

## Chapter 01

### The Global Entrepreneurial Revolution for a Flatter World

#### True / False Questions

1. According to Thomas Friedman, his book titled "The World is Flat" refers to the convergence of technology and world events that are playing a role in bringing about significant changes in traditional value chains.  
  
True   False
2. Gearing entrepreneurs for competitiveness is likely to hinder the process of entrepreneurial revolution.  
  
True   False
3. Entrepreneurship training works well in schools of business and engineering, but it has not proven to be useful in fields such as architecture, medicine, and life sciences.  
  
True   False
4. Entrepreneurship educators believe that expertise, wisdom, and knowledge are housed solely in the faculty brain or in the library.  
  
True   False
5. The best entrepreneurship faculties are generally able to determine in advance who among their incoming students will be the most effective entrepreneurs.  
  
True   False
6. David Birch, an MIT researcher, found that new and growing smaller firms had little effect on the economy as a whole.  
  
True   False
7. According to the U.S. Small Business Administration's Office of Advocacy, small firms accounted for all of the net new jobs in 2010.  
  
True   False
8. A 2010 report by The Guardian Life Small Business Research Institute indicated that women-owned businesses have been steadily decreasing over the past few decades.  
  
True   False

9. While various surveys of high school seniors indicate a strong interest in entrepreneurship, a 2004 Gallup Poll showed that a large percentage of American parents would prefer that their children pursue a less risky career.
- True   False
10. According to a study conducted in 2006, the self-employed report the lowest levels of personal satisfaction, challenge, pride, and remuneration.
- True   False
11. Research in the 1980s and 1990s found that since World War II, small entrepreneurial firms have been responsible for half of all innovation and a large percentage of all radical innovation in the United States.
- True   False
12. Studies indicate that smaller firms generate twice as many innovations per research and development (R&D) dollar spent as the established multinationals.
- True   False
13. Value creation is a linear process as it requires a short-term perspective.
- True   False
14. Entrepreneurship will result in equal incomes among the masses.
- True   False
15. When the entrepreneurial process will take over, it will result in economic expansion and accompanying social mobility.
- True   False

### Multiple Choice Questions

16. Rick, an entrepreneur, is in the process of selecting a manager for his new venture. To successfully run the venture, who is he most likely to select?
- A. Fiona, who prefers minimal investment in human resources
- B. Saeed, who complements the needs of the venture
- C. Garcia, who views change and ambiguity as detrimental for the venture
- D. Maria, who has a different vision for the venture

17. Which of the following is a critical factor in enhancing entrepreneurship?
- A. Restricting entrepreneurship at the regional level
  - B. Discouraging entrepreneurs from expressing competitiveness
  - C. Reducing restrictions that block the flow of finance
  - D. Removing programs based on "learning by doing"
18. Which of the following is an entrepreneurial transformation that is changing the world?
- A. Entrepreneurship is now being discouraged in corporate America.
  - B. Entrepreneurship topics and related issues are being removed from the curricula of business schools as they are self-taught.
  - C. Entrepreneurship is becoming a tool to create social and economic equalities.
  - D. Entrepreneurship is becoming a dominant management model for running nonprofit businesses.
19. What is the characteristic of entrepreneurship educators whose views and attitudes toward learning differ radically from traditional academic approaches?
- A. They are faculty centric.
  - B. They do not prefer a work-in-progress philosophy of teaching.
  - C. They do believe that expertise, wisdom, and knowledge are housed solely in the faculty.
  - D. They are likely to see their role as mentors, coaches, and advocates for students.
20. What is the difference between entrepreneurial educators and traditional academicians?
- A. Entrepreneurial educators are faculty centric, whereas traditional academicians are student centric.
  - B. Entrepreneurial educators follow a rigid training module, whereas traditional academicians follow a more hands-on philosophy.
  - C. Entrepreneurial educators treat the learning process as solely occurring in the classroom, whereas traditional academicians treat it as more of an apprenticeship.
  - D. Entrepreneurial educators are opportunity centric, whereas traditional academicians are faculty centric.

21. Which of the following is true of new venture creation?

- A. It is process oriented and not result oriented.
- B. It gives importance to one's nationality.
- C. It creates economic and social mobility.
- D. It reduces competitiveness.

22. At the heart of the entrepreneurial process is a(n):

- A. rigid organizational structure.
- B. resistance to ambiguity.
- C. innovative spirit.
- D. resistance to change.

23. Who among the following is most likely to be called a philanthropist?

- A. Lydia, an entrepreneur, who acquires a foreign company
- B. Ahmed, an entrepreneur, who exercises monopoly in the highly profitable oil and natural gas sector
- C. Zainab, an entrepreneur, who funds the construction of a public school in her locality
- D. Eric, an entrepreneur, who sells his innovation in the aviation industry

24. What is true of the majority of America's self-made entrepreneurs?

- A. They accumulated their wealth through luck.
- B. They are invisible to most Americans.
- C. They fit the media stereotype.
- D. They prefer social status to financial independence.

25. Which of the following is a characteristic of private equity creation?

- A. It is a linear process.
- B. It requires a long-term perspective.
- C. It hinders entrepreneurship.
- D. It targets quick returns on investments made over a short period of time.

### Fill in the Blank Questions

26. \_\_\_\_\_ is becoming a dominant management model for running nonprofit businesses and in the emerging field of social ventures.

\_\_\_\_\_

27. \_\_\_\_\_ entrepreneurship means new venture creation.

\_\_\_\_\_

28. \_\_\_\_\_ showed the highest rate of increase of any minority group in owning businesses according to the U.S. Census Bureau in 2007.

\_\_\_\_\_

29. When successful entrepreneurs get involved in the nonprofit sector directly by offering strategic assistance, like long-term planning and leveraging relationships to identify additional resources and facilitate partnerships, it is referred to as \_\_\_\_\_ philanthropy.

\_\_\_\_\_

### Short Answer Questions

30. What is the impact of small firms in driving innovation in the United States?

31. Briefly discuss the role of angel investors in the creation of new ventures.

32. Briefly discuss the role of successful American entrepreneurs as philanthropists.

### **Essay Questions**

33. Explain the four entrepreneurial transformations that are changing the world.

34. How do entrepreneurial faculties drive the rapid explosion of entrepreneurship?

35. Describe a typical American entrepreneur.

# Chapter 01 The Global Entrepreneurial Revolution for a Flatter World

## Answer Key

### True / False Questions

1. According to Thomas Friedman, his book titled "The World is Flat" refers to the convergence of technology and world events that are playing a role in bringing about significant changes in traditional value chains.  
(p. 05)

**TRUE**

*Accessibility: Keyboard Navigation  
Blooms: Remember  
Level of Difficulty: 1 Easy*

2. Gearing entrepreneurs for competitiveness is likely to hinder the process of entrepreneurial revolution.  
(p. 05)

**FALSE**

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3. Entrepreneurship training works well in schools of business and engineering, but it has not proven to be useful in fields such as architecture, medicine, and life sciences.  
(p. 05)

**FALSE**

*Accessibility: Keyboard Navigation  
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4. Entrepreneurship educators believe that expertise, wisdom, and knowledge are housed solely in the faculty brain or in the library.  
(p. 06)

**FALSE**

*Accessibility: Keyboard Navigation  
Blooms: Remember  
Level of Difficulty: 1 Easy*

5. The best entrepreneurship faculties are generally able to determine in advance who among their incoming students will be the most effective entrepreneurs.  
(p. 06)

**FALSE**

*Accessibility: Keyboard Navigation  
Blooms: Remember  
Level of Difficulty: 1 Easy*

6. David Birch, an MIT researcher, found that new and growing smaller firms had little effect on the economy as a whole.  
(p. 07)

**FALSE**

*Accessibility: Keyboard Navigation  
Blooms: Remember  
Level of Difficulty: 1 Easy*

7. According to the U.S. Small Business Administration's Office of Advocacy, small firms accounted for all of the net new jobs in 2010.  
(p. 08)

**TRUE**

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8. A 2010 report by The Guardian Life Small Business Research Institute indicated that women-owned businesses have been steadily decreasing over the past few decades.  
(p. 08)

**FALSE**

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9. While various surveys of high school seniors indicate a strong interest in entrepreneurship, a 2004 Gallup Poll showed that a large percentage of American parents would prefer that their children pursue a less risky career.  
(p. 08)

**FALSE**

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Blooms: Remember  
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10. According to a study conducted in 2006, the self-employed report the lowest levels of personal satisfaction, challenge, pride, and remuneration.  
(p. 09)

**FALSE**

*Accessibility: Keyboard Navigation  
Blooms: Remember  
Level of Difficulty: 1 Easy*

11. Research in the 1980s and 1990s found that since World War II, small entrepreneurial firms have been responsible for half of all innovation and a large percentage of all radical innovation in the United States.  
(p. 11)

**TRUE**

*Accessibility: Keyboard Navigation  
Blooms: Remember  
Level of Difficulty: 1 Easy*

12. Studies indicate that smaller firms generate twice as many innovations per research and development (R&D) dollar spent as the established multinationals.  
(p. 11-12)

**TRUE**

*Accessibility: Keyboard Navigation  
Blooms: Remember  
Level of Difficulty: 1 Easy*

13. Value creation is a linear process as it requires a short-term perspective.  
(p. 14)

**FALSE**

*Accessibility: Keyboard Navigation  
Blooms: Remember  
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14. Entrepreneurship will result in equal incomes among the masses.  
(p. 15)

**FALSE**

*Accessibility: Keyboard Navigation  
Blooms: Remember  
Level of Difficulty: 1 Easy*

15. When the entrepreneurial process will take over, it will result in economic expansion and accompanying social mobility.  
(p. 15)

**TRUE**

*Accessibility: Keyboard Navigation  
Blooms: Remember  
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## Multiple Choice Questions

16. Rick, an entrepreneur, is in the process of selecting a manager for his new venture. To successfully run the venture, who is he most likely to select?  
(p. 02)

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- C. Garcia, who views change and ambiguity as detrimental for the venture
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*Accessibility: Keyboard Navigation  
Blooms: Apply  
Level of Difficulty: 3 Hard*

17. Which of the following is a critical factor in enhancing entrepreneurship?  
(p. 05)

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18. Which of the following is an entrepreneurial transformation that is changing the world?  
(p. 05)

- A. Entrepreneurship is now being discouraged in corporate America.
- B. Entrepreneurship topics and related issues are being removed from the curricula of business schools as they are self-taught.
- C. Entrepreneurship is becoming a tool to create social and economic equalities.
- D.** Entrepreneurship is becoming a dominant management model for running nonprofit businesses.

*Accessibility: Keyboard Navigation*  
*Blooms: Understand*  
*Level of Difficulty: 2 Medium*

19. What is the characteristic of entrepreneurship educators whose views and attitudes toward learning differ radically from traditional academic approaches?  
(p. 06)

- A. They are faculty centric.
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*Accessibility: Keyboard Navigation*  
*Blooms: Understand*  
*Level of Difficulty: 2 Medium*

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(p. 08)

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- D. It reduces competitiveness.

*Accessibility: Keyboard Navigation*  
*Blooms: Understand*  
*Level of Difficulty: 2 Medium*

22. At the heart of the entrepreneurial process is a(n):  
(p. 11)

- A. rigid organizational structure.
- B. resistance to ambiguity.
- C.** innovative spirit.
- D. resistance to change.

*Accessibility: Keyboard Navigation*  
*Blooms: Remember*  
*Level of Difficulty: 1 Easy*

23. Who among the following is most likely to be called a philanthropist?  
(p. 13)

- A. Lydia, an entrepreneur, who acquires a foreign company
- B. Ahmed, an entrepreneur, who exercises monopoly in the highly profitable oil and natural gas sector
- C.** Zainab, an entrepreneur, who funds the construction of a public school in her locality
- D. Eric, an entrepreneur, who sells his innovation in the aviation industry

*Accessibility: Keyboard Navigation*  
*Blooms: Apply*  
*Level of Difficulty: 3 Hard*

24. What is true of the majority of America's self-made entrepreneurs?  
(p. 14)

- A. They accumulated their wealth through luck.
- B.** They are invisible to most Americans.
- C. They fit the media stereotype.
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*Accessibility: Keyboard Navigation*  
*Blooms: Understand*  
*Level of Difficulty: 2 Medium*

25. Which of the following is a characteristic of private equity creation?  
(p. 14)

- A. It is a linear process.
- B.** It requires a long-term perspective.
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*Accessibility: Keyboard Navigation*  
*Blooms: Understand*  
*Level of Difficulty: 2 Medium*

## Fill in the Blank Questions

26. \_\_\_\_\_ is becoming a dominant management model for running nonprofit businesses and in the emerging field of social ventures.  
(p. 05)

**Entrepreneurship**

*Blooms: Remember  
Level of Difficulty: 1 Easy*

27. \_\_\_\_\_ entrepreneurship means new venture creation.  
(p. 08)

**Classical**

*Blooms: Remember  
Level of Difficulty: 1 Easy*

28. \_\_\_\_\_ showed the highest rate of increase of any minority group in owning businesses according to the U.S. Census Bureau in 2007.  
(p. 08)

**African Americans/Blacks**

*Blooms: Remember  
Level of Difficulty: 1 Easy*

29. When successful entrepreneurs get involved in the nonprofit sector directly by offering strategic assistance, like long-term planning and leveraging relationships to identify additional resources and facilitate partnerships, it is referred to as \_\_\_\_\_ philanthropy.  
(p. 13-14)

**high-engagement**

*Blooms: Remember  
Level of Difficulty: 1 Easy*

**Short Answer Questions**

30. What is the impact of small firms in driving innovation in the United States?  
(p. 11-12)

The U.S. Department of Commerce found that since World War II, small entrepreneurial firms have been responsible for half of all innovation and 95 percent of all radical innovation in the United States. Other studies showed that research and development at smaller entrepreneurial firms were more productive and robust than at large firms; smaller firms generated twice as many innovations per R&D dollar spent as the giants, twice as many innovations per R&D scientist as the giants, and 24 times as many innovations per R&D dollar versus those large firms with more than 10,000 employees.

*Blooms: Remember  
Level of Difficulty: 1 Easy*

31. Briefly discuss the role of angel investors in the creation of new ventures.  
(p. 13)

The angel investor market in 2010, following a considerable contraction in investment dollars in 2008 and 2009, exhibited a rise in investment dollars and in the number of investments. Similar to the venture capitalists, these angels bring far more than money to the entrepreneurial process. As successful entrepreneurs themselves, they bring experience, networks, wisdom, and maturity to the companies they fund. As directors and advisors, they function as coaches, confidants, mentors, and cheerleaders.

*Blooms: Remember  
Level of Difficulty: 1 Easy*

32. Briefly discuss the role of successful American entrepreneurs as philanthropists.  
(p. 13-14)

A lesser known and largely ignored role of American entrepreneurs is that of philanthropists and creative community leaders. A majority of new buildings, classrooms, athletic facilities, and universities have been funded by an entrepreneur who wanted to give back. When a successful entrepreneur gets involved in the nonprofit sector, the engagement involves strategic business skills like long-term planning, board and executive recruitment, coaching, and leveraging relationships. These high-engagement philanthropists have a stronger focus and deeper investments in a smaller, more select number of investment partners, and a healthy ambition for the long-term reach of their efforts.

*Blooms: Remember  
Level of Difficulty: 1 Easy*

## Essay Questions

33. Explain the four entrepreneurial transformations that are changing the world.  
(p. 05)

Evidence and trends point to at least four entrepreneurial transformations that profoundly impact how the world lives, works, learns, and enjoys leisure. They are as follows:

1. Entrepreneurship is the new management paradigm: Entrepreneurial thinking and reasoning—so common in dynamic, higher-potential, and robust new and emerging firms—are now becoming infused and embedded into the strategies and practices of corporate America.
2. Entrepreneurship has spawned a new education paradigm for learning and teaching.
3. Entrepreneurship is becoming a dominant management model for running nonprofit businesses and in the emerging field of social ventures.
4. Entrepreneurship is rapidly transcending business schools: Engineering, life sciences, architecture, medicine, music, liberal arts, and K-12 are new academic grounds that are exploring and embracing entrepreneurship in their curricula.

*Blooms: Understand  
Level of Difficulty: 2 Medium*

34. How do entrepreneurial faculties drive the rapid explosion of entrepreneurship?  
(p. 06-07)

The energizing process for faculty and students alike is also driving the rapid explosion of entrepreneurship education worldwide. First, the field seems to attract, by its substance and nature, highly entrepreneurial people. Historically, entrepreneurial thinkers and doers have been few and far between in the vast majority of schools in the United States and abroad. These creative, can-do, resilient, and passionate people bring their entrepreneurial ways of thinking, acting, doing, and building to their courses, their research, and their institutions. They are the change agents—the movers and shakers. Second, their entrepreneurial bent brings a new mind-set to universities and schools: They think and act like owners. They are creative, courageous, and determined to make it work and happen; they build teams, practice what they preach, are institution builders, and do not let myopic allegiance to their disciplines impede becoming better educators. Students, deans, and colleagues can be energized by the leading-by-example pace they establish. Third, entrepreneurship faculties constantly think in terms of opportunity. Entrepreneurial faculty realize that money follows superior teams and superior opportunities, so they create them. They find ways to innovate, raise money, and implement curricula in resource-strapped universities. They match innovative ideas with wealthy entrepreneurs and their foundations to raise money and launch programs. Fourth, they create powerful strategic alliances with others—colleagues, alumni, and entrepreneurs by practicing the teamwork principles of entrepreneurship they teach. There is something exciting and compelling about being around highly intelligent and creative entrepreneurs as the centerpiece of your subject matter. They invariably inspire other faculty and students as well.

*Blooms: Understand  
Level of Difficulty: 2 Medium*

35. Describe a typical American entrepreneur.  
(p. 14)

American entrepreneurs typically accumulated their wealth through hard work, self-discipline, planning, and frugality—all very entrepreneurial virtues. Two-thirds of them still working are self-employed and are self-made. The vast majority (80 percent) are ordinary people who have accumulated their wealth in one generation, live below their means, and prefer financial independence to social status. Majority of them are invisible to most Americans and do not fit the media stereotype. They get rich slowly, with the average millionaire being 57 years old. Their businesses are ordinary ones they started and built like ambulance services, citrus farming, cafeteria services, consulting services, janitorial services, job training schools, meat processors, mobile home parks, pest controllers, newsletter publishers, rice farmers, and sandblasting contractors.

*Blooms: Understand*  
*Level of Difficulty: 2 Medium*