# *Entrepreneurship Theory Process Practice 11th edition Kuratko Test Bank*

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# TRUE/FALSE

1 : Each and every person has the potential and free choice to pursue a career as an entrepreneur.
A : true
B : false

Correct Answer : A

2 : In past generations, people dreamed of prestige and perks associated with executive suites of major corporations, but the millennial generation believes that career success requires them to be more nimble, independent, and entrepreneurial.
A : true
B : false

Correct Answer : A

3 : Entrepreneurial cognition is, in part, about understanding how entrepreneurs use simplifying mental models to make assessments, judgments, or decisions about opportunities.
A : true
B : false

Correct Answer : A

4 : The metacognitive model of entrepreneurship fails to consider the entrepreneurial mind-set that integrates the combined effects of entrepreneurial motivation.
A : true
B : false

Correct Answer : B

5 : Entrepreneurs are pessimists who see the cup half empty rather than half full.
A : true
B : false

Correct Answer : B

6 : Inexperience and incompetent management are the main reasons for failure.
A : true
B : false

Correct Answer : A

7 : A good trait for an entrepreneur is to be a calculated risk taker.
A : true
B : false

Correct Answer : A

8 : Most successful entrepreneurs have failed at one time or another.
A : true
B : false

Correct Answer : A

9 : Entrepreneurs do not need foresight.
A : true
B : false

Correct Answer : B

10 : Entrepreneurs typically have enough confidence to believe that they can make a difference in the final outcome of their ventures.
A : true
B : false

Correct Answer : A

11 : Commitment, determination, and perseverance are just a few characteristics one needs to become a successful entrepreneur.
A : true
B : false

Correct Answer : A

12 : Collective creativity emerges strictly from the efforts of the founder who directs personnel to produce unique goods and services.
A : true
B : false

Correct Answer : B

13 : Entrepreneurs allow their goal orientation to help define priorities and provide them with measures of how well they are performing.
A : true
B : false

Correct Answer : A

14 : Successful entrepreneurs treat failure the same way all people do.
A : true
B : false

Correct Answer : B

15 : Entrepreneurs are fiercely independent but understand the need for a strong entrepreneurial team.
A : true
B : false

Correct Answer : A

16 : Entrepreneurs usually have an internal locus of control.
A : true
B : false

Correct Answer : A

17 : There are many risks in entrepreneurship.
A : true
B : false

Correct Answer : A

18 : Entrepreneurship presents psychological risks, but not physical risks.
A : true
B : false

Correct Answer : B

19 : Some of the most common entrepreneurial goals are independence, wealth, and work satisfaction.
A : true
B : false

Correct Answer : A

20 : Immersion in business can be cured by limiting work to eight hours a day.
A : true
B : false

Correct Answer : B

21 : The need to achieve can be a source of stress for entrepreneurs.
A : true
B : false

Correct Answer : A

22 : Stress on the entrepreneur can be caused both internally and by other people.
A : true
B : false

Correct Answer : A

23 : The entrepreneur's internal locus of control means that the typical strong desire for control over the venture rarely becomes a corruptive force.
A : true
B : false

Correct Answer : B

24 : The "dark side" of entrepreneurship refers to the stress that entrepreneur’s experience.
A : true
B : false

Correct Answer : B

25 : Entrepreneurs always know that, as individuals, they must remain less important than the

venture.
A : true
B : false

Correct Answer : B

26 : Entrepreneurs like to remain alert to competition, customers, and government regulations, but this continual scanning of the environment can lead to a negative sense of distrust.
A : true
B : false

Correct Answer : A

27 : Entrepreneurs often display unrealistic optimism.
A : true
B : false

Correct Answer : A

28 : According to the research, the entrepreneur’s expectations are not compared with the actual or perceived outcomes of the firm.
A : true
B : false

Correct Answer : B

29 : A loss orientation toward grief recovery in dealing with failure can sometimes lessen negative emotional reactions.
A : true
B : false

Correct Answer : B

30 : The Greek thinker, Chilon, felt that a merchant does better to take a loss than to make a dishonest profit.
A : true
B : false

Correct Answer : A

31 : Today's entrepreneurs are faced with few ethical decisions because the legal system imposes greater penalties on wrongdoers.
A : true
B : false

Correct Answer : B

32 : Ethos means morality.
A : true
B : false

Correct Answer : B

33 : Ethics provides the basic rules or parameters for conducting any activity in an "acceptable" manner.
A : true
B : false

Correct Answer : A

34 : Ethics represents a set of principles prescribing a behavioral code that does not include moral duty and obligations.
A : true
B : false

Correct Answer : B

35 : Nonrole acts are those acts against a firm in which the person fails to perform his or her managerial role.
A : true
B : false

Correct Answer : B

36 : Role distortion deals with morally questionable acts that are committed "for the firm."
A : true
B : false

Correct Answer : A

37 : Problems can arise when people believe that laws represent morality.
A : true
B : false

Correct Answer : A

38 : Morals and law are not synonymous but may be viewed as two circles that are partially superimposed upon each other.
A : true
B : false

Correct Answer : A

39 : A code of conduct is a statement of ethical practices or guidelines to which an enterprise adheres.
A : true
B : false

Correct Answer : A

40 : Entrepreneurs need not be concerned with establishing strategy for ethical responsibility because they are guided by what established firms do.
A : true
B : false

Correct Answer : B

41 : Institutionalization is a deliberate step to incorporate the ethical objectives of society with the economic objectives of the venture.
A : true
B : false

Correct Answer : B

42 : An ethical concern has arisen because companies like Amazon and Yelp use customer reviews to deliberately manipulate consumers' perceptions of products or services.
A : true
B : false

Correct Answer : B

43 : One of the most important reasons firms want to adhere to a high moral code is that doing so protects the free enterprise system and is good business.
A : true
B : false

Correct Answer : A

44 : In smaller ventures, the ethical influence of the owner is more powerful than in larger corporations because his or her leadership is not diffused through layers of management.
A : true
B : false

Correct Answer : A

# SHORT RESPONSE

45 : Name five entrepreneurial characteristics that you feel are important.

Correct Answer : Characteristics that are important to one individual may not be the same characteristics that are important to another. One characteristic that undoubtedly is important to all is the drive to achieve.

46 : Describe the "dark side" of entrepreneurship.

Correct Answer : The entrepreneurial profile has its destructive side. First, the need for control can become an obsession. The need for control can cause problems in networking and in an entrepreneurial team. A sense of distrust can cause the entrepreneur to lose sight of reality or focus on trivial things. An entrepreneur's desire for success can also be destructive if the individual becomes more important than the venture itself. The last "dark side" trait is external optimism. When the entrepreneur takes optimism to the extreme, he or she may begin using a fantasy approach to the business. Trends, facts, and reports are ignored because the entrepreneur thinks everything will turn out fine.

47 : Discuss the specific areas of entrepreneurial risk.

Correct Answer : The four areas of risk are financial risk, career risk, family and social risk, and psychic risk. Financial risk deals with the amount of savings or resources that the entrepreneur

puts into a venture. If the venture is not successful, the money or resources will most likely be lost. The entrepreneur will probably sign obligations that exceed his or her personal wealth. The second risk is career. The would-be entrepreneur frequently asks if he or she will be able to find a job or go back to a previous job. The new venture has no guarantees about career security. The time and energy needed to start a new venture can create family and social risk. The greatest risk to the entrepreneur may be psychic risk, which refers to the psychological impact that may cause an entrepreneur to be unable to recover from significant financial losses.

48 : Name the sources of entrepreneurial stress, and discuss some ways to deal with stress.

Correct Answer : Entrepreneurs experience four types of stress. The first is loneliness. Although there are many people around the entrepreneur, there are few in whom he can confide. Another stress is immersion in business. A successful entrepreneur may make enough money for vacations, but never have the time to go because the business would not allow it. People problems are another type of stress. Employees or other individuals upon whom the venture's work depends may frustrate, disappoint, and aggravate the entrepreneur. Usually this happens when the entrepreneur's expectations of a high performance are not met. The last source of stress is the need to achieve. The entrepreneur usually attempts to accomplish too much and sometimes cannot manage to control the need for achievement. The three steps an entrepreneur can take to reduce stress are acknowledging its existence, developing coping mechanisms, and probing for personal unacknowledged needs. There are five ways in which an entrepreneur can cope with stress. First is networking. Networking involves sharing experiences with other business owners. Another coping mechanism is to get away from it all. These interludes help combat immersion in business. Communicating with subordinates may help to cope with stress. The entrepreneur can be aware of the concerns employees have about their jobs.  Finding satisfaction outside of the company is also important. The entrepreneur needs to get away and enjoy life. The last way an entrepreneur can deal with stress is by delegating. Appropriate delegates need to be found and trained so the entrepreneur can gain time away from the business.

49 : Define ethics, and discuss some conflicts over the ethical nature of decisions.

Correct Answer : In a broad sense, ethics are rules or parameters for conduct in any activity as long as it is done in an "acceptable" manner. Ethics can also be described as a set of principles prescribing a behavioral code that explains what is good and right or bad and wrong. Even though society is in an ever-changing state, this definition implies that universal principles remain intact. An entrepreneur faces many conflicts for many reasons. One conflict arises as a business is faced with outside as well as inside interests. Some examples are stockholders, the community, the government, employees, and unions. Also, as society changes, the values and mores of society must change.

50 : Give some in-depth examples of the dilemmas entrepreneurs face with ethics and laws.

Correct Answer : One dilemma that entrepreneurs face is managerial rationalization. Managers may use rationalizations to justify questionable conduct. Examples include believing that the activity is not "really" illegal or immoral, the act is in the company's best interest, the behavior will not be found out, and the company will condone the act. The questionable act may seem alright to the manager using these rationalizations, yet it is against the laws of the business world and society. Another dilemma concerns the matter of morality. Using LaRue Hosmer's conclusions concerning legal requirements and moral judgments, the requirements might overlap but not duplicate the moral standards of society. First, this results from laws not having any moral content, laws being morally unjust, and moral standards having no legal basis. Second, legal requirements tend to be negative, whereas morality tends to be

positive. Third, legal requirements can lag behind the acceptable moral standards of society.Another dilemma that entrepreneurs are often faced with concerns economic trade-offs. Economic trade-offs occur when innovations, risk taking, or venture creation are used to stimulate the economic system to create new jobs and new growth. These qualities produce the trade-off between economic and social welfare. Some examples are advertising for cigarettes with death as a possible result; toxic waste dumps invading lakes, streams, and eventually drinking water; minorities being laid off only because they were the last to be hired; and capital gains realized through the advance information of mergers.

51 : How can an entrepreneur establish strategies for ethical responsibility?

Correct Answer : The entrepreneur needs to establish a strategy for ethical responsibility within the free enterprise system. To do this, he or she must focus on an ethical position or on an organizational characteristic and analyze it. A strategy for ethical responsibility should have three major elements: ethical consciousness, ethical process and structure, and institutionalization.  Ethical consciousness is the development of an open exchange of processes within the venture, establishing codes of ethics for the company, and setting examples by the entrepreneur. The entrepreneur must accomplish this so that his or her vision can stay intact.To keep the ethical goals designed to avoid ambiguity and to position statements or codes, the entrepreneur must have an ethical process and structure. For example, affidavits can be used to ensure the willingness of employees to adhere to the venture's specific goals.  Institutionalization is a means to combine the ethical objectives of the entrepreneur with the economic objectives of the venture. Even so, there are times when policies or operations that infringe on ethical values may need to be adjusted, thus testing the entrepreneur's commitment to his or her values. By using feedback and reviewing procedures, institutionalized ethical responsibility can be achieved.

52 : Describe the five major problems in laws reflecting ethical standards.

Correct Answer : Members of society make moral standards based upon the information that is available to them. If the public is misinformed or not informed at all, the judgments they create will not be based on the truth. Therefore, it is not possible for society to make personal moral standards to influence or to establish laws if relevant information is missing.  ?People of society assemble into small groups with similar norms, beliefs, and values. Within these groups, they formulate standards that are similar among all the members and act from motives instead of morality. The problem lies in the fact that the personal moral standards that should influence the laws are replaced with the standards of the small group. Just as there are problems with the moral standards of the smaller groups, there are problems with the misrepresentation of moral standards of larger groups. As large organizations share the same norms, beliefs, and values, the individuals and groups within the organization do not share equal weight and influence with regard to the consensus. An example of this would include hospitals where the norms, beliefs, and values of the doctors and staff set the majority of the visible standards. Looking at the larger picture, not all organizations have equal influence or equal influence weighted by size to determine the law. This is another example of misrepresentation of moral standards. The meaning and application of some laws need to be clarified. Under the condition of product liability and equal employment issues, incomplete or imprecise legal requirements must be supplemented by judicial court decisions or by administrative agency actions. As a result of this, personal moral standards cannot influence the laws directly, if at all, in two of the means of formulating the law.

# MULTIPLE CHOICE

53 : Every person has the _____ and _____ to pursue a career as an entrepreneur.
A : stubbornness; stupidity
B : potential; free choice
C : rights; regulations
D : obligation; duty

Correct Answer : B

54 : In science, _____ refers to mental processes.
A : cognition
B : ergonomics
C : evaluation
D : phenomena

Correct Answer : A

55 : Characteristics often attributed to the entrepreneur include
A : commitment, determination, and perseverance.
B : a preference to be a loner.
C : being power hungry.
D : a tendency to be indecisive.

Correct Answer : A

56 : Which of the following is not a trait of a successful entrepreneur?
A : desire to achieve
B : initiative
C : innovation
D : trouble fitting in

Correct Answer : D

57 : Entrepreneurs with a drive to achieve want to
A : compete.
B : watch others succeed.
C : take great risks.
D : control and dominate.

Correct Answer : A

58 : Which of the following is not a trait of successful entrepreneurs?
A : initiative
B : frustration
C : perseverance
D : strategic thinking

Correct Answer : B

59 : With persistent problem solving, entrepreneurs
A : must daydream all day.
B : cant multitask.
C : think anything is possible.
D : are always working.

Correct Answer : C

60 : One could correlate _____ with a high energy level.
A : creativity
B : working
C : luck
D : reading

Correct Answer : A

61 : For entrepreneurs, vision describes
A : how the market works.
B : a concept.
C : eyesight.
D : the future.

Correct Answer : A

62 : Team building
A : involves including qualified people in the venture.
B : does not threaten the entrepreneurs autonomy.
C : does nothing.
D : is overrated.

Correct Answer : A

63 : A clear pattern among successful entrepreneurs is
A : setting goals that are just out of reach.
B : the fear of failure common to all people.
C : their focus on opportunity rather than strategy.
D : not fitting in to traditional organizations.

Correct Answer : C

64 : Which of the following statements about entrepreneurs is false?
A : They burn with the competitive desire to excel.
B : They see the cup half full rather than half empty.
C : They do not use failure as a tool for learning.
D : They are achievers.

Correct Answer : C

65 : Which of the following characteristics is often attributed to entrepreneurs?
A : insensitivity
B : egotism
C : humility
D : rigidity

Correct Answer : B

66 : Which of the following is not a common characteristic of entrepreneurs?
A : vision

B : team building
C : lack of motivational drive
D : independence

Correct Answer : C

67 : Which of the following statements is false?
A : Entrepreneurs are born with the skills necessary to manage a business.
B : Their belief in their ability seldom wavers.
C : Independence is a driving force behind contemporary entrepreneurs.
D : Entrepreneurs know where they want to go.

Correct Answer : A

68 : Which of the following statements about team building is true?
A : Most successful entrepreneurs have highly qualified teams that handle everything having to do with the development of the venture.
B : Compared to the owner, personnel are often more qualified to handle day-to-day implementation challenges.
C : The entrepreneur has the clearest vision in the firm.
D : The entrepreneur needs a competent team to implement an idea.

Correct Answer : D

69 : Which of the following statements is false?
A : Entrepreneurs want the authority to make important decisions.
B : Management skills are not important characteristics for entrepreneurs to possess.
C : Successful entrepreneurs strive to build a successful team around them.
D : An entrepreneur can develop the vision of the company over time.

Correct Answer : B

70 : When entrepreneurs believe that their accomplishments and setbacks are within their own control and influence, they are exhibiting
A : persistent problem solving.
B : an internal locus of control.
C : an external locus of control.
D : opportunity orientation.

Correct Answer : B

71 : If an entrepreneur believes in himself/herself and that their accomplishments and setbacks are within their own control, they possess a(n)
A : confidence level higher than most entrepreneurs.
B : internal locus of control.
C : cockiness level too high to be an entrepreneur.
D : high energy level.

Correct Answer : B

72 : Which of the following is not associated with an entrepreneur seeking feedback?
A : Entrepreneurs want to belittle their competition.
B : Entrepreneurs seek to learn from their competitors.
C : Entrepreneurs want to improve.

D : Entrepreneurs have a strong desire to know how well they are doing.

Correct Answer : A

73 : One trait not common in entrepreneurs is being
A : a problem solver.
B : creative and innovative.
C : structured.
D : independent, yet able to build strong teams.

Correct Answer : C

74 : Which of the following characteristic(s) that propel entrepreneurs into success can be exhibited to the "extreme"?
A : overbearing need for control
B : optimism
C : high energy
D : desire for success

Correct Answer : A

75 : Areas of risk to the entrepreneur include
A : career, family, and psychological.
B : family, business, and social.
C : psychic, social, and physical.
D : financial, product, and market.

Correct Answer : A

76 : With psychological risk, you fear
A : losing your sanity.
B : failure.
C : money.
D : adapting.

Correct Answer : B

77 : In starting or buying a new business, the higher the rewards, the
A : more minimal the risk.
B : greater the risk.
C : greater the size of a business.
D : smaller the enjoyment.

Correct Answer : B

78 : Which of the following may be the greatest risk to the well-being of the entrepreneur?
A : social risk
B : financial risk
C : psychic risk
D : family risk

Correct Answer : C

79 : In the Monroy–Folger model of risk typology, profit-seeking activity is associated with a _____ desire to _____.
A : strong; maximize profit
B : weaker; maximize profit
C : strong; minimize profit
D : strong; maximize sales revenue

Correct Answer : A

80 : Generally, entrepreneurial stress is due to
A : being surrounded by incompetents.
B : fear of failure.
C : the discrepancy between the entrepreneurs expectations and personality.
D : a big ego.

Correct Answer : C

81 : Stress can be dealt with by
A : networking.
B : neglecting it.
C : ignoring it.
D : working harder.

Correct Answer : A

82 : Which of the following is not a source of stress according to researchers Boyd and Gumpert?
A : loneliness
B : people problems
C : immersion in business
D : family requirements

Correct Answer : D

83 : Which of the following is not a way to combat stress?
A : acknowledging its existence
B : ignoring coping mechanisms
C : probing personal unacknowledged needs
D : taking a few days off

Correct Answer : B

84 : Entrepreneurial stress can be caused by having a Type A personality, which can be defined as
A : having a chronic sense of time urgency.
B : taking too little responsibility.
C : getting away from business.
D : taking things personally.

Correct Answer : A

85 : The entrepreneurial ego can cause the entrepreneur to
A : have a sense of pessimism.
B : take characteristics that usually lead to success to the extreme.

C : ignore government regulations.
D : take too few risks.

Correct Answer : B

86 : Which of the following is not an aspect of the "dark side" of entrepreneurship?
A : confrontation with risk
B : stress
C : entrepreneurial ego
D : bouts of euphoria

Correct Answer : D

87 : Which of the following best describes what happens when an entrepreneur becomes an external optimist?
A : They want others to see them as ethical, even though they may behave otherwise.
B : External assistance in matters is welcomed.
C : They want others to believe in them during rough periods.
D : They exude low enthusiasm to the people around them.

Correct Answer : C

88 : The "dark side" of entrepreneurship refers to
A : a destructive force within the energetic drive of entrepreneurs.
B : the part of entrepreneurship that is most exciting.
C : a misunderstanding about the results of entrepreneurship.
D : another myth of entrepreneurship.

Correct Answer : A

89 : The decision to behave entrepreneurially is the result of the interaction of
A : the individuals personal entrepreneurial mind-set and an opportunity.
B : the existence of a viable business idea.
C : the relevant business environment.
D : a new market.

Correct Answer : A

90 : When outcomes meet or exceed expectations, _____ is positively reinforced.
A : entrepreneurial behavior
B : entrepreneurial motivation
C : desire for success
D : entrepreneurial ego

Correct Answer : A

91 : Entrepreneurial persistence is related to
A : the entrepreneurs outcomes meeting his or her expectations.
B : focusing on personal goals.
C : implementing problem-solving techniques.
D : avoiding counter influences to entrepreneurship.

Correct Answer : D

92 : The Greek word ethos means
A : mode of conduct.
B : morale.
C : elan.
D : esprit de corps.

Correct Answer : A

93 : A decision to sell pharmaceuticals that have not been cleared with the Federal Drug Administration is an example of a(n) _____ and _____ decision.
A : illegal; ethical
B : legal; unethical
C : illegal; unethical
D : legal; ethical

Correct Answer : C

94 : A decision to sell toys that pass minimum safety standards but can often result in minor accidents to children is an example of a(n) _____ and _____ decision.
A : illegal; ethical
B : legal; unethical
C : illegal; unethical
D : legal; ethical

Correct Answer : B

95 : In the _____ sense, ethics provides the basic rules or parameters for conducting any activity in an "acceptable manner."
A : abstract
B : broadest
C : narrowest
D : most concrete

Correct Answer : B

96 : A code of _____ is a statement of ethical practices or guidelines to which an enterprise adheres.
A : conduct
B : ethics
C : honor
D : silence

Correct Answer : A

97 : Which of the following kinds of thinking can lead to unethical behavior in a business context?
A : top line
B : bottom line
C : abstract
D : critical

Correct Answer : B