

**TEST BANK FOR PATTERNS OF
ENTREPRENEURSHIP MANAGEMENT 6TH
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Chapter 1: Understanding the Entrepreneurial Process

True/False

1. Entrepreneurship is the process of planning, organizing, operating, and assuming the risk of a business venture.
Ans: True Page: 3
2. The word *entreprendre* refers to the individuals who “undertook” the risk of new enterprise.
Ans: True Page: 4
3. Fortunately, entrepreneurs do not communicate with external “stakeholders” such as investors and bankers.
Ans: False Page: 4
4. Aspiring entrepreneurs hope for the chance to be their own bosses and have made the leap from their current employment into the uncertainty of a start-up.
Ans: False Page: 6
5. Technology entrepreneurs are individuals with innovative solutions to society’s most social problems.
Ans: False **Page: 6**
6. Many companies fail because the founders do not confront their management limitations.
Ans: True Page: 8
7. Fortunately, the skills needed to run a small company are not different from those required to run a larger firm.
Ans: False Page: 9
8. If an entrepreneur has limited experience and limited internal resources, outside help is not necessary.
Ans: False Page: 10
9. Looking at the historical trend, it is safe to say that most businesses start small and grow to be a large corporation.
Ans: False Page: 16
10. The failure rate of new businesses is very high, about 80-90 percent within the first two years.
Ans: False Page: 17

11. It is important for entrepreneurs to have mentors who always agree with them.

Ans: False

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12. Oftentimes, entrepreneurs become so engrossed in their venture that they can neglect their family relationships and their own health.

Ans: True

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13. It is important that entrepreneurs consider their lifestyles and personality characteristics, such as desire for control, before undertaking a venture.

Ans: True

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Short Answer / Fill in the Blank

14. _____ have developed an enterprise that fits their individual circumstances and style of life, and their basic intention is to earn an income for themselves and their families.

Ans: Lifestyle entrepreneurs

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15. _____ often seem to be possessed by their ideas, committing their lives to changing the direction of their field.

Ans: Social entrepreneurs

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16. The first decision that an entrepreneur should make is whether personal lifestyle and control are more important than _____ and eventual wealth creation.

Ans: growth

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17. The basic objective of Stage _____ of the entrepreneurial process is to define the criteria that would make a business opportunity worthwhile.

Ans: 1

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18. Setting goals and objectives, starting to write the plan, determining pricing, and preparing a full business plan are part of Stage _____ of the entrepreneurial process.

Ans: 2

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19. A full _____ is a vital yet dynamic document for a company.

Ans: business plan

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20. Stage 5 of the entrepreneurial process is called _____.

Ans: Scaling and Harvesting the Venture

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21. A(n) _____ is one that grows large enough to influence the environment and, thus, becomes a pacesetter.

Ans: entrepreneurial firm

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22. Each year at least _____ new businesses are started in the United States, and of these, a small proportion turn out to be the fast-growth companies that propel the economy forward.

Ans: 700,000

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23. The failure rate of new companies is _____ percent within the first two years.

Ans: 24

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Multiple Choice

24. Which of the following is not a characteristic of entrepreneurs:

- a. Self-starters
- b. Lethargic
- c. Optimists
- d. Perseverant

Ans: B

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25. An entrepreneur is driven mainly by:

- a. The control of resources
- b. Changing technology
- c. The perception of opportunity
- d. Planning systems

Ans: C

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26. Ray Smilor identified all of these entrepreneurs types except:

- a. Growth entrepreneurs
- b. Aspiring entrepreneurs
- c. Lifestyle entrepreneurs
- d. Technology entrepreneurs

Ans: D

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27. The type of entrepreneur that have the desire and the ability to grow as fast and as large as possible is:

- a. Growth entrepreneurs
- b. Aspiring entrepreneurs
- c. Lifestyle entrepreneurs
- d. Technology entrepreneurs

Ans: A

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28. Individuals with innovative solutions to society's most social problems are classified as:

- a. Lifestyle entrepreneurs

- b. Aspiring entrepreneurs
- c. Growth entrepreneurs
- d. Social entrepreneurs

Ans: D

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29. Technology entrepreneurs have ideas triggered by developments in:

- a. math and sociology
- b. science and history
- c. social studies and business
- d. science and engineering

Ans: D

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30. Building ventures around new technology requires specialist knowledge in all of the following except:

- a. social science
- b. language arts
- c. economics
- d. markets

Ans: B

Page: 6

31. A spider-web provides an analogy to a small company because:

- a. It is continually under attack from outside.
- b. It has both radial and circumferential axes.
- c. It has multiple points for support on the outside.
- d. It is fragile.

Ans: D

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32. To relieve stress you should:

- a. Work over the weekend if necessary
- b. Plan non-work personal time
- c. Work more intensely
- d. Work less

Ans: B

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33. Which of the following is not a characteristic of relieving stress:

- a. Get advice on time-management techniques
- b. Try to live at least twenty minutes from work
- c. Do not delegate
- d. Build in some slack time

Ans: C

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34. In what stage of the entrepreneurial process do you evaluate the competition?

- a. Stage 1
- b. Stage 2
- c. Stage 4
- d. Stage 5

Ans: A

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35. In what stage of the entrepreneurial process would managing the finances take place?
- a. Stage 2
 - b. Stage 3
 - c. Stage 4
 - d. Stage 5

Ans: C

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36. Forming a strategic alliance and discussing options and alternatives are part of what stage of the entrepreneurial process?
- a. Stage 2
 - b. Stage 3
 - c. Stage 4
 - d. Stage 5

Ans: D

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37. Which of the following is not a stage of the entrepreneurial process?
- a. Developing the plan and setting up the company
 - b. Buying an existing company
 - c. Scaling and harvesting the venture
 - d. Conducting opportunity analysis

Ans: B

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38. All of the following are early-stage funding sources except:
- a. family and friends
 - b. banks
 - c. government sources
 - d. IPO

Ans: D

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39. Stage 4 is:
- a. Scaling and Harvesting the Venture
 - b. Determining the Resources Required and Implementing the Plan
 - c. Developing the Plan and Setting up the Company
 - d. Acquiring Financial Partners/Sources of Funding

Ans: B

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40. The stages of entrepreneurship includes all of the following except:
- a. Conduct an opportunity analysis,
 - b. Develop the plan and set up the company,
 - c. Select an attorney
 - d. Scale and harvest the venture.

Ans: C

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41. What percent of all U.S. businesses employ twenty or fewer people?

- a. Approximately 98
- b. Approximately 87
- c. Approximately 65
- d. Approximately 50

Ans: B

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42. The past _____ years have been years of tremendous growth for entrepreneurial companies and for the individuals who make them thrive.

- a. 50
- b. 2
- c. 15
- d. 7

Ans: C

Page: 16

43. How many new businesses are started in the United States each year?

Approximately

- a. 700,000
- b. 1.5 million
- c. 450,000
- d. 100,000

Ans: A

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44. Most businesses do this:

- a. Start big, stay big
- b. Start small, become big
- c. Start small, stay small
- d. Start big, become small

Ans: C

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45. All of the following are reasons people become entrepreneurs except:

- a. working with others
- b. make your own decisions
- c. flexibility
- d. financial rewards

Ans: A

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46. The failure rate of new companies is this percent in the first ten years:

- a. 40-50
- b. 80-90
- c. 70-80
- d. 75-85

Ans: B

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47. Most business ventures that fail are:

- a. More than five years old.

- b. Less than ten years old.
- c. Less than one year old.
- d. More than ten years old.

Ans: B

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48. Most companies fail because of:

- a. having too much money
- b. focusing on a bad idea
- c. confronting complex management decisions without experience
- d. not having enough employees

Ans: C

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49. These selected stages of entrepreneurship in order are:

- a. determining the resources required and implementing the plan; acquiring financial partners/sources of funding; scaling and harvesting the venture
- b. acquiring financial partners/sources of funding; scaling and harvesting the venture; developing the plan and setting up the company
- c. determining the resources required; acquiring financial partners/sources of funding; and conducting the opportunity analysis
- d. acquiring financial partners/sources of funding; determining resources required and implementing the plan; scaling and harvesting the venture.

Ans: D

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50. Entrepreneurship is sometimes discussed as the ability to deal with apparent conflicts and find a balance between differing conditions and personal attributes. An example of this type of conflict would be:

- a. creativity and risk taking
- b. urgency and patience
- c. ambiguity and creativity
- d. risk taking and ambiguity

Ans: B

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