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Correct answers located at the end of the chapter.

1) Entrepreneurial thinking is partly a mental process of recognizing a signal and then deciding if the signal represents an opportunity for someone.
   - ◎ true
   - ◎ false

2) Entrepreneurial thinking partly is about reducing doubt as to whether an opportunity for someone is also an opportunity for them specifically, and/or processing feedback from action steps taken.
   - ◎ true
   - ◎ false

3) Entrepreneurial opportunities are those situations in which new goods, services, raw materials and organizing methods can be sold for financial or non-financial gain of the entrepreneur and/or other stakeholders.
   - ◎ true
   - ◎ false

4) Entrepreneurial action can be defined as times when entrepreneurs make do with resources at hand, applying those resources to new problems or opportunities.
   - ◎ true
   - ◎ false

5) The McMullen-Shepherd Model helps identify the common traits of successful entrepreneurs.
   - ◎ true
   - ◎ false

6) The McMullen-Shepherd Model explains how knowledge and motivation influence two stages of entrepreneurial action.
   - ◎ true
   - ◎ false

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7) In the McMullen-Shepherd Model first-person opportunity beliefs come before third-person opportunity beliefs.
   - ◎ true
   - ◎ false

8) Sustainable entrepreneurship provides only environmental gains for others.
   - ◎ true
   - ◎ false

9) The entrepreneurial challenge often lies in making creative mental leaps based on superficial similarities.
   - ◎ true
   - ◎ false

10) Structural similarities exist when the underlying mechanisms of the technology resemble, or match, the underlying mechanisms of the market.
   - ◎ true
   - ◎ false

11) Bricolage is entrepreneurs making do by applying combinations of the resources at hand to new problems and opportunities.
   - ◎ true
   - ◎ false

12) The effectuation process starts with what one has and selects among possible outcomes.
   - ◎ true
   - ◎ false

13) The thought experiment "Curry in a Hurry" is an example of the effectuation process.
   - ◎ true
   - ◎ false

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14) The casual process of thinking starts with what one has and selects among possible outcomes.
- ◎ true
- ◎ false

15) For entrepreneurial actions that preserve nature to be considered sustainable entrepreneurship, they must also develop gains for the entrepreneur, others, and/or society.
- ◎ true
- ◎ false

16) The question "What is this technology all about?" is a comprehension question.
- ◎ true
- ◎ false

17) Comprehension questions are designed to stimulate entrepreneurs to think about their own understanding of the nature of the environment.
- ◎ true
- ◎ false

18) Asking "How is this problem similar to problems I've already solved?" is an example of a connection task.
- ◎ true
- ◎ false

19) A reflection task would involve thinking about what strategies should be used to solve a problem.
- ◎ true
- ◎ false

20) Strategic tasks stimulate the entrepreneur to compare the current situation with previous similar situations.
- ◎ true
- ◎ false

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21) Entrepreneurs' intentions are based on their perception of feasibility rather than someone else's impression of whether it is feasible.

◎ true
◎ false

22) Perceived desirability refers to the degree to which an individual has a favorable or unfavorable evaluation of the potential entrepreneurial outcomes.

◎ true
◎ false

23) An entrepreneur is rarely able to start a new business without some form of formal education.

◎ true
◎ false

24) Research indicates that male entrepreneurs tend to start their first significant venture in their middle 30s, while women entrepreneurs tend to do so in their early 30s.

◎ true
◎ false

25) Previous start-up experience is a good predictor of starting subsequent businesses.

◎ true
◎ false

26) Dissatisfaction with various aspects of one's job often motivates the launching of a new venture.

◎ true
◎ false

27) Most entrepreneurs indicate that their most significant venture was not their first one.

◎ true
◎ false

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28) Role models are individuals who give psychological support to the entrepreneur especially during the start-up phase.

◎ true
◎ false

29) Role models can include family members as well as industry professionals.

◎ true
◎ false

30) In a social network there are two major properties, density and centrality.

◎ true
◎ false

31) Entrepreneurial Opportunities are defined as

A) new market entry through entrepreneur action.
B) the entrepreneur's mental processes in deciding whether or not to act on a potential opportunity.
C) a feasibility assessment.
D) situations in which new goods, services, raw materials and organizing methods can be sold at greater than their production cost.

32) In Stage One of the McMullen-Shepherd Model

A) the entrepreneur decides whether or not there is an opportunity for someone.
B) the entrepreneur consults experts in the market area of interest.
C) the entrepreneur decides whether the opportunity that exists is a match with their own knowledge and motivation.
D) the entrepreneur engages in bricolage.

33) In Stage Two of the McMullen-Shepherd Model

A) the entrepreneur deals with the business failure through counseling.
B) the entrepreneur decides whether or not there is an opportunity for him or her personally.
C) the entrepreneur goes through the causal process of thinking structurally.
D) the entrepreneur consults colleagues from previous jobs.

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34) With regard to thinking structurally, superficial similarities
A) exist when the underlying mechanisms of the technology resemble (or match) the underlying mechanisms of the market.
B) exist when supply is less than demand.
C) exist when entrepreneurs engage in bricolage.
D) exist when the basic (relatively easy to observe) elements of the technology resemble the basic elements of the market.

35) The causal process of thinking
A) starts with a desired outcome and focuses on the possible means to generate that outcome.
B) starts with what one has and selects among possible outcomes.
C) involves bricolage.
D) starts with brainstorming by meeting with industry professionals.

36) When entrepreneurs make do by applying combinations of the resources at hand to new problems and opportunities, this is known as
A) sustainable entrepreneurship.
B) perceived desirability.
C) entrepreneurial intentions.
D) bricolage.

37) Questions designed to increase an entrepreneurs' understanding of the nature of the environment are known as
A) strategic questions.
B) connection tasks.
C) reflection tasks.
D) comprehension questions.

38) An entrepreneur considering if what they are doing makes sense is an example of
A) a strategic question.
B) a connection task.
C) a reflection task.
D) a comprehension question.

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39) _____are designed to stimulate thought about entrepreneurs' understanding and feelings as they progress through the entrepreneurial process.

A) Strategic questions
B) Connection tasks
C) Reflection tasks
D) Comprehension questions

40) Individuals have stronger intentions to act when taking action is perceived to be_____ and desirable.

A) elusive
B) feasible
C) flexible
D) risky

41) Which among the following aspects most affects an entrepreneur's perception of feasibility?

A) locus of control
B) learning style
C) perceived desirability
D) self-efficacy

42) On the education background, entrepreneurs

A) are less educated than the general population.
B) cite an educational need in the areas of finance, strategic planning, marketing, and management.
C) who lack a formal education, fail to create new businesses and exploit discovered opportunities.
D) cite formal education to be indispensible in starting a new business.

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43) All of the following statements are true of sustainable entrepreneurship *except*
A) entrepreneurs with a positive attitude toward the natural environment never disengage these values to exploit an opportunity.
B) it is not just the natural environment that needs sustained; communities also need to be preserved.
C) environmental gains include reduced air pollution, improved air quality, and enhanced living conditions.
D) social gains include improved child survival rates, longer life expectancy, and equal opportunity.

44) Density, in regards to a social network, refers to
A) the extensiveness of ties between two individuals.
B) the total number of individuals in the network.
C) the distance of connection between the entrepreneur and contact.
D) the fact that most networks are informal and not well organized.

45) The moral support network is different from the professional support network in that
A) a professional support network includes finding a mentor.
B) moral support is less important than professional support.
C) only the "cheering squad" provides moral support.
D) a moral support network comprises only of personal contacts.

46) While there are many components in a professional-support network,_____ are particularly good with insight on both trends and competitors.
A) mentors
B) trade associations
C) business associates
D) suppliers

47) Which group in a professional network helps keep a new venture competitive?
A) clients or buyers
B) mentors
C) trade associations
D) suppliers

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48) Explain the McMullen-Shepherd Model.

49) Briefly define superficial similarities and structural similarities. Why is structural thinking important for an entrepreneur? Can entrepreneurs learn how to think structurally?

50) Describe the difference between the causal process and the effectuation process.

51) Identify and define the four types of questions/tasks related to increasing cognitive ability.

52) Describe sustainable entrepreneurship and give a few examples of economic, environmental, and social gains it can generate for others.

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Answer Key

Test name: Chapter 01

1) TRUE
2) TRUE
3) TRUE
4) FALSE
5) FALSE
6) TRUE
7) FALSE
8) FALSE
9) FALSE
10) TRUE
11) TRUE
12) TRUE
13) TRUE
14) FALSE
15) TRUE
16) TRUE
17) TRUE
18) TRUE
19) FALSE
20) FALSE
21) TRUE
22) TRUE
23) FALSE
24) FALSE
25) TRUE
26) TRUE
27) TRUE
28) FALSE
29) TRUE
30) TRUE
31) D
32) A
33) B
34) D
35) A
36) D
37) D

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38) C
39) C
40) B
41) D
42) B
43) A
44) A
45) A
46) D
47) C
48) Essay
49) Essay
50) Essay
51) Essay
52) Essay

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Section 1

The Entrepreneurial Perspective

Chapter 01

The Entrepreneurial Mindset

Chapter 02

Corporate Entrepreneurship

Chapter 03

Generating and Exploiting New Entries

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Chapter 01

THE ENTREPRENEURIAL MINDSET

LEARNING OBJECTIVES

01: To introduce the concept of entrepreneurship and explain the process of entrepreneurial action.

02: To describe how structural similarities enable entrepreneurs to make creative mental leaps.

03: To highlight bricolage as a source of entrepreneurs' resourcefulness.

04: To introduce effectuation as a way expert entrepreneurs sometimes think.

05: To develop the notion that entrepreneurs cognitively adapt.

06: To introduce sustainable entrepreneurship as a means of sustaining the natural environment and communities and developing gains for others.

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CHAPTER OUTLINE AND TEACHING NOTES

OPENING PROFILE—Ewing Marion Kauffman

I. THE NATURE OF ENTREPRENEURSHIP

1. Entrepreneurial actions begin at the nexus of a potential opportunity and an enterprising individual.
2. An ***entrepreneurial opportunity*** could stem from introducing an existing technological product used in one market to create a new market or it could be creating a new technological product for an existing market or creating a new product for a new market.
   a. Because opportunities exist in high uncertainty, entrepreneurs must use their judgment about whether or not to act.
   b. The individual's prior knowledge can decrease the amount of uncertainty.
3. The McMullen–Shepherd model explains how knowledge and motivation influence two stages of ***entrepreneurial action***.
   a. Signals of changes in the environment that represent possible opportunities will be noticed by some individuals but not others.

In the Press: A key question that all would-be entrepreneurs face is finding the business opportunity that is right for them. In this article, Raffi Amit, a professor of management at Wharton, offers insights into how entrepreneurs can identify new business opportunities and evaluate their potential risks. (Knowledge@Wharton. (2009, November 11). How entrepreneurs identify new opportunities. *Forbes.com*.http://www.forbes.com/2009/11/11/identify-new-opportunities-entrepreneurs-wharton.html)

Learning Objective 01
To introduce the concept of entrepreneurship and explain the process of entrepreneurial action.

KEY TERM

Entrepreneurial opportunities
Those situations in which new goods, services, raw materials, and organizing methods can be introduced for financial or nonfinancial gain of the entrepreneur and/or other stakeholders.

KEY TERM

Entrepreneurial action
Action through the creation of new products/processes and/or the entry into new **markets**, which may occur through a newly created organization or a venture within an established organization.

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CHAPTER OUTLINE AND TEACHING NOTES

b. Individuals with knowledge of markets and technology are more capable of detecting changes in the external environment, and if motivated will allocate further attention to processing this information.

c. The result of Stage 1 is an individual's realization that an opportunity exists for someone.

d. The result of Stage 2 is the individual then needs to determine whether it represents an opportunity for them.

4. To be an entrepreneur is to act on the possibility that one has identified an opportunity worth pursuing and it involves ***entrepreneurial thinking.***

If the individual overcomes enough doubt to form (1) the belief that the situation represents an opportunity for someone in general, and then (2) the belief that the opportunity for someone is an opportunity for themselves personally, this individual will likely act.

Figure 1.1 "Entrepreneurial Action"
The McMullen–Shepherd model.

AS SEEN IN *BUSINESS NEWS*: Do Entrepreneurs Benefit From Paranoia?



Entrepreneurial thinking
Individuals' mental processes of overcoming ignorance to decide whether a signal represents an opportunity for someone and/or reducing doubt as to whether an opportunity for someone is also an opportunity for them specifically, and/or processing feedback from action steps taken.

II. HOW ENTREPRENEURS THINK

1. Entrepreneurs think differently than nonentrepreneurs.
2. They often make decisions in highly uncertain environments, with high stakes and immense time pressures.

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CHAPTER OUTLINE AND TEACHING NOTES

3. Given this decision-making environment, they need to think structurally, engage in bricolage, effectuate, and cognitively adapt.

A. Think Structurally

1. Forming opportunity beliefs often requires creative mental leaps launched from one's existing knowledge.
2. The creative mental leap could be a new product for an existing market or applying an existing technology or product to a new market.
3. Making these connections between a new product (service, business model, or technology) and a new target market is aided by the ***superficial similarities and structural similarities*** between the source (e.g., the market) and the destination (e.g., technology).
4. The entrepreneurial challenge often lies in making mental leaps based on *structural* similarities.

The text uses the example of NASA's flight simulator sensor system that helps shuttle pilots focus, pay attention, and concentrate for extended periods. The system shares high levels of structural similarities with the target market of parents seeking non-pharmaceutical alternatives to treat attention deficit hyperactivity disorder.

Learning Objective 02
To describe how structural similarities enable entrepreneurs to make creative mental leaps.



Superficial similarities
Exist when the basic (relatively easy to observe) elements of the technology resemble (match) the basic (relatively easy to observe) elements of the market.



Structural similarities
Exist when the underlying mechanisms of the technology resemble (or match) the underlying mechanisms of the market.

B. Bricolage

1. Entrepreneurs often lack resources, so they seek resources from others to

The text uses the example of the farmer whose land held abandoned coal mines full of methane gas. The farmer tapped the methane for use and profit. He sold the excess power to the local utility company and used the methane to heat a greenhouse for hydroponic tomatoes and later, tropical fish.

Learning Objective 03
To highlight bricolage as a source of entrepreneurs' resourcefulness.

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CHAPTER OUTLINE AND TEACHING NOTES

provide the slack necessary to experiment and generate entrepreneurial opportunities or engage in bricolage.

2. ***Bricolage*** refers to taking existing resources and experimenting, tinkering, repackaging, and/or reframing them so that they can be used in a way for which they were not originally designed or conceived.
3. When facing limited resources, entrepreneurs creatively use those resources to exploit a potential opportunity.

Discussion point: It's Friday night. Use causal process to decide what to do this weekend: A student has $50, access to a car with a full tank of gas and a laptop with unlimited web access. Their roommate is away for the weekend. They have a term paper due on Monday that is 75% done. There is a job fair on campus Tuesday where over 100 employers will be seeking interns, and full time, permanent employees. Use effectuation process to determine possible weekend outcomes.

KEY TERM

Bricolage
Entrepreneurs making do by applying combinations of the resources at hand to new problems and opportunities.

C. Effectuation

Learning Objective 04
To introduce effectuation as a way expert entrepreneurs sometimes think.

1. A ***causal process*** involves thinking of a desired outcome and then coming up with a plan to achieve that outcome.
2. The ***effectuation process*** looks at what a person has and then selects from several possible outcomes.
   a. Entrepreneurs use the effectuation process.

KEY TERM

Causal process
A process that starts with a desired outcome and focuses on the means to generate that outcome.

KEY TERM

Effectuation process

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CHAPTER OUTLINE AND TEACHING NOTES

b. Causal and effectuation processes are illustrated with Sarasvathy's "Curry in a Hurry" example.
   i. Causal process example uses Kotler's STP—segmentation targeting and positioning—process.
   ii. The effectuation process allows for building several different sorts of firms in disparate industries.

c. Most managers of firms need to take an ***entrepreneurial mindset*** so their firms can successfully adapt to changes.

d. Effectuation allows entrepreneurs to think in periods of high uncertainty.

e. To develop this mindset, individuals must attempt to make sense of opportunities, constantly question "dominant logic," and revisit what they think is true about markets and firms.

A process that starts with what one has (who they are, what they know, and whom they know) and selects among possible outcomes.

Effective entrepreneurs are thought to continuously rethink every aspect of a firm's operation and long-term health.

KEY TERM

Entrepreneurial mind-set
Involves the ability to rapidly sense, act, and mobilize, even under uncertain conditions

D. Cognitive Adaptability

Learning Objective 05
To develop the notion that entrepreneurs cognitively adapt.

Specifically, metacognition is a higher order cognitive process that organizes what individuals know/recognize about themselves, tasks, situations, and the environment to promote effective, *adaptable* thinking in the face of feedback from complex, dynamic environments.

KEY TERM

Cognitive adaptability
Describes the extent to which entrepreneurs are dynamic, flexible, self-regulating, and engaged in the process of

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CHAPTER OUTLINE AND TEACHING NOTES

1. To be good at effectuation, individuals must develop a ***cognitive adaptability***.
   a. Decision frameworks are organized on knowledge about people and situations then used to help make sense of what is going on.
   b. Cognitive adaptability is reflected in an entrepreneur's metacognitive awareness, or ability to reflect upon, understand, and control their thinking and learning.
   c. Learn to be more cognitive by asking questions in four areas:
      i. ***Comprehension questions*** raise understanding that a problem or opportunity exists, the nature of the situation, and its implications.
      ii. ***Connection tasks*** prompt the entrepreneur to tap into their knowledge and experience without overgeneralizing.
      iii. ***Strategic tasks*** prompt entrepreneurs to think about the

Comprehension questions may include: What is this market all about? What is this technology all about? What do we want to achieve by creating this new firm? What are the key elements to effectively pursue this opportunity?

Connection task questions may include: How is this new environment similar to others in which I have operated? How is it different? How is this new organization similar to the established organizations I have managed? How is it different?

Strategic tasks questions include: What changes to strategic position, organizational structure, and culture will help us manage our newness? How can the implementation of this strategy be made feasible?

Reflection tasks questions include: What difficulties will we have in convincing our stakeholders? Is there a better way to implement our strategy? How will we know success if we see it?

Discussion point: Ask how many in the classroom intend to be entrepreneurs at some point in their life. Probably all will agree. Then ask how confident they are that they will succeed—use a scale of 1–10. Why? For those with lower scores, ask what they might do to be able to increase their confidence.

generating multiple decision frameworks focused on sensing and processing changes in their environments and then acting on them.

Table 1.1 Mike Haynie's "Measure of Adaptive Cognition"
How cognitively adaptable are you?



Comprehension questions
Questions designed to increase entrepreneurs' understanding of the nature of the environment.

Connection tasks
Tasks designed to stimulate entrepreneurs to think about the current situation in terms of similarities to and differences from situations previously faced and solved.

Strategic tasks
Tasks designed to stimulate entrepreneurs to think about which strategies are appropriate for solving the problem (and why) or pursing the opportunity (and how).

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CHAPTER OUTLINE AND TEACHING NOTES

what, why, and how of their approach to the situation.

iv. ***Reflection tasks*** prompt entrepreneurs to generate their own feedback (create a feedback loop in their solution process) to provide the opportunity to change.

d. When cognitive adaptability increases, entrepreneurs adapt to new situations, are creative, and communicate their reasons behind a particular response.

Entrepreneur in Action: Paul Newman is certainly a man who could throw a lot of money at whatever entrepreneurial venture he chooses. However, when he started his Newman's Own salad dressings, he outfitted his office with furniture from his pool area, in storage as the season was over. When the business was still successful the following spring, he kept the pool furniture and allowed his wife to buy new for their home. (From the book Shameless Exploitation in Pursuit of the Common Good by Paul Newman and A. E. Hotchner 2003 as quoted in "Newman's Own Story" *Time* November 2003
Link to the story here

Reflection tasks
Tasks designed to stimulate entrepreneurs to think about their understanding and feelings as they progress through the entrepreneurial process.

For example, creative actions are not likely to emerge unless they produce personal rewards perceived as more desirable than familiar behaviors.

III. THE INTENTION TO ACT ENTREPRENEURIALLY

1. Entrepreneurial action is most often intentional as they intend to pursue certain opportunities, enter new markets, and offer new products.
2. Individuals have stronger intentions to act when taking action is perceived to be feasible and desirable. ***Entrepreneurial intentions*** can be explained in the same way.



Entrepreneurial intentions
The motivational factors that influence individuals to pursue entrepreneurial outcomes.

For example, entrepreneurs cite an educational need in the areas of finance, strategic planning, marketing (particularly distribution), and management. The ability to communicate clearly is also important.



Entrepreneurial self-efficacy
The conviction that one can successfully execute the entrepreneurial process.

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CHAPTER OUTLINE AND TEACHING NOTES

3. ***Entrepreneurial self-efficacy*** is the belief that one can be successful at generating and exploiting opportunities.
   a. People who believe they have the capacity to perform tend to do the task well (high self-efficacy).
   b. Self-efficacy affects the person's choice of action and the amount of effort exerted.
4. ***Perceived desirability*** refers to an individual's attitude toward entrepreneurial action—they need to perceive the potential opportunity as feasible and desirable in order to act.

Discussion point: Ask students to rank themselves on the characteristics mentioned in this section. Discuss in small groups, the areas where they are weaker, and their action plan to improve?

Entrepreneurial experience is one of the best predictors of success, particularly when the new venture is in the same field as previous experience.



Perceived desirability
The degree to which an individual has a favorable or unfavorable evaluation of the potential entrepreneurial outcomes.

IV. ENTREPRENEUR BACKGROUND AND CHARACTERISITCS

A. Education

1. Education is important in the upbringing of the entrepreneur—reflected not only in the *level* of education obtained but education also plays a major role in helping

Some entrepreneurs find it difficult to switch from an entrepreneurial mindset to a managerial mindset as the

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CHAPTER OUTLINE AND TEACHING NOTES

entrepreneurs cope with problems they face.

2. Even general education is valuable because it facilitates the integration and accumulation of new knowledge.
   a. A broad base of knowledge allows for the discovery or generation of potential opportunities and assists adaptability.
   b. It provides knowledge, skills, and problem-solving abilities that are transferable across different situations.

organization grows. These entrepreneurs may willingly step aside, or they may be pushed out by investors who want someone who can scale the business and run it more efficiently.

Discussion point: Poll the class to see how many have parents or other relatives who are role models. Are there other role models they use as well?

B. Age

1. Entrepreneurial age refers to the age of the entrepreneur reflected in their experience.
2. In terms of chronological age, most entrepreneurs initiate their entrepreneurial careers between the age of 22 and 45.

C. Work History



Work history
The past work experience of an individual.

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CHAPTER OUTLINE AND TEACHING NOTES

1. ***Work history*** can influence the decision to launch a new entrepreneurial venture, but it also plays a role in the growth and eventual success of the new venture.
2. Experiences in the areas of financing, product and service development, manufacturing, development of distribution channels, and preparation of a marketing plan, are particularly important.
3. As the venture becomes established and starts growing, managerial experience and skills become increasingly important.
4. Most entrepreneurs indicate that their most significant venture was not their first one.
5. Previous start-up experience can provide entrepreneurs with expertise in running an independent business as well as benchmarks for

Density is the extensiveness of ties between two individuals.

Centrality is the total distance of the entrepreneur to all other individuals and the total number of individuals in the network.



Role models
Individuals whose example an entrepreneur can aspire to and copy.

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CHAPTER OUTLINE AND TEACHING NOTES

judging the relevance of information.

V. ROLE MODELS AND SUPPORT SYSTEMS

1. One of the most important factors influencing entrepreneurs in their career path is their choice of a ***role model***.
   a. Role models can be parents, relatives, or successful entrepreneurs in the community.
2. Role models can also serve in a supportive capacity as mentors during and after the new venture is launched.
   a. This support system is most crucial during the start-up phase.
   b. It is important that an entrepreneur establish connections and networks early in the venture formation process.
3. As contacts expand, they form a network with density and centrality.
   a. The strength of ties between the entrepreneur and any individual is dependent on the frequency, level, and reciprocity of the relationship.

Discussion point: Have any students begun their support networks? Who do they now know that could be included in a support network?



Moral support network
Individuals who give psychological support to an entrepreneur



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CHAPTER OUTLINE AND TEACHING NOTES

b. An informal network for moral and professional support benefits the entrepreneur.

A. Moral-Support Network

1. It is important for the entrepreneur to establish a ***moral-support network*** of family and friends—a cheering squad.
2. Most entrepreneurs indicate that their spouses are their biggest supporters.
3. Friends can provide advice that is more honest than that received from others; they also provide encouragement, understanding, and assistance.
4. Relatives can also be sources of moral support, particularly if they are also entrepreneurs.

B. Professional Support Network

1. The entrepreneur also needs advice and counsel which can be obtained from members of a ***professional support network.***
2. Most entrepreneurs indicate that they have mentors.
   a. The mentor is a coach, sounding board, and advocate.

Professional-support network
Individuals who help the entrepreneur in business activities.

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CHAPTER OUTLINE AND TEACHING NOTES

b. The individual selected needs to be an expert in the field.

c. An entrepreneur can initiate the "mentor-finding process" by identifying and contacting a number of experts.

d. The mentor should be periodically apprised of the progress of the business so a relationship can gradually develop.

Those with greater knowledge of the natural environment are more likely to notice changes in that environment that form opportunity beliefs than those with less knowledge.

3. Another source of advice is a network of business associates.
   a. Self-employed individuals who have experience in starting a business are good sources.
   b. Clients and buyers are also important as they provide word-of-mouth advertising.
4. Suppliers are good components of the professional-support network—they provide good information on trends in the industry.
5. Trade associations can help keep the new venture competitive, as they keep up with new developments and can provide overall industry data.

This explanation of sustainable entrepreneurship may be considered idealistic, but it is consistent with thinking of entrepreneurial action as a tool that can be used for good or for bad.

Learning Objective 06
To introduce sustainable entrepreneurship as a means of sustaining the natural environment

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CHAPTER OUTLINE AND TEACHING NOTES

6. Affiliations with individuals developed in hobbies, sporting events, civic involvements, and school alumni groups are excellent sources of referrals, advice, and information.
7. Entrepreneurial activity is embedded in networks of interpersonal relationships.
8. These networks offer:
   a. Access to resources
   b. Assistance in discovering and exploiting new opportunities
   c. Opportunities to exchange goods and services
   d. Perceived feasibility that strengthens entrepreneurial intentions

VI. SUSTAINABLE ENTREPRENEURSHIP

1. Entrepreneurial action can help us both sustain and develop.
2. ***Sustainable entrepreneurship*** is focused on preserving nature, life, and community in the pursuit of perceived opportunities to bring future products and services into existence for gain.

and communities and developing gains for others.



Sustainable entrepreneurship
Entrepreneurship focused on preserving nature, life support, and community (sustainability) in the pursuit of perceived opportunities to bring future products, processes, and services into existence for gain (entrepreneurial action) where gain is broadly construed to include economic and noneconomic benefits to individuals, the economy, and society (development)



ETHICS
An Organization's Code of Ethics

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CHAPTER OUTLINE AND TEACHING NOTES

3. Based on the McMullen–Shepherd model, we know that entrepreneurial action is driven by knowledge and motivation.
4. For entrepreneurial actions to be considered sustainable, they must develop gains for the entrepreneur, others, and/or society.
   a. It has long been accepted that entrepreneurs can generate economic wealth for themselves, but their impact on development can be far greater.
   b. Entrepreneurs can generate gains for others that are economic, environmental, and social, including employment opportunities, and revenues for the government.
   c. The environmental gain generated for others could be reduced air pollution, improved drinking water quality, and other enhanced living conditions.
   d. The social gains include improved child survival rates, longer life expectancy, superior education, equal opportunity, and so on.

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CHAPTER OUTLINE AND TEACHING NOTES

e. It is not just the natural environment that can be sustained, but communities preserved.

VII. IN REVIEW: SUMMARY

See **"Learning Objectives Revisited"** below.

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LEARNING OBJECTIVES REVISITED

Learning Objective 01: To introduce the concept of entrepreneurship and explain the process of entrepreneurial action.

- Entrepreneurial actions begin at the nexus of a potential opportunity and an enterprising individual.
- An entrepreneurial opportunity could stem from introducing an existing product in a new market or by creating a new product for an existing market.
- Since opportunities exist in high uncertainty, entrepreneurs must use their judgment to decide whether to act or not.
- The McMullen–Shepherd model explains how knowledge and motivation influence two stages of entrepreneurial action.
- To be an entrepreneur is to act on the possibility that one has identified an opportunity worth pursuing and it involves entrepreneurial thinking.

Learning Objective 02: To describe how structural similarities enable entrepreneurs to make creative mental leaps.

- Forming opportunity beliefs often requires creative mental leaps, which are launched from one's existing knowledge.
- The creative mental leap could be from knowledge about a new technology to a new market that could benefit from its introduction.
- The entrepreneurial challenge lies in making mental leaps based on structural similarities.

Learning Objective 03: To highlight bricolage as a source of entrepreneurs' resourcefulness.

- Entrepreneurs lacking resources seek them from others to provide the slack necessary to experiment and generate entrepreneurial opportunities and engage in bricolage.

Learning Objective 04: To introduce effectuation as a way expert entrepreneurs sometimes think.

- Two major ways to think about tasks: causally and effectually.

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- Causal thinking is starting with the desired outcome in mind and then focusing on the means to achieving that outcome.
- More often, entrepreneurs think effectually, that is, by looking at what they have—their means—and selecting among possible outcomes.

Learning Objective 05: To develop the notion that entrepreneurs cognitively adapt.

- Cognitive flexibility helps the entrepreneur when dealing with uncertainty and can be measured and learned.
- By asking questions related to comprehension, connection, strategy, and reflection, entrepreneurs can maintain awareness of their thought process and in doing so develop greater cognitive adaptability.

Learning Objective 06: To introduce sustainable entrepreneurship as a means of sustaining the natural environment and communities and developing gains for others.

- Entrepreneurial action can help us both sustain and develop.
- Sustainable entrepreneurship is focused on preserving nature, life support, and community.
- Those with greater knowledge of the natural environment are more likely to notice changes in the environment than form opportunity beliefs.

KEY TERMS

Bricolage: Entrepreneurs making do by applying combinations of the resources at hand to new problems and opportunities

Causal process: A process that starts with a desired outcome and focuses on the means to generate that outcome

Cognitive adaptability: Describes the extent to which entrepreneurs are dynamic, flexible, self-regulating, and engaged in the process of generating multiple decision frameworks focused on sensing and processing changes in their environments and then acting on them

Comprehension questions: Questions designed to increase entrepreneurs' understanding of the nature of the environment

Connection tasks: Tasks designed to stimulate entrepreneurs to think about the current situation in terms of similarities to and differences from situations previously faced and solved

Effectuation process: A process that starts with what one has (who they are, what they know, and whom they know) and selects among possible outcomes

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Entrepreneurial action: Action through the creation of new products/processes and/or the entry into new markets, which may occur through a newly created organization or within an established organization

Entrepreneurial intentions: The motivational factors that influence individuals to pursue entrepreneurial outcomes

Entrepreneurial mindset: Involves the ability to rapidly sense, act, and mobilize, even under uncertain conditions

Entrepreneurial opportunities: Those situations in which new goods, services, raw materials, and organizing methods can be introduced for financial or non-financial gain of the entrepreneur and/or other stakeholders

Entrepreneurial self-efficacy: The conviction that one can successfully execute the entrepreneurial process

Entrepreneurial thinking: Individuals' mental processes of overcoming ignorance to decide whether a signal represents an opportunity for someone and/or reducing doubt as to whether an opportunity for someone is also an opportunity for them specifically, and/or processing feedback from action steps taken

Moral support network: Individuals who give psychological support to an entrepreneur

Perceived desirability: The degree to which an individual has a favorable or unfavorable evaluation of the potential entrepreneurial outcomes

Professional support network: Individuals who help the entrepreneur in business activities

Reflection tasks: Tasks designed to stimulate entrepreneurs to think about their understanding and feelings as they progress through the entrepreneurial process

Role models: Individuals whose example an entrepreneur can aspire to and copy

Strategic tasks: Tasks designed to stimulate entrepreneurs to think about which strategies are appropriate for solving the problem (and why) or pursuing the opportunity (and how)

Structural similarities: Exist when the underlying mechanisms of the technology resemble (or match) the underlying mechanisms of the market

Superficial similarities: Exist when the basic (relatively easy to observe) elements of the technology resemble (match) the basic (relatively easy to observe) elements of the market

Sustainable entrepreneurship: Entrepreneurship focused on preserving nature, life support, and community (sustainability) in the pursuit of perceived opportunities to bring future products, processes, and services into existence for gain (entrepreneurial action) where gain is broadly construed to include economic and noneconomic benefits to individuals, the economy, and society (development)

Work history: The past work experience of an individual

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RESEARCH TASKS AND CLASS DISCUSSIONS

The text includes several topics for student research and class discussions. These questions are open-ended, and the answers will be different for each student. There are no "correct" answers.

Research tasks:

1. Speak to people from five different countries and ask them what entrepreneurship means to them and how their national culture helps and/or hinders entrepreneurship.
2. Ask an entrepreneur about their business today and ask them to describe the decisions and series of events that led the business from start-up to its current form. Would you classify this process as causal, effectual, or both?
3. Ask two entrepreneurs and five students (not in this class) to fill out Mike Haynie's "Measure of Adaptive Cognition" (see Table 1.1). How do you rate relative to the entrepreneurs? Relative to your fellow students?
4. When conducting a homework exercise for another class (especially a case analysis), ask yourself compression questions, connection questions, strategy questions, and reflection questions. What impact did this have on the outcome of the task?
5. What impact does entrepreneurship have on your local, state (or province), and national economies? Use data to back up your arguments.

Class Discussions

1. List the content that you believe is necessary for an entrepreneurship course. Be prepared to justify your answer.

   Suggested answer:

   The discussion should concentrate on the important entrepreneurial behavior like initiative taking, the organizing and reorganizing of social and economic mechanisms to bundle resources in innovative ways, and the acceptance of risk, uncertainty and/or the potential for failure.

2. Do you really think that entrepreneurs think effectually? What about yourself—do you sometimes think effectually? In what ways is it good? Then, why are we taught in business classes to always think causally? Are there particular problems or tasks in which thinking causally is likely to be superior to effectuation? When might effectuation be superior to causal thinking?

   Suggested answer:

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Effectuation is a process that starts with what one has and selects among possible outcomes. Causal process is a process that starts with a desired outcome and focuses on the means to generate that outcome.

3. To be cognitively flexible seems to require that the entrepreneur continually question themself. Doesn't that create a doubt that can be seen by employees and financiers such that success actually becomes more difficult to achieve? Besides, although flexibility is a good thing, if the firm keeps changing based on minor changes in the environment, the buyers are going to become confused about the nature of the firm. Is adaptation always a good thing?

   Suggested answer:

   The discussion should concentrate on the advantages of being cognitively flexible by asking oneself a series of questions that relate to (1) comprehension, (2) connection, (3) strategy, and (4) reflection. The discussion should also focus on its advantages in stable and uncertain business environments as well as the fact that entrepreneurs with cognitive flexibility have the capability to learn from their mistakes even if the venture fails.

4. Do you believe that sustainable development should be part of an entrepreneurship course or did the textbook authors just include a section on it to be "politically correct"?

   Suggested answer:

   The discussion should focus on the concept of sustainable entrepreneurship. It should also concentrate on the topics of sustainability, entrepreneurial action, development, and the role of entrepreneurial knowledge in turning opportunities for sustainable development into reality.

5. Provide some examples of mental leaps that entrepreneurs have taken.

   Suggested answer:
   Forming opportunity beliefs often requires creative mental leaps. These creative mental leaps are launched from a source—one's existing knowledge. In the case of entrepreneurial opportunities, an example of creative mental leap is from knowledge about existing markets to a new technology that could lead to products or services that satisfy that market. Alternatively, a creative mental leap could be from knowledge about a technology to a new market that could benefit from its introduction.

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6. What excites you about being an entrepreneur? What are your major concerns?

Suggested answer:

The discussion should focus on the different kinds of entrepreneurial behavior which includes initiative taking, the organizing and reorganizing of social and economic mechanisms to bundle resources in innovative ways, and the acceptance of risk, uncertainty and/or the potential for failure. Entrepreneurs must often make decisions in highly uncertain environments where the stakes are high, time pressures are immense, and there is considerable emotional investment. Given the nature of an entrepreneur's decision-making environment, the discussion should also focus on the characteristics of entrepreneurs like being effectuate, cognitively adaptable, and the ability to learn from failure. Lack of these characteristics can be a major concern for entrepreneurs.

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