Test Bank for Modern Management Concepts and Skills 15th Certo

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

Modern Management, 15e **(Certo)**
Chapter 2 Management and Entrepreneurship: Handling Start-Ups and New Ventures

1) _____ refers to the identification, evaluation, and exploitation of opportunities.
A) Entrepreneur
B) Entrepreneurial opportunity
C) Entrepreneurial alertness
D) Entrepreneurship
E) Entrepreneurial risk
Answer: D
Learning Obj: LO 2.1: An understanding of the three stages of entrepreneurship
Difficulty: Easy
Classification: Concept

2) Which of the following demonstrates the correct sequence in the stages of entrepreneurship?
A) opportunity identification, opportunity evaluation, opportunity exploitation
B) opportunity identification, opportunity exploitation, opportunity evaluation
C) opportunity evaluation, opportunity identification, opportunity exploitation
D) opportunity evaluation, opportunity exploitation, opportunity identification
E) opportunity exploitation, opportunity evaluation, opportunity identification
Answer: A
Learning Obj: LO 2.1: An understanding of the three stages of entrepreneurship
Difficulty: Challenging
Classification: Concept

3) Entrepreneurial opportunity is _____.
A) the activities and investments committed to gain returns from the new product or service arising from the opportunity
B) resources (i.e., money, relationships, etc.) the entrepreneur could lose if the opportunity does not succeed
C) an occasion to bring into existence new products and services that allow outputs to be sold at a price greater than their cost of production
D) an individual's ability to notice and be sensitive to new information about objects, incidents, and patterns of behavior in the environment
E) the process in which an individual or group of individuals in an existing corporation create a new organization or instigate renewal or innovation within that corporation
Answer: C
Learning Obj: LO 2.1: An understanding of the three stages of entrepreneurship
Difficulty: Moderate
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

4) A(n) _____ is an individual who identifies, evaluates, and exploits opportunities.
A) leader
B) entrepreneur
C) supplier
D) distributor
E) opportunist
Answer: B
Learning Obj: LO 2.1: An understanding of the three stages of entrepreneurship
Difficulty: Easy
Classification: Concept

5) Research suggests that organizations started by entrepreneurial teams tend to perform better than those started by individual entrepreneurs working by themselves. What is this attributed to?
A) The new, fresh mindset of entrepreneurs.
B) Organizations started by teams have more money.
C) Individual organizations do not have the manpower to help.
D) The combination of diverse skills, experiences, and relationships of the entrepreneurial team members.
E) Entrepreneurial teams use more research for start-up decisions.
Answer: D
Learning Obj: LO 2.1: An understanding of the three stages of entrepreneurship
Difficulty: Moderate
Classification: Concept

6) George has been researching if he should open a business on his own or with a partner/group. The combination of diverse skills, experiences, and relationship from an entrepreneurial team would offer George a/an _____.
A) team benefit
B) combination plus
C) advantage group
D) team advantage
E) team bonus
Answer: D
Learning Obj: LO 2.1: An understanding of the three stages of entrepreneurship
Difficulty: Challenging
Classification: Application

7) Entrepreneurship refers to the identification, evaluation and exploitation of opportunities.
Answer: TRUE
Learning Obj: LO 2.1: An understanding of the three stages of entrepreneurship
Difficulty: Easy
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

8) Explain the fundamentals of entrepreneurship.
Answer: Entrepreneurship refers to the identification, evaluation, and exploitation of opportunities. Opportunities, in a general sense, are appropriate or favorable occasions. In the entrepreneurship context, though, the definition of opportunity is slightly different from this general definition. Specifically, an entrepreneurial opportunity is an occasion to bring into existence new products and services that allow outputs to be sold at a price greater than their cost of production. In other words, entrepreneurial opportunities exist when individuals are able to sell new products and services at a price that produces a profit.
Although entrepreneurship has a broad definition, the term still involves starting new businesses.
Learning Obj: LO 2.1: An understanding of the three stages of entrepreneurship
AACSB: Analytical Thinking
Difficulty: Challenging
Classification: Concept

9) Who is an entrepreneur?
Answer: An entrepreneur is an individual who identifies, evaluates, and exploits opportunities. Many associate the term "entrepreneur" with one individual starting a new business, but it is not always the case. Many entrepreneurs work with others when identifying, evaluating, and exploiting entrepreneurial opportunities. Research suggests that organizations started by entrepreneurial teams tend to perform better than those started by individual entrepreneurs working by themselves. Many attribute this "team advantage" to the combination of diverse skills, experiences, and relationships of the entrepreneurial team members. In addition, as new organizations grow, they require leaders with new skills. Consequently, assembling a team makes it easier for entrepreneurs to add team members with these new skills as the venture expands.
Learning Obj: LO 2.1: An understanding of the three stages of entrepreneurship
Difficulty: Easy
Classification: Concept

10) Opportunities may arise from the creation or discovery of _____.
A) new research
B) new raw materials
C) ethics
D) more capital
E) social networks
Answer: B
Learning Obj: LO 2.2: An overall appreciation for the opportunity concept and an understanding of the primary types of entrepreneurial opportunities
Difficulty: Easy
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

11) _____ allow entrepreneurs to produce goods or services at lower costs, which allows the entrepreneurs to satisfy the needs of customers more effectively.
A) New markets
B) New raw materials
C) New methods of production
D) New methods of organizing
E) New products
Answer: C
Learning Obj: LO 2.2: An overall appreciation for the opportunity concept and an understanding of the primary types of entrepreneurial opportunities
Difficulty: Moderate
Classification: Concept

12) The Internet allows Netflix to offer customers a new way to rent DVDs and video games. This is an example of _____.
A) new markets
B) new raw materials
C) new methods of production
D) new methods of organizing
E) new products
Answer: D
Learning Obj: LO 2.2: An overall appreciation for the opportunity concept and an understanding of the primary types of entrepreneurial opportunities
AACSB: Analytical Thinking
Difficulty: Moderate
Classification: Application

13) When Nintendo Crescendo, an electronics company, develops and markets the Wii gaming system, it is an opportunity that has arisen from a _____.
A) new product or service
B) new geographical market
C) new method of production
D) new raw material
E) new method of organizing
Answer: A
Learning Obj: LO 2.2: An overall appreciation for the opportunity concept and an understanding of the primary types of entrepreneurial opportunities
AACSB: Analytical Thinking
Difficulty: Moderate
Classification: Application

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

14) Which type of opportunity is Citibank pursuing if it provides services in China?
A) new products or services
B) new geographical markets
C) new raw materials
D) new methods of production
E) new methods of organizing
Answer: B
Learning Obj: LO 2.2: An overall appreciation for the opportunity concept and an understanding of the primary types of entrepreneurial opportunities
AACSB: Analytical Thinking
Difficulty: Moderate
Classification: Application

15) Which of the following is an example of an opportunity that has arisen from new uses for raw materials?
A) the invention of the heart stent
B) an American bank providing services in Canada
C) raising chickens without using any antibiotics
D) using the Internet to sell a product
E) using corn to produce ethanol
Answer: E
Learning Obj: LO 2.2: An overall appreciation for the opportunity concept and an understanding of the primary types of entrepreneurial opportunities
AACSB: Analytical Thinking
Difficulty: Challenging
Classification: Application

16) If a food manufacturer raises chickens for commercial use, without using antibiotics, which type of opportunity is this?
A) new products or services
B) new geographical markets
C) new raw materials
D) new methods of production
E) new methods of organizing
Answer: D
Learning Obj: LO 2.2: An overall appreciation for the opportunity concept and an understanding of the primary types of entrepreneurial opportunities
AACSB: Analytical Thinking
Difficulty: Moderate
Classification: Application

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

17) Which of the following is an example of an opportunity that arose from the use of a new method of organizing?
A) using corn to produce ethanol
B) using the Internet to sell a product
C) raising chickens without antibiotics
D) an American bank providing services in Australia
E) the invention of the heart stent
Answer: B
Learning Obj: LO 2.2: An overall appreciation for the opportunity concept and an understanding of the primary types of entrepreneurial opportunities
AACSB: Analytical Thinking
Difficulty: Moderate
Classification: Application

18) A company starting to distribute its existing products in a new country is gaining from which type of opportunity?
A) creation of new products or services
B) new geographical market
C) creation or discovery of new raw materials
D) discovery of new methods of production
E) new methods of organizing
Answer: B
Learning Obj: LO 2.2: An overall appreciation for the opportunity concept and an understanding of the primary types of entrepreneurial opportunities
Difficulty: Moderate
Classification: Concept

19) The use of corn to make ethanol created a new use for corn. This kind of opportunity comes from which of the following?
A) creation of new products or services
B) new geographical market
C) creation or discovery of new materials
D) discovery of alternative uses for existing raw materials
E) new methods of organizing
Answer: D
Learning Obj: LO 2.2: An overall appreciation for the opportunity concept and an understanding of the primary types of entrepreneurial opportunities
Difficulty: Challenging
Classification: Application

20) Opportunities may arise from the discovery of new geographical markets in which new customers will value the new product or service.
Answer: TRUE
Learning Obj: LO 2.2: An overall appreciation for the opportunity concept and an understanding of the primary types of entrepreneurial opportunities
Difficulty: Moderate
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

21) What is entrepreneurial opportunity? Which are the types of opportunities as described by Schumpeter?
Answer: Entrepreneurship refers to the identification, evaluation, and exploitation of opportunities. Specifically, an entrepreneurial opportunity is an occasion to bring into existence new products and services that allow outputs to be sold at a price greater than their cost of production.
In his classic formulation of opportunities, Schumpeter described five different types of opportunities.
1. Opportunities arise from the creation of new products or services. When a new type of medical device is created, for example, an opportunity exists in the form of convincing doctors to use the new device in their practices.
2. Opportunities arise from the discovery of new geographical markets in which new customers will value the new product or service. As an example, suppose an individual has exclusive rights to produce and distribute action figures based on a popular movie within the United States. After saturating the domestic market, the individual might begin to distribute the action figures in China. This scenario would represent an opportunity arising from the discovery of a new geographical market.
3. Opportunities may arise from the creation or discovery of new raw materials or after discovering alternative uses for existing raw materials. For example, ethanol, which can be produced from corn, represents a new use for corn.
4. Opportunities may emerge from the discovery of new methods of production. According to Schumpeter, new methods of production allow entrepreneurs to produce goods or services at lower costs, which allows the entrepreneurs to satisfy the needs of customers more effectively.
5. Opportunities may arise from new methods of organizing. The emergence of the Internet provides an example of opportunities that arose from new methods of organizing.
Learning Obj: LO 2.2: An overall appreciation for the opportunity concept and an understanding of the primary types of entrepreneurial opportunities
Difficulty: Moderate
Classification: Concept

22) _____ is the first step of the entrepreneurial process.
A) Opportunity identification
B) Opportunity evaluation
C) Risk identification
D) Opportunity feedback
E) Risk evaluation
Answer: A
Learning Obj: LO 2.3: An understanding of how to identify opportunities
Difficulty: Easy
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

23) Although an opportunity may exist, it needs to be recognized first. This is _____.
A) opportunity feedback
B) opportunity evaluation
C) opportunity exploitation
D) opportunity identification
E) opportunity cost
Answer: D
Learning Obj: LO 2.3: An understanding of how to identify opportunities
Difficulty: Easy
Classification: Concept

24) _____ refers to an individual's ability to notice and be sensitive to new information about objects, incidents, and patterns of behavior in the environment.
A) Social networking
B) Entrepreneurial opportunity
C) Entrepreneurial alertness
D) Feasibility analysis
E) Entrepreneurial risk
Answer: C
Learning Obj: LO 2.3: An understanding of how to identify opportunities
Difficulty: Moderate
Classification: Concept

25) Which of the following is true of an individual who has a low level of entrepreneurial alertness?
A) They are more likely to identify potential entrepreneurial opportunities.
B) They spend most of their time giving feedback to employers.
C) They are more likely to dismiss or ignore new information and overlook potential opportunities.
D) They are more likely to follow the new market opportunities.
E) They have low entrepreneurial risk.
Answer: C
Learning Obj: LO 2.3: An understanding of how to identify opportunities
AACSB: Analytical Thinking
Difficulty: Moderate
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

26) Rick and Jose gain new market information regarding a potential entrepreneurial opportunity. Despite the fact that both of them have gained access to this new information, only one of these individuals has access to additional information suggesting that other competitors are already moving to exploit this opportunity. What is this an example of?
A) information asset
B) information assurance
C) social networking
D) information asymmetry
E) information reliability
Answer: D
Learning Obj: LO 2.3: An understanding of how to identify opportunities
AACSB: Analytical Thinking
Difficulty: Moderate
Classification: Application

27) Martha recently created a Facebook account. She understands that she can utilize the account to advertise her growing recycling business. This is an example of _____.
A) information symmetry
B) market research
C) information asset
D) a social network
E) entrepreneurial risk
Answer: D
Learning Obj: LO 2.3: An understanding of how to identify opportunities
AACSB: Analytical Thinking
Difficulty: Moderate
Classification: Application

28) The ability of entrepreneurs to understand how to turn a new technology into a product or service that will be valued by consumers refers to the ability to assess _____.
A) information symmetry
B) market research
C) means-end relationships
D) social networks
E) entrepreneurial risk
Answer: C
Learning Obj: LO 2.3: An understanding of how to identify opportunities
Difficulty: Moderate
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

29) An entrepreneurial team advantage can be equated to _____ as those on the team share their experiences and knowledge.
A) entrepreneurial alertness
B) information asymmetry
C) social networks
D) feasibility analysis
E) illusion of control
Answer: B
Learning Obj: LO 2.3: An understanding of how to identify opportunities
AACSB: Analytical Thinking
Difficulty: Challenging
Classification: Application

30) Entrepreneurial alertness refers to an individual's ability to notice and be sensitive to new information about objects, incidents, and patterns of behavior in the environment.
Answer: TRUE
Learning Obj: LO 2.3: An understanding of how to identify opportunities
Difficulty: Moderate
Classification: Concept

31) Information asymmetry refers to an individual's ability to notice and be sensitive to new information about objects, incidents, and patterns of behavior.
Answer: FALSE
Learning Obj: LO 2.3: An understanding of how to identify opportunities
Difficulty: Easy
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

32) Describe the five factors that influence the ability of individuals to identify opportunities.
Answer: The five factors that influence the ability of individuals to identify opportunities: entrepreneurial alertness, information asymmetry, social networks, cross-cultural experience, and the ability to establish means-ends relationships.
1. Individuals vary in terms of entrepreneurial alertness, which refers to an individual's ability to notice and be sensitive to new information about objects, incidents, and patterns of behavior in the environment. When individuals have high levels of entrepreneurial alertness, they are more likely to identify potential entrepreneurial opportunities. In contrast, when individuals have low levels of entrepreneurial alertness, they are more likely to dismiss or ignore new information and overlook potential opportunities.
2. Individuals vary in terms of the information to which they have access, which is known as information asymmetry. This variation in information involves both new information and old information, and no two people share all of this information at the same time.
3. Individuals vary in terms of their social networks, which represent individuals' patterns of social relationships. Some individuals have extended social networks (i.e., many social relationships), while other individuals have narrow social networks (i.e., few social relationships). Research suggests that individuals with extended networks are more likely to identify potential entrepreneurial opportunities than those with narrower social networks. Moreover, the type of social network may influence opportunity identification. An individual with entrepreneurial family members, for example, may be better able to identify opportunities than an individual with family members who are not entrepreneurial.
4. Individuals vary in terms of their cross-cultural experience, which refers to the experience of living in a foreign country. Recent research indicates that cross-cultural experience is positively associated with opportunity identification. As individuals gain cross-cultural experience, they have access to different types of existing products, services, and customer problems associated with new cultures.
5. Individuals will vary in terms of their ability to assess means-ends relationships. In this context, the ability to assess means-end relationships means that entrepreneurs must understand how to turn a new technology into a product or service that will be valued by consumers.
Learning Obj: LO 2.3: An understanding of how to identify opportunities
AACSB: Analytical Thinking
Difficulty: Challenging
Classification: Concept

33) _____ is the second step of the entrepreneurial process.
A) Opportunity identification
B) Opportunity selection
C) Opportunity evaluation
D) Opportunity feedback
E) Opportunity success
Answer: C
Learning Obj: LO 2.4: Insights regarding the key components of opportunity evaluation
Difficulty: Easy
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

34) What occurs when an entrepreneur decides whether he or she has just a good idea or a viable opportunity that will provide the desired outcomes?
A) opportunity identification
B) opportunity selection
C) opportunity evaluation
D) opportunity feedback
E) opportunity success
Answer: C
Learning Obj: LO 2.4: Insights regarding the key components of opportunity evaluation
AACSB: Analytical Thinking
Difficulty: Challenging
Classification: Critical Thinking

35) _____ is a type of evaluation that helps entrepreneurs understand whether an idea is practical.
A) Illusion of control
B) Entrepreneurial risk management
C) Strategic planning
D) Feasibility analysis
E) Entrepreneurial alertness
Answer: D
Learning Obj: LO 2.4: Insights regarding the key components of opportunity evaluation
Difficulty: Easy
Classification: Concept

36) What will entrepreneurs study in a feasibility analysis?
A) customer demands, structure of the industry, ability to provide the new product or service
B) ways to increase production and cut corners on costs
C) strategic planning
D) the likelihood of a product or service affecting the generation gap
E) entrepreneurial alertness
Answer: A
Learning Obj: LO 2.4: Insights regarding the key components of opportunity evaluation
AACSB: Analytical Thinking
Difficulty: Moderate
Classification: Application

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

37) Mike wants to start his own laundry service. However, he intends to first study the market and consider factors such as who his competitors are, how they function, their market shares, and how he can attract prospective customers before he decides whether his plan is viable. Mike is engaging in _____.
A) benchmarking
B) entrepreneurial risk management
C) feasibility analysis
D) exploitation
E) angel investing
Answer: C
Learning Obj: LO 2.4: Insights regarding the key components of opportunity evaluation
AACSB: Analytical Thinking
Difficulty: Moderate
Classification: Application

38) _____ is the likelihood and magnitude of the opportunity's downside loss.
A) Illusion of control
B) Entrepreneurial risk
C) Entrepreneurial alertness
D) Exploitation
E) Entrepreneurial opportunity
Answer: B
Learning Obj: LO 2.4: Insights regarding the key components of opportunity evaluation
Difficulty: Easy
Classification: Concept

39) _____ refers to the resources that the entrepreneur could lose if the opportunity does not succeed.
A) Downside loss
B) Entrepreneurial risk
C) Feasibility analysis
D) Information asymmetry
E) Illusion of control
Answer: A
Learning Obj: LO 2.4: Insights regarding the key components of opportunity evaluation
Difficulty: Easy
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

40) Betty and David decide to conduct a survey to observe people's reaction to their innovative idea for a new product. With the help of an organization that conducts primary research, the couple is able to acquire responses of people from their town with a population of less than 500. The results are very encouraging and they decide to start their company. What error have they committed?
A) hypercorrection
B) cognitive distortion
C) law of small numbers
D) defense mechanism
E) overregularization
Answer: C
Learning Obj: LO 2.4: Insights regarding the key components of opportunity evaluation
AACSB: Analytical Thinking
Difficulty: Challenging
Classification: Application

41) Which of the following is true about factors that adversely influence the accuracy of an entrepreneur's risk perceptions?
A) An entrepreneur's belief in the law of small numbers increases the risk he or she perceives with an opportunity.
B) Because individuals are more likely to obtain good information and less likely to obtain bad information, small samples of information are likely biased negatively.
C) Most entrepreneurs have access to large databases.
D) The control that an entrepreneur feels with respect to the opportunity's outcome may influence perceptions of the idea's risk.
E) Law of small numbers and the illusion of control positively influence the accuracy of risk perceptions when evaluating opportunities.
Answer: D
Learning Obj: LO 2.4: Insights regarding the key components of opportunity evaluation
Difficulty: Challenging
Classification: Critical Thinking

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

42) Jerry starts his own business even when he is advised by family and friends that it is not a suitable opportunity. His friends feel that the market is uncertain and a new entry at this juncture is inadvisable. Jerry soon realizes that his friends were right and he should have taken their advice. In spite of himself, he is forced to admit that the market situation is such that it would take more than being a good entrepreneur to survive. Which of the following is Jerry experiencing?
A) exploitation
B) anchoring
C) information bias
D) illusion of control
E) reactance
Answer: D
Learning Obj: LO 2.4: Insights regarding the key components of opportunity evaluation
AACSB: Analytical Thinking
Difficulty: Challenging
Classification: Application

43) Even if an entrepreneur's idea is feasible, opportunities are associated with risk. In this context, _____ refers to the resources reduced if an opportunity does not succeed.
A) illusion of control
B) law of small numbers
C) downside loss
D) exploitation
E) feasibility analysis
Answer: C
Learning Obj: LO 2.4: Insights regarding the key components of opportunity evaluation
AACSB: Analytical Thinking
Difficulty: Challenging
Classification: Application

44) Bob's perception that he has been successful with his past entrepreneurial opportunities and therefore his luck will continue with his latest venture is known as _____.
A) upside gain
B) feasibility gain
C) illusion of control
D) feasibility control
E) gain control
Answer: C
Learning Obj: LO 2.4: Insights regarding the key components of opportunity evaluation
AACSB: Analytical Thinking
Difficulty: Challenging
Classification: Application

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

45) When analyzing entrepreneurial opportunities, the opportunity identification step is, "Where the rubber meets the road."
Answer: FALSE
Learning Obj: LO 2.4: Insights regarding the key components of opportunity evaluation
Difficulty: Moderate
Classification: Concept

46) Explain feasibility analysis.
Answer: When evaluating opportunities, entrepreneurs must be honest with themselves. If not, the entrepreneurs may purposely ignore or accidentally overlook important factors that will limit the potential success of the opportunity.
To evaluate ideas, entrepreneurs will often engage in feasibility analysis, which is analysis that helps entrepreneurs understand whether an idea is practical. In such a study, entrepreneurs will study customer demands, the structure of the industry, and the entrepreneur's ability to provide the new product or service. Although entrepreneurs have many ideas, not all of them are feasible; this analysis helps them to better understand the likelihood that their opportunity will provide the resources required.
Learning Obj: LO 2.4: Insights regarding the key components of opportunity evaluation
AACSB: Analytical Thinking
Difficulty: Moderate
Classification: Concept

47) What is entrepreneurial risk? In this context, explain downside loss.
Answer: When evaluating opportunities, entrepreneurs must be honest with themselves. If not, the entrepreneurs may purposely ignore or accidentally overlook important factors that will limit the potential success of the opportunity.
To evaluate ideas, entrepreneurs will often engage in feasibility analysis. Even if an idea is feasible, opportunities are associated with some risk. One of the central factors that entrepreneurs will examine in the evaluation stage is the opportunity's entrepreneurial risk, which is the likelihood and magnitude of the opportunity's downside loss. In this context, downside loss refers to the resources (i.e., money, relationships, etc.) the entrepreneur could lose if the opportunity does not succeed. All else being equal, entrepreneurs are more likely to pursue opportunities with lower levels of entrepreneurial risk and less likely to pursue opportunities with higher levels of entrepreneurial risk.
Learning Obj: LO 2.4: Insights regarding the key components of opportunity evaluation
Difficulty: Moderate
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

48) _____ is the third step of the entrepreneurial process.
A) Opportunity identification
B) Opportunity evaluation
C) Opportunity exploitation
D) Opportunity selection
E) Opportunity improvement
Answer: C
Learning Obj: LO 2.5: An appreciation for the role of opportunity exploitation in the entrepreneurship process
AACSB: Analytical Thinking
Difficulty: Easy
Classification: Concept

49) _____ refers to the activities and investments committed to gain returns from the new product or service arising from the opportunity.
A) Exploitation
B) Information asymmetry
C) Entrepreneurial risk
D) Illusion of control
E) Social value
Answer: A
Learning Obj: LO 2.5: An appreciation for the role of opportunity exploitation in the entrepreneurship process
Difficulty: Easy
Classification: Concept

50) Entrepreneurs are most likely to exploit an opportunity when _____.
A) customers are likely to continue using the same product
B) there is no market demand, but an opportunity to create market demand
C) they perceive that they have the support of important stakeholders
D) they want to enhance the prospects of the opportunity by training an incapable management team
E) they feel they do not have access to the resources needed to ensure high levels of organizational performance
Answer: C
Learning Obj: LO 2.5: An appreciation for the role of opportunity exploitation in the entrepreneurship process
Difficulty: Moderate
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

51) When entrepreneurs identify how they will market, produce, and position their new products, they are involved in which of the following entrepreneurial processes?
A) opportunity placement
B) opportunity planning
C) opportunity management
D) opportunity exploitation
E) opportunity analysis
Answer: D
Learning Obj: LO 2.5: An appreciation for the role of opportunity exploitation in the entrepreneurship process
AACSB: Analytical Thinking
Difficulty: Challenging
Classification: Application

52) Exploitation exists when entrepreneurs overestimate the extent to which they can control the outcome of an opportunity.
Answer: FALSE
Learning Obj: LO 2.5: An appreciation for the role of opportunity exploitation in the entrepreneurship process
Difficulty: Easy
Classification: Concept

53) Describe opportunity exploitation.
Answer: The third step in the entrepreneurship process involves exploiting an opportunity. Exploitation refers to the activities and investments committed to gain returns from the new product or service arising from the opportunity. Simply stated, exploitation occurs when an entrepreneur (or group of entrepreneurs) decides that an opportunity is worth pursuing. When an entrepreneur, for example, decides that customers would highly value a new product, exploitation entails all of those activities (i.e., marketing, production, etc.) needed to sell the new product to consumers.
Learning Obj: LO 2.5: An appreciation for the role of opportunity exploitation in the entrepreneurship process
Difficulty: Challenging
Classification: Concept

54) _____ are wealthy individuals who provide capital to new companies.
A) Angel investors
B) Venture capitalists
C) Bank financiers
D) Crowd funders
E) Private equity investors
Answer: A
Learning Obj: LO 2.6: Insights regarding the various types of financing available to entrepreneurs
Difficulty: Easy
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

55) Jose has successfully started a business of repairing cars. However, without immediate income to sustain the business, he may have to close his shop. His friend, Adam, invests in the company and gives the company a much-required boost. In this situation, Adam is a(n) _____.
A) bank financier
B) venture capitalist
C) angel investor
D) crowd funder
E) private equity investor
Answer: C
Learning Obj: LO 2.6: Insights regarding the various types of financing available to entrepreneurs
AACSB: Analytical Thinking
Difficulty: Moderate
Classification: Application

56) _____ are firms that raise money from investors and then use this money to make investments in new firms.
A) Angel investors
B) Venture capitalists
C) Banking institutions
D) Entrepreneurs
E) Insurance companies
Answer: B
Learning Obj: LO 2.6: Insights regarding the various types of financing available to entrepreneurs
Difficulty: Easy
Classification: Concept

57) Which of the following is true about the differences between angel investors and venture capitalists?
A) Venture capitalists are wealthy individuals who provide capital to new companies.
B) Angel investors raise money and then use this money to make investments in new firms.
C) Venture capitalists make more investments than angel investors.
D) Angel investors tend not to focus on particular industries.
E) Venture capitalists typically provide the initial financing to start-up ventures.
Answer: D
Learning Obj: LO 2.6: Insights regarding the various types of financing available to entrepreneurs
Difficulty: Moderate
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

58) Which of the following best describes an angel investor?
A) Families and friends of an entrepreneur are not angel investors.
B) Angel investors raise money and then use this money to make investments in new firms.
C) Angel investors make fewer investments than venture capitalists.
D) Angel investors focus on a small number of industries.
E) Angel investors provide initial financing to start-up ventures.
Answer: E
Learning Obj: LO 2.6: Insights regarding the various types of financing available to entrepreneurs
AACSB: Analytical Thinking
Difficulty: Moderate
Classification: Concept

59) When an entrepreneur obtains financing from a financial institution in the form of a loan, it is termed as _____.
A) angel investing
B) capital investments
C) bank financing
D) loan sharking
E) corporate funding
Answer: C
Learning Obj: LO 2.6: Insights regarding the various types of financing available to entrepreneurs
Difficulty: Easy
Classification: Concept

60) Which of the following is true about bank financing?
A) Like angel investors and venture capitalists, banks invest in a business.
B) Banks are more interested in ensuring that the entrepreneur's opportunity will survive long enough to ensure repayment.
C) Banks typically focus on investing in a small number of industries.
D) Banks are concerned with the long-term potential for returns.
E) Banks typically provide more capital as the new venture becomes more established.
Answer: B
Learning Obj: LO 2.6: Insights regarding the various types of financing available to entrepreneurs
AACSB: Analytical Thinking
Difficulty: Moderate
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

61) Angel investors and venture capitalists provide _____ for entrepreneurial opportunities.
A) consulting
B) management
C) research analysis
D) financing
E) feasibility analysis
Answer: D
Learning Obj: LO 2.6: Insights regarding the various types of financing available to entrepreneurs
Difficulty: Easy
Classification: Concept

62) When do entrepreneurs require external capital? Describe the three primary sources of external capital.
Answer: When entrepreneurs decide that an opportunity is worth exploiting, they often lack the capital (i.e., money) needed to exploit the opportunity. Although some entrepreneurs fund their operations with their own money or with credit cards, most entrepreneurs require at least some external money to fund operations. The three primary sources of external capital for entrepreneurs: angel investors, venture capitalists, and bank financing.
1. Angel investors are wealthy individuals who provide capital to new companies. Angel investors may include an entrepreneur's family and friends, but angel investors are also private individuals who did not know the entrepreneur prior to funding the opportunity. Angel investors have existed for centuries.
2. Venture capitalists are firms that raise money from investors and then use this money to make investments in new firms. Many prominent companies such as Intel and Microsoft received investments from venture capitalists in their early days. The companies then used these funds to help acquire the resources (i.e., employees, equipment, etc.) that eventually made them the companies they are today.
3. Bank financing occurs when an entrepreneur obtains financing from a financial institution in the form of a loan. It is important to note that unlike angel investors or venture capitalists, banks are not investors. Instead, banks make loans to entrepreneurs and in return expect repayment of the loans with interest. As such, banks are not concerned with the long-term potential for returns. Instead, these banks are more interested in ensuring that the entrepreneur's opportunity will survive long enough to ensure repayment. In other words, investors typically seek risk, but banks are more likely to minimize risk.
Learning Obj: LO 2.6: Insights regarding the various types of financing available to entrepreneurs
AACSB: Analytical Thinking
Difficulty: Challenging
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

63) _____ is the process in which an individual or group of individuals in an existing corporation create a new organization or instigate renewal or innovation within that corporation.
A) Corporate social entrepreneurship
B) Intrapreneurship
C) Entrepreneurship
D) Corporate entrepreneurship
E) Social entrepreneurship
Answer: D
Learning Obj: LO 2.7: An appreciation for how existing organizations use corporate entrepreneurship
Difficulty: Easy
Classification: Concept

64) Beth heads the team of designers at La Belle, Inc., a well-known brand of designer bags. She is an extraordinary designer and manages her team excellently. In the past, La Belle has successfully implemented many of Beth's innovative ideas to their benefit. The company has now decided that Beth should be given the responsibility of managing its new business unit that specializes in clothes, shoes, and other accessories. What type of entrepreneurship is displayed in this scenario?
A) intrapreneurship
B) creative destruction
C) corporate social entrepreneurship
D) social entrepreneurship
E) corporate entrepreneurship
Answer: E
Learning Obj: LO 2.7: An appreciation for how existing organizations use corporate entrepreneurship
AACSB: Analytical Thinking
Difficulty: Challenging
Classification: Application

65) Which of the following is true about corporate entrepreneurship?
A) Corporate entrepreneurs focus on less quantitative performance measures that are not related to money.
B) The purpose of corporate entrepreneurship is to create value for the public.
C) Corporate entrepreneurs face more difficulties attracting capital from angel investors, venture capitalists, or banks.
D) Corporate entrepreneurship results in new companies that often continue to work closely with the parent company.
E) Corporate entrepreneurs often face difficulties in the form of hiring and compensating employees.
Answer: D
Learning Obj: LO 2.7: An appreciation for how existing organizations use corporate entrepreneurship
Difficulty: Moderate
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

66) Which of the following is an example of corporate entrepreneurship?
A) creating new products, services, or technologies
B) editing papers and reports
C) reinvesting funds in other companies
D) contracting work to consultants
E) reducing corporate organization
Answer: A
Learning Obj: LO 2.7: An appreciation for how existing organizations use corporate entrepreneurship
AACSB: Analytical Thinking
Difficulty: Moderate
Classification: Application

67) _____ occurs when firms develop new culture, processes, or structures to support new product innovations in current markets as well as with existing products in new markets.
A) Domain definition
B) Organized rejuvenation
C) Strategic renewal
D) Sustained regeneration
E) Project hosting
Answer: D
Learning Obj: LO 2.7: An appreciation for how existing organizations use corporate entrepreneurship
Difficulty: Easy
Classification: Concept

68) Which of the following is the most frequently used type of corporate entrepreneurship?
A) sustained regeneration
B) organized rejuvenation
C) domain definition
D) strategic renewal
E) project hosting
Answer: A
Learning Obj: LO 2.7: An appreciation for how existing organizations use corporate entrepreneurship
Difficulty: Moderate
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

69) _____ involves improving the firm's ability to execute strategies and focuses on new processes instead of new products.
A) Sustained regeneration
B) Project hosting
C) Organizational rejuvenation
D) Strategic renewal
E) Domain definition
Answer: C
Learning Obj: LO 2.7: An appreciation for how existing organizations use corporate entrepreneurship
Difficulty: Easy
Classification: Concept

70) _____ occurs when a firm attempts to alter its own competitive strategy.
A) Public hosting
B) Sustained regeneration
C) Organized rejuvenation
D) Strategic renewal
E) Domain definition
Answer: D
Learning Obj: LO 2.7: An appreciation for how existing organizations use corporate entrepreneurship
Difficulty: Easy
Classification: Concept

71) _____ occurs when a firm tries to offer an entirely new strategy, unlike introducing a new product or service.
A) Public hosting
B) Sustained regeneration
C) Organized rejuvenation
D) Strategic renewal
E) Domain definition
Answer: D
Learning Obj: LO 2.7: An appreciation for how existing organizations use corporate entrepreneurship
Difficulty: Easy
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

72) _____ occurs when a firm proactively seeks to create a new product market position that competitors have not recognized.
A) Sustained regeneration
B) Organized rejuvenation
C) Public hosting
D) Strategic renewal
E) Domain definition
Answer: E
Learning Obj: LO 2.7: An appreciation for how existing organizations use corporate entrepreneurship
Difficulty: Easy
Classification: Concept

73) When pursuing domain definition, what should firms hope for?
A) to be moderately competitive in the market segment
B) organized rejuvenation
C) to become the first competitor in a market segment
D) strategic renewal
E) to be one of many competitors in the market segment
Answer: C
Learning Obj: LO 2.7: An appreciation for how existing organizations use corporate entrepreneurship
Difficulty: Moderate
Classification: Concept

74) The success of corporate entrepreneurship efforts depends on many factors. Which of the following are examples of dependent factors?
A) organization's culture, practices, tolerance level for uncertainty
B) stakeholders and investors
C) Dow and NASDAQ
D) individual profits
E) competition
Answer: A
Learning Obj: LO 2.7: An appreciation for how existing organizations use corporate entrepreneurship
Difficulty: Moderate
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

75) When an individual or group of individuals in an existing corporation creates a new organization or a new group within an existing organization, they are involved in _____ entrepreneurship.
A) corporate
B) social
C) commercial
D) innovative
E) strategic
Answer: A
Learning Obj: LO 2.7: An appreciation for how existing organizations use corporate entrepreneurship
AACSB: Analytical Thinking
Difficulty: Challenging
Classification: Concept

76) With respect to corporate entrepreneurship, sustained regeneration occurs when firms develop new culture, processes, or structures to support new product innovations.
Answer: TRUE
Learning Obj: LO 2.7: An appreciation for how existing organizations use corporate entrepreneurship
Difficulty: Challenging
Classification: Concept

77) An example of organizational rejuvenation is when Meryl Computers Inc., a computer hardware company, changes policies and procedures within the company to support innovation.
Answer: TRUE
Learning Obj: LO 2.7: An appreciation for how existing organizations use corporate entrepreneurship
AACSB: Analytical Thinking
Difficulty: Moderate
Classification: Application

78) Strategic renewal occurs when a firm proactively seeks to create a new product market position that competitors have not recognized.
Answer: FALSE
Learning Obj: LO 2.7: An appreciation for how existing organizations use corporate entrepreneurship
Difficulty: Easy
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

79) What is corporate entrepreneurship?
Answer: Corporate entrepreneurship is the process in which an individual or group of individuals in an existing corporation create a new organization or instigate renewal or innovation within that corporation. Although corporate entrepreneurship often involves establishing new organizations, these new organizations leverage the parent corporation's assets, market position, or other resources. In other words, when corporate entrepreneurship results in new companies, these new companies often continue to work closely with the parent company. It is important to recognize that corporate entrepreneurship does not necessarily require creating a new organization. Corporate entrepreneurship, for example, also involves creating new products, services, or technologies.
Learning Obj: LO 2.7: An appreciation for how existing organizations use corporate entrepreneurship
Difficulty: Easy
Classification: Concept

80) The pursuit of entrepreneurial opportunities for the purpose of generating sales and profits is called _____.
A) commercial entrepreneurship
B) intrapreneurship
C) intrepreneurship
D) corporate entrepreneurship
E) social entrepreneurship
Answer: A
Learning Obj: LO 2.8: An understanding of and appreciation for the role of social entrepreneurship in society
Difficulty: Easy
Classification: Concept

81) _____ involves the recognition, evaluation, and exploitation of opportunities that create social value as opposed to personal or shareholder wealth.
A) Corporate social entrepreneurship
B) Intrapreneurship
C) Intrepreneurship
D) Corporate entrepreneurship
E) Social entrepreneurship
Answer: E
Learning Obj: LO 2.8: An understanding of and appreciation for the role of social entrepreneurship in society
Difficulty: Easy
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

82) Bryan has started a nonprofit organization that places the visually impaired in suitable jobs. What type of entrepreneurship is Bryan displaying?
A) corporate social entrepreneurship
B) intrapreneurship
C) commercial entrepreneurship
D) corporate entrepreneurship
E) social entrepreneurship
Answer: E
Learning Obj: LO 2.8: An understanding of and appreciation for the role of social entrepreneurship in society
AACSB: Analytical Thinking
Difficulty: Moderate
Classification: Application

83) _____ refers to the basic longstanding needs of society and has little to do with profits.
A) Commercial value
B) Social value
C) Economic value
D) Psychological value
E) International value
Answer: B
Learning Obj: LO 2.8: An understanding of and appreciation for the role of social entrepreneurship in society
Difficulty: Easy
Classification: Concept

84) Which of the following is true about the differences between commercial and social entrepreneurship?
A) The purpose of commercial entrepreneurship is to create value for the public.
B) Social entrepreneurs are not required to consider issues surrounding sales and costs since they have enough funding from angel investors.
C) Most commercial entrepreneurs rely on donations as sources of funding.
D) Commercial entrepreneurs focus on less quantitative performance measures that are not related to money.
E) Although profits remain somewhat important, social value dominates the goal structure of social entrepreneurship.
Answer: E
Learning Obj: LO 2.8: An understanding of and appreciation for the role of social entrepreneurship in society
Difficulty: Moderate
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

85) Which of the following is true about social entrepreneurship?
A) Social entrepreneurs often do not have the capital necessary to pay attractive salaries; they must focus on hiring employees who share the organization's purpose.
B) Social entrepreneurs are not required to consider issues surrounding sales and costs since they have enough funding from angel investors.
C) Social entrepreneurs do not rely on donations as sources of funding.
D) Social entrepreneurs focus on more quantitative performance measures that are related to money.
E) Social entrepreneurs do not rely on volunteers to help their organizations.
Answer: A
Learning Obj: LO 2.8: An understanding of and appreciation for the role of social entrepreneurship in society
Difficulty: Moderate
Classification: Concept

86) How do large social networks affect entrepreneurs?
A) Social networks do not affect entrepreneurs.
B) Social networks do not improve the performance of social entrepreneurs.
C) Social networks can help identify potential employees and volunteers.
D) Social networks provide no sources of capital.
E) Social networks have access to commercial entrepreneurs.
Answer: C
Learning Obj: LO 2.8: An understanding of and appreciation for the role of social entrepreneurship in society
Difficulty: Moderate
Classification: Concept

87) Why is an organization's capital base important for social entrepreneurs?
A) Capital helps entrepreneurs improve social networking.
B) Capital helps management make better decisions.
C) Capital creates opportunity for philanthropy.
D) Social entrepreneurs do not have access to the venture capital and bank financing available to commercial entrepreneurs.
E) Capital helps identify potential employees and volunteers.
Answer: D
Learning Obj: LO 2.8: An understanding of and appreciation for the role of social entrepreneurship in society
Difficulty: Challenging
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo

88) Entrepreneurial opportunities offering value to communities as opposed to offering value towards personal or shareholder wealth is known as _____ entrepreneurship.
A) corporate
B) social
C) commercial
D) innovative
E) strategic
Answer: B
Learning Obj: LO 2.8: An understanding of and appreciation for the role of social entrepreneurship in society
AACSB: Analytical Thinking
Difficulty: Challenging
Classification: Concept

89) One distinction between commercial and social entrepreneurship involves the availability of resources such as funding and employees.
Answer: TRUE
Learning Obj: LO 2.8: An understanding of and appreciation for the role of social entrepreneurship in society
Difficulty: Moderate
Classification: Concept

90) Define social entrepreneurship.
Answer: Social entrepreneurship involves the recognition, evaluation, and exploitation of opportunities that create social value as opposed to personal or shareholder wealth. In this context, social value refers to the basic longstanding needs of society and has little to do with profits. Basic longstanding needs might include providing water, food, and shelter to those individuals in need. Social value might also refer to more specific needs such as providing playground equipment to needy school districts or seeing-eye dogs for those who are blind.
Learning Obj: LO 2.8: An understanding of and appreciation for the role of social entrepreneurship in society
Difficulty: Moderate
Classification: Concept

Copyright © 2019 Pearson Education, Inc.

Access Complete Test Bank for Modern Management Concepts and Skills 15th Certo