***Entrepreneurship: Successfully Launching New Ventures, 5e* (Barringer/Ireland)**

**Chapter 1 Introduction to Entrepreneurship**

1) Pure Fix Cycles, the company profiled in the opening feature of Chapter 1, was launched by four co-founders and sells \_\_\_\_\_\_\_\_.

A) fixed gear, single speed bikes

B) entry level bikes that sell in the $100 price range

C) bikes the are durable enough that they almost never need to be fixed

D) high quality bikes that sell in the $1,000+ price range

E) multiple gear, multiple speed bikes

Answer: A

Diff: 1 Page Ref: 3

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Reflective Thinking

2) Which of the following is an accurate characterization of interest in entrepreneurship?

A) There is minimal interest in entrepreneurship across the world.

B) There is minimal interest in entrepreneurship in North America and Europe, but significant interest in Asia and Australia.

C) There is significant interest in entrepreneurship in North America and Europe, but minimal interest in Asia and Australia.

D) While interest in entrepreneurship was once high, it is waning in popularity across the world.

E) There is tremendous interest in entrepreneurship across the world.

Answer: E

Diff: 1 Page Ref: 3

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Application of Knowledge

3) According to the Global Entrepreneurship Monitor (GEM) 2013 survey, about \_\_\_\_\_\_\_\_ percent of adults in the United States are either starting a business or are running a business that has been in existence for less than 3 1/2 years.

A) 3.8

B) 5.5

C) 7.6

D) 9.0

E) 12.7

Answer: E

Diff: 3 Page Ref: 5

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Application of Knowledge

4) According to the Global Entrepreneurship Monitor (GEM) 2013 study, the majority of people in high-income countries are drawn to entrepreneurship \_\_\_\_\_\_\_\_.

A) to take advantage of an attractive opportunity

B) due to lack of career prospects

C) as a result of government incentives

D) because an important role model was an entrepreneur

E) to gain prestige

Answer: A

Diff: 2 Page Ref: 5

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Reflective Thinking

5) Which of the following statements regarding survival rates of entrepreneurial firms in the United States is correct?

A) As high as 50 percent after four years

B) As high as 60 percent after four years

C) As high as 70 percent after four years

D) As high as 80 percent after four years

E) As high as 90 percent after four years

Answer: A

Diff: 2 Page Ref: 6

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Reflective Thinking

6) Cody Rodgers is the founder of a company named Extreme Sports Apparel. The company makes apparel products for extreme sports enthusiasts such as rock climbers, triathletes, skateboarders, and BMX bikers. Cody wants his company to pursue a high level of corporate entrepreneurship. To achieve that goal, Cody's firm should be \_\_\_\_\_\_\_\_.

A) innovative, risk averse, and take a "wait and see" posture

B) taking a "wait and see" posture, innovative, and risk taking

C) proactive, not innovative, and risk taking

D) taking a "wait and see" posture, not innovative, and risk averse

E) proactive, innovative, and risk taking

Answer: E

Diff: 2 Page Ref: 6

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Analytical Thinking

7) Google is a firm that is proactive, innovative and risk-taking. From this description, we can most accurately conclude that Google has a high level of \_\_\_\_\_\_\_\_.

A) enterprise focus

B) innovative intensity

C) entrepreneurial intensity

D) creative intensity

E) innovative concentration

Answer: C

Diff: 2 Page Ref: 7

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Reflective Thinking

8) Apple is an established firm that encourages and emphasizes entrepreneurial behavior throughout its various divisions. According to the textbook, Apple practices \_\_\_\_\_\_\_\_ entrepreneurship.

A) tactical

B) corporate

C) strategic

D) business

E) enterprise

Answer: B

Diff: 2 Page Ref: 7

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Reflective Thinking

9) According to the opening feature on Pure Fix Cycles, one of the biggest challenges the startup now faces is an increasingly competitive marketplace.

Answer: TRUE

Diff: 1 Page Ref: 3

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Reflective Thinking

10) According to the results of the GEM 2013 survey, about 1 out of every 8 American adults is actively engaged in starting a business or is the owner/manager of a business that is less than 3 1/2 years old.

Answer: TRUE

Diff: 2 Page Ref: 5

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Application of Knowledge

11) According to reliable statistics, 9 out of 10 businesses fail in their first few years of existence.

Answer: FALSE

Diff: 2 Page Ref: 5

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Reflective Thinking

12) Entrepreneurship is the process by which individuals pursue opportunities within the constraints of the resources they control.

Answer: FALSE

Diff: 1 Page Ref: 6

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Reflective Thinking

13) Established firms with an entrepreneurial emphasis are proactive, innovative, and risk-taking.

Answer: TRUE

Diff: 2 Page Ref: 7

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Analytical Thinking

14) What is entrepreneurship? What is the essence of entrepreneurial behavior?

Answer: Entrepreneurship is the process by which individuals pursue opportunities without regard to the resources they currently control. The essence of entrepreneurial behavior is identifying opportunities and putting useful ideas into practice.

Diff: 1 Page Ref: 6

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Reflective Thinking

15) Describe the three primary reasons that people become entrepreneurs and start their own firms.

Answer: The three primary reasons that people become entrepreneurs and start their own firms are to (1) be their own boss, (2) pursue their own ideas, and (3) realize financial rewards.

The first of these reasons-being one's own boss-is given most commonly. Many entrepreneurs want to be their own boss because either they have had a long-time ambition to own their own firm or they have become frustrated working in traditional jobs. The second reason people start their own firms is to pursue their own ideas. Some people are naturally alert, and when they recognize ideas for new products or services, they have a desire to see those ideas realized. The third reason people start their own firms is to pursue financial rewards. This motivation, however, is typically secondary to the first two.

Diff: 2 Page Ref: 7

LO: 1.1: Describe entrepreneurship, corporate entrepreneurship, and the characteristics of entrepreneurial firms.

AACSB: Reflective Thinking

16) The three primary reasons that people become entrepreneurs and start their own firms are to \_\_\_\_\_\_\_\_.

A) gain prestige, realize financial rewards, and eliminate risk in their lives

B) do what they were "born" to do, be their own boss, and gain prestige

C) take big risks, be their own boss, and do what they were "born" to do

D) be their own boss, pursue their own ideas, and realize financial rewards

E) take advantage of government subsidies, pursue their own ideas, and realize financial rewards

Answer: D

Diff: 2 Page Ref: 7

LO: 1.2: Discuss three main reasons people decide to become entrepreneurs.

AACSB: Reflective Thinking

17) According to the textbook, the number one reason that people become entrepreneurs is to \_\_\_\_\_\_\_\_.

A) realize financial rewards

B) gain prestige

C) be their own boss

D) continue a family tradition

E) pursue their own ideas

Answer: C

Diff: 1 Page Ref: 7

LO: 1.2: Discuss three main reasons people decide to become entrepreneurs.

AACSB: Reflective Thinking

18) Kasey Stevenson is starting a firm in the women's clothing industry primarily to pursue financial rewards. According to the textbook, starting a business to make a lot of money \_\_\_\_\_\_\_\_.

A) often fails to live up to its hype

B) is equally as satisfying as other reasons for starting a business

C) is the number one reason people start their own business

D) is the number two reason that people start their own business, right behind the lack of better career prospects

E) does not rank among the top three reasons that people start their own business

Answer: A

Diff: 2 Page Ref: 8

LO: 1.2: Discuss three main reasons people decide to become entrepreneurs.

AACSB: Reflective Thinking

19) The number one reason that people become entrepreneurs is to pursue financial rewards.

Answer: FALSE

Diff: 2 Page Ref: 7

LO: 1.2: Discuss three main reasons people decide to become entrepreneurs.

AACSB: Reflective Thinking

20) According to the textbook, the four characteristics of successful entrepreneurs are \_\_\_\_\_\_\_\_.

A) passion for the business, on the cutting edge of technological change, very charismatic, and tenacity despite failure

B) young and energetic, passion for the business, product/customer focus, and seeks recognition

C) passion for the business, tenacity despite failure, product/customer focus, and execution intelligence

D) on the cutting edge of technological change, forward thinking, tenacity despite failure, and product/customer focus

E) passion for the business, seeks recognition, young and energetic, and execution intelligence

Answer: C

Diff: 2 Page Ref: 9

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Reflective Thinking

21) The number one characteristic shared by successful entrepreneurs is \_\_\_\_\_\_\_\_.

A) a desire to achieve financial rewards

B) a passion for the business

C) a desire to employ other people

D) a desire to fulfill a lifetime dream

E) a desire to bring a revolutionary new product or service to market

Answer: B

Diff: 2 Page Ref: 9

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Reflective Thinking

22) According to the textbook, the passion that motivates people to launch entrepreneurial firms typically stems from the entrepreneur's belief that the business will \_\_\_\_\_\_\_\_.

A) positively influence people's lives

B) make a lot of money

C) increase his or her prestige

D) lead to a high-level job in the corporate sector

E) provide for a secure retirement

Answer: A

Diff: 2 Page Ref: 9

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Reflective Thinking

23) Which of the following was not identified in the textbook as one of the five primary reasons passion is important for the launch of a successful entrepreneurial organization?

A) The ability to stick to a plan even when faced with evidence that changes are needed

B) A willingness to work hard for an extended period of time

C) The ability to overcome setbacks and "no's"

D) The ability to listen to feedback on the limitations of your organization and yourself

E) The ability to learn and iterate.

Answer: A

Diff: 3 Page Ref: 10

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Analytical Thinking

24) The What Went Wrong? feature in Chapter 1 focuses on Prim, a failed startup in the laundry industry. According to the feature, Prim failed largely as a result of \_\_\_\_\_\_\_\_.

A) lack of product/customer focus

B) poor intellectual property protection

C) the individuals who started the firm were too young and inexperienced

D) poor execution intelligence

E) a lack of passion and resolve

Answer: E

Diff: 2 Page Ref: 11

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Reflective Thinking

25) Stacey Wills, who is at heart a craftsperson, recently started a firm to manufacturer a new innovative food blender. Stacey's desire is to sell her food blender to as many people as possible because she firmly believes in the merits of her product. Stacey's story best illustrates which of the following characteristics, or attributes, of a successful entrepreneur?

A) Product/customer focus

B) Execution intelligence

C) Tenacity despite failure

D) A desire to please consumers

E) A desire to gain financial rewards

Answer: A

Diff: 1 Page Ref: 12

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Analytical Thinking

26) Alex and Patty Webb launched a firm several years ago and have been particularly successful in introducing new products to the marketplace. One thing that Alex and Patty are particularly good at is translating their thoughts, creativity, and imaginations into products that reach the marketplace. The ability to make this happen is most closely related to which of the following characteristics of successful entrepreneurs?

A) A passion for the business

B) Execution intelligence

C) Tenacity despite failure

D) Product/market focus

E) A desire for recognition

Answer: B

Diff: 2 Page Ref: 13

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Reflective Thinking

27) The Savvy Entrepreneurial Firm feature in Chapter 1 focuses on Pandora, the Internet streaming music company. The feature's main purpose is to illustrate the importance of \_\_\_\_\_\_\_\_ as a key characteristic of the founders and employees of entrepreneurial firms.

A) execution intelligence

B) a desire to pursue financial rewards

C) tenacity despite failure

D) passion for the business

E) product/customer focus

Answer: C

Diff: 3 Page Ref: 14

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Analytical Thinking

28) The number one characteristic shared by successful entrepreneurs is passion for the business.

Answer: TRUE

Diff: 1 Page Ref: 9

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Reflective Thinking

29) The four main characteristics of successful entrepreneurs are: passion for the business, execution intelligence, product/customer focus, and tenacity despite failure.

Answer: TRUE

Diff: 2 Page Ref: 9

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Reflective Thinking

30) The passion that entrepreneurs have typically stems from the ability to pursue their own ideas.

Answer: FALSE

Diff: 3 Page Ref: 9

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Reflective Thinking

31) Describe the four main characteristics of successful entrepreneurs.

Answer: The four main characteristics of successful entrepreneurs are: passion for the business, product/customer focus, tenacity despite failure, and execution intelligence. The number one characteristic shared by successful entrepreneurs is passion for their business, whether it is in the context of a new firm or an existing business. This passion typically stems from the entrepreneur's belief that the business will positively influence people's lives. A second defining characteristic of successful entrepreneurs is a product/customer focus. This characteristic underscores two of the most important elements in any business-products and customers. The third characteristic of successful entrepreneurs is tenacity despite failure. Because entrepreneurs are typically trying something new, the failure rate associated with their efforts is naturally high. The litmus test for entrepreneurs is their ability to persevere through setbacks and failures. The fourth characteristic of successful entrepreneurs is execution intelligence. The ability to effectively execute a business idea means developing a business model, putting together a new venture team, raising money, establishing partnerships, managing finances, leading and motivating employees, and so on.

Diff: 2 Page Ref: 9

LO: 1.3: Identify four main characteristics of successful entrepreneurs.

AACSB: Reflective Thinking

32) Which of the following is not one of the five common myths about entrepreneurs?

A) Entrepreneurs are tenacious.

B) Entrepreneurs are moderate risk takers.

C) Entrepreneurs should be young and energetic.

D) Entrepreneurs love the spotlight.

E) Entrepreneurs are born not made.

Answer: A

Diff: 2 Page Ref: 14

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Reflective Thinking

33) According to the textbook, entrepreneurs are \_\_\_\_\_\_\_\_.

A) gamblers

B) moderate risk takers

C) aggressive risk takers

D) forceful risk takers

E) minimal risk takers

Answer: B

Diff: 2 Page Ref: 15

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Reflective Thinking

34) Which of the following was not identified in the textbook as one of the common traits and characteristics of entrepreneurs?

A) Lengthy attention span

B) Self-starter

C) Tolerant of ambiguity

D) Tenacious

E) Pessimistic disposition

Answer: E

Diff: 3 Page Ref: 16

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Reflective Thinking

35) Suppose you are a Small Business Development Center counselor and you're looking at the personality profiles of five potential entrepreneurs. Based on the profiles, which individual has the most desirable mix of personal characteristics to become a successful entrepreneur?

A) Candidate A: visionary, energetic, moderate risk taker

B) Candidate B: seeks recognition, self-starter, creative

C) Candidate C: visionary, high-risk taker, energetic

D) Candidate D: high-risk taker, achievement-motivated, networker

E) Candidate E: tolerant for ambiguity, seeks recognition, motivated primarily by money

Answer: A

Diff: 3 Page Ref: 16

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Reflective Thinking

36) Which of the following is not a personality trait or characteristic common among entrepreneurs?

A) Promoter

B) Visionary

C) Short attention span

D) Alert to opportunities

E) Self-starter

Answer: C

Diff: 3 Page Ref: 16

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Reflective Thinking

37) Which of the following statements is correct regarding entrepreneurial activity and age ranges?

A) The highest percentage of entrepreneurs falls in the 18 to 29 age range.

B) The highest percentage of entrepreneurs falls in the 30 to 39 age range.

C) The highest percentage of entrepreneurs falls in the 40 to 49 age range.

D) The highest percentage of entrepreneurs falls in the 50 to 59 age range.

E) The highest percentage of entrepreneurs falls in the 60+ age range.

Answer: B

Diff: 2 Page Ref: 17

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Application of Knowledge

38) Which of the following statements is incorrect regarding entrepreneurial activity and age range?

A) The highest percent of business owners fall in the 30-39 age range.

B) The lowest percent of business owners fall in the 60+ age rage.

C) The majority of business founders have no prior work experience.

D) The majority of individuals who start companies are in their thirties and forties.

E) Entrepreneurial activity is fairly evenly spread out over age ranges.

Answer: C

Diff: 2 Page Ref: 17

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Analytical Thinking

39) According to Chapter 1, investors often cite the \_\_\_\_\_\_\_\_ as their most important criterion in the decision to fund new ventures.

A) financial position of the new venture

B) strength of the industry the new firm is entering

C) strength of the new venture's marketing plan

D) strength of the business idea

E) strength of the entrepreneur

Answer: E

Diff: 2 Page Ref: 17

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Reflective Thinking

40) According to Chapter 1, a sentiment that venture capitalists often express is that \_\_\_\_\_\_\_\_.

A) the strength of the entrepreneur and the strength of the business idea are of equal importance

B) they would never fund a strong entrepreneur with a weak business idea

C) they would rather fund a strong entrepreneur with a mediocre business idea than fund a strong business idea with a mediocre entrepreneur

D) a new venture's marketing plan is more important than either the strength of the entrepreneur or the strength of the business idea

E) they would rather fund a strong business idea with a mediocre entrepreneur than fund a strong entrepreneur with a mediocre business idea

Answer: C

Diff: 3 Page Ref: 17

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Analytical Thinking

41) Pacific Fishing LLC is a startup that is working on a new technology for the fishing industry. Because the technology it's working on is highly proprietary, the company is located in the warehouse district of a large western city. Pacific's founder, Ray Sims, rarely gives interviews and is careful to not divulge much about what the company is doing. Which of the following common myths about entrepreneurs does the behavior of its founder, Ray Sims, dispel?

A) Entrepreneurs are born, not made.

B) Entrepreneurs are gamblers.

C) Entrepreneurs are motivated primarily by money.

D) Entrepreneurs should be young and energetic.

E) Entrepreneurs love the spotlight.

Answer: E

Diff: 2 Page Ref: 17

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Reflective Thinking

42) According to the consensus of the research, some people are genetically predisposed to be entrepreneurs.

Answer: FALSE

Diff: 2 Page Ref: 15

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Analytical Thinking

43) Entrepreneurs are usually moderate, rather than high, risk-takers.

Answer: TRUE

Diff: 3 Page Ref: 15

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Reflective Thinking

44) Entrepreneurs are motivated primarily by money.

Answer: FALSE

Diff: 2 Page Ref: 16

LO: 1.4: Explain five common myths regarding entrepreneurship.

AACSB: Reflective Thinking

45) According to the textbook, there are three types of startup firms: \_\_\_\_\_\_\_\_.

A) lifestyle firms, general firms, and entrepreneurial firms

B) standard-of-living firms, statutory firms, and general firms

C) entrepreneurial firms, standard-of-living firms, and statutory firms

D) lifestyle firms, salary-substitute firms, and entrepreneurial firms

E) innovative firms, entrepreneurial firms, and standard firms

Answer: D

Diff: 2 Page Ref: 18

LO: 1.5: Describe the three types of start-up firms.

AACSB: Reflective Thinking

46) Colorado Sandwich, Soup and Salad is a casual dining restaurant that has been owned by Stephanie Peterson for the past 14 years. The restaurant offers a menu that is typical for casual dining restaurants and affords Stephanie a level of income that is similar to what she would earn in a conventional job. According to the textbook, Colorado Sandwich, Soup and Salad is an example of a(n) \_\_\_\_\_\_\_\_ firm.

A) salary-substitute

B) entrepreneurial

C) quality-of-life

D) lifestyle

E) industry-standard

Answer: A

Diff: 2 Page Ref: 18

LO: 1.5: Describe the three types of start-up firms.

AACSB: Reflective Thinking

47) Montana Sky Trails leads multiday outdoor adventure trips for private groups and corporate clients to various locations across Montana. The company was started by Justin Smith, an individual that gave up a prestigious job in banking because Montana Sky Trails better accommodates his personal lifestyle. Montana Sky Trails is an example of a(n) \_\_\_\_\_\_\_\_ firm.

A) entrepreneurial

B) salary-substitute

C) standard-of-living

D) statutory

E) lifestyle

Answer: E

Diff: 1 Page Ref: 18

LO: 1.5: Describe the three types of start-up firms.

AACSB: Reflective Thinking

48) Entrepreneurial firms \_\_\_\_\_\_\_\_.

A) are small firms that yield a level of income for their owner(s) that is similar to what they would earn when working for an employer

B) bring to market new products and services that are not particularly innovative

C) offer to customers common products that are not particularly innovative, and provide their owner(s) the opportunity to pursue a particular lifestyle and earn a living while doing so

D) provide their owner(s) the opportunity to pursue a particular lifestyle and earn a living while doing so

E) bring new products and services to market by creating and seizing opportunities

Answer: E

Diff: 2 Page Ref: 18

LO: 1.5: Describe the three types of start-up firms.

AACSB: Analytical Thinking

49) According to the textbook, Dropbox, Facebook, and LinkedIn are examples of \_\_\_\_\_\_\_\_ firms.

A) lifestyle

B) salary-substitute

C) industry-standard

D) entrepreneurial

E) standard-of-living

Answer: D

Diff: 1 Page Ref: 18

LO: 1.5: Describe the three types of start-up firms.

AACSB: Reflective Thinking

50) The Partnering for Success feature in Chapter 1 focuses on start-up incubators and accelerators. According to the feature, participating in a start-up incubator or accelerator is an excellent way to \_\_\_\_\_\_\_\_.

A) learn how to write a business plan

B) prepare to become a franchisor

C) gain access to mentors, partners and investors

D) learn how to conduct an industry analysis

E) prepare for a job in a major corporation

Answer: C

Diff: 2 Page Ref: 19

LO: 1.5: Describe the three types of start-up firms.

AACSB: Reflective Thinking

51) In terms of the "types" of startup firms, entrepreneurial firms bring new products and services to market.

Answer: TRUE

Diff: 1 Page Ref: 18

LO: 1.5: Describe the three types of start-up firms.

AACSB: Analytical Thinking

52) Identify the three types of startup firms, and discuss how they differ. Provide examples of each type of firm.

Answer: The three types of startup firms are: salary-substitute firms, lifestyle firms, and entrepreneurial firms. Salary-substitute firms are small firms that afford their owners a level of income similar to what they would earn in a conventional job. Examples of salary-substitute firms are dry cleaners, convenience stores, restaurants, accounting firms, retail stores, and hairstyling salons. Lifestyle firms provide their owner or owners the opportunity to pursue a particular lifestyle and earn a living while doing so. Examples of lifestyle firms include ski instructors, golf pros, and tour guides. Entrepreneurial firms bring new products and services to market by creating and seizing opportunities. There are many examples of entrepreneurial firms in computer software, biotechnology, and medical devices.

Diff: 2 Page Ref: 18

LO: 1.5: Describe the three types of start-up firms.

AACSB: Reflective Thinking

53) Which of the following statements is not true about women-owned businesses in the United States?

A) The number of women-owned businesses is decreasing.

B) A total of 33 percent of women-owned businesses are owned by minorities.

C) In some industries, women own a significant share of the business.

D) The number of groups that support and advocate for women-owned businesses continues to increase.

E) Between 1997 and 2013, the number of women-owned businesses increased at a rate of one-and-a-half times the national average.

Answer: A

Diff: 2 Page Ref: 20

LO: 1.6: Discuss the changing demographics of entrepreneurs in the United States.

AACSB: Reflective Thinking

54) There has been \_\_\_\_\_\_\_\_ in the number of minority entrepreneurs in the United States over the past several years.

A) a moderate increase

B) a substantial decrease

C) no meaningful change

D) a substantial increase

E) a moderate decrease

Answer: D

Diff: 2 Page Ref: 21

LO: 1.6: Discuss the changing demographics of entrepreneurs in the United States.

AACSB: Reflective Thinking

55) Which of the following was not given in the textbook as a reason for the increase in the number of senior entrepreneurs?

A) Seniors tend to be more passionate about new business ideas than middle-aged or younger prospective entrepreneurs.

B) Many seniors have extensive business experience and other qualities that equip them for an entrepreneurial career.

C) Growing worries among seniors that they need to earn additional income to pay for future health care services and other expenses

D) An increasing desire among older workers for more personal fulfillment in their lives

E) Corporate downsizing

Answer: A

Diff: 2 Page Ref: 21

LO: 1.6: Discuss the changing demographics of entrepreneurs in the United States.

AACSB: Reflective Thinking

56) According to a recent Gallop survey, about \_\_\_\_\_\_\_\_ percent of kids in grades 5-12 say they plan to start their own business.

A) 10

B) 20

C) 30

D) 40

E) 50

Answer: D

Diff: 3 Page Ref: 21

LO: 1.6: Discuss the changing demographics of entrepreneurs in the United States.

AACSB: Reflective Thinking

57) Over the past 10 years, the demographic makeup of entrepreneurial firms has remained fairly stable in the United States and around the world.

Answer: FALSE

Diff: 2 Page Ref: 20

LO: 1.6: Discuss the changing demographics of entrepreneurs in the United States.

AACSB: Reflective Thinking

58) Although interest in entrepreneurship remains high nationwide, the number of women-owned businesses is decreasing.

Answer: FALSE

Diff: 2 Page Ref: 20

LO: 1.6: Discuss the changing demographics of entrepreneurs in the United States.

AACSB: Application of Knowledge

59) Unfortunately, statistics show that there is very little interest in entrepreneurship among young people in the United States.

Answer: FALSE

Diff: 2 Page Ref: 21

LO: 1.6: Discuss the changing demographics of entrepreneurs in the United States.

AACSB: Reflective Thinking

60) As new products that are better than the existing generation of products are introduced, sales normally increase because the new products provide consumers increased value or worth. This process, which is called \_\_\_\_\_\_\_\_, stimulates economic activity, which is a good thing for the economy.

A) creative destruction

B) repetitive destruction

C) iterative replacement

D) inventive replacement

E) iterative destruction

Answer: A

Diff: 2 Page Ref: 22

LO: 1.7: Discuss the positive effects of entrepreneurship and entrepreneurial firms on economies and societies.

AACSB: Analytical Thinking

61) In the book *The Theory of Economic Development*, \_\_\_\_\_\_\_\_ argued that entrepreneurs develop new products and technologies that, over time, make current products and technologies obsolete. This process is called creative destruction.

A) Malcolm Gladwell

B) Seth Godin

C) Joseph Schumpeter

D) Thomas Friedman

E) Jim Collins

Answer: C

Diff: 2 Page Ref: 22

LO: 1.7: Discuss the positive effects of entrepreneurship and entrepreneurial firms on economies and societies.

AACSB: Reflective Thinking

62) According to the textbook, entrepreneurship has historically had \_\_\_\_\_\_\_\_.

A) a major impact on the economy and minor impact on society

B) a minor impact on both the economy and society

C) a major impact on society and minor impact on the economy

D) a major impact on both the economy and society

E) no impact on either the economy or society

Answer: D

Diff: 1 Page Ref: 22

LO: 1.7: Discuss the positive effects of entrepreneurship and entrepreneurial firms on economies and societies.

AACSB: Reflective Thinking

63) \_\_\_\_\_\_\_\_ is the process of creating something new, which is central to the entrepreneurial process.

A) Creative destruction

B) Modernism

C) Execution

D) Creativity

E) Innovation

Answer: E

Diff: 1 Page Ref: 24

LO: 1.7: Discuss the positive effects of entrepreneurship and entrepreneurial firms on economies and societies.

AACSB: Reflective Thinking

64) In regard to patent activity (issuance), which of the following statements is correct?

A) Small businesses outperform their larger counterparts.

B) Small businesses underperform their larger counterparts.

C) Small businesses and large businesses are relatively equal.

D) Small businesses are not active in patent activity.

E) Large businesses are not active in patent activity.

Answer: A

Diff: 2 Page Ref: 24

LO: 1.7: Discuss the positive effects of entrepreneurship and entrepreneurial firms on economies and societies.

AACSB: Reflective Thinking

65) Joseph Schumpeter argued that entrepreneurs develop new products and technologies that over time make current products and technologies obsolete, and this process, which he called creative destruction, is good because it stimulates economic activity.

Answer: TRUE

Diff: 2 Page Ref: 22

LO: 1.7: Discuss the positive effects of entrepreneurship and entrepreneurial firms on economies and societies.

AACSB: Reflective Thinking

66) Innovation is the process of creating something new, which is central to the entrepreneurial process.

Answer: TRUE

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LO: 1.7: Discuss the positive effects of entrepreneurship and entrepreneurial firms on economies and societies.

AACSB: Reflective Thinking

67) Small businesses outperform their larger counterparts in terms of patent activity (issuance).

Answer: TRUE

Diff: 3 Page Ref: 24

LO: 1.7: Discuss the positive effects of entrepreneurship and entrepreneurial firms on economies and societies.

AACSB: Reflective Thinking

68) Identify and discuss the three primary reasons that entrepreneurial behavior has a strong impact on the United States economy.

Answer: The two reasons that entrepreneurial behavior has a strong impact on the United States economy are as follows: innovation and job creation. Innovation is the process of creating something new, which is central to the entrepreneurial process. According to the Small Business Administration (SBA) Office of Advocacy, small innovative firms are 16 times more productive than large innovative firms in terms of patents per employee. In regard to job creation, according to the SBA, small businesses create a substantial number of new jobs in the United States. Firms with 500 or fewer employees create 65 percent of new jobs on an annual basis.

Diff: 3 Page Ref: 24

LO: 1.7: Discuss the positive effects of entrepreneurship and entrepreneurial firms on economies and societies.

AACSB: Reflective Thinking

69) Which of the following is the correct sequence for the four steps in the entrepreneurial process?

A) Deciding to become an entrepreneur, developing successful business ideas, moving from an idea to an entrepreneurial firm, managing the growing entrepreneurial firm

B) Developing successful business ideas, deciding to become an entrepreneur, moving from an idea to an entrepreneurial firm, managing and growing the entrepreneurial firm

C) Developing successful business ideas, moving from an idea to an entrepreneurial firm, deciding to become an entrepreneur, managing and growing the entrepreneurial firm

D) Deciding to become an entrepreneur, moving from an idea to an entrepreneurial firm, developing successful business ideas, managing and growing the entrepreneurial firm

E) Managing and growing the entrepreneurial firm, developing successful business ideas, deciding to become an entrepreneur, moving from an idea to an entrepreneurial firm

Answer: A

Diff: 3 Page Ref: 25

LO: 1.8: Explain the entrepreneurial process.

AACSB: Reflective Thinking

70) Which of the following is not one of the four steps of the entrepreneurial process?

A) Deciding to become an entrepreneur

B) Determining how to seize the spotlight

C) Developing successful business ideas

D) Moving from an idea to an entrepreneurial firm

E) Managing and growing the entrepreneurial firm

Answer: B

Diff: 1 Page Ref: 25

LO: 1.8: Explain the entrepreneurial process.

AACSB: Reflective Thinking

71) An event that prompts an individual to become an entrepreneur, such as losing a job, inheriting money, or accommodating a certain lifestyle, is referred to as a(n) \_\_\_\_\_\_\_\_.

A) prompting event

B) entrepreneurial prompt

C) initiating event

D) triggering event

E) kick-off event

Answer: D

Diff: 1 Page Ref: 25

LO: 1.8: Explain the entrepreneurial process.

AACSB: Reflective Thinking

72) Jan Berry recently received a $500,000 inheritance from her maternal grandmother. Jan decided to use the money to start a business. According to the textbook, the inheritance that Jan received was the \_\_\_\_\_\_\_\_ that prompted her to start a business.

A) prompting event

B) entrepreneurial prompt

C) initiating event

D) triggering event

E) kick-off event

Answer: D

Diff: 1 Page Ref: 25

LO: 1.8: Explain the entrepreneurial process.

AACSB: Reflective Thinking

73) A(n) \_\_\_\_\_\_\_\_ is a written document that describes all the aspects of a business venture in a concise manner.

A) business plan

B) business model

C) operations plan

D) corporate plan

E) contingency plan

Answer: A

Diff: 1 Page Ref: 25

LO: 1.8: Explain the entrepreneurial process.

AACSB: Reflective Thinking

74) A firm's \_\_\_\_\_\_\_\_ is a plan for how it competes, uses its resources, structures its relationships, interfaces with customers, and creates value to sustain itself on the basis of the value it creates.

A) business plan

B) business model

C) tactical model

D) strategic plan

E) operations model

Answer: B

Diff: 2 Page Ref: 25

LO: 1.8: Explain the entrepreneurial process.

AACSB: Reflective Thinking

75) The entrepreneurial process consists of four steps: deciding to become an entrepreneur, developing successful business ideas, moving from an idea to an entrepreneurial firm, and divesting or selling the entrepreneurial firm.

Answer: FALSE

Diff: 2 Page Ref: 23

LO: 1.8: Explain the entrepreneurial process.

AACSB: Reflective Thinking