Entrepreneurship 10th edition Hisrich Test Bank

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Chapter 02
Entrepreneurial Intentions and Corporate Entrepreneurship

True / False Questions

1. *(p. 33)* Robert Mondavi Winery was the first Californian to produce and market premium wines that were expected to compete with European wines.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Medium

2. *(p. 37)* Entrepreneurial endeavors consist of new business venturing, innovativeness, self-renewal, and reactiveness.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Medium

3. *(p. 37)* Corporate entrepreneurship is most strongly reflected in entrepreneurial activities as well as in top management orientations in organizations.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy

4. *(p. 37)* Self-renewal includes the re-definition of the business concept, reorganization, and the introduction of systemwide changes to increase innovation.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Medium

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5. *(p. 37)* Corporate venturing consists of creating something new of value either by redefining the company's current products or services, developing new markets, or forming more formally autonomous or semiautonomous units or firms.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Hard

6. *(p. 38)* Traditionally managed firms commitment to opportunity is revolutionary with a long duration.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Medium

7. *(p. 38)* Entrepreneurially managed firm structure is usually flat with multiple informal networks.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Medium

8. *(p. 38)* Entrepreneurially run firms are driven by controlled resources whereas traditionally managed firms are driven by perception of opportunity.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Medium

9. *(p. 39)* Entrepreneurs focus on how to minimize resources needed whereas traditional firms focus on accumulating resources.
TRUE

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Difficulty: Medium

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10. *(p. 39)* Traditionally managed firms typically punish failure.
TRUE

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Difficulty: Medium

11. *(p. 40-41)* The typical corporate culture has a climate and a reward system that favors activist decision making.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Medium

12. *(p. 41)* In encouraging a culture for corporate entrepreneurship, using older, proven, technology is recommended in order to increase stability in the organization.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Easy

13. *(p. 41)* In creating a culture for corporate entrepreneurship leadership is important.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy

14. *(p. 44)* Most managers in a corporation are capable of being successful corporate entrepreneurs with the correct training.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Easy

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15. *(p. 44)* In an encouraging climate for corporate entrepreneurship, rewards should be based on the attainment of established performance goals.
TRUE

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Difficulty: Easy

16. *(p. 44)* In corporate entrepreneurship, trial and error are encouraged.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy

17. *(p. 45)* It is important for an entrepreneur to understand all aspects of the environment. Part of this ability is reflected in the individual's level of creativity, which generally increases with age and education in most individuals.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Hard

18. *(p. 46)* The corporate entrepreneur to have the ability to encourage teamwork and use a multidisciplined approach, which violates organizational practices and structures taught in most business schools.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Medium

19. *(p. 46)* For an organization with a traditional environment, it is best to facilitate an external process to establish an entrepreneurial environment.
TRUE

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Difficulty: Medium

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20. *(p. 47)* An organization that wants to become more entrepreneurial must learn to be more productive with fewer resources.
TRUE

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Difficulty: Easy

21. *(p. 47)* Entrepreneurial activities tend to immediately affect the bottom line, and hence are seldom overlooked and receive extensive funding and support.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Medium

22. *(p. 47)* Corporate ventures are totally independent units, hence the equity portion of the compensation is particularly difficult to handle.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Medium

23. *(p. 47-48)* One study found that new ventures started within a corporation performed better than those started independently by entrepreneurs.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Easy

24. *(p. 48)* Generally, independent, venture-capital-based start-ups by entrepreneurs tend to outperform corporate start-ups significantly.
TRUE

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Difficulty: Medium

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25. *(p. 49)* Firms that are more entrepreneurial are likely to have fewer failures than those firms that are more traditionally managed.
FALSE

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Difficulty: Hard

26. *(p. 50)* An entrepreneur with loss-orientation would talk about the business-failure with a close friend or relative.
TRUE

Accessibility: Keyboard Navigation
Difficulty: Easy

27. *(p. 50)* An entrepreneur's recovery from grief is detrimental to society.
FALSE

Accessibility: Keyboard Navigation
Difficulty: Medium

Multiple Choice Questions

28. *(p. 33)* Robert Mondavi came up with all of the following process innovations except:
A. steel fermentation tanks
B. vacuum corking of bottles
C. labels that indicated when the wine was cold
D. aging wines in new French oak barrels

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Difficulty: Hard

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29. *(p. 35)* In 1994 Robert Mondavi came up with:
A. a capsule-free, flange-top bottle design.
B. a new flavor of wine cooler that revolutionized the industry.
C. a new brand of liquor with a unique marketing campaign.
D. a way to vacuum cork bottles.

Accessibility: Keyboard Navigation
Difficulty: Hard

30. *(p. 36)* Corporate entrepreneurship is best described as:
A. the hiring of former Entrepreneurs.
B. entrepreneurial action within an organization.
C. the process of buying acquiring entrepreneurial firms.
D. the process of hiring consultants to teach a firm how to be more creative.

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Difficulty: Medium

31. *(p. 37)* _____ includes initiative and risk taking, as well as competitive aggressiveness and boldness.
A. New business venturing
B. Self-renewal
C. Innovativeness
D. Proactiveness

Accessibility: Keyboard Navigation
Difficulty: Medium

32. *(p. 37)* New product development falls under which of the four major components of corporate entrepreneurship?
A. New business venturing
B. Self-renewal
C. Innovativeness
D. Proactiveness

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Difficulty: Medium

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33. *(p. 38)* In regards to the differences between the entrepreneurial and administrative focuses which of the following is correct?
A. Entrepreneurs focus on slow steady growth and managers focus on rapid growth
B. Entrepreneurs rent or sporadically use resources; managers like to own resources
C. Entrepreneurs are driven by controlled resources; managers by opportunity
D. Entrepreneurs tend to use a hierarchical management structure; managers use a more fluid, flat approach

Accessibility: Keyboard Navigation
Difficulty: Medium

34. *(p. 39)* Having an entrepreneurial orientation towards the control of resources means:
A. that one focuses on accessing others' resources.
B. that one focuses on purchasing resources.
C. that one has a belief that resources are unlimited and therefore easy to obtain.
D. that one focuses on using a hierarchy management structure in allocating resources.

Accessibility: Keyboard Navigation
Difficulty: Medium

35. *(p. 41)* Entrepreneurial culture and growth orientation consists of all of the following except:
A. encouraging employees to generate ideas.
B. focusing on opportunities.
C. the desire to grow at a slow and controlled pace.
D. being creative.

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Difficulty: Easy

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36. *(p. 43)* All these are characteristics of an entrepreneurial environment *except*:
A. there are short term horizons.
B. new ideas are encouraged.
C. the organization operates on frontiers of technology.
D. it uses a multidiscipline teamwork approach.

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Difficulty: Medium

37. *(p. 43-44)* Which of the following is true about corporate entrepreneurship?
A. Equity in a new venture should not be used as a reward due to its uncertain value
B. A company must be willing to invest money without a guarantee of a return in the short term
C. Teams should be segmented by department
D. Top management should not be involved in the process

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Difficulty: Medium

38. *(p. 45)* Which is NOT a leadership characteristic of a corporate entrepreneur according to the text?
A. Flexibility and vision
B. Persistence
C. Encourages teamwork
D. Encourages colleagues to follow hierarchy

Accessibility: Keyboard Navigation
Difficulty: Medium

39. *(p. 46)* The first step in establishing corporate entrepreneurship in an organization is:
A. finding mid level managers to champion ideas
B. developing ways to get closer to customers
C. learn to be more productive with fewer resources
D. securing commitment from top management

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40. *(p. 46)* A sufficient time for top management to be committed to corporate entrepreneurship is:
A. at least one year.
B. at least two years.
C. at least three years.
D. at least ten years.

Accessibility: Keyboard Navigation
Difficulty: Hard

41. *(p. 46)* Which of the following would NOT occur in the second stage of establishing corporate entrepreneurship in an organization?
A. Ideas that top management is interested in supporting are identified.
B. Identify an evaluation system for involved employees.
C. The amount of risk money available is specified.
D. Overall program expectations and target results of each corporate venture are established.

Accessibility: Keyboard Navigation
Difficulty: Medium

42. *(p. 47)* When establishing corporate entrepreneurship in an organization rewards should:
A. be tied to the department in which the idea originated
B. be tied to the parent company's stock performance
C. be tied to the performance of the entrepreneurial unit created from the idea
D. not be changed from whatever current system is being used so that risk is encouraged

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Difficulty: Medium

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43. *(p. 47-48)* Which of the following is true?
A. Independent, venture-capital-based start-ups by entrepreneurs tend to outperform corporate start-ups significantly.
B. New ventures started within a corporation performed better than those started independently by entrepreneurs.
C. Independent entrepreneurs find difficulty in maintaining a long-term commitment.
D. Corporate ventures become profitable twice as fast as independent ventures.

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Difficulty: Medium

44. *(p. 50)* When would an entrepreneur be pronounced to have recovered from the grief of a lost business?
A. On the availability of equally challenging entrepreneurial opportunities.
B. Upon a simultaneous engagement in an analysis of the failed business.
C. On having evaluated and absorbed the lessons learnt from the failed business.
D. Thoughts about the events surrounding, and leading up to the loss of the business, no longer generate a negative emotional response.

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Difficulty: Medium

45. *(p. 50)* In the loss-orientation process of grief recovery, when are painful memories likely to dominate most?
A. In the early phase of grief.
B. In the medial stage of grief.
C. In the later stage of grief.
D. Each time a related negative thought comes to mind.

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Difficulty: Easy

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46. *(p. 50)* Why is loss-orientation physically and mentally exhausting?
A. Since it involves psychological counseling.
B. Since it involves confrontation.
C. Since it advocates change of lifestyle.
D. Since it takes a long time to recover from grief.

Accessibility: Keyboard Navigation
Difficulty: Medium

47. *(p. 50)* Why does restoration-orientation have adverse effects on an individual's health?
A. Since it involves suppression by mental effort.
B. Since it prescribes physical diversions like a hobby.
C. Since it involves regular physical exertion via exercise.
D. Since it involves mental catharsis to bring out the grief.

Accessibility: Keyboard Navigation
Difficulty: Medium

48. *(p. 50)* Which of the following is most effective in grief-recovery?
A. Restoration-orientation
B. Loss-orientation
C. Dual process
D. Grief recovery process

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Difficulty: Easy

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Essay Questions

49. *(p. 36-37)* Identify and briefly describe the 4 major parts of corporate entrepreneurship.

1. New business venturing: These entrepreneurial activities consist of creating something new of value either by redefining the company's current products or services, developing new markets, or forming more formally autonomous or semiautonomous units or firms.
2. Organizational innovativeness refers to product and service innovation. It includes new product development, product improvements, and new production methods and procedures.
3. Self-renewal is the transformation of an organization through the renewal of the key ideas on which it is built. Includes a redefinition of the business concept, reorganization, and the introduction of system wide changes to increase innovation.
4. Proactiveness includes initiative and risk taking, as well as competitive aggressiveness and boldness, which are particularly reflected in the orientations and activities of top management. A proactive organization tends to take risks by conducting experiments; it also takes initiative and is bold and aggressive in pursuing opportunities. Organizations with this proactive spirit attempt to lead rather than follow competitors in such key business areas as the introduction of new products or services, operating technologies, and administrative techniques.
Answer will vary.

Difficulty: Medium

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50. *(p. 37-41)* Discuss three major ways in which managerial and entrepreneurial decision making differs.

Eight areas of difference students can choose from:

1. strategic orientation
2. commitment to opportunity
3. commitment of resources
4. control of resources
5. management structure
6. reward philosophy
7. growth orientation
8. entrepreneurial culture

Basic differences in each dimension:

TABLE 2.1 Distinguishing Entrepreneurially from Traditionally Managed Firms

Entrepreneurial Focus	**Conceptual Dimension**	**Administrative Focus**
Driven by perception of opportunity	Strategic orientation	Driven by controlled resources
Revolutionary with short duration	Commitment to opportunity	Evolutionary with long duration
Many stages with minimal exposure	Commitment of resources	A single stage with complete commitment out of decision
Episodic use or rent of required resources	Control of resources	Ownership or employment of required resources
Flat with multiple informal networks	Management structure	Hierarchy
Based on value creation	Reward philosophy	Based on responsibility and seniority
Rapid growth is top priority; risk accepted to achieve growth	Growth orientation	Safe, slow, and steady
Promoting broad search for opportunities	Entrepreneurial culture	Opportunity search restricted by controlled resources; failure punished

Source: This table is taken from T. Brown, P. Davidsson, and J. Wiklund, "An Operationalization of Stevenson's Conceptualization of Entrepreneurship as Opportunity-Based Firm Behavior," *Strategic Management Journal* 22 (2001), p. 955.

Answer will vary.

Difficulty: Medium

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51. *(p. 43)* Identify 5 of the 12 characteristics of an entrepreneurial environment.

TABLE 2.3 Characteristics of an Entrepreneurial Environment

- Organization operates on frontiers of technology
- New ideas encouraged
- Trial and error encouraged
- Failures allowed
- No opportunity parameters
- Resources available and accessible
- Multidiscipline teamwork approach
- Long time horizon
- Volunteer program
- Appropriate reward system
- Sponsors and champions available
- Support of top management

Students can choose 5 of the 12 from table 2.3 above.

Difficulty: Medium

52. *(p. 45)* Identify the seven leadership characteristics of a corporate entrepreneur.

TABLE 2.4 Leadership Characteristics of a Corporate Entrepreneur

- Understands the environment
- Is visionary and flexible
- Creates management options
- Encourages teamwork
- Encourages open discussion
- Builds a coalition of supporters
- Persists

Students should summarize table 2.4 above. Instructor could ask less characteristics for a less difficult question.

Difficulty: Hard

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53. *(p. 50)* Explain the dual process model of coping with negative emotions.

Student should define process as shifting between a loss orientation and a restoration orientation. The student should also explain the two types of loss:

loss orientation An approach to negative emotions that involves working through, and processing, some aspect of the loss experience and, as a result of this process, breaking emotional bonds to the object lost.
restoration orientation An approach to negative emotions based on both avoidance and a proactiveness toward secondary sources of stress arising from a major loss.

The entrepreneur can benefit from both orientations while minimizing the costs of maintaining either for too long.

Difficulty: Medium

54. *(p. 50)* Explain the benefits, or practical implications, of using the dual process model of coping with negative emotions.

1. Helps to reduce feelings of shame and embarrassment.
2. Realizing that psychological and physiological outcomes caused by the feelings of loss are "symptoms" can reduce secondary sources of stress and may also assist with the choice of treatment.
3. Understanding that there is a process can provide entrepreneurs some comfort that their current feelings of loss, sadness, and helplessness will eventually diminish.
4. The recovery and learning process can be enhanced by some degree of oscillation between a loss orientation and a restoration orientation.
5. Recovery from loss offers an opportunity to increase one's knowledge of entrepreneurship. This provides benefits to the individual and society.

Difficulty: Medium

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