Chapter 01 Entrepreneurship and the Entrepreneurial Mind-Set Answer Key

**True / False Questions**

1.Ewing Kauffman took a risk when he started his company Marion Labs in 1950.
**TRUE**

*Difficulty: Medium*

*p. 4*

2. How Ewing Kauffman ran his business illustrates corporate entrepreneurship.
**TRUE**

*Difficulty: Medium*

*p.5*

3. Entrepreneurial opportunities are those situations in which new goods, services, raw materials and organizing methods can be sold at greater than their production cost.

**TRUE**

 *Difficulty: Medium*

*p.6*

4. Entrepreneurial action can be defined as those situations in which new goods, services, raw materials and organizing methods can be sold at greater than their production cost.

**FALSE**

*Difficulty: Medium*

*p.6*

5. The McMullen-Shepherd Model helps identify the common traits of successful entreprenuers.

**FALSE**

*Difficulty: Easy*

*p.6*

6. The McMullen-Shepherd Model explains how knowledge and motivation influence two stages of entrepreneurial action.

**TRUE**

*Difficulty: Medium*

*p.6*

7. Superficial similarities exist when the underlying mechanisms of the technology resemble, or match, the underlying mechanisms of the market.

**FALSE**

*Difficulty: Medium*

*p.7*

8. Structural similarities exist when the underlying mechanisms of the technology resemble, or match, the underlying mechanisms of the market.

**TRUE**

*Difficulty: Medium*

*p.7*

9. Bricolage is entreprenuers making do by applying combinations of the resources at hand to new problems and opportunities.

**TRUE**

Difficulty: Medium

p.8

10. The effectuation process starts with what one has and selects among possible outcomes.

**TRUE**

*Difficulty: Medium*

*p.9*

11. The casual process of thinking starts with what one has and selects among possible outcomes.

**FALSE**

*Difficulty: Medium*

*p.9*

 12. Demographics, ethnic origin, and marital status are examples of segmentation variables.
**TRUE**

*Difficulty: Easy*

*p.10*

13. Principles of effectuation help entrepreneurs develop their cognitive adaptability.
**FALSE**

 *Difficulty: Easy*

*p.11*

14.The question "What is this technology all about?" is a comprehension question.
**TRUE**

*Difficulty: Easy*

*p.16*

15.Comprehension questions are designed to stimulate entrepreneurs to think about their own understanding.
**FALSE**

*Difficulty: Med*

*p.16*

16. Asking "How is this problem similar to problems I've already solved" is an example of a connection task.
**TRUE**

*Difficulty: Med*

*p.16*

17. A reflection task would involve thinking about what strategies should be used to solve a problem.
**FALSE**

*Difficulty: Med*

*p.16*

18. Entrepreneurs have stronger intentions to act when taking action is perceived to be impossible and risky.
**FALSE**

*Difficulty: Easy*

*p.17*

19. Perceived desirability refers to the degree to which an individual has a favorable or unfavorable evaluation of the potential entrepreneurial outcomes.
**TRUE**

 *Difficulty: Easy*

*p.17*

20. An entrepreneur is rarely able to start a new business without some form of formal education.
**FALSE**

 *Difficulty: Medium*

*p.18*

21. Research indicates that male entrepreneurs tend to start their first significant venture in their middle 30s, while women entrepreneurs tend to do so in their early 30s.
**FALSE**

 *Difficulty: Medium*

*p.18*

22. Previous start-up experience is a good predictor of starting subsequent businesses.
**TRUE**

*Difficulty: Medium*

*p.19*

23. Dissatisfaction with various aspects of one's job often motivates the launching of a new venture.
**TRUE**

*Difficulty: Easy*

*p.19*

24. Most entrepreneurs indicate that their most significant venture was not their first one.
**TRUE**

*Difficulty: Easy*

*p.19*

25. Role models are individuals who give psychological support to the entrepreneur especially during the start-up phase.
**FALSE**

*Difficulty: Hard*

*p.19*

26.Role models can include family members as well as industry professionals.
**TRUE**

*Difficulty: Easy*

*p.19-20*

27. In a social network there are two major properties, density and centrality.
**TRUE**

*Difficulty: Medium*

*p.19*

**Multiple Choice Questions**

28. Entrepreneurial Opportunities are defined as:

**A.** situations in which new goods, services, raw materials and organizing methods can be sold at greater than their production cost.

B. new market entry through entrepreneur action.

C. the entrepreneur's mental processes in deciding whether or not to act on a potential opportunity.

D.a feasibility assessment.

*Difficulty: Medium*

*p.6*

29. In Stage One of the McMullen-Shepherd Model:

A. the entrepreneur decides whether or not there is an opportunity.

B. the entrepreneur consults experts in the market area of interest.

**C.** the entrepreneur decides whether the opportunity that exists is a match with their own knowledge and motivation.

D. the entrepreneur engages in bricolage.

 *Difficulty: Medium*

*p.6-7*

30. In Stage Two of the McMullen-Shepherd Model:

A. the entrepreneur deals with the business failure through counseling.

**B.** the entrepreneur decides whether or not there is an opportunity.

C. the entrepreneur goes through the causal process of thinking structurally.

D. the entrepreneur consults colleagues from previous jobs.

*Difficulty: Medium*

*p.6-7*

31. In regards to thinking structurally, superficial similarities:

A. exist when the underlying mechanisms of the technology resemble (or match) the underlying mechanisms of the market.

B. exist when supply is less than demand.

C. exist when entreprenuers engage in bricolage.

**D.** exist when the basic (relatively easy to observe) elements of the technology resemble the basic elements of the market.

*Difficulty: Hard*

*p.7*

32. In the causal process of thinking:

**A.** starts with a desired outcome and focuses on a means to generate that outcome.

B. starts with what one has and selects among possible outcomes.

C. involves bricolage.

D. starts with brainstorming by meeting with industry professionals.

*Difficulty: Medium*

*p.9*

33. Which of the following is NOT a stage in Kolter's procedure in bringing a product/service to market?

A. Select target market segments

B. Analyze long run opportunities in the market

C. Design market strategies

**D**. File for patent protection

*Difficulty: Medium*

*p.9*

34. Questions designed to increase an entrepreneurs' understanding of the nature of the environment are known as:
A. Strategic questions
B. Connection tasks
C. Reflection tasks
**D.** Comprehension questions

*Difficulty: Easy*

*p.16*

35. An entrepreneur considering if what they are doing makes sense is an example of:
A. A strategic question
B. A connection task
**C.** A reflection task
D. A comprehension question

 *Difficulty: Medium*

*p.16*

36. \_\_\_\_\_\_\_\_\_\_ are designed to stimulate thought about entrepreneurs' understanding and feelings as they progress through the entrepreneurial process.
A. Strategic questions
B. Connection tasks
**C.** Reflection tasks
D. Comprehension questions

 *Difficulty: Medium*

*p.16*

37. An entrepreneur asks if there is a better way to implement a strategy. Identify the category of this question.
**A.** Reflection tasks
B. Connection tasks
C. Strategic questions
D. Comprehension questions

 *Difficulty: Med*

*p.16*

38.Individuals have stronger intentions to act when taking action is perceived to be \_\_\_\_\_ and desirable.
A. elusive
**B.** feasible
C. flexible
D. risky

*Difficulty: Easy*

*p.17*

39.Which among the following aspects affects an entrepreneur's perception of feasibility?
A. Locus of control
B. Learning style
C. Perceived desirability
**D.** Self-efficacy

*Difficulty: Medium*

*p.17*

40.On the education background, entrepreneurs:
A. are less educated than the general population.
**B.** cite an educational need in the areas of finance, strategic planning, marketing, and management.
C. who lack a formal education, fail to create new businesses and exploit discovered opportunities.
D. cite formal education to be indispensible in starting a new business.

 *Difficulty: Medium*

*p.18*

41.Motivation to launch a new venture can arise from all of the following *except*:
**A.** lack of prior experience.
B. boredom.
C. a lack of challenge.
D. frustration.

 *Difficulty: Easy*

*p.19*

42. As the venture becomes established and starts growing, which of the following types of experience becomes increasingly important?
A. Technical
B. Financing
**C.** Managerial
D. Marketing

*Difficulty: Easy*

*p.19*

43.Density, in regards to a social network, refers to:
**A.** the extensiveness of ties between two individuals.
B. the total number of individuals in the network.
C. the distance of connection between the entrepreneur and contact.
D. the fact that most networks are informal and not well organized.

 *Difficulty: Hard*

*p.19*

44. The moral support network is different from the professional support network in that:
**A.** a professional support network includes finding a mentor.
B. moral support is less important than professional support.
C. only the "cheering squad" provides moral support.
D. a moral support network comprises only of personal contacts.

 *Difficulty: Hard*

*p.20*

45. Within the moral-support network, most entrepreneurs indicate that their \_\_\_\_\_ are their biggest supporters.
A. mentors
B. friends
C. parents
**D.** spouses

*Difficulty: Medium*

*p.20*

46.Which group in a professional network helps keep a new venture competitive?
A. Clients or buyers
B. Mentors
**C.** Trade associations
D. Suppliers

 *Difficulty: Hard*

*p.20*

**Short Answer/Essay Questions**

47. Explain the McMullen-Shepherd Model.

1. Model explains how knowledge and motivation influence two stages of entrepreneurial action.

2. Stage One is when the potential entrepreneur realizes an opportunity exists for someone.

3. Stage Two is when the potential entrepreneur decides whether or not the opportunity is right for them personally in terms of their skill, knowledge and motivation.

*Difficulty: Medium*

*p. 6-7*

48. Define superficial similarities and structural similarities. Which was noted as the more challenging for entreprenuers?

1. Superficial similarities exist when the basic (relatively easy to observe) elements of the technology resemble (match) the basic (relatively easy to observe) elements of the market.

2. Structural similarities exist when the underlying mechanisms of the technology resemble (or match) the underlying mechanisms of the market.

Structural was identified as the most challenging.

*Difficulty: Medium*

*p.7*

49. Describe the difference between the causal process and the effectuation process.

Effectuation is process that starts with what one has (who they are, what they know, and whom they know) and selects among possible outcomes. Basically identifying resources and THEN finding an opportunity to fit whereas the casual process starts with a desired outcome and focuses on the means (what resources are needed) to generate that outcome.

*Difficulty: Medium*

*p.9*

50. Identify and define the 4 types of questions/tasks related to increasing cognitive ability.

1. Comprehension questions are designed to increase entrepreneurs’ understanding of the

nature of the environment

2. Connection tasks are designed to stimulate entrepreneurs to think about the current situation in terms of similarities to and differences from situations previously faced and solved

3. Strategic Tasks are designed to stimulate entrepreneurs to think about which strategies are appropriate for solving the problem (and why) or pursuing the opportunity (and how)

4. Reflection tasks are designed to stimulate entreprenuers to think about their understanding and feelings as they progress through the entrepreneurial process.

*Difficulty: Hard*

*p.16*

51. Describe the difference between a moral and professional support network and give examples of who might fit into each network. Who do entreprenuers typically cite as their biggest supporters?

A moral support network is for emotional support and usually includes family and friends.

A professionals support network is a source of information and help for an entrepreneur's business activities and can be professionals from trade associations, former business associates, suppliers, accountants, lawyers.

Spouses were cited by the text as the biggest supporters.

*Difficulty: Medium*

*p.20*