TT TEXTBOOK TESTBANKS

Test Bank for Entrepreneurial Small Business 7th Katz

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CORRECT ANSWERS ARE LOCATED IN THE 2ND HALF OF THIS DOC.

TRUE/FALSE - Write 'T' if the statement is true and 'F' if the statement is false.

1) More than half of all new businesses started with a team of owners are comprised of unrelated business associates.
   - ⊙ true
   - ⊙ false

2) The attitude of learned optimism is knowing that you can and will keep at something until you have mastered it.
   - ⊙ true
   - ⊙ false

3) The Individual Entrepreneurial Orientation (IEO) scale looks at attitudes consistently found in organizations accomplishing their goals. These are proactivity, innovativeness, and perseverance.
   - ⊙ true
   - ⊙ false

4) Habit-based planners don't plan, and they don't even tend to react to changes in their environments.
   - ⊙ true
   - ⊙ false

5) Most businesses run by teams are not family related.
   - ⊙ true
   - ⊙ false

6) In the business life cycle, the emergence stage is having the business in operation, but not yet stable in terms of markets, operations, or finances.
   - ⊙ true
   - ⊙ false

7) Key business functions are the abilities or skills of the entrepreneur at finding expendable components necessary to the operation of the business such as time, information, location, financing, raw materials, and expertise.
   - ⊙ true
   - ⊙ false

8) Skills necessary to identify and exploit elements of the business environment that can lead to a profitable and sustainable business are called opportunity competencies.
   - ⊙ true
   - ⊙ false

9) Women deal with the glass ceiling when placed in leadership positions that are risky or when the organization is in a precarious state.
   - ⊙ true
   - ⊙ false

10) Workers are opting for early retirement as corporations merge, downsize, and reorganize.
   - ⊙ true
   - ⊙ false

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11) Entrepreneurs get used to a do-it-yourself approach, which can be especially trying for second-career entrepreneurs.
- ⊚ true
- ⊚ false

12) Succession plans deal with the people who will take over, what roles they will fill, and what supports they will receive.
- ⊚ true
- ⊚ false

13) One way to maximize communication in the succession process is to create a family council.
- ⊚ true
- ⊚ false

14) In family-owned businesses, the board of directors can only be comprised of family members.
- ⊚ true
- ⊚ false

15) Several models exist for the life cycle of the small business firm. Each divides the stages a bit differently.
- ⊚ true
- ⊚ false

16) Women and underrepresented groups are more likely to become entrepreneurs out of necessity. There necessity entrepreneurs and also referred to as “pull” entrepreneurs.
- ⊚ true
- ⊚ false

17) Access problems for women- and underrepresented-owned small businesses crop up most often as discrimination in marketing.
- ⊚ true
- ⊚ false

18) For corporations, certification for businesses owned by women, a POC, or a veteran (or combination), is handled by organizations that are not affiliated with the government or big business.
- ⊚ true
- ⊚ false

19) About a third of the second-career types who return to work decide to become self-employed.
- ⊚ true
- ⊚ false

20) One of the major issues identified for second-career entrepreneurs is keeping personal finances out of the business.
- ⊚ true
- ⊚ false

21) When asked about rewards for starting their own business, most entrepreneurs mention social rewards, such as continuing a family business, as the thing they value most.
- ⊚ true
- ⊚ false

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22) When considering income rewards, only one entrepreneur in four says that they are seeking high income through their business.
   - ⊚ true
   - ⊚ false

MULTIPLE CHOICE - Choose the one alternative that best completes the statement or answers the question.

23) This stage of the business life cycle occurs once the firm is established in its market.
   - A) success stage
   - B) emergence stage
   - C) existence stage
   - D) resource maturity stage

24) Which of these statements concerning family businesses is correct?
   - A) Family members often work in the business but are not allowed to sit on the council.
   - B) Family businesses employ about 20 percent of America's total workforce.
   - C) Most CEOs at family firms tend to stay in their positions much longer than CEOs at nonfamily firms.
   - D) Family businesses plan for succession using a critical-point plan.

25) A national survey asked small business owners about the rewards they gained from starting their own business. Which of the answer options is not one of the three universally mentioned rewards?
   - A) growth
   - B) income
   - C) flexibility
   - D) recognition

26) Which of the answer options is best thought of as a type of learned optimism in successful entrepreneurs?
   - A) apathy
   - B) professionalization
   - C) perseverance
   - D) cognition

27) The majority of businesses run by teams are comprised of:
   - A) five or more members.
   - B) four members.
   - C) three members.
   - D) two members.

28) The problem behavior of trying the same action repeatedly without learning is called:
   - A) perseveration.
   - B) prevention focus.
   - C) effectuation.
   - D) critical observation.

29) Regulatory focus is a mix of two internal focuses,___________ focus and___________ focus.
   - A) effectuation; comprehension
   - B) comprehension; prevention
   - C) effectuation; promotion
   - D) promotion; prevention

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30) About 400,000 new firms a year are started by teams, with about 320,000 started by:
   A) solo entrepreneurs.
   B) family teams.
   C) unrelated business associates.
   D) five or more team members.

31) When starting a business, more women choose___________ industries that tend to have lower average sales levels.
   A) construction
   B) financial
   C) technology
   D) service

32) Which of these approaches yields better results in an established industry or a poor one?
   A) external focus
   B) effectuation focus
   C) prevention focus
   D) promotion focus

33) The motivations, cognitions, attitudes, aptitudes, and behaviors that lead to a propensity to create solutions to problems or seeking opportunities to do something new or better is called:
   A) entrepreneurial mindset.
   B) cognition.
   C) passion.
   D) perseverance.

34) Which of the answer options was not listed as a time management technique in the textbook?
   A) 123 Prioritize
   B) delegate
   C) perseverance
   D) strategize

35) Christopher is a hard-working entrepreneur who looked into all the details of his small gaming software business. He focused on all aspects of the business from the initial launch, promotion, and marketing aspects to the final setup. He finds planning convenient and works according to a plan. Christopher is:
   A) an opportunistic planner.
   B) a habit-driven planner.
   C) a reactive planner.
   D) a comprehensive planner.

36) Entrepreneurs who develop plans focused on the most important aspect of the business first are known as:
   A) critical-point planners.
   B) opportunistic planners.
   C) comprehensive planners.
   D) reactive planners.

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37) Which of these scenarios best describes a critical-point planner?
    A) Amanda does not have a very long-term approach to planning and she plans only for those business aspects that are of paramount importance.
    B) Andrew looks at all aspects of the business, from launch to the complete working of it.
    C) Cathy looks for a good chance to achieve her goal and acts according to a routine.
    D) Joshua acts on what he has been doing and does not believe in planning.

38) Entrepreneurs who start with a goal instead of a plan and look for a chance to achieve it are known as:
    A) reactive planners.
    B) critical-point planners.
    C) comprehensive planners.
    D) opportunistic planners.

39) An entrepreneur's___________ is most likely to inspire key stakeholders like potential investors, employees, or subcontractors.
    A) passion
    B) perseverance
    C) planning style
    D) professionalization

40) ___________ are completely passive, waiting for cues from the environment to determine what actions to take.
    A) Opportunistic planners
    B) Critical-point planners
    C) Comprehensive planners
    D) Reactive planners

41) The successful entrepreneurial personality exhibits certain types of business-related expertise which the text condenses into five competencies. Which of these statements is not true about these competencies?
    A) Research shows these competencies can be learned through training.
    B) Basic business competency includes knowledge of key business functions.
    C) Determination competencies are activities, knowledge, and skills specific to businesses in a particular industry.
    D) Opportunity competencies are the skills necessary to identify and exploit elements of the business environment that can lead to a profitable and sustainable business.

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42) Which of these statements is not true of entrepreneurial teams?
   A) Team members in a start-up business are limited to the owners.
   B) An equity problem may arise when team members are putting in different amounts of money or time, but expecting identical returns.
   C) When setting up a partnership, plan for how the firm might end.
   D) A team may face conflict over how to make decisions, especially when the team is evenly split on choices.

43) Which of these descriptions best characterize a habit-based planner?
   A) They take a long-term view, develop long-range plans for all aspects of the business, are comfortable with planning, and act based on the plans they've developed.
   B) They plan around the most important aspect of the business first, act on it, and then consider if additional plans are needed.
   C) They are completely passive and generally wait for cues from the environment to determine what actions to take.
   D) They don't plan, and they don't tend to react to changes in their environments.

44) Which of these planners do best in terms of getting a start-up launched, keeping it going, and making a living from it?
   A) comprehensive planners
   B) habit-based planners
   C) opportunistic planners
   D) reactive planners

45) Which of these kinds of planners generally tend do very poorly in business, even if they do manage to get their firms started?
   A) comprehensive planners
   B) habit-based planners
   C) opportunistic planners
   D) critical-point planners

46) The extent to which a firm meets or exceeds the standard business practices for its industry is known as:
   A) bootstrapping.
   B) professionalization.
   C) effectuation.
   D) Perceived Organizational Support (POS).

47) A business action that has been widely adopted within an industry or occupation is known as:
   A) best business practice.
   B) specialized business professionalization.
   C) standard business practice.
   D) expert professionalization.

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48) Which of the answer options is used to refer to the three levels of professionalization?
   A) low, medium, and high
   B) company, industry, and global
   C) personal, team, and organizational
   D) expert, specialized, and minimalized

49) Which of the answer options is noted as a challenge for the late-career entrepreneur?
   A) adjusting to the entrepreneurial life
   B) access to financial backing
   C) lack of a network
   D) missed opportunities to apply for set-asides

50) Expert business professionalization is a situation that occurs:
   A) when only the most critical aspect of business is met.
   B) when most aspects of the business meet or exceed the industry's standards.
   C) when one or two aspects of the business are met.
   D) when none of the business can achieve the industry standard.

51) A situation that occurs when businesses have founders or owners who are passionate about one or two of the key business functions, such as sales, operations, accounting, finance, or human resources is known as:
   A) expert business professionalization.
   B) specialized business professionalization.
   C) minimized business professionalization.
   D) maximized business professionalization.

52) The key difference between a family council and a board of directors is that:
   A) the council is comprised of unrelated members while the board is comprised of family members.
   B) the board of directors maximizes communication while the council works on unique company problems.
   C) the council is to keep the family involved while the board is focused on running the business.
   D) the board can seek legal advice while the council gathers legal advice from the board.

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53) Which statement is true with regard to minimalized business professionalization?
   A) The entrepreneur does nearly everything in the simplest way possible.
   B) The entrepreneur is passionate about one or two of the key business functions.
   C) The entrepreneur meets or exceeds the industry's standards.
   D) The entrepreneur brings the highest levels of trust among customers.

54) Competencies are defined as:
   A) forms of business-related expertise.
   B) forms of personal development model.
   C) different forms of self-assessment.
   D) different forms of personality theories.

55) What the business will do and who is an owner are questions concerning__________ rights of ownership.
   A) deciding
   B) value
   C) information
   D) design

56) The competency suggested by__________ is demonstrated by focusing on the business over other choices and being ready to find out about and do what it takes to pursue opportunities that will help get the business going.
   A) boundary
   B) resource
   C) exchange
   D) intention

57) This stage of the business life cycle is characterized by a stable level of sales and profits over several years. The functional areas, the market, and the products or services are all being dealt with consistently and efficiently.
   A) success stage
   B) existence stage
   C) resource maturity stage
   D) takeoff stage

58) Activities common to all businesses such as sales, operations (also called production), accounting, finance, and human resources are known as:
   A) key business functions.
   B) competencies.
   C) business accreditations.
   D) business-related expertise.

59) Certain businesses demand higher safety related rules. For example, window cleaners that specialize in high-rise buildings have certain rules and safety protocols. These specific rules would comprise the:
   A) specialized business professionalization.
   B) infant-industry argument.
   C) industry-specific knowledge.
   D) key business functions.

60) The ability or skill of the entrepreneur at finding expendable components necessary to the operation of the business such as time, information, location, financing, raw materials, and expertise is known as:
   A) basic business competencies.
   B) resource competencies.
   C) opportunity competencies.
   D) determination competencies.

61) Which of these stages of the business life cycle do most small business never go through?
   A) takeoff stage
   B) emergence stage
   C) existence stage
   D) entrepreneur stage

62) Martin runs a successful house painting business. He runs his business out of his garage, which he converted into office space. Martin, who had previously worked as a house painter in another company had good knowledge of how to run a house-painting business. After a storm destroyed public properties in his neighboring town, he contracted with the mayor of that town to fulfill any painting jobs required during the town's reconstruction. In order to meet this demand and expand business, he hired more house painters.

According to the BRIE model, which scenario is an example of Martin's basic business competency?
   A) Martin hiring more house painters to meet demand
   B) Martin contracting with the mayor to help paint during reconstruction
   C) Martin getting his company registered
   D) Martin having prior knowledge of the house-painting business

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63) Martin runs a successful house painting business. He runs his business out of his garage, which he converted into office space. Martin, who had previously worked as a house painter in another company had good knowledge of how to run a house-painting business. After a storm destroyed public properties in his neighboring town, he contracted with the mayor of that town to fulfill any painting jobs required during the town's reconstruction. In order to meet this demand and expand business, he hired more house painters.

According to the BRIE model, which scenario provides industry-specific knowledge to Martin?

A) Martin hiring more house painters to meet demand
B) Martin contracting with the mayor to help paint during reconstruction
C) Martin getting his company registered
D) Martin having worked in a house-painting company before starting his own business

64) Martin runs a successful house painting business. He runs his business out of his garage, which he converted into office space. Martin, who had previously worked as a house painter in another company had good knowledge of how to run a house-painting business. After a storm destroyed public properties in his neighboring town, he contracted with the mayor of that town to fulfill any painting jobs required during the town's reconstruction. In order to meet this demand and expand business, he hired more house painters.

According to the BRIE model, which scenario is an example of Martin's resource competency?

A) Martin hiring more house painters to meet demand
B) Martin contracting with the mayor to help paint during reconstruction
C) Martin setting up the business's office in his garage
D) Martin having prior knowledge of the house-painting business

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65) Martin runs a successful house painting business. He runs his business out of his garage, which he converted into office space. Martin, who had previously worked as a house painter in another company had good knowledge of how to run a house-painting business. After a storm destroyed public properties in his neighboring town, he contracted with the mayor of that town to fulfill any painting jobs required during the town's reconstruction. In order to meet this demand and expand business, he hired more house painters.

According to the BRIE model, which scenario is an example of Martin's opportunity competency?

A) Martin hiring more house painters to meet demand
B) Martin contracting with the mayor to help paint during reconstruction
C) Martin setting up the business's office in his garage
D) Martin deciding to set up his own business after quitting his previous job

66) Which answer option deals with the actual process of exploiting an opportunity for profit?

A) resource
B) exchange
C) intention
D) boundary

67) Which competency relates to the skills necessary to identify and exploit elements of the business environment that can lead to a profitable and sustainable business?

A) determination competencies
B) basic business competencies
C) resource competencies
D) opportunity competencies

68) A private wealth management firm that deals with family businesses in issues such as taxes, estate planning, and charitable giving describes a:

A) family council.
B) set-aside.
C) certification.
D) family office.

69) Which type of rights are not one of the five rights of ownership?

A) deciding rights
B) design rights
C) family rights
D) information rights

70) Which answer option is true as an advantage of small, family-owned businesses?

A) family businesses rarely have succession issues
B) family members can fulfill the board of directors roles
C) formal communication is standard
D) decision-making is easier and quicker

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71) Which of these challenges is typical to family businesses?
   A) motivation and nepotism
   B) role conflict and succession
   C) succession and finances
   D) leadership and finances

72) Which of these best describes the problem that arises when people have multiple responsibilities and each makes different demands on them?
   A) role conflict
   B) succession issues
   C) strategizing challenges
   D) leadership constraints

73) Which of these is the most effective approach for avoiding role conflict?
   A) keep family issues out of the family business
   B) keep separate rules for family members and employees
   C) have constant role reversals
   D) make work decisions for family members based on family necessities

74) Which of these problems is closely related to role conflict?
   A) resource shortage
   B) lack of skills
   C) shortage of time
   D) perseverance

75) Which of these rewards of ownership are entrepreneurs seeking when they want the ability to structure their lives in the way that best suits their needs?
   A) growth rewards
   B) income rewards
   C) power rewards
   D) flexibility rewards

76) The text states that conflict typically falls into one of three conflict styles. Which of the answer options is not one of those three styles?
   A) task
   B) relationship
   C) process
   D) time

77) __________ refers to the process of intergenerational transfer of business.
   A) Role conflict
   B) Succession
   C) Certification
   D) Access

78) Which answer option is true of a family council?
   A) it helps maximize communication in the succession process
   B) its main function is running the business
   C) it includes significant nonfamily members
   D) it helps keep board members involved in an appropriate way

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79) According to the 123 Prioritize system of time management, what should a "back burner" concern be ranked?
   A) a zero
   B) a one
   C) a two
   D) a three

80) There is a special case of organizational culture for start-ups, called__________ culture.
   A) entrepreneurial
   B) team
   C) mission
   D) innovation

81) Which statement is true with regard to women in small businesses?
   A) Women-owned businesses are the slowest growing sector of all U.S. businesses.
   B) Women-owned firms accounted for 25 percent of small business revenue nationally.
   C) Women prefer to start less-risky firms in service industries.
   D) Women choose industries that tend to have higher average sales levels.

82) Qualification for__________ requires certification as a business owned and operated by a woman, a POC, or a veteran.
   A) set-asides
   B) resource competencies
   C) emergence
   D) takeoff

83) Which statement is true with regard to underrepresented entrepreneurs in small businesses?
   A) Underrepresented-owned firms are a slow growing sector.
   B) Both women and underrepresented entrepreneurs face the challenge of access.
   C) There are less underrepresented-owned firms due to shrinking racial and ethnic groups within the U.S. population.
   D) Underrepresented entrepreneurs pay lower interest rates on their bank loans to spur minority-owned start-ups.

84) Access problems for women- and underrepresented-owned small businesses crop up most often as discrimination:
   A) in financing.
   B) by suppliers.
   C) by customers.
   D) in hiring.

85) The challenge of__________ refers to when woman or underrepresented-owned businesses are simply excluded from the opportunities offered to firms owned by white males.
   A) consistency
   B) access
   C) flexibility
   D) mutuality

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86) Identify the simplest form of discrimination with regard to women and underrepresented entrepreneurs within the U.S. population.
   - A) certification
   - B) role conflict
   - C) access
   - D) collusion

87) One approach to solving the problem of access involves the entrepreneur making extra efforts to do what?
   - A) minimalize professionalization
   - B) network
   - C) persevere
   - D) build their basic business competencies

88) Government contracting funds which are earmarked for particular kinds of firms, such as small businesses, minority-owned firms, women-owned firms, and the like, are known as:
   - A) collective investment scheme.
   - B) cooperative fund.
   - C) certified items.
   - D) set-asides.

89) An examination based acknowledgement that the firm is owned and operated as specified is known as:
   - A) performance analysis.
   - B) certification.
   - C) multi source assessment.
   - D) homologation.

90) Which statement about certification with regard to women- or underrepresented-owned small business is true?
   - A) Most corporate certification programs require a business to be in operation at least five years.
   - B) Certification is for every women or underrepresented-owned small business.
   - C) Certification provides a ready means of access to opportunity and networks of businesses and government agencies.
   - D) For corporations, certification is handled by organizations affiliated with the government or big business.

91) __________ entrepreneurs are people who begin their businesses after having left, retired or resigned from work.
   - A) Serial
   - B) Opportunistic
   - C) Second-career
   - D) Veteran

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92) Which scenario is the best example of a second-career entrepreneur?
   A) Cynthia, a 24-year-old, starting a consultancy business after graduating from college.
   B) Mark, a 30-year-old, starting a new business venture in stock trading after the failure of his previous business in real estate.
   C) Ursula, a 60-year-old, starting a business in shrimp trading after being retired for 5 years.
   D) Timothy, a 48-year-old, joining a real estate agency as a sales representative, after being downsized from his previous job.

93) Which of these is one of the prime challenges faced by most second-career entrepreneurs?
   A) keeping personal finances out of the business
   B) avoiding overconfidence
   C) lacking resources
   D) deciding whether to return to work

ESSAY. Write your answer in the space provided or on a separate sheet of paper.

94) Briefly describe the five behaviors related to entrepreneurial success.

95) Name and briefly explain the stages of the entrepreneurial life cycle. What are the challenges at each stage? Why is it important to understand this cycle?

96) What is the difference between key business functions and industry-specific knowledge?

97) What were the three rewards that entrepreneurs universally mentioned as ones they sought when starting their small business? Briefly describe each of the three rewards.

98) Name the two challenges typically faced by family businesses. Briefly describe each challenge and offer a solution for each challenge.

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99) Why is it important to work out key issues ahead of time when putting a team together? When a new start-up is picking teams, what key elements should they be looking for in order to build a strong entrepreneurial culture?

100) Both women and underrepresented entrepreneurs face the challenge of access. Where do most access problems arise for both groups? Briefly describe two solutions to the access problem.

101) Compare determination competencies to opportunity competencies.

102) Briefly describe the type of people who become second-career entrepreneurs.

103) Explain the challenges faced by second-career entrepreneurs.

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Answer Key

Test name: Chapter 02

1) FALSE
Only 15 percent of owner teams are composed of unrelated business associates.

2) TRUE
This is true, learned optimism is knowing that you can and will keep at something until you have mastered it.

3) FALSE
The IEO scale looks at three consistent attitudes – proactivity, innovativeness, and risk-taking.

4) TRUE
Habit-based planners do not really plan at all and they don't even tend to react to changes in their environments.

5) FALSE
In fact 53 percent of teams are spouses or life partners working together with another 18 percent having different arrangements of family members working together.

6) FALSE
Emergence is the stage in which a person thinks about and takes actions toward starting a firm.

7) FALSE
Key business functions are activities common to all businesses such as sales, operations, accounting, finance, and human resources.

8) TRUE
Opportunity competencies are the skills necessary to identify and exploit elements of the business environment that can lead to a profitable and sustainable business.

9) FALSE
This situation describes a glass cliff, not a glass ceiling.

10) TRUE
Firms are offering attractive retirement packages to encourage employees to voluntarily leave the organization. Workers are opting to accept generous offers to retire early.

11) TRUE
All entrepreneurs get used to a do-it-yourself approach, and this is a challenge for everyone, but it can be especially trying for second-career entrepreneurs.

12) TRUE
Succession plans deal with the people who will take over, what roles they will fill, and what supports (such as training, outside assistance, voting power and resources control) they will receive. Problems arise when there are no successors available within the family.

13) TRUE
One way to maximize communication in the succession process is to create a family council. The focus of council meetings is the business-family relationship.

14) FALSE
The board includes significant nonfamily membership.

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15) TRUE
This is true, but all models have the same general ideas.

16) FALSE
It is true, women and underrepresented groups are likely to become entrepreneurs out of necessity. But necessity entrepreneurs are also called "push" entrepreneurs.

17) FALSE
Access problems for women- and underrepresented-owned small businesses crop up most often as discrimination in *financing*.

18) TRUE
For corporations, certification is handled by organizations that are not affiliated with the government or big business, such as the National Minority Supply and Diversity Council or the Women's Business Enterprise National Council.

19) TRUE
About a third of the second-career types younger than 62 who return to work decide to become self-employed.

20) TRUE
A problem for second-career entrepreneurs is keeping personal finances out of the business.

21) FALSE
Compared to working people in general, entrepreneurs mention social rewards less often as a reason for starting their own business.

22) TRUE
Three-quarters of entrepreneurs seek to match or slightly better the income they had before starting their own business. Only one in four says they seek a high income from their business.

23) A
The success stage occurs once the firm is established in its market.

24) C
Most CEOs of family firms average a 17-year tenure as opposed to just 8 years for CEOs in other businesses.

25) D
Recognition is a reward rarely mentioned by entrepreneurs.

26) C
Perseverance is best thought of as a type of learned optimism, the ability to stick with some activity even when it takes a long time, and when a successful or unsuccessful outcome is not immediately known.

27) D
Thirty-six percent of team-run businesses are owned by two team members.

28) A
29) D
Regulatory focus is a mix of two internal focuses, promotion focus and prevention focus.

30) B
About 400,000 new firms a year are started by teams, with about 320,000 started by family teams.

31) D
More women choose service industries that tend to have lower average sales levels.

32) C
In an established industry or a poor one, a prevention focus can work well.

33) A
The motivations, cognitions, attitudes, aptitudes, and behaviors that lead to a propensity to create solutions to problems or seeking opportunities to do something new or better is called entrepreneurial mindset.

34) C
Perseverance is not one of the basic time management techniques listed in the text.

35) D
Comprehensive planners take a long-term view, develop long-range plans for all aspects of the business, are comfortable with planning, and act based on the plans they've developed.

36) A
Critical-point planners plan around the most important aspect of the business first, act on it, and then consider if additional plans are needed.

37) A
Amanda is the best example of a critical-point planner—she plans for the most important aspects of the business and is not a long-term planner.

38) D
Opportunistic planners generally start with a goal and look for opportunities to achieve it.

39) A
An entrepreneur's passion has the benefit of inspiring key stakeholders like potential investors, employees, or subcontractors.

40) D
Reactive planners are completely passive, waiting for cues from the environment to determine what actions to take.

41) A
Determination competencies are skills identified with the energy and focus needed to bring a business into existence.

42) A
Team members in a start-up business are not limited to the owners.

43) D
Habit-based planners do not really plan at all and they don't even tend to react to changes in their environments.

44) A
Simply put, results from small business owners in countries around the world have shown that in terms of getting a start-up launched, keeping it going, and making a living from it, comprehensive planners do the best.

45) B
Reactive and habit planners generally do very poorly in business, even if they manage to get their firms started.

46) B

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The extent to which a firm meets or exceeds the standard business practices for its industry is known professionalization.

47) C
One hallmark of successful entrepreneurs is that they usually do at least one thing much better than average. That average is called a standard business practice and every industry has them.

48) D
There are three levels of professionalization: expert, specialized, or minimalized.

49) A
One challenge for second-career entrepreneurs is adjusting to the entrepreneurial life.

50) B
Expert professionalization happens when most aspects of the business meet or exceed the industry's standards.

51) B
A situation that occurs when businesses have founders or owners who are passionate about one or two of the key business functions, such as sales, operations, accounting, finance, or human resources is known as specialized business professionalization.

52) C
The key difference between a family council and a board of directors is that the function of the family council is to keep the family involved while the board is focused on running the business.

53) A
A situation that occurs when the entrepreneur does nearly everything in the simplest way possible is known as minimalized business professionalization.

54) A
All the entrepreneurial personality type's aspects depend on hard work, but there are other specific types of business-related expertise—called competencies—that appear repeatedly in successful entrepreneurs around the world.

55) D
What the business will do and who is an owner are questions of design rights of ownership – one of the five rights of ownership.

56) D
The competency suggested by Intention is demonstrated by focusing on the business over other choices and being ready to find out about and do what it takes to pursue opportunities that will help get the business going or determination competencies.

57) C
These statements describe the resource maturity stage of the business life cycle.

58) A
Activities common to all businesses such as sales, operations (also called production), accounting, finance, and human resources are known as key business functions. These are certain fundamental activities that all businesses must perform.

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59) C
Activities, knowledge, and skills specific to businesses in a particular industry is known as industry-specific knowledge.

60) B
The ability or skill of the entrepreneur at finding expendable components necessary to the operation of the business such as time, information, location, financing, raw materials, and expertise is known as resource competencies.

61) A
Most small businesses never go through the takeoff stage, and for those that do, the takeoff path often moves them into the high-growth firm model and away from small business.

62) C
Basic business competency includes the key business functions, and include sales, operations (also called production), accounting, finance, and human resources. Getting organized and registered—which creates the boundary—is an example of an operations activity.

63) D
Activities, knowledge, and skills specific to businesses in a particular industry are known as industry-specific knowledge. Some of these skills focus on knowing your new business and its context.

64) A
Resources lead to specific resource competencies. For even the smallest part-time business, the entrepreneur needs to find or gain access to resources such as time, information, financing, space for the business, raw materials, and a variety of people.

65) B
The competencies that make exchange work are called opportunity competencies, which include identifying an opportunity, a product, or service idea that is likely to lead you to a profit and is ideally distinctive to your firm and, you hope, hard for others to copy.

66) B
Exchange deals with the actual process of exploiting the opportunity for profit—which is a fancy way of saying "making sales."

67) D
Opportunity competencies include identifying an opportunity, a product, or service idea that is likely to lead you to a profit and is ideally distinctive to your firm and, you hope, hard for others to copy.

68) D
A family business is defined as a firm with a majority family ownership and direct daily family involvement.

69) C
Of the five rights of ownership, family rights is not included.

70) D

Entrepreneurial Small Business Edition 7 by Katz

One advantage of small, family-owned businesses is that communication-based integration can be more effective, and decision-making can be easier and quicker.

71) B
There are two challenges typical to family businesses—role conflict and succession.

72) A
Role conflict describes the kind of problem that arises when people have multiple responsibilities, such as parent and boss, and each makes different demands on them.

73) A
For family business, the most effective approach for avoiding role conflict is to keep family issues out of the family business.

74) C
Role conflict breeds another unending problem—the shortage of time.

75) D
Seeking the ability to structure their lives in the way that best suits their needs, describes an entrepreneur's flexibility rewards.

76) D
While time is an issue, it is not considered one of the three conflict types.

77) B
Succession is the process of intergenerational transfer of a business.

78) A
A family council helps maximize communication during the succession process.

79) D
According to the 123 Prioritize time management system, a "back burner" issue should be ranked a three.

80) A
There is a special case of organizational culture for start-ups, called entrepreneurial culture.

81) C
Women prefer less-risky firms and more women choose service industries.

82) A
Qualification for set-asides requires certification as a business owned and operated by a woman, a POC, or a veteran (or combination).

83) B
Both women and underrepresented entrepreneurs face the challenge of access.

84) A
Access problems for women- and minority-owned small businesses crop up most often as discrimination in financing.

85) B
Access refers to the simplest form of discrimination—often women- or underrepresented-owned firms are simply excluded from the opportunities offered to firms owned by white males.

86) C

Access refers to the simplest form of discrimination.

87) B
One approach to solving the problem of access involves the entrepreneur making extra efforts to network.

88) D
Government contracting funds which are earmarked for particular kinds of firms, such as small businesses, minority-owned firms, women-owned firms, and the like, are known as set-asides.

89) B
An examination based acknowledgement that the firm is owned and operated as specified is known as certification.

90) C
Certification is not for every women- or underrepresented-owned small business. For those businesses that qualify, certification provides a ready means of access to opportunity and to networks of businesses and government agencies which can be leveraged to gain access to other sectors of business.

91) C
Second-career entrepreneurs are people who begin their businesses after having retired or resigned from work.

92) C
Second-career entrepreneurs are people who begin their businesses after having left, retired or resigned from work.

93) A
A problem for second-career entrepreneurs is keeping personal finances out of the business.

94) Essay

Entrepreneurial Small Business Edition 7 by Katz

There are five aspects of behavior that most successful entrepreneurs display. The five behaviors include passion, perseverance, promotion/prevention focus, planning style and professionalization.

Passion is an intense positive feeling the entrepreneur has toward the business or even the idea behind the business. It comes from being actively involved in moving the business forward.

Perseverance is best thought of as a type of learned optimism, the ability to stick with some activity even when it takes a long time, and when a successful or unsuccessful outcome is not immediately known.

Most of us have some mix of two internal focuses (also called our regulatory focus), a promotion focus intent on maximizing gains, which gives us a bias toward pursuing opportunities likely to lead to those gains, and a prevention focus intent on minimizing losses, with a bias toward inaction or protective action.

There is more than one way to plan. In fact, there are five ways. These include different types of planners like comprehensive planners, critical-point planners, opportunistic planners, reactive planners, and habit-based planners.

The extent to which a firm meets or exceeds the standard business practices for its industry is known as professionalization. One hallmark of successful entrepreneurs is that they usually do at least one thing much better than average.

95) Essay

Entrepreneurial Small Business Edition 7 by Katz

Like every person, every small business is unique. There is a lot of predictability in this growth process, and knowing the developmental stages of the business life cycle can help you better understand your business and your career as a small business owner. For most small businesses the usual sequence of stages is emergence, existence, survival, success, and resource maturity. Emergence is the stage in which a person thinks about and takes actions toward starting a firm. Getting from entrepreneurial thinking to entrepreneurial action is the challenge of the emergence stage. Existence is defined by having the business in operation, but not yet stable in terms of markets, operations, or finances. Existence if the second riskiest period after emergence. The reason risk is so high is that many business owners lack the key information or experiences they need in marketing, production, and management. The problems of mastering these three areas form what are called the liabilities of newness. The solution comes from getting expertise as quickly as possible. The success stage occurs once the firm is established in its market. Success stage firms show consistently growing financial performance, usually with slowly rising sales. Firms at this stage develop the information, skills, and most importantly the routines to grow the business's profits. These extra profits are slack resources. The resource maturity stage will follow the success stage for most firms. This stage is characterized by a stable level of sales and profits over several years. At this stage, the functional areas, the market, and the products or services are all being dealt with consistently and efficiently. The challenge of maturity is to avoid complacency. The life cycle model is predictable within some broad terms. Knowing the stages of the life cycle and where your firm is among those stages can serve as a powerful reminder of the kinds of issues for which you need to watch.

96) Essay

There are certain fundamental activities that all businesses must perform, which are called the key business functions, and include sales, operations (also called production), accounting, finance, and human resources. Getting organized and registered—which creates the boundary—is an example of an operations activity. There is also industry-specific knowledge. A restaurant really is different from a mechanic's shop or a computer store or a portrait studio. Each requires you to understand a particular industry and market, and each requires a very particular kind of skill.

97) Essay

Nearly all entrepreneurs talk about three key rewards – flexibility, a livable income, and personal growth. 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. Flexibility rewards refer to the ability of business owners to structure their lives in the way that best suits their needs.

98) Essay

Entrepreneurial Small Business Edition 7 by Katz

There are two challenges typical to family businesses—role conflict and succession. Role conflict describes the kind of problem arising when people have multiple responsibilities, such as a parent and boss, and each makes different demands on the person. For family business, the most effective approach for avoiding role conflict is to keep family issues out of the family business. Whenever possible, try to make decisions based on business necessity and broaden it to apply equally to nonfamily staff as well as family members. Role conflict breeds another problem—the shortage of time. Use time management techniques to help this challenge. Listing your responsibilities is an important step, prioritize them using the 123 Prioritize system or another that works for you. Delegate when possible, review items each day and strategize once a week to help relive time pressure issues. The second challenge for family businesses is succession, or the process of transferring the business to the next generation. In the absence of a succession plan, dissention is likely. Create a succession plan which deals with the people who will take over, what roles they will fill, and what supports they will receive. Problems can arise if the owner does not want to relinquish control, if there is no person waiting to take over, or if there are several family members who want to take over. One way to help maximize communication in the succession process is to create a family council with a focus on the business-family relationship, discussing such issues as role expectations, commitment, and personal responsibility. An advisory board, or a formal board of directors can also contribute skills and strategic direction.

99) Essay

Entrepreneurial Small Business Edition 7 by Katz

When putting a team together it is important to work out key issues ahead of time. For example, team members might be putting different amounts of money or time into the business, but might be expecting identical returns, which creates an equity problem. A team can also face conflict over idea ownership, shared goals and how to make decisions, especially when the team is evenly split on choices. Discuss how to handle all of these issues ahead of time. In picking teams, it is often better to pick people based on their passion for the business or the idea behind the business. There is a special case of organizational culture for start-ups, called entrepreneurial culture whose team members exhibit passion for several things: the mission, the team, the customer, innovation, and fairness. Passion for the mission exists when the team believes in the business, its goals, products, and services. Team members show passion for the team when they feel good about one another as people and professionals and want to help one another. When a team is always thinking about the customer and how to make their experience better, they are showing passion for the customer. Passion for innovation is exhibited if the team is always thinking about making things better for customers, one another, the firm, and its offerings. Finally, a passion for fairness should exude from the organizations, which in turn creates teams and individuals who emulate this fairness. That way, when things sometimes do not go as planned, people have a basis for making decisions and knowing what is ultimately important.

100) Essay

Access refers to the simplest form of discrimination—often women- or underrepresented-owned firms are simply excluded from the opportunities offered to firms owned by white males. This can result from the way that networks built from interpersonal relations in business exclude women and underrepresented groups.

Access problems for women- and underrepresented-owned small businesses crop up most often as discrimination in financing. This means that they may not be given the same access to funds or contracting opportunities that white male-owned firms are given. Business loan applicants from underrepresented groups are denied a loan more often and if approved, pay higher interest rates.

There are two solutions for access-based challenges: set-asides and networking. Big companies and government agencies earmark a portion of their contracts for underrepresented entrepreneurs and women-owned small businesses. Qualification for set-asides requires certification that the business is truly owned and operated by a woman, a POC, or a veteran (or a combination). The second approach to solving the access problem requires the entrepreneur to make extra efforts to network. Underrepresented entrepreneurs and women-owned small businesses need to network more than other types of firms and they must network in more diverse and potentially less comfortable situations.

101) Essay

Entrepreneurial Small Business Edition 7 by Katz

Intention reflects your determination to start your business and make it a success. These determination-driven skills can be called determination competencies. *Exchange* deals with the actual process of exploiting an opportunity for profit. The competencies that make this work are called opportunity competencies. Determination competencies are demonstrated by focusing on your business over other choices and being ready to find out about and do what it takes to pursue opportunities that will help get the business going. Opportunity competencies include identifying an opportunity, a product, or service idea that is likely to lead you to a profit and is ideally distinctive to your firm and, you hope, hard for others to copy. Determination competencies are essential to deciding if a business is feasible for you. Opportunity competencies often make life and work easier and strategic planning protect those opportunities. Research shows that people can learn what they need to know to have adequate levels of expertise in all five competency areas.

102) Essay

A special group of entrepreneurs is called second-career entrepreneurs—people who begin their businesses after having left, retired or resigned from work. As increasing numbers of corporations merge, downsize, reorganize, and/or close altogether, many firms are offering attractive retirement packages to encourage employees to voluntarily leave the organization. Workers are opting to accept generous offers to retire early (between ages 50 and 64). People's decisions of whether to return to work depend on their individual level of wealth (retirement income and savings), their health and their work experience, as well as general economic conditions. A similar situation exists for veteran entrepreneurs who decide to go into business for themselves after their military service has ended.

103) Essay

There are two main challenges for such entrepreneurs—adjusting to the entrepreneurial life and keeping personal finances out of the business.

Working for others for most of their life, second-career entrepreneurs are likely to have gotten used to having many of the daily chores of running a business done for them. Even for former managers, the mechanics of getting the location cleaned or the payroll checks written may have been things they could take for granted. As entrepreneurs, they have to do these things themselves or arrange to have them done. All entrepreneurs get used to a do-it-yourself approach, and this is a challenge for everyone, but it can be especially trying for late-career entrepreneurs, who may have hoped that life would get easier rather than harder later in their careers.

The second challenge is keeping personal finances out of business. Often when individuals are laid off or given early retirement, they can receive lump-sum financial settlements. Frequently, people intending to become second-career entrepreneurs plan to use a substantial portion of these funds to start a new business. Sometimes this happens because second-career entrepreneurs see their personal funds as "easy money." Many people who take the easy money are also taking the easy way out. They fail to carefully consider how they will invest the money in the business, and how it will be used. Taking the easy way out can often mean late-career entrepreneurs are underprepared for the rigors of business, and they are risking their retirement nest egg.