Test Bank for Entrepreneurship 6th Edition by Zacharakis, Corbett, Bygrave

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Questions for Chapter 1

True/False

1. Moravian-born economist, Joseph Schumpeter defines an entrepreneur as someone who destroys the existing economic order as a result of his or her activities. (pg. 3) (True)

2. In general businesses with fewer than 500 employees are considered "small sized business." (pg 5) (True)

3. There are less than 10 million small businesses in United States today. (pg. 5) (False)

4. Approximately 66% of all businesses start in the owner's home, but fail to grow primarily because the entrepreneur hires too many full-time workers. (pg. 5) (False)

5. The first two NASDAQ stocks to be included in the Dow Jones Industrial Average were Microsoft and Intel. (pg. 6) (True)

6. When Microsoft joined the DJIA in 1999, there were more than 200 million Internet users, up from 3 million just five years earlier. (pg. 7) (True)

7. Venture Capital is a source of growth funding exclusively for technology companies with the potential for rapid, scalable growth. (pg. 11) (False)

8. The former dean of the Nomura School of Advanced Management in Japan, Jiro Tokuyama, once said that the venture capital firms in Japan comprise one of the chief advantages for Japanese, technology start-ups. (pg. 11) (False)

9. The period between 1996 through 2000 was considered the golden era for classic venture capitalists and the companies they invested in. (pg. 12) (True)

10. Yahoo! Inc.'s IPO set the all-time record, in terms of capital raised, for Silicon Valley companies. (pg. 12) (False)

11. Entrepreneurship did not grow very much after the Great Depression, until it began increasing in the 1970's. (pgs. 14-15) (True)

12. Churning is a main component of a healthy economy. (pg. 13) (True)

13. Baby boomers are not as concerned about job security as were their parents. (pg. 14) (True)

14. Today, less than 90% of employees work for Fortune 500 companies. (pg. 14)
    (True)

15. There was a burst of venture capital backed startups in the last half of the 1960s. (pg. 15)
    (True)

16. The Small Business Innovation Research (SBIR) program set aside $4.3 billion to support the financing of cutting-edge technologies developed by small businesses in 2022. (pg. 15).
    (True)

17. Today, approximately 3000 universities have offices for technology transfer. (pg. 15) (True)

18. Virtual companies are so called because they outsource much of their work. (pg. 16) (True)

19. The professionalization of the entrepreneurial process, which has developed over the last 20 years, has almost eliminated the need for young entrepreneurs to write business plans themselves. (pg. 16)
    (False)

20. Today, the International Business Innovation Association (INBIA) estimates that there are over 10,000 incubators worldwide. (pg. 16)
    (False)

21. The availability of financing has driven the entrepreneurial revolution. (pg. 17)
    (False)

22. In 2021, the National Venture Capital Association reported that venture capital investment reached $150 billion, surpassing the all-time high in 2000. (pg. 17)
    (False)

23. The Global Entrepreneurship Monitor (GEM) is an organization created to gather information about the most successful start-ups for potential investors. (pg. 18)
    (False)

24. The Total Early-Stage Entrepreneurial Activity (TEA) index tracks the percent of the adult population that is trying to start or have started an infant business because all other options for work are either absent or unsatisfactory. (pg. 18)
    (False)

25. Within the Level C countries, Ecuador and Guatemala have the highest TEA ranks and scores in their respective region. (pg. 20)
    (True)

Multiple Choice

1. What helped in unleashing the power of entrepreneurship and raise the standard of living in India? (pg. 2)

A. Open and free competition
B. Information Technology
C. Agriculture
D. Manufacturing
E. Information Services

2. Small businesses in the United States represent what percent of all businesses in the country? (pg. 5)
   A. 99%
   B. 95%
   C. 85%
   D. 70%
   E. 60%

3. What percentage of new business ventures typically survive their first 5 years of operation? (pg. 7)
   A. 100
   B. 81
   C. 65
   D. 40
   E. 25

4. What percentage of jobs are created through small businesses? (pg.5)
   A. 50%
   B. 63%
   C. 48%
   D. 58%
   E. 28%

5. What are the sectors which are leading small business employers? (pg. 5)
   A. Healthcare
   B. Hospitality
   C. Food Services
   D. Retail sector
   E. All of the above

6. Which of the following entrepreneurs was one of the pioneers of the biotechnology industry? (pg. 9)
   A. Robert Noyce
   B. Arthur Blank
   C. Tim Berners-Lee
   D. George Gendron
   E. Robert Swanson

7. Which airline prompted the deregulation of interstate travel? (pg. 9)
   A. United Airlines

B. Delta
C. Continental
D. Southwest Airlines
E. Pan-Am

8. Jim Clark, an IT entrepreneur, became the first Internet billionaire because of his investment in what company? (pg. 11)
   A. Yahoo! Inc.
   B. Netscape Communications
   C. Amazon.com Inc.
   D. Google Inc.
   E. Microsoft Corp.

9. Which of the trends below converged to spark the Internet revolution of the 1990's? (pg. 11)
   A. Personal Computers, Cell Phones, and Laser Printing
   B. Digital Technology, Information Technology, and Entrepreneurship
   C. Personal Computers, Modems, and Floppy Disks
   D. Entrepreneurship, Venture Capital, and Computer Software
   E. Venture Capital, Biotechnology, and Telecommunications

10. In 2022, there were how many internet users globally? (pg. 11)
    A. 6 Billion
    B. 5 Billion
    C. 4 Billion
    D. 3 Billion
    E. 2 Billion

11. Which of the following industries was the prime example of venture capital fueling the pace of commercial innovation? (pg. 11)
    A. Semi-Conductors
    B. Mini-Computers
    C. Biotechnology
    D. Personal Computers
    E. All of the Above

12. Dating back to the 1970's till today, what percent of public companies can trace their roots back to venture capital? (pg. 11)
    A. 36%
    B. 40%
    C. 42%
    D. 49%
    E. 53%

13. Who reasoned that capitalism would be inevitably destroyed by elites? (pg. 12)
    A. Whyte
    B. Servan-Schreiber
    C. Schumpeter
    D. Lenin

E. Marx

14. According to the GEM model, how many sets of activities create the basis for national economic growth? (pg. 18)
    A. 2
    B. 3
    C. 4
    D. 5
    E. 6

15. Which term is used to describe business churning? (pg. 13)
    A. Artificial evolution
    B. Evolving transition
    C. Making the butter
    D. Business expansion
    E. Creative destruction

16. What percent of the workforce did Fortune 500 companies employ in 1960's? (pg. 14)
    A. 10
    B. 15
    C. 20
    D. 25
    E. 30

17. What percent of the workforce does Fortune 500 companies employ currently? (pg. 14)
    A. Less than 1%
    B. 5
    C. 10
    D. 15
    E. 20

18. How much new VC money was committed in 1975? (pg. 15)
    A. $10 million
    B. $45 million
    C. $145 million
    D. $430 million
    E. $930 million

19. What is the % of online sales expected in 2024? (pg. 16)
    A. 10%
    B. 20%
    C. 30%
    D. 40%
    E. 50%

20. What does SBIR stand for? (pg. 15)
    A. Savings, Brokerage, and Investment Reserve
    B. Small Business Innovation Research

C. Space Based Infra Red
D. Speaker Boundary Interference Response
E. Small Business Interest Rate

21. How much does the Bayh-Dole Act contribute annually to the US economy? (pg. 15)
    A. $300 million
    B. $950 million
    C. $12 billion
    D. $32 billion
    E. $40 billion

22. What was the primary objective of the Bayh-Dole Act? (pg. 15)
    A. Commercial development of intellectual property
    B. Investment of pension funds in venture capital companies
    C. Gender equality among entrepreneurs.
    D. Support for young entrepreneurs
    E. All of the above

23. How many business incubators are in the US currently? (pg. 16)
    A. 200
    B. 1000
    C. 3000
    D. 7,000
    E. 10,000

24. The TEA represents the percentage of adults (18-64) who are starting or running a new business defined as one that has not paid wages or salaries for more than: (pg. 23)
    A. 32 months
    B. 24 months
    C. 28 months
    D. 36 months
    E. **42 months**

Open ended

1. Why are small businesses an important consideration for state and federal politicians? (pg. 4-5)

- In the U.S. there are more than 33 million or so small businesses, representing 99.9 percent of total businesses.
- Small businesses account for half of the private-sector workers and 39.4% of private payroll
- Small businesses generate a third of the U.S.'s total exports
- Small businesses create most of the jobs in the US.

2. Explain, in your own words, Schumpeter's view of entrepreneurship's role in an economy and society. (pg. 12)

- Schumpeter argued that the innovation and technological change of a nation come from entrepreneurs.
- He believed that entrepreneurs are the ones who facilitate the functionality of an economy.

- He claimed that by destroying old businesses and creating new ones, entrepreneurs keep the economy healthy.

3. Describe how Intel and Microsoft became the two major entrepreneurial driving forces that transformed the U.S. economy in the last quarter of the 20th century. (pg. 6-8)

- In 1971, Intel launched the first commercial microprocessor, heralding a new era in integrated electronics. In 1974, Intel launched the first general-purpose microprocessor, which was the brain of the first personal computer.
- Bill Gates and Paul Allen formed Microsoft where they began developing software for personal computers. In 1980-81, Microsoft introduced MS-DOS for IBM's first PC, and fourteen years later, released Windows 95 in 1995.

4. What was the most critical step in Federal Express' rapid growth? (pgs. 8 – 9)

- In the mid-1970s, Federal Express had taken a leading role in lobbying for air cargo deregulation that finally passed in 1977.
- These changes allowed Federal Express to use larger aircraft and spurred the company's rapid growth. Today, FedEx ships 15 million packages a day on average and connects overs 99% of the world's GDP by covering more than 220 countries and territories across the globe.

5. Give two examples of how companies strengthened their businesses through changes in regulations. (pgs. 8 – 9)

- Federal Express had taken a leading role in lobbying for air cargo deregulation that finally passed in 1977. These changes allowed Federal Express to use larger aircraft and spurred the company's rapid growth
- Herb Kelleher, the charismatic co-founder of Southwest Airlines, is often credited with triggering airline deregulation by persevering with his legal battle to get Southwest airborne, in the face of fierce legal opposition from Braniff, Trans-Texas, and Continental Airlines.

6. Why is the Internet one of the most revolutionary developments in the history of commercial innovation? (pg. 9 – 10, 16)

- The internet provided businesses with millions of flexible spaces in which to conduct commerce.
- Small businesses gained a platform that allowed them to compete with multi-billion corporations.
- The internet spurred the proliferation of information. Any entrepreneur now has access to virtually any information he or she needs.

7. Why was the Netscape's IPO so popular and successful? (pgs. 12-13)

- Netscape Navigator was an instant hit with users, gaining 75 percent of the browser market within four months of its introduction.
- Netscape was only 16 months old when it went public in August 1996.
- It made Jim Clark the first Internet billionaire.
- Venture capitalists saw huge potential in Netscape, accelerating the company's commercialization.

8. Which factors led to American entrepreneurial revolution? (pg. 12-13)

- In the 1960s a generation of Americans who had no first-hand memory of the Great Depression and did not believe an economy should be built on corporations only came of age.
- In the 1970s, Washington, after bailing out Penn Central, Lockheed, and Chrysler, started to pay more attention to small businesses
- Congress took steps in 1978 to stimulate the venture capital industry, which, in turn, led to more investments in start-ups
- Bayh-Dole Act, implemented in 1980 fostered the growth of technology-based small businesses by allowing them to own the patents that arose from federally sponsored research

9. What was the effect of the Bayh-Dole Act? (pg. 15)

- 10 years ago, *The Economist* estimated that Bayh-Dole had created 2,000 new companies and 260,000 new jobs and had contributed $40 billion annually to the U.S. economy. More progress has been made since then.
- More than 1,200 universities have offices for technology transfer.

10. Who, in your opinion, would benefit from the creative destruction process and why? (pgs. 17)

- Economy – stays healthy and primed for growth.
- The customer – new ventures create better products.
- The companies themselves – the threat of creative destruction leads companies to constantly improve their operating and production processes and leads to faster learning curves.

11. Describe the three main measures of entrepreneurial activity. (pg. 22-24)

- TEA (total entrepreneurial activity) is the percentage of the adult population that is either nascent entrepreneurs or baby businesses owner-managers or both. It measures the overall entrepreneurial activity of a nation.
- TEA (opportunity) is the percentage of the adult population that is trying to start or has started a baby business to exploit a perceived opportunity. They are classified as improvement-driven opportunity motivated if they additionally seek to improve their income or independence through entrepreneurship.
- TEA (necessity) is the percentage of the adult population that is trying to start or has started a baby business because all other options for work are either absent or unsatisfactory.

12. Explain what the Global Entrepreneurship Monitor (GEM) is. (pg. 14-17)

- It was conceived in 1997 to study the economic impact and the determinants of national-level entrepreneurial activity.
- It is the largest coordinated research effort ever undertaken to study population-level entrepreneurial activity.
- GEM has become the world's most influential and authoritative source of empirical data and expertise on the entrepreneurial potential of nations.