
B. social networks
C. community
D. all of these

The support and resource areas the entrepreneur might examine include family, social networks, community, and financial resources.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy

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Learning Objective: 02-04 Compare and contrast various types of new business supports.

Topic: Supports

58. In a family business, an owner should choose family members who provide support. The main reason is:

A. members are related

B. members give positive/negative comments

C. don't have to pay them as much

D. family member slack

Family members are in an unique position to provide you with key insights when you may be pursuing the wrong approach to an issue. Too many other individuals will not be willing to tell you when you may be wrong. Most individuals will tell you only positive things.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-04 Compare and contrast various types of new business supports.

Topic: Supports

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59. 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

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.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Topic: Supports

60. Established businesses are often _____ to buy from a start-up small business.

A. quick
B. hesitant
C. sure
D. proportionate certain

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.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

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Learning Objective: 02-04 Compare and contrast various types of new business supports.

Topic: Supports

61. 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

Incubators offer services such as receptionists, accounting and legal advice, and space. These services should assist new small businesses and contribute to their success.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-04 Compare and contrast various types of new business supports.

Topic: Supports

62. Incubators for small businesses include all of the following EXCEPT:

A. space
B. financial loans
C. legal expertise
D. common receptionist

Incubators offer services such as receptionists, accounting and legal advice, and space. These services should assist new small businesses and contribute to their success.

AACSB: Reflective Thinking

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Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-04 Compare and contrast various types of new business supports.

Topic: Supports

63. Business incubators work best with which of the following type of firms?

A. manufacturing
B. retail
C. service
D. accounting

Business incubators work best with office-based service firms, scientific-based firms requiring lab space, or small, clean manufacturing firms.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Compare and contrast various types of new business supports.

Topic: Supports

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64. 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

The Small Business Assistance Centers are funded by the SBA and advise individuals who intend to start new businesses.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Topic: Supports

65. 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

It is simply good business practice to ensure that sufficient financial resources are available prior to the start of that business.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

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Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-04 Compare and contrast various types of new business supports.

Topic: Supports

66. According to the book, the greatest contributor to an owner's success is _____.

A. the owner doing something they enjoy
B. opportunities not available in large company
C. spending less time at work
D. no risk involved

Ultimately the greatest contributor to your success as an entrepreneur is that you are doing something you enjoy.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 1 Easy

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.

Topic: Form a Business Doing What You Like

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67. A prospective small business owner wants a career doing what he enjoys most—sports. He might be drawn to try an entrepreneurial venture in order to realize:

A. personal fulfillment
B. substantial long-term profits
C. freedom from control of a managerial hierarchy
D. a sense of self-esteem as a result of building his own business

You need to enjoy what you do.

AACSB: Analytical Thinking
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: 3 Hard
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.
Topic: Form a Business Doing What You Like

68. A small business owner can make decisions quicker than a big business because:

A. the decision maker is both the owner and the manager of the business
B. the owner can delegate the decisions to committees
C. managers in big businesses have less knowledge than a small business owner
D. all of these

The greatest advantage for an entrepreneurial business is that it is owned and run by the same person.

AACSB: Analytical Thinking
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

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Blooms: Analyze

Difficulty: 3 Hard

Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.

Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

69. According to the book, what is the greatest asset of a small business?

A. investor
B. stakeholder
C. manager
D. owner

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.

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Understand

Difficulty: 2 Medium

Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.

Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

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70. The potential entrepreneur needs to consider _____ when starting a new business.

A. prior experience
B. education
C. rationality
D. capital

Potential entrepreneurs need to consider a number of issues. These include risk tolerance, prior experience, and personality orientation of the individual.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Topic: Evaluating Your Entrepreneurial Orientation

71. According to the book, which of the following personality tests is most widely used in universities?

A. Enneagram
B. Myers-Briggs
C. Big Five
D. Both Myers-Briggs and Big Five

The Big Five is a popular personality test in universities.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.

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Topic: Evaluating Your Entrepreneurial Orientation

72. Which of the following is NOT a personality dimension of the Big Five test?

A. individualist
B. extroversion
C. agreeableness
D. conscientiousness

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.

AACSB: Analytical Thinking
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: 3 Hard
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Topic: Evaluating Your Entrepreneurial Orientation

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73. According to the book, there are three elements of entrepreneurial orientation. Which of the following is NOT one of those elements?

A. passionate about your product or service
B. prior experience
C. personality orientation
D. risk tolerance

Potential entrepreneurs need to consider a number of issues. These include risk tolerance, prior experience, and personality orientation of the individual.

AACSB: Analytical Thinking
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Analyze
Difficulty: 3 Hard
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Topic: Evaluating Your Entrepreneurial Orientation

74. 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

Entrepreneurs driven by personal motivators will tend to be more proactive and drive relentlessly toward their goals.

AACSB: Analytical Thinking
AACSB: Reflective Thinking
Accessibility: Keyboard Navigation

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Blooms: Analyze

Difficulty: 3 Hard

Learning Objective: 02-03 List the triggers that encourage new business formations.

Topic: Triggers for Starting a Business

75. According to the book, which of the following is an example of circumstance motivators?

A. Individuals are laid off, are demoted, or are forced to take reduced pay by their prior employer.

B. People start their own company because they have a passion for their product or service.

C. Women, who are the fastest growing group of small business owners, who want to achieve their dreams.

D. People start their own company because they want to be their own boss.

Circumstance motivators tend to result in more of a defensive positioning; this is an opportunistic start-up whose staying power is determined by other competing opportunities.

AACSB: Analytical Thinking

AACSB: Reflective Thinking

Accessibility: Keyboard Navigation

Blooms: Analyze

Difficulty: 3 Hard

Learning Objective: 02-03 List the triggers that encourage new business formations.

Topic: Triggers for Starting a Business

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76. In the Philly Pretzel and Dan Dizio case study, Dan Dizio funded his venture with:

A. an angel investment
B. venture Capital
C. credit card debt
D. small business loan

Dizio clearly illustrates the risk taking that characterizes an entrepreneur. He quit his job and funded his venture initially with credit card debt.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

77. In the Friend's Home Health case study, the three potential entrepreneurs evaluated their personal motivation and risk orientations. They found that:

A. they were all equally compatible
B. Betty and Joan were more compatible as partners than either was with Bob
C. Bob and Joan were more compatible as partners than either was with Betty
D. none of them were compatible

When the three potential entrepreneurs completed an exercise on risk tolerance, Betty and Joan realized they were far more frugal in their lives than Bob.

AACSB: Reflective Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Difficulty: 2 Medium

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Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.

Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

Fill in the Blank Questions

78. Organizational _____ is excess resources in an organization, typical of large organizations, but not of small businesses.

slack

Organizational slack is having excess resources in a large organization.

AACSB: Reflective Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.

Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

79. _____ theory suggests that individuals act to maximize their own individual benefit.

Agency

Agency theory is a managerial theory that believes individuals act to maximize their own benefit.

AACSB: Reflective Thinking

Blooms: Remember

Difficulty: 1 Easy

Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.

Topic: Evaluating Your Entrepreneurial Orientation

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80. A person who wants to start a business needs a _____ risk tolerance.

higher

The financial risk for the entrepreneur can be quite high.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Topic: Evaluating Your Entrepreneurial Orientation

81. _____ is a decision that is constrained by the background and history of the person.

Bounded rationality

Bounded rationality is rational decision making that is constrained by the background and history of the person making the decision.

AACSB: Reflective Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Topic: Evaluating Your Entrepreneurial Orientation

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

incubator

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.

AACSB: Reflective Thinking
Blooms: Remember
Difficulty: 1 Easy
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Topic: Supports

83. _____ is a supposition that assumes individuals act to maximize their own benefit.

Agency theory

Agency theory is a managerial theory that believes individuals act to maximize their own benefit.

AACSB: Reflective Thinking
Blooms: Remember
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

Essay Questions

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

Flexibility—responds quickly to fulfill need; fills niches that large firms simply cannot afford to fill; run and owned by the same person.

AACSB: Knowledge Application
AACSB: Reflective Thinking
Blooms: Apply
Difficulty: 3 Hard
Learning Objective: 02-01 Explain how entrepreneurial founders impact the business world as a whole.
Topic: Founders Are the Reason Why Entrepreneurial Businesses Work So Well

85. Potential entrepreneurs need to consider which three areas in starting a new business?

Risk tolerance, prior experience, and personality orientation of the individual.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-02 Discuss the importance of an entrepreneurial orientation.
Topic: Evaluating Your Entrepreneurial Orientation

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86. 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.

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.

AACSB: Knowledge Application
AACSB: Reflective Thinking
Blooms: Analyze
Difficulty: 2 Medium
Learning Objective: 02-03 List the triggers that encourage new business formations.
Topic: Triggers for Starting a Business

87. Distinguish between personal motivators and circumstance motivators and give examples.

Personal motivators are driven internally by the individual. Circumstance motivators tend to result in more defensive positioning.

AACSB: Analytical Thinking
AACSB: Reflective Thinking
Blooms: Analyze
Difficulty: 3 Hard
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Topic: Supports

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88. Why is the role of the family so critical to the success of a family business?

Principal staff members are family; long-term investment; relate your success and failures; higher level of commitment.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Topic: Supports

89. List and explain at least three community resources.

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.

AACSB: Knowledge Application
AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-04 Compare and contrast various types of new business supports.
Topic: Supports

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90. What are circumstance motivators? Explain your answer and provide examples.

Situations when the potential business owner is in a defensive position and decides to start a business to defend themselves. Examples include individuals who are laid off, are demoted, or are forced to take reduced pay by their employer.

AACSB: Reflective Thinking
Blooms: Understand
Difficulty: 2 Medium
Learning Objective: 02-03 List the triggers that encourage new business formations.
Topic: Triggers for Starting a Business

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