Chapter 01

Small Business: Its Opportunities and Rewards

**True / False Questions**

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| 1. | The U.S. government agency that helps people start small businesses is the U.S. Department of Commerce.    True    False |

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| 2. | Entrepreneurs are exclusively found in farming-related occupations.    True    False |

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| 3. | Small-scale entrepreneurs are only allowed to trade in sale of goods and not in trades of service.    True    False |

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| 4. | Truly entrepreneurial businesses are characterized by imitativeness in their products, services, or business models.    True    False |

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| 5. | Self-employed persons are not referred to as entrepreneurs.    True    False |

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| 6. | Small businesses focus on effectiveness, whereas high-growth ventures focus on efficiency.    True    False |

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| 7. | Small businesses start small but are intended to grow rapidly, often requiring a team of partners.    True    False |

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| 8. | Lifestyle or part-time firms typically provide enough profit or salary to supplement an income but usually not enough on which to live.    True    False |

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| 9. | Traditional small businesses' schedules are defined by the owners' needs.    True    False |

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| 10. | High-growth ventures are also known as main street businesses.    True    False |

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| 11. | Flexibility rewards refer to the money made from owning a business.    True    False |

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| 12. | Flexibility rewards are the most rapidly growing type of reward.    True    False |

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| 13. | Using low-cost or free techniques to minimize cost of doing business is referred to as bootstrapping.    True    False |

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| 14. | Ninety percent of all new businesses fail within two years.    True    False |

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| 15. | The most frequently occurring element of the BRIE model is intention.    True    False |

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| 16. | In the BRIE model, exchange refers to moving resources, goods, or services to others, in exchange for money or other resources.    True    False |

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| 17. | The disadvantage of the BRIE model is that it does not mention the management of resources.    True    False |

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| 18. | One of the key elements of the BRIE model is a person's intentions to start a business.    True    False |

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| 19. | High-growth ventures and big businesses generally do not succeed without small businesses offering supporting services.    True    False |

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| 20. | Entrepreneurship levels are very high in efficiency-driven economies.    True    False |

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| 21. | The primary focus of corporate entrepreneurship is creating new civic organizations which are financially self-sufficient.    True    False |

**Multiple Choice Questions**

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| 22. | The \_\_\_\_\_ is a U.S. government agency that helps people start a business and also provides them support and advocacy.      |  |  | | --- | --- | | A. | Small Business Administration |  |  |  | | --- | --- | | B. | U.S. Department of Business Development |  |  |  | | --- | --- | | C. | U.S. Department of Commerce |  |  |  | | --- | --- | | D. | U.S. Entrepreneurial Administration | |

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| 23. | Truly entrepreneurial businesses are characterized by:      |  |  | | --- | --- | | A. | the franchise they are associated with. |  |  |  | | --- | --- | | B. | the degree to which their products are imitative. |  |  |  | | --- | --- | | C. | the novelty in their products, services, or business models. |  |  |  | | --- | --- | | D. | the ease with which their product is accepted by the buyers. | |

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| 24. | Small businesses are usually:      |  |  | | --- | --- | | A. | imitative in nature. |  |  |  | | --- | --- | | B. | characterized by the novelty of their products. |  |  |  | | --- | --- | | C. | the same as high-growth ventures. |  |  |  | | --- | --- | | D. | not affected by market fluctuations. | |

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| 25. | Which of the following is true of a franchise?      |  |  | | --- | --- | | A. | It is the international term for all small businesses. |  |  |  | | --- | --- | | B. | It is a type of novelty organization. |  |  |  | | --- | --- | | C. | It is an organization that provides loans to start small businesses. |  |  |  | | --- | --- | | D. | It is a prepackaged business bought, rented, or leased from a company. | |

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| 26. | A person who becomes an owner by inheriting or getting a stake in a family business is known as a \_\_\_\_\_.      |  |  | | --- | --- | | A. | founder |  |  |  | | --- | --- | | B. | franchisor |  |  |  | | --- | --- | | C. | heir |  |  |  | | --- | --- | | D. | serial entrepreneur | |

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| 27. | A business owned by an individual or a little group is referred to as a(n):      |  |  | | --- | --- | | A. | corporate chain. |  |  |  | | --- | --- | | B. | conglomerate. |  |  |  | | --- | --- | | C. | concern. |  |  |  | | --- | --- | | D. | independent small business. | |

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| 28. | A business run by the individual who owns it is referred to as a(n) \_\_\_\_\_.      |  |  | | --- | --- | | A. | franchise |  |  |  | | --- | --- | | B. | owner-managed firm |  |  |  | | --- | --- | | C. | professionally-owned business |  |  |  | | --- | --- | | D. | novelty firm | |

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| 29. | Which of the following is true of a small business?      |  |  | | --- | --- | | A. | Its preferred funding source is other people's money. |  |  |  | | --- | --- | | B. | It sells more when it is facing bankruptcy. |  |  |  | | --- | --- | | C. | It considers sales as more important than marketing. |  |  |  | | --- | --- | | D. | It focuses more on effectiveness than on efficiency. | |

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| 30. | Small businesses differ from high-growth ventures in that in small businesses:      |  |  | | --- | --- | | A. | the focus is on effectiveness rather than efficiency. |  |  |  | | --- | --- | | B. | the preferred source of funding is the owner's own money rather than other people's money. |  |  |  | | --- | --- | | C. | the delegation of responsibilities is easy and necessary rather than difficult. |  |  |  | | --- | --- | | D. | the metastrategy is for novelty rather than imitation. | |

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| 31. | High-growth ventures differ from small businesses in that in high-growth ventures:      |  |  | | --- | --- | | A. | the focus is on efficiency rather than effectiveness. |  |  |  | | --- | --- | | B. | the preferred source of funding is the owner's own money rather than other people's money. |  |  |  | | --- | --- | | C. | the human resource system is personalized rather than professionalized. |  |  |  | | --- | --- | | D. | the limitation of growth is dictated by market response rather than the owner's loss of control. | |

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| 32. | Which of the following is a characteristic of a small business?      |  |  | | --- | --- | | A. | Source of funding is primarily other people's money |  |  |  | | --- | --- | | B. | Focus is on efficiency |  |  |  | | --- | --- | | C. | Professionalized approach to human resource |  |  |  | | --- | --- | | D. | Delegation is essential | |

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| 33. | Which of the following is true of a high-growth venture?      |  |  | | --- | --- | | A. | It considers sales as more important than marketing. |  |  |  | | --- | --- | | B. | Its metastrategy is novelty. |  |  |  | | --- | --- | | C. | It focuses more on efficiency than on effectiveness. |  |  |  | | --- | --- | | D. | It does not allow for easy delegation of work or responsibilities. | |

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| 34. | Which of the following is an attribute of a high-growth venture?      |  |  | | --- | --- | | A. | Its preferred funding source is the owner's own money. |  |  |  | | --- | --- | | B. | Its metastrategy is imitation. |  |  |  | | --- | --- | | C. | It grows when necessary. |  |  |  | | --- | --- | | D. | It considers delegation essential. | |

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| 35. | Which of the following is a difference between a small business and a high-growth venture?      |  |  | | --- | --- | | A. | For a small business, the preferred funding source is other people's money, whereas for a high-growth venture, it is the owner's own money. |  |  |  | | --- | --- | | B. | For a small business, the personal control preference is to involve others, whereas a high-growth venture prefers to retain autonomy. |  |  |  | | --- | --- | | C. | A small business focuses on effectiveness, whereas a high-growth venture focuses on efficiency. |  |  |  | | --- | --- | | D. | A small business grows when necessary, whereas a high-growth venture grows when possible. | |

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| 36. | High-growth ventures:      |  |  | | --- | --- | | A. | use imitation as their metastrategy. |  |  |  | | --- | --- | | B. | start small but are intended to grow rapidly. |  |  |  | | --- | --- | | C. | cannot include a team of partners. |  |  |  | | --- | --- | | D. | do not delegate tasks. | |

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| 37. | Which of the following describes the significance of an overall growth strategy?      |  |  | | --- | --- | | A. | It represents a driver of the variety of entrepreneurship. |  |  |  | | --- | --- | | B. | It allows for one small business enterprise to incorporate in multiple states at the same time. |  |  |  | | --- | --- | | C. | It provides the owner a stake in the family business. |  |  |  | | --- | --- | | D. | It helps buyers to get familiar with new products. | |

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| 38. | Which of the following is a characteristic of a lifestyle firm?      |  |  | | --- | --- | | A. | It starts small and grows very rapidly to become a big business. |  |  |  | | --- | --- | | B. | It represents about 20 percent of all businesses. |  |  |  | | --- | --- | | C. | It typically has sales of $25,000 a year or less. |  |  |  | | --- | --- | | D. | It aims to achieve growth rates of 25 percent or more a year. | |

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| 39. | Which of the following is true of a part-time firm?      |  |  | | --- | --- | | A. | It starts small and stays very small. |  |  |  | | --- | --- | | B. | It has a continuous growth. |  |  |  | | --- | --- | | C. | Its success is defined by annual profits of $1,000,000. |  |  |  | | --- | --- | | D. | It aims to achieve growth rates of 25 percent or more a year. | |

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| 40. | In lifestyle firms:      |  |  | | --- | --- | | A. | success is defined by sales of between $100,000 and $1,000,000. |  |  |  | | --- | --- | | B. | schedules are defined by customer needs. |  |  |  | | --- | --- | | C. | the income generated usually provides a living for the owner and family. |  |  |  | | --- | --- | | D. | growth tends to quickly level off. | |

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| 41. | Which of the following categories does the majority of small businesses fall under?      |  |  | | --- | --- | | A. | High-growth ventures |  |  |  | | --- | --- | | B. | High-performing small businesses |  |  |  | | --- | --- | | C. | Lifetime/Part-time firms |  |  |  | | --- | --- | | D. | Traditional small business | |

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| 42. | \_\_\_\_\_ are the smallest full-time business.      |  |  | | --- | --- | | A. | High-performing small businesses |  |  |  | | --- | --- | | B. | Traditional small businesses |  |  |  | | --- | --- | | C. | High-growth ventures |  |  |  | | --- | --- | | D. | Lifestyle businesses | |

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| 43. | Which of the following is true of a traditional small business?      |  |  | | --- | --- | | A. | It is usually a multi-site business. |  |  |  | | --- | --- | | B. | It generally has sales between $100,000 and $1,000,000 depending on the industry. |  |  |  | | --- | --- | | C. | It defines its schedules based on customer needs. |  |  |  | | --- | --- | | D. | It follows a continuous growth curve. | |

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| 44. | Which of the following is a characteristic of a traditional small business?      |  |  | | --- | --- | | A. | It is often a one-site business. |  |  |  | | --- | --- | | B. | It follows a continuous growth curve. |  |  |  | | --- | --- | | C. | It defines its schedules based on the owner's needs. |  |  |  | | --- | --- | | D. | It generally has sales between $100,000 and $1,000,000 depending on the industry. | |

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| 45. | A traditional small business generally has sales of between:      |  |  | | --- | --- | | A. | $100,000 and $1,000,000. |  |  |  | | --- | --- | | B. | $100,000 and $200,000. |  |  |  | | --- | --- | | C. | $25,000 and $100,000. |  |  |  | | --- | --- | | D. | $50,000 and $80,000. | |

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| 46. | Which of the following is true of the growth of a typical traditional small business?      |  |  | | --- | --- | | A. | It tends to quickly level off after the owners operate long enough to learn the basics of making money. |  |  |  | | --- | --- | | B. | It levels off after operations settle into a consistent, money-making pattern generating income to provide a living for the owner. |  |  |  | | --- | --- | | C. | It grows at rates between 5 to 15 percent a year. |  |  |  | | --- | --- | | D. | It grows at rates of 25 percent or more a year. | |

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| 47. | \_\_\_\_\_ tend to level off after success defined by sales of between $100,000 and $1,000,000, depending on the industry.      |  |  | | --- | --- | | A. | Lifestyle firms |  |  |  | | --- | --- | | B. | Traditional small businesses |  |  |  | | --- | --- | | C. | High-performing small businesses |  |  |  | | --- | --- | | D. | High-growth ventures | |

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| 48. | Which of the following is true of a high-performing small business?      |  |  | | --- | --- | | A. | It often grows through multiple locations. |  |  |  | | --- | --- | | B. | It aims to achieve growth rates of 25 percent or more a year. |  |  |  | | --- | --- | | C. | It has sales of more than $1 million. |  |  |  | | --- | --- | | D. | It has low levels of professionalization. | |

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| 49. | Which of the following is a characteristic of a high-growth venture?      |  |  | | --- | --- | | A. | It pursues low levels of professionalization. |  |  |  | | --- | --- | | B. | It levels off after operations settle into a consistent, money-making pattern. |  |  |  | | --- | --- | | C. | It aims to achieve growth rates of 25 percent or more a year. |  |  |  | | --- | --- | | D. | Its success is defined by sales of between $100,000 and $1,000,000 annually. | |

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| 50. | Lifestyle firms, traditional small businesses, and high-performing small businesses are often called \_\_\_\_\_.      |  |  | | --- | --- | | A. | main street businesses |  |  |  | | --- | --- | | B. | Wall Street businesses |  |  |  | | --- | --- | | C. | high-growth ventures |  |  |  | | --- | --- | | D. | universal businesses | |

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| 51. | Which of the following is a reward universally mentioned by entrepreneurs?      |  |  | | --- | --- | | A. | Peer admiration |  |  |  | | --- | --- | | B. | Personal growth |  |  |  | | --- | --- | | C. | Political power |  |  |  | | --- | --- | | D. | Industry recognition | |

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| 52. | \_\_\_\_\_ is a reward universally mentioned by entrepreneurs.      |  |  | | --- | --- | | A. | Industry recognition |  |  |  | | --- | --- | | B. | Peer admiration |  |  |  | | --- | --- | | C. | Political power |  |  |  | | --- | --- | | D. | Work flexibility | |

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| 53. | Which of the following is a reward that is rarely mentioned by entrepreneurs?      |  |  | | --- | --- | | A. | To have a chance to build great wealth |  |  |  | | --- | --- | | B. | To have greater flexibility for personal and family life |  |  |  | | --- | --- | | C. | To continue a family tradition |  |  |  | | --- | --- | | D. | To develop an idea for a product | |

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| 54. | \_\_\_\_\_ rewards are those which people get from facing and beating or learning from challenges.      |  |  | | --- | --- | | A. | Recognition |  |  |  | | --- | --- | | B. | Flexibility |  |  |  | | --- | --- | | C. | Income |  |  |  | | --- | --- | | D. | Growth | |

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| 55. | Which of the following rewards refer to the money made from owning a business?      |  |  | | --- | --- | | A. | Growth rewards |  |  |  | | --- | --- | | B. | Flexibility rewards |  |  |  | | --- | --- | | C. | Income rewards |  |  |  | | --- | --- | | D. | Performance rewards | |

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| 56. | Tina runs her consultancy business from her home. Working from home allows her to set her own schedule and take time off at her convenience so that she can be with her family. The fact that Tina gets more time with her family can be categorized as \_\_\_\_\_\_ reward.      |  |  | | --- | --- | | A. | income |  |  |  | | --- | --- | | B. | flexibility |  |  |  | | --- | --- | | C. | growth |  |  |  | | --- | --- | | D. | credit | |

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| 57. | The ability of business owners to structure their lives in the way that best suits their needs refers to:      |  |  | | --- | --- | | A. | flexibility rewards. |  |  |  | | --- | --- | | B. | family rewards. |  |  |  | | --- | --- | | C. | growth rewards. |  |  |  | | --- | --- | | D. | wealth rewards. | |

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| 58. | Which of the following is a myth about small businesses?      |  |  | | --- | --- | | A. | That failed entrepreneurs can succeed if they try again |  |  |  | | --- | --- | | B. | That a small business will never have enough financing |  |  |  | | --- | --- | | C. | That students have skills to start small businesses |  |  |  | | --- | --- | | D. | That small businesses can start during recession | |

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| 59. | Financing a business online through the collective involvement of others who provide donations, loans, or investments is referred to as \_\_\_\_\_.      |  |  | | --- | --- | | A. | crowdfunding |  |  |  | | --- | --- | | B. | bootstrapping |  |  |  | | --- | --- | | C. | microfinancing |  |  |  | | --- | --- | | D. | crowdsourcing | |

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| 60. | Bootstrapping refers to:      |  |  | | --- | --- | | A. | funding a business online through the collective involvement of others who provide loans. |  |  |  | | --- | --- | | B. | buying, renting, or leasing a prepackaged business from another company. |  |  |  | | --- | --- | | C. | inheriting or being given a stake in a family business. |  |  |  | | --- | --- | | D. | using low-cost or free techniques to minimize the cost of doing business. | |

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| 61. | Anna helps brides-to-be choose wedding gowns that best suit their requirements and budget, and also helps them with where they can find the right dress. She has made her home her virtual office; she does not require external financing. Anna is using \_\_\_\_\_ to run her small business.      |  |  | | --- | --- | | A. | crowdfunding |  |  |  | | --- | --- | | B. | franchising |  |  |  | | --- | --- | | C. | bootstrapping |  |  |  | | --- | --- | | D. | crowdsourcing | |

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| 62. | According to the BRIE model, which of the following is an element that is necessary to start a business?      |  |  | | --- | --- | | A. | Boundary |  |  |  | | --- | --- | | B. | Recognition |  |  |  | | --- | --- | | C. | Efficiency |  |  |  | | --- | --- | | D. | Income | |

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| 63. | According to the BRIE model, \_\_\_\_\_ sets up a business as a firm.      |  |  | | --- | --- | | A. | intention |  |  |  | | --- | --- | | B. | exchange |  |  |  | | --- | --- | | C. | franchise |  |  |  | | --- | --- | | D. | boundary | |

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| 64. | According to the BRIE model, which of the following sets a firm off from the buying or selling or bartering done casually by nonmerchants?      |  |  | | --- | --- | | A. | Resources |  |  |  | | --- | --- | | B. | Boundary |  |  |  | | --- | --- | | C. | Intention |  |  |  | | --- | --- | | D. | Exchange | |

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| 65. | According to the BRIE model, which of the following falls under the boundary category?      |  |  | | --- | --- | | A. | The financial resources of a company |  |  |  | | --- | --- | | B. | The desire to start a business |  |  |  | | --- | --- | | C. | An e-mail address of the company |  |  |  | | --- | --- | | D. | A product or service offered by the company | |

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| 66. | John owns a small business that does computer servicing. Which of the following would represent boundary as mentioned in the BRIE model in John's computer servicing business?      |  |  | | --- | --- | | A. | The employees that work under John |  |  |  | | --- | --- | | B. | The office in which John works |  |  |  | | --- | --- | | C. | The money earned by John from the business |  |  |  | | --- | --- | | D. | The desire to expand the business to writing software | |

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| 67. | In the BRIE model, a business name or government registration, a phone or e-mail address dedicated to the business, or a specific location for the firm in a home, commercial space, or on the Internet represents:      |  |  | | --- | --- | | A. | exchange. |  |  |  | | --- | --- | | B. | resource. |  |  |  | | --- | --- | | C. | boundary. |  |  |  | | --- | --- | | D. | intention. | |

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| 68. | According to the BRIE model, which of the following is true of a resource?      |  |  | | --- | --- | | A. | It includes a business name or government registration. |  |  |  | | --- | --- | | B. | It refers to moving goods or services to others for money. |  |  |  | | --- | --- | | C. | It is the most frequently occurring element of the BRIE model. |  |  |  | | --- | --- | | D. | It includes the product or service to be offered. | |

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| 69. | Which of the following is the most frequently occurring element of the BRIE model?      |  |  | | --- | --- | | A. | Intention |  |  |  | | --- | --- | | B. | Boundary |  |  |  | | --- | --- | | C. | Exchange |  |  |  | | --- | --- | | D. | Resources | |

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| 70. | Which of the following elements of the BRIE model represents the desire to start a business?      |  |  | | --- | --- | | A. | Intention |  |  |  | | --- | --- | | B. | Boundary |  |  |  | | --- | --- | | C. | Exchange |  |  |  | | --- | --- | | D. | Resources | |

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| 71. | In terms of new jobs, which of the following is true of a small business?      |  |  | | --- | --- | | A. | It does not employ people looking for part-time work. |  |  |  | | --- | --- | | B. | It is of no importance to existing jobs. |  |  |  | | --- | --- | | C. | It offers jobs to people with atypical work histories. |  |  |  | | --- | --- | | D. | It pays taxes on behalf of the people it hires. | |

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| 72. | The way that newly created goods, services, or firms hurt existing goods, services, or firms is referred to as:      |  |  | | --- | --- | | A. | benchmarking. |  |  |  | | --- | --- | | B. | creative destruction. |  |  |  | | --- | --- | | C. | service distortion. |  |  |  | | --- | --- | | D. | crowdsourcing. | |

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| 73. | Mandarin In Town, a Chinese restaurant, opened recently in Burnsville, Minnesota. People from all over the town flocked to Mandarin to find out how good it was. This gave a big boost to the restaurant's initial business, but it caused the other restaurants in the area to lose business temporarily. The way in which Mandarin in Town hurt existing restaurants in Burnsville is an example of:      |  |  | | --- | --- | | A. | creative destruction. |  |  |  | | --- | --- | | B. | service distortion. |  |  |  | | --- | --- | | C. | innovative disruption. |  |  |  | | --- | --- | | D. | crowdsourcing. | |

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| 74. | According to the U.S. Small Business Administration, small businesses generate \_\_\_\_\_ times the number of patents per employee than do big businesses.      |  |  | | --- | --- | | A. | 35.5 |  |  |  | | --- | --- | | B. | 2.5 |  |  |  | | --- | --- | | C. | 16.5 |  |  |  | | --- | --- | | D. | 50.5 | |

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| 75. | A nation where the major forces for jobs, revenues, and taxes come from farming or extractive industries like forestry, mining, or oil production is a(n):      |  |  | | --- | --- | | A. | factor-driven economy. |  |  |  | | --- | --- | | B. | efficiency-driven economy. |  |  |  | | --- | --- | | C. | innovation-driven economy. |  |  |  | | --- | --- | | D. | competency-driven economy. | |

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| 76. | In factor-driven economies:      |  |  | | --- | --- | | A. | entrepreneurship levels are in the middle range. |  |  |  | | --- | --- | | B. | entrepreneurship levels are very high. |  |  |  | | --- | --- | | C. | entrepreneurship levels are very low. |  |  |  | | --- | --- | | D. | entrepreneurship is not given any consideration. | |

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| 77. | A nation where industrialization is the major force providing jobs, revenues and taxes, and where minimizing costs while maximizing productivity is a major goal is a(n):      |  |  | | --- | --- | | A. | factor-driven economy. |  |  |  | | --- | --- | | B. | efficiency-driven economy. |  |  |  | | --- | --- | | C. | innovation-driven economy. |  |  |  | | --- | --- | | D. | effectiveness-driven economy. | |

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| 78. | In efficiency-driven economies:      |  |  | | --- | --- | | A. | entrepreneurship levels are in the middle range. |  |  |  | | --- | --- | | B. | entrepreneurship levels are very high. |  |  |  | | --- | --- | | C. | entrepreneurship levels are very low. |  |  |  | | --- | --- | | D. | entrepreneurship is not given any consideration. | |

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| 79. | Innovation-driven economies:      |  |  | | --- | --- | | A. | are those where entrepreneurship becomes a key way to build the middle class. |  |  |  | | --- | --- | | B. | are nations where industrialization is becoming the major force providing jobs, revenues, and taxes. |  |  |  | | --- | --- | | C. | are focused on high-value-added manufacturing but are marked by a very large service sector. |  |  |  | | --- | --- | | D. | are those where entrepreneurship is essential to build personal wealth and break the cycle of low-wage jobs. | |

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| 80. | In innovation-driven economies:      |  |  | | --- | --- | | A. | entrepreneurship levels are in the middle range. |  |  |  | | --- | --- | | B. | entrepreneurship levels are very high. |  |  |  | | --- | --- | | C. | entrepreneurship levels are lower compared to factor-driven economies. |  |  |  | | --- | --- | | D. | entrepreneurship is not given any consideration. | |

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| 81. | Virtual instant global entrepreneurship refers to:      |  |  | | --- | --- | | A. | the transformation of a high-growth venture into a small business. |  |  |  | | --- | --- | | B. | a person becoming an owner by inheriting or getting a stake in a family business. |  |  |  | | --- | --- | | C. | the way that newly created goods, services, or firms hurt existing goods, services, or firms. |  |  |  | | --- | --- | | D. | a process that uses the Internet to quickly create businesses with a worldwide reach. | |

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| 82. | Which of the following aspects of entrepreneurship refers to being in-tune with one's market?      |  |  | | --- | --- | | A. | Efficiency |  |  |  | | --- | --- | | B. | Creation |  |  |  | | --- | --- | | C. | Customer-focus |  |  |  | | --- | --- | | D. | Growth | |

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| 83. | The form of entrepreneurship in which a person or group own their own for-profit business is referred to as:      |  |  | | --- | --- | | A. | independent entrepreneurship. |  |  |  | | --- | --- | | B. | social entrepreneurship. |  |  |  | | --- | --- | | C. | public entrepreneurship. |  |  |  | | --- | --- | | D. | corporate entrepreneurship. | |

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| 84. | \_\_\_\_\_ is an aspect of entrepreneurship that refers to doing the most work with the fewest resources.      |  |  | | --- | --- | | A. | Innovation |  |  |  | | --- | --- | | B. | Creation |  |  |  | | --- | --- | | C. | Efficiency |  |  |  | | --- | --- | | D. | Customer-focus | |

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| 85. | \_\_\_\_\_ is an aspect of entrepreneurship which looks at a new thing or a new way of doing things.      |  |  | | --- | --- | | A. | Customer-focus |  |  |  | | --- | --- | | B. | Innovation |  |  |  | | --- | --- | | C. | Creation |  |  |  | | --- | --- | | D. | Efficiency | |

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| 86. | Which of the following types of entrepreneurship typically concentrates on innovation and customer-focus among all aspects of entrepreneurship?      |  |  | | --- | --- | | A. | Public entrepreneurship |  |  |  | | --- | --- | | B. | Corporate entrepreneurship |  |  |  | | --- | --- | | C. | Independent entrepreneurship |  |  |  | | --- | --- | | D. | Social entrepreneurship | |

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| 87. | Which of the following is true of corporate entrepreneurship?      |  |  | | --- | --- | | A. | It involves the creation of self-sustaining charitable and civic organizations. |  |  |  | | --- | --- | | B. | It involves revitalizing government agencies. |  |  |  | | --- | --- | | C. | It is a form of entrepreneurship in which people own their own for-profit business. |  |  |  | | --- | --- | | D. | It involves bringing new products or services to a market. | |

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| 88. | Social entrepreneurship primarily involves a person or group:      |  |  | | --- | --- | | A. | creating new charitable and civic organizations which are financially self-sufficient. |  |  |  | | --- | --- | | B. | bringing new products or services to market. |  |  |  | | --- | --- | | C. | owning their own for-profit business. |  |  |  | | --- | --- | | D. | revitalizing government agencies. | |

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| 89. | Which of the following is true of social entrepreneurship?      |  |  | | --- | --- | | A. | It usually has a lot of funding. |  |  |  | | --- | --- | | B. | It creates organizations which are usually financially dependent on other firms. |  |  |  | | --- | --- | | C. | It cannot be initiated by a for-profit company. |  |  |  | | --- | --- | | D. | It does not include innovation as a key element. | |

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| 90. | \_\_\_\_\_ is the degree of attention a target market pays to an idea or organization.      |  |  | | --- | --- | | A. | Crowdfunding |  |  |  | | --- | --- | | B. | Effectuation |  |  |  | | --- | --- | | C. | Mindshare |  |  |  | | --- | --- | | D. | Crowdfunding | |

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| 91. | Effectuation refers to:      |  |  | | --- | --- | | A. | the degree of attention a target market pays to an idea or organization. |  |  |  | | --- | --- | | B. | an approach used to create alternatives in uncertain environments. |  |  |  | | --- | --- | | C. | transforming a high-growth venture into a small business. |  |  |  | | --- | --- | | D. | a process of a person becoming an owner by inheriting or getting a stake in a family business. | |

**Essay Questions**

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| 92. | What is the difference between small businesses and high-growth ventures? |

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| 93. | Briefly describe the three universally mentioned and four rarely mentioned rewards. |

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| 94. | What are the most common myths about small businesses? What are the facts that contradict these myths? |

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| 95. | Briefly describe the BRIE model. |

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| 96. | What is the role of small businesses in creating new jobs? |

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| 97. | What is creative destruction? |

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| 98. | What is a factor-driven economy? |

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| 99. | What is VIGE? Explain. |

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| 100. | What are the different aspects of entrepreneurship? |

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| 101. | What are the different forms of entrepreneurship? |

Chapter 01 Small Business: Its Opportunities and Rewards Answer Key

**True / False Questions**

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| 1. *(p. 5)* | The U.S. government agency that helps people start small businesses is the U.S. Department of Commerce.    **FALSE**  Small Business Administration (SBA) is a part of the U.S. government, which provides support and advocacy for small businesses. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-01 Describe the scope of small business in the United States. Level of Difficulty: 1 Easy Topic: Entrepreneurs Are Everywhere* |

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| 2. *(p. 5)* | Entrepreneurs are exclusively found in farming-related occupations.    **FALSE**  Entrepreneurs could be found in just about every type of work there is, literally in hundreds of occupations. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-01 Describe the scope of small business in the United States. Level of Difficulty: 1 Easy Topic: Entrepreneurs Are Everywhere* |

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| 3. *(p. 6)* | Small-scale entrepreneurs are only allowed to trade in sale of goods and not in trades of service.    **FALSE**  As an entrepreneur, you may be the owner of the business, but your occupation will depend on what type of goods or services you and your firm are producing. |

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| 4. *(p. 6)* | Truly entrepreneurial businesses are characterized by imitativeness in their products, services, or business models.    **FALSE**  Truly entrepreneurial businesses are characterized by novelty, in their products, services, or business models. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-01 Describe the scope of small business in the United States. Level of Difficulty: 1 Easy Topic: Entrepreneurs Are Everywhere* |

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| 5. *(p. 7)* | Self-employed persons are not referred to as entrepreneurs.    **FALSE**  The self-employed, anyone who works for himself or herself instead of for others, is also an entrepreneur. According to the Census Bureau, there were about 14.7 million self-employed people in 2010. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-01 Describe the scope of small business in the United States. Level of Difficulty: 1 Easy Topic: Entrepreneurs Are Everywhere* |

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| 6. *(p. 8)* | Small businesses focus on effectiveness, whereas high-growth ventures focus on efficiency.    **FALSE**  Small businesses focus on efficiency, whereas high-growth ventures focus on effectiveness. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-02 Learn the differences between small businesses and high-growth ventures. Level of Difficulty: 1 Easy Topic: Entrepreneurs Are Everywhere* |

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| 7. *(p. 8)* | Small businesses start small but are intended to grow rapidly, often requiring a team of partners.    **FALSE**  High-growth ventures start small but are intended to grow rapidly, often requiring a team of partners or managers to handle the growth. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-02 Learn the differences between small businesses and high-growth ventures. Level of Difficulty: 1 Easy Topic: Entrepreneurs Are Everywhere* |

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| 8. *(p. 8)* | Lifestyle or part-time firms typically provide enough profit or salary to supplement an income but usually not enough on which to live.    **TRUE**  Lifestyle or part-time firms typically have sales of $25,000 a year or less, which provides enough profit or salary to supplement an income but usually not enough on which to live. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-03 Understand the four types of firm level growth. Level of Difficulty: 1 Easy Topic: Entrepreneurs and Firm Growth Strategies* |

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| 9. *(p. 9)* | Traditional small businesses' schedules are defined by the owners' needs.    **FALSE**  Traditional small businesses are the smallest full-time businesses, with schedules defined by customer, not owner, needs. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-03 Understand the four types of firm level growth. Level of Difficulty: 1 Easy Topic: Entrepreneurs and Firm Growth Strategies* |

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| 10. *(p. 9)* | High-growth ventures are also known as main street businesses.    **FALSE**  Main street businesses include the lifestyle firms, the traditional small businesses, and the high-performing small businesses. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-03 Understand the four types of firm level growth. Level of Difficulty: 1 Easy Topic: Entrepreneurs and Firm Growth Strategies* |

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| 11. *(p. 10)* | Flexibility rewards refer to the money made from owning a business.    **FALSE**  Income rewards refer to the money made from owning your own business. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-04 Explore the rewards entrepreneurs can achieve through their businesses. Level of Difficulty: 1 Easy Topic: Rewards for Starting a Small Business* |

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| 12. *(p. 10)* | Flexibility rewards are the most rapidly growing type of reward.    **TRUE**  Flexibility rewards are perhaps the most rapidly growing type of reward. They refer to the ability of business owners to structure their lives in the way that best suits their needs. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-04 Explore the rewards entrepreneurs can achieve through their businesses. Level of Difficulty: 1 Easy Topic: Rewards for Starting a Small Business* |

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| 13. *(p. 12)* | Using low-cost or free techniques to minimize cost of doing business is referred to as bootstrapping.    **TRUE**  Bootstrapping is using low-cost or free techniques to minimize cost of doing business. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-05 Be able to dispel the key myths about small businesses. Level of Difficulty: 1 Easy Topic: Myths about Small Businesses* |

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| 14. *(p. 12)* | Ninety percent of all new businesses fail within two years.    **FALSE**  This is a myth about small-scale businesses. This statement is wrong in two major ways. First, the percentage is wrong. Studies show that 69 percent of businesses are still going after two years, 51 percent are still going at 5 years, 34 percent make it past 10 years and 25 percent survive 15 years. Second, looking at the businesses that close, the vast majority close but don't fail. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-05 Be able to dispel the key myths about small businesses. Level of Difficulty: 1 Easy Topic: Myths about Small Businesses* |

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| 15. *(p. 13)* | The most frequently occurring element of the BRIE model is intention.    **TRUE**  Intention is the desire to start a business and is the most frequently occurring element of the BRIE model. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-06 Identify actions key to becoming a small business. Level of Difficulty: 1 Easy Topic: Getting Started Now: Entry Competencies* |

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| 16. *(p. 13)* | In the BRIE model, exchange refers to moving resources, goods, or services to others, in exchange for money or other resources.    **TRUE**  Exchange refers to moving resources, goods, or service to others, in exchange for money or other resources. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-06 Identify actions key to becoming a small business. Level of Difficulty: 1 Easy Topic: Getting Started Now: Entry Competencies* |

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| 17. *(p. 13)* | The disadvantage of the BRIE model is that it does not mention the management of resources.    **FALSE**  In order to start a business, you need four elements to come together—boundary, resources, intention, and exchange. This is referred to as the BRIE model. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-06 Identify actions key to becoming a small business. Level of Difficulty: 1 Easy Topic: Getting Started Now: Entry Competencies* |

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| 18. *(p. 13)* | One of the key elements of the BRIE model is a person's intentions to start a business.    **TRUE**  Intention is the desire to start a business and is the most frequently occurring element of the BRIE model. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-06 Identify actions key to becoming a small business. Level of Difficulty: 1 Easy Topic: Getting Started Now: Entry Competencies* |

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| 19. *(p. 17)* | High-growth ventures and big businesses generally do not succeed without small businesses offering supporting services.    **TRUE**  Without small businesses offering supporting services or offering to subcontract at low cost to the high-growth ventures and big businesses or creating the kinds of communities where creative and entrepreneurial people like to live, the big businesses will not succeed. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-07 Recognize how small business is important to our economy and your community. Level of Difficulty: 2 Medium Topic: Small Business and the Economy* |

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| 20. *(p. 18)* | Entrepreneurship levels are very high in efficiency-driven economies.    **FALSE**  Entrepreneurship levels in efficiency-driven economies are in the middle range. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-07 Recognize how small business is important to our economy and your community. Level of Difficulty: 1 Easy Topic: Small Business and the Economy* |

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| 21. *(p. 20)* | The primary focus of corporate entrepreneurship is creating new civic organizations which are financially self-sufficient.    **FALSE**  Social entrepreneurship involves creating new charitable and civic organizations which are financially self-sufficient. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-07 Recognize how small business is important to our economy and your community. Level of Difficulty: 1 Easy Topic: Small Business and the Economy* |

**Multiple Choice Questions**

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| 22. *(p. 5)* | The \_\_\_\_\_ is a U.S. government agency that helps people start a business and also provides them support and advocacy.      |  |  | | --- | --- | | **A.** | Small Business Administration |  |  |  | | --- | --- | | B. | U.S. Department of Business Development |  |  |  | | --- | --- | | C. | U.S. Department of Commerce |  |  |  | | --- | --- | | D. | U.S. Entrepreneurial Administration |   Small Business Administration (SBA) is a part of the U.S. government, which provides support and advocacy for small businesses. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-01 Describe the scope of small business in the United States. Level of Difficulty: 1 Easy Topic: Entrepreneurs Are Everywhere* |

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| 23. *(p. 6)* | Truly entrepreneurial businesses are characterized by:      |  |  | | --- | --- | | A. | the franchise they are associated with. |  |  |  | | --- | --- | | B. | the degree to which their products are imitative. |  |  |  | | --- | --- | | **C.** | the novelty in their products, services, or business models. |  |  |  | | --- | --- | | D. | the ease with which their product is accepted by the buyers. |   Truly entrepreneurial businesses are characterized by novelty, in their products, services, or business models. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-01 Describe the scope of small business in the United States. Level of Difficulty: 1 Easy Topic: Entrepreneurs Are Everywhere* |

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| 24. *(p. 6)* | Small businesses are usually:      |  |  | | --- | --- | | **A.** | imitative in nature. |  |  |  | | --- | --- | | B. | characterized by the novelty of their products. |  |  |  | | --- | --- | | C. | the same as high-growth ventures. |  |  |  | | --- | --- | | D. | not affected by market fluctuations. |   Small businesses are imitative in nature, with most small firms doing what other firms do, with only slight variations. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-01 Describe the scope of small business in the United States. Level of Difficulty: 1 Easy Topic: Entrepreneurs Are Everywhere* |

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| 25. *(p. 7)* | Which of the following is true of a franchise?      |  |  | | --- | --- | | A. | It is the international term for all small businesses. |  |  |  | | --- | --- | | B. | It is a type of novelty organization. |  |  |  | | --- | --- | | C. | It is an organization that provides loans to start small businesses. |  |  |  | | --- | --- | | **D.** | It is a prepackaged business bought, rented, or leased from a company. |   Franchise is a prepackaged business bought, rented, or leased from a company called a franchisor. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-01 Describe the scope of small business in the United States. Level of Difficulty: 1 Easy Topic: Entrepreneurs Are Everywhere* |

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| 26. *(p. 7)* | A person who becomes an owner by inheriting or getting a stake in a family business is known as a \_\_\_\_\_.      |  |  | | --- | --- | | A. | founder |  |  |  | | --- | --- | | B. | franchisor |  |  |  | | --- | --- | | **C.** | heir |  |  |  | | --- | --- | | D. | serial entrepreneur |   Heirs are those who inherit or are given a stake in the family business. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-01 Describe the scope of small business in the United States. Level of Difficulty: 1 Easy Topic: Entrepreneurs Are Everywhere* |

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| 27. *(p. 7)* | A business owned by an individual or a little group is referred to as a(n):      |  |  | | --- | --- | | A. | corporate chain. |  |  |  | | --- | --- | | B. | conglomerate. |  |  |  | | --- | --- | | C. | concern. |  |  |  | | --- | --- | | **D.** | independent small business. |   Independent small business is a business owned by an individual or small group. |

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| 28. *(p. 7)* | A business run by the individual who owns it is referred to as a(n) \_\_\_\_\_.      |  |  | | --- | --- | | A. | franchise |  |  |  | | --- | --- | | **B.** | owner-managed firm |  |  |  | | --- | --- | | C. | professionally-owned business |  |  |  | | --- | --- | | D. | novelty firm |   A business run by the individual who owns it is referred to as an owner-managed firm. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-01 Describe the scope of small business in the United States. Level of Difficulty: 1 Easy Topic: Entrepreneurs Are Everywhere* |

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| 29. *(p. 8)* | Which of the following is true of a small business?      |  |  | | --- | --- | | A. | Its preferred funding source is other people's money. |  |  |  | | --- | --- | | B. | It sells more when it is facing bankruptcy. |  |  |  | | --- | --- | | **C.** | It considers sales as more important than marketing. |  |  |  | | --- | --- | | D. | It focuses more on effectiveness than on efficiency. |   For a small business, sales are more important than marketing. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-02 Learn the differences between small businesses and high-growth ventures. Level of Difficulty: 1 Easy Topic: Entrepreneurs Are Everywhere* |

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| 30. *(p. 8)* | Small businesses differ from high-growth ventures in that in small businesses:      |  |  | | --- | --- | | A. | the focus is on effectiveness rather than efficiency. |  |  |  | | --- | --- | | **B.** | the preferred source of funding is the owner's own money rather than other people's money. |  |  |  | | --- | --- | | C. | the delegation of responsibilities is easy and necessary rather than difficult. |  |  |  | | --- | --- | | D. | the metastrategy is for novelty rather than imitation. |   In small businesses, the preferred source of funding is the owner's own money rather than other people's money. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-02 Learn the differences between small businesses and high-growth ventures. Level of Difficulty: 1 Easy Topic: Entrepreneurs Are Everywhere* |

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| 31. *(p. 8)* | High-growth ventures differ from small businesses in that in high-growth ventures:      |  |  | | --- | --- | | A. | the focus is on efficiency rather than effectiveness. |  |  |  | | --- | --- | | B. | the preferred source of funding is the owner's own money rather than other people's money. |  |  |  | | --- | --- | | C. | the human resource system is personalized rather than professionalized. |  |  |  | | --- | --- | | **D.** | the limitation of growth is dictated by market response rather than the owner's loss of control. |   In high-growth ventures, the limitation of growth is dictated by market response rather than the owner's loss of control. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-02 Learn the differences between small businesses and high-growth ventures. Level of Difficulty: 1 Easy Topic: Entrepreneurs Are Everywhere* |

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| 32. *(p. 8)* | Which of the following is a characteristic of a small business?      |  |  | | --- | --- | | A. | Source of funding is primarily other people's money |  |  |  | | --- | --- | | **B.** | Focus is on efficiency |  |  |  | | --- | --- | | C. | Professionalized approach to human resource |  |  |  | | --- | --- | | D. | Delegation is essential |   Small businesses focus more on efficiency than effectiveness. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-02 Learn the differences between small businesses and high-growth ventures. Level of Difficulty: 1 Easy Topic: Entrepreneurs Are Everywhere* |

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| 33. *(p. 8)* | Which of the following is true of a high-growth venture?      |  |  | | --- | --- | | A. | It considers sales as more important than marketing. |  |  |  | | --- | --- | | **B.** | Its metastrategy is novelty. |  |  |  | | --- | --- | | C. | It focuses more on efficiency than on effectiveness. |  |  |  | | --- | --- | | D. | It does not allow for easy delegation of work or responsibilities. |   The metastrategy of a high-growth venture is novelty, whereas that of a small business is imitation. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-02 Learn the differences between small businesses and high-growth ventures. Level of Difficulty: 1 Easy Topic: Entrepreneurs Are Everywhere* |

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| 34. *(p. 8)* | Which of the following is an attribute of a high-growth venture?      |  |  | | --- | --- | | A. | Its preferred funding source is the owner's own money. |  |  |  | | --- | --- | | B. | Its metastrategy is imitation. |  |  |  | | --- | --- | | C. | It grows when necessary. |  |  |  | | --- | --- | | **D.** | It considers delegation essential. |   Delegation is essential for high-growth ventures. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-02 Learn the differences between small businesses and high-growth ventures. Level of Difficulty: 2 Medium Topic: Entrepreneurs Are Everywhere* |

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| 35. *(p. 8)* | Which of the following is a difference between a small business and a high-growth venture?      |  |  | | --- | --- | | A. | For a small business, the preferred funding source is other people's money, whereas for a high-growth venture, it is the owner's own money. |  |  |  | | --- | --- | | B. | For a small business, the personal control preference is to involve others, whereas a high-growth venture prefers to retain autonomy. |  |  |  | | --- | --- | | C. | A small business focuses on effectiveness, whereas a high-growth venture focuses on efficiency. |  |  |  | | --- | --- | | **D.** | A small business grows when necessary, whereas a high-growth venture grows when possible. |   A small business grows when necessary, whereas a high-growth venture grows when possible. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-02 Learn the differences between small businesses and high-growth ventures. Level of Difficulty: 2 Medium Topic: Entrepreneurs Are Everywhere* |

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| 36. *(p. 8)* | High-growth ventures:      |  |  | | --- | --- | | A. | use imitation as their metastrategy. |  |  |  | | --- | --- | | **B.** | start small but are intended to grow rapidly. |  |  |  | | --- | --- | | C. | cannot include a team of partners. |  |  |  | | --- | --- | | D. | do not delegate tasks. |   High-growth ventures start small but are intended to grow rapidly, often requiring a team of partners or managers to handle the growth. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-02 Learn the differences between small businesses and high-growth ventures. Level of Difficulty: 1 Easy Topic: Entrepreneurs Are Everywhere* |

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| 37. *(p. 8)* | Which of the following describes the significance of an overall growth strategy?      |  |  | | --- | --- | | **A.** | It represents a driver of the variety of entrepreneurship. |  |  |  | | --- | --- | | B. | It allows for one small business enterprise to incorporate in multiple states at the same time. |  |  |  | | --- | --- | | C. | It provides the owner a stake in the family business. |  |  |  | | --- | --- | | D. | It helps buyers to get familiar with new products. |   Overall growth strategy represents a driver of the variety of entrepreneurship. The overall growth strategy describes the kind of business the owner (or owners) would like to have, from the perspective of how fast and to what level they would like the firm to grow. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-03 Understand the four types of firm level growth. Level of Difficulty: 2 Medium Topic: Entrepreneurs and Firm Growth Strategies* |

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| 38. *(p. 8)* | Which of the following is a characteristic of a lifestyle firm?      |  |  | | --- | --- | | A. | It starts small and grows very rapidly to become a big business. |  |  |  | | --- | --- | | B. | It represents about 20 percent of all businesses. |  |  |  | | --- | --- | | **C.** | It typically has sales of $25,000 a year or less. |  |  |  | | --- | --- | | D. | It aims to achieve growth rates of 25 percent or more a year. |   Lifestyle or part-time firms typically have sales of $25,000 a year or less, which provides enough profit or salary to supplement an income but usually not enough on which to live. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-03 Understand the four types of firm level growth. Level of Difficulty: 2 Medium Topic: Entrepreneurs and Firm Growth Strategies* |

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| 39. *(p. 8)* | Which of the following is true of a part-time firm?      |  |  | | --- | --- | | **A.** | It starts small and stays very small. |  |  |  | | --- | --- | | B. | It has a continuous growth. |  |  |  | | --- | --- | | C. | Its success is defined by annual profits of $1,000,000. |  |  |  | | --- | --- | | D. | It aims to achieve growth rates of 25 percent or more a year. |   Lifestyle or part-time businesses start and stay very small, often operating seasonally or when the owner wants to work in the business. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-03 Understand the four types of firm level growth. Level of Difficulty: 2 Medium Topic: Entrepreneurs and Firm Growth Strategies* |

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| 40. *(p. 8)* | In lifestyle firms:      |  |  | | --- | --- | | A. | success is defined by sales of between $100,000 and $1,000,000. |  |  |  | | --- | --- | | B. | schedules are defined by customer needs. |  |  |  | | --- | --- | | C. | the income generated usually provides a living for the owner and family. |  |  |  | | --- | --- | | **D.** | growth tends to quickly level off. |   Growth in lifestyle or part-time firms tends to quickly level off after the owners operate long enough to learn the basics of making money in their industry and setting. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-03 Understand the four types of firm level growth. Level of Difficulty: 2 Medium Topic: Entrepreneurs and Firm Growth Strategies* |

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| 41. *(p. 9)* | Which of the following categories does the majority of small businesses fall under?      |  |  | | --- | --- | | A. | High-growth ventures |  |  |  | | --- | --- | | B. | High-performing small businesses |  |  |  | | --- | --- | | **C.** | Lifetime/Part-time firms |  |  |  | | --- | --- | | D. | Traditional small business |   About 53-percent of all small businesses fall into the category of lifetime/part-time firms. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-03 Understand the four types of firm level growth. Level of Difficulty: 1 Easy Topic: Entrepreneurs and Firm Growth Strategies* |

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| 42. *(p. 9)* | \_\_\_\_\_ are the smallest full-time business.      |  |  | | --- | --- | | A. | High-performing small businesses |  |  |  | | --- | --- | | **B.** | Traditional small businesses |  |  |  | | --- | --- | | C. | High-growth ventures |  |  |  | | --- | --- | | D. | Lifestyle businesses |   Traditional small businesses are the smallest full-time businesses, with schedules defined by customer, not owner, needs. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-03 Understand the four types of firm level growth. Level of Difficulty: 1 Easy Topic: Entrepreneurs and Firm Growth Strategies* |

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| 43. *(p. 9)* | Which of the following is true of a traditional small business?      |  |  | | --- | --- | | A. | It is usually a multi-site business. |  |  |  | | --- | --- | | B. | It generally has sales between $100,000 and $1,000,000 depending on the industry. |  |  |  | | --- | --- | | **C.** | It defines its schedules based on customer needs. |  |  |  | | --- | --- | | D. | It follows a continuous growth curve. |   Traditional small businesses are the smallest full-time businesses, with schedules defined by customer, not owner, needs. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-03 Understand the four types of firm level growth. Level of Difficulty: 2 Medium Topic: Entrepreneurs and Firm Growth Strategies* |

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| 44. *(p. 9)* | Which of the following is a characteristic of a traditional small business?      |  |  | | --- | --- | | **A.** | It is often a one-site business. |  |  |  | | --- | --- | | B. | It follows a continuous growth curve. |  |  |  | | --- | --- | | C. | It defines its schedules based on the owner's needs. |  |  |  | | --- | --- | | D. | It generally has sales between $100,000 and $1,000,000 depending on the industry. |   Most often, traditional small businesses are one-site businesses with sales of between $25,000 and $100,000. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-03 Understand the four types of firm level growth. Level of Difficulty: 2 Medium Topic: Entrepreneurs and Firm Growth Strategies* |

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| 45. *(p. 9)* | A traditional small business generally has sales of between:      |  |  | | --- | --- | | A. | $100,000 and $1,000,000. |  |  |  | | --- | --- | | B. | $100,000 and $200,000. |  |  |  | | --- | --- | | **C.** | $25,000 and $100,000. |  |  |  | | --- | --- | | D. | $50,000 and $80,000. |   Most often, traditional small businesses are one-site businesses with sales of between $25,000 and $100,000. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-03 Understand the four types of firm level growth. Level of Difficulty: 1 Easy Topic: Entrepreneurs and Firm Growth Strategies* |

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| 46. *(p. 9)* | Which of the following is true of the growth of a typical traditional small business?      |  |  | | --- | --- | | A. | It tends to quickly level off after the owners operate long enough to learn the basics of making money. |  |  |  | | --- | --- | | **B.** | It levels off after operations settle into a consistent, money-making pattern generating income to provide a living for the owner. |  |  |  | | --- | --- | | C. | It grows at rates between 5 to 15 percent a year. |  |  |  | | --- | --- | | D. | It grows at rates of 25 percent or more a year. |   In traditional small businesses, growth levels off after operations settle into a consistent, money-making pattern, generating enough income to provide a living for the owner and family. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-03 Understand the four types of firm level growth. Level of Difficulty: 2 Medium Topic: Entrepreneurs and Firm Growth Strategies* |

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| 47. *(p. 9)* | \_\_\_\_\_ tend to level off after success defined by sales of between $100,000 and $1,000,000, depending on the industry.      |  |  | | --- | --- | | A. | Lifestyle firms |  |  |  | | --- | --- | | B. | Traditional small businesses |  |  |  | | --- | --- | | **C.** | High-performing small businesses |  |  |  | | --- | --- | | D. | High-growth ventures |   High-performing small businesses tend to level off after success defined by sales of between $100,000 and $1,000,000, depending on the industry. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-03 Understand the four types of firm level growth. Level of Difficulty: 1 Easy Topic: Entrepreneurs and Firm Growth Strategies* |

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| 48. *(p. 9)* | Which of the following is true of a high-performing small business?      |  |  | | --- | --- | | **A.** | It often grows through multiple locations. |  |  |  | | --- | --- | | B. | It aims to achieve growth rates of 25 percent or more a year. |  |  |  | | --- | --- | | C. | It has sales of more than $1 million. |  |  |  | | --- | --- | | D. | It has low levels of professionalization. |   High-performing small businesses grow at rates more like 5 to 15 percent a year, adding employees, and often growing through multiple locations and higher levels of professionalization. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-03 Understand the four types of firm level growth. Level of Difficulty: 2 Medium Topic: Entrepreneurs and Firm Growth Strategies* |

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| 49. *(p. 9)* | Which of the following is a characteristic of a high-growth venture?      |  |  | | --- | --- | | A. | It pursues low levels of professionalization. |  |  |  | | --- | --- | | B. | It levels off after operations settle into a consistent, money-making pattern. |  |  |  | | --- | --- | | **C.** | It aims to achieve growth rates of 25 percent or more a year. |  |  |  | | --- | --- | | D. | Its success is defined by sales of between $100,000 and $1,000,000 annually. |   High-growth ventures aim to achieve growth rates of 25 percent or more a year, with sales of more than $1 million. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-03 Understand the four types of firm level growth. Level of Difficulty: 2 Medium Topic: Entrepreneurs and Firm Growth Strategies* |

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| 50. *(p. 9)* | Lifestyle firms, traditional small businesses, and high-performing small businesses are often called \_\_\_\_\_.      |  |  | | --- | --- | | **A.** | main street businesses |  |  |  | | --- | --- | | B. | Wall Street businesses |  |  |  | | --- | --- | | C. | high-growth ventures |  |  |  | | --- | --- | | D. | universal businesses |   95 percent of businesses outside of the high-growth sector are what are often called main street businesses and include the lifestyle firms, the traditional small businesses, and the high-performing small businesses. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-03 Understand the four types of firm level growth. Level of Difficulty: 1 Easy Topic: Entrepreneurs and Firm Growth Strategies* |

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| 51. *(p. 10)* | Which of the following is a reward universally mentioned by entrepreneurs?      |  |  | | --- | --- | | A. | Peer admiration |  |  |  | | --- | --- | | **B.** | Personal growth |  |  |  | | --- | --- | | C. | Political power |  |  |  | | --- | --- | | D. | Industry recognition |   Nearly all entrepreneurs talk about three key rewards—flexibility, a livable income, and personal growth. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-04 Explore the rewards entrepreneurs can achieve through their businesses. Level of Difficulty: 1 Easy Topic: Rewards for Starting a Small Business* |

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| 52. *(p. 10)* | \_\_\_\_\_ is a reward universally mentioned by entrepreneurs.      |  |  | | --- | --- | | A. | Industry recognition |  |  |  | | --- | --- | | B. | Peer admiration |  |  |  | | --- | --- | | C. | Political power |  |  |  | | --- | --- | | **D.** | Work flexibility |   Nearly all entrepreneurs talk about three key rewards—flexibility, a livable income, and personal growth. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-04 Explore the rewards entrepreneurs can achieve through their businesses. Level of Difficulty: 1 Easy Topic: Rewards for Starting a Small Business* |

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| 53. *(p. 10)* | Which of the following is a reward that is rarely mentioned by entrepreneurs?      |  |  | | --- | --- | | A. | To have a chance to build great wealth |  |  |  | | --- | --- | | B. | To have greater flexibility for personal and family life |  |  |  | | --- | --- | | **C.** | To continue a family tradition |  |  |  | | --- | --- | | D. | To develop an idea for a product |   There are rewards that entrepreneurs mention less often than working people in general. These are social rewards, like the respect or admiration of others, or power over others, and family rewards, like continuing a family tradition in business. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-04 Explore the rewards entrepreneurs can achieve through their businesses. Level of Difficulty: 1 Easy Topic: Rewards for Starting a Small Business* |

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| 54. *(p. 10)* | \_\_\_\_\_ rewards are those which people get from facing and beating or learning from challenges.      |  |  | | --- | --- | | A. | Recognition |  |  |  | | --- | --- | | B. | Flexibility |  |  |  | | --- | --- | | C. | Income |  |  |  | | --- | --- | | **D.** | Growth |   The three most popular types of rewards for small business owners are growth, flexibility, and income. Growth rewards are what people get from facing and beating or learning from challenges. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-04 Explore the rewards entrepreneurs can achieve through their businesses. Level of Difficulty: 1 Easy Topic: Rewards for Starting a Small Business* |

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| 55. *(p. 10)* | Which of the following rewards refer to the money made from owning a business?      |  |  | | --- | --- | | A. | Growth rewards |  |  |  | | --- | --- | | B. | Flexibility rewards |  |  |  | | --- | --- | | **C.** | Income rewards |  |  |  | | --- | --- | | D. | Performance rewards |   Income rewards refer to the money made from owning a business. For more than three-quarters of entrepreneurs, this means seeking to match or slightly better the income they had before they started their own business. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-04 Explore the rewards entrepreneurs can achieve through their businesses. Level of Difficulty: 1 Easy Topic: Rewards for Starting a Small Business* |

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| 56. *(p. 10)* | Tina runs her consultancy business from her home. Working from home allows her to set her own schedule and take time off at her convenience so that she can be with her family. The fact that Tina gets more time with her family can be categorized as \_\_\_\_\_\_ reward.      |  |  | | --- | --- | | A. | income |  |  |  | | --- | --- | | **B.** | flexibility |  |  |  | | --- | --- | | C. | growth |  |  |  | | --- | --- | | D. | credit |   Flexibility rewards refer to the ability of business owners to structure their lives in the way that best suits their needs. |

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| *AACSB: Reflective Thinking Blooms: Apply Learning Objective: 01-04 Explore the rewards entrepreneurs can achieve through their businesses. Level of Difficulty: 2 Medium Topic: Rewards for Starting a Small Business* |

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| 57. *(p. 10)* | The ability of business owners to structure their lives in the way that best suits their needs refers to:      |  |  | | --- | --- | | **A.** | flexibility rewards. |  |  |  | | --- | --- | | B. | family rewards. |  |  |  | | --- | --- | | C. | growth rewards. |  |  |  | | --- | --- | | D. | wealth rewards. |   Flexibility rewards are perhaps the most rapidly growing type of reward. They refer to the ability of business owners to structure their lives in the way that best suits their needs. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-04 Explore the rewards entrepreneurs can achieve through their businesses. Level of Difficulty: 1 Easy Topic: Rewards for Starting a Small Business* |

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| 58. *(p. 11)* | Which of the following is a myth about small businesses?      |  |  | | --- | --- | | A. | That failed entrepreneurs can succeed if they try again |  |  |  | | --- | --- | | **B.** | That a small business will never have enough financing |  |  |  | | --- | --- | | C. | That students have skills to start small businesses |  |  |  | | --- | --- | | D. | That small businesses can start during recession |   It is a myth that small businesses do not have enough financing. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-05 Be able to dispel the key myths about small businesses. Level of Difficulty: 1 Easy Topic: Myths about Small Businesses* |

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| 59. *(p. 12)* | Financing a business online through the collective involvement of others who provide donations, loans, or investments is referred to as \_\_\_\_\_.      |  |  | | --- | --- | | **A.** | crowdfunding |  |  |  | | --- | --- | | B. | bootstrapping |  |  |  | | --- | --- | | C. | microfinancing |  |  |  | | --- | --- | | D. | crowdsourcing |   Financing a business online through the collective involvement of others who provide donations, loans, or investments is referred to as crowdfunding. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-05 Be able to dispel the key myths about small businesses. Level of Difficulty: 1 Easy Topic: Myths about Small Businesses* |

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| 60. *(p. 12)* | Bootstrapping refers to:      |  |  | | --- | --- | | A. | funding a business online through the collective involvement of others who provide loans. |  |  |  | | --- | --- | | B. | buying, renting, or leasing a prepackaged business from another company. |  |  |  | | --- | --- | | C. | inheriting or being given a stake in a family business. |  |  |  | | --- | --- | | **D.** | using low-cost or free techniques to minimize the cost of doing business. |   Bootstrapping refers to using low-cost or free techniques to minimize the cost of doing business. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-05 Be able to dispel the key myths about small businesses. Level of Difficulty: 1 Easy Topic: Myths about Small Businesses* |

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| 61. *(p. 12)* | Anna helps brides-to-be choose wedding gowns that best suit their requirements and budget, and also helps them with where they can find the right dress. She has made her home her virtual office; she does not require external financing. Anna is using \_\_\_\_\_ to run her small business.      |  |  | | --- | --- | | A. | crowdfunding |  |  |  | | --- | --- | | B. | franchising |  |  |  | | --- | --- | | **C.** | bootstrapping |  |  |  | | --- | --- | | D. | crowdsourcing |   Bootstrapping refers to using low-cost or free techniques to minimize the cost of doing business. |

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| *AACSB: Analytic Blooms: Apply Learning Objective: 01-05 Be able to dispel the key myths about small businesses. Level of Difficulty: 3 Hard Topic: Myths about Small Businesses* |

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| 62. *(p. 13)* | According to the BRIE model, which of the following is an element that is necessary to start a business?      |  |  | | --- | --- | | **A.** | Boundary |  |  |  | | --- | --- | | B. | Recognition |  |  |  | | --- | --- | | C. | Efficiency |  |  |  | | --- | --- | | D. | Income |   In order to start a business, four elements must come together—boundary, resources, intention, and exchange. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-06 Identify actions key to becoming a small business. Level of Difficulty: 1 Easy Topic: Getting Started Now: Entry Competencies* |

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| 63. *(p. 13)* | According to the BRIE model, \_\_\_\_\_ sets up a business as a firm.      |  |  | | --- | --- | | A. | intention |  |  |  | | --- | --- | | B. | exchange |  |  |  | | --- | --- | | C. | franchise |  |  |  | | --- | --- | | **D.** | boundary |   A business needs the benefits of a boundary—something that sets it up as a firm, and sets it off from the buying or selling or bartering we all do occasionally. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-06 Identify actions key to becoming a small business. Level of Difficulty: 1 Easy Topic: Getting Started Now: Entry Competencies* |

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| 64. *(p. 13)* | According to the BRIE model, which of the following sets a firm off from the buying or selling or bartering done casually by nonmerchants?      |  |  | | --- | --- | | A. | Resources |  |  |  | | --- | --- | | **B.** | Boundary |  |  |  | | --- | --- | | C. | Intention |  |  |  | | --- | --- | | D. | Exchange |   A business needs the benefits of a boundary—something that sets it up as a firm, and sets it off from the buying or selling or bartering. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-06 Identify actions key to becoming a small business. Level of Difficulty: 1 Easy Topic: Getting Started Now: Entry Competencies* |

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| 65. *(p. 13)* | According to the BRIE model, which of the following falls under the boundary category?      |  |  | | --- | --- | | A. | The financial resources of a company |  |  |  | | --- | --- | | B. | The desire to start a business |  |  |  | | --- | --- | | **C.** | An e-mail address of the company |  |  |  | | --- | --- | | D. | A product or service offered by the company |   A boundary can be something as simple as a business name or government registration, a phone or e-mail address dedicated to the business, or a specific location for the firm in a home, commercial space, or even on the Internet. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-06 Identify actions key to becoming a small business. Level of Difficulty: 1 Easy Topic: Getting Started Now: Entry Competencies* |

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| 66. *(p. 13)* | John owns a small business that does computer servicing. Which of the following would represent boundary as mentioned in the BRIE model in John's computer servicing business?      |  |  | | --- | --- | | A. | The employees that work under John |  |  |  | | --- | --- | | **B.** | The office in which John works |  |  |  | | --- | --- | | C. | The money earned by John from the business |  |  |  | | --- | --- | | D. | The desire to expand the business to writing software |   A boundary can be something as simple as a business name or government registration, a phone or e-mail address dedicated to the business, or a specific location for the firm in a home, commercial space, or even on the Internet. Here's John's office is a location for the firm and hence is an example of boundary as explained in the BRIE model. |

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| *AACSB: Reflective Thinking Blooms: Apply Learning Objective: 01-06 Identify actions key to becoming a small business. Level of Difficulty: 2 Medium Topic: Getting Started Now: Entry Competencies* |

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| 67. *(p. 13)* | In the BRIE model, a business name or government registration, a phone or e-mail address dedicated to the business, or a specific location for the firm in a home, commercial space, or on the Internet represents:      |  |  | | --- | --- | | A. | exchange. |  |  |  | | --- | --- | | B. | resource. |  |  |  | | --- | --- | | **C.** | boundary. |  |  |  | | --- | --- | | D. | intention. |   A boundary can be something as simple as a business name or government registration, a phone or e-mail address dedicated to the business, or a specific location for the firm in a home, commercial space, or even on the Internet. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-06 Identify actions key to becoming a small business. Level of Difficulty: 1 Easy Topic: Getting Started Now: Entry Competencies* |

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| 68. *(p. 13)* | According to the BRIE model, which of the following is true of a resource?      |  |  | | --- | --- | | A. | It includes a business name or government registration. |  |  |  | | --- | --- | | B. | It refers to moving goods or services to others for money. |  |  |  | | --- | --- | | C. | It is the most frequently occurring element of the BRIE model. |  |  |  | | --- | --- | | **D.** | It includes the product or service to be offered. |   Resources include the product or service to be offered, informational resources on markets and running a business, financial resources, and human resources such as your own time to devote to the business, or that of others working with you or for you. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-06 Identify actions key to becoming a small business. Level of Difficulty: 1 Easy Topic: Getting Started Now: Entry Competencies* |

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| 69. *(p. 13)* | Which of the following is the most frequently occurring element of the BRIE model?      |  |  | | --- | --- | | **A.** | Intention |  |  |  | | --- | --- | | B. | Boundary |  |  |  | | --- | --- | | C. | Exchange |  |  |  | | --- | --- | | D. | Resources |   Intention is the desire to start a business and is the most frequently occurring element of the BRIE model. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-06 Identify actions key to becoming a small business. Level of Difficulty: 1 Easy Topic: Getting Started Now: Entry Competencies* |

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| 70. *(p. 13)* | Which of the following elements of the BRIE model represents the desire to start a business?      |  |  | | --- | --- | | **A.** | Intention |  |  |  | | --- | --- | | B. | Boundary |  |  |  | | --- | --- | | C. | Exchange |  |  |  | | --- | --- | | D. | Resources |   Intention is the desire to start a business and is the most frequently occurring element of the BRIE model. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-06 Identify actions key to becoming a small business. Level of Difficulty: 1 Easy Topic: Getting Started Now: Entry Competencies* |

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| 71. *(p. 15)* | In terms of new jobs, which of the following is true of a small business?      |  |  | | --- | --- | | A. | It does not employ people looking for part-time work. |  |  |  | | --- | --- | | B. | It is of no importance to existing jobs. |  |  |  | | --- | --- | | **C.** | It offers jobs to people with atypical work histories. |  |  |  | | --- | --- | | D. | It pays taxes on behalf of the people it hires. |   One reason small businesses are a key employer is because they are more willing than most large businesses to offer jobs to people with atypical work histories or needs, like people new to the workforce, people with uneven employment histories, and people looking for part-time work. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-07 Recognize how small business is important to our economy and your community. Level of Difficulty: 2 Medium Topic: Small Business and the Economy* |

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| 72. *(p. 15)* | The way that newly created goods, services, or firms hurt existing goods, services, or firms is referred to as:      |  |  | | --- | --- | | A. | benchmarking. |  |  |  | | --- | --- | | **B.** | creative destruction. |  |  |  | | --- | --- | | C. | service distortion. |  |  |  | | --- | --- | | D. | crowdsourcing. |   Small business is a key element of every nation's economy because it offers a very special environment in which the new can come into being. Austrian economist Joseph Schumpeter labeled this process creative destruction. It refers to the way that newly created goods, services, or firms can hurt existing goods, services, or firms. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-07 Recognize how small business is important to our economy and your community. Level of Difficulty: 1 Easy Topic: Small Business and the Economy* |

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| 73. *(p. 15)* | Mandarin In Town, a Chinese restaurant, opened recently in Burnsville, Minnesota. People from all over the town flocked to Mandarin to find out how good it was. This gave a big boost to the restaurant's initial business, but it caused the other restaurants in the area to lose business temporarily. The way in which Mandarin in Town hurt existing restaurants in Burnsville is an example of:      |  |  | | --- | --- | | **A.** | creative destruction. |  |  |  | | --- | --- | | B. | service distortion. |  |  |  | | --- | --- | | C. | innovative disruption. |  |  |  | | --- | --- | | D. | crowdsourcing. |   Creative destruction refers to the way that newly created goods, services, or firms can hurt existing goods, services, or firms. |

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| *AACSB: Reflective Thinking Blooms: Apply Learning Objective: 01-07 Recognize how small business is important to our economy and your community. Level of Difficulty: 2 Medium Topic: Small Business and the Economy* |

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| 74. *(p. 16)* | According to the U.S. Small Business Administration, small businesses generate \_\_\_\_\_ times the number of patents per employee than do big businesses.      |  |  | | --- | --- | | A. | 35.5 |  |  |  | | --- | --- | | B. | 2.5 |  |  |  | | --- | --- | | **C.** | 16.5 |  |  |  | | --- | --- | | D. | 50.5 |   The U.S. Small Business Administration reports that among firms that hold one or more patents, small businesses generate 16.5 times the number of patents per employee than do big businesses. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-07 Recognize how small business is important to our economy and your community. Level of Difficulty: 1 Easy Topic: Small Business and the Economy* |

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| 75. *(p. 18)* | A nation where the major forces for jobs, revenues, and taxes come from farming or extractive industries like forestry, mining, or oil production is a(n):      |  |  | | --- | --- | | **A.** | factor-driven economy. |  |  |  | | --- | --- | | B. | efficiency-driven economy. |  |  |  | | --- | --- | | C. | innovation-driven economy. |  |  |  | | --- | --- | | D. | competency-driven economy. |   A nation where the major forces for jobs, revenues, and taxes come from farming or extractive industries like forestry, mining, or oil production is a factor-driven economy. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-07 Recognize how small business is important to our economy and your community. Level of Difficulty: 1 Easy Topic: Small Business and the Economy* |

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| 76. *(p. 18)* | In factor-driven economies:      |  |  | | --- | --- | | A. | entrepreneurship levels are in the middle range. |  |  |  | | --- | --- | | **B.** | entrepreneurship levels are very high. |  |  |  | | --- | --- | | C. | entrepreneurship levels are very low. |  |  |  | | --- | --- | | D. | entrepreneurship is not given any consideration. |   Entrepreneurship levels are very high in factor-driven economies. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-07 Recognize how small business is important to our economy and your community. Level of Difficulty: 2 Medium Topic: Small Business and the Economy* |

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| 77. *(p. 18)* | A nation where industrialization is the major force providing jobs, revenues and taxes, and where minimizing costs while maximizing productivity is a major goal is a(n):      |  |  | | --- | --- | | A. | factor-driven economy. |  |  |  | | --- | --- | | **B.** | efficiency-driven economy. |  |  |  | | --- | --- | | C. | innovation-driven economy. |  |  |  | | --- | --- | | D. | effectiveness-driven economy. |   As economies develop and go beyond basic manufacturing to a more industrialized economy, they are called efficiency-driven economies. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-07 Recognize how small business is important to our economy and your community. Level of Difficulty: 1 Easy Topic: Small Business and the Economy* |

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| 78. *(p. 18)* | In efficiency-driven economies:      |  |  | | --- | --- | | **A.** | entrepreneurship levels are in the middle range. |  |  |  | | --- | --- | | B. | entrepreneurship levels are very high. |  |  |  | | --- | --- | | C. | entrepreneurship levels are very low. |  |  |  | | --- | --- | | D. | entrepreneurship is not given any consideration. |   Entrepreneurship levels in efficiency-driven economies are in the middle range. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-07 Recognize how small business is important to our economy and your community. Level of Difficulty: 1 Easy Topic: Small Business and the Economy* |

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| 79. *(p. 19)* | Innovation-driven economies:      |  |  | | --- | --- | | A. | are those where entrepreneurship becomes a key way to build the middle class. |  |  |  | | --- | --- | | B. | are nations where industrialization is becoming the major force providing jobs, revenues, and taxes. |  |  |  | | --- | --- | | **C.** | are focused on high-value-added manufacturing but are marked by a very large service sector. |  |  |  | | --- | --- | | D. | are those where entrepreneurship is essential to build personal wealth and break the cycle of low-wage jobs. |   Innovation-driven economies are focused on high-value-added manufacturing but are marked by a very large service sector, providing high-end services to not only the resident population, but also for export. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-07 Recognize how small business is important to our economy and your community. Level of Difficulty: 1 Easy Topic: Small Business and the Economy* |

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| 80. *(p. 19)* | In innovation-driven economies:      |  |  | | --- | --- | | **A.** | entrepreneurship levels are in the middle range. |  |  |  | | --- | --- | | B. | entrepreneurship levels are very high. |  |  |  | | --- | --- | | C. | entrepreneurship levels are lower compared to factor-driven economies. |  |  |  | | --- | --- | | D. | entrepreneurship is not given any consideration. |   Entrepreneurship levels in countries with innovation-driven economies average the lowest of the three types of economies. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-07 Recognize how small business is important to our economy and your community. Level of Difficulty: 1 Easy Topic: Small Business and the Economy* |

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| 81. *(p. 19)* | Virtual instant global entrepreneurship refers to:      |  |  | | --- | --- | | A. | the transformation of a high-growth venture into a small business. |  |  |  | | --- | --- | | B. | a person becoming an owner by inheriting or getting a stake in a family business. |  |  |  | | --- | --- | | C. | the way that newly created goods, services, or firms hurt existing goods, services, or firms. |  |  |  | | --- | --- | | **D.** | a process that uses the Internet to quickly create businesses with a worldwide reach. |   Virtual instant global entrepreneurship is a process that uses the Internet to quickly create businesses with a worldwide reach. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-07 Recognize how small business is important to our economy and your community. Level of Difficulty: 1 Easy Topic: Small Business and the Economy* |

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| 82. *(p. 20)* | Which of the following aspects of entrepreneurship refers to being in-tune with one's market?      |  |  | | --- | --- | | A. | Efficiency |  |  |  | | --- | --- | | B. | Creation |  |  |  | | --- | --- | | **C.** | Customer-focus |  |  |  | | --- | --- | | D. | Growth |   Customer-focus refers to being in tune with one's market. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-07 Recognize how small business is important to our economy and your community. Level of Difficulty: 1 Easy Topic: Small Business and the Economy* |

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| 83. *(p. 20)* | The form of entrepreneurship in which a person or group own their own for-profit business is referred to as:      |  |  | | --- | --- | | **A.** | independent entrepreneurship. |  |  |  | | --- | --- | | B. | social entrepreneurship. |  |  |  | | --- | --- | | C. | public entrepreneurship. |  |  |  | | --- | --- | | D. | corporate entrepreneurship. |   The form of entrepreneurship in which a person or group own their own for-profit business is referred to as independent entrepreneurship. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-07 Recognize how small business is important to our economy and your community. Level of Difficulty: 1 Easy Topic: Small Business and the Economy* |

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| 84. *(p. 20)* | \_\_\_\_\_ is an aspect of entrepreneurship that refers to doing the most work with the fewest resources.      |  |  | | --- | --- | | A. | Innovation |  |  |  | | --- | --- | | B. | Creation |  |  |  | | --- | --- | | **C.** | Efficiency |  |  |  | | --- | --- | | D. | Customer-focus |   Efficiency refers to doing the most work with the fewest resources. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-07 Recognize how small business is important to our economy and your community. Level of Difficulty: 1 Easy Topic: Small Business and the Economy* |

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| 85. *(p. 20)* | \_\_\_\_\_ is an aspect of entrepreneurship which looks at a new thing or a new way of doing things.      |  |  | | --- | --- | | A. | Customer-focus |  |  |  | | --- | --- | | **B.** | Innovation |  |  |  | | --- | --- | | C. | Creation |  |  |  | | --- | --- | | D. | Efficiency |   Innovation looks at a new thing or a new way of doing things. |

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| 86. *(p. 20)* | Which of the following types of entrepreneurship typically concentrates on innovation and customer-focus among all aspects of entrepreneurship?      |  |  | | --- | --- | | A. | Public entrepreneurship |  |  |  | | --- | --- | | **B.** | Corporate entrepreneurship |  |  |  | | --- | --- | | C. | Independent entrepreneurship |  |  |  | | --- | --- | | D. | Social entrepreneurship |   In corporate entrepreneurship, the focus is typically on customer-focus and innovation, bringing new products or services to market, or opening up new markets to your firm. |

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| 87. *(p. 20)* | Which of the following is true of corporate entrepreneurship?      |  |  | | --- | --- | | A. | It involves the creation of self-sustaining charitable and civic organizations. |  |  |  | | --- | --- | | B. | It involves revitalizing government agencies. |  |  |  | | --- | --- | | C. | It is a form of entrepreneurship in which people own their own for-profit business. |  |  |  | | --- | --- | | **D.** | It involves bringing new products or services to a market. |   In corporate entrepreneurship, the focus is typically on customer-focus and innovation, bringing new products or services to market, or opening up new markets for a firm. |

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| 88. *(p. 20)* | Social entrepreneurship primarily involves a person or group:      |  |  | | --- | --- | | **A.** | creating new charitable and civic organizations which are financially self-sufficient. |  |  |  | | --- | --- | | B. | bringing new products or services to market. |  |  |  | | --- | --- | | C. | owning their own for-profit business. |  |  |  | | --- | --- | | D. | revitalizing government agencies. |   Social entrepreneurship involves creating new charitable and civic organizations which are financially self-sufficient, or for-profit companies that use much of their profit to fund charities. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-07 Recognize how small business is important to our economy and your community. Level of Difficulty: 2 Medium Topic: Small Business and the Economy* |

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| 89. *(p. 20)* | Which of the following is true of social entrepreneurship?      |  |  | | --- | --- | | A. | It usually has a lot of funding. |  |  |  | | --- | --- | | B. | It creates organizations which are usually financially dependent on other firms. |  |  |  | | --- | --- | | C. | It cannot be initiated by a for-profit company. |  |  |  | | --- | --- | | **D.** | It does not include innovation as a key element. |   In social entrepreneurship, the key elements involve creation, efficiency, and customer-focus, since few social ventures have a lot of funding. |

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| 90. *(p. 20)* | \_\_\_\_\_ is the degree of attention a target market pays to an idea or organization.      |  |  | | --- | --- | | A. | Crowdfunding |  |  |  | | --- | --- | | B. | Effectuation |  |  |  | | --- | --- | | **C.** | Mindshare |  |  |  | | --- | --- | | D. | Crowdfunding |   Innovation-driven entrepreneurs are often as interested in having their idea used or known—called mindshare—as making money. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-07 Recognize how small business is important to our economy and your community. Level of Difficulty: 1 Easy Topic: Small Business and the Economy* |

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| 91. *(p. 21)* | Effectuation refers to:      |  |  | | --- | --- | | A. | the degree of attention a target market pays to an idea or organization. |  |  |  | | --- | --- | | **B.** | an approach used to create alternatives in uncertain environments. |  |  |  | | --- | --- | | C. | transforming a high-growth venture into a small business. |  |  |  | | --- | --- | | D. | a process of a person becoming an owner by inheriting or getting a stake in a family business. |   Effectuation is an approach used to create alternatives in uncertain environments. |

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| *AACSB: Analytic Blooms: Remember Learning Objective: 01-07 Recognize how small business is important to our economy and your community. Level of Difficulty: 1 Easy Topic: Small Business and the Economy* |

**Essay Questions**

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| 92. *(p. 7-8)* | What is the difference between small businesses and high-growth ventures?     Both small businesses and high-growth ventures may be small when they start. However, small businesses are usually intended to remain small, generally a size that the owner feels comfortable controlling personally. High-growth ventures start small but are intended to grow rapidly, often requiring a team of partners or managers to handle the growth. The differences between small businesses and high-growth ventures are not just semantic, they are fundamental. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-02 Learn the differences between small businesses and high-growth ventures. Level of Difficulty: 2 Medium Topic: Entrepreneurs Are Everywhere* |

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| 93. *(p. 9-10)* | Briefly describe the three universally mentioned and four rarely mentioned rewards.     Nearly all entrepreneurs talk about three key rewards—flexibility, a livable income, and personal growth. There are two other rewards—building great wealth and creating products, which entrepreneurs mention more often than working people in general. There are also rewards that entrepreneurs mention less often than working people in general. These are social rewards, like the respect or admiration of others, or power over others, and family rewards, like continuing a family tradition in business. The three most popular types of rewards for small business owners are growth, flexibility, and income. Growth rewards are what people get from facing and beating or learning from challenges. Income rewards refer to the money made from owning your own business. For more than three-quarters of entrepreneurs, this means seeking to match or slightly better the income you had before you started your own business. Flexibility rewards are perhaps the most rapidly growing type of reward. They refer to the ability of business owners to structure their lives in the way that best suits their needs. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-04 Explore the rewards entrepreneurs can achieve through their businesses. Level of Difficulty: 2 Medium Topic: Rewards for Starting a Small Business* |

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| 94. *(p. 11-12)* | What are the most common myths about small businesses? What are the facts that contradict these myths?     For years potential entrepreneurs have mentioned problems like these:  1. Not enough financing: The SBA reports that bank financing is up from its low in early 2009, and the same is true for funding from family, friends, and angels. Crowdfunding and bootstrapping techniques are also being discovered by entrepreneurs. 2. It is not possible to start businesses during a recession: Businesses started in recessions start lean—no fancy offices, no bonuses. That means they learn from the start how to do more with less, which makes them better able to handle future times of scarcity and trouble. According to a 2009 *BusinessWeek* report, seven of the ten largest companies in the 2009 Fortune 500 were started in recessions. 3. To make profits, entrepreneurs need to make something: In 2011, amid a recession, Sageworks reported that of the 10 most profitable industries for small businesses, 9 were services like dentists, tax preparers, mining support services, credit counselors, insurance brokers, and legal and health practitioners. Whereas getting a DDS or MD degree takes years and tens of thousands of dollars, bookkeeping and credit counseling require little specialized training. 4. If an entrepreneur fails, he or she can never try again: If entrepreneurs close a business and pay off their debts, they did not fail. If they learned how to do better next time, then they can honestly say they have paid for another piece of their education. A large number of today's successful entrepreneurs had failures along the way. 5. Students (or moms or some other group) do not have the skills to start a business: It would be hard for an undergraduate to open a medical practice, but lots of students have useful business skills. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-05 Be able to dispel the key myths about small businesses. Level of Difficulty: 2 Medium Topic: Myths about Small Businesses* |

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| 95. *(p. 13-15)* | Briefly describe the BRIE model.     In order to start a business, four elements must come together—boundary, resources, intention, and exchange. This is referred to as the BRIE model. A business needs the benefits of a boundary—something that sets it up as a firm, and sets it off from the buying or selling or bartering. Having a boundary gives a place to locate and protect the resources gathered for the business. Resources include the product or service to be offered, informational resources on markets and running a business, financial resources, and human resources such as the time to devote to the business. Intention is the desire to start a business and is the most frequently occurring element of the BRIE model. Exchange refers to moving resources, goods, or service to others, in exchange for money or other resources. If the firm doesn't exchange with its environment, there is no "business" taking place. The BRIE model factors outline the activities that need to take place to get a firm going. The BRIE model can help a prospective entrepreneur deal with one of the biggest hurdles to starting a business. According to the experts, the biggest problem is simply inaction. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-06 Identify actions key to becoming a small business. Level of Difficulty: 2 Medium Topic: Getting Started Now: Entry Competencies* |

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| 96. *(p. 15)* | What is the role of small businesses in creating new jobs?     Small business has added tens of millions of jobs. In the latest statistics, small businesses created 65 percent of the new jobs created. Small business start-ups in the first two years of operation accounted for virtually all the net new jobs in America. Small business is the engine of job generation, but it is important for existing jobs, too. Small businesses employ more than half of all Americans, providing wages, salaries, and the taxes those working people pay the government. Small businesses are also key employers because they are more willing than most large businesses to offer jobs to people with atypical work histories or needs, like people new to the workforce, people with uneven employment histories, and people looking for part-time work. These employment issues are at the core of what makes small business attractive to local and state governments. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-07 Recognize how small business is important to our economy and your community. Level of Difficulty: 2 Medium Topic: Small Business and the Economy* |

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| 97. *(p. 15)* | What is creative destruction?     Small business is a key element of every nation's economy because it offers a very special environment in which the new can come into being. Austrian economist Joseph Schumpeter labeled this process creative destruction. It refers to the way that newly created goods, services, or firms can hurt existing goods, services, or firms. For example, when a new restaurant opens in a neighborhood, people flock to it to find out what it's like. This helps the new restaurant, but it also causes the other restaurants in the area to lose business, at least temporarily. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-07 Recognize how small business is important to our economy and your community. Level of Difficulty: 2 Medium Topic: Small Business and the Economy* |

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| 98. *(p. 18)* | What is a factor-driven economy?     A factor-driven economy is a nation where the major forces for jobs, revenues and taxes come from farming or extractive industries like forestry, mining, or oil production. In these factor-driven economies, entrepreneurship is essential to helping build personal wealth and breaking the cycle of low-wage jobs, and so, entrepreneurship levels tend to be very high. |

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| *AACSB: Analytic Blooms: Understand Learning Objective: 01-07 Recognize how small business is important to our economy and your community. Level of Difficulty: 2 Medium Topic: Small Business and the Economy* |

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| 99. *(p. 19)* | What is VIGE? Explain.     One approach that has grown dramatically in the past 15 years is using ecommerce, particularly auction sites like eBay, to handle global trade. The formal title for this is virtual instant global entrepreneurship (VIGE). VIGE depends on using Web sites like eBay (for products) or eLance (for services) to quickly establish a global presence. Many of these VIGE sites offer procedures, services, and Web page templates which incorporate best practices for global trading. The VIGE site provides the assurance of honesty on the part of buyers and sellers, using rules, warrantees, and most of all, mutual ratings of buyers and sellers. |

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| 100. *(p. 20)* | What are the different aspects of entrepreneurship?     The different aspects of entrepreneurship are:  1. Creation, which looks at the making of new entities. 2. Customer-focus, which refers to being in-tune with your market. 3. Efficiency, which refers to doing the most work with the fewest resources. 4. Innovation, which looks at a new thing or a new way of doing things. |

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| 101. *(p. 20)* | What are the different forms of entrepreneurship?     There are three forms of entrepreneurship which are together called CSI entrepreneurship. The three forms differ in which aspect of entrepreneurship they focus: creation which looks at the making of new entities; customer-focus which refers to being in-tune with your market; efficiency which refers to doing the most work with the fewest resources; and innovation which looks at a new thing or a new way of doing things. In independent entrepreneurship, all four elements are essential, and that is what makes small business as important as the role model for the other forms. In corporate entrepreneurship, the focus is typically on customer-focus and innovation, bringing new products or services to market, or opening up new markets to your firm. Famous examples of corporate entrepreneurship include the creation of new brands like Apple's iPod or GM's green energy services. Social entrepreneurship on the other hand involves creating new charitable and civic organizations which are financially self-sufficient. |

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