Test Bank for Entrepreneurship Theory Process and Practice 10th Kuratko

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CHAPTER 02 THE ENTREPRENEURIAL MIND SET IN INDIVIDUALS COGNITION AND ETHICS

TRUEFALSE

1. Each and every person has the potential and free choice to pursue a career as an entrepreneur.

(A) True

(B) False

Answer : (A)

2. In past generations, people dreamed of prestige and perks associated with executive suites of major corporations, but the millennial generation believes that career success requires them to be more nimble, independent, and entrepreneurial.

(A) True

(B) False

Answer : (A)

3. Entrepreneurial cognition is, in part, about understanding how entrepreneurs use simplifying mental models to make assessments, judgments, and decisions about opportunities.

(A) True

(B) False

Answer : (A)

4. The metacognitive model of entrepreneurship fails to consider the entrepreneurial mind-set that integrates the combined effects of entrepreneurial motivation.

(A) True

(B) False

Answer : (B)

5. Entrepreneurs are pessimists who see the cup half empty, rather than half full.

(A) True

(B) False

Answer : (B)

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6. Inexperience and incompetent management are the main reasons for failure.

(A) True

(B) False

Answer : (A)

7. A good trait for an entrepreneur is to be a calculated risk taker.

(A) True

(B) False

Answer : (A)

8. Most successful entrepreneurs have failed at one time or another.

(A) True

(B) False

Answer : (A)

9. Entrepreneurs do not need foresight.

(A) True

(B) False

Answer : (B)

10. Entrepreneurs typically have enough confidence to believe that they can make a difference in the final outcome of their ventures.

(A) True

(B) False

Answer : (A)

11. Commitment, determination, and perseverance are just a few characteristics one needs to become a successful entrepreneur.

(A) True

(B) False

Answer : (A)

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12. Creativity was once regarded as an exclusively inherited trait.

(A) True

(B) False

Answer : (A)

13. Entrepreneurs allow their goal orientation to help define priorities and provide them with measures of how well they are performing.

(A) True

(B) False

Answer : (A)

14. Successful entrepreneurs fear failure the same way all people do.

(A) True

(B) False

Answer : (B)

15. Entrepreneurs are fiercely independent but understand the need for a strong entrepreneurial team.

(A) True

(B) False

Answer : (A)

16. Entrepreneurs usually have an internal locus of control.

(A) True

(B) False

Answer : (A)

17. There are many risks in entrepreneurship.

(A) True

(B) False

Answer : (A)

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18. There is a certain physical risk involved with entrepreneurship.

(A) True

(B) False

Answer : (A)

19. Some of the most common entrepreneurial goals are independence, wealth, and work satisfaction.

(A) True

(B) False

Answer : (A)

20. Immersion in business can be cured by limiting work to eight hours a day.

(A) True

(B) False

Answer : (B)

21. The need to achieve can be a source of stress for entrepreneurs.

(A) True

(B) False

Answer : (A)

22. Stress on the entrepreneur can be caused both internally and by other people.

(A) True

(B) False

Answer : (A)

23. The entrepreneur is driven by a strong desire for control over their venture.

(A) True

(B) False

Answer : (A)

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24. The "dark side" of entrepreneurship refers to the stress that entrepreneur's experience.

(A) True

(B) False

Answer : (B)

25. Entrepreneurs always know that they as individuals must remain less important than the venture.

(A) True

(B) False

Answer : (B)

26. Entrepreneurs like to remain alert to competition, customers, and government regulations, but this continual scanning of the environment can lead to a negative sense of distrust.

(A) True

(B) False

Answer : (A)

27. Entrepreneurs often display unrealistic optimism.

(A) True

(B) False

Answer : (A)

28. According to the Model of Entrepreneurship Motivation, the entrepreneur's expectations are not compared with the actual or perceived outcomes of the firm.

(A) True

(B) False

Answer : (B)

29. A loss orientation toward grief recovery in dealing with failure can sometimes lessen negative emotional reactions.

(A) True

(B) False

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Answer : (B)

30. The Greek thinker, Chilon, felt that a merchant does better to take a loss than to make a dishonest profit.

(A) True

(B) False

Answer : (A)

31. Today's entrepreneurs are faced with few ethical decisions because the legal system imposes greater penalties on wrongdoers.

(A) True

(B) False

Answer : (B)

32. "Ethos" means morality.

(A) True

(B) False

Answer : (B)

33. Ethics provides the basic rules or parameters for conducting any activity in an "acceptable" manner.

(A) True

(B) False

Answer : (A)

34. Ethics represents a set of principles prescribing a behavioral code that does not include moral duty and obligations.

(A) True

(B) False

Answer : (B)

35. Non-role acts are those acts against a firm in which the person fails to perform his or her managerial role.

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(A) True

(B) False

Answer : (B)

36. Role distortion deals with morally questionable acts that are committed "for the firm."

(A) True

(B) False

Answer : (A)

37. Problems can arise when people believe that laws represent morality.

(A) True

(B) False

Answer : (A)

38. Morals and law are not synonymous but may be viewed as two circles that are partially superimposed upon each other.

(A) True

(B) False

Answer : (A)

39. A code of conduct is a statement of ethical practices or guidelines to which an enterprise adheres.

(A) True

(B) False

Answer : (A)

40. Entrepreneurs need not be concerned with establishing strategy for ethical responsibility because they are guided by what established firms do.

(A) True

(B) False

Answer : (B)

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41. Institutionalization is a deliberate step to incorporate the ethical objectives of society with the economic objectives of the venture.

(A) True

(B) False

Answer : (B)

42. Firms need to be public about their ethical values and expectations.

(A) True

(B) False

Answer : (A)

43. One of the most important reasons firms want to adhere to a high moral code is that doing so protects free markets and is good business.

(A) True

(B) False

Answer : (A)

44. In smaller ventures, the ethical influence of the owner is more powerful than in larger corporations because his or her leadership is not diffused through layers of management.

(A) True

(B) False

Answer : (A)

MULTICHOICE

45. Every person has the _ and _ to pursue a career as an entrepreneur

(A) stubbornness; stupidity

(B) potential; free choice

(C) rights; regulations

(D) obligation; duty

Answer : (B)

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46. In science, _____ refers to mental processes.

(A) cognition

(B) ergonomics

(C) evaluation

(D) phenomena

Answer : (A)

47. Characteristics often attributed to the entrepreneur include:

(A) Commitment, determination, and perseverance

(B) Prefers to be a loner

(C) Power hungry

(D) Ability to be indecisive

Answer : (A)

48. Which is not a trait of a successful entrepreneur?

(A) desire to achieve

(B) initiative

(C) innovation

(D) trouble fitting in

Answer : (D)

49. Entrepreneurs with a drive to achieve want to

(A) compete.

(B) watch others succeed.

(C) take great risks.

(D) control and dominate.

Answer : (A)

50. Which of the following is not a trait of successful entrepreneurs?

(A) initiative

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(B) frustration

(C) perseverance

(D) strategic thinking

Answer : (B)

51. With persistent problem solving, entrepreneurs

(A) must daydream all day.

(B) can't multi-task.

(C) think anything is possible.

(D) are always working.

Answer : (C)

52. One could correlate _ with a high energy level.

(A) creativity

(B) working

(C) luck

(D) reading

Answer : (A)

53. For entrepreneurs, vision describes

(A) where the entrepreneur wants to go.

(B) eyesight.

(C) people.

(D) the future.

Answer : (A)

54. Team building

(A) involves including qualified people in the venture.

(B) does not threaten the entrepreneur's autonomy.

(C) does nothing.

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(D) is overrated.

Answer : (A)

55. A clear pattern among successful entrepreneurs is

(A) setting goals that are just out of reach.

(B) the fear of failure common to all people.

(C) their focus on opportunity rather than resources.

(D) not fitting in to traditional organizations.

Answer : (C)

56. Which of the following is a false statement about entrepreneurs?

(A) They burn with the competitive desire to excel.

(B) They see the cup half full rather than half empty.

(C) They do not use failure as a tool for learning.

(D) They are achievers.

Answer : (C)

57. One characteristic *not* found in high achievers is

(A) examination of situations.

(B) lack of desire to push ahead.

(C) moderate risk taking.

(D) determination on how to increase the odds of winning.

Answer : (B)

58. Which of the following is *not* a common characteristic of entrepreneurs?

(A) vision

(B) team building

(C) lack of motivational drive

(D) independence

Answer : (C)

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59. Which of the following statements is false?

(A) Entrepreneurs are born with the skills necessary to manage a business.

(B) Their belief in their ability seldom wavers.

(C) Independence is a driving force behind contemporary entrepreneurs.

(D) Entrepreneurs know where they want to go.

Answer : (A)

60. Which of the following is a true statement about team building?

(A) Most successful entrepreneurs have highly qualified teams that handle everything having to do with the development of the venture.

(B) Compared to the owner, personnel are often more qualified to handle day-to-day implementation challenges.

(C) The entrepreneur has the clearest vision in the firm.

(D) The entrepreneur needs a competent team to implement an idea.

Answer : (D)

61. Which of the following statements is false?

(A) Entrepreneurs want the authority to make important decisions.

(B) Management skills are not important characteristics for entrepreneurs to possess.

(C) Successful entrepreneurs strive to build a successful team around them.

(D) An entrepreneur can develop the vision of the company over time.

Answer : (B)

62. When entrepreneurs believe that their accomplishments and setbacks are within their own control and influence, they are exhibiting

(A) persistent problem-solving.

(B) internal locus of control.

(C) external locus of control.

(D) opportunity orientation.

Answer : (B)

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63. If an entrepreneur believes in himself/herself and that their accomplishments and setbacks are within their own control, they possess a(n) _ .

(A) confidence level higher than most entrepreneurs

(B) internal locus of control

(C) cockiness level too high to be an entrepreneur

(D) high energy level

Answer : (B)

64. Which of the following is *not* associated with an entrepreneur seeking feedback?

(A) entrepreneurs want to belittle their competition

(B) entrepreneurs seek to learn from their competitors

(C) entrepreneurs want to improve

(D) entrepreneurs have a strong desire to know how well they are doing

Answer : (A)

65. One trait *not* common in entrepreneurs is

(A) being a problem solver.

(B) being creative and innovative.

(C) being structured.

(D) being independent, yet able to build strong teams.

Answer : (C)

66. What characteristic(s) that propel entrepreneurs into success can be exhibited to the "extreme"?

(A) Overbearing need for control

(B) Optimism

(C) High energy

(D) Desire for success

(E) Perseverance

Answer : (A)

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67. Areas of risk to the entrepreneur include

(A) career, family, psychic.

(B) family, business, social.

(C) psychic, social, physical.

(D) financial, product, market.

Answer : (A)

68. With psychic risk you fear

(A) losing your sanity.

(B) failure.

(C) money.

(D) adapting.

Answer : (B)

69. In starting or buying a new business, the higher the rewards, the

(A) the more minimal the risk.

(B) greater the risk.

(C) greater the size of a business.

(D) smaller the enjoyment.

Answer : (B)

70. Which of the following may be the greatest risk to the well-being of the entrepreneur?

(A) social risk

(B) financial risk

(C) psychic risk

(D) family risk

Answer : (C)

71. In the Monroy-Folger Model of Risk Typology, profit-seeking activity is associated with:

(A) strong desire to maximize profit

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(B) weaker desire to maximize profit

(C) strong desire to minimize profit

(D) strong desire to maximize sales revenue

Answer : (A)

72. Generally, entrepreneurial stress is due to

(A) being surrounded by incompetents.

(B) fear of failure.

(C) the discrepancy between the entrepreneur's expectations and the ability to meet demands.

(D) caused by a big ego.

Answer : (C)

73. Stress can be dealt with by:

(A) networking.

(B) neglecting.

(C) ignoring.

(D) working harder.

Answer : (A)

74. Which of the following is *not* a source of stress according to researchers Boyd and Gumpert?

(A) loneliness

(B) people problems

(C) immersion in business

(D) family requirements

Answer : (D)

75. Which of the following is not a way to combat stress?

(A) acknowledging its existence

(B) ignoring coping mechanisms

(C) probing personal unacknowledged needs

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(D) taking a few days off

Answer : (B)

76. Entrepreneurial stress can be caused by having a Type A personality, which can be defined as

(A) having a chronic sense of time urgency.

(B) taking too little responsibility.

(C) getting away from business.

(D) taking things personally.

Answer : (A)

77. The entrepreneurial ego can cause the entrepreneur to

(A) have a sense of pessimism.

(B) take characteristics that usually lead to success to the extreme.

(C) ignore government regulations.

(D) take too few risks.

Answer : (B)

78. Which of the following is *not* an aspect of the "dark side" of entrepreneurship?

(A) confrontation with risk

(B) stress

(C) entrepreneurial ego

(D) bouts of euphoria

Answer : (D)

79. When an entrepreneur becomes an *external optimist,* what does that mean?

(A) the desire for others to see them as ethical, even though they may behave otherwise.

(B) the challenge to welcome external assistance in matters.

(C) the allowance of others to believe in them during rough periods.

(D) the low enthusiasm they exude to the people around them.

Answer : (C)

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80. The "dark side" of entrepreneurship refers to

(A) a destructive force within the energetic drive of entrepreneurs.

(B) the part of entrepreneurship that is most exciting.

(C) a misunderstanding about the results of entrepreneurship.

(D) another myth of entrepreneurship.

Answer : (A)

81. The decision to behave entrepreneurially is the result of the interaction of

(A) the individual's personal entrepreneurial mind-set and an opportunity.

(B) the existence of a viable business idea.

(C) the relevant business environment.

(D) a new market.

Answer : (A)

82. When outcomes meet or exceed expectations, _____ is positively reinforced.

(A) entrepreneurial behavior

(B) entrepreneurial motivation

(C) desire for success

(D) entrepreneurial ego

Answer : (A)

83. Entrepreneurial persistence is related to

(A) the entrepreneur's outcomes meeting his or her expectations.

(B) focusing on personal goals.

(C) implementing problem-solving techniques.

(D) avoiding counter influences to entrepreneurship.

Answer : (D)

84. The Greek word *ethos* means

(A) mode of conduct.

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(B) morale.

(C) elan.

(D) esprit de corps.

Answer : (A)

85. A decision to sell pharmaceuticals that have not been cleared with the Federal Drug Administration is an example of a(n)

(A) illegal and ethical decision.

(B) legal and unethical decision.

(C) illegal and unethical decision.

(D) legal and ethical decision.

Answer : (C)

86. A decision to sell toys that pass minimum safety standards but can often result in minor accidents to children is an example of a(n)

(A) illegal and ethical decision.

(B) legal and unethical decision.

(C) illegal and unethical decision.

(D) legal and ethical decision.

Answer : (B)

87. In the _____ sense, ethics provides the basic rules or parameters for conducting any activity in an "acceptable manner."

(A) abstract

(B) broadest

(C) narrowest

(D) most concrete

Answer : (B)

88. A _____ is a statement of ethical practices or guidelines to which an enterprise adheres.

(A) code of conduct

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(B) code of ethics

(C) code of honor

(D) code of silence

Answer : (B)

89. What kind of thinking can lead to unethical behavior in a business context?

(A) top line

(B) bottom line

(C) abstract

(D) critical

Answer : (B)

ESSAY

90. Name five entrepreneurial characteristics that you feel are important.

Graders Info :

Characteristics that are important to one individual may not be the same characteristics that are important to another. One characteristic that undoubtedly is important to all is the drive to achieve.

91. Explain and discuss the "dark side" of entrepreneurship.

Graders Info :

The entrepreneurial profile has its destructive side. First, the need for control can become an obsession. The need for control can cause problems in networking and in an entrepreneurial team. A sense of distrust can cause the entrepreneur to lose sight of reality or focus on trivial things. An entrepreneur's desire for success can also be destructive if the individual becomes more important than the venture itself. The last "dark side" trait is external optimism. When the entrepreneur takes optimism to the extreme, he or she may begin using a fantasy approach to the business. Trends, facts, and reports are ignored because the entrepreneur thinks everything will turn out fine.

92. Discuss the specific areas of entrepreneurial risk.

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Graders Info :

The four areas of risk are financial risk, career risk, family and social risk, and psychic risk. First, financial risk deals with the amount of savings or resources that the entrepreneur puts into venture. If the venture is not successful, the money or resources will most likely be lost. The entrepreneur will probably sign obligations that exceed his or her personal wealth. The second risk is career. The would-be entrepreneur frequently asks if he or she will be able to find a job or go back to a previous job. The new venture has no guarantees about career security. Family and social risk are also to be considered.

93. Name the sources of entrepreneurial stress and discuss the ways of dealing with stress.

Graders Info :

Entrepreneurs experience four types of stress. The first is loneliness. Although there are many people around the entrepreneur, there are few in whom he can confide. Another stress is immersion in business. A successful entrepreneur may make enough money for vacations, but never have the time to go because the business would not allow it. People problems are another type of stress. Employees or other individuals upon whom the venture's work depends may frustrate, disappoint, and aggravate the entrepreneur. Usually this happens when the entrepreneur's expectations of a high performance are not met. The last source of stress is the need to achieve. The entrepreneur usually attempts to accomplish too much and sometimes cannot manage to control the need for achievement. The three steps an entrepreneur can take to reduce stress are acknowledging its existence, developing coping mechanisms, and probing for personal unacknowledged needs. There are five ways in which an entrepreneur can cope with stress. First is networking. Networking involves sharing experiences with other business owners. Another coping mechanism is to get away from it all. These interludes help combat immersion in business. Communicating with subordinates may help to cope with stress. The entrepreneur can be aware of the concerns employees have about their jobs.

Finding satisfaction outside of the company is also important. The entrepreneur needs to get away and enjoy life. The last way an entrepreneur can deal with stress is by delegating. Appropriate delegates need to be found and trained so the entrepreneur can gain time away from the business.

94. Define ethics and discuss some conflicts over the ethical nature of decisions.

Graders Info :

In a broad sense, ethics are rules or parameters for conduct in any activity as long as it is done in an "acceptable" manner. Ethics can also be described as a set of principles prescribing a behavioral code that explains what is good and right or bad and wrong. Even though society is in an ever-changing state, this definition implies that universal principles remain intact. An entrepreneur faces many conflicts for many reasons. One conflict arises as a business is faced with outside as well as inside interests. Some examples are stockholders, the community, the government, employees, and

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unions. Also, as society changes, the values and mores of society must change.

95. Give some in-depth examples of the dilemmas entrepreneurs face with ethics and laws.

Graders Info :

One dilemma entrepreneurs face is managerial rationalization. Managers may use rationalizations to justify questionable conduct. Some examples are: believing that the activity is not "really" illegal or immoral, the act is in the company's best interest, the behavior will not be found out, and the company will condone the act. The questionable act may seem all right to the manager using these rationalizations, yet is against the laws of the business world and society.

Another dilemma concerns the matter of morality. Using LaRue Hosmer's conclusions concerning legal requirements and moral judgments, the requirements might overlap but not duplicate the moral standards of society. First, this results from laws not having any moral content, laws being morally unjust, and moral standards having no legal basis. Second, legal requirements tend to be negative whereas morality tends to be positive. Third, legal requirements can lag behind the acceptable moral standards of society.

Another dilemma entrepreneurs are often faced with concerns economic trade-offs. Economic trade-offs occur when innovations, risk taking, or venture creation are used to stimulate the economic system to create new jobs and new growth. These qualities produce the trade-off between economic and social welfare. Some examples are, advertising for cigarettes with death as a possible result; toxic waste dumps invading lakes, streams, and eventually drinking water; minorities being laid off only because they were the last to be hired, and capital gains realized through the advance information of mergers.

96. How can an entrepreneur establish strategies for ethical responsibility?

Graders Info :

The entrepreneur needs to establish a strategy for ethical responsibility within the free enterprise system. To do this he or she must focus on an ethical position or on an organizational characteristic and analyze it. To do this, the entrepreneur has four approaches to use that include the holistic approach, ethical consciousness, ethical process and structure, and institutionalization. The holistic approach requires the entrepreneur to develop specific principles that will help in taking the right external steps as the venture evolves. Under this approach there are four principles: hire the right people, set standards more than rules, avoid isolation, and set an absolutely impeccable ethical example. With time, these principles will establish a strategy for ethical responsibility. Ethical consciousness is the development of an open exchange of processes within the venture, establishing codes of ethics for the company, and setting examples by the entrepreneur. The entrepreneur must accomplish this so that his or her vision can stay intact.

To keep the ethical goals designed to avoid ambiguity and to position statements or codes, the entrepreneur must have an ethical process and structure. As an example of this approach, affidavits can be used to ensure the willingness of employees to adhere to the venture's specific goals.

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Institutionalization is a means to combine the ethical objectives of the entrepreneur with the economic objectives of the venture. Even so, there are times when the policies or operations that infringe on ethical values may need to be adjusted, thus testing the entrepreneur's commitment to his or her values. By using feedback and by reviewing the procedures, institutionalized ethical responsibility can be achieved.

97. Describe the five major problems in laws reflecting ethical standards.

Graders Info :

Members of society make moral standards based upon the information that is available to them. If the public is misinformed or not informed at all, the judgments they create will not be based on the truth. Therefore, it is not possible for society to make personal moral standards to influence or to establish laws if relevant information is missing.

People of society assemble into small groups with similar norms, beliefs, and values. Within these groups, they formulate standards that are similar among all the members and act from motives instead of morality. The problem lies in the fact that the personal moral standards that should influence the laws are replaced with the standards of the small group. Just as there are problems with the moral standards of the smaller groups, there are problems with the misrepresentation of moral standards of larger groups. As large organizations share the same norms, beliefs, and values, the individuals and the groups within the organization do not share equal weight and influence with regard to the consensus. An example of this would include hospitals where the norms, beliefs, and values of the doctors and staff set the majority of the visible standards. Looking at the larger picture, not all organizations have equal influence or equal influence weighted by size to determine the law. This is another example of misrepresentation of moral standards. The meaning and application of some laws need to be clarified. Under the condition of product liability and equal employment issues, incomplete or imprecise legal requirements must be supplemented by judicial court decisions or by administrative agency actions. As a result of this, personal moral standards cannot influence the laws directly, if at all, in two of the means of formulating the law.

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