

King Saud University

College Of Business Administration

Management Department

Entrepreneurship MGT-103

Firs Midterm-Second term 2015

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| **Total** | **Question Three** | **Question Two** | **Question One** |
| **15** | **5** | **5** | **5** |
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| **Question One (0.5 point each)** |  | | **Question Two(1 point each)** |  |
|  | **T** | **F** |  | A B C D E |
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**Question One: Please address the True (T) or false (F) statements below (5 points)**

1. The passion that entrepreneurs have typically stems from the potential financial rewards that are associated with an entrepreneurial career.

Answer: FALSE

1. According to the consensus of the research, some people are genetically predisposed to be entrepreneurs.

Answer: FALSE

1. Entrepreneurs are usually moderate, rather than high, risk-takers.

Answer: TRUE

1. Entrepreneurs are motivated primarily by money.

Answer: FALSE

1. In terms of the "types" of startup firms, entrepreneurial firms bring new products and services to market.

Answer: TRUE

1. Several studies have shown that prior experience in an industry helps entrepreneurs recognize business opportunities.

Answer: TRUE

1. Opportunity recognition may be an innate skill or cognitive process.

Answer: TRUE

1. Weak-tie relationships are characterized by infrequent interaction and ties between casual acquaintances.

Answer: TRUE

1. It is more likely that an entrepreneur will get a new business idea through a strong-tie than a weak-tie relationship.

Answer: FALSE

1. The five stages of the creative process include preparation, incubation, insight, evaluation, and elaboration.

Answer: TRUE

-End of Question One-

**Question Two: Choose the correct answer (5 points)**

According to the Global Entrepreneurship Monitor (GEM) 2007 study, the majority of people in high-income countries are drawn to entrepreneurship:

A) to take advantage of an attractive opportunity

B) due to lack of career prospects

C) as a result of government incentives

D) because an important role model was an entrepreneur

E) to gain prestige

Answer: A

Which of the following statements regarding business success (or failure) rates is correct?

A) After four years, 15 percent of new businesses are still open.

B) After four years, 25 percent of new businesses are still open.

C) After four years, 50 percent of new businesses are still open.

D) Two out of three businesses fail within the first four years.

E) Nine out of ten businesses fail within the first four years.

Answer: C

Apple Inc. is a firm that is proactive, innovative and risk-taking. From this description, we can most accurately conclude that Apple has a high level of:

A) enterprise focus

B) innovative intensity

C) entrepreneurial intensity

D) creative intensity

E) innovative concentration

Answer: C

The three primary reasons that people become entrepreneurs and start their own firms are to:

A) gain prestige, realize financial rewards, and eliminate risk in their lives

B) do what they were "born" to do, be their own boss, and gain prestige

C) take big risks, be their own boss, and do what they were "born" to do

D) be their own boss, pursue their own ideas, and realize financial rewards

E) take advantage of government subsidies, pursue their own ideas, and realize financial rewards

Answer: D

According to the textbook, the four characteristics of successful entrepreneurs are:

A) passion for the business, on the cutting edge of technological change, very charismatic, and tenacity despite failure

B) young and energetic, passion for the business, product/customer focus, and seeks recognition

C) passion for the business, tenacity despite failure, product/customer focus, and execution intelligence

D) on the cutting edge of technological change, forward thinking, tenacity despite failure, and product/customer focus

E) passion for the business, seeks recognition, young and energetic, and execution intelligence

Answer: C

-End of Question Two -

**Question Three: Answer and explain (assay) (5 points)**

1. Describe the four main characteristics of successful entrepreneurs.

Answer: The four main characteristics of successful entrepreneurs are: passion for the business, product/customer focus, tenacity despite failure, and execution intelligence.

The number one characteristic shared by successful entrepreneurs is passion for their business, whether it is in the context of a new firm or an existing business. This passion typically stems from the entrepreneur's belief that the business will positively influence people's lives. A second defining characteristic of successful entrepreneurs is a product/customer focus. This characteristic underscores two of the most important elements in any business—products and customers. The third characteristic of successful entrepreneurs is tenacity despite failure. Because entrepreneurs are typically trying something new, the failure rate associated with their efforts is naturally high. The litmus test for entrepreneurs is their ability to persevere through setbacks and failures. The fourth characteristic of successful entrepreneurs is execution intelligence. The ability to effectively execute a business idea means developing a business model, putting together a new venture team, raising money, establishing partnerships, managing finances, leading and motivating employees, and so on.

1. Describe the three separate ways that entrepreneurs identify new business, product, and service opportunities?

Answer: The three ways that entrepreneurs identify new business, product, and service opportunities are through observing trends, solving a problem, and finding gaps in the marketplace.

The first approach to identifying opportunities is to observe trends and study how they create opportunities to pursue. Economic forces, social factors, technological advances, and political action and regulatory changes are the most important trends to follow. The second approach to identifying opportunities is solving a problem. Sometimes identifying opportunities simply involves noticing a problem and finding a way to solve it. These problems can be pinpointed through observing trends and through more simple means, such as intuition, serendipity, or chance. The third approach is finding gaps in the marketplace. This approach is accomplished by finding a need that customers have that is not being satisfied—by either large, established firms or entrepreneurial ventures. Large retailers like Wal-Mart, Costco, and Home Depot compete primarily on price by serving large groups of customers with similar needs. They do this by offering the most popular items targeted towards mainstream consumers. While this approach allows the large retailers to achieve economies of scale, it leaves gaps in the marketplace. Entrepreneurs step in to start businesses to fill these gaps. There are also gaps in the marketplace that represent consumer needs that aren't being met by anyone.

-End of Question Three and the Exam -