

# **Test Bank for Essentials of Entrepreneurship and Small Business Management 10th Scarborough**

***Essentials of Entrepreneurship and Small Business Management, 10e (Scarborough)***  
**Chapter 1 The Foundations of Entrepreneurship**

1) Globally, how does the United States compare with other countries in terms of entrepreneurial activity?

- A) They lag behind other high-income economies at just 10.8 percent of new startups.
- B) They have fewer, but more successful startups.
- C) They are well above the global average of 12.9 percent.
- D) They received more backing and resources from the government.

Answer: C

Diff: 1

Learning Obj.: 1.1 Define the role of the entrepreneur in business in the United States and around the world.

AACSB: Reflective Thinking

2) According to the Kauffman Foundation, about how many entrepreneurs in the United States start businesses of their own because they cannot find jobs elsewhere?

- A) 7 percent
- B) 19 percent
- C) 32 percent
- D) 43 percent

Answer: B

Diff: 2

Learning Obj.: 1.1 Define the role of the entrepreneur in business in the United States and around the world.

AACSB: Reflective Thinking

3) How has the downsizing trend among large companies impacted business in the United States?

- A) The rate of technological advancement has slowed.
- B) Large firms take advantage of their hierarchical structure to exploit new markets.
- C) Large firms have better technology that leads to competitive advantage.
- D) Small, nimble competitors are better able to exploit niche markets.

Answer: D

Diff: 2

Learning Obj.: 1.1 Define the role of the entrepreneur in business in the United States and around the world.

AACSB: Analytical Thinking

4) Today, what matters most in the economic structure influencing the United States?

- A) The growth of small businesses
- B) Long-term profitability
- C) Factors of production
- D) Knowledge and information

Answer: D

Diff: 2

Learning Obj.: 1.1 Define the role of the entrepreneur in business in the United States and around the world.

AACSB: Analytical Thinking

5) The gig economy makes up 58 percent of the U.S. workforce.

Answer: FALSE

Diff: 1

Learning Obj.: 1.1 Define the role of the entrepreneur in business in the United States and around the world.

AACSB: Application of Knowledge

6) One study conducted by the Global Entrepreneurship Monitor (GEM) reports that nearly one in five people in the United States is working to start a business.

Answer: TRUE

Diff: 2

Learning Obj.: 1.1 Define the role of the entrepreneur in business in the United States and around the world.

AACSB: Application of Knowledge

7) According to Gallup's Builder Profile assessment, how do successful entrepreneurs manage risk?

- A) They understand that the nature of entrepreneurship is based on risk.
- B) They will take risks only to increase their probability of success.
- C) They are willing to take higher risks for higher rewards.
- D) They systematically work to eliminate it.

Answer: D

Diff: 2

Learning Obj.: 1.2 Describe the entrepreneurial profile.

AACSB: Application of Knowledge

8) Which of the following best defines an entrepreneur?

- A) One who is willing to implement a business concept and then move on if it does not meet immediate expectations.
- B) One who understands the process of developing an idea and hires small companies to turn that idea into a viable business concept.
- C) One who knows that the concept they are about to develop will result in a profitable business.
- D) One who creates a new business in the face of risk and uncertainty by assembling the necessary resources to capitalize on identified opportunities.

Answer: D

Diff: 2

Learning Obj.: 1.2 Describe the entrepreneurial profile.

AACSB: Analytical Thinking

9) Which of following is not a characteristic of the typical entrepreneur?

- A) Confidence in their ability to succeed
- B) Value of money over achievement
- C) Desire for immediate feedback
- D) A future orientation

Answer: B

Diff: 1

Learning Obj.: 1.2 Describe the entrepreneurial profile.

AACSB: Reflective Thinking

10) How does the churn rate of new ventures impact the economy?

- A) Large companies will continue to have an economic competitive edge.
- B) It leads to lower levels of new business formation.
- C) Standards of living decline when businesses fail.
- D) It creates a healthy response to the competitive landscape.

Answer: D

Diff: 3

Learning Obj.: 1.2 Describe the entrepreneurial profile.

AACSB: Analytical Thinking

11) Entrepreneurs who repeatedly start businesses and grow to a sustainable size before striking out again are known as which type of entrepreneur?

- A) Opportunistic
- B) Persistent
- C) Serial
- D) Classic

Answer: C

Diff: 1

Learning Obj.: 1.2 Describe the entrepreneurial profile.

AACSB: Reflective Thinking

12) Which of the following is typically true of an entrepreneur?

- A) They have the ability to easily access capital.
- B) They have unique skills that are supported by advanced degrees in their area of specialty.
- C) They have a tolerance for ambiguity and are flexible and tenacious.
- D) They have specialized technical abilities.

Answer: C

Diff: 2

Learning Obj.: 1.2 Describe the entrepreneurial profile.

AACSB: Reflective Thinking

13) Who among the following start businesses because they cannot find work any other way?

- A) Necessity entrepreneurs
- B) Serial entrepreneurs
- C) Opportunity entrepreneurs
- D) Intrapreneurs

Answer: A

Diff: 1

Learning Obj.: 1.2 Describe the entrepreneurial profile.

AACSB: Application of Knowledge

14) Research has isolated a set of characteristics that can predict who will succeed as an entrepreneur.

Answer: FALSE

Diff: 2

Learning Obj.: 1.2 Describe the entrepreneurial profile.

AACSB: Diverse and Multicultural Work Environments

15) Serial entrepreneurs repeatedly start businesses and grow them to a sustainable size before striking out again.

Answer: TRUE

Diff: 1

Learning Obj.: 1.2 Describe the entrepreneurial profile.

AACSB: Analytical Thinking

16) Diversity seems to be a central characteristic of entrepreneurs.

Answer: TRUE

Diff: 2

Learning Obj.: 1.2 Describe the entrepreneurial profile.

AACSB: Reflective Thinking

17) Give a brief profile of a typical entrepreneur and the traits that are typical of most entrepreneurs.

Answer: An entrepreneur is someone who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying opportunities and assembling the necessary resources to capitalize on them.

While entrepreneurs tend to exhibit no isolated set of required traits, an entrepreneurial profile contains the following characteristics:

- Desire for responsibility
- Preference for moderate risk
- Willingness to break the rules
- Self-reliance
- Confidence in their ability to succeed
- Determination
- Desire for immediate feedback
- High level of energy
- Competitiveness
- Future orientation
- Skill at organizing
- Value of achievement over money

Diff: 3

Learning Obj.: 1.2 Describe the entrepreneurial profile.

AACSB: Application of Knowledge

18) In addition to the opportunity to create their own destiny and enjoy what they do, why else would an entrepreneur start a new venture?

- A) To earn wealth without risk and uncertainty
- B) To make a difference in an area important to them
- C) To capitalize on new technology tools
- D) To exploit the opportunities that the free enterprise system offers

Answer: B

Diff: 2

Learning Obj.: 1.3 Describe the benefits of entrepreneurship.

AACSB: Application of Knowledge

19) Which type of entrepreneurs are business builders who seek innovative solutions to some of society's most vexing problems?

- A) Social
- B) Opportunistic
- C) Serial
- D) Necessity

Answer: A

Diff: 2

Learning Obj.: 1.3 Describe the benefits of entrepreneurship.

AACSB: Application of Knowledge

20) Which of the following include the economic, social, and environmental objectives of an entrepreneurial venture?

- A) Exploiting niche markets
- B) Technological advantage
- C) Competitive advantage
- D) The triple bottom line

Answer: D

Diff: 2

Learning Obj.: 1.3 Describe the benefits of entrepreneurship.

AACSB: Application of Knowledge

21) Why do entrepreneurs value the independence and opportunity that comes with owning their own business?

- A) It allows them to protect their investments and income stream.
- B) It allows them to gain acceptance as a trusted member of society.
- C) It allows them to help others reach their full potential.
- D) It allows them to create their own destiny.

Answer: D

Diff: 2

Learning Obj.: 1.3 Describe the benefits of entrepreneurship.

AACSB: Application of Knowledge

22) How do entrepreneurs create value?

- A) By launching new businesses that replace failing businesses
- B) By adding economic wealth to the country through technological advancement
- C) By creating hierarchies that support their goals
- D) By making use of experiences, skills, abilities, and ideas

Answer: D

Diff: 3

Learning Obj.: 1.3 Describe the benefits of entrepreneurship.

AACSB: Application of Knowledge

23) Surveys show that small business owners believe that, as entrepreneurs, they work harder, earn more money, and are happier than if they worked for a large company.

Answer: TRUE

Diff: 2

Learning Obj.: 1.3 Describe the benefits of entrepreneurship.

AACSB: Reflective Thinking

24) Social entrepreneurs use their skills to create profitable businesses and also to achieve economic, social and environmental goals for the common good.

Answer: TRUE

Diff: 1

Learning Obj.: 1.3 Describe the benefits of entrepreneurship.

AACSB: Ethical Understanding and Reasoning

25) Entrepreneurs choose to enter their particular business fields because they have an interest in them and enjoy those lines of work. They have often made their hobbies their business.

Answer: TRUE

Diff: 2

Learning Obj.: 1.3 Describe the benefits of entrepreneurship.

AACSB: Reflective Thinking

26) There is concern over the future of entrepreneurship because so few high school and college students want to start their own companies.

Answer: FALSE

Diff: 1

Learning Obj.: 1.3 Describe the benefits of entrepreneurship.

AACSB: Reflective Thinking

27) Identify the potential benefits of entrepreneurship.

Answer: Entrepreneurs benefit by controlling their own destiny, enjoying an opportunity to make a difference, reaching their own potential, making a difference, reaping impressive profits, contributing to society, and enjoying what they are doing. Potential drawbacks include the uncertainty of income, risk of losing their entire investment, long hours and hard work, a somewhat lower quality of life until the business gets started, high levels of stress, and absolute responsibility.

Diff: 3

Learning Obj.: 1.3 Describe the benefits of entrepreneurship.

AACSB: Reflective Thinking

28) Which of the following can be expected by entrepreneurs?

A) Risk, long hours, and high stress

B) Uncertainty of income, risk, and fewer hours on the job

C) Uncertainty of income, long hours, and the rapid accumulation of wealth

D) Stable income, long hours, and high stress

Answer: A

Diff: 2

Learning Obj.: 1.4 Describe the drawbacks of entrepreneurship.

AACSB: Reflective Thinking

29) According to the Bureau of Labor Statistics, which percentage of new businesses fail within five years?

A) 46

B) 64

C) 27

D) 31

Answer: A

Diff: 3

Learning Obj.: 1.4 Describe the drawbacks of entrepreneurship.

AACSB: Analytical Thinking

30) According to the Global Entrepreneurship Monitor, what prevents about 43 percent of adults from starting a new business?

- A) Long hours
- B) Lack of financing
- C) Fear of failure
- D) Need for steady income

Answer: C

Diff: 2

Learning Obj.: 1.4 Describe the drawbacks of entrepreneurship.

AACSB: Analytical Thinking

31) According to surveys, which percent of business owners work more than 60 hours per week?

- A) 10 percent
- B) 25 percent
- C) 55 percent
- D) 70 percent

Answer: B

Diff: 2

Learning Obj.: 1.4 Describe the drawbacks of entrepreneurship.

AACSB: Application of Knowledge

32) To be successful, most entrepreneurs hire advisors to make decisions about areas of the company that the entrepreneur is not knowledgeable about.

Answer: FALSE

Diff: 2

Learning Obj.: 1.4 Describe the drawbacks of entrepreneurship.

AACSB: Reflective Thinking

33) Most entrepreneurs are so happy with their work they plan to never fully retire from it.

Answer: TRUE

Diff: 2

Learning Obj.: 1.4 Describe the drawbacks of entrepreneurship.

AACSB: Reflective Thinking

34) One advantage of being your own boss and owning a small business is that work hours are very flexible.

Answer: FALSE

Diff: 1

Learning Obj.: 1.4 Describe the drawbacks of entrepreneurship.

AACSB: Reflective Thinking

35) In the United States, 82 million people are between the ages of 25 and 44. How will this impact entrepreneurship?

- A) Large organizations cannot absorb them into the workforce.
- B) Fewer people will become entrepreneurs in the future.
- C) There is a strong demographic base for increased entrepreneurship.
- D) There will be an increased demand for new, innovative products.

Answer: C

Diff: 3

Learning Obj.: 1.5 Explain the forces that are driving the growth of entrepreneurship.

AACSB: Analytical Thinking

36) Why is getting a good education an important first step in entrepreneurship?

- A) It teaches students the value of entrepreneurship to the economy.
- B) It teaches students how entrepreneurship works in the global environment.
- C) It teaches students how to gain financing for entrepreneurial businesses.
- D) It teaches students how to start the process of pursuing their entrepreneurial goals.

Answer: D

Diff: 2

Learning Obj.: 1.5 Explain the forces that are driving the growth of entrepreneurship.

AACSB: Analytical Thinking

37) Why are service businesses a popular type of entrepreneurial startups?

- A) Low startup cost
- B) Less competition
- C) Improved longevity
- D) Increased access to niche markets

Answer: A

Diff: 2

Learning Obj.: 1.5 Explain the forces that are driving the growth of entrepreneurship.

AACSB: Application of Knowledge

38) Why do many small businesses focus on small niches in the marketplace?

- A) They require lower startup costs but offer higher returns.
- B) They can be accessed using artificial intelligence tools.
- C) They tend to be more global in nature.
- D) They are too small for large businesses to pursue profitably.

Answer: D

Diff: 2

Learning Obj.: 1.5 Explain the forces that are driving the growth of entrepreneurship.

AACSB: Application of Knowledge

39) How do entrepreneurs find benefit from the Internet?

- A) It provides access to millions of dollars in outside investments.
- B) It eliminates the need for a high level of technical abilities.
- C) It is a relatively low-cost solution to expand its revenue-generating abilities.
- D) It takes pressure off other attributes of the business venture.

Answer: C

Diff: 2

Learning Obj.: 1.5 Explain the forces that are driving the growth of entrepreneurship.

AACSB: Application of Knowledge

40) Which of the following have led to the emergence of global markets for entrepreneurs?

- A) Global access to the Internet
- B) Fewer trade barriers
- C) Less global competition
- D) Greater global income levels

Answer: B

Diff: 2

Learning Obj.: 1.5 Explain the forces that are driving the growth of entrepreneurship.

AACSB: Analytical Thinking

41) How can an entrepreneur utilize the gig economy to create competitive advantage?

- A) It helps create financial security through access to customers.
- B) It increases their ability to hire long-term, talented staff.
- C) It increases flexibility and adaptability to changing market conditions.
- D) It opens the gateway for small subsets of profitable customers.

Answer: C

Diff: 3

Learning Obj.: 1.5 Explain the forces that are driving the growth of entrepreneurship.

AACSB: Analytical Thinking

42) Which type of startup focuses on serving the needs of customers rather than the countries where the customer lives?

- A) Micromultinationals
- B) Intrapreneurial ventures
- C) Global companies
- D) Immigrant entrepreneurial

Answer: A

Diff: 2

Learning Obj.: 1.5 Explain the forces that are driving the growth of entrepreneurship.

AACSB: Reflective Thinking

43) Why is mobile commerce an important consideration for small businesses?

- A) E-commerce sales make up more than 80 percent of all retail sales.
- B) The majority of website visits in the United States originate on mobile devices.
- C) Websites can be accessed using cloud computing.
- D) There is less need for a complex and formal website.

Answer: B

Diff: 3

Learning Obj.: 1.5 Explain the forces that are driving the growth of entrepreneurship.

AACSB: Analytical Thinking

44) The shift to a service economy has not had a significant impact on entrepreneurial opportunities.

Answer: FALSE

Diff: 1

Learning Obj.: 1.5 Explain the forces that are driving the growth of entrepreneurship.

AACSB: Reflective Thinking

45) Cloud computing allows businesses to use a variety of applications and has reduced costs and added flexibility.

Answer: TRUE

Diff: 1

Learning Obj.: 1.5 Explain the forces that are driving the growth of entrepreneurship.

AACSB: Application of Knowledge

46) Describe the factors that are driving the current entrepreneurial trend in the U.S. economy.

Answer:

- A more positive attitude toward entrepreneurs.
- Higher levels and greater availability of entrepreneurial education.
- Demographic and economic factors, such as younger people starting businesses and greater opportunities for wealth.
- Shift to a service economy, which opens up opportunities for small business owners.
- Technological advancements, mobile computing, the Internet and cloud computing that make it easier for small businesses to compete on a more level playing field with larger companies.
- Independent lifestyle, allowing people more freedom to make choices about what they want to do.
- International opportunities are opening more doors than ever before for entrepreneurs.

Diff: 3

Learning Obj.: 1.5 Explain the forces that are driving the growth of entrepreneurship.

AACSB: Reflective Thinking

47) Entrepreneurial couples who work together as co-owners of their business are referred to as which of the following?

- A) Dual entrepreneurs
- B) Micromultinationals
- C) Encore entrepreneurs
- D) Copreneurs

Answer: D

Diff: 2

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Reflective Thinking

48) What advantage does entrepreneurship offer women who had careers in large corporations?

- A) Greater success
- B) More time off work
- C) More opportunity to break the "glass ceiling"
- D) Ease of navigation in industry

Answer: C

Diff: 2

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Diverse and Multicultural Work Environments

49) Why are corporate dropouts and castoffs better able to increase the small business survival rate?

- A) They generally include partners in the business.
- B) They have better financing options.
- C) They have access to a built-in customer base.
- D) They are better trained and educated.

Answer: D

Diff: 2

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Diverse and Multicultural Work Environments

50) Which of the following has been shown to help entrepreneurs have a successful startup by as much as 85 percent?

- A) Access to artificial intelligence and cloud computing
- B) At least three years of work experience before founding their company
- C) Support of family and friends
- D) Motivation to improve a condition rather than make money

Answer: B

Diff: 2

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Diverse and Multicultural Work Environments

51) Today, how many privately held businesses are women-owned businesses?

- A) 4.6 percent
- B) 27 percent
- C) 42 percent
- D) 64 percent

Answer: C

Diff: 3

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Diverse and Multicultural Work Environments

52) Which of the following is true of family-owned businesses?

- A) They typically remain small and are passed down generationally.
- B) They employ 72 percent of the private sector workforce.
- C) They account for 30 to 40 percent of global GDP.
- D) They create 54 percent of the nation's private GDP.

Answer: D

Diff: 2

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Analytical Thinking

53) Which of the following creates a major threat for family businesses that large corporations do not face?

- A) Funding limits
- B) Inability to go global
- C) Tax considerations
- D) Management succession

Answer: D

Diff: 2

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Diverse and Multicultural Work Environments

54) Why do encore entrepreneurs find their work more rewarding than what they did in the corporate structure?

- A) They have more control over their work.
- B) They have respect for the talents of their business partners.
- C) They no longer have to work towards a vision.
- D) They can learn new talents and skills.

Answer: A

Diff: 2

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Diverse and Multicultural Work Environments

55) How can copreneurs minimize conflict and power struggles in their business?

- A) Keep one partner in the corporate world until the business becomes successful.
- B) Decide the nature of the business before launching the business.
- C) Work separate schedules.
- D) Establish a clear division of roles and authority.

Answer: D

Diff: 1

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Diverse and Multicultural Work Environments

56) Why should aspiring entrepreneurs develop and test their business model while they are in college?

- A) To find a mentor to gain additional experience before launching the business
- B) To find potential partners so that they do not have to pursue their plan alone
- C) To incorporate necessary pivots until they optimize its chances of success
- D) To ensure the plan is highly creative and can create competitive advantage

Answer: C

Diff: 3

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Analytical Thinking

57) How can rollovers-as-business-startups (ROBS) help a retiree finance a new startup?

- A) They can allow entrepreneurs to save for retirement even while financing a new business.
- B) They can provide access to retirement funds without incurring taxes or penalties.
- C) They can allow entrepreneurs to borrow against retirement funds when seeking capital investments.
- D) They can be used to attract private investors into the business.

Answer: B

Diff: 2

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Diverse and Multicultural Work Environments

58) Why do those people 55 and older have high levels of entrepreneurial activity?

- A) They want to pursue their passions.
- B) They cannot afford to retire.
- C) Their health doesn't allow them to work full time.
- D) They cannot find goods and services they need.

Answer: A

Diff: 2

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Diverse and Multicultural Work Environments

59) How do the experiences of women business founders differ from those of their male counterparts?

- A) Women receive only 2 percent of venture capital funding.
- B) Women are less likely to accept outside funding.
- C) The average amount of funding supplied to women-owned business is about \$256,000.
- D) The number of women-owned business has declined faster than average for all businesses.

Answer: A

Diff: 2

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Diverse and Multicultural Work Environments

60) According to the Kauffman Foundation, how many minority owned businesses are in the United States?

- A) 10 million
- B) 1.3 million
- C) 280 million
- D) 5 million

Answer: A

Diff: 2

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Diverse and Multicultural Work Environments

61) What is the advantage of part-time entrepreneurships?

- A) They can ease into business while earning a steady paycheck and benefits.
- B) They can use their current employer's resources to start the business.
- C) They have a built-in customer base for the business.
- D) They have access to professional resources.

Answer: A

Diff: 2

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Diverse and Multicultural Work Environments

62) Why is launching a home-based business advantageous to would-be entrepreneurs?

- A) Startup and operating costs are lower
- B) More hours are available to devote to the business
- C) Better access to a copreneur
- D) Options to become a family-owned business

Answer: A

Diff: 2

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Diverse and Multicultural Work Environments

63) Which business activity has created corporate castoffs who start their own businesses?

- A) Downsizing and layoffs
- B) Refusal to access niche markets
- C) Lack of intrapreneurial opportunities in the firm
- D) Increase in remote work

Answer: A

Diff: 2

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Diverse and Multicultural Work Environments

64) Home-based businesses account for fifty percent of all small businesses.

Answer: TRUE

Diff: 2

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Diverse and Multicultural Work Environments

65) Starting a part-time business is a popular gateway to entrepreneurship.

Answer: TRUE

Diff: 3

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Reflective Thinking

66) The rate of business ownership among immigrants is greater than that of native-born people.

Answer: TRUE

Diff: 1

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Diverse and Multicultural Work Environments

67) People of color have more access to experience and role models, making them better prepared for business ownership than their predecessors.

Answer: TRUE

Diff: 1

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Diverse and Multicultural Work Environments

68) A major advantage of launching a business part-time is the lower risk it offers in case the business fails.

Answer: TRUE

Diff: 1

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Analytical Thinking

69) Most home-based businesses are simple cottage industries such as crafts or sewing.

Answer: FALSE

Diff: 1

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Reflective Thinking

70) Not all family-owned businesses are small; in fact, approximately one-third of the Fortune 500 companies are family businesses.

Answer: TRUE

Diff: 2

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Diverse and Multicultural Work Environments

71) Immigrants, or their children, started 64 percent of companies valued at \$1 billion or more.

Answer: TRUE

Diff: 3

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Diverse and Multicultural Work Environments

72) Ninety percent of businesses in the United States are family-owned and managed and account for 62 percent of total U.S. employment.

Answer: TRUE

Diff: 3

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Diverse and Multicultural Work Environments

73) Family-owned and managed businesses account for 78 percent of all new jobs.

Answer: TRUE

Diff: 3

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Diverse and Multicultural Work Environments

74) Corporate downsizing has spawned a generation of entrepreneurs known as "corporate castoffs."

Answer: TRUE

Diff: 1

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Diverse and Multicultural Work Environments

75) Because they have college degrees, a working knowledge of business, and years of management experience, both corporate castoffs and corporate dropouts who become entrepreneurs will most likely increase the small business survival rate.

Answer: TRUE

Diff: 1

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Diverse and Multicultural Work Environments

76) Discuss the role that the following groups are playing in leading the ongoing surge in entrepreneurial activity:

- women
- minorities
- immigrants
- part-time entrepreneurs
- home-based entrepreneurs
- family businesses
- copreneurs
- corporate castoffs
- corporate dropouts

Answer: **Women** often face discrimination in the workplace. Entrepreneurship offers women opportunities for economic growth.

**Minorities**, like women, also face discrimination in the workplace and can benefit through entrepreneurship.

**Immigrant** entrepreneurs arrive with more education and experience. Their dedication and desire to succeed enable them to achieve their entrepreneurial dreams.

**Part-timers** have the best of both worlds and can ease into a business without sacrificing a steady paycheck and benefits.

**Home-based businesses** are booming. Technology and this "homecoming" support nearly 51 percent of U.S. households with some form of home office activity.

**Family businesses** are an integral part of our economy; 90 percent of all the businesses in the United States are family-owned.

**Copreneurs** are entrepreneurial couples who work together. They represent the fastest growing business sector.

**Corporate castoffs** have extensive on-the-job experience and are dislocated workers due to corporate downsizing.

**Corporate dropouts** leave organizations to pursue a better way of life spearheaded by the "trust gap" over job security.

Diff: 3

Learning Obj.: 1.6 Explain the cultural diversity of entrepreneurship.

AACSB: Reflective Thinking

77) Of the 32.2 million businesses in the United States, more than which percent of them are considered small?

- A) 50
- B) 75
- C) 88
- D) 99

Answer: D

Diff: 2

Learning Obj.: 1.7 Describe the important role that small businesses play in our nation's economy.

AACSB: Analytical Thinking

78) According to the U.S. Small Business Administration, a common delineation of a small business is one that employs fewer than how many people?

- A) 25
- B) 100
- C) 250
- D) 500

Answer: B

Diff: 1

Learning Obj.: 1.7 Describe the important role that small businesses play in our nation's economy.

AACSB: Analytical Thinking

79) What impact do small businesses have on the U.S. private GDP?

- A) They have made U.S. financial services the most profitable in the world.
- B) They have reduced GDP by 43 percent in 20 years.
- C) They have created a global economy.
- D) They are the world's third-largest economy.

Answer: D

Diff: 2

Learning Obj.: 1.7 Describe the important role that small businesses play in our nation's economy.

AACSB: Analytical Thinking

80) Which industries are the majority of small companies concentrated in?

- A) Manufacturing and retail
- B) Manufacturing and service
- C) Retail and service
- D) Wholesale and retail

Answer: C

Diff: 2

Learning Obj.: 1.7 Describe the important role that small businesses play in our nation's economy.

AACSB: Analytical Thinking

81) How do the majority of small business owners feel about the growth of their company?

- A) They want to grow at a steady 20 percent a year.
- B) They want to grow, but not at the expense of hiring.
- C) They want to keep their business small.
- D) They want to grow only through the use of technology tools such as AIA and the Internet.

Answer: C

Diff: 3

Learning Obj.: 1.7 Describe the important role that small businesses play in our nation's economy.

AACSB: Analytical Thinking

82) Which of the following is the term used to describe young, job-creating companies that grow at 20 percent or more per year with annual sales of at least of \$100,000?

- A) Cash cows
- B) Antelopes
- C) Mice
- D) Gazelles

Answer: D

Diff: 2

Learning Obj.: 1.7 Describe the important role that small businesses play in our nation's economy.

AACSB: Reflective Thinking

83) Small companies are incubators of new sales ideas, products and services. How many patents per 1,000 employees do they receive?

- A) 3
- B) 7
- C) 1
- D) 2.7

Answer: D

Diff: 3

Learning Obj.: 1.7 Describe the important role that small businesses play in our nation's economy.

AACSB: Analytical Thinking

84) In addition to being a reliable indicator of a firm's health, what else can financial statements tell an entrepreneur?

- A) How the business compares to competitors
- B) Which niche markets to target
- C) Where potential problems are
- D) When new sources of capital will be needed

Answer: C

Diff: 2

Learning Obj.: 1.7 Describe the important role that small businesses play in our nation's economy.

AACSB: Application of Knowledge

85) When could an entrepreneur identify resources, partners, activities, and channels they need to use?

- A) When identifying the value proposition
- B) When developing the business plan
- C) When creating a business model
- D) When preparing a financial plan

Answer: C

Diff: 2

Learning Obj.: 1.7 Describe the important role that small businesses play in our nation's economy.

AACSB: Application of Knowledge

86) What opportunity does the creation of a business plan provide entrepreneurs, leading to growing their companies when others do not?

- A) To gain bank financing
- B) To pivot more rapidly
- C) To replace faulty assumptions
- D) To find pain points in customers

Answer: C

Diff: 2

Learning Obj.: 1.7 Describe the important role that small businesses play in our nation's economy.

AACSB: Application of Knowledge

87) What is the most valuable financial resource available to any small business?

- A) Inventory
- B) Cash
- C) Venture capital
- D) Growing sales

Answer: B

Diff: 2

Learning Obj.: 1.7 Describe the important role that small businesses play in our nation's economy.

AACSB: Application of Knowledge

88) "Gazelles" are those businesses that grow at 20 percent or more per year for four years and gross at least \$100,000 in annual sales.

Answer: TRUE

Diff: 3

Learning Obj.: 1.7 Describe the important role that small businesses play in our nation's economy.

AACSB: Reflective Thinking

89) Small companies have created at least two-thirds of the net new jobs in the U.S. economy.

Answer: FALSE

Diff: 2

Learning Obj.: 1.7 Describe the important role that small businesses play in our nation's economy.

AACSB: Analytical Thinking

90) Small businesses actually create more jobs than the number of jobs big businesses create.

Answer: TRUE

Diff: 1

Learning Obj.: 1.7 Describe the important role that small businesses play in our nation's economy.

AACSB: Analytical Thinking

91) Large companies create significantly more patents and other forms of innovations per research and development dollars spent than small firms.

Answer: FALSE

Diff: 2

Learning Obj.: 1.7 Describe the important role that small businesses play in our nation's economy.

AACSB: Analytical Thinking

92) Because of their size and limited resources, small businesses rarely create innovations that are important to the U.S. economy.

Answer: FALSE

Diff: 1

Learning Obj.: 1.7 Describe the important role that small businesses play in our nation's economy.

AACSB: Reflective Thinking

93) About 75 percent of the businesses in the United States can be considered "small" businesses.

Answer: FALSE

Diff: 1

Learning Obj.: 1.7 Describe the important role that small businesses play in our nation's economy.

AACSB: Analytical Thinking

94) The majority of exporting companies are small businesses.

Answer: TRUE

Diff: 1

Learning Obj.: 1.7 Describe the important role that small businesses play in our nation's economy.

AACSB: Analytical Thinking

95) Discuss the impact of small businesses on the U.S. economy, including sales, GDP, job creation, and innovation.

Answer: The resurgence of the entrepreneurial spirit is the most significant economic development in recent business history. Small businesses have introduced innovative products and services, pushed back technological frontiers, created new jobs, opened foreign markets, and in the process, have created the world's third largest GDP. Approximately 99.9 percent of all businesses in the United States are small businesses. They employ 46 percent of the nation's private sector workforce, and created 40 percent of new jobs in the United States.

Diff: 3

Learning Obj.: 1.7 Describe the important role that small businesses play in our nation's economy.

AACSB: Reflective Thinking

96) One hallmark of successful entrepreneurs is the ability to do what?

- A) Gamble
- B) Fail intelligently
- C) Overlook past successes
- D) Eliminate mistakes

Answer: B

Diff: 2

Learning Obj.: 1.8 Put failure into the proper perspective.

AACSB: Reflective Thinking

97) When it comes to achieving success, what concerns entrepreneurs?

- A) Whether the failure can be learned from
- B) What they might lose if they fail to try
- C) What will happen if they fail
- D) Whether the failure was their fault or an unavoidable outcome

Answer: B

Diff: 2

Learning Obj.: 1.8 Put failure into the proper perspective.

AACSB: Application of Knowledge

98) Because failure is common in new business ventures, what do entrepreneurs need to succeed?

- A) Funding and financial backing
- B) Persistence and resilience
- C) Part-time work that provides income
- D) Copreneur support

Answer: B

Diff: 2

Learning Obj.: 1.8 Put failure into the proper perspective.

AACSB: Application of Knowledge

99) About 46 percent of new businesses fail within five years.

Answer: TRUE

Diff: 3

Learning Obj.: 1.8 Put failure into the proper perspective.

AACSB: Analytical Thinking

100) Describe the small business failure rate. What are the primary causes of business failures, and what steps can an entrepreneur take to avoid becoming a business failure statistic?

Answer: Because of their limited resources, inexperienced management, and lack of financial stability, small businesses suffer a mortality rate significantly higher than that of larger, established businesses. Some steps to take to avoid failure include: achieving management competence, gaining experience, achieving financial control, developing a strategic plan, controlling growth, seeking out a good location, controlling inventory, knowing your business in depth, understanding financial statements, developing a solid business plan, learning to manage people effectively, and keeping in tune with yourself.

Diff: 2

Learning Obj.: 1.8 Put failure into the proper perspective.

AACSB: Analytical Thinking

101) How should a would-be entrepreneur gain knowledge of the business before they actually start the business?

A) Read a small business book

B) Seek knowledge and experience in the field they wish to enter

C) Determine weaknesses and return to school for a term or two

D) Learn as they begin to build the business

Answer: B

Diff: 3

Learning Obj.: 1.9 Explain how an entrepreneur can avoid becoming another failure statistic.

AACSB: Reflective Thinking

102) What is the primary cause of small business failure for startups?

A) Flawed business model

B) Outcompeted

C) Undercapitalization

D) No market for the product

Answer: C

Diff: 2

Learning Obj.: 1.9 Explain how an entrepreneur can avoid becoming another failure statistic.

AACSB: Analytical Thinking

103) Why should an entrepreneur define their business model and test it with actual or potential customers?

A) To verify it can be adequately funded

B) To verify they can be successful

C) To establish a minimum viable product

D) To develop a solid business plan

Answer: B

Diff: 2

Learning Obj.: 1.9 Explain how an entrepreneur can avoid becoming another failure statistic.

AACSB: Analytical Thinking

104) When using lean startup principles, how is the minimum viable product used?

- A) To establish costing for production
- B) To identify customer needs or pain points
- C) To understand the minimum size market needed for success
- D) To gain feedback on strengths of the product

Answer: B

Diff: 2

Learning Obj.: 1.9 Explain how an entrepreneur can avoid becoming another failure statistic.

AACSB: Reflective Thinking

105) What is the goal of testing the entrepreneur's idea and business models?

- A) To generate capital investments in the business
- B) To establish competitive advantage
- C) To speed time to market
- D) To minimize waste and maximize the value proposition

Answer: D

Diff: 1

Learning Obj.: 1.9 Explain how an entrepreneur can avoid becoming another failure statistic.

AACSB: Reflective Thinking

106) How should entrepreneurs use feedback provided by customers?

- A) To correct the course of action
- B) To increase customer base
- C) To determine target market
- D) To help customers fall in love with the product

Answer: A

Diff: 1

Learning Obj.: 1.9 Explain how an entrepreneur can avoid becoming another failure statistic.

AACSB: Analytical Thinking

107) How can business plans be used by an entrepreneur?

- A) To avoid faulty assumptions
- B) To replace the need for a business model
- C) To determine if they can pass the feasibility test
- D) To create a benchmark and measure performance

Answer: D

Diff: 1

Learning Obj.: 1.9 Explain how an entrepreneur can avoid becoming another failure statistic.

AACSB: Analytical Thinking

108) Why is being a bootstrapper important in entrepreneurial success?

- A) It helps them dedicate enough hours to making the business a success.
- B) It helps them know where and how to cut cost and conserve money.
- C) It helps them build the right team.
- D) It helps them analyze and understand financial statements.

Answer: B

Diff: 2

Learning Obj.: 1.9 Explain how an entrepreneur can avoid becoming another failure statistic.

AACSB: Reflective Thinking

109) Why should entrepreneurs understand what competitors are doing in their businesses?

- A) To measure their financial stability against industry standards
- B) To understand where new skills and knowledge will be needed
- C) To know where potential employees can be found
- D) To find a way to differentiate themselves from the competition

Answer: D

Diff: 1

Learning Obj.: 1.9 Explain how an entrepreneur can avoid becoming another failure statistic.

AACSB: Reflective Thinking

110) Most entrepreneurs have invested the time to develop a sound business plan.

Answer: FALSE

Diff: 1

Learning Obj.: 1.9 Explain how an entrepreneur can avoid becoming another failure statistic.

AACSB: Reflective Thinking

111) Too many entrepreneurs start their business undercapitalized.

Answer: TRUE

Diff: 1

Learning Obj.: 1.9 Explain how an entrepreneur can avoid becoming another failure statistic.

AACSB: Analytical Thinking

112) To manage financial resources effectively, an entrepreneur should estimate the amount of capital they need, then double that estimate.

Answer: TRUE

Diff: 2

Learning Obj.: 1.9 Explain how an entrepreneur can avoid becoming another failure statistic.

AACSB: Analytical Thinking

113) Small businesses started by a single entrepreneur are more likely to succeed than those started by two to four cofounders.

Answer: FALSE

Diff: 2

Learning Obj.: 1.9 Explain how an entrepreneur can avoid becoming another failure statistic.

AACSB: Analytical Thinking

114) If an entrepreneur has a good enough product or service to sell, a business plan is not really necessary since the product or service will sell itself.

Answer: FALSE

Diff: 1

Learning Obj.: 1.9 Explain how an entrepreneur can avoid becoming another failure statistic.

AACSB: Reflective Thinking

115) Expanding a business usually requires no significant changes in structure or business practices.

Answer: FALSE

Diff: 2

Learning Obj.: 1.9 Explain how an entrepreneur can avoid becoming another failure statistic.

AACSB: Reflective Thinking

# SECTION I. THE CHALLENGE OF ENTREPRENEURSHIP

## CHAPTER 1. THE FOUNDATIONS OF ENTREPRENEURSHIP

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### *Part 1: Learning Objectives*

- 1.1. Define the role of the entrepreneur in business in the United States and around the world.
- 1.2. Describe the entrepreneurial profile.
- 1.3. Describe the benefits of entrepreneurship.
- 1.4. Describe the drawbacks of entrepreneurship.
- 1.5. Explain the forces that are driving the growth of entrepreneurship.
- 1.6. Explain the cultural diversity of entrepreneurship.
- 1.7. Describe the important role that small businesses play in our nation's economy.
- 1.8. Put failure into the proper perspective.
- 1.9. Explain how an entrepreneur can avoid becoming another failure statistic.

### **Chapter Summary and Goals**

This chapter introduces students to the broad contours of entrepreneurship. It stresses that entrepreneurs can come from any background, gender, and age. It also looks at both sides of entrepreneurship—the benefits one gets from being an entrepreneur as well as the risks that come with it. The chapter closes with a look at the best practices that entrepreneurs can adopt to increase their chance of success.

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### *Part 2: Class Instruction*

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#### *The World of the Entrepreneur*

#### *LO 1.1*

Around the world, growing numbers of people are realizing their dreams of owning and operating their own businesses. Entrepreneurship is thriving and is essential to a strong global economy. Downsizing by large companies has resulted in a new population of entrepreneurs. Today small companies have the competitive advantage as they can move

faster to exploit market opportunities and use modern technology to quickly create products and services that once took years.

A study by the Global Entrepreneurship Monitor (GEM) found that 65 percent of working adults around the world perceive entrepreneurs as having high status. Eastern European countries, China, Vietnam, and other nations whose economies were state-controlled and centrally planned now hold potential for entrepreneurs. (Refer to Figure 1.2 and Table 1.1)

### *What Is an Entrepreneur?*

### *LO 1.2*

An **entrepreneur** is one who creates a new business in the face of risk and uncertainty for the purpose of achieving profit and growth by identifying significant opportunities and assembling the necessary resources to capitalize on them. Although many people come up with great business ideas, most never act on their ideas.

One reason the U.S. economy has been so successful over time is the constant churn that results from the rapid pace at which entrepreneurs create new businesses, destroy old ones, and upend entire industries with their creativity and ingenuity. (Refer to Figure 1.3)

Studies have identified several characteristics entrepreneurs tend to exhibit, but none of them has isolated a set of traits required for success. A brief summary of the entrepreneurial profile includes:

1. Desire for responsibility
2. Preference for moderate risk (*calculated risk takers*)
3. Willingness to break the rules
4. Self-reliance
5. Confidence in their ability to succeed
6. Determination
7. Desire for immediate feedback
8. High level of energy
9. Competitiveness
10. Future orientation. **Opportunity entrepreneurs** start businesses because they spot an opportunity in the marketplace. **Necessity entrepreneurs** start businesses because they cannot find work any other way. **Serial entrepreneurs** repeatedly start businesses and grow them to a sustainable size before striking out again.

11. Skill at organizing
12. Value of achievement over money

Other characteristics of entrepreneurs include:

***High degree of commitment***

***Tolerance for ambiguity***

***Creativity***

***Flexibility***

***Resourceful. Bootstrapping*** is a strategy that involves conserving money and cutting costs during start-up so that entrepreneurs can pour every available dollar into their businesses.

***Willingness to work hard***

***Tenacity***

Entrepreneurs are not of one mold; no one set of characteristics can predict who will become entrepreneurs and whether they will succeed. Diversity seems to be a central characteristic of entrepreneurs. Anyone can become an entrepreneur. It is a practical discipline; it is a skill that most people can learn. (Refer to Figure 1.5)

**Consider using You Be the Consultant: “Game On!” at this point.**

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### ***The Benefits of Entrepreneurship***

***LO 1.3***

The primary benefits entrepreneurs enjoy include the:

**Opportunity to Create Your Own Destiny**

**Opportunity to Make a Difference.** *Social entrepreneurs* use their skills not only to create profitable businesses, but also to achieve economic, social and environmental goals for the common good.

**Opportunity to Reach Your Full Potential**

**Opportunity to Reap Impressive Profits**

**Opportunity to Contribute to Society and Be Recognized for Your Efforts**

**Opportunity to Do What You Enjoy and Have Fun at It**

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### *The Potential Drawbacks of Entrepreneurship LO 1.4*

With these potential rewards, entrepreneurship also presents risk and uncertainty. Individuals who prefer the security of a steady paycheck, a comprehensive benefits package, a two-week paid vacation, and the support of a corporate staff probably should not go into business for themselves. Entrepreneurs may experience:

**Uncertainty of Income:** The entrepreneur is the last one to be paid, as employees must be paid first. While it is possible for an entrepreneur to earn more working for themselves, they may end up earning less.

**Risk of Losing Your Entire Investment**

**Long Hours and Hard Work**

**Lower Quality of Life Until the Business Gets Established**

**High Levels of Stress**

**Complete Responsibility**

**Discouragement**

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### *Behind the Boom: What's Feeding the Entrepreneurial Fire*

**LO 1.5**

Some of the most significant factors that have led to this age of entrepreneurship include:

- *Entrepreneurs as heroes*
- *Entrepreneurial education*
- *Demographic factors*
- *Shift to a service economy*
- *Technology advancements*
- *Artificial intelligence (Refer to Figure 1.6)*

- *Access to niche markets*
- *Independent lifestyle*
- *Outsourcing*
- *The Internet, cloud computing, mobile commerce, and social media marketing.*  
**Cloud computing:** Internet-based subscription or pay-per-use software services that allow business owners to use a variety of business applications, from database management and inventory control to customer relationship management and accounting.
- *International opportunities. Micromultinationals* are small companies that operate globally from their inception.

Consider using **You Be the Consultant: “Too Young to Start a Business?”** at this point.

### *The Cultural Diversity of Entrepreneurship LO 1.6*

Entrepreneurs are found virtually in every walk of life and include:

**Young Entrepreneurs (Refer to Figure 1.8)**

**Women Entrepreneurs**

**Underrepresented Business Owners (Refer to Figure 1.9)**

**Immigrant Entrepreneurs**

**Part-Time Entrepreneurs**

**Home-Based Businesses**

**Family Businesses.** *Family-owned businesses* include two or more members of a family with financial control of the company.

**Copreneurs.** *Copreneurs* are entrepreneurial couples who work together as co-owners of their businesses.

**Corporate Castoffs**

**Encore Entrepreneurs**

**Retiring Baby Boomers (Refer to Figure 1.10)**

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### *The Power of “Small” Business*

### *LO 1.7*

Because big business is more visible than small business, most people underestimate the role of the small firm in the U.S. economy. Approximately 99.7 percent of all businesses in the United States are considered small. While there is no universal definition of what constitutes a small business, a common delineation of a **small business** is one that employs fewer than 100 people.

The majority of small companies are concentrated in the service, construction, and retail industries. (Refer to Figure 1.11)

Small companies account for 39.4 percent of total private payroll in the United States. Small businesses actually create more jobs than do big businesses. Between 1995 and 2021, small companies created 63 percent of the net new jobs in the U.S. economy.

**Gazelles** are small companies that are growing at 20 percent or more per year for four years with at least \$100,000 in annual sales; they create 59 percent of net new jobs in the economy.

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### *Putting Failure into Perspective*

### *LO 1.8*

Because of their limited resources, inexperienced management, and lack of financial stability, small businesses suffer relatively high mortality rates. Two years after start-up, 27 percent of small companies have failed, and after five years, 46 percent have failed. (Refer to Figure 1.12)

Entrepreneurs recognize that failure is likely to be part of their lives, but they are not paralyzed by that fear. Failure is an inevitable part of being an entrepreneur, and true entrepreneurs don't quit when they fail. One hallmark of successful entrepreneurs is the ability to fail intelligently, learning why they failed so that they can avoid making the same mistake again. Success requires both persistence and resilience and the ability to bounce back from failure.

*The following material in this section is in addition to the text.*

## **The Ten Deadly Mistakes of Entrepreneurship**

Studies have indicated that there are common reasons for new business ventures to fail. These causes of small business failure may include:

1. Management mistakes
2. Lack of experience
3. Poor financial control
4. Weak marketing efforts
5. Failure to develop a strategic plan
6. Uncontrolled growth
7. Poor location
8. Improper inventory control
9. Incorrect pricing
10. Inability to make the “entrepreneurial transition”

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### ***How to Avoid the Pitfalls***

### ***LO 1.9***

Ways to avoid becoming another failure statistic and gain insight into what makes a successful business include:

**Know Your Business in Depth**

**Build a Viable Business Model—and Test It**

**Use Lean Start-up Principles**

**Don’t Fall in Love with Your Idea**

**Know When to Pivot (See Figure 1.14)**

**Develop a Solid Business Plan**

**Be a Bootstrapper**

**Manage Financial Resources**

**Know Your Breakeven Point**

**Understand Your Financial Statements**

**Build the Right Team**

**Learn to Manage People Effectively**

**Set Your Business Apart from the Competition**

**Maintain a Positive Attitude**

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### *Conclusion*

Entrepreneurs are a key part of America's free enterprise system, and as we will discover, are changing the business of the world as well. Their contributions are as many and as diverse as the businesses themselves. There are steps that entrepreneurs can take to enhance the probability of their success.

The remainder of this book will explore the steps to launch a successful business. This course emphasizes establishing a clear understanding of the entrepreneurial environment and using that information to build a sound business plan.

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### *Part 3: Chapter Exercises*

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#### *You Be the Consultant: Game On*

- 1. What benefits do entrepreneurs such as Delane Parnell gain from creating companies of their own rather than working for someone else? (LO 1.3)  
(AACSB: Reflective thinking)**

The chapter identifies various benefits of entrepreneurship. Many of them apply to Delane Parnell in creating PlayVS. These include the opportunity to create their own destiny, the opportunity to make a difference (in the case of PlayVS, to help high school students get college scholarships), the opportunities to reach one's full potential, and the opportunity to do what one enjoys and have fun doing it.

**2. What risks did Parnell assume when he started PlayVs? (LO 1.4) (AACSB: Application of knowledge)**

Students will identify the many risks that entrepreneurs face and say that these risks apply to the three entrepreneurs profiled in this feature. Delane Parnell faces uncertainty of income in his venture. In addition, he faces the following risks: the risk of losing whatever money he put into the venture before getting external funding, the arguably long hours and hard work that he puts in, the lower quality of life until the business gets established, the high levels of stress, complete responsibility, and possible discouragement as his business tries to establish itself.

**3. What entrepreneurial characteristics does Parnell demonstrate? (LO 1.2) (AACSB: Application of knowledge)**

Parnell demonstrates several of the characteristics common to entrepreneurs. For example, he is a calculated risk taker in that he sought help from an incubator early on as he was testing out his idea. He demonstrated a willingness to break rules by thinking of high school students as prospective competitive gamers. He and his small staff of 15 demonstrate tremendous energy by going after the high school market in all 50 states. While students should be encouraged to identify other traits that Parnell exhibited as an entrepreneur, it is likely that traits such as a high degree of commitment and tolerance for ambiguity stand out.

**4. Was the way in which Parnell spotted this business opportunity typical of entrepreneurship? Explain. (LO 1.2) (AACSB: Application of knowledge)**

Entrepreneurs discover their business opportunities in a variety of ways—either by facing a pain point of their own that they attempt to address that leads to an opportunity or by seeing a market opening and seeking to fill it. Parnell grew up playing video games to shut out his unpleasant external environment, and this led him to think of gaming as a business opportunity.

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***You Be the Consultant: Too Young To Start a Business?***

**1. Starting a company at any age can be a challenging task. What additional barriers do young people, such as those profiled here, face when starting businesses? (LO 1.5) (AACSB: Reflective thinking)**

The entrepreneurs profiled are all very young. In addition to the usual challenges that older entrepreneurs face, Abby, Mo, Zandra, and Leigh-Kathryn face the challenges of credibility and discouragement. It is hard for a person who is, say, nine years old to be taken seriously as an entrepreneur. They are also likely to face discouragement along the way. In fact, Leigh-Kathryn's parents gave her just one year for her business to succeed before insisting that she find a "real" job.

**2. Does youth provide any special benefits when starting a company? Explain. (LO 1.5) (AACSB: Reflective thinking)**

Student opinions are likely to vary in response to this question. Some would raise benefits such as resilience to come back from failing very early in life to strong family support as they go about launching their venture. For example, Mo's grandma taught him sewing to help him launch his bow tie business.

**3. Does being a successful entrepreneur depend on age and experience? Explain. (LO 1.5) (AACSB: Reflective thinking)**

As the chapter explains, given the wide diversity in the profile of entrepreneurs, the answer would be that successful entrepreneurship does not depend on age and experience. The entrepreneurs profiled here were all very young but spotted an opportunity to launch their business. Whether it was Zandra turning her obsession over lip gloss, Mo with his penchant for sartorial style, or Abby with her quest to find a healthy snack, they all converted what was essentially an idea into a business venture. Given the growth of these ventures, it is clear that they have succeeded tremendously as entrepreneurs.

*You Be the Consultant: "College: The Ideal Place to Launch a Business"*

**1. One venture capitalist says that entrepreneurship can't be taught in a regular classroom any more than surfing can. His view is that students should get their feet wet in the real world of entrepreneurship. What do you think? (LO 1.9) (AACSB: Analytical thinking)**

While students may have different opinions on this, they should consider the following point: by taking one or more entrepreneurship courses in college, students benefit from

what we already know about various aspects of entrepreneurship. They can eliminate common mistakes that lead to failure, they can sound out their classmates and their instructor on the viability of their business idea, and they can identify venture team members from among their classmates. Besides, most entrepreneurial programs these days include many practical elements—pitch competitions, incubators—that combine classroom learning with practical experience.

**2. In addition to the normal obstacles of starting a business, what other barriers do collegiate entrepreneurs face? (LO 1.4) (AACSB: Analytical thinking)**

One of the most significant barriers college students face is their inexperience. The learning curve these college students face may be challenging. In addition, their youth may not be taken seriously when working with older business people and engaging in business transactions. Securing financing may prove to be an example of this.

**3. What advantages do collegiate entrepreneurs have when launching a business? (LO 1.4) (AACSB: Analytical thinking)**

Many young entrepreneurs are technically proficient, are energetic, have an intimate understanding of their peer market, and may be highly creative in identifying market needs and solutions. This group also brings a fresh viewpoint and an ability to see beyond obstacles.

**4. What advice would you offer a fellow college student who is about to start a business? (LO 1.4) (AACSB: Reflective thinking)**

- Know your business in depth. Conduct thorough research and demonstrate an understanding of the critical needs of the market and the business. Maintain a positive attitude. Seek counsel from more experienced entrepreneurs.
- Build a viable business model and test it, and develop a solid business plan. Set your business apart from the competition. Identify areas of need.
- Understand financial statements and manage financial resources.
- Learn to manage people effectively.
- Take action to build credibility. Leverage resources to build understanding.

**5. Work with a team of your classmates to develop ideas about what your college or university could do to create a culture of entrepreneurship on your campus or in your community. (LO 1.4) (AACSB: Analytical thinking)**

Encourage students to list ideas that may help to build entrepreneurial resources. This list might include:

- Bring guest speakers to campus.

- Create an entrepreneurial mentorship or internship programs.
- Establish an entrepreneurship club.
- Host a business plan, big idea, or business model competition.
- Explore options to expand entrepreneurship courses offered.

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#### ***Part 4: Chapter Discussion Questions***

##### **1-1. What forces have led to the boom in entrepreneurship in the United States and around the globe? (LO 1.5) (AACSB: Reflective thinking)**

Forces that have influenced the U.S. entrepreneurial boom include:

- Entrepreneurs are regarded as heroes.
- Entrepreneurship education is extremely popular.
- Demographic and economic factors
- Shift to a service economy
- Technology advancements
- Independent lifestyle
- The Internet, cloud computing, and mobile marketing
- International opportunities

##### **1-2. What is an entrepreneur? Give a brief description of the entrepreneurial profile. (LO 1.2) (AACSB: Reflective thinking)**

An entrepreneur is one who creates a new business in the face of risk and uncertainty for the purpose of achieving profits and growth by identifying significant opportunities and assembling the necessary resources to capitalize on them. The entrepreneur has:

- Desire for responsibility
- Preference for moderate risk (*risk eliminators*)
- Self-reliance
- Confidence in their ability to succeed
- Determination
- Desire for immediate feedback
- High level of energy