

Chapter 3

Student: _____

1. Entrepreneurship can include organizations of all types and in all stages.

True False

2. Entrepreneurship does not occur in the public sector.

True False

3. The most effective entrepreneurial leaders of fast-growth companies practice top-down management and administration.

True False

4. By following the prevailing best-management practices, large corporations have been able to successfully thwart competitive challenges of young entrepreneurial firms.

True False

5. By focusing on the needs of their customers, large companies leave themselves vulnerable to attack from startups.

True False

6. The highly dynamic, changing character of technology, markets, and competition make it impossible to know all your competitors today, let alone five years from now.

True False

7. One of the biggest mistakes aspiring entrepreneurs make is that they think too small.

True False

8. Small, simple businesses are more affordable, more manageable, less demanding, and less risky than high-potential ventures.

True False

9. While government data, research, and business mortality statisticians may not agree on the precise failure and survival figures for new businesses, they do agree that moderate success is the rule, not the exception with new ventures.

True False

10. Failure is part of the dynamics of innovation and economic renewal.

True False

11. The Threshold Concept proposes that the odds of success change as a venture reaches a critical mass of over \$8 million in sales and 50 employees.

True False

12. Many successful entrepreneurs have created their own investment pools, but they do not compete directly with venture capitalists for deals.

True False

13. Unlike the venture capitalists, private investors are a prime source for less capital-intensive startups and early-stage businesses.

True False

14. Private investors have less stringent investment criteria than venture capitalists and are therefore an easier sell.

True False

15. "Durability" refers to the market advantage a company can enjoy by developing proprietary barriers to entry.

True False

16. There is often a direct correlation between creativity and innovation and the level of resources available at the start of a venture.

True False

17. It is appropriate for an entrepreneur to 'think money first' with opportunities that will require venture funding at the seed stage.

True False

18. Bootstrapping can create significant competitive advantages.

True False

19. To achieve market penetration, fast-growth firms must initially deliver product and service benefits at below-market prices.

True False

20. Fast-growth firms maintain control by selectively granting employee stock ownership.

True False

21. Fast-growth firms are careful not to link a defined exit strategy in the business plan with what the lead entrepreneur envisions as his or her long-term objectives.

True False

22. What is at the heart of the entrepreneurial process?

- A. Innovation and creativity
- B. Opportunity recognition
- C. Team work
- D. Marshalling resources

23. Which of the following is not a factor in why big companies fail to respond effectively to entrepreneurial competition?

- A. Arrogance
- B. Staying close to their customers
- C. Bureaucracy
- D. All are factors

24. The entrepreneurial process starts with the:

- A. Strategy
- B. Networks
- C. Team
- D. Opportunity

25. "Durability" of an opportunity relates to:

- A. Return on Investment
- B. Market demand
- C. Barriers to entry
- D. All of the above

26. A good opportunity will exhibit which of the following?

- A. Gaps in available information and knowledge
- B. Inconsistencies in existing service and quality
- C. High rates of change
- D. All of the above

27. What is at the base of the Timmons Model?

- A. Profitability
- B. Sustainability
- C. Lifestyle
- D. Harvest

28. Fast-growth firms should strive to create high impact, new product and service improvements with development expenditures that account for no more than approximately _____ percent of revenues.

- A. 2
- B. 6
- C. 10
- D. 15

29. A successful start-up venture, in addition to the strong leadership from the main entrepreneur, almost always involves building a team with _____.

30. Entrepreneurs with a desire to be with and work with their family may lead them to develop a _____ business.

31. Building a _____ venture means achieving economic, environmental, and social goals without compromising the same opportunity for future generations.

32. As depicted in the Timmons Model, the entrepreneurial process can be appreciated as a constant balancing act, requiring continual assessment, revised strategies and tactics, and an _____ approach.

33. Most entrepreneurs launching businesses, particularly the first time, run out of *what* quicker than they bring in customers and profitable sales?
34. Entrepreneurship results in the creation, enhancement, realization, and renewal of _____, not just for owners, but for all participants and stakeholders.
35. What are the three driving forces of the Timmons Model?

36. Discuss the overall paradoxical conflict inherent in the entrepreneurial process.

37. Discuss the potential advantages and disadvantages of lifestyle ventures.

Chapter 3 Key

1. Entrepreneurship can include organizations of all types and in all stages.

(p. 87)

TRUE

Blooms: Remember

Difficulty: 1 Easy

Spinelli - Chapter 03 #1

2. Entrepreneurship does not occur in the public sector.

(p. 87)

FALSE

Blooms: Remember

Difficulty: 1 Easy

Spinelli - Chapter 03 #2

3. The most effective entrepreneurial leaders of fast-growth companies practice top-down management and administration.

(p. 88)

FALSE

Blooms: Remember

Difficulty: 1 Easy

Spinelli - Chapter 03 #3

4. By following the prevailing best-management practices, large corporations have been able to successfully thwart competitive challenges of young entrepreneurial firms.

(p. 88)

FALSE

Blooms: Remember

Difficulty: 1 Easy

Spinelli - Chapter 03 #4

5. By focusing on the needs of their customers, large companies leave themselves vulnerable to attack from startups.
(p. 88)

TRUE

*Blooms: Remember
Difficulty: 1 Easy
Spinelli - Chapter 03 #5*

6. The highly dynamic, changing character of technology, markets, and competition make it impossible to know all your competitors today, let alone five years from now.
(p. 90)

TRUE

*Blooms: Remember
Difficulty: 1 Easy
Spinelli - Chapter 03 #6*

7. One of the biggest mistakes aspiring entrepreneurs make is that they think too small.
(p. 91)

TRUE

*Blooms: Remember
Difficulty: 1 Easy
Spinelli - Chapter 03 #7*

8. Small, simple businesses are more affordable, more manageable, less demanding, and less risky than high-potential ventures.
(p. 91)

FALSE

*Blooms: Remember
Difficulty: 1 Easy
Spinelli - Chapter 03 #8*

9. While government data, research, and business mortality statisticians may not agree on the *(p. 91, 92)* precise failure and survival figures for new businesses, they do agree that moderate success is the rule, not the exception with new ventures.

FALSE

*Blooms: Remember
Difficulty: 2 Medium
Spinelli - Chapter 03 #9*

10. Failure is part of the dynamics of innovation and economic renewal. *(p. 92)*

TRUE

*Blooms: Remember
Difficulty: 1 Easy
Spinelli - Chapter 03 #10*

11. The Threshold Concept proposes that the odds of success change as a venture reaches a *(p. 93)* critical mass of over \$8 million in sales and 50 employees.

FALSE

*Blooms: Remember
Difficulty: 2 Medium
Spinelli - Chapter 03 #11*

12. Many successful entrepreneurs have created their own investment pools, but they do not *(p. 94)* compete directly with venture capitalists for deals.

FALSE

*Blooms: Remember
Difficulty: 1 Easy
Spinelli - Chapter 03 #12*

13. Unlike the venture capitalists, private investors are a prime source for less capital-intensive startups and early-stage businesses.
(p. 94)

TRUE

Blooms: Remember
Difficulty: 1 Easy
Spinelli - Chapter 03 #13

14. Private investors have less stringent investment criteria than venture capitalists and are therefore an easier sell.
(p. 94)

FALSE

Blooms: Remember
Difficulty: 1 Easy
Spinelli - Chapter 03 #14

15. "Durability" refers to the market advantage a company can enjoy by developing proprietary barriers to entry.
(p. 97)

FALSE

Blooms: Remember
Difficulty: 2 Medium
Spinelli - Chapter 03 #15

16. There is often a direct correlation between creativity and innovation and the level of resources available at the start of a venture.
(p. 97)

TRUE

Blooms: Remember
Difficulty: 1 Easy
Spinelli - Chapter 03 #16

17. It is appropriate for an entrepreneur to 'think money first' with opportunities that will require
(p. 97) venture funding at the seed stage.

FALSE

Blooms: Remember
Difficulty: 2 Medium
Spinelli - Chapter 03 #17

18. Bootstrapping can create significant competitive advantages.
(p. 98)

TRUE

Blooms: Remember
Difficulty: 1 Easy
Spinelli - Chapter 03 #18

19. To achieve market penetration, fast-growth firms must initially deliver product and service
(p. 102) benefits at below-market prices.

FALSE

Blooms: Remember
Difficulty: 1 Easy
Spinelli - Chapter 03 #19

20. Fast-growth firms maintain control by selectively granting employee stock ownership.
(p. 102)

TRUE

Blooms: Remember
Difficulty: 1 Easy
Spinelli - Chapter 03 #20

21. Fast-growth firms are careful not to link a defined exit strategy in the business plan with what
(p. 102) the lead entrepreneur envisions as his or her long-term objectives.

FALSE

Blooms: Remember

Difficulty: 1 Easy

Spinelli - Chapter 03 #21

22. What is at the heart of the entrepreneurial process?

(p. 87)

- A. Innovation and creativity
- B.** Opportunity recognition
- C. Team work
- D. Marshalling resources

Blooms: Remember

Difficulty: 2 Medium

Spinelli - Chapter 03 #22

23. Which of the following is not a factor in why big companies fail to respond effectively to
(p. 88) entrepreneurial competition?

- A. Arrogance
- B. Staying close to their customers
- C. Bureaucracy
- D.** All are factors

Blooms: Remember

Difficulty: 2 Medium

Spinelli - Chapter 03 #23

24. The entrepreneurial process starts with the:

(p. 95)

- A. Strategy
- B. Networks
- C. Team
- D. Opportunity

Blooms: Remember

Difficulty: 1 Easy

Spinelli - Chapter 03 #24

25. "Durability" of an opportunity relates to:

(p. 97)

- A. Return on Investment
- B. Market demand
- C. Barriers to entry
- D. All of the above

Blooms: Remember

Difficulty: 2 Medium

Spinelli - Chapter 03 #25

26. A good opportunity will exhibit which of the following?

(p. 97)

- A. Gaps in available information and knowledge
- B. Inconsistencies in existing service and quality
- C. High rates of change
- D. All of the above

Blooms: Remember

Difficulty: 1 Easy

Spinelli - Chapter 03 #26

27. What is at the base of the Timmons Model?

(p. 99)

- A. Profitability
- B. Sustainability**
- C. Lifestyle
- D. Harvest

Blooms: Remember

Difficulty: 2 Medium

Spinelli - Chapter 03 #27

28. Fast-growth firms should strive to create high impact, new product and service improvements with development expenditures that account for no more than approximately _____ percent of revenues.

(p. 102)

- A. 2
- B. 6**
- C. 10
- D. 15

Blooms: Remember

Difficulty: 2 Medium

Spinelli - Chapter 03 #28

29. A successful start-up venture, in addition to the strong leadership from the main entrepreneur, almost always involves building a team with _____.

(p. 87)

complementary talents

Blooms: Remember

Difficulty: 2 Medium

Spinelli - Chapter 03 #29

30. Entrepreneurs with a desire to be with and work with their family may lead them to develop a
(p. 94) _____ business.

lifestyle

Blooms: Remember

Difficulty: 2 Medium

Spinelli - Chapter 03 #30

31. Building a _____ venture means achieving economic, environmental, and social goals
(p. 99) without compromising the same opportunity for future generations.

sustainable

Blooms: Remember

Difficulty: 2 Medium

Spinelli - Chapter 03 #31

32. As depicted in the Timmons Model, the entrepreneurial process can be appreciated as a
(p. 99) constant balancing act, requiring continual assessment, revised strategies and tactics, and an
_____ approach.

experimental

Blooms: Remember

Difficulty: 2 Medium

Spinelli - Chapter 03 #32

33. Most entrepreneurs launching businesses, particularly the first time, run out of *what* quicker
(p. 85) than they bring in customers and profitable sales?

Cash.

Blooms: Remember

Difficulty: 1 Easy

34. Entrepreneurship results in the creation, enhancement, realization, and renewal of _____, (p. 87) not just for owners, but for all participants and stakeholders.

value

Blooms: Remember

Difficulty: 1 Easy

Spinelli - Chapter 03 #34

35. What are the three driving forces of the Timmons Model?

(p. 95)

Team, Opportunity, Resources

Blooms: Remember

Difficulty: 1 Easy

Spinelli - Chapter 03 #35

36. Discuss the overall paradoxical conflict inherent in the entrepreneurial process.

(p. 89, 90)

To thrive in the entrepreneurial environment, one needs to be very adept at coping with ambiguity, chaos, and uncertainty, and at building management skills and systems that create predictability. It is in the collision of these two opposing forces--spontaneity and discipline--that leads to the creation of sustainable value.

Blooms: Remember

Difficulty: 2 Medium

Spinelli - Chapter 03 #36

37. Discuss the potential advantages and disadvantages of lifestyle ventures.

(p. 94, 95)

For many aspiring entrepreneurs, issues of family roots and location take precedence over the time and effort required to develop a high-potential opportunity. Accessibility to a preferred way of life such as access to fishing, music, hunting, a rural setting, and the mountains, can be more important than how large a business one has or the size of one's net worth. While lifestyle ventures can be tremendously rewarding at in some cases lead to lucrative careers, more often they do not produce a sustainable level of income, the work is more difficult, and the hours are usually far longer than the entrepreneur anticipates.

Blooms: Remember

Difficulty: 2 Medium

Spinelli - Chapter 03 #37

Chapter 3 Summary

<i>Category</i>	<i># of Questions</i>
Blooms: Remember	37
Difficulty: 1 Easy	22
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