**CHAPTER 1: ENTREPRENEURSHIP: EVOLUTIONARY DEVELOPMENT-REVOLUTIONARY IMPACT**

**True/False:**

1. Entrepreneurs are aggressive catalysts for change within the marketplace.

 ANS: T

1. During the past ten years, new business incorporations averaged nearly 600,000 per year.

 ANS: T

1. A “gazelle” is a business establishment with at least 20 percent sales growth every year for five years.

ANS: T

1. Gazelles are almost always high tech.

ANS: F

1. The word entrepreneur is derived from the Spanish word *entreprendre,* meaning “to undertake.”

 ANS: F

1. Entrepreneurs are high risk takers.

ANS: F

1. Entrepreneurs always start their business at a young age.

ANS: F

1. Entrepreneurs are born not made.

ANS: F

1. The “corridor principle” states that entrepreneurs often get stuck on one idea.

 ANS: F

1. The macro view of entrepreneurship includes external processes that are sometimes beyond the control of the entrepreneur.

ANS: T

**Multiple Choice:**

1. Entrepreneurs and gazelles have been credited with making disproportionate contributions to all but which of the following?

|  |  |
| --- | --- |
| a. | innovation |
| b. | job creation |
| c. | economic renewal |
| d. | unemployment |

ANS: D

2. Which of the following statements best describes a “gazelle?”

|  |  |
| --- | --- |
| a. | a business with at least 20 percent growth every year |
| b. | a business with no sales growth |
| c. | a business that has acquired numerous firms |
| d. | an inventor who turned business person |

ANS: A

3. The word entrepreneur is derived from the French *entreprendre*, which is translated as

|  |  |
| --- | --- |
| a. | to apprehend |
| b. | to undertake |
| c. | to compete |
| d. | to enter and dare |

ANS: B

4. Throughout the years, many myths have arisen about entrepreneurship as a result of?

|  |  |
| --- | --- |
| a. | a lack of research about entrepreneurship |
| b. | a lack of interest in the field |
| c. | a total disregard for the truth |
| d. | a destructive attitude by government |

ANS: A

5. The “corridor principle” is best described by which of the following statements?

|  |  |
| --- | --- |
| a. | If at first you don’t succeed, try, try, again. |
| b. | Being in the right place at the right time. |
| c. | With every new venture launched, new and unintended opportunities arise. |
| d. | Luck happens when preparation meets opportunity. |

 ANS: C

6. Which of the following is *not* a common myth about entrepreneurs?

|  |  |
| --- | --- |
| a. | Entrepreneurs are academic and social misfits. |
| b. | Entrepreneurs are doers, not thinkers. |
| c. | Entrepreneurs today are considered heroes. |
| d. | All you need is money to be an entrepreneur. |

ANS: C

7. Which of the following statements is true?

|  |  |
| --- | --- |
| a. | Entrepreneurship is the ability to create and build a vision from practically nothing. |
| b. | Entrepreneurship is pure luck. |
| c. | Entrepreneurship is simply obtaining financing and starting a business. |
| d. | Entrepreneurship has nothing to do with creating incremental wealth. |

ANS: A

8. Michael Gerber, the author of *The E-Myth,* explains that the failure of most small businesses is due to:

|  |  |
| --- | --- |
| a. | owners being more technical rather than entrepreneurial |
| b. | owners being more managerial rather than technical |
| c. | owners being more entrepreneurial rather than managerial |
| d. | owners being more entrepreneurial rather than technical |

 ANS: A

9. The statement, “with every new venture launched, new and unintended opportunities often arise,” would be associated with:

|  |  |
| --- | --- |
| a. | the entrepreneurial principle |
| b. | the opportunity principle |
| c. | the corridor principle |
| d. | the Dilbert principle |

ANS: C

10. The macro view of entrepreneurship presents factors exhibiting a strong

|  |  |
| --- | --- |
| a. | internal locus of control |
| b. | external locus of control |
| c. | environmental locus of control |
| d. | contemporary locus of control |

ANS: B

11. The macro view can be broken down into which three areas?

|  |  |
| --- | --- |
| a. | environmental, financial, and displacement |
| b. | financial/capital, strategic, and opportunity |
| c. | displacement, trait, and financial |
| d. | entrepreneurial trait, opportunity, and strategic |

ANS: A

12. The displacement school of thought can be divided into which three groups?

|  |  |
| --- | --- |
| a. | political, cultural, environmental |
| b. | cultural, environmental, and financial |
| c. | environmental, financial, and economic |
| d. | economic, cultural, and political |

ANS: D

13. The micro view is divided into which three theories?

|  |  |
| --- | --- |
| a. | entrepreneurial, financial, displacement |
| b. | venture opportunity theory, entrepreneurial, strategic |
| c. | strategic, environmental, and opportunity |
| d. | environmental, financial, and displacement |

 ANS: B

14. Mountain gap strategies refer to:

|  |  |
| --- | --- |
| a. | unique resources |
| b. | unique locations |
| c. | unique resources |
| d. | unique markets |

ANS: D

15. The process approach to entrepreneurship seeks to

|  |  |
| --- | --- |
| a. | explain the process of obtaining patents |
| b. | model the various factors that characterize the entrepreneurial process |
| c. | explain intrapreneurship |
| d. | explain the process of obtaining venture capital |

 ANS: B

**Short Answer:**

1. Name and describe four of the ten major myths of management.

ANS:

One of the myths of management says that entrepreneurs are born, not made. This myth implies that entrepreneurs cannot be taught how to be successful. It says that they must be born with certain traits, such as aggressiveness, initiative, drive, and skill in human relations. However, recent recognition of entrepreneurship as a discipline is helping to dispel this myth. Another myth is the “all you need is money” myth, which says businesses fail because of inadequate financing. Actually, poor financing usually indicates other problems such as managerial incompetence, poor investments, and poor planning. A third myth says that entrepreneurs are either inventors or innovators. While many inventors and innovators are entrepreneurs, many entrepreneurs excel at other profit-seeking activities. A final myth is that all you need is luck. “Luck happens when preparation meets opportunity” means that being prepared for situations can lead to success when the time is right.

1. List and categorize the schools of entrepreneurial thought.

ANS:

The schools of entrepreneurial thought can be grouped into two major headings, macro and micro. The macro view of entrepreneurship presents a broad array of factors. These include external factors, which sometimes cannot be controlled. In the macro view, the environmental school of thought deals with external factors that affect the possible lifestyle of the entrepreneur. Also under macro, the financial/capital school looks for seed and growth capital to develop the entrepreneur. The displacement school is the final macro view. It holds that the group affects or eliminates certain factors that project the individual into an entrepreneurial venture. The micro view examines factors specific to entrepreneurship and part of the “internal” locus of control. The entrepreneurial trait school says that successful entrepreneurs *usually* exhibit similar characteristics. The venture opportunity school focuses on opportunities in directions other than where the entrepreneur is presently headed. The final school, the strategic formulation school, emphasizes the planning process in successful venture development.

1. Provide a comprehensive definition of entrepreneurship.

ANS:

Entrepreneurship is the dynamic process of creating incremental wealth. This wealth is created by individuals who assume the major risks in terms of equity, time, and/or career commitment of providing value for some product or service. The product or service itself may or may not be new or unique but value must somehow be infused by the entrepreneur by securing and allocating the necessary skills and resources.

OR

Entrepreneurship is ability to create and build a vision from practically nothing: fundamentally it is a human, creative act. It is the application of energy to initiating and building an enterprise or organization, rather than just watching or analyzing. This vision requires a willingness to take calculated risks—both personal and financial—and then to do everything possible to reduce the chances of failure. Entrepreneurship also includes the ability to build an entrepreneurial or venture team to complement your own skills and talents. It is the knack for sensing an opportunity where others see chaos, contradiction, and confusion. It is possessing the know-how to find, marshal, and control resources (often owned by others).