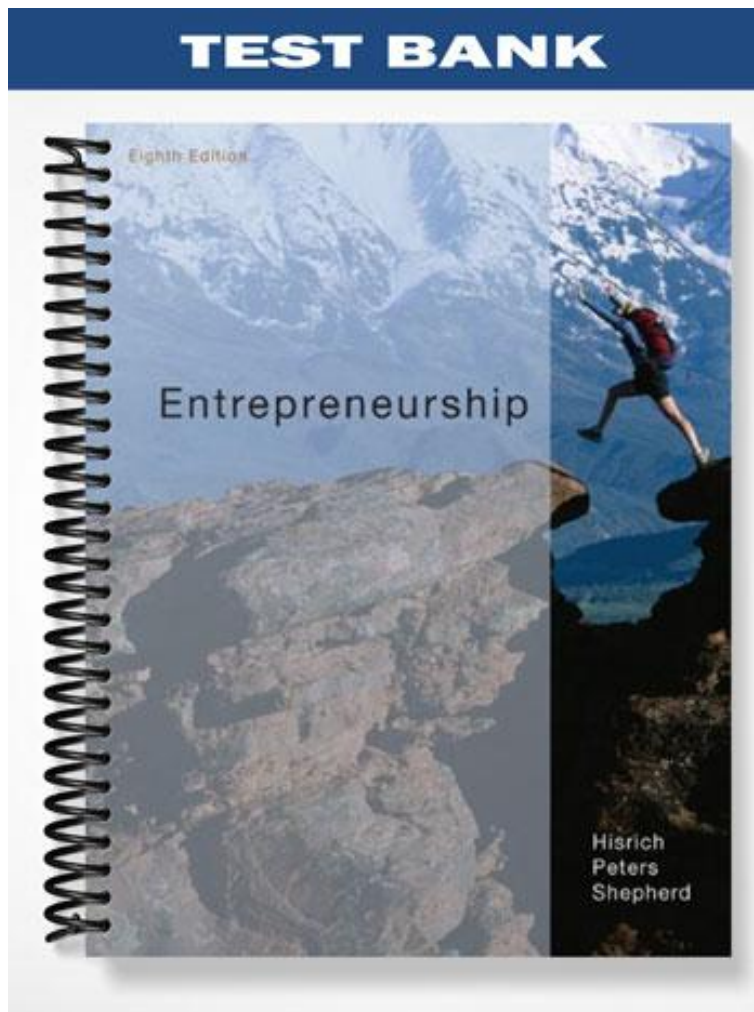


# TEST BANK



Eighth Edition

## Entrepreneurship

Hisrich  
Peters  
Shepherd

Student: \_\_\_\_\_

1. Robert Mondavi Winery was the first Californian to produce and market premium wines that were expected to compete with European wines.  
True False
2. Entrepreneurs have stronger intentions to act when taking action is perceived to be impossible and risky.  
True False
3. Perceived desirability refers to the degree to which an individual has a favorable or unfavorable evaluation of the potential entrepreneurial outcomes.  
True False
4. An entrepreneur is rarely able to start a new business without some form of formal education.  
True False
5. Previous start-up experience is a good predictor of starting subsequent businesses.  
True False
6. Research indicates that male entrepreneurs tend to start their first significant venture in their middle 30s, while women entrepreneurs tend to do so in their early 30s.  
True False
7. Dissatisfaction with various aspects of one's job often motivates the launching of a new venture.  
True False
8. Most entrepreneurs indicate that their most significant venture was not their first one.  
True False
9. Role models are individuals who give psychological support to the entrepreneur especially during the start-up phase.  
True False
10. Role models can include family members as well as industry professionals.  
True False
11. In a social network there are two major properties, density and centrality.  
True False
12. Women-owned businesses in the United States grew at twice the national for all private companies from 1997-2002.  
True False
13. In terms of minority entrepreneurship the highest level of participation comes from Asian groups and the lowest from Hispanics.  
True False
14. Clients and buyers are particularly important to include in your network because they can provide word-of-mouth advertising.  
True False
15. According to the Center for Women's Business Research women owned businesses generated 20 billion dollars in sales in 2008.  
True False

16. With regard to minority entrepreneurship, in terms of ownership, one study found the lowest participation rate for Hispanics.  
True False
17. The ownership of minority owned firms has increased each year from 1982-2002.  
True False
18. Corporate entrepreneurship is most strongly reflected in entrepreneurial activities as well as in top management orientations in organizations.  
True False
19. Organizational innovativeness consists of creating something new of value either by redefining the company's current products or services, developing new markets, or forming more formally autonomous or semiautonomous units or firms.  
True False
20. The typical corporate culture has a climate and a reward system that favor activist decision making.  
True False
21. Entrepreneurs focus on how to minimize resources needed whereas traditional firms focus on accumulating resources.  
True False
22. Most managers in a corporation are capable of being successful corporate entrepreneurs with the correct training.  
True False
23. In an encouraging climate for corporate entrepreneurship, rewards should be based on the attainment of established performance goals.  
True False
24. It is important for an entrepreneur to understand all aspects of the environment. Part of this ability is reflected in the individual's level of creativity, which generally increases with age and education in most individuals.  
True False
25. The corporate entrepreneur to have the ability to encourage teamwork and use a multidisciplinary approach, which violates organizational practices and structures taught in most business schools.  
True False
26. For an organization with a traditional environment, it is best to facilitate an external process to establish an entrepreneurial environment.  
True False
27. An organization that wants to become more entrepreneurial must learn to be more productive with fewer resources.  
True False
28. Entrepreneurial activities tend to immediately affect the bottom line, and hence are seldom overlooked and receive extensive funding and support.  
True False
29. Corporate ventures are totally independent units, hence the equity portion of the compensation is particularly difficult to handle.  
True False
30. One study found that new ventures started within a corporation performed better than those started independently by entrepreneurs.  
True False

31. Robert Mondavi came up with all of the following process innovations except:
- A. steel fermentation tanks
  - B. vacuum corking of bottles
  - C. labels that indicated when the wine was cold
  - D. aging wines in new French oak barrels
32. Individuals have stronger intentions to act when taking action is perceived to be \_\_\_\_\_ and desirable.
- A. elusive
  - B. feasible
  - C. flexible
  - D. risky
33. Which among the following aspects affects an entrepreneur's perception of feasibility?
- A. Locus of control
  - B. Learning style
  - C. Perceived desirability
  - D. Self-efficacy
34. On the education background, entrepreneurs:
- A. are less educated than the general population.
  - B. cite an educational need in the areas of finance, strategic planning, marketing, and management.
  - C. who lack a formal education, fail to create new businesses and exploit discovered opportunities.
  - D. cite formal education to be indispensable in starting a new business.
35. Motivation to launch a new venture can arise from all of the following *except*:
- A. lack of prior experience.
  - B. boredom.
  - C. a lack of challenge.
  - D. frustration.
36. As the venture becomes established and starts growing, which of the following types of experience becomes increasingly important?
- A. Technical
  - B. Financing
  - C. Managerial
  - D. Marketing
37. Density, in regards to a social network, refers to:
- A. the extensiveness of ties between two individuals.
  - B. the total number of individuals in the network.
  - C. the distance of connection between the entrepreneur and contact.
  - D. the fact that most networks are informal and not well organized.
38. The moral support network is different from the professional support network in that:
- A. a professional support network includes finding a mentor.
  - B. moral support is less important than professional support.
  - C. only the "cheering squad" provides moral support.
  - D. a moral support network comprises only of personal contacts.
39. Within the moral-support network, most entrepreneurs indicate that their \_\_\_\_\_ are their biggest supporters.
- A. mentors
  - B. friends
  - C. parents
  - D. spouses

40. Which group in a professional network helps keep a new venture competitive?
- A. Clients or buyers
  - B. Mentors
  - C. Trade associations
  - D. Suppliers
41. Presently, women entrepreneurs:
- A. outnumber men.
  - B. stay in business for a shorter time than men.
  - C. start businesses at twice the rate of all businesses.
  - D. own 45 percent of all private companies.
42. What percentage of women owned businesses are connected with health care and social services?
- A. 25%
  - B. 33%
  - C. 50%
  - D. 65%
43. According to statistics provided by the Center for Women's Business Research women owned businesses employ how many people?
- A. 5 million
  - B. 7 million
  - C. 13 million
  - D. 15 million
44. The highest level of minority owned business participation comes from:
- A. Hispanics
  - B. Asians
  - C. African-Americans
  - D. American Indians
45. The lowest level of minority owned business participation, at about 1%, comes from:
- A. Hispanics
  - B. Asians
  - C. African-Americans
  - D. American Indians
46. In regards to the differences between the entrepreneurial and administrative focuses which of the following is correct?
- A. Entrepreneurs focus on slow steady growth and managers focus on rapid growth
  - B. Entrepreneurs rent or sporadically use resources; managers like to own resources
  - C. Entrepreneurs are driven by controlled resources; managers by opportunity
  - D. Entrepreneurs tend to use a hierarchical management structure; managers use a more fluid, flat approach
47. Having an entrepreneurial orientation towards the control of resources means:
- A. that one focuses on accessing others' resources.
  - B. that one focuses on purchasing resources.
  - C. that one has a belief that resources are unlimited and therefore easy to obtain.
  - D. that one focuses on using a hierarchy management structure in allocating resources
48. Entrepreneurial culture and growth orientation consists of all of the following except:
- A. encouraging employees to generate ideas.
  - B. focusing on opportunities.
  - C. the desire to grow at a slow and controlled pace.
  - D. being creative.

49. Corporate entrepreneurship is best described as:
- A. the hiring of former Entrepreneurs.
  - B. entrepreneurial action within an organization.
  - C. the process of buying acquiring entrepreneurial firms.
  - D. the process of hiring consultants to teach a firm how to be more creative.
50. \_\_\_\_\_ includes initiative and risk taking, as well as competitive aggressiveness and boldness.
- A. New business venturing
  - B. Self-renewal
  - C. Innovativeness
  - D. Proactiveness
51. New product development falls under which of the four major components of corporate entrepreneurship?
- A. New business venturing
  - B. Self-renewal
  - C. Innovativeness
  - D. Proactiveness
52. All these are characteristics of an entrepreneurial environment *except*:
- A. there are short term horizons.
  - B. new ideas are encouraged.
  - C. the organization operates on frontiers of technology.
  - D. it uses a multidiscipline teamwork approach.
53. Which of the following is true about corporate entrepreneurship?
- A. Equity in a new venture should not be used as a reward due to its uncertain value
  - B. A company must be willing to invest money without a guarantee of a return in the short term
  - C. Teams should be segmented by department
  - D. Top management should not be involved in the process
54. The first step in establishing corporate entrepreneurship in an organization is:
- A. finding mid level managers to champion ideas
  - B. developing ways to get closer to customers
  - C. learn to be more productive with fewer resources
  - D. securing commitment from top management
55. When establishing corporate entrepreneurship in an organization rewards should:
- A. be tied to the department in which the idea originated
  - B. be tied to the parent company's stock performance
  - C. be tied to the performance of the entrepreneurial unit created from the idea
  - D. not be changed from whatever current system is being used so that risk is encouraged
56. Which company, discussed in our text as an example of corporate entrepreneurship, created a high quality monitor that was used by NASA?
- A. HP
  - B. IBM
  - C. APPLE
  - D. TOSHIBA
57. Which of the following is true?
- A. Independent, venture-capital-based start-ups by entrepreneurs tend to outperform corporate start-ups significantly.
  - B. New ventures started within a corporation performed better than those started independently by entrepreneurs.
  - C. Independent entrepreneurs find difficulty in maintaining a long-term commitment.
  - D. Corporate ventures become profitable twice as fast as independent ventures.

58. Identify and briefly describe the 4 major parts of corporate entrepreneurship.

1. New business venturing: These entrepreneurial activities consist of creating something new of value either by redefining the company's current products or services, developing new markets, or forming more formally autonomous or semiautonomous units or firms.
2. Organizational innovativeness refers to product and service innovation. It includes new product development, product improvements, and new production methods and procedures.
3. Self-renewal is the transformation of an organization through the renewal of the key ideas on which it is built. Includes a redefinition of the business concept, reorganization, and the introduction of system wide changes to increase innovation.
4. Proactiveness includes initiative and risk taking, as well as competitive aggressiveness and boldness, which are particularly reflected in the orientations and activities of top management. A proactive organization tends to take risks by conducting experiments; it also takes initiative and is bold and aggressive in pursuing opportunities. Organizations with this proactive spirit attempt to lead rather than follow competitors in such key business areas as the introduction of new products or services, operating technologies, and administrative techniques.

59. Discuss three major ways in which managerial and entrepreneurial decision making differs.

Eight areas of difference students can choose from:

1. strategic orientation
2. commitment to opportunity
3. commitment of resources
4. control of resources
5. management structure
6. reward philosophy
7. growth orientation
8. entrepreneurial culture

Basic differences in each dimension:

**TABLE 2.1** Distinguishing Entrepreneurially from Traditionally Managed Firms

<b>Entrepreneurial Focus</b>	<b>Conceptual Dimension</b>	<b>Administrative Focus</b>
Driven by perception of opportunity	Strategic orientation	Driven by controlled resources
Revolutionary with short duration	Commitment to opportunity	Evolutionary with long duration
Many stages with minimal exposure	Commitment of resources	A single stage with complete commitment out of decision
Episodic use or rent of required resources	Control of resources	Ownership or employment of required resources
Flat with multiple informal networks	Management structure	Hierarchy
Based on value creation	Reward philosophy	Based on responsibility and seniority
Rapid growth is top priority; risk accepted to achieve growth	Growth orientation	Safe, slow, and steady
Promoting broad search for opportunities	Entrepreneurial culture	Opportunity search restricted by controlled resources; failure punished

Source: This table is taken from T. Brown, P. Davidsson, and J. Wiklund, "An Operationalization of Stevenson's Conceptualization of Entrepreneurship as Opportunity-Based Firm Behavior," *Strategic Management Journal* 22 (2001), p. 955.



## 02 Key

1. Robert Mondavi Winery was the first Californian to produce and market premium wines that were expected to compete with European wines.  
(p. 35) **TRUE**  
*Difficulty: Medium*  
*Hisrich - Chapter 02 #1*
2. Entrepreneurs have stronger intentions to act when taking action is perceived to be impossible and risky.  
(p. 38) **FALSE**  
*Difficulty: Easy*  
*Hisrich - Chapter 02 #2*
3. Perceived desirability refers to the degree to which an individual has a favorable or unfavorable evaluation of the potential entrepreneurial outcomes.  
(p. 38) **TRUE**  
*Difficulty: Easy*  
*Hisrich - Chapter 02 #3*
4. An entrepreneur is rarely able to start a new business without some form of formal education.  
(p. 38) **FALSE**  
*Difficulty: Medium*  
*Hisrich - Chapter 02 #4*
5. Previous start-up experience is a good predictor of starting subsequent businesses.  
(p. 40) **TRUE**  
*Difficulty: Medium*  
*Hisrich - Chapter 02 #5*
6. Research indicates that male entrepreneurs tend to start their first significant venture in their middle 30s, while women entrepreneurs tend to do so in their early 30s.  
(p. 40) **FALSE**  
*Difficulty: Medium*  
*Hisrich - Chapter 02 #6*
7. Dissatisfaction with various aspects of one's job often motivates the launching of a new venture.  
(p. 40) **TRUE**  
*Difficulty: Easy*  
*Hisrich - Chapter 02 #7*
8. Most entrepreneurs indicate that their most significant venture was not their first one.  
(p. 40) **TRUE**  
*Difficulty: Easy*  
*Hisrich - Chapter 02 #8*
9. Role models are individuals who give psychological support to the entrepreneur especially during the start-up phase.  
(p. 40) **FALSE**  
*Difficulty: Hard*  
*Hisrich - Chapter 02 #9*
10. Role models can include family members as well as industry professionals.  
(p. 40-41) **TRUE**  
*Difficulty: Easy*  
*Hisrich - Chapter 02 #10*
11. In a social network there are two major properties, density and centrality.  
(p. 41) **TRUE**  
*Difficulty: Medium*  
*Hisrich - Chapter 02 #11*

12. Women-owned businesses in the United States grew at twice the national for all private companies from 1997-2002.  
(p. 43) **TRUE**  
*Difficulty: Medium*  
*Hisrich - Chapter 02 #12*
13. In terms of minority entrepreneurship the highest level of participation comes from Asian groups and the lowest from Hispanics.  
(p. 43) **FALSE**  
*Difficulty: Medium*  
*Hisrich - Chapter 02 #13*
14. Clients and buyers are particularly important to include in your network because they can provide word-of-mouth advertising.  
(p. 42-43) **TRUE**  
*Difficulty: Easy*  
*Hisrich - Chapter 02 #14*
15. According to the Center for Women's Business Research women owned businesses generated 20 billion dollars in sales in 2008.  
(p. 43) **FALSE**  
*Difficulty: Medium*  
*Hisrich - Chapter 02 #15*
16. With regard to minority entrepreneurship, in terms of ownership, one study found the lowest participation rate for Hispanics.  
(p. 45) **FALSE**  
*Difficulty: Hard*  
*Hisrich - Chapter 02 #16*
17. The ownership of minority owned firms has increased each year from 1982-2002.  
(p. 44-45) **TRUE**  
*Difficulty: Medium*  
*Hisrich - Chapter 02 #17*
18. Corporate entrepreneurship is most strongly reflected in entrepreneurial activities as well as in top management orientations in organizations.  
(p. 51) **TRUE**  
*Difficulty: Easy*  
*Hisrich - Chapter 02 #18*
19. Organizational innovativeness consists of creating something new of value either by redefining the company's current products or services, developing new markets, or forming more formally autonomous or semiautonomous units or firms.  
(p. 51) **FALSE**  
*Difficulty: Hard*  
*Hisrich - Chapter 02 #19*
20. The typical corporate culture has a climate and a reward system that favor activist decision making.  
(p. 47) **FALSE**  
*Difficulty: Medium*  
*Hisrich - Chapter 02 #20*
21. Entrepreneurs focus on how to minimize resources needed whereas traditional firms focus on accumulating resources.  
(p. 47) **TRUE**  
*Difficulty: Medium*  
*Hisrich - Chapter 02 #21*
22. Most managers in a corporation are capable of being successful corporate entrepreneurs with the correct training.  
(p. 53) **FALSE**  
*Difficulty: Easy*  
*Hisrich - Chapter 02 #22*

23. In an encouraging climate for corporate entrepreneurship, rewards should be based on the attainment of established performance goals.  
(p. 53) **TRUE**  
*Difficulty: Easy*  
*Hisrich - Chapter 02 #23*
24. It is important for an entrepreneur to understand all aspects of the environment. Part of this ability is reflected in the individual's level of creativity, which generally increases with age and education in most individuals.  
(p. 54) **FALSE**  
*Difficulty: Hard*  
*Hisrich - Chapter 02 #24*
25. The corporate entrepreneur to have the ability to encourage teamwork and use a multidisciplinary approach, which violates organizational practices and structures taught in most business schools.  
(p. 54) **TRUE**  
*Difficulty: Medium*  
*Hisrich - Chapter 02 #25*
26. For an organization with a traditional environment, it is best to facilitate an external process to establish an entrepreneurial environment.  
(p. 54-55) **TRUE**  
*Difficulty: Medium*  
*Hisrich - Chapter 02 #26*
27. An organization that wants to become more entrepreneurial must learn to be more productive with fewer resources.  
(p. 55) **TRUE**  
*Difficulty: Medium*  
*Hisrich - Chapter 02 #27*
28. Entrepreneurial activities tend to immediately affect the bottom line, and hence are seldom overlooked and receive extensive funding and support.  
(p. 55) **FALSE**  
*Difficulty: Easy*  
*Hisrich - Chapter 02 #28*
29. Corporate ventures are totally independent units, hence the equity portion of the compensation is particularly difficult to handle.  
(p. 56) **FALSE**  
*Difficulty: Medium*  
*Hisrich - Chapter 02 #29*
30. One study found that new ventures started within a corporation performed better than those started independently by entrepreneurs.  
(p. 56) **FALSE**  
*Difficulty: Medium*  
*Hisrich - Chapter 02 #30*
31. Robert Mondavi came up with all of the following process innovations except:  
(p. 35) A. steel fermentation tanks  
B. vacuum corking of bottles  
**C.** labels that indicated when the wine was cold  
D. aging wines in new French oak barrels  
*Difficulty: Easy*  
*Hisrich - Chapter 02 #31*
32. Individuals have stronger intentions to act when taking action is perceived to be \_\_\_\_\_ and desirable.  
(p. 38) A. elusive  
**B.** feasible  
C. flexible  
D. risky  
*Difficulty: Hard*  
*Hisrich - Chapter 02 #32*
- Difficulty: Easy*  
*Hisrich - Chapter 02 #32*

33. Which among the following aspects affects an entrepreneur's perception of feasibility?

- (p. 38)
- A. Locus of control
  - B. Learning style
  - C. Perceived desirability
  - D. Self-efficacy**

*Difficulty: Medium*  
*Hisrich - Chapter 02 #33*

34. On the education background, entrepreneurs:

- (p. 39)
- A. are less educated than the general population.
  - B. cite an educational need in the areas of finance, strategic planning, marketing, and management.**
  - C. who lack a formal education, fail to create new businesses and exploit discovered opportunities.
  - D. cite formal education to be indispensable in starting a new business.

*Difficulty: Medium*  
*Hisrich - Chapter 02 #34*

35. Motivation to launch a new venture can arise from all of the following *except*:

- (p. 40)
- A. lack of prior experience.**
  - B. boredom.
  - C. a lack of challenge.
  - D. frustration.

*Difficulty: Easy*  
*Hisrich - Chapter 02 #35*

36. As the venture becomes established and starts growing, which of the following types of experience becomes increasingly important?

- (p. 40)
- A. Technical
  - B. Financing
  - C. Managerial**
  - D. Marketing

*Difficulty: Easy*  
*Hisrich - Chapter 02 #36*

37. Density, in regards to a social network, refers to:

- (p. 41)
- A. the extensiveness of ties between two individuals.**
  - B. the total number of individuals in the network.
  - C. the distance of connection between the entrepreneur and contact.
  - D. the fact that most networks are informal and not well organized.

*Difficulty: Hard*  
*Hisrich - Chapter 02 #37*

38. The moral support network is different from the professional support network in that:

- (p. 41)
- A. a professional support network includes finding a mentor.**
  - B. moral support is less important than professional support.
  - C. only the "cheering squad" provides moral support.
  - D. a moral support network comprises only of personal contacts.

*Difficulty: Hard*  
*Hisrich - Chapter 02 #38*

39. Within the moral-support network, most entrepreneurs indicate that their \_\_\_\_\_ are their biggest supporters.

- (p. 41)
- A. mentors
  - B. friends
  - C. parents
  - D. spouses**

*Difficulty: Medium*  
*Hisrich - Chapter 02 #39*

40. Which group in a professional network helps keep a new venture competitive?  
(p. 43)
- A. Clients or buyers
  - B. Mentors
  - C.** Trade associations
  - D. Suppliers

*Difficulty: Hard*  
*Hisrich - Chapter 02 #40*

41. Presently, women entrepreneurs:  
(p. 43)
- A. outnumber men.
  - B. stay in business for a shorter time than men.
  - C.** start businesses at twice the rate of all businesses.
  - D. own 45 percent of all private companies.

*Difficulty: Medium*  
*Hisrich - Chapter 02 #41*

42. What percentage of women owned businesses are connected with health care and social services?  
(p. 43)
- A. 25%
  - B.** 33%
  - C. 50%
  - D. 65%

*Difficulty: Hard*  
*Hisrich - Chapter 02 #42*

43. According to statistics provided by the Center for Women's Business Research women owned businesses employ how many people?  
(p. 43)
- A. 5 million
  - B. 7 million
  - C.** 13 million
  - D. 15 million

*Difficulty: Hard*  
*Hisrich - Chapter 02 #43*

44. The highest level of minority owned business participation comes from:  
(p. 44)
- A.** Hispanics
  - B. Asians
  - C. African-Americans
  - D. American Indians

*Difficulty: Medium*  
*Hisrich - Chapter 02 #44*

45. The lowest level of minority owned business participation, at about 1%, comes from:  
(p. 44)
- A. Hispanics
  - B. Asians
  - C. African-Americans
  - D.** American Indians

*Difficulty: Medium*  
*Hisrich - Chapter 02 #45*

46. In regards to the differences between the entrepreneurial and administrative focuses which of the following is correct?  
(p. 45)
- A. Entrepreneurs focus on slow steady growth and managers focus on rapid growth
  - B.** Entrepreneurs rent or sporadically use resources; managers like to own resources
  - C. Entrepreneurs are driven by controlled resources; managers by opportunity
  - D. Entrepreneurs tend to use a hierarchical management structure; managers use a more fluid, flat approach

*Difficulty: Medium*  
*Hisrich - Chapter 02 #46*

47. Having an entrepreneurial orientation towards the control of resources means:  
(p. 47) **A.** that one focuses on accessing others' resources.  
B. that one focuses on purchasing resources.  
C. that one has a belief that resources are unlimited and therefore easy to obtain.  
D. that one focuses on using a hierarchy management structure in allocating resources

*Difficulty: Medium*  
*Hisrich - Chapter 02 #47*

48. Entrepreneurial culture and growth orientation consists of all of the following except:  
(p. 48) A. encouraging employees to generate ideas.  
B. focusing on opportunities.  
**C.** the desire to grow at a slow and controlled pace.  
D. being creative.

*Difficulty: Easy*  
*Hisrich - Chapter 02 #48*

49. Corporate entrepreneurship is best described as:  
(p. 51) A. the hiring of former Entrepreneurs.  
**B.** entrepreneurial action within an organization.  
C. the process of buying acquiring entrepreneurial firms.  
D. the process of hiring consultants to teach a firm how to be more creative.

*Difficulty: Medium*  
*Hisrich - Chapter 02 #49*

50. \_\_\_\_\_ includes initiative and risk taking, as well as competitive aggressiveness and boldness.  
(p. 51) A. New business venturing  
B. Self-renewal  
C. Innovativeness  
**D.** Proactiveness

*Difficulty: Easy*  
*Hisrich - Chapter 02 #50*

51. New product development falls under which of the four major components of corporate entrepreneurship?  
(p. 51) A. New business venturing  
B. Self-renewal  
**C.** Innovativeness  
D. Proactiveness

*Difficulty: Medium*  
*Hisrich - Chapter 02 #51*

52. All these are characteristics of an entrepreneurial environment *except*:  
(p. 52) **A.** there are short term horizons.  
B. new ideas are encouraged.  
C. the organization operates on frontiers of technology.  
D. it uses a multidiscipline teamwork approach.

*Difficulty: Medium*  
*Hisrich - Chapter 02 #52*

53. Which of the following is true about corporate entrepreneurship?  
(p. 52-53) A. Equity in a new venture should not be used as a reward due to its uncertain value  
**B.** A company must be willing to invest money without a guarantee of a return in the short term  
C. Teams should be segmented by department  
D. Top management should not be involved in the process

*Difficulty: Medium*  
*Hisrich - Chapter 02 #53*

54. The first step in establishing corporate entrepreneurship in an organization is:  
(p. 55) A. finding mid level managers to champion ideas  
B. developing ways to get closer to customers  
C. learn to be more productive with fewer resources  
**D.** securing commitment from top management

*Difficulty: Medium*  
*Hisrich - Chapter 02 #54*

55. When establishing corporate entrepreneurship in an organization rewards should:
- (p. 55) A. be tied to the department in which the idea originated
  - B. be tied to the parent company's stock performance
  - C.** be tied to the performance of the entrepreneurial unit created from the idea
  - D. not be changed from whatever current system is being used so that risk is encouraged

*Difficulty: Medium*  
*Hisrich - Chapter 02 #55*

56. Which company, discussed in our text as an example of corporate entrepreneurship, created a high quality monitor that was used by NASA?
- (p. 57) **A.** HP
  - B. IBM
  - C. APPLE
  - D. TOSHIBA

*Difficulty: Medium*  
*Hisrich - Chapter 02 #56*

57. Which of the following is true?
- (p. 56) **A.** Independent, venture-capital-based start-ups by entrepreneurs tend to outperform corporate start-ups significantly.
  - B. New ventures started within a corporation performed better than those started independently by entrepreneurs.
  - C. Independent entrepreneurs find difficulty in maintaining a long-term commitment.
  - D. Corporate ventures become profitable twice as fast as independent ventures.

*Difficulty: Medium*  
*Hisrich - Chapter 02 #57*

58. Identify and briefly describe the 4 major parts of corporate entrepreneurship.

- (p. 51) 1. New business venturing: These entrepreneurial activities consist of creating something new of value either by redefining the company's current products or services, developing new markets, or forming more formally autonomous or semiautonomous units or firms.
- 2. Organizational innovativeness refers to product and service innovation. It includes new product development, product improvements, and new production methods and procedures.
- 3. Self-renewal is the transformation of an organization through the renewal of the key ideas on which it is built. Includes a redefinition of the business concept, reorganization, and the introduction of system wide changes to increase innovation.
- 4. Proactiveness includes initiative and risk taking, as well as competitive aggressiveness and boldness, which are particularly reflected in the orientations and activities of top management. A proactive organization tends to take risks by conducting experiments; it also takes initiative and is bold and aggressive in pursuing opportunities. Organizations with this proactive spirit attempt to lead rather than follow competitors in such key business areas as the introduction of new products or services, operating technologies, and administrative techniques.

Answer will vary.

*Difficulty: Medium*  
*Hisrich - Chapter 02 #58*

59. Discuss three major ways in which managerial and entrepreneurial decision making differs.  
 (p. 45-48)

Eight areas of difference students can choose from:

1. strategic orientation
2. commitment to opportunity
3. commitment of resources
4. control of resources
5. management structure
6. reward philosophy
7. growth orientation
8. entrepreneurial culture

Basic differences in each dimension:

**TABLE 2.1** Distinguishing Entrepreneurially from Traditionally Managed Firms

<b>Entrepreneurial Focus</b>	<b>Conceptual Dimension</b>	<b>Administrative Focus</b>
Driven by perception of opportunity	Strategic orientation	Driven by controlled resources
Revolutionary with short duration	Commitment to opportunity	Evolutionary with long duration
Many stages with minimal exposure	Commitment of resources	A single stage with complete commitment out of decision
Episodic use or rent of required resources	Control of resources	Ownership or employment of required resources
Flat with multiple informal networks	Management structure	Hierarchy
Based on value creation	Reward philosophy	Based on responsibility and seniority
Rapid growth is top priority; risk accepted to achieve growth	Growth orientation	Safe, slow, and steady
Promoting broad search for opportunities	Entrepreneurial culture	Opportunity search restricted by controlled resources; failure punished

Source: This table is taken from T. Brown, P. Davidsson, and J. Wiklund, "An Operationalization of Stevenson's Conceptualization of Entrepreneurship as Opportunity-Based Firm Behavior," *Strategic Management Journal* 22 (2001), p. 955.

Answer will vary.



## 02 Summary

<u>Category</u>	<u># of Questions</u>
Difficulty: Easy	16
Difficulty: Hard	10
Difficulty: Medium	33
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