

Entrepreneurship, 3e (Bamford)

Chapter 1 The Twenty-First-Century Entrepreneur

1) Entrepreneurial business is not important to the U.S. economy.

Answer: FALSE

Explanation: The evidence of the importance of entrepreneurial businesses to the U.S. economy can be seen in statistics from the United States Small Business Administration (SBA).

Difficulty: 1 Easy

Topic: Why Start a Business?

Learning Objective: 01-01 Explain the rationale behind starting an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

2) The United States Small Business Administration (SBA) provides a wealth of information and assistance at all levels of organizational development and management for new entrepreneurial businesses.

Answer: TRUE

Explanation: The United States Small Business Administration (SBA) provides a wealth of information and assistance at all levels of organizational development and management for new entrepreneurial businesses. It is the agency officially organized in 1953 as a part of the Small Business Act of July 30, 1953, to "aid, counsel, assist, and protect, insofar as is possible, the interests of small business concerns."

Difficulty: 1 Easy

Topic: Why Start a Business?

Learning Objective: 01-01 Explain the rationale behind starting an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

3) A critical element that an entrepreneur must solve for success is to develop the ability to generate consistent and growing sales.

Answer: TRUE

Explanation: One of the three critical elements that an entrepreneur has to solve for success is the ability to generate consistent and growing sales. The other critical elements are having sustainable operating profit margins and being properly financed.

Difficulty: 1 Easy

Topic: Why Start a Business?

Learning Objective: 01-01 Explain the rationale behind starting an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

4) Profit margins are key to successful businesses.

Answer: TRUE

Explanation: One of the three critical elements that an entrepreneur has to solve for success is sustainable operating profit margins. Profit margins are key to successful businesses.

Difficulty: 1 Easy

Topic: Why Start a Business?

Learning Objective: 01-01 Explain the rationale behind starting an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

5) Corporate America employs more people now than it did 10 years ago.

Answer: FALSE

Explanation: Corporate America has been downsizing.

Difficulty: 1 Easy

Topic: Why Start a Business?

Learning Objective: 01-01 Explain the rationale behind starting an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

6) Small companies can take advantage of economies of scale better than large firms.

Answer: FALSE

Explanation: Economies of scale is a condition that allows the long-run average cost to continue downward as production increases. It can lead to a condition where a single firm making 100 percent of the product is the most efficient.

Difficulty: 1 Easy

Topic: Why Start a Business?

Learning Objective: 01-01 Explain the rationale behind starting an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

7) The rate of small-business failure has declined.

Answer: TRUE

Explanation: Corporate America has been downsizing, the rate of start-ups has grown, and the rate for small-business failures has declined.

Difficulty: 1 Easy

Topic: Why Start a Business?

Learning Objective: 01-01 Explain the rationale behind starting an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

8) Alexis de Tocqueville, the French statesman, stated, "United States was not so much a nation with ventures ... but instead a nation of innumerable small ventures."

Answer: TRUE

Explanation: Alexis de Tocqueville was a Frenchman who toured the United States in the early 1830s and wrote a famous analysis of the country. One of his observations was that the United States was not so much a nation with ventures that were marvelous in their grandeur, but instead, a nation of innumerable small ventures.

Difficulty: 1 Easy

Topic: A Brief History of Entrepreneurial Businesses in the United States

Learning Objective: 01-02 Discuss the history of entrepreneurship in the United States.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

9) Charles Wilson, secretary of defense for President Eisenhower, stated, "What is good for General Motors is good for the nation."

Answer: TRUE

Explanation: After World War II, Charles Wilson, secretary of defense for President Eisenhower, made the famous statement that "what is good for General Motors is good for the nation." The implication was that what was good for big business would be good for all of the people in the country.

Difficulty: 1 Easy

Topic: A Brief History of Entrepreneurial Businesses in the United States

Learning Objective: 01-02 Discuss the history of entrepreneurship in the United States.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

10) In the late 1970s and 1980s, the United States occupied the dominant economic position in the world.

Answer: FALSE

Explanation: In the late 1970s and early 1980s, the nation was in economic turmoil as many of the large firms that had grown to dominate the U.S. economy were having difficulty, owing to global competition. The Japanese were in the dominant economic position in the world, and the widely discussed fear was that the United States was in decline much as Britain had been 100 years earlier.

Difficulty: 1 Easy

Topic: A Brief History of Entrepreneurial Businesses in the United States

Learning Objective: 01-02 Discuss the history of entrepreneurship in the United States.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

11) The Great Depression of the 1930s encouraged industrial concentration.

Answer: TRUE

Explanation: The Great Depression of the 1930s was harder on entrepreneurial businesses than on larger more mature businesses, and as a result it encouraged industrial concentration.

Difficulty: 1 Easy

Topic: A Brief History of Entrepreneurial Businesses in the United States

Learning Objective: 01-02 Discuss the history of entrepreneurship in the United States.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

12) Today many of the multinational firms in the United States are technology firms that began in the late 1970s and early 1980s.

Answer: TRUE

Explanation: Today many of the multinational firms in the United States are technology firms that began in the late 1970s and early 1980s. The vast number of businesses that start up each year are responsible for much of the innovation that pushes established companies to new levels.

Difficulty: 1 Easy

Topic: A Brief History of Entrepreneurial Businesses in the United States

Learning Objective: 01-02 Discuss the history of entrepreneurship in the United States.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

13) One of the huge advantages of starting one's own business is that someone else can be the boss. Small business owners are motivated by two areas to start a business: the desire to be their own bosses and to set their own working hours.

Answer: FALSE

Explanation: One of the huge advantages of starting one's own business is that it provides the setting where the business owner can be the boss.

Difficulty: 1 Easy

Topic: Who are Entrepreneurial Business Owners Today?

Learning Objective: 01-03 Identify the type of people who are entrepreneurs.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

14) A customer of a small business could be considered an important stakeholder to the success of a company.

Answer: TRUE

Explanation: Stakeholders include key suppliers, customers, and employees—all of whom are critical to the success of the new business. These are individuals or other organizations that may impact the success of the business and depend on the success of the business for their own livelihood.

Difficulty: 1 Easy

Topic: Who are Entrepreneurial Business Owners Today?

Learning Objective: 01-03 Identify the type of people who are entrepreneurs.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

15) According to Thomas Stanley and William Danko in their book *The Millionaire Next Door*, 50 percent of the millionaires in the United States are self-employed.

Answer: FALSE

Explanation: In their book entitled *The Millionaire Next Door*, Thomas Stanley and William Danko highlight statistics that demonstrate the potential for financial rewards from starting a business. For example, they point out that that 75 percent of these self-employed millionaires are entrepreneurs; the other 25 percent are self-employed professionals, such as doctors and accountants.

Difficulty: 1 Easy

Topic: Who are Entrepreneurial Business Owners Today?

Learning Objective: 01-03 Identify the type of people who are entrepreneurs.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

16) Self-employed people make up less than 20 percent of the workers in the United States.

Answer: TRUE

Explanation: In their book entitled *The Millionaire Next Door*, Thomas Stanley and William Danko highlight statistics that demonstrate the potential for financial rewards from starting a business. For example, they point out that almost two-thirds of U.S. millionaires are self-employed, despite the fact that self-employed people make up fewer than 20 percent of the workers in America.

Difficulty: 1 Easy

Topic: Who are Entrepreneurial Business Owners Today?

Learning Objective: 01-03 Identify the type of people who are entrepreneurs.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

17) The business time line demonstrates both constants and natural evolution in the development of the United States.

Answer: TRUE

Explanation: The time line of business provides both constants and natural evolution.

Difficulty: 2 Medium

Topic: Who are Entrepreneurial Business Owners Today?

Learning Objective: 01-03 Identify the type of people who are entrepreneurs.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

18) Close to 50 percent of the millionaires in the United States are entrepreneurs.

Answer: TRUE

Explanation: Close to 50 percent of the millionaires in this country are entrepreneurs. These are the individuals who start a business, run it well, and over time build their financial success.

Difficulty: 1 Easy

Topic: Who are Entrepreneurial Business Owners Today?

Learning Objective: 01-03 Identify the type of people who are entrepreneurs.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

19) Entrepreneurial businesses fail to provide a means to meet the varied demands that individuals face in a society.

Answer: FALSE

Explanation: Entrepreneurial businesses provide more than just jobs; they also provide a means to meet the varied demands that individuals face in a society.

Difficulty: 1 Easy

Topic: How Does Society Benefit?

Learning Objective: 01-04 Describe the impact of entrepreneurial businesses on society.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

20) Success in an entrepreneurial business can only be achieved with brutally hard and long hours.

Answer: FALSE

Explanation: It is simply not true that success in an entrepreneurial business can only be achieved with brutally hard and long hours. Many entrepreneurs make a very good living working a limited numbers of hours each week.

Difficulty: 1 Easy

Topic: How Does Society Benefit?

Learning Objective: 01-04 Describe the impact of entrepreneurial businesses on society.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

21) Entrepreneurial businesses have the ability to make greater profits in markets that have been ignored by larger corporations.

Answer: TRUE

Explanation: Entrepreneurial businesses act as a catalyst for societal change. They have the ability to garner profits in markets that have been ignored by larger corporations.

Difficulty: 1 Easy

Topic: How Does Society Benefit?

Learning Objective: 01-04 Describe the impact of entrepreneurial businesses on society.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

22) Large companies understand their customers more in the local area compared to a small firm.

Answer: FALSE

Explanation: The owners and employees of entrepreneurial businesses have an understanding of the local community not easily obtained by a large conglomerate.

Difficulty: 1 Easy

Topic: How Does Society Benefit?

Learning Objective: 01-04 Describe the impact of entrepreneurial businesses on society.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

23) In 2001, the federal General Accounting Office discovered that in the areas where military bases closed, the unemployment rate was less than the national average. This is because of the start-up of new small businesses in the areas.

Answer: TRUE

Explanation: The federal General Accounting Office found that in cities with base closings including Salt Lake City, Kansas City, and San Jose, the areas around the bases had unemployment rates lower than the national average and income growth higher than the national average. There had been large initial job losses in these communities; however, the state and community leaders had responded to the closing of the bases with tax breaks and programs to support the development of new businesses.

Difficulty: 1 Easy

Topic: How Does Society Benefit?

Learning Objective: 01-04 Describe the impact of entrepreneurial businesses on society.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

24) Heather Schuck, owner of Glamajama, is an example of how women can concentrate on more than one facet of life.

Answer: TRUE

Explanation: Ms. Schuck is a classic example of how one can make achievements in many facets of life.

Difficulty: 1 Easy

Topic: How Does Society Benefit?

Learning Objective: 01-04 Describe the impact of entrepreneurial businesses on society.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

25) Small business growth is important in the United States and the world.

Answer: TRUE

Explanation: New and growing businesses are critically important around the world.

Difficulty: 1 Easy

Topic: Entrepreneurship Around the World

Learning Objective: 01-05 Discuss the worldwide impact of entrepreneurial businesses.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

26) There are widespread efforts worldwide to encourage the development of small and medium entrepreneurs.

Answer: TRUE

Explanation: Today there are widespread efforts in almost all nations to encourage the development of small and medium enterprises.

Difficulty: 1 Easy

Topic: Entrepreneurship Around the World

Learning Objective: 01-05 Discuss the worldwide impact of entrepreneurial businesses.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

27) The repayment rate on microloans is typically less than 50 percent, a much lesser repayment rate than on most types of loans.

Answer: FALSE

Explanation: Microloans are often for only a few dollars each and are made directly to entrepreneurs, often women. It is interesting that the repayment rate on such loans is typically 99 to 100 percent, a much higher repayment rate than on most types of loans.

Difficulty: 1 Easy

Topic: Entrepreneurship Around the World

Learning Objective: 01-05 Discuss the worldwide impact of entrepreneurial businesses.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

28) Venture capitalists typically do not invest more than \$2 million.

Answer: FALSE

Explanation: Venture capitalists are a specialized type of investor. They typically do not invest less than \$2 million and in return they expect extraordinary returns.

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

29) A venture capital start-up is oriented toward the personal goals of the founder(s).

Answer: FALSE

Explanation: An entrepreneurial firm is oriented toward the personal goals of the founder(s). The number of employees may be zero or as few as one, and typically would not be expected to grow to more than 50 to 100.

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

30) The presence of venture capital for start-ups is limited outside of the United States.

Answer: TRUE

Explanation: The presence of venture capital for start-ups is limited outside of the United States. Often even funds that say they are venture capitalists are in fact only providing funding for mezzanine or mature, existing firms that are looking to expand.

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

31) The development plan of a venture capital start-up is oriented around positive cash flow.

Answer: FALSE

Explanation: The development plan of an entrepreneurial firm is oriented around positive cash flow. The operation of the business is designed in the image of the founder(s).

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

32) According to the U.S. government, a small business is classified as any business with fewer than 500 employees.

Answer: TRUE

Explanation: For classification purposes, the U.S. government considers any business with fewer than 500 employees to be a small business.

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

33) A small business's harvest plan is to put the profits back into the company.

Answer: FALSE

Explanation: A small business's harvest plan is to exit the business. Typically, the owners have the intention to sell the business to another firm or take it to an IPO.

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

34) When using a harvest plan, small companies are organized to grow rapidly and they have no debt.

Answer: FALSE

Explanation: As a result of harvest plans, firms are organized to grow as quickly as possible and are generally heavily laden with debt.

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

35) A small business start-up is typically self-funded or closely funded by the founder.

Answer: TRUE

Explanation: Small business start-ups are most often referred to as entrepreneurial firms and characterized by being self-funded or closely funded by the founder.

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

36) A small business start-up should be designed to take advantages of the skills of the founder or founders.

Answer: TRUE

Explanation: Small business start-ups are most often referred to as entrepreneurial firms and characterized by a management structure designed to take advantage of the skills of the founder or founders.

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

37) A small business start-up is typically oriented toward the personal goals of venture capitalists.

Answer: FALSE

Explanation: These firms are most often referred to as entrepreneurial firms and characterized by the operation being designed in the image of the founders.

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

38) Facebook and LinkedIn were founded as entrepreneurial businesses, but they are more accurately described as venture capital-backed businesses.

Answer: TRUE

Explanation: Although Facebook or even LinkedIn was founded as an entrepreneurial business, however, it would be more accurate to describe either of them as a venture capital-backed business, since both quickly required millions of dollars of investment from venture capitalists to grow.

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

39) An entrepreneurial business's resources are less constrained than those of venture capital-backed business.

Answer: FALSE

Explanation: An entrepreneurial business's resources are significantly more constrained than those of venture capital-backed business.

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

40) Each business plan, like every business, should have its own voice, feel, and style.

Answer: TRUE

Explanation: Each business plan, much like each business, should have its own voice, feel, and presentation.

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

41) A business plan should be a tool to think through a wide range of issues related to starting and growing a business.

Answer: TRUE

Explanation: A well-thought-out business plan has heightened importance for a new business as a tool for you to think through a wide range of issues.

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

42) The latest U.S. Census reports indicate that firms with more than 500 employees represent approximately 35 percent of all full-time employees in the United States.

Answer: FALSE

Explanation: The U.S. Census tracks employment by number of employees (among many other statistics). The latest census reports indicate that firms with fewer than 99 employees represent the majority of all firms in the United States and also represent approximately 35 percent of all full-time employees in the United States.

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

43) What term is used to describe Walmart's ability to purchase more advertising space at a lower cost per ad?

A) Advertising bonus

B) Buying bonus

C) Volume excess

D) Economies of scale

Answer: D

Explanation: Economies of scale is the term used to describe Walmart's ability to purchase more advertising space at a lower cost per ad. Advertising is typically much cheaper per unit if purchased in large volume.

Difficulty: 1 Easy

Topic: Why Start a Business?

Learning Objective: 01-01 Explain the rationale behind starting an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

44) Small companies have flourished for all the following reasons EXCEPT:

- A) they respond more quickly.
- B) they operate more effectively.
- C) they employ more skilled people.
- D) they often expand easily in mature industries.

Answer: D

Explanation: The ability of entrepreneurs to respond more quickly and to operate more effectively has led to a growth in the raw number of entrepreneurial businesses rather than a decline.

Difficulty: 2 Medium

Topic: Why Start a Business?

Learning Objective: 01-01 Explain the rationale behind starting an entrepreneurial business.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

45) The development and implementation of a new business is part _____ and part _____.

- A) luck; skill
- B) genius; hard work
- C) resources; hard work
- D) art; science

Answer: D

Explanation: The development and implementation of a new business is part art and part science. This field has been studied for a long time and there is a well-developed body of knowledge available for students.

Difficulty: 1 Easy

Topic: Why Start a Business?

Learning Objective: 01-01 Explain the rationale behind starting an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

46) What are the critical elements that an entrepreneur must solve for success?

- A) An effective sales generation model
- B) Sustainable operating profit margins
- C) Being properly financed
- D) All of these

Answer: D

Explanation: Research has found that there are three critical elements that an entrepreneur must solve for success: an effective sales generation model, sustainable operating profit margins, and being properly financed.

Difficulty: 1 Easy

Topic: Why Start a Business?

Learning Objective: 01-01 Explain the rationale behind starting an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

47) Years ago, economists mistakenly predicted that small businesses would

- A) be replaced by a smaller number of big businesses.
- B) replace bigger businesses.
- C) be replaced by franchises.
- D) replace franchises.

Answer: A

Explanation: Many years ago the apparent efficiencies of very large businesses led some economists to predict that small businesses would be largely replaced by a much smaller number of large businesses.

Difficulty: 1 Easy

Topic: Why Start a Business?

Learning Objective: 01-01 Explain the rationale behind starting an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

48) According to the book, the development and implementation of a new business is

- A) part art and part science.
- B) part planning and part money.
- C) a combination of creativity and art.
- D) none of these.

Answer: A

Explanation: Development and implementation of a new business is part art and part science; the science of forming and managing a new entrepreneurial business in a clear, sequential manner and the art is a matter of practice, example, and the skill of the founder(s) of the new business.

Difficulty: 1 Easy

Topic: Why Start a Business?

Learning Objective: 01-01 Explain the rationale behind starting an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

49) _____ aid(s), counsel(s), assist(s), and protect(s) the interests of small business concerns.

- A) The U.S. Small Business Administration
- B) Stakeholders
- C) Fortune 500 companies
- D) Medium-sized businesses

Answer: A

Explanation: The SBA is the agency officially organized to aid, counsel, assist, and protect, insofar as is possible, the interests of small business concerns.

Difficulty: 1 Easy

Topic: Why Start a Business?

Learning Objective: 01-01 Explain the rationale behind starting an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

50) Which one of the following is a huge advantage for small business owners to start a business?

- A) Desire to be one's own boss
- B) Benefit the stakeholders
- C) Desire to work for others
- D) Desire to be efficient and productive

Answer: A

Explanation: One of the huge advantages of starting one's own business is that it provides the setting where the business owner can be the boss.

Difficulty: 2 Medium

Topic: Why Start a Business?

Learning Objective: 01-01 Explain the rationale behind starting an entrepreneurial business.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

51) The Small Business Administration was organized as a part of

- A) the Small Business Administration Law.
- B) the Small Business Act of July 30, 1953.
- C) the Small Business Act of 1950.
- D) the Small Business Agency of 1960.

Answer: B

Explanation: The SBA is the agency officially organized in 1953 as a part of the Small Business Act of July 30, 1953, to "aid, counsel, assist, and protect, insofar as is possible, the interests of small business concern."

Difficulty: 1 Easy

Topic: Why Start a Business?

Learning Objective: 01-01 Explain the rationale behind starting an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

52) _____ lead(s) to a condition where a single firm making 100 percent of the product is the most efficient.

- A) Harvest plan
- B) Stakeholders
- C) Economies of scale
- D) Business strategy

Answer: C

Explanation: Economies of scale is a condition that allows the long-run average cost to continue downward as production increases. It leads to a condition where a single firm making 100 percent of the product is the most efficient.

Difficulty: 1 Easy

Topic: Why Start a Business?

Learning Objective: 01-01 Explain the rationale behind starting an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

53) The success of entrepreneurial businesses occurs partially because they are _____.

- A) more focused than their large corporate counterparts
- B) invested heavily in policies and procedures
- C) characterized by corporate layers of management
- D) responsible to public stockholders

Answer: A

Explanation: The success of entrepreneurial businesses occurs partially because they are simply more focused than their large corporate counterparts. Without the burden of policies, procedures, corporate layers of management, and public stockholders, new businesses are free to put all their energy into satisfying the needs of their customers.

Difficulty: 2 Medium

Topic: Why Start a Business?

Learning Objective: 01-01 Explain the rationale behind starting an entrepreneurial business.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

54) In the context of the initial developments of the industrial base in the United States, which of the following statements is true about robber barons?

- A) They ensured that smaller operations were effectively put out of business.
- B) They quickly came to dominate new sectors of the economy.
- C) They were unable to take advantage of the economies of scale that were possible with the industrial age.
- D) They came to dominate industrial sectors that had existed historically.

Answer: B

Explanation: Robber barons took advantage of the economies of scale that were suddenly possible with the industrial age and quickly came to dominate new sectors of the economy (e.g., Andrew Carnegie's domination of the steel industry). However, the robber barons were coming to dominate industrial sectors that had not existed historically, so they generally did not put smaller operations out of business.

Difficulty: 2 Medium

Topic: A Brief History of Entrepreneurial Businesses in the United States

Learning Objective: 01-02 Discuss the history of entrepreneurship in the United States.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

55) Until the mid-1880s, almost all U.S. businesses were _____.

- A) small
- B) medium
- C) large
- D) indifferent

Answer: A

Explanation: The history of the United States has always been intimately tied to entrepreneurial businesses. Until the mid-1880s, almost all U.S. businesses were still relatively small.

Difficulty: 1 Easy

Topic: A Brief History of Entrepreneurial Businesses in the United States

Learning Objective: 01-02 Discuss the history of entrepreneurship in the United States.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 56) Identify a true statement about the history of entrepreneurial businesses in the United States.
- A) The 1880s saw the initial development of the nation's large industrial base.
 - B) The Great Depression of the 1930s was harder on mature businesses than on entrepreneurial businesses.
 - C) Entrepreneurial businesses as a percentage of the U.S. economic output began to grow exponentially following World War II.
 - D) Steel and automobile manufacturing in the United States flourished in the late 1970s and early 1980s.

Answer: A

Explanation: The 1880s saw the initial development of the nation's large industrial base. Until the mid-1880s, almost all U.S. businesses were still relatively small.

Difficulty: 2 Medium

Topic: A Brief History of Entrepreneurial Businesses in the United States

Learning Objective: 01-02 Discuss the history of entrepreneurship in the United States.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 57) During Eisenhower's presidency, who stated, "What is good for General Motors is good for the nation"?

- A) Franklin Roosevelt
- B) Henry Ford
- C) Andrew Carnegie
- D) Charles Wilson

Answer: D

Explanation: Charles Wilson, secretary of defense, implied that what was good for a big business would be good for all of the people in the country.

Difficulty: 1 Easy

Topic: A Brief History of Entrepreneurial Businesses in the United States

Learning Objective: 01-02 Discuss the history of entrepreneurship in the United States.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

58) During the 1970s and 1980s, the _____ occupied the dominant economic position in the world.

- A) Americans
- B) Japanese
- C) Russians
- D) Germans

Answer: B

Explanation: In the late 1970s and early 1980s, the nation was in economic turmoil as many of the large firms were having difficulty owing to global competition. The Japanese occupied the dominant economic position in the world.

Difficulty: 1 Easy

Topic: A Brief History of Entrepreneurial Businesses in the United States

Learning Objective: 01-02 Discuss the history of entrepreneurship in the United States.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

59) Throughout U.S. history, from the 1800s to today, how would you characterize the role and impact of small businesses?

- A) Small businesses in general had a real roller coaster ride and suffered along with everyone else during the downturns.
- B) Small businesses were not impacted much by either economic downturns or increased prosperity.
- C) The number of small businesses decreased more than big businesses.
- D) Small businesses have proven to be more resilient than big businesses and have actually helped to improve the economy.

Answer: D

Explanation: Entrepreneurial business has been the backbone of the economic success of the nation. Entrepreneurial businesses today continue to play a dominant role in the ability of the nation to adapt quickly and to make economic progress.

Difficulty: 2 Medium

Topic: A Brief History of Entrepreneurial Businesses in the United States

Learning Objective: 01-02 Discuss the history of entrepreneurship in the United States.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

60) Compared to large corporations, entrepreneurial businesses

- A) play just as important a part in our economy.
- B) attract more attention in the media.
- C) are more visible.
- D) have more resources at their disposal.

Answer: A

Explanation: The decline of large multinational firms in the United States opened new opportunities that entrepreneurial businesses rose to fill.

Difficulty: 1 Easy

Topic: A Brief History of Entrepreneurial Businesses in the United States

Learning Objective: 01-02 Discuss the history of entrepreneurship in the United States.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

61) Which of the following was the outcome of the Great Depression of the 1930s?

- A) It led to the initial development of a large industrial base in the United States.
- B) It was harder on larger more mature businesses than on entrepreneurial businesses.
- C) The government deregulated all small- and medium-sized enterprises.
- D) Entrepreneurial business as a percentage of the U.S. economic output began to decline.

Answer: D

Explanation: The Great Depression of the 1930s was harder on entrepreneurial businesses than on larger more mature businesses, and as a result it encouraged industrial concentration. The outcome was that following World War II, entrepreneurial business as a percentage of the U.S. economic output began to decline.

Difficulty: 2 Medium

Topic: A Brief History of Entrepreneurial Businesses in the United States

Learning Objective: 01-02 Discuss the history of entrepreneurship in the United States.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

62) What term is used to describe individuals or other organizations that impact the success of a business?

- A) Corporate managers
- B) Capitalists
- C) Stakeholders
- D) Owners

Answer: C

Explanation: Stakeholders are individuals or other organizations that impact the success of a business.

Difficulty: 1 Easy

Topic: Who are Entrepreneurial Business Owners Today?

Learning Objective: 01-03 Identify the type of people who are entrepreneurs.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

63) What percentage of U.S. millionaires are self-employed?

- A) 25
- B) 33 1/3
- C) 50
- D) 66.7

Answer: D

Explanation: Almost two-thirds of U.S. millionaires are self-employed, although self-employed people make up fewer than 20 percent of the workers in the United States.

Difficulty: 1 Easy

Topic: Who are Entrepreneurial Business Owners Today?

Learning Objective: 01-03 Identify the type of people who are entrepreneurs.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

64) What is the percentage of self-employed people in the workforce?

- A) 10
- B) 20
- C) 30
- D) 40

Answer: B

Explanation: Almost two-thirds of U.S. millionaires are self-employed, although self-employed people make up fewer than 20 percent of the workers in the United States.

Difficulty: 1 Easy

Topic: Who are Entrepreneurial Business Owners Today?

Learning Objective: 01-03 Identify the type of people who are entrepreneurs.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

65) Which one of these large companies started out as a small business?

- A) Apple
- B) Hewlett-Packard
- C) Facebook
- D) All of these

Answer: D

Explanation: Bill Hewlett and Dave Packard founded Hewlett-Packard in a garage building using an audio oscillator. Steve Jobs and Steve Wozniak started Apple in a garage by just playing around with ideas related to computers. Mark Zuckerberg and his roommates started Facebook as a way to connect with other students at Harvard.

Difficulty: 1 Easy

Topic: Who are Entrepreneurial Business Owners Today?

Learning Objective: 01-03 Identify the type of people who are entrepreneurs.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 66) Which of the following is NOT a factor in a small business's success?
- A) Business owners have both the opportunity and the responsibility to lead.
 - B) Small business owners want and need to be independent.
 - C) Other people's needs and wants are not as important as the small business owner's.
 - D) Business owners need to carefully consider the needs of stakeholders.

Answer: C

Explanation: New business owners have both the opportunity and the responsibility to lead. However, although many new business owners want this independence, they also need to recognize they are not alone in the business; there are other important stakeholders who are critical to the success of the business.

Difficulty: 2 Medium

Topic: Who are Entrepreneurial Business Owners Today?

Learning Objective: 01-03 Identify the type of people who are entrepreneurs.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 67) Owning a small business provides a means to meet varied demands that individuals face in society. Which of the following is NOT a need mentioned in the text's discussion of how society benefits from small business ownership?

- A) Small business owners leave big businesses because of the lack of promotion opportunities.
- B) Entrepreneurs prefer the flexibility to deal with the needs of family and children that business ownership provides.
- C) Small business owners have greater ability to attract financing from venture capital firms.
- D) All of these

Answer: C

Explanation: Individuals can become frustrated with large corporations over the lack of promotion opportunities or the inflexibility of the corporations in dealing with the needs of family and children.

Difficulty: 2 Medium

Topic: How Does Society Benefit?

Learning Objective: 01-04 Describe the impact of entrepreneurial businesses on society.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

68) Which of the following is a difference between large organizations and entrepreneurial businesses?

- A) Unlike entrepreneurial businesses, large organizations have a better understanding of the local community in which they conduct business.
- B) Unlike entrepreneurial businesses, large organizations will regularly ignore business opportunities if they fail to believe the results will generate high profits.
- C) Unlike large organizations, entrepreneurial businesses are burdened by policies, procedures, corporate layers of management, and public stockholders.
- D) Unlike large organizations, entrepreneurial businesses do things more efficiently because they are easily able to achieve economies of scale.

Answer: B

Explanation: Large organizations will regularly ignore business opportunities if they do not believe the results will generate high profits, whereas entrepreneurial businesses are more flexible and willing to pursue a wider range of opportunities. The owners and employees of the entrepreneurial businesses have an understanding of the local community not easily obtained by a large conglomerate.

Difficulty: 2 Medium

Topic: How Does Society Benefit?

Learning Objective: 01-04 Describe the impact of entrepreneurial businesses on society.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

69) The term _____ refers to the fact that women, like minorities, may be hired by large firms but experience limits placed on their advancement.

- A) "grapevine"
- B) "androcentric"
- C) "glass ceiling"
- D) "glass cliff"

Answer: C

Explanation: The term "glass ceiling" refers to the fact that women, like minorities, may be hired by large firms but experience limits placed on their advancement. As a result, these women leave the large firms and start their own businesses.

Difficulty: 1 Easy

Topic: How Does Society Benefit?

Learning Objective: 01-04 Describe the impact of entrepreneurial businesses on society.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 70) Small businesses act as a catalyst for social change because
- A) they have the ability to generate profits in markets ignored by large corporations.
 - B) owners have a better understanding of how to operate their business.
 - C) they are often started when the economy is booming.
 - D) communities always want to have extra money that can be obtained from having small businesses.

Answer: A

Explanation: Small businesses act as a catalyst for societal change in many ways. Small businesses make profit in markets that have been ignored by large companies and they are more flexible and willing to pursue a wider range of opportunities.

Difficulty: 2 Medium

Topic: How Does Society Benefit?

Learning Objective: 01-04 Describe the impact of entrepreneurial businesses on society.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 71) The largest group of new business owners is _____.

- A) Hispanics
- B) retired men
- C) women
- D) Asians

Answer: C

Explanation: The number of women starting new businesses has increased to the point where they are now the largest single group of new business founders.

Difficulty: 1 Easy

Topic: How Does Society Benefit?

Learning Objective: 01-04 Describe the impact of entrepreneurial businesses on society.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 72) Women entrepreneurs are starting small businesses for all but one of the following reasons
- A) better ideas for small businesses.
 - B) greater control of their lives.
 - C) manage family needs.
 - D) hit the glass ceiling.

Answer: A

Explanation: The growth of women entrepreneurs comes from the fact that women are frustrated by the "glass ceiling" and want greater control of their lives so they can better balance their family's and children's needs.

Difficulty: 2 Medium

Topic: How Does Society Benefit?

Learning Objective: 01-04 Describe the impact of entrepreneurial businesses on society.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 73) The World Bank estimates that one of the strongest factors in the growth of any nation's GNP (gross national product) is _____.
- A) small and medium-sized enterprises
 - B) large businesses
 - C) global trading
 - D) higher tariffs

Answer: A

Explanation: The World Bank estimates that one of the strongest factors in the growth of any nation's gross national product is the presence of small and medium-sized enterprises.

Difficulty: 1 Easy

Topic: Entrepreneurship Around the World

Learning Objective: 01-05 Discuss the worldwide impact of entrepreneurial businesses.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 74) In the context of entrepreneurship around the world, identify a true statement about microloans.
- A) Such loans typically see much lower repayment rate than most types of loans.
 - B) The failure of such loans has resulted in a decreasing dedication of the U.S. aid budget to microloans for developing nations.
 - C) The repayment rate on such loans is typically 50 percent.
 - D) The success of such loans has been substantial, with great strides being made in many desperately poor nations.

Answer: D

Explanation: The success of microloans has been substantial, with great strides being made in many desperately poor nations. It is interesting that the repayment rate on such loans is typically 99 to 100 percent, a much higher repayment rate than on most types of loans.

Difficulty: 2 Medium

Topic: Entrepreneurship Around the World

Learning Objective: 01-05 Discuss the worldwide impact of entrepreneurial businesses.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 75) Microloans have been in existence for years; they are most commonly made directly to _____ for self-development.

- A) men
- B) women
- C) young adults
- D) Hispanics

Answer: B

Explanation: Microloan programs have been in existence for years to encourage self-development. These loans are often for only a few dollars each and are made directly to entrepreneurs, often women.

Difficulty: 1 Easy

Topic: Entrepreneurship Around the World

Learning Objective: 01-05 Discuss the worldwide impact of entrepreneurial businesses.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

76) Which kind of business is NOT likely to be eligible for a microloan program?

- A) Telecommunication center
- B) Meals delivery
- C) Serving weaving baskets
- D) Washing clothes

Answer: A

Explanation: Microloans often amount to few dollars each. The businesses founded through these loans can be as simple as delivering lunches, weaving baskets, or washing clothes.

Difficulty: 1 Easy

Topic: Entrepreneurship Around the World

Learning Objective: 01-05 Discuss the worldwide impact of entrepreneurial businesses.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

77) Characteristics of a small business start-up include all EXCEPT which one of the following?

- A) Self-funded
- B) Designed to take advantage of the skills of the founder(s)
- C) Oriented toward positive cash flow
- D) Over 100 employees

Answer: D

Explanation: Characteristics of small business start-ups include self-funded or closely funded; development plan oriented around positive cash flow; management structure designed to take advantage of the skills of the founder or founders; operation designed in the image of the founder(s); business oriented toward the personal goals of the founder(s); number of employees may be zero or as few as one and typically would not be expected to grow to more than 50 to 100.

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

78) A harvest plan for a small business means the owner is

- A) reaping the benefits.
- B) borrowing money to keep operating.
- C) planning to exit a small business.
- D) returning the profits into a company.

Answer: C

Explanation: A harvest plan is a plan to exit the business. Typically the owners have the intention to sell the business to another firm or take it to an initial public offering (IPO).

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

79) All of these are harvest plan strategies EXCEPT:

- A) selling the business to another firm.
- B) selling it to a group of investors.
- C) participating in an IPO (public offering of stock).
- D) franchising.

Answer: D

Explanation: A harvest plan is a plan to exit the business. Typically the owners have the intention to sell the business to another firm or take it to an IPO.

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

80) Entrepreneurial business resources are more _____ than venture capital-backed businesses.

- A) plentiful
- B) constrained
- C) restrained
- D) inverse ratio

Answer: B

Explanation: An entrepreneurial business's resources are significantly more constrained than those of a venture capital-backed business.

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

81) Which of the following is NOT a characteristic of a high-growth venture?

- A) Have a well-developed organization structure
- B) Often hire an experienced president to grow the company
- C) Usually hire a relatively large number of employees
- D) Is designed to reflect the mission of the founder

Answer: D

Explanation: A high-growth venture is characterized by a developed organizational structure, an experienced president to grow the company, and start or grow quickly to employ a relatively large number of employees.

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

82) Which of the following terms describes a plan to exit a small business?

- A) Harvest plan
- B) Business plan
- C) Entrepreneurial plan
- D) General departure plan

Answer: A

Explanation: A harvest plan is a plan to exit a business. Typically the owners have the intention to sell the business to another firm or take it to an IPO.

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

83) You should not use a cookie-cutter business plan program because:

- A) each business plan should have its own voice, feel, and presentation.
- B) a good plan is best developed by the individual contemplating the business, not by a paid consultant.
- C) potential investors are often family members, which makes it critical that the entrepreneur seeks to ensure the chances of success by doing thorough planning and thinking.
- D) All of these

Answer: D

Explanation: A well-thought-out business plan has heightened importance for a new business. You should not use a cookie-cutter business plan program because each business plan should have its own voice, feel, and presentation. It is best developed by the individual contemplating the business, not by a paid consultant. Potential investors are often family members, which makes it critical that the entrepreneur seeks to ensure the chances of success by doing thorough planning and thinking.

Difficulty: 2 Medium

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 84) Which of the following is a defining characteristic of venture capital start-ups?
- A) The businesses are well-funded by angel investment.
 - B) The development plan of the business is oriented around positive cash flow.
 - C) The management structure of the business is designed to take advantage of the skills of the founder.
 - D) The business is oriented toward the personal goals of the founder.

Answer: A

Explanation: Venture capital start-ups are well-funded by venture capital or angel investment. In fact, without such capital it is virtually impossible to begin this particular type of venture.

Difficulty: 2 Medium

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 85) Identify a defining characteristic of venture capital start-ups.
- A) They are inherently safe operations whose growth is dependent on the exploitation of knowns in the market.
 - B) They tend to develop operations in multiple locations very shortly after the initial investment.
 - C) They generally have a developing organizational structure that is subject to frequent change.
 - D) They are usually self-funded or closely funded.

Answer: B

Explanation: Venture capital start-ups tend to develop operations in multiple locations very shortly after the initial investment. They are inherently risky operations whose growth is dependent on the exploitation of unknowns in the market (a new invention, unique patents, etc.).

Difficulty: 2 Medium

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 86) Identify a defining characteristic of entrepreneurial firms.
- A) These businesses either start or grow quickly to employ a relatively large number of employees.
 - B) They tend to develop operations in multiple locations very shortly after the initial investment.
 - C) They tend to be oriented toward the personal goals of the founder.
 - D) They are inherently risky operations whose growth is dependent on the exploitation of unknowns in the market.

Answer: C

Explanation: Entrepreneurial firms are oriented toward the personal goals of the founder(s). The operation in such firms is designed in the image of the founder(s).

Difficulty: 2 Medium

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

- 87) Identify a true statement about entrepreneurial firms.
- A) Such businesses tend to develop operations in multiple locations very shortly after the initial investment.
 - B) Such businesses generally hire an experienced president to grow the company.
 - C) The organizational structure in such businesses is often well-developed.
 - D) The number of employees in such businesses is unexpected to grow to more than 50 to 100.

Answer: D

Explanation: Entrepreneurial firms are oriented toward the personal goals of the founder(s). The number of employees may be zero or as few as one, and typically would not be expected to grow to more than 50 to 100.

Difficulty: 2 Medium

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

88) In the context of a harvest plan, which of the following is the deciding metric in a potential public offering of a business?

- A) Location
- B) Nature
- C) Size
- D) Capital

Answer: C

Explanation: A harvest plan may include selling the business to another firm, selling it to a group of investors, or even participating in an IPO (a public offering of stock). Size is the deciding metric in a potential public offering or sale to a larger organization.

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

89) The U.S. Census tracks employment by number of employees (among many other statistics) and the latest census reports indicate that _____.

- A) firms with fewer than 99 employees represent the majority of all firms in the United States
- B) firms with more than 500 employees represent approximately 35 percent of all full-time employees in the United States
- C) there is an extensive presence of venture capital for start-ups outside of the United States
- D) firms with fewer than 99 employees represent 35 percent of all part-time employees in the United States

Answer: A

Explanation: The U.S. Census tracks employment by number of employees (among many other statistics) and the latest census reports indicate that firms with fewer than 99 employees represent the majority of all firms in the United States. They also represent approximately 35 percent of all full-time employees in the United States.

Difficulty: 2 Medium

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

90) Which of the following statements is true about venture capital start-ups?

- A) They refrain from developing operations in multiple locations very shortly after the initial investment.
- B) They are funded by angel investors who invest more than \$2 million and expect extraordinary returns.
- C) They have a management structure designed to take advantage of the skills of the founder or founders.
- D) They ensure that the business is oriented toward the personal goals of the founders.

Answer: B

Explanation: Venture capitalists are a specialized type of investor. They typically do not invest less than \$2 million and in return they expect extraordinary returns.

Difficulty: 2 Medium

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Understand

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation

91) _____ is a list published annually by *Fortune* magazine of the largest corporations in the United States.

Answer: Fortune 500

Explanation: Fortune 500 is published annually by *Fortune* magazine and documents the 500 largest corporations (by sales) in the United States.

Difficulty: 1 Easy

Topic: Why Start a Business?

Learning Objective: 01-01 Explain the rationale behind starting an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

92) During the 1970s and 1980s, the _____ occupied the dominant economic position in the world.

Answer: Japanese

Explanation: The Japanese occupied the dominant economic position in the world.

Difficulty: 1 Easy

Topic: A Brief History of Entrepreneurial Businesses in the United States

Learning Objective: 01-02 Discuss the history of entrepreneurship in the United States.

Bloom's: Remember

AACSB: Analytical Thinking

93) _____ are individuals or other organizations that impact the success of a business.

Answer: Stakeholders

Explanation: Stakeholders are individuals or other organizations that impact the success of a business.

Difficulty: 1 Easy

Topic: Who are Entrepreneurial Business Owners Today?

Learning Objective: 01-03 Identify the type of people who are entrepreneurs.

Bloom's: Remember

AACSB: Analytical Thinking

94) In their book *The Millionaire Next Door*, Dr. Thomas Stanley and William Danko state that _____ percent of self-employed millionaires are entrepreneurs.

Answer: 75

Explanation: The authors state that 75 percent of self-employed millionaires are entrepreneurs and the other 25 percent are self-employed professionals.

Difficulty: 1 Easy

Topic: Who are Entrepreneurial Business Owners Today?

Learning Objective: 01-03 Identify the type of people who are entrepreneurs.

Bloom's: Remember

AACSB: Analytical Thinking

95) _____ are now the largest single group of new business founders.

Answer: Women

Explanation: The number of women starting new businesses has increased to the point where they are now the largest single group of new business founders.

Difficulty: 1 Easy

Topic: How Does Society Benefit?

Learning Objective: 01-04 Describe the impact of entrepreneurial businesses on society.

Bloom's: Remember

AACSB: Analytical Thinking

96) _____ are often worth only a few dollars and they are given to entrepreneurs, especially women.

Answer: Microloans

Explanation: Microloans have been in existence for years; they are most commonly made directly to entrepreneurs, often women for self-development.

Difficulty: 1 Easy

Topic: Entrepreneurship Around the World

Learning Objective: 01-05 Discuss the worldwide impact of entrepreneurial businesses.

Bloom's: Remember

AACSB: Analytical Thinking

97) Why is small business the growth engine of the U.S. economy?

Answer: The evidence of entrepreneurial businesses' importance to the economy can be seen in the following 2016 statistics from the United States Small Business Administration (SBA):

1) 99.9 percent of all businesses in the United States are small.

2) 48 percent of private sector employees (57 million out of 118 million employees in the United States).

3) 33.6 percent of known export value (\$471 billion out of \$930 billion). Furthermore, these entrepreneurial businesses are growing rapidly. Whereas corporate America has been downsizing, the rate of start-ups has grown, and the rate for small-business failures has declined. Small businesses accounted for 63.3 percent of net new jobs from the third quarter of 1992 until the third quarter of 2013.

Difficulty: 2 Medium

Topic: Why Start a Business?

Learning Objective: 01-01 Explain the rationale behind starting an entrepreneurial business.

Bloom's: Understand

AACSB: Analytical Thinking

98) What is "economies of scale"? Compare the impact of economies of scale on both large and small businesses.

Answer: Economies of scale is a condition that allows the long-run average cost to continue downward as production increases. It leads (in its most extreme case) to a condition where a single firm making 100 percent of the product is the most efficient. In reality, this condition is moderated by the ability of management to control the size. Large firms can obtain economies of scale in some industries. In other words, large firms can sometimes do things more efficiently because of their ability to operate on a larger scale than can a small firm.

Difficulty: 2 Medium

Topic: Why Start a Business?

Learning Objective: 01-01 Explain the rationale behind starting an entrepreneurial business.

Bloom's: Understand

AACSB: Analytical Thinking

99) Describe a brief history of small businesses in the United States.

Answer: Small businesses have always been a critical part of the country's success. Until the 1880s, almost all businesses in the United States were small businesses. The Great Depression was hard on small businesses. The late 1970s and early 1980s opened new opportunities for small businesses because of economic turmoil. Today, small businesses play a role in the ability of the nation to adapt quickly to the economic progress.

Difficulty: 2 Medium

Topic: A Brief History of Entrepreneurial Businesses in the United States

Learning Objective: 01-02 Discuss the history of entrepreneurship in the United States.

Bloom's: Understand

AACSB: Analytical Thinking

100) What are stakeholders? What impact do stakeholders have on a small business?

Answer: Stakeholders are individuals or other organizations that impact success of a business. They include key suppliers, customers, and employees—all of whom are critical to the success of the new business.

Difficulty: 2 Medium

Topic: Who are Entrepreneurial Business Owners Today?

Learning Objective: 01-03 Identify the type of people who are entrepreneurs.

Bloom's: Understand

AACSB: Analytical Thinking

101) Why does a small business act as a catalyst for social change?

Answer: A small business has the ability to garner profits in the markets that have been ignored by large firms. Small businesses have more flexibility to understand the local community. The increase of women and minorities starting new businesses contributes to societal change. Women are now the largest single group of new business founders.

Difficulty: 2 Medium

Topic: How Does Society Benefit?

Learning Objective: 01-04 Describe the impact of entrepreneurial businesses on society.

Bloom's: Understand

AACSB: Analytical Thinking

102) Describe how a small business is critical globally.

Answer: New and growing businesses are critically important around the world. The World Bank estimates that one of the strongest factors in the growth in any nation's GNP is the presence of entrepreneurial small- and medium-sized enterprises (SMEs). Today there are widespread efforts in almost all nations to encourage the development of small and medium enterprises. These governmental efforts range from tiny contributions of capital or time to large, multidimensional programs that cross the boundaries of multiple nations.

Difficulty: 2 Medium

Topic: Entrepreneurship Around the World

Learning Objective: 01-05 Discuss the worldwide impact of entrepreneurial businesses.

Bloom's: Understand

AACSB: Analytical Thinking

103) Define what a small business is.

Answer: For classification purposes, the U.S. government considers any business with fewer than 500 employees to be a small business while the European Union caps that number at 50. A business with almost 500 employees is actually a large firm requiring formal personnel policies, specialized groups, and an administrative structure that is in no way close to the reality of most small businesses. For the vast majority of people, the businesses formed will have far fewer than 500 employees.

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

104) What are the three goals for a business plan?

Answer: A business plan for a new entrepreneurial business is developed with three goals in mind:

1. To be a guide to managing the business in its early development.
2. To provide a self-evaluation: Putting the information down in writing allows for evaluation and honest analysis.
3. To provide potential closely held investors with the critical information necessary to evaluate the key criteria of the business: its cash flow, management team, and competitive advantage.

Difficulty: 2 Medium

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Understand

AACSB: Analytical Thinking

105) Describe the characteristics of a venture capital start-up.

Answer: Venture capital start-ups can be characterized by the following descriptions:

1. The businesses are well-funded by venture capital or angel investment. In fact, without such capital it is virtually impossible to begin this particular type of venture. Venture capitalists are a specialized type of investor; they typically do not invest less than \$2 million and in return they expect extraordinary returns.
2. These businesses are formed with a harvest plan in place; this is a plan to exit the business that allows the investors to take advantage of growth. A harvest plan may include selling the business to another firm, selling it to a group of investors, or even participating in an IPO (a public offering of stock). Size is the deciding metric in a potential public offering or sale to a larger organization.
3. As a result of the harvest plan, these firms are organized to grow as quickly as possible and are generally heavily laden with debt. Many are harvested before they can achieve positive net cash flow.
4. They have a developed organizational structure.
5. They often hire an experienced president to grow the company.
6. They tend to develop operations in multiple locations very shortly after the initial investment.
7. They are inherently risky operations whose growth is dependent on the exploitation of unknowns in the market (a new invention, unique patents, etc.).
8. These businesses either start or grow quickly to employ a relatively large number of employees.

Difficulty: 2 Medium

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Understand

AACSB: Analytical Thinking

106) Describe the characteristics of a small business start-up.

Answer: Entrepreneurial businesses can be characterized by the following descriptions:

1. The start-up is self-funded or closely funded.
2. The development plan is oriented around positive cash flow.
3. The management structure is designed to take advantage of the skills of the founder or founders.
4. The operation is designed in the image of the founder(s).
5. The business is oriented toward the personal goals of the founder(s).
6. The number of employees may be zero or as few as one, and typically would not be expected to grow to more than 50 to 100.

Difficulty: 2 Medium

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Understand

AACSB: Analytical Thinking

107) Compare the business plans of a high-growth venture with those of a small business start-up. What are the differences?

Answer: A critical difference between an entrepreneurial business and a venture capital-backed firm is in the size and detail required in their initial business plans. An entrepreneurial business's resources are significantly more constrained than those of venture capital-backed business. Whereas the entrepreneurial firm generally develops a business plan as a promotional tool to be sent to venture capitalists and other potential investors, the entrepreneurial business develops a business plan as a guide for the running of the business. Many entrepreneurial ventures hire professional

Difficulty: 2 Medium

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Understand

AACSB: Analytical Thinking

108) What are the three goals that one should keep in mind when developing a business plan for an entrepreneurial business?

Answer: A business plan for a new entrepreneurial business is developed with three goals in mind:

1. To be a guide to managing the business in its early development.
2. To provide a self-evaluation: Putting the information down in writing allows for evaluation and honest analysis.
3. To provide potential closely held investors with the critical information necessary to evaluate the key criteria of the business: its cash flow, management team, and competitive advantage.

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking

109) What is a lean startup?

Answer: The term "lean startup" indicates that a start-up business will need to rapidly change. Rather than pursuing a fixed business idea you should visualize the startup as an experiment. The focus is on building a business that generates something that the customer actually desires. The lean approach means seeking a model that is scalable—or able to build into something bigger. The lean startup seeks to shorten the product/service cycles by quickly testing and experimentation of a product. The goal of the lean approach to business startup seeks to iteratively build products or services with a particular focus on early customers. This process requires constantly testing the business's products/services with real customers and incorporating their feedback into the entrepreneurial effort. One key to the lean entrepreneurial process and where the term originates is the startup must be lean. To make changes an entrepreneur must be flexible. Thus, the entrepreneur must recognize that change will be the nature of the business, and so whether such an investment is helpful or confining must be evaluated by the entrepreneur. The key for the entrepreneur is the adaptation. Keeping any production or action simple can quickly be eliminated if it does not generate the success the entrepreneurial team is seeking.

Difficulty: 1 Easy

Topic: What Is an Entrepreneurial Business?

Learning Objective: 01-06 Define an entrepreneurial business.

Bloom's: Remember

AACSB: Analytical Thinking