

***Entrepreneurship, 3e (Bamford)***

**Chapter 2 Individual Leadership and Entrepreneurial Start-Ups**

- 1) There is one crucial person in a large organization: the chief executive officer.
- 2) The excess resources that large companies tend to have to assist them are referred to as organizational redundancies.
- 3) Organizational slack allows large organizations flexibility that is not available to smaller companies.
- 4) The most important person in an entrepreneurial business is the founder.
- 5) New entrepreneurial businesses tend to have slack financial resources that they can rely on, which gives them high flexibility in responding to emergencies.
- 6) In a small family business, the most important support group is the family.
- 7) Unlike the owners of entrepreneurial ventures, the people who manage operations at large, established corporations do not typically have substantial ownership in the company.
- 8) Large firms can fill market niches that small companies cannot afford to fill.
- 9) One advantage that a large firm has over a small firm is economies of scale.
- 10) The unlimited theory suggests that individuals act to maximize their own individual benefit.
- 11) According to the agency theory, a manager at a large firm is more likely to exploit organizational resources for his or her own benefit than the owner of a small firm.
- 12) One of the greatest assets of a small business is the owner.
- 13) Potential entrepreneurs must determine the level of risk that they are able to tolerate.
- 14) The break-even point is the time when a new business starts to profit from incoming revenues.
- 15) In a small business, an owner needs to consider how much debt he or she wants to accumulate in the business. The greater the debt, the lower the risk tolerance.
- 16) In the context of risk tolerance, most new business owners must set their risk tolerance based on the average level of risk in their specific market or industry.
- 17) The owner must be aware of his or her own tolerance of risk and establish a business that is consistent with that tolerance.
- 18) Entrepreneurial orientation relies on an owner's prior work experience.

- 19) Bounded rationality offers an individual from outside an industry the unconstrained role of decision-making that was not previously considered.
- 20) Future business owners need to understand how their own version of rationality affects their decision-making.
- 21) The Myers-Briggs test is used for personality evaluations.
- 22) A Myers-Briggs test analyzes four variables to indicate the different ways in which individuals deal with other people and their environment.
- 23) The philosophy of the Enneagram test is that a person is the result of all the experiences in his or her life.
- 24) The Big Five test is composed of five factors in decision-making criteria.
- 25) In the context of the triggers that encourage new business formations, circumstance motivators tend to result in more of a defensive positioning.
- 26) Having very little to lose financially by a failure could be a trigger for a new business.
- 27) Entrepreneurs driven by circumstantial motivators are often more proactive than those with personal motivation for starting a business.
- 28) Small business owners who are driven by circumstance motivators tend to be more proactive and drive relentlessly toward their goals.
- 29) The "glass ceiling" refers to the practical reality that many working women face which prevents them from advancing beyond certain levels of corporate hierarchies.
- 30) Two triggers for starting a new business are talking to successful entrepreneurs and being laid off from your job.
- 31) Family members are in a unique position to keep an individual focused on pursuing the wrong approach to an issue.
- 32) The reason a business is called a family business is that the owner's family plays a critical role in the success of the business.
- 33) Established businesses may be hesitant about buying from a start-up small business.
- 34) A community could have an incubator, which is a facility that houses new businesses and provides many critical services for them.
- 35) Business incubators work best with small manufacturing-based firms.

- 36) One of the negative aspects to being the owner of a family business has to do with firing a family member.
- 37) An entrepreneur needs to set limits to how much time he or she spends on a business for it to be successful.
- 38) You should start a business doing something you have a passion for because you will spend more time starting and running the business than if you start a business that does not excite you.
- 39) \_\_\_\_\_ occur(s) in large companies that have excess resources such as equipment and employees.
- A) Unlimited boundaries
  - B) Limited boundaries
  - C) Organizational slack
  - D) Organizational resources
- 40) Identify a true statement about a large firm that has organizational slack.
- A) The loss of an employee barely affects the abilities of its workforce.
  - B) Each employee is crucial to the survival of the firm.
  - C) The firm's knowledge is concentrated around a few key personnel.
  - D) The firm enjoys extreme financial flexibility and can survive huge annual losses if necessary.
- 41) In contrast to the role of leadership in a typical large organization, the founder of a new entrepreneurial business tends to play a very critical role because
- A) outside experts generally work with entrepreneurial businesses.
  - B) the concentration of knowledge tends to be with her or him.
  - C) the founder tends to be the only worker at entrepreneurial businesses.
  - D) the employees of such new businesses tend to be unskilled or unmotivated.
- 42) Which of the following is an advantage that small firms have over large businesses?
- A) The ability to produce services and products quickly and cheaply
  - B) Significant financial resources slack
  - C) The ability to respond quickly to changes
  - D) Critical knowledge spread across the firms' human resources pool
- 43) \_\_\_\_\_ states that individuals make decisions that maximize their own individual benefits.
- A) Individual benefit theory
  - B) Organizational benefit theory
  - C) Self-fulfilling prophesy
  - D) Agency theory

44) Ray, a manager in Fir Tree Inc., a large and established firm, must travel to attend an annual conference. He books the most convenient flight tickets and a room in a luxurious hotel right next to the venue of the conference. Ray justifies these decisions by stating that these are time-saving measures. Ray's decisions can be best explained \_\_\_\_\_.

- A) by the agency theory
- B) as bounded rationality
- C) through the Myers-Briggs test
- D) as organizational slack

45) Why can a small business owner make decisions quicker than a big business?

- A) Because the decision maker is both the owner and the manager of the business
- B) Because the owner can delegate the decisions to committees
- C) Because managers in big businesses have less knowledge than a small business owner
- D) All of these

46) Zeus Cisterns is a large manufacturing firm with several employees. Many of the firm's employees are knowledgeable about the firm's various operations and requirements. Accordingly, the organization's functioning is barely affected when an experienced employee quits. Further, in an emergency, various employees can fulfill any critical role that needs to be handled immediately. Given these characteristics, Zeus Cisterns can be said to have \_\_\_\_\_.

- A) bounded rationality
- B) organizational slack
- C) a strong resource network
- D) a loyal worker-base

47) In the context of entrepreneurial businesses, which of the following is an advantage that small businesses have over big businesses?

- A) A diverse pool of workers
- B) Ability to be financially flexible
- C) Large-scale manufacturing
- D) Ability to produce small niche products

48) What does a potential entrepreneur need to consider when starting a new business?

- A) Risk tolerance
- B) Prior experience
- C) Personality orientation
- D) All of these

49) The break-even point is defined as

- A) the time when a firm experiences steady losses during its initial stages of operation.
- B) the level where a firm starts to profit from the revenue it makes from its products.
- C) the time when a business must liquidate its holdings and declare bankruptcy.
- D) the level where revenue coming into the firm is sufficient to cover expenses.

50) In general, the greater the debt a business owner is willing to take on, the \_\_\_\_\_ the risk tolerance.

- A) lower
- B) higher
- C) less predictable
- D) more predictable

51) \_\_\_\_\_ is a rational decision-making process that is constrained by our experiences, history, and culture.

- A) Logic rationality
- B) Constrained rationality
- C) Bounded rationality
- D) Unbounded rationality

52) In the context of entrepreneurial orientation, the presence of \_\_\_\_\_ often leads young people to be pioneers in an area, as they are not limited by the restrictions of the past.

- A) family support
- B) introversion
- C) organizational slack
- D) bounded rationality

53) Which of the following personality tests is based on the philosophy of Carl Jung?

- A) Insights
- B) Enneagram
- C) Big Five
- D) Myers-Briggs

54) Which personality test indicates the different ways individuals deal with other people and their environments?

- A) Insights
- B) Enneagram
- C) Big Five
- D) Myers-Briggs

55) Which personality test believes that a person is the result of all experiences in his or her life?

- A) Insights
- B) Enneagram
- C) Big Five
- D) Myers-Briggs

56) Which popular personality test assumes there are five components or types of an individual's personality?

- A) Insights
- B) Enneagram
- C) Big Five
- D) Myers-Briggs

57) The potential entrepreneur needs to consider \_\_\_\_\_ when starting a new business.

- A) prior experience
- B) education
- C) rationality
- D) capital

58) In the context of evaluating entrepreneurial orientation, which of the following personality tests has a bias that adults will not change their personality over time and instead hold on to the personality they develop during childhood?

- A) The Big Five test
- B) The Myers-Briggs test
- C) The Enneagram test
- D) The Rorschach test

59) Which of the following is NOT a personality dimension of the Big Five test?

- A) Individualist
- B) Extroversion
- C) Agreeableness
- D) Conscientiousness

60) Anya is an entrepreneur. To understand her own strengths and weaknesses better, she takes a personality test. The test analyzes various factors, such as whether she focuses more on the outward world or her internal world and whether she gathers information through observation or intuition. Based on these variables, the test shows Anya how she tends to deal with other people and her environment. The test that Anya took is most likely the \_\_\_\_\_.

- A) Myers-Briggs test
- B) Big Five test
- C) HEXACO test
- D) Enneagram test

61) In the context of entrepreneurship, which of the following is a typical trigger for starting a new business?

- A) Being laid off from established employment
- B) Getting recruitment offers from established places of work
- C) Having a secure financial base
- D) Migrating from one city to another

62) Which of the following is NOT a personal motivator to start a business?

- A) Proactive positioning
- B) Driven
- C) Practical advice
- D) Defensive positioning

63) Sarah works as a supervisor in a large firm. Though she is very experienced at management and planning, she has not been promoted to the role of manager. However, she notices that other supervisors with less experience are often promoted to managerial positions, even if their work is not as good as hers. She also notices that all of them are men. In this scenario, Sarah being denied a promotion is an example of \_\_\_\_\_.

- A) the glass ceiling
- B) nepotism
- C) organizational slack
- D) bounded rationality

64) Which of the following is NOT a personal motivator to start a business?

- A) Being proactive
- B) Feeling driven to achieve goals
- C) Willing to make career-changing moves
- D) Taking a defensive position

65) In the context of supports for new businesses, why are established businesses often hesitant to buy from a start-up business?

- A) Because the supply structures of established businesses are resistant to incorporating new supply sources
- B) Because small businesses are typically family-run establishments, making them unreliable in the long run
- C) Because it is more profitable for established businesses to fulfill any requirements through resources already present within their organizational structures
- D) Because it is not clear if the new business will be able to fulfill an order or service a product in the future

66) Which of the following is an advantage that family businesses enjoy over nonfamily-owned businesses?

- A) Family businesses have the ability to cheaply produce large numbers of a product, whereas nonfamily-owned businesses can only produce small volumes of a product.
- B) Family businesses can afford to fill niches within markets that nonfamily-owned businesses cannot afford to fill.
- C) Individuals in family businesses are often willing to work at times and in conditions that employees in nonfamily-owned businesses would not accept.
- D) Family businesses are able to respond quickly to change around them, whereas nonfamily-owned businesses are often slow to react to changes.

67) All of these are negatives for an owner in a family business EXCEPT:

- A) firing a family member.
- B) reprimanding a family member.
- C) promoting a family member.
- D) all of these.

- 68) Established businesses are often \_\_\_\_\_ to buy from a start-up small business.
- A) quick
  - B) hesitant
  - C) sure
  - D) determined
- 69) Some communities offer facilities that house new businesses and provide resources for them. These are called \_\_\_\_\_.
- A) small business resource centers
  - B) temporary business agencies
  - C) holding facilities
  - D) incubators
- 70) Incubators for small businesses include all of the following EXCEPT:
- A) space.
  - B) financial loans.
  - C) legal expertise.
  - D) common receptionist.
- 71) Business incubators work best with which of the following type of firms?
- A) Manufacturing
  - B) Retail
  - C) Service
  - D) Accounting
- 72) The Small Business Administration has set up which of these to advise individuals wanting to start a new business?
- A) Service Corps of Retired Executives
  - B) Small Business Assistance Centers
  - C) Minority Enterprise Development Program
  - D) Community Incubator Program
- 73) When should a new business owner ensure there are sufficient financial resources to operate the business?
- A) Prior to the start
  - B) Opening day
  - C) First payroll
  - D) After six-month review



74) Sofor Designs is a successful firm that has been through many difficulties. When it first opened, the firm was financially unstable, but the employees agreed to work on partial salaries. The employees are also very loyal to the founder, and they always agree to work long hours during holiday seasons to maximize on increased customer traffic. Sofor Designs' characteristics are typical of \_\_\_\_\_.

- A) family businesses
- B) large established businesses
- C) opportunistic start-ups
- D) incubated start-ups

75) A prospective small business owner wants a career playing sports, which is what he enjoys doing most. He might be drawn to try an entrepreneurial venture in order to realize:

- A) personal fulfillment.
- B) substantial long-term profits.
- C) freedom from the control of a managerial hierarchy.
- D) a sense of self-esteem as a result of building his own business.

76) \_\_\_\_\_ is a supposition that assumes individuals act to maximize their own benefit.

77) The \_\_\_\_\_ is defined as the level where revenue coming into a firm is sufficient to cover expenses.

78) The \_\_\_\_\_ theory suggests that individuals act to maximize their own individual benefit.

79) A person who wants to start a business needs a(n) \_\_\_\_\_ risk tolerance.

80) \_\_\_\_\_ is a decision that is constrained by the background and history of the person.

81) A(n) \_\_\_\_\_ is a facility that houses new businesses and provides many critical services for them.

82) Identify and list three significant advantages that a small business has over a large company.

83) What are the three areas that should be considered by potential entrepreneurs when starting a new business?

84) Starting a new business is often the result of some particular event or condition within an individual's environment. List four events that could trigger a new business.

85) In the context of triggers for starting new businesses, briefly describe circumstance motivators.

86) How do personality tests assist entrepreneurs? Describe the Myers-Briggs test.

87) Why is the role of the family so critical to the success of a family business?

88) List and explain at least three community resources.