Chapter 02

Small Business Entrepreneurs: Characteristics and Competencies

True / False Questions

1. The majority of new businesses are run by a solo entrepreneur.

   True False

2. One way entrepreneurs display passion is by being persistently focused on the business.

   True False

3. Opportunistic planners always plan around the most important aspect of the business first, act on it, and then consider if additional plans are needed.

   True False

4. Habit-based planners don't plan, and they don't even tend to react to changes in their environments.

   True False

5. Most businesses run by teams are not family related.

   True False

6. Like every person, every small business is unique. There is no way to predict how the company will progress in the growth process.

   True False

7. The competency suggested by exchange relates to the organizational and business processes of a firm called basic business competency.

   True False

8. Skills necessary to identify and exploit elements of the business environment that can lead to a profitable and sustainable business are called opportunity competencies.

   True False

9. With over 8.3 million businesses owned by women, they account for a quarter of small business revenue nationally.

   True False

10. Workers are opting for early retirement as corporations merge, downsize, and reorganize.

    True False

11. Entrepreneurs get used to a do-it-yourself approach, which can be especially trying for second career entrepreneurs.

    True False

12. Succession plans deal with the people who will take over, what roles they will fill, and what supports they will receive.

    True False

13. One way to maximize communication in the succession process is to create a family council.

    True False

14. In family-owned businesses, the board of directors can only be comprised of family members.

    True False

15. Several models exist for the life cycle of the small business firm. Each divides the stages a bit differently.

    True False

16. The slowest growing sector of all U.S. businesses is women-owned businesses.

    True False

17. Access problems for women- and minority-owned small businesses crop up most often as discrimination in marketing.

    True False

18. For corporations, certification for businesses owned by women or minority is handled by organizations that are not affiliated with the government or big business.

    True False

19. About a third of the second career types who return to work decide to become self-employed.

    True False

20. One of the major issues identified for second career entrepreneurs is keeping personal finances out of the business.

    True False

Multiple Choice Questions

21. This stage of the business life cycle occurs once the firm is established in its market.

A. The success stage.
B. The emergence stage.
C. The existence stage.
D. The resource maturity stage.

22. Which of the following statements concerning family businesses is correct?

A. Family members often work in the business but may not sit on the council.
B. Family businesses employ about 20 percent of America's total workforce.
C. Most top managers at family firms tend to stay in their positions much longer than those at nonfamily firms.
D. Family businesses plan for succession using a critical-point plan.

23. Which of the following is one of the most common behaviors found in successful entrepreneurs?

A. Preemption
B. Frigidness
C. Personalization
D. Passion

24. Which of the following is best thought of as a type of learned optimism in successful entrepreneurs?

A. Apathy
B. Professionalization
C. Perseverance
D. Cognition

25. The majority of businesses run by teams are comprised of:

A. five or more members.
B. one member.
C. three members.
D. two members.

26. The problem behavior of trying the same action repeatedly without learning is called _____.

A. perseveration
B. prevention focus
C. effectuation
D. critical observation

27. Regulatory focus is a mix of two internal focuses, _____ focus and _____ focus.

A. effectuation; comprehension
B. comprehension; prevention
C. effectuation; promotion
D. promotion; prevention

28. About 400,000 new firms a year are started by teams, with about 320,000 started by:

A. solo entrepreneurs.
B. family teams.
C. unrelated business associates.
D. five or more team members.

29. When starting a business, more women choose ________ industries that tend to have lower average sales levels.

A. construction
B. financial
C. technology
D. service

30. Which of the following approaches yields better results in an established industry or a poor one?

A. External focus
B. Effectuation focus
C. Prevention focus
D. Promotion focus

31. Which of the following approaches yields better results in richer, dynamic, uncertain environments or industries?

A. Promotion focus
B. External focus
C. Effectuation focus
D. Prevention focus

32. Which of the following was not listed as a time management technique in the textbook?

A. 123 Prioritize
B. Delegate
C. Perseverance
D. Strategize

33. Christopher is a hard-working entrepreneur who looked into all the details of his small gaming software business. He focused on all aspects of the business from the initial launch, promotion, and marketing aspects to the final set up. He finds planning convenient and works according to a plan. Christopher is a(n) _____.

A. opportunistic planner
B. habit-driven planner
C. reactive planner
D. comprehensive planner

34. Entrepreneurs who develop plans focused on the most important aspect of the business first are known as _____.

A. critical-point planners
B. opportunistic planners
C. comprehensive planners
D. reactive planners

35. Which among the following is a critical-point planner?

A. Amanda does not have a very long-term approach to planning and she plans only for those business aspects that are of paramount importance.
B. Andrew looks at all aspects of the business, from launch to the complete working of it.
C. Cathy looks for a good chance to achieve her goal and acts according to a routine.
D. Joshua acts on what he has been doing and does not believe in planning.

36. Entrepreneurs who start with a goal instead of a plan and look for a chance to achieve it are known as _____.

A. reactive planner
B. critical-point planner
C. comprehensive planner
D. opportunistic planner

37. Which of the following would have a very short-term approach to planning?

A. Individuals who look for opportunities to achieve their goal, even if the opportunity isn't the one related to their original goal.
B. Individuals who develop long-range plans for all aspects of the business and act based on the plans they've developed.
C. Individuals who plan around the most important aspect of the business first, act on it, and then consider if additional plans are needed.
D. Individuals who are comfortable with planning and act based on the plans they have developed.

38. _____ are completely passive, waiting for cues from the environment to determine what actions to take.

A. Opportunistic planners
B. Critical-point planners
C. Comprehensive planners
D. Reactive planners

39. The successful entrepreneurial personality exhibits certain types of business-related expertise which the text condenses into five competencies. Which of the following statements is NOT true about these competencies?

A. Research shows these competencies can be learned through training.
B. The amount of expertise is what distinguishes the more successful from the less successful firms.
C. Determination competencies are activities, knowledge, and skills specific to businesses in a particular industry.
D. Opportunity competencies are the skills necessary to identify and exploit elements of the business environment that can lead to a profitable and sustainable business.

40. When starting a business using entrepreneurial teams, which number of team members is the most common?

A. Two team members
B. Three team members
C. Four team members
D. Five or more team members

41. Which of the following characterizes a habit-based planner?

A. They take a long-term view, develop long-range plans for all aspects of the business, are comfortable with planning, and act based on the plans they've developed.
B. They plan around the most important aspect of the business first, act on it, and then consider if additional plans are needed.
C. They are completely passive and generally wait for cues from the environment to determine what actions to take.
D. They don't plan, and they don't tend to react to changes in their environments.

42. Which of the following planners do best in terms of getting a start-up launched, keeping it going, and making a living from it?

A. Comprehensive planners
B. Habit-based planners
C. Opportunistic planners
D. Reactive planners

43. Which of the following kinds of planners generally tend do very poorly in business, even if they do manage to get their firms started?

A. Comprehensive planners
B. Habit-based planners
C. Opportunistic planners
D. Critical-point planners

44. The extent to which a firm meets or exceeds the standard business practices for its industry is known as _____.

A. bootstrapping
B. professionalization
C. effectuation
D. Perceived Organizational Support (POS)

45. A business action that has been widely adopted within an industry or occupation is known as _____.

A. best business practice
B. specialized business professionalization
C. standard business practice
D. expert professionalization

46. Which of the following refers the three levels of professionalization?

A. Low, medium, and high
B. Company, industry, and global
C. Personal, team, and organizational
D. Expert, specialized, and minimalized

47. Which of the following is not listed as a challenge for the late career entrepreneur?

A. access to financial backing
B. adjusting to the entrepreneurial life
C. keeping personal finances out of the business
D. reestablishing self-confidence

48. Expert business professionalization is a situation that occurs:

A. when only the most critical aspect of business is met.
B. when most aspects of the business meet or exceed the industry's standards.
C. when one or two aspects of the business are met.
D. when none of the business can achieve the industry standard.

49. A situation that occurs when businesses have founders or owners who are passionate about one or two of the key business functions, such as sales, operations, accounting, finance, or human resources is known as _____.

A. expert business professionalization
B. specialized business professionalization
C. minimized business professionalization
D. maximized business professionalization

50. The key difference between a family council and a board of directors is that:

A. the council is comprised of unrelated members while the board is comprised of family members.
B. the board of directors maximizes communication while the council works on unique company problems.
C. the council is to keep the family involved while the board is focused on running the business.
D. the board can seek legal advice while the council gathers legal advice from the board.

51. Which of the following is true with regard to minimalized business professionalization?

A. The entrepreneur does nearly everything in the simplest way possible.
B. The entrepreneur is passionate about one or two of the key business functions.
C. The entrepreneur meets or exceeds the industry's standards.
D. The entrepreneur brings the highest levels of trust among customers.

52. Competencies are defined as:

A. forms of business-related expertise.
B. forms of personal development model.
C. different forms of self-assessment.
D. different forms of personality theories.

53. Getting the business organized and registered is an example of _____ competency.

A. opportunity
B. resource
C. industry-specific
D. boundary

54. The competency suggested by _____ relates to the organizational and business processes of a firm.

A. intention
B. resource
C. exchange
D. boundary

55. This stage of the business life cycle is characterized by a stable level of sales and profits over several years. The functional areas, the market, and the products or services are all being dealt with consistently and efficiently.

A. The success stage.
B. The existence stage.
C. The resource maturity stage.
D. The takeoff stage.

56. Activities common to all businesses such as sales, operations (also called production), accounting, finance, and human resources are known as _____.

A. key business functions
B. competencies
C. business accreditations
D. business-related expertise

57. Certain businesses demand higher safety related rules. For example, window cleaners that specialize in high-rise buildings have certain rules and safety protocols. These specific rules would comprise the _____.

A. specialized business professionalization
B. infant-industry argument
C. industry-specific knowledge
D. key business functions

58. The ability or skill of the entrepreneur at finding expendable components necessary to the operation of the business such as time, information, location, financing, raw materials, and expertise is known as _____.

A. basic business competencies
B. resource competencies
C. opportunity competencies
D. determination competencies

59. Which of the following stages of the business life cycle do most small business never go through?

A. The takeoff stage.
B. The emergence stage.
C. The existence stage.
D. The entrepreneur stage.

60. Martin runs a successful house painting business. He runs his business out of his garage, which he converted into office space. Martin, who had previously worked as a house painter in another company had good knowledge of how to run a house-painting business. After a storm destroyed public properties in his neighboring town, he contracted with the mayor of that town to fulfill any painting jobs required during the town's reconstruction. In order to meet this demand and expand business, he hired more house painters.
According to the BRIE model, which of the following is an example of Martin's basic business competency?

A. Martin hiring more house painters to meet demand
B. Martin contracting with the mayor to help paint during reconstruction
C. Martin getting his company registered
D. Martin having prior knowledge of the house-painting business

61. Martin runs a successful house painting business. He runs his business out of his garage, which he converted into office space. Martin, who had previously worked as a house painter in another company had good knowledge of how to run a house-painting business. After a storm destroyed public properties in his neighboring town, he contracted with the mayor of that town to fulfill any painting jobs required during the town's reconstruction. In order to meet this demand and expand business, he hired more house painters.
According to the BRIE model, which of the following provides industry-specific knowledge to martin?

A. Martin hiring more house painters to meet demand
B. Martin contracting with the mayor to help paint during reconstruction
C. Martin getting his company registered
D. Martin having worked in a house-painting company before starting his own business

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According to the BRIE model, which of the following is an example of Martin's resource competency?

A. Martin hiring more house painters to meet demand
B. Martin contracting with the mayor to help paint during reconstruction
C. Martin setting up the business's office in his garage
D. Martin having prior knowledge of the house-painting business

63. Martin runs a successful house painting business. He runs his business out of his garage, which he converted into office space. Martin, who had previously worked as a house painter in another company had good knowledge of how to run a house-painting business. After a storm destroyed public properties in his neighboring town, he contracted with the mayor of that town to fulfill any painting jobs required during the town's reconstruction. In order to meet this demand and expand business, he hired more house painters.
According to the BRIE model, which of the following is an example of Martin's opportunity competency?

A. Martin hiring more house painters to meet demand
B. Martin contracting with the mayor to help paint during reconstruction
C. Martin setting up the business's office in his garage
D. Martin deciding to set up his own business after quitting his previous job

64. Which of the following deals with the actual process of exploiting an opportunity for profit?

A. Resource
B. Exchange
C. Intention
D. Boundary

65. Which of the following relates to the skills necessary to identify and exploit elements of the business environment that can lead to a profitable and sustainable business?

A. Determination competencies
B. Basic business competencies
C. Resource competencies
D. Opportunity competencies

66. Which of the following comprises a family business?

A. A firm in which two or more families own a stake in a company but with no authority for daily management
B. A firm in which no family members are involved in the management of the business
C. A firm in which two or more families are involved in the occasional management of the business
D. A firm in which one family owns a majority stake

67. Which of the following is a major economic force, employing 58 percent of America's total workforce?

A. Public companies
B. Government enterprises
C. Family businesses
D. International assignments

68. Which of the following is true as an advantage of businesses run by a group of tight-knit family members?

A. Succession issues don't crop up in family-owned businesses.
B. Role conflicts never happen in family owned businesses.
C. Board of members are not used in family-owned businesses.
D. Communication-based integration is most effective in family-owned business.

69. Which of the following challenges is typical to family businesses?

A. Motivation and nepotism
B. Role conflict and succession
C. Succession and finances
D. Leadership and finances

70. Which of the following best describes the problem that arises when people have multiple responsibilities and each makes different demands on them?

A. Role conflict
B. Succession issues
C. Strategizing challenges
D. Leadership constraints

71. Which of the following is the most effective approach for avoiding role conflict?

A. Keep family issues out of the family business
B. Keep separate rules for family members and employees
C. Have constant role reversals
D. Have decisions narrowed down for family members based on family necessities

72. Which of the following problems is closely related to role conflict?

A. Resource shortage
B. Lack of skills
C. Shortage of time
D. Perseverance

73. The organizing process to help make the most efficient use of the day is known as _____.

A. promotion focus
B. competence
C. certification
D. time management

74. Only _____ of family-owned businesses survive beyond the first generation.

A. three-quarters
B. one-half
C. one-fourth
D. one-third

75. ____ refers to the process of intergenerational transfer of business.

A. Role conflict
B. Succession
C. Certification
D. Access

76. Which of the following statements is true about a family council?

A. It helps to maximize communication in the succession process of family businesses.
B. Its main function is complete the key business activities of a family business.
C. It includes family members with immediate interests in the business and a significant number of non-family members.
D. It is not a good forum for grappling with issues like role expectations, commitment, and personal responsibility.

77. Which of the following organizations tracks experts in family business?

A. Association for Family Business Foundations
B. Association for Small Business Entrepreneurs
C. Family Business Management Institute
D. Family Firm Institute

78. Which of the following statements about entrepreneurial teams is true?

A. Most entrepreneurial teams are family related.
B. The majority of new businesses have an entrepreneurial team of a minimum five co-owners.
C. The trend is toward even more businesses being developed by a solo entrepreneur.
D. Only 10 percent of teams are spouses or life partners working together.

79. Which of the following is true with regard to women in small businesses?

A. Women-owned businesses are the slowest growing sector of all U.S. businesses.
B. Women-owned firms accounted for 25 percent of small business revenue nationally.
C. Women prefer less-risky firms, which also tend to be firms with lower returns.
D. Women prefer more high-tech firms, as well as firms where technology is central to the business than men.

80. Qualification for _____ requires certification as a business owned and operated by a woman or a minority.

A. set-asides
B. codicils
C. product liability insurance
D. professional liability insurance

81. Which of the following is true with regard to minorities in small businesses?

A. Minority-owned firms have not grown much in recent years and are a slow growing sector.
B. The establishment of both public and private funding and networking initiatives has helped to level the business playing field for minority entrepreneurs.
C. There is a phenomenal decline in the number of minority entrepreneurs despite the growth of racial and ethnic groups within the U.S. population.
D. Minority entrepreneurs do not face the challenge of access anymore.

82. The two fastest growing minority groups that represent the largest segments of minority business owners are:

A. Hispanics and African Americans.
B. Hispanics and Pacific Islanders.
C. Asians and African Americans.
D. Asians and Pacific Islanders.

83. The challenge of _____ refers to when woman or minority-owned businesses are simply excluded from the opportunities offered to firms owned by white males.

A. consistency
B. access
C. flexibility
D. mutuality

84. Identify the simplest form of discrimination with regard to women and minority entrepreneurs within the U.S. population.

A. Certification
B. Role conflict
C. Access
D. Collusion

85. Access problems for women- and minority-owned small businesses crop up most often as:

A. differences in labeling.
B. discrimination in financing.
C. problems involved in business contacts.
D. the presence and absence of certain skills.

86. Government contracting funds which are earmarked for particular kinds of firms, such as small businesses, minority-owned firms, women-owned firms, and the like, are known as _____.

A. collective investment scheme
B. cooperative fund
C. certified items
D. set-asides

87. An examination based acknowledgement that the firm is owned and operated as specified is known as _____.

A. performance analysis
B. certification
C. multi source assessment
D. homologation

88. Which of the following statements about certification with regard to women- or minority-owned small business is true?

A. Most corporate certification programs require a business to be in operation at least five years.
B. Certification is for every women or minority-owned small business.
C. For those businesses that qualify, certification provides a ready means of access to opportunity and to networks of businesses and government agencies.
D. For corporations, certification is handled by organizations that are affiliated with the government or big business.

89. _____ entrepreneurs are people who begin their business after having retired or resigned from work in corporations at or after the age of 50.

A. Occasional
B. Helical
C. Second career
D. Veteran

90. Which of the following is an example of a second career entrepreneur?

A. Cynthia, a 24-year-old, starting a consultancy business after graduating from college.
B. Mark, a 30-year-old, starting a new business venture in stock trading after the failure of his previous business in real estate.
C. Ursula, a 60-year-old, starting a business in shrimp trading after being retired for 5 years.
D. Timothy, a 62-year-old, joining a real estate agency as a sales representative, after being retied for 4 years.

91. Which of the following is one of the prime challenges faced by most second career entrepreneurs?

A. Keeping personal finances out of the business
B. Avoiding overconfidence
C. Lacking resources
D. Deciding whether to return to work

Essay Questions

92. Define the five Ps of entrepreneurial behavior.

93. Name and briefly explain the stages of the entrepreneurial life cycle. Why is it important to understand this cycle?

94. What is the difference between key business functions and industry-specific knowledge?

95. Outline methods or techniques for time management.

96. Discuss the challenge of succession faced by family businesses.

97. What are the challenges faced by team entrepreneurs?

98. Describe the challenges faced by women and minorities in small businesses.

99. Compare determination competencies to opportunity competencies.

100 Who are referred to as the second career entrepreneurs?
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101 Explain the challenges faced by second career entrepreneurs?
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Chapter 02 Small Business Entrepreneurs: Characteristics and Competencies Answer Key

True / False Questions

1. The majority of new businesses are run by a solo entrepreneur.

FALSE

The majority of new businesses have a team of two or more co-owners, and the trend is toward even more businesses being developed by teams of entrepreneurs.

AACSB: Analytical Thinking
AACSB: Teamwork
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-04 Recognize the special nature of entrepreneurial teams.
Level of Difficulty: 1 Easy
Topic: Entrepreneurial Teams

2. One way entrepreneurs display passion is by being persistently focused on the business.

TRUE

Passion is displayed in three ways: (1) by looking at the challenges of the business in a creative way, (2) by being persistently focused on the business, and (3) by being absorbed by the tasks and concerns of the business.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 1 Easy
Topic: The Five Ps of Entrepreneurial Behavior

3. Opportunistic planners always plan around the most important aspect of the business first, act on it, and then consider if additional plans are needed.

FALSE

Opportunistic planners generally start with a goal and look for opportunities to achieve it. Once they find a good opportunity, even if it isn't the one related to their original goal, they act on it, so it is very short term in orientation.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 1 Easy
Topic: The Five Ps of Entrepreneurial Behavior

4. Habit-based planners don't plan, and they don't even tend to react to changes in their environments.

TRUE

Habit-based planners do not really plan at all because their actions are dictated by their routines. They do today what they did yesterday. They don't plan, and they don't even tend to react to changes in their environments.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 1 Easy
Topic: The Five Ps of Entrepreneurial Behavior

5. Most businesses run by teams are not family related.

FALSE

In fact 53 percent of teams are spouses or life partners working together with another 18 percent having different arrangements of family members working together. Only 15 percent of teams are composed of unrelated business associates.

AACSB: Analytical Thinking
AACSB: Teamwork
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-04 Recognize the special nature of entrepreneurial teams.
Level of Difficulty: 1 Easy
Topic: Entrepreneurial Teams

6. Like every person, every small business is unique. There is no way to predict how the company will progress in the growth process.

FALSE

Like every person, every small business *is* unique. But just as we all go through childhood and adolescence on the way to adulthood, so do entrepreneurs' small businesses. There is a lot of predictability in this growth process, and knowing the developmental stages of the business life cycle can help you better understand your business.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-03 Recognize the stages of development entrepreneurs and their firms go through.
Level of Difficulty: 1 Easy
Topic: The Entrepreneurial Life Cycle

7. The competency suggested by exchange relates to the organizational and business processes of a firm called basic business competency.

FALSE

The competency suggested by *boundary* in BRIE theory relates to the organizational and business processes of a firm called basic business competency.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-02 Assess the operational competencies of the successful entrepreneur.
Level of Difficulty: 1 Easy
Topic: Entrepreneurial Operational Competencies

8. Skills necessary to identify and exploit elements of the business environment that can lead to a profitable and sustainable business are called opportunity competencies.

TRUE

Exchange deals with the actual process of exploiting the opportunity for profit—which is a fancy way of saying "making sales." The competencies that make this work are called opportunity competencies, which include identifying an opportunity, a product, or service idea that is likely to lead you to a profit and is ideally distinctive to your firm and, you hope, hard for others to copy.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-02 Assess the operational competencies of the successful entrepreneur.
Level of Difficulty: 1 Easy
Topic: Entrepreneurial Operational Competencies

9. With over 8.3 million businesses owned by women, they account for a quarter of small business revenue nationally.

FALSE

Although in 2012, there were 8.3 million businesses owned by women, women-owned firms accounted for only 4 percent of small business revenue nationally.

AACSB: Analytical Thinking
AACSB: Diversity
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-06 Identify the challenges women and minority business owners face.
Level of Difficulty: 1 Easy
Topic: Women and Minorities in Small Business

10. Workers are opting for early retirement as corporations merge, downsize, and reorganize.

TRUE

Firms are offering attractive retirement packages to encourage employees to voluntarily leave the organization. Workers are opting to accept generous offers to retire early.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-07 Describe the situation of people who become second career entrepreneurs.
Level of Difficulty: 1 Easy
Topic: Second Career Entrepreneurs

11. Entrepreneurs get used to a do-it-yourself approach, which can be especially trying for second career entrepreneurs.

TRUE

All entrepreneurs get used to a do-it-yourself approach, and this is a challenge for everyone, but it can be especially trying for second career entrepreneurs.

AACSB: Analytical Thinking
AACSB: Diversity
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-07 Describe the situation of people who become second career entrepreneurs.
Level of Difficulty: 1 Easy
Topic: Second Career Entrepreneurs

12. Succession plans deal with the people who will take over, what roles they will fill, and what supports they will receive.

TRUE

Succession plans deal with the people who will take over, what roles they will fill, and what supports (such as training, outside assistance, voting power, resources control) they will receive. Problems arise when there are no successors available within the family.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-05 Describe the challenges of family business owners.
Level of Difficulty: 1 Easy
Topic: Family Businesses

13. One way to maximize communication in the succession process is to create a family council.

TRUE

One way to maximize communication in the succession process is to create a family council. A family council includes family members with immediate interests in the business (spouse, sisters and brothers, older children, etc.). The focus of council meetings is the business-family relationship. The meetings can also be a good forum for grappling with issues like role expectations, commitment, and personal responsibility.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-05 Describe the challenges of family business owners.
Level of Difficulty: 1 Easy
Topic: Family Businesses

14. In family-owned businesses, the board of directors can only be comprised of family members.

FALSE

The key difference between a family council and a board of directors is that the function of the family council is to keep the family involved while the board is focused on running the business. The board includes significant nonfamily membership.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-05 Describe the challenges of family business owners.
Level of Difficulty: 1 Easy
Topic: Family Businesses

15. Several models exist for the life cycle of the small business firm. Each divides the stages a bit differently.

TRUE

All models have the same general ideas.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-03 Recognize the stages of development entrepreneurs and their firms go through.
Level of Difficulty: 1 Easy
Topic: The Entrepreneurial Life Cycle

16. The slowest growing sector of all U.S. businesses is women-owned businesses.

FALSE

Women-owned businesses are one of the fastest growing sectors of all U.S. businesses. Between 1997 and 2012, the number of private businesses with at least 51 percent female ownership increased by 54 percent, while the rate for firms overall was 37 percent.

AACSB: Analytical Thinking
AACSB: Diversity
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-06 Identify the challenges women and minority business owners face.
Level of Difficulty: 1 Easy
Topic: Women and Minorities in Small Business

17. Access problems for women- and minority-owned small businesses crop up most often as discrimination in marketing.

FALSE

Access problems for women- and minority-owned small businesses crop up most often as discrimination in *financing*. This means that they may not be given the same access to funds or contracting opportunities that white male-owned firms are given.

AACSB: Analytical Thinking
AACSB: Diversity
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-06 Identify the challenges women and minority business owners face.
Level of Difficulty: 1 Easy
Topic: Women and Minorities in Small Business

18. For corporations, certification for businesses owned by women or minority is handled by organizations that are not affiliated with the government or big business.

TRUE

For corporations, certification is handled by organizations that are not affiliated with the government or big business, such as the National Minority Supply and Diversity Council or the Women's Business Enterprise National Council.

AACSB: Analytical Thinking
AACSB: Diversity
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-06 Identify the challenges women and minority business owners face.
Level of Difficulty: 1 Easy
Topic: Women and Minorities in Small Business

19. About a third of the second career types who return to work decide to become self-employed.

TRUE

About a third of the second career types who return to work decide to become self-employed. Those who do face three challenges—adjusting to the entrepreneurial life, reestablishing self-confidence, and keeping personal finances out of the business.

AACSB: Analytical Thinking
AACSB: Diversity
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-07 Describe the situation of people who become second career entrepreneurs.
Level of Difficulty: 1 Easy
Topic: Second Career Entrepreneurs

20. One of the major issues identified for second career entrepreneurs is keeping personal finances out of the business.

TRUE

A problem for second career entrepreneurs is keeping personal finances out of the business. Often when individuals are laid off or given early retirement, they can receive lump-sum financial settlements. Frequently, people intending to become second career entrepreneurs plan to use a substantial portion of these funds to start the new business.

AACSB: Analytical Thinking
AACSB: Diversity
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-07 Describe the situation of people who become second career entrepreneurs.
Level of Difficulty: 1 Easy
Topic: Second Career Entrepreneurs

Multiple Choice Questions

21. This stage of the business life cycle occurs once the firm is established in its market.

A. The success stage.
B. The emergence stage.
C. The existence stage.
D. The resource maturity stage.

The success stage occurs once the firm is established in its market.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-03 Recognize the stages of development entrepreneurs and their firms go through.
Level of Difficulty: 1 Easy

Topic: The Entrepreneurial Life Cycle

22. Which of the following statements concerning family businesses is correct?

A. Family members often work in the business but may not sit on the council.
B. Family businesses employ about 20 percent of America's total workforce.
C. Most top managers at family firms tend to stay in their positions much longer than those at nonfamily firms.
D. Family businesses plan for succession using a critical-point plan.

Most CEOs of family firms average a 17 year tenure as opposed to just 8 years for CEOs in other businesses.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Learning Objective: 02-05 Describe the challenges of family business owners.
Level of Difficulty: 2 Medium
Topic: Family Businesses

23. Which of the following is one of the most common behaviors found in successful entrepreneurs?

A. Preemption
B. Frigidness
C. Personalization
D. Passion

There are five aspects of behavior that most successful entrepreneurs display. These are not the only possible behaviors that you could consider, but they are behaviors that have been shown in the research to relate to success among entrepreneurs. The five behaviors include passion, perseverance, promotion/prevention focus, planning style, and professionalization.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 1 Easy
Topic: The Five Ps of Entrepreneurial Behavior

24. Which of the following is best thought of as a type of learned optimism in successful entrepreneurs?

A. Apathy
B. Professionalization
C. Perseverance
D. Cognition

Perseverance is best thought of as a type of learned optimism, the ability to stick with some activity even when it takes a long time, and when a successful or unsuccessful outcome is not immediately known.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 1 Easy
Topic: The Five Ps of Entrepreneurial Behavior

25. The majority of businesses run by teams are comprised of:

A. five or more members.
B. one member.
C. three members.
D. two members.

Thirty-eight percent of team run businesses are owned by two team members.

AACSB: Analytical Thinking
AACSB: Teamwork
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-04 Recognize the special nature of entrepreneurial teams.
Level of Difficulty: 1 Easy
Topic: Entrepreneurial Teams

26. The problem behavior of trying the same action repeatedly without learning is called _____.

A. perseveration
B. prevention focus
C. effectuation
D. critical observation

The danger is to keep trying the same action repeatedly without learning. That is a problem behavior called perseveration.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 1 Easy

Topic: The Five Ps of Entrepreneurial Behavior

27. Regulatory focus is a mix of two internal focuses, _____ focus and _____ focus.

A. effectuation; comprehension
B. comprehension; prevention
C. effectuation; promotion
D. promotion; prevention

Most of us have some mix of two internal focuses (also called our regulatory focus), a promotion focus intent on maximizing gains, which gives us a bias toward pursuing opportunities likely to lead to those gains, and a prevention focus intent on minimizing losses, with a bias toward inaction or protective action. Being a successful entrepreneur involves balancing the two focuses.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 1 Easy
Topic: The Five Ps of Entrepreneurial Behavior

28. About 400,000 new firms a year are started by teams, with about 320,000 started by:

A. solo entrepreneurs.
B. family teams.
C. unrelated business associates.
D. five or more team members.

About 400,000 new firms a year are started by teams, with about 320,000 started by family teams.

AACSB: Analytical Thinking
AACSB: Teamwork
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-04 Recognize the special nature of entrepreneurial teams.
Level of Difficulty: 1 Easy
Topic: Entrepreneurial Teams

29. When starting a business, more women choose ________ industries that tend to have lower average sales levels.

A. construction
B. financial
C. technology
D. service

More women choose service industries that tend to have lower average sales levels, while there are more men in construction, financial, and technology industries, which have higher average sales levels.

AACSB: Analytical Thinking
AACSB: Diversity
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-06 Identify the challenges women and minority business owners face.
Level of Difficulty: 1 Easy
Topic: Women and Minorities in Small Business

30. Which of the following approaches yields better results in an established industry or a poor one?

A. External focus
B. Effectuation focus
C. Prevention focus
D. Promotion focus

In an established industry or a poor one, a prevention focus can work well, while a promotion focus can yield better results in richer, dynamic, uncertain environments or industries.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 1 Easy
Topic: The Five Ps of Entrepreneurial Behavior

31. Which of the following approaches yields better results in richer, dynamic, uncertain environments or industries?

A. Promotion focus
B. External focus
C. Effectuation focus
D. Prevention focus

In an established industry or a poor one, a prevention focus can work well, while a promotion focus can yield better results in richer, dynamic, uncertain environments or industries.

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 1 Easy
Topic: The Five Ps of Entrepreneurial Behavior

32. Which of the following was not listed as a time management technique in the textbook?

A. 123 Prioritize
B. Delegate
C. Perseverance
D. Strategize

Basic time management techniques from the text include: List, 123 Prioritize, Delegate, Repeat, and Strategize.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-05 Describe the challenges of family business owners.
Level of Difficulty: 1 Easy
Topic: Family Businesses

33. Christopher is a hard-working entrepreneur who looked into all the details of his small gaming software business. He focused on all aspects of the business from the initial launch, promotion, and marketing aspects to the final set up. He finds planning convenient and works according to a plan. Christopher is a(n) _____.

A. opportunistic planner
B. habit-driven planner
C. reactive planner
D. comprehensive planner

Comprehensive planners take a long-term view, develop long-range plans for all aspects of the business, are comfortable with planning, and act based on the plans they've developed.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Apply
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 2 Medium
Topic: The Five Ps of Entrepreneurial Behavior

34. Entrepreneurs who develop plans focused on the most important aspect of the business first are known as _____.

A. critical-point planners
B. opportunistic planners
C. comprehensive planners
D. reactive planners

Critical-point planners plan around the most important aspect of the business first, act on it, and then consider if additional plans are needed. It is not a very long-term approach to planning.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 1 Easy
Topic: The Five Ps of Entrepreneurial Behavior

35. Which among the following is a critical-point planner?

A. Amanda does not have a very long-term approach to planning and she plans only for those business aspects that are of paramount importance.
B. Andrew looks at all aspects of the business, from launch to the complete working of it.
C. Cathy looks for a good chance to achieve her goal and acts according to a routine.
D. Joshua acts on what he has been doing and does not believe in planning.

Critical-point planners plan around the most important aspect of the business first, act on it, and then consider if additional plans are needed. It is not a very long-term approach to planning.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 2 Medium
Topic: The Five Ps of Entrepreneurial Behavior

36. Entrepreneurs who start with a goal instead of a plan and look for a chance to achieve it are known as _____.

A. reactive planner
B. critical-point planner
C. comprehensive planner
<u>D.</u> opportunistic planner

Opportunistic planners generally start with a goal and look for opportunities to achieve it. Once they find a good opportunity, even if it isn't the one related to their original goal, they act on it, so it is very short term in orientation.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 1 Easy
Topic: The Five Ps of Entrepreneurial Behavior

37. Which of the following would have a very short-term approach to planning?

<u>A.</u> Individuals who look for opportunities to achieve their goal, even if the opportunity isn't the one related to their original goal.
B. Individuals who develop long-range plans for all aspects of the business and act based on the plans they've developed.
C. Individuals who plan around the most important aspect of the business first, act on it, and then consider if additional plans are needed.
D. Individuals who are comfortable with planning and act based on the plans they have developed.

Opportunistic planners generally start with a goal and look for opportunities to achieve it. Once they find a good opportunity, even if it isn't the one related to their original goal, they act on it, so it is very short term in orientation.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 2 Medium
Topic: The Five Ps of Entrepreneurial Behavior

38. _____ are completely passive, waiting for cues from the environment to determine what actions to take.

A. Opportunistic planners
B. Critical-point planners
C. Comprehensive planners
D. Reactive planners

Reactive planners are completely passive, waiting for cues from the environment to determine what actions to take. Their focus is entirely short term, and there is little in the way of goals driving their efforts. They can make the most of a situation because there is no other plan competing for their attention.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 1 Easy
Topic: The Five Ps of Entrepreneurial Behavior

39. The successful entrepreneurial personality exhibits certain types of business-related expertise which the text condenses into five competencies. Which of the following statements is NOT true about these competencies?

A. Research shows these competencies can be learned through training.
B. The amount of expertise is what distinguishes the more successful from the less successful firms.
C. Determination competencies are activities, knowledge, and skills specific to businesses in a particular industry.
D. Opportunity competencies are the skills necessary to identify and exploit elements of the business environment that can lead to a profitable and sustainable business.

Intentions reflects your determination to start your business and make it a success. These determination-driven skills can be called determination competencies.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Learning Objective: 02-02 Assess the operational competencies of the successful entrepreneur.
Level of Difficulty: 2 Medium
Topic: Entrepreneurial Operational Competencies

40. When starting a business using entrepreneurial teams, which number of team members is the most common?

A. Two team members
B. Three team members
C. Four team members
D. Five or more team members

Thirty-eight percent of entrepreneurial teams are comprised of two team members. Seven percent are comprised of three team members, four percent have four team members and three percent are comprised of five or more team members.

AACSB: Analytical Thinking
AACSB: Teamwork
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-04 Recognize the special nature of entrepreneurial teams.
Level of Difficulty: 1 Easy
Topic: Entrepreneurial Teams

41. Which of the following characterizes a habit-based planner?

A. They take a long-term view, develop long-range plans for all aspects of the business, are comfortable with planning, and act based on the plans they've developed.
B. They plan around the most important aspect of the business first, act on it, and then consider if additional plans are needed.
C. They are completely passive and generally wait for cues from the environment to determine what actions to take.
D. They don't plan, and they don't tend to react to changes in their environments.

Habit-based planners do not really plan at all because their actions are dictated by their routines. They do today what they did yesterday. They don't plan, and they don't even tend to react to changes in their environments.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 1 Easy
Topic: The Five Ps of Entrepreneurial Behavior

42. Which of the following planners do best in terms of getting a start-up launched, keeping it going, and making a living from it?

A. Comprehensive planners
B. Habit-based planners
C. Opportunistic planners
D. Reactive planners

Simply put, results from small business owners in countries around the world have shown that in terms of getting a start-up launched, keeping it going, and making a living from it, comprehensive planners do the best, followed by critical point planners, and opportunistic planning types. Reactive and habit planners generally do very poorly in business, even if they manage to get their firms started.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 1 Easy
Topic: The Five Ps of Entrepreneurial Behavior

43. Which of the following kinds of planners generally tend do very poorly in business, even if they do manage to get their firms started?

A. Comprehensive planners
B. Habit-based planners
C. Opportunistic planners
D. Critical-point planners

Simply put, results from small business owners in countries around the world have shown that in terms of getting a start-up launched, keeping it going, and making a living from it, comprehensive planners do the best, followed by critical point planners, and opportunistic planning types. Reactive and habit planners generally do very poorly in business, even if they manage to get their firms started.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 1 Easy
Topic: The Five Ps of Entrepreneurial Behavior

44. The extent to which a firm meets or exceeds the standard business practices for its industry is known as _____.

A. bootstrapping
B. professionalization
C. effectuation
D. Perceived Organizational Support (POS)

The extent to which a firm meets or exceeds the standard business practices for its industry is known professionalization. One hallmark of successful entrepreneurs is that they usually do at least one thing much better than average. That average is called a standard business practice and every industry has them. Doing that level or better is what professionalization is all about.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 1 Easy
Topic: The Five Ps of Entrepreneurial Behavior

45. A business action that has been widely adopted within an industry or occupation is known as _____.

A. best business practice
B. specialized business professionalization
C. standard business practice
D. expert professionalization

One hallmark of successful entrepreneurs is that they usually do at least one thing much better than average. That average is called a standard business practice and every industry has them. Doing that level or better is what professionalization is all about.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 1 Easy
Topic: The Five Ps of Entrepreneurial Behavior

46. Which of the following refers the three levels of professionalization?

A. Low, medium, and high
B. Company, industry, and global
C. Personal, team, and organizational
D. Expert, specialized, and minimalized

There are three levels of professionalization: expert professionalization when most aspects of the business meet or exceed the industry's standards, specialized when one or two aspects of the business are at this level, or minimalized when none of the business can achieve the industry standard.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 1 Easy
Topic: The Five Ps of Entrepreneurial Behavior

47. Which of the following is not listed as a challenge for the late career entrepreneur?

A. access to financial backing
B. adjusting to the entrepreneurial life
C. keeping personal finances out of the business
D. reestablishing self-confidence

Retirees who start a business face three major challenges - adjusting to the entrepreneurial life, reestablishing self-confidence, and keeping personal finances out of the business.

AACSB: Analytical Thinking
AACSB: Diversity
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-07 Describe the situation of people who become second career entrepreneurs.
Level of Difficulty: 1 Easy
Topic: Second Career Entrepreneurs

48. Expert business professionalization is a situation that occurs:

A. when only the most critical aspect of business is met.
B. when most aspects of the business meet or exceed the industry's standards.
C. when one or two aspects of the business are met.
D. when none of the business can achieve the industry standard.

There are three levels of professionalization: expert professionalization when most aspects of the business meet or exceed the industry's standards, specialized when one or two aspects of the business are at this level, or minimalized when none of the business can achieve the industry standard.

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 1 Easy
Topic: The Five Ps of Entrepreneurial Behavior

49. A situation that occurs when businesses have founders or owners who are passionate about one or two of the key business functions, such as sales, operations, accounting, finance, or human resources is known as _____.

A. expert business professionalization
B. specialized business professionalization
C. minimized business professionalization
D. maximized business professionalization

A situation that occurs when businesses have founders or owners who are passionate about one or two of the key business functions, such as sales, operations, accounting, finance, or human resources is known as specialized business professionalization. There are three levels of professionalization: expert professionalization when most aspects of the business meet or exceed the industry's standards, specialized when one or two aspects of the business are at this level, or minimalized when none of the business can achieve the industry standard.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 1 Easy
Topic: The Five Ps of Entrepreneurial Behavior

50. The key difference between a family council and a board of directors is that:

A. the council is comprised of unrelated members while the board is comprised of family members.
B. the board of directors maximizes communication while the council works on unique company problems.
C. the council is to keep the family involved while the board is focused on running the business.
D. the board can seek legal advice while the council gathers legal advice from the board.

The key difference between a family council and a board of directors is that the function of the family council is to keep the family involved while the board is focused on running the business.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-05 Describe the challenges of family business owners.
Level of Difficulty: 1 Easy
Topic: Family Businesses

51. Which of the following is true with regard to minimalized business professionalization?

A. The entrepreneur does nearly everything in the simplest way possible.
B. The entrepreneur is passionate about one or two of the key business functions.
C. The entrepreneur meets or exceeds the industry's standards.
D. The entrepreneur brings the highest levels of trust among customers.

A situation that occurs when the entrepreneur does nearly everything in the simplest way possible is known as minimalized business professionalization.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 2 Medium
Topic: The Five Ps of Entrepreneurial Behavior

52. Competencies are defined as:

A. forms of business-related expertise.
B. forms of personal development model.
C. different forms of self-assessment.
D. different forms of personality theories.

All the entrepreneurial personality types aspects depend on hard work, but there are other specific types of business-related expertise—called competencies—that appear repeatedly in successful entrepreneurs around the world.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-02 Assess the operational competencies of the successful entrepreneur.
Level of Difficulty: 1 Easy
Topic: Entrepreneurial Operational Competencies

53. Getting the business organized and registered is an example of _____ competency.

A. opportunity
B. resource
C. industry-specific
D. boundary

The competency suggested by boundary relates to the organizational and business processes of a firm. This type of expertise can be called basic business competency. There are certain fundamental activities that all businesses must perform, which are called the key business functions, and include sales, operations (also called production), accounting, finance, and human resources. Getting organized and registered—which creates the boundary—is an example of an operations activity.

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-02 Assess the operational competencies of the successful entrepreneur.
Level of Difficulty: 1 Easy
Topic: Entrepreneurial Operational Competencies

54. The competency suggested by _____ relates to the organizational and business processes of a firm.

A. intention
B. resource
C. exchange
D. boundary

The competency suggested by boundary relates to the organizational and business processes of a firm. This type of expertise can be called basic business competency.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-02 Assess the operational competencies of the successful entrepreneur.
Level of Difficulty: 1 Easy
Topic: Entrepreneurial Operational Competencies

55. This stage of the business life cycle is characterized by a stable level of sales and profits over several years. The functional areas, the market, and the products or services are all being dealt with consistently and efficiently.

A. The success stage.
B. The existence stage.
C. The resource maturity stage.
D. The takeoff stage.

These statements describe the resource maturity stage of the business life cycle.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-03 Recognize the stages of development entrepreneurs and their firms go through.
Level of Difficulty: 1 Easy
Topic: The Entrepreneurial Life Cycle

56. Activities common to all businesses such as sales, operations (also called production), accounting, finance, and human resources are known as _____.

A. key business functions
B. competencies
C. business accreditations
D. business-related expertise

Activities common to all businesses such as sales, operations (also called production), accounting, finance, and human resources are known as key business functions. These are certain fundamental activities that all businesses must perform.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-02 Assess the operational competencies of the successful entrepreneur.
Level of Difficulty: 1 Easy
Topic: Entrepreneurial Operational Competencies

57. Certain businesses demand higher safety related rules. For example, window cleaners that specialize in high-rise buildings have certain rules and safety protocols. These specific rules would comprise the _____.

A. specialized business professionalization
B. infant-industry argument
C. industry-specific knowledge
D. key business functions

Activities, knowledge, and skills specific to businesses in a particular industry is known as industry-specific knowledge. A restaurant really is different from a mechanic's shop or a computer store or a portrait studio. Each requires you to understand a particular industry and market, and each requires a very particular kind of skill.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Learning Objective: 02-02 Assess the operational competencies of the successful entrepreneur.
Level of Difficulty: 2 Medium
Topic: Entrepreneurial Operational Competencies

58. The ability or skill of the entrepreneur at finding expendable components necessary to the operation of the business such as time, information, location, financing, raw materials, and expertise is known as _____.

A. basic business competencies
B. resource competencies
C. opportunity competencies
D. determination competencies

The ability or skill of the entrepreneur at finding expendable components necessary to the operation of the business such as time, information, location, financing, raw materials, and expertise is known as resource competencies. Resources lead to specific resource competencies. For even the smallest part-time business, the entrepreneur needs to find or gain access to resources such as time, information, financing, space for the business, raw materials, and a variety of people (advisers, suppliers, service providers, customers).

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-02 Assess the operational competencies of the successful entrepreneur.
Level of Difficulty: 1 Easy
Topic: Entrepreneurial Operational Competencies

59. Which of the following stages of the business life cycle do most small business never go through?

A. The takeoff stage.
B. The emergence stage.
C. The existence stage.
D. The entrepreneur stage.

Most small businesses never go through the takeoff stage, and for those that do, the takeoff path often moves them into the high-growth firm model and away from small business.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-03 Recognize the stages of development entrepreneurs and their firms go through.
Level of Difficulty: 1 Easy
Topic: The Entrepreneurial Life Cycle

60. Martin runs a successful house painting business. He runs his business out of his garage, which he converted into office space. Martin, who had previously worked as a house painter in another company had good knowledge of how to run a house-painting business. After a storm destroyed public properties in his neighboring town, he contracted with the mayor of that town to fulfill any painting jobs required during the town's reconstruction. In order to meet this demand and expand business, he hired more house painters.
According to the BRIE model, which of the following is an example of Martin's basic business competency?

A. Martin hiring more house painters to meet demand
B. Martin contracting with the mayor to help paint during reconstruction
C. Martin getting his company registered
D. Martin having prior knowledge of the house-painting business

The competency suggested by boundary relates to the organizational and business processes of a firm. This type of expertise can be called basic business competency. There are certain fundamental activities that all businesses must perform, which are called the key business functions, and include sales, operations (also called production), accounting, finance, and human resources. Getting organized and registered—which creates the boundary—is an example of an operations activity.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Analyze
Learning Objective: 02-02 Assess the operational competencies of the successful entrepreneur.
Level of Difficulty: 3 Hard
Topic: Entrepreneurial Operational Competencies

61. Martin runs a successful house painting business. He runs his business out of his garage, which he converted into office space. Martin, who had previously worked as a house painter in another company had good knowledge of how to run a house-painting business. After a storm destroyed public properties in his neighboring town, he contracted with the mayor of that town to fulfill any painting jobs required during the town's reconstruction. In order to meet this demand and expand business, he hired more house painters.
According to the BRIE model, which of the following provides industry-specific knowledge to martin?

A. Martin hiring more house painters to meet demand
B. Martin contracting with the mayor to help paint during reconstruction
C. Martin getting his company registered
D. Martin having worked in a house-painting company before starting his own business

Activities, knowledge, and skills specific to businesses in a particular industry are known as industry-specific knowledge. Some of these skills focus on knowing your new business and its context.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Analyze
Learning Objective: 02-02 Assess the operational competencies of the successful entrepreneur.
Level of Difficulty: 3 Hard
Topic: Entrepreneurial Operational Competencies

62. Martin runs a successful house painting business. He runs his business out of his garage, which he converted into office space. Martin, who had previously worked as a house painter in another company had good knowledge of how to run a house-painting business. After a storm destroyed public properties in his neighboring town, he contracted with the mayor of that town to fulfill any painting jobs required during the town's reconstruction. In order to meet this demand and expand business, he hired more house painters.
According to the BRIE model, which of the following is an example of Martin's resource competency?

A. Martin hiring more house painters to meet demand
B. Martin contracting with the mayor to help paint during reconstruction
C. Martin setting up the business's office in his garage
D. Martin having prior knowledge of the house-painting business

Resources lead to specific resource competencies. For even the smallest part-time business, the entrepreneur needs to find or gain access to resources such as time, information, financing, space for the business, raw materials, and a variety of people.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Analyze
Learning Objective: 02-02 Assess the operational competencies of the successful entrepreneur.
Level of Difficulty: 3 Hard
Topic: Entrepreneurial Operational Competencies

63. Martin runs a successful house painting business. He runs his business out of his garage, which he converted into office space. Martin, who had previously worked as a house painter in another company had good knowledge of how to run a house-painting business. After a storm destroyed public properties in his neighboring town, he contracted with the mayor of that town to fulfill any painting jobs required during the town's reconstruction. In order to meet this demand and expand business, he hired more house painters.
According to the BRIE model, which of the following is an example of Martin's opportunity competency?

A. Martin hiring more house painters to meet demand
B. Martin contracting with the mayor to help paint during reconstruction
C. Martin setting up the business's office in his garage
D. Martin deciding to set up his own business after quitting his previous job

Exchange deals with the actual process of exploiting the opportunity for profit—which is a fancy way of saying "making sales." The competencies that make this work are called opportunity competencies, which include identifying an opportunity, a product, or service idea that is likely to lead you to a profit and is ideally distinctive to your firm and, you hope, hard for others to copy.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Analyze
Learning Objective: 02-02 Assess the operational competencies of the successful entrepreneur.
Level of Difficulty: 3 Hard
Topic: Entrepreneurial Operational Competencies

64. Which of the following deals with the actual process of exploiting an opportunity for profit?

A. Resource
B. Exchange
C. Intention
D. Boundary

Exchange deals with the actual process of exploiting the opportunity for profit—which is a fancy way of saying "making sales."

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-02 Assess the operational competencies of the successful entrepreneur.
Level of Difficulty: 1 Easy
Topic: Entrepreneurial Operational Competencies

65. Which of the following relates to the skills necessary to identify and exploit elements of the business environment that can lead to a profitable and sustainable business?

A. Determination competencies
B. Basic business competencies
C. Resource competencies
D. Opportunity competencies

Opportunity competencies include identifying an opportunity, a product, or service idea that is likely to lead you to a profit and is ideally distinctive to your firm and, you hope, hard for others to copy.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-02 Assess the operational competencies of the successful entrepreneur.
Level of Difficulty: 1 Easy
Topic: Entrepreneurial Operational Competencies

66. Which of the following comprises a family business?

A. A firm in which two or more families own a stake in a company but with no authority for daily management
B. A firm in which no family members are involved in the management of the business
C. A firm in which two or more families are involved in the occasional management of the business
D. A firm in which one family owns a majority stake

Defined as firms with a majority family ownership and direct daily family involvement, family business is a major economic force, employing 58 percent of America's total workforce.

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation
Blooms: Understand
Learning Objective: 02-05 Describe the challenges of family business owners.
Level of Difficulty: 2 Medium
Topic: Family Businesses

67. Which of the following is a major economic force, employing 58 percent of America's total workforce?

A. Public companies
B. Government enterprises
C. Family businesses
D. International assignments

Defined as firms with a majority family ownership and direct daily family involvement, family business is a major economic force, employing 58 percent of America's total workforce.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-05 Describe the challenges of family business owners.
Level of Difficulty: 1 Easy
Topic: Family Businesses

68. Which of the following is true as an advantage of businesses run by a group of tight-knit family members?

A. Succession issues don't crop up in family-owned businesses.
B. Role conflicts never happen in family owned businesses.
C. Board of members are not used in family-owned businesses.
D. Communication-based integration is most effective in family-owned business.

Small, family-owned businesses have many advantages. If the business is managed at the top by a group of tight-knit family members, communication-based integration can be more effective, and decision making can be easier and quicker.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Learning Objective: 02-05 Describe the challenges of family business owners.
Level of Difficulty: 2 Medium
Topic: Family Businesses

69. Which of the following challenges is typical to family businesses?

A. Motivation and nepotism
B. Role conflict and succession
C. Succession and finances
D. Leadership and finances

There are two challenges typical to family businesses—role conflict and succession.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-05 Describe the challenges of family business owners.
Level of Difficulty: 1 Easy
Topic: Family Businesses

70. Which of the following best describes the problem that arises when people have multiple responsibilities and each makes different demands on them?

A. Role conflict
B. Succession issues
C. Strategizing challenges
D. Leadership constraints

Role conflict describes the kind of problem that arises when people have multiple responsibilities, such as parent and boss, and each makes different demands on them. Role conflict is at its worst when people fail to recognize it.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-05 Describe the challenges of family business owners.
Level of Difficulty: 1 Easy
Topic: Family Businesses

71. Which of the following is the most effective approach for avoiding role conflict?

A. Keep family issues out of the family business
B. Keep separate rules for family members and employees
C. Have constant role reversals
D. Have decisions narrowed down for family members based on family necessities

For family business, the most effective approach for avoiding role conflict is to keep family issues out of the family business. Whenever possible, try and make decisions based on business necessities.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Learning Objective: 02-05 Describe the challenges of family business owners.
Level of Difficulty: 2 Medium

Topic: Family Businesses

72. Which of the following problems is closely related to role conflict?

A. Resource shortage
B. Lack of skills
C. Shortage of time
D. Perseverance

Role conflict breeds another unending problem—the shortage of time. Entrepreneurs are among the most rushed people in the workforce. Part of this comes from the responsibilities of ownership.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Learning Objective: 02-05 Describe the challenges of family business owners.
Level of Difficulty: 2 Medium
Topic: Family Businesses

73. The organizing process to help make the most efficient use of the day is known as _____.

A. promotion focus
B. competence
C. certification
D. time management

The organizing process to help make the most efficient use of the day is known as time management.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-05 Describe the challenges of family business owners.
Level of Difficulty: 1 Easy
Topic: Family Businesses

74. Only _____ of family-owned businesses survive beyond the first generation.

A. three-quarters
B. one-half
C. one-fourth
D. one-third

Thirty-nine percent of U.S. family-owned businesses are expected to face the retirement or semiretirement of their CEO within the next five years. This statistic grows in importance if you factor in the idea that only one-third of family-owned businesses survive beyond the first generation.

AACSB: Analytical Thinking

Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-05 Describe the challenges of family business owners.
Level of Difficulty: 1 Easy
Topic: Family Businesses

75. ____ refers to the process of intergenerational transfer of business.

A. Role conflict
B. Succession
C. Certification
D. Access

When the current owners are ready to think about what follows them, we get into succession—the process of intergenerational transfer of a business. Often the lack of a clear succession plan is the death knell for those family firms facing their first intergenerational transition.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-05 Describe the challenges of family business owners.
Level of Difficulty: 1 Easy
Topic: Family Businesses

76. Which of the following statements is true about a family council?

A. It helps to maximize communication in the succession process of family businesses.
B. Its main function is complete the key business activities of a family business.
C. It includes family members with immediate interests in the business and a significant number of non-family members.
D. It is not a good forum for grappling with issues like role expectations, commitment, and personal responsibility.

One way to maximize communication in the succession process is to create a family council. A family council includes family members with immediate interests in the business (spouse, sisters and brothers, older children, etc.). The focus of council meetings is the business-family relationship. The meetings can also be a good forum for grappling with issues like role expectations, commitment, and personal responsibility.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Understand
Learning Objective: 02-05 Describe the challenges of family business owners.
Level of Difficulty: 2 Medium
Topic: Family Businesses

77. Which of the following organizations tracks experts in family business?

A. Association for Family Business Foundations
B. Association for Small Business Entrepreneurs
C. Family Business Management Institute
D. Family Firm Institute

For family councils and boards of advisers, it is often helpful to get professional advice at the start, and then continue on your own. One organization that tracks experts in family business is the Family Firm Institute.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-05 Describe the challenges of family business owners.
Level of Difficulty: 1 Easy
Topic: Family Businesses

78. Which of the following statements about entrepreneurial teams is true?

A. Most entrepreneurial teams are family related.
B. The majority of new businesses have an entrepreneurial team of a minimum five co-owners.
C. The trend is toward even more businesses being developed by a solo entrepreneur.
D. Only 10 percent of teams are spouses or life partners working together.

While the classic image of the entrepreneurial small business would involve the image of the solo entrepreneur, the modern reality is different. The majority of new businesses have a team of two or more co-owners, and the trend is toward even more businesses being developed by teams of entrepreneurs. Most teams are family related. In fact 53 percent of teams are spouses or life partners working together.

AACSB: Analytical Thinking
AACSB: Teamwork
Accessibility: Keyboard Navigation
Blooms: Understand
Learning Objective: 02-04 Recognize the special nature of entrepreneurial teams.
Level of Difficulty: 2 Medium
Topic: Entrepreneurial Teams

79. Which of the following is true with regard to women in small businesses?

A. Women-owned businesses are the slowest growing sector of all U.S. businesses.
B. Women-owned firms accounted for 25 percent of small business revenue nationally.
C. Women prefer less-risky firms, which also tend to be firms with lower returns.
D. Women prefer more high-tech firms, as well as firms where technology is central to the business than men.

The entrepreneurs' goals in starting the business might also play a role. For example men more often mention making money as a motivation, while women more often mention having flexibility for personal and family life. The overall growth strategies also differ, with more women choosing single-person lifestyle firms over the small business forms that employ others. Along these strategy lines, women prefer less-risky firms, which also tend to be the firms with lower returns.

AACSB: Analytical Thinking
AACSB: Diversity
Accessibility: Keyboard Navigation
Blooms: Understand
Learning Objective: 02-06 Identify the challenges women and minority business owners face.
Level of Difficulty: 2 Medium
Topic: Women and Minorities in Small Business

80. Qualification for _____ requires certification as a business owned and operated by a woman or a minority.

A. set-asides
B. codicils
C. product liability insurance
D. professional liability insurance

Qualification for set-asides requires certification as a business owned and operated by a woman or a minority (or both).

AACSB: Analytical Thinking
AACSB: Diversity
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-06 Identify the challenges women and minority business owners face.
Level of Difficulty: 1 Easy
Topic: Women and Minorities in Small Business

81. Which of the following is true with regard to minorities in small businesses?

A. Minority-owned firms have not grown much in recent years and are a slow growing sector.
B. The establishment of both public and private funding and networking initiatives has helped to level the business playing field for minority entrepreneurs.
C. There is a phenomenal decline in the number of minority entrepreneurs despite the growth of racial and ethnic groups within the U.S. population.
D. Minority entrepreneurs do not face the challenge of access anymore.

Several reasons account for the phenomenal growth in the number of minority entrepreneurs. The establishment of both public and private funding and networking initiatives has helped to level the business playing field for minority entrepreneurs by offering information, advice, and funding access. Another explanation lies in the growth of racial and ethnic groups within the U.S. population, a trend that is expected to continue.

AACSB: Analytical Thinking
AACSB: Diversity
Accessibility: Keyboard Navigation
Blooms: Understand
Learning Objective: 02-06 Identify the challenges women and minority business owners face.
Level of Difficulty: 2 Medium
Topic: Women and Minorities in Small Business

82. The two fastest growing minority groups that represent the largest segments of minority business owners are:

A. Hispanics and African Americans.
B. Hispanics and Pacific Islanders.
C. Asians and African Americans.
D. Asians and Pacific Islanders.

The two fastest growing minority groups (Hispanics and African Americans) represent the largest segments of minority business owners. Hispanics represent 46 percent of all ethnic business owners, Asians 25 percent, and African Americans 24 percent.

AACSB: Analytical Thinking
AACSB: Diversity
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-06 Identify the challenges women and minority business owners face.
Level of Difficulty: 1 Easy
Topic: Women and Minorities in Small Business

83. The challenge of _____ refers to when woman or minority-owned businesses are simply excluded from the opportunities offered to firms owned by white males.

A. consistency
B. access
C. flexibility
D. mutuality

Despite the growth in the number of women and minority entrepreneurs, both groups still face the challenge of access. Access refers to the simplest form of discrimination—often women- or minority-owned firms are simply excluded from the opportunities offered to firms owned by white males. This can result from the way that networks built from interpersonal relations in business exclude women and minorities.

AACSB: Analytical Thinking
AACSB: Diversity
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-06 Identify the challenges women and minority business owners face.
Level of Difficulty: 1 Easy
Topic: Women and Minorities in Small Business

84. Identify the simplest form of discrimination with regard to women and minority entrepreneurs within the U.S. population.

A. Certification
B. Role conflict
C. Access
D. Collusion

Despite the growth in the number of women and minority entrepreneurs, both groups still face the challenge of access. Access refers to the simplest form of discrimination—often women- or minority-owned firms are simply excluded from the opportunities offered to firms owned by white males. This can result from the way that networks built from interpersonal relations in business exclude women and minorities.

AACSB: Analytical Thinking
AACSB: Diversity
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-06 Identify the challenges women and minority business owners face.
Level of Difficulty: 1 Easy
Topic: Women and Minorities in Small Business

85. Access problems for women- and minority-owned small businesses crop up most often as:

A. differences in labeling.
B. discrimination in financing.
C. problems involved in business contacts.
D. the presence and absence of certain skills.

Access problems for women- and minority-owned small businesses crop up most often as discrimination in financing.

AACSB: Analytical Thinking
AACSB: Diversity
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-06 Identify the challenges women and minority business owners face.
Level of Difficulty: 1 Easy
Topic: Women and Minorities in Small Business

86. Government contracting funds which are earmarked for particular kinds of firms, such as small businesses, minority-owned firms, women-owned firms, and the like, are known as _____.

A. collective investment scheme
B. cooperative fund
C. certified items
D. set-asides

There are two solutions for access-based challenges. One solution is institutional, when minority and women-owned small businesses pursue dedicated contracting funds, known as set-asides, among big companies and government agencies. The good news is that governments at all levels have special contracting opportunities for small businesses that are owned and operated by minorities or women.

AACSB: Analytical Thinking
AACSB: Diversity
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-06 Identify the challenges women and minority business owners face.
Level of Difficulty: 1 Easy
Topic: Women and Minorities in Small Business

87. An examination based acknowledgement that the firm is owned and operated as specified is known as _____.

A. performance analysis
B. certification
C. multi source assessment
D. homologation

An examination based acknowledgement that the firm is owned and operated as specified is known as certification. For those businesses that qualify, certification provides a ready means of access to opportunity and to networks of businesses and government agencies which can be leveraged to gain access to other sectors of business.

AACSB: Analytical Thinking
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-06 Identify the challenges women and minority business owners face.
Level of Difficulty: 1 Easy
Topic: Women and Minorities in Small Business

88. Which of the following statements about certification with regard to women- or minority-owned small business is true?

A. Most corporate certification programs require a business to be in operation at least five years.
B. Certification is for every women or minority-owned small business.
C. For those businesses that qualify, certification provides a ready means of access to opportunity and to networks of businesses and government agencies.
D. For corporations, certification is handled by organizations that are affiliated with the government or big business.

Certification is not for every women- or minority-owned small business. For those businesses that qualify, certification provides a ready means of access to opportunity and to networks of businesses and government agencies which can be leveraged to gain access to other sectors of business.

AACSB: Analytical Thinking
AACSB: Diversity
Accessibility: Keyboard Navigation
Blooms: Understand
Learning Objective: 02-06 Identify the challenges women and minority business owners face.
Level of Difficulty: 2 Medium
Topic: Women and Minorities in Small Business

89. _____ entrepreneurs are people who begin their business after having retired or resigned from work in corporations at or after the age of 50.

A. Occasional
B. Helical
C. Second career
D. Veteran

Second career entrepreneurs are people who begin their businesses after having retired or resigned from work.

AACSB: Analytical Thinking
AACSB: Diversity
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-07 Describe the situation of people who become second career entrepreneurs.
Level of Difficulty: 1 Easy
Topic: Second Career Entrepreneurs

90. Which of the following is an example of a second career entrepreneur?

A. Cynthia, a 24-year-old, starting a consultancy business after graduating from college.
B. Mark, a 30-year-old, starting a new business venture in stock trading after the failure of his previous business in real estate.
C. Ursula, a 60-year-old, starting a business in shrimp trading after being retired for 5 years.
D. Timothy, a 62-year-old, joining a real estate agency as a sales representative, after being retied for 4 years.

Second career entrepreneurs are people who begin their businesses after having retired or resigned from work.

AACSB: Analytical Thinking
AACSB: Diversity
Accessibility: Keyboard Navigation
Blooms: Understand
Learning Objective: 02-07 Describe the situation of people who become second career entrepreneurs.
Level of Difficulty: 2 Medium
Topic: Second Career Entrepreneurs

91. Which of the following is one of the prime challenges faced by most second career entrepreneurs?

A. Keeping personal finances out of the business
B. Avoiding overconfidence
C. Lacking resources
D. Deciding whether to return to work

A problem for second career entrepreneurs is keeping personal finances out of the business. Often when individuals are laid off or given early retirement, they can receive lump-sum financial settlements. Frequently, people intending to become late career entrepreneurs plan to use a substantial portion of these funds to start the new business. They fail to carefully consider how they will invest the money in the business, and how it will be used. Taking the easy way out can often mean late career entrepreneurs underprepare for the rigors of business, and they are risking their retirement nest egg.

AACSB: Analytical Thinking
AACSB: Diversity
Accessibility: Keyboard Navigation
Blooms: Remember
Learning Objective: 02-07 Describe the situation of people who become second career entrepreneurs.
Level of Difficulty: 1 Easy
Topic: Second Career Entrepreneurs

Essay Questions

92. Define the five Ps of entrepreneurial behavior.

There are five aspects of behavior that most successful entrepreneurs display. The five behaviors include passion, perseverance, promotion/prevention focus, planning style and professionalization:
Passion is an intense positive feeling the entrepreneur has toward the business or even the idea behind the business. It comes from being actively involved in moving the business forward.
Perseverance is best thought of as a type of learned optimism, the ability to stick with some activity even when it takes a long time, and when a successful or unsuccessful outcome is not immediately known.
Most of us have some mix of two internal focuses (also called our regulatory focus), a promotion focus intent on maximizing gains, which gives us a bias toward pursuing opportunities likely to lead to those gains, and a prevention focus intent on minimizing losses, with a bias toward inaction or protective action.
There is more than one way to plan. In fact, there are five ways. These include different types of planners like comprehensive planners, critical-point planners, opportunistic planners, reactive planners, and habit-based planners.
The extent to which a firm meets or exceeds the standard business practices for its industry is known as professionalization. One hallmark of successful entrepreneurs is that they usually do at least one thing much better than average.

AACSB: Analytical Thinking
AACSB: Communication
Blooms: Remember
Learning Objective: 02-01 Recognize the key aspects of entrepreneurial personality.
Level of Difficulty: 1 Easy
Topic: The Five Ps of Entrepreneurial Behavior

93. Name and briefly explain the stages of the entrepreneurial life cycle. Why is it important to understand this cycle?

Like every person, every small business is unique. But just as we all go through childhood and adolescence on the way to adulthood, so do entrepreneurs' small businesses. There is a lot of predictability in this growth process, and knowing the developmental stages of the business life cycle can help you better understand your business and your career as a small business owner. For most small businesses the usual sequence of stages is emergence, existence, survival, success, and resource maturity. Emergence is the stage in which a person thinks about and takes actions toward starting a firm. Getting from entrepreneurial thinking to entrepreneurial action is the challenge of the emergence stage. Existence is defined by having the business in operation, but not yet stable in terms of markets, operations, or finances. Existence if the second riskiest period after emergence. The reason risk is so high is that many business owners lack the key information or experiences they need in marketing, production, and management. The problems of mastering these three areas form what are called the liabilities of newness. The solution comes from getting expertise as quickly as possible. The success stage occurs once the firm is established in its market. Success stage firms show consistently growing financial performance, usually with slowly rising sales. Firms at this stage develop the information, skills, and most importantly the routines to grow the business's profits. These extra profits are slack resources. The resource maturity stage will follow the success stage for most firms. This stage is characterized by a stable level of sales and profits over several years. At this stage, the functional areas, the market, and the products or services are all being dealt with consistently and efficiently. The challenge of maturity is to avoid complacency. The life cycle model is predictable within some broad terms. Knowing the stages of the life cycle and where your firm is among those stages can serve as a powerful reminder of the kinds of issues for which you need to watch.

AACSB: Analytical Thinking
AACSB: Communication
Blooms: Understand
Learning Objective: 02-03 Recognize the stages of development entrepreneurs and their firms go through.
Level of Difficulty: 2 Medium
Topic: The Entrepreneurial Life Cycle

94. What is the difference between key business functions and industry-specific knowledge?

There are certain fundamental activities that all businesses must perform, which are called the key business functions, and include sales, operations (also called production), accounting, finance, and human resources. Getting organized and registered—which creates the boundary—is an example of an operations activity. There is also industry-specific knowledge. A restaurant really is different from a mechanic's shop or a computer store or a portrait studio. Each requires you to understand a particular industry and market, and each requires a very particular kind of skill.

AACSB: Analytical Thinking
AACSB: Communication
Blooms: Understand
Learning Objective: 02-02 Assess the operational competencies of the successful entrepreneur.
Level of Difficulty: 2 Medium
Topic: Entrepreneurial Operational Competencies

95. Outline methods or techniques for time management.

The organizing process to help make the most efficient use of the day is known as time management. There are a collection of techniques for time management, which can help meet the challenges of schedule overload. Consider these basic methods:
List—Whether you use a pad of paper, a specialized form like a Franklin Planner, a PDA, or Microsoft Outlook's Task function, the key to staying on top of your responsibilities is to list them as soon as you get them. Then as you finish them, you can enjoy crossing them off the list.
123 Prioritize—As you look at your list, prioritize your tasks based on their importance to your business and their due date. The most important tasks due soonest get a priority of 1. Tasks with lesser importance or a longer time to completion get ranked 2, and your "back burner" concerns get ranked 3. If there are tasks (of any level) that can be lumped together, so much the better. How do you decide importance? If the task will not help your business or family, it is probably not a priority 1 task.
Delegate—Look at your task list and see which tasks you can get others to do for you (for free or at a price). When you're overloaded, getting more people on the job for you is a powerful way to get more done.
Repeat—Take a few minutes every day to repeat the above steps. It will save you time later.
Strategize—Once a week, take a few minutes to look at the things you didn't do this week and check if you are overlooking something which could be important to your business, family, or yourself, but is getting overlooked in the short run. Entrepreneurs are notorious for overlooking their health and cheating themselves and their businesses out of time to think about the big picture and their firm's future. Ten minutes a week spent this way can make a world of difference.

AACSB: Analytical Thinking
AACSB: Communication
Blooms: Understand
Learning Objective: 02-05 Describe the challenges of family business owners.
Level of Difficulty: 2 Medium
Topic: Family Businesses

96. Discuss the challenge of succession faced by family businesses.

When the current owners are ready to think about who follows them, it involves thinking about succession—the process of intergenerational transfer of a business. Often the lack of a clear succession plan is the death knell for those family firms facing their first intergenerational transition. If the founder dies, becomes seriously ill, or is incapacitated before he or she can groom a successor, the new family leader may be suddenly thrust into the role before coming up to speed on vital company information and developing needed skills. Also, in the absence of a succession plan, private and public dissension among various factions of the family becomes more likely, negatively affecting operations within the firm, and may eventually cause the business to fail. Succession plans deal with the people who will take over, what roles they will fill, and what supports they will receive. Problems arise when there are no successors available within the family. Only a very small number of all entrepreneurs were able to rely on family members to take over. Sometimes none of the children have an interest in the family business. The opposite problem arises in situations when several family members believe they should take over the top spot and vie for the position to the detriment of both family and business. The owners of a family business tend to be especially passionate about their enterprise, because they have a huge economic incentive to pay very close attention.

AACSB: Analytical Thinking
AACSB: Communication
Blooms: Understand
Learning Objective: 02-05 Describe the challenges of family business owners.
Level of Difficulty: 2 Medium
Topic: Family Businesses

97. What are the challenges faced by team entrepreneurs?

While the classic image of the entrepreneurial small business would involve the image of the solo entrepreneur, the modern reality is different. The majority of new businesses have a team of two or more co-owners, and the trend is toward even more businesses being developed by teams of entrepreneurs. When putting a team together it is important to work out key issues ahead of time. For example, team members might be putting different amounts of money or time into the business, but might be expecting identical returns, which creates an equity problem. A team can also face conflict over idea ownership, shared goals and how to make decisions, especially when the team is evenly split on choices.

AACSB: Communication
AACSB: Teamwork
Blooms: Understand
Learning Objective: 02-04 Recognize the special nature of entrepreneurial teams.
Level of Difficulty: 2 Medium
Topic: Entrepreneurial Teams

98. Describe the challenges faced by women and minorities in small businesses.

Women-owned businesses are one of the fastest growing sectors of all U.S. businesses. Between 1997 and 2012, the number of private businesses with at least 51 percent female ownership increased by 54 percent, while the rate for firms overall was 37 percent. Representing approximately 22 percent of all U.S. businesses, the number of minority-owned firms has likewise grown explosively in recent years.
Despite the growth in the number of women and minority entrepreneurs, both groups still face the challenge of access. Access refers to the simplest form of discrimination—often women- or minority-owned firms are simply excluded from the opportunities offered to firms owned by white males. This can result from the way that networks built from interpersonal relations in business exclude women and minorities. When business relationships build from shared hobbies, sports, or even college ties, social situations that are all male or largely white outside of work can lead to unintegrated business networks.
Access problems for women- and minority-owned small businesses crop up most often as discrimination in financing. This means that they may not be given the same access to funds or contracting opportunities that white male-owned firms are given.

AACSB: Communication
AACSB: Diversity
Blooms: Understand
Learning Objective: 02-06 Identify the challenges women and minority business owners face.
Level of Difficulty: 2 Medium
Topic: Women and Minorities in Small Business

99. Compare determination competencies to opportunity competencies.

Intention reflects your determination to start your business and make it a success. These determination-driven skills can be called determination competencies. *Exchange* deals with the actual process of exploiting an opportunity for profit. The competencies that make this work are called opportunity competencies. Determination competencies are demonstrated by focusing on your business over other choices and being ready to find out about and do what it takes to pursue opportunities that will help get the business going. Opportunity competencies include identifying an opportunity, a product, or service idea that is likely to lead you to a profit and is ideally distinctive to your firm and, you hope, hard for others to copy. Determination competencies are essential to deciding if a business is feasible for you. Opportunity competencies often make life and work easier and strategic planning protect those opportunities. Research shows that people can learn what they need to know to have adequate levels of expertise in all five competency areas.

AACSB: Analytical Thinking
AACSB: Communication
Blooms: Understand
Learning Objective: 02-02 Assess the operational competencies of the successful entrepreneur.
Level of Difficulty: 2 Medium
Topic: Entrepreneurial Operational Competencies

100. Who are referred to as the second career entrepreneurs?

A special group of entrepreneurs are called second career entrepreneurs—people who begin their businesses after having retired or resigned from work. As increasing numbers of corporations merge, downsize, reorganize, and/or close altogether, many firms are offering attractive retirement packages to encourage employees to voluntarily leave the organization. Workers are opting to accept generous offers to retire early (between ages 50 and 64). People's decisions of whether to return to work depend on their individual level of wealth (retirement income and savings), their health, and their work experience, as well as general economic conditions. About a third of the retirees who return to work decide to become self-employed.

AACSB: Communication
AACSB: Diversity
Blooms: Understand
Learning Objective: 02-07 Describe the situation of people who become second career entrepreneurs.
Level of Difficulty: 2 Medium
Topic: Second Career Entrepreneurs

101. Explain the challenges faced by second career entrepreneurs?

About a third of retirees who return to work decide to become self-employed. There are three main challenges for such entrepreneurs—adjusting to the entrepreneurial life, reestablishing self-confidence, and keeping personal finances out of the business.

Working for others for most of their life, second career entrepreneurs are likely to have gotten used to having many of the daily chores of running a business done for them. Even for former managers, the mechanics of getting the location cleaned or the payroll checks written may have been things they could take for granted. As entrepreneurs, they have to do these things themselves or arrange to have them done. All entrepreneurs get used to a do-it-yourself approach, and this is a challenge for everyone, but it can be especially trying for late career entrepreneurs, who may have hoped that life would get easier rather than harder later in their careers.

The second challenge comes from a loss of confidence. The stigma attached to older workers' departure from their former job can make a tremendous difference in their level of confidence. Being given early retirement can be seen as a company's effort to replace expensive (if capable) older talent with junior people who work for less. But being laid off or downsized suggests that the person was expendable at best. The difference in labeling makes a difference in the late career entrepreneur's self-confidence.

The third problem is keeping personal finances out of the business. Often when individuals are laid off or given early retirement, they can receive lump-sum financial settlements. Frequently, people intending to become second career entrepreneurs plan to use a substantial portion of these funds to start the new business. Sometimes this happens because second career entrepreneurs see their personal funds as "easy money." Many people who take the easy money are also taking the easy way out. They fail to carefully consider how they will invest the money in the business, and how it will be used. Taking the easy way out can often mean late career entrepreneurs are underprepared for the rigors of business, and they are risking their retirement nest egg.

AACSB: Communication
AACSB: Diversity
Blooms: Understand
Learning Objective: 02-07 Describe the situation of people who become second career entrepreneurs.
Level of Difficulty: 2 Medium
Topic: Second Career Entrepreneurs