

**TEST BANK**



# Chapter 2--Preparing for the Entrepreneurial Journey

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

1. Entrepreneurship is a personal journey that begins in the mind of the nascent entrepreneur.  
True False
2. Entrepreneurs start businesses for many reasons, but the number one reason appears to be their need for independence and to create something new.  
True False
3. The chances of success for a new business startup are determined primarily by the size of the initial financial investment.  
True False
4. In an entrepreneurial endeavor, risk is correlated with reward; that is, the greater the risk taken, the greater the reward expected.  
True False
5. Research has determined that effective and efficient business planning correlates with business success.  
True False
6. The Internet has made it possible for those who want to be entrepreneurs to launch a business at relatively low cost.  
True False
7. The "traditional entrepreneur" is an entrepreneur who starts a bricks-and-mortar business and builds it to a point where the wealth created can be harvested.  
True False
8. Today many enterprising people are turning to nonprofit ventures to realize their entrepreneurial dreams.  
True False
9. Entrepreneurs can choose to start a new venture from scratch, buy an existing business and build it, or start a venture inside a large existing organization.  
True False

10. One of the biggest problems that scientists and engineers face when they decide to consider entrepreneurship is the expectation that there should be formulas and straightforward "right or wrong" answers.
- True False
11. Research has confirmed that entrepreneurs are motivated intrinsically by such things as the desire for \_\_\_\_.
- A. wealth
  - B. independence
  - C. growth
  - D. power
  - E. partnership
12. When it comes to the Inc. 500 Fastest Growing Private Companies, the \_\_\_\_ is *not* a predictor of ultimate success.
- A. size of the team
  - B. size of the market
  - C. amount of startup capital
  - D. degree of risk
  - E. desire for independence
13. Most of the great businesses that have been successful for at least 50 years (companies such as Walt Disney, Sony, and Merck) did *not* start with a/an \_\_\_\_.
- A. lot of money
  - B. need for independence
  - C. great idea
  - D. great team
  - E. original idea
14. The goal of most entrepreneurs is to reduce the level of \_\_\_\_ in any venture.
- A. investment
  - B. independence
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  - D. risk
  - E. resources
15. In general, venture capitalists say that they will take a \_\_\_\_ and a large market opportunity in a fast-growing area over a great idea any day
- A. big risk
  - B. strong business plan
  - C. passionate entrepreneur
  - D. strong leader
  - E. great team

16. The 2008 *Global Entrepreneurship Monitor Report* found that men and women in the \_\_\_\_ age bracket are responsible for 36 percent of all the entrepreneurial activity in the United States and for 22 percent of the activity globally.
- A. 25-45
  - B. 25-55
  - C. 45-65
  - D. 45-98
  - E. 65-98
17. Peter Drucker asserted, "The entrepreneurial mystique, it's not magic, it's not mysterious, and it has nothing to do with the genes. It is \_\_\_\_."
- A. having enough money
  - B. a great idea
  - C. a great network
  - D. discipline
  - E. the need for independence
18. In the United States, \_\_\_\_ entrepreneurship is most prevalent.
- A. opportunity-driven
  - B. efficiency-driven
  - C. factor-driven
  - D. necessity-driven
  - E. passion-driven
19. \_\_\_\_ comprise over two-thirds of all sole proprietorships, partnerships, and S-corporations in the United States.
- A. Startups
  - B. Home-based businesses
  - C. Nonprofit businesses
  - D. Serial entrepreneurs
  - E. Corporate entrepreneurs
20. An entrepreneur who owns a minority or majority stake in several ventures is called a \_\_\_\_ entrepreneur.
- A. portfolio
  - B. traditional
  - C. serial
  - D. nonprofit
  - E. None of these choices

21. An entrepreneur who starts one business and then moves on to start another is classified as a \_\_\_\_ entrepreneur.
- A. portfolio
  - B. traditional
  - C. serial
  - D. nonprofit
  - E. None of these choices
22. Nourish International, a nonprofit run by \_\_\_\_, raises money to help eradicate global poverty.
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  - C. Microsoft
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23. Robert Chambers used the \_\_\_\_ organizational structure as a vehicle to help low-income people make better purchasing decisions when it came to cars.
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24. Entrepreneurial-like ventures inside large companies are called \_\_\_\_.
- A. skunk works
  - B. nonprofits
  - C. for-profits
  - D. corporate ventures
  - E. None of these choices
25. \_\_\_\_ refers to an autonomous group with a mandate to find and develop new products for the company that may even be external to the company's core competencies.
- A. Skunk works
  - B. Nonprofit
  - C. Intrapreneurship
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26. A very specific task that an entrepreneur can undertake to prepare for success is to find/be a \_\_\_\_.
- A. network
  - B. mentor
  - C. self-starter
  - D. leader
  - E. All of these choices
27. The probability of survival and success tends to go up with businesses that have more \_\_\_\_.
- A. networks
  - B. mentors
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  - D. investors
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28. \_\_\_\_ is the exchange of information and resources among individuals, groups, or organizations whose common goals are to mutually benefit and create value for the members.
- A. Business planning
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29. The \_\_\_\_ in a professional network are the entrepreneur's acquaintances and business contacts.
- A. strong ties
  - B. weak ties
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31. \_\_\_\_ serve as gateways to other networks, exerting influence between groups or networks rather than within groups.
- A. Network brokers
  - B. Angel investors
  - C. Gateways
  - D. Opinion leaders
  - E. All of these choices

32. Which of the following is not a barrier to becoming self-employed?
- A. Lack of confidence
  - B. Financial needs
  - C. Family issues
  - D. Time constraints
  - E. Lack of training
33. \_\_\_\_ is a critical part of the everyday life of an entrepreneur and is a skill that must be developed and exercised carefully.
- A. Making effective decisions
  - B. Paying attention to details
  - C. Comparing potential outcomes
  - D. Critical thinking
  - E. Being a micromanager
34. \_\_\_\_ facilitates a new venture's identity and legitimacy as well as creates a competitive advantage that is difficult to replicate.
- A. Networking
  - B. Decision making
  - C. Storytelling
  - D. Critical thinking
  - E. Micromanaging
35. Critical entrepreneurial skills include \_\_\_\_.
- A. opportunity recognition
  - B. leadership and people management
  - C. written and oral communication
  - D. "leadership and people management" and "written and oral communication" only
  - E. All of these choices
36. Entrepreneurial leaders have a distinct advantage over \_\_\_\_ leaders because they see themselves as part of a team.
- A. heroic
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  - C. visionary
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37. One of the best ways to discover an opportunity is to study a/an \_\_\_\_\_ in depth.
- A. company
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38. Companies engage in skunk works, \_\_\_\_\_ and \_\_\_\_\_ to simulate an entrepreneurial environment within the organization.
- A. brainstorming / entrepreneurship
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39. An entrepreneur's \_\_\_\_\_ are the foundation for the business and are always reflected in the business and in the way customers are treated.
- A. ideas
  - B. networks
  - C. core values
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40. A/An \_\_\_\_\_ is a group of companies that are engaged in similar or related activities.
- A. network
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41. Why have myths developed about entrepreneurs?



42. Discuss the traditional entrepreneur.

43. What is required for an entrepreneurial mindset to succeed inside a large corporation?

44. Discuss some of the challenges in following the entrepreneur career path.

45. What are the steps to increasing success as an entrepreneur?

46. What are some sources of business knowledge for entrepreneurs? Which is the most important?

47. How can an entrepreneur efficiently build a large, but meaningful network?

48. In what ways do entrepreneurial leaders have an advantage over heroic leaders?

49. Discuss the importance of making effective decisions.

50. Why should someone who is considering starting a business be concerned about her or his health?

## Chapter 2--Preparing for the Entrepreneurial Journey **Key**

1. Entrepreneurship is a personal journey that begins in the mind of the nascent entrepreneur.

**TRUE**

2. Entrepreneurs start businesses for many reasons, but the number one reason appears to be their need for independence and to create something new.

**TRUE**

3. The chances of success for a new business startup are determined primarily by the size of the initial financial investment.

**FALSE**

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**FALSE**

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**FALSE**

6. The Internet has made it possible for those who want to be entrepreneurs to launch a business at relatively low cost.

**TRUE**

7. The "traditional entrepreneur" is an entrepreneur who starts a bricks-and-mortar business and builds it to a point where the wealth created can be harvested.

**TRUE**

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41. Why have myths developed about entrepreneurs?

Entrepreneurs make up a relatively small portion of the population. They have the potential to become very rich and the potential to lose large sums of money. The media give them disproportionate coverage because of the risks and potential rewards and because they are different from most managers. Myths develop as people try to understand the "art" of entrepreneurship.

42. Discuss the traditional entrepreneur.

Traditional entrepreneurs can be found in retail, manufacturing, services, health care, and literally any other industry. They start businesses solo or in teams, but what they have in common is a location that is not solely on the Internet. Such a company is started as a bricks-and-mortar business and is built to a point where the wealth created can be harvested.

43. What is required for an entrepreneurial mindset to succeed inside a large corporation?

Senior management commitment, a champion or several champions, corporate interoperability, clearly defined stages and metrics, a superior team, and a spirit of entrepreneurship.

44. Discuss some of the challenges in following the entrepreneur career path.

Some challenges including finding the right business opportunity; needing to work without pay for long hours; uncertainty; making major decisions that affect other people's lives; relying on other people; no previous experience; facing failure; finding the right people to grow the business; dealing with a sense of isolation; and raising capital and other resources.

45. What are the steps to increasing success as an entrepreneur?

Some steps include find a mentor; build a network; learn about entrepreneurs; identify reasons for wanting to own a business; analyze personality and business preferences; improve or acquire critical skills; and study an industry.

46. What are some sources of business knowledge for entrepreneurs? Which is the most important?

Some sources are magazines, books, newspapers, college courses, life experience, job experience, marketing research, and other entrepreneurs. The most important source is the other entrepreneurs.

47. How can an entrepreneur efficiently build a large, but meaningful network?

Entrepreneurs accomplish this by connecting with network brokers who serve as gateways to other networks. These brokers, or opinion leaders, exert influence between groups or networks rather than within groups.

48. In what ways do entrepreneurial leaders have an advantage over heroic leaders?

Heroic leaders are lonely, without peers or teammates. Entrepreneurial leaders are, more than ever, part of a creative team. The leader needs to inspire others to motivate and lead as well.

49. Discuss the importance of making effective decisions.

Making effective decisions is a critical part of the everyday life of an entrepreneur and is a skill that must be developed and exercised carefully. Poor decisions about hiring, business location, investors, and strategic partners can cost a company a great deal of money and prevent it from achieving its goals. Wise decisions, even in times of crisis, can provide an opportunity for growth.

50. Why should someone who is considering starting a business be concerned about her or his health?

We should all be concerned about our health, but especially before a life-changing event of our own choosing. Good physical, emotional, and spiritual health provides more energy for the entrepreneur, enables her or him to deal with stress better, and clarifies the values at the foundation of the business.