

# Chapter 1: 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: 4
2. The word entrepreneur refers to the individuals who “undertook” the risk of new enterprise.  
Ans: True Page: 5
3. Fortunately, entrepreneurs do not communicate with external “stakeholders” such as investors and bankers.  
Ans: False Page: 5
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: 7
5. One negative aspect of entrepreneurs, according to research, is that they are not open to change and they hang on to old plans even when they are not working contributing to escalation of commitment.  
Ans: False Page: 8
6. Many companies fail because the founders do not confront their management limitations.  
Ans: True Page: 9
7. Fortunately, the skills needed to run a small company are not different from those required to run a larger firm.  
Ans: False Page: 10
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: 17
10. The failure rate of new businesses is very high, about 80-90 percent within the first two years.  
Ans: False Page: 18

### Short Answer / Fill in the Blank

11. \_\_\_\_\_ 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 Page: 7
12. \_\_\_\_\_ often seem to be possessed by their ideas, committing their lives to changing the direction of their field.  
Ans: Social entrepreneurs Page: 7
13. The first decision that an entrepreneur should make is whether personal lifestyle and control are more important than \_\_\_\_\_ and eventual wealth creation.  
Ans: growth Page: 8
14. The basic objective of Stage \_\_\_\_\_ of the entrepreneurial process is to define the criteria that would make a business opportunity worthwhile.  
Ans: 1 Page: 13
15. 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 Page: 14
16. A full \_\_\_\_\_ is a vital yet dynamic document for a company.  
Ans: business plan Page: 15
17. Stage 5 of the entrepreneurial process is called \_\_\_\_\_.  
Ans: Scaling and Harvesting the Venture Page: 16
18. A(n) \_\_\_\_\_ is one that grows large enough to influence the environment and, thus, becomes a pacesetter.  
Ans: entrepreneurial firm Page: 17
19. 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 Page: 17
20. The failure rate of new companies is \_\_\_\_\_ percent within the first two years.  
Ans: 24 Page: 18

## Multiple Choice

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

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

Ans: B

Page: 5

22. An entrepreneur is driven mainly by:

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

Ans: C

Page: 6

23. 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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24. 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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25. 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

Page: 7

26. 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

Page: 7

27. 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: 7

28. 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

Page: 10

29. 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

Page: 13

30. 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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31. 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

Page: 14

32. 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

Page: 14

33. 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

Page: 14

34. 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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35. 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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36. 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

Page: 16

37. Entrepreneurship includes all of the following except:
- a. small businesses
  - b. family-owned businesses
  - c. large businesses
  - d. high-technology start-ups

Ans: C

Page: 17

38. 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

Page: 17

39. 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: 17

40. 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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41. 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

Page: 17

42. 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

Page: 18

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

- a. 85-95
- b. 80-90
- c. 70-80
- d. 75-85

Ans: B

Page: 18

44. 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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45. 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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