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Chapter 1 : Test Bank for Small Business Management Entrepreneurship and Beyond 5th Edition by Hatte

He taught small business management and entrepreneurship at Reykjavik University in Iceland and business planning at the Russian-American Business Center in Magadan, Russia. Dr. Hatten has been passionate about small and family businesses his whole life.

Hatten Linkn download full: A small business manager and an entrepreneur perform the same functions. A True B False Answer: Entrepreneurs recognize an opportunity and start a business to take advantage of it. Entrepreneurship and small business management are processes, not isolated incidents. Financial risks, material risks, and psychological risks are all risks faced by the entrepreneur. A triggering event is a specific event or occurrence that sparks the entrepreneur to proceed from thinking to doing. In the end, every business will eventually reach the harvest stage. Environmental factors are the traits possessed by the business owner that affect the development of the small business. Personal characteristics vary as a business evolves from one stage to another. There is only one factor that could be called a triggering event. Personality characteristics are not useful in predicting who will be a successful entrepreneur. The primary reason most people go into business for themselves is to gain the respect of others. Independence and control over their own lives are reasons many people begin small businesses. More than 50 percent of business owners started their own business in order to earn large sums of money. Individuals who prefer steady pay and a normal nine-to-five work schedule also tend to gravitate toward selfemployment. Income uncertainty is one of the most challenging aspects of starting a new business. The conclusion after more than 30 years of research on personal characteristics is that successful entrepreneurs cannot be predicted. The typical entrepreneur tends to accept moderate risk only after careful examination. Entrepreneurs tend to have a weaker internal locus of control than do people in general. Over 25 percent of all new business owners have an MBA or other professional degree. The most common form of business in the United States today is the corporation. A sole proprietorship is owned by two or more persons. A major advantage of a sole proprietorship is that the owner has complete control over the business. The major disadvantage of a sole proprietorship is limited liability. The biggest advantage of partnerships is the pooling of talents and resources. In a partnership, if both partners bring the same qualities to the business, then one of them is probably not needed. Although the ability to raise capital is better with a partnership than with a proprietorship, a partnership still cannot usually gather as many resources as a corporation. In a partnership, the partners will be held liable only for their own negligence. If a partner leaves, the partnership is dissolved and the remaining partners can either find a new partner or terminate the business. One of the most serious problems that can threaten a partnership is managerial conflict. Foresight in writing articles of partnership can solve many partner problems in the future. A closely held corporation publicly trades its shares of stock on a major auction market. A form of business ownership where the business is owned by a limited group of people and the stock is not traded publicly is called a closely held corporation. Limited liability is the major advantage of forming a business as a corporation. C corporations and S corporations are taxed the same. A document describing a business that is filed with the state in which a business is formed is referred to as articles of incorporation. C corporations provide individuals with limited-liability protection of a corporation while allowing the tax advantages of a partnership. LLCs can be an attractive form of ownership for small businesses. Jasper has developed a concept for a start-up company that involves developing a new process for priming and painting automobile panels. Based on this example, Jasper is focusing on which entrepreneurial behavior? Which of the following behaviors was not cited as being included in most definitions of an entrepreneur? A small business manager faces which of the following environmental forces? Entrepreneurship primarily involves which phase of business? A An innovative idea that is refined as the idea is thought through Answer: Sue Pallen is a partner in a cake-decorating company. Which of the following is the key element needed to bring the entrepreneurial idea to reality during the implementation stage? When does the entrepreneurship stage end and the small business management stage

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begin? Which stage of the startup process is characterized by relative certainty that the business will survive? In the growth stage of the startup process model, what is the primary goal of the small business? Forces that occur outside of the business that affect the business and its owner are referred to as A Financial factors B Controlled factors C Environmental factors D Internal factors Answer: In the triggering event and the implementation stages of the startup process model, which of the following environmental factors will affect the small business? An entrepreneur faces which of the following environmental forces? In the triggering event stage of the startup process model Figure 2. In the innovation and triggering event stages of the startup process model see Figure 2. In the growth stage of the startup process model Figure 2. Which of the following is not prerequisite for becoming a successful entrepreneur? The personal quality linked to entrepreneurship in which people are motivated to excel and choose situations where success is likely is known as A Locus of control B Need to achieve C Need to succeed D High performance goals Answer: The ability to see, conceive, and create new and unique products, services, and processes is known as A Innovation B Risk taking C Product development D Locus of control Answer: A characteristic of entrepreneurial personality that leads one to avoid goals that would be extremely difficult to achieve or goals with success almost guaranteed is called A Internal locus of control B A high desire for risk C Flexibility D A high need to achieve Answer: After spending 15 years working in the restaurant industry, Alex has decided to open a restaurant of his own. His 15 years of experience will allow him to capitalize on which of the following? The one overriding characteristic needed to be a successful small business owner is which of the following? Which percentage of new business owners have had at least some college education? A 25 percent B 50 percent C 60 percent D 80 percent Answer: Which two areas of coursework are the fastest growing subjects in business schools? One-day to one-year programs offered through college extension departments that are tailored to entrepreneurs and small business owners are referred to as A Small-business counseling programs B Entrepreneurial degree programs C Corporate grind programs D Executive education programs Answer: Which of the following is more important in the future development of a small business owner than the formal education received in school? The three forms of business ownership include all but which of the following? Which of the following is the most common form of business ownership? Which of the following forms of business ownership brings in the most business-generated revenue? The trends for small businesses in the United States from to show the greatest increase in the number of A Partnerships B Public corporations C Very small businesses D Private corporations Answer: Les, a certified public accountant, is looking to open a new accounting firm. Previously, Les was part-owner of a firm where he fought regularly with other co-owners about management decisions. If he wants to avoid such conflicts and promote independence, which of these should he choose? Which form of business ownership grew most rapidly from to as evidenced by the number of business tax returns filed? Which form of business ownership is the single best form in which to organize a small business? The following are advantages of which form of business ownership: Which form of business organization is easiest to open and easiest to close? The tax advantage for sole proprietorships does not last forever. The businessperson must make money in order to be considered a business. Money must be made for how many years in order to be considered a business and not a hobby by the IRS? The single biggest disadvantage of sole proprietorships is which of the following? Which disadvantage of sole proprietorships centers around the fact that capital is difficult to raise? Which of the following is created to complete a specified purpose and is limited in duration? A business structure in which the business owners share the management and all of the risk of a business is called a A Sole proprietorship B General partnership C Limited partnership D Corporation Answer: The following are disadvantages of which form of business ownership: Alice is co-owner of a company where she has unlimited liability. However, there are three additional coowners within the same company that have limited liability. In a limited partnership, at least one partner A Has unlimited liability B Has limited liability C Has raised 50 percent more capital than the other partners D Has given up any tax advantages Answer: The "right of first refusal" refers to which of the following? A Partners may refuse to let one of the partners leave the business. B Partners may allow one partner to have only limited liability. D

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Partners may refuse to pay out the profits of the business and instead reinvest the money back into the business. A business structure in which one or more of the owners may be granted limited liability as long as one partner is designated a general partner is called a

A General partnership
B Fragmented partnership
C Limited partnership
D Segmented partnership

Answer: If the partners in a partnership have not written a legal agreement, which act helps to settle any problems that may arise?

Corporations that sell shares of stock to the public and are listed on the stock exchange are referred to as

A Divested corporations
B Entrepreneurial corporations
C Closely held corporations
D Public corporations

Answer: A partnership that is created to complete a specified purpose and is limited in duration is called a

A General partnership
B Limited partnership
C Corporation
D Joint venture

Answer: Which form of business ownership is the most complicated to form?

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Chapter 2 : Maintenance | Testbanknew

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Analytic Skills 49 Small companies must develop strategies that exploit all of the competitive advantages of their size by: B remaining flexible and willing to change. D All of the above Answer: Analytic Skills 50 In order for the control process to work, the business owner must: A make as few changes and modifications in the operational plans as possible. B concentrate on competitive information. C identify and track key performance indicators. D maintain control and delegate as little authority and responsibility as possible. Analytic Skills 51 Which of the following is NOT one of the four important perspectives a balanced scorecard should look at a business from? Analytic Skills 52 The balanced scorecard ideally looks at a business from four important perspectives relating to: A low-cost, differentiation, focus, and initiative. B customers, buyers, suppliers, and substitute products. C customers, internal factors, capital, and human resources. D customers, internal factors, innovation, and finances. Reflective Thinking 53 With the growth of the Internet, globalization, and increased competition, the business environment has become more turbulent and challenging. Use of IT 54 One of the biggest changes entrepreneurs face is the shift in the economy from a base of financial to intellectual capital. Analytic Skills 55 The three components of intellectual capital are human, structural, and customer. Analytic Skills 56 Narrower product lines, smaller customer bases, and more limited geographic areas give small companies a natural advantage over large businesses when preparing a strategic plan. Analytic Skills 57 The most effective way for a small business to establish a competitive advantage is by offering lower prices. Analytic Skills 59 Large companies have a natural advantage over small firms when it comes to preparing a strategic plan. Analytic Skills 60 Although developing a strategic plan is important for large companies, it is not essential to managing a small company successfully because of its limited resources. Analytic Skills 61 The ideal strategic planning process for a small company should start with setting objectives. Analytic Skills 62 The ideal strategic planning procedure for a small company should be formal and highly structured. Analytic Skills 63 The most effective way to communicate the values of a company to everyone it touches is to formulate an effective mission statement. Communication 64 The mission statement addresses the first question of any business venture: Analytic Skills 75 To be effective, the small business owner should limit strategic analysis to only the two or three most significant opportunities facing the firm. Analytic Skills 76 A small business owner can collect a great deal of information about competitors through a number of low-cost competitive intelligence methods. Analytic Skills 77 Experts estimate that 70 to 90 percent of the competitive information a company needs already resides with employees who collect it in their daily dealings with suppliers, customers, and other industry contacts. Analytic Skills 78 A competitor analysis should include an analysis of direct competitors as well as significant and indirect competitors. Analytic Skills 79 Significant competitors are those that offer the same products and services your company offers, and customers often compare prices, features, and deals from these competitors as they shop. Analytic Skills 84 A competitive profile matrix analyzes how well a company and its rivals match the key success factors in the industry. Analytic Skills 85 Goals are the broad, long-range attributes that a business seeks to accomplish; objectives are more specific targets of performance. Analytic Skills 89 Setting seemingly impossible objectives, those outside of the likely reach of employees, helps managers to create and maintain a high motivation level. Analytic Skills 91 Objectives should be as general as possible to permit flexibility in the business. Analytic Skills 92 The strategic planning process works best when employees are actively involved with managers in setting company goals and objectives. Analytic Skills 93 Before an entrepreneur can build a successful strategy, she must establish a clear mission, goals, and objectives in order to have appropriate targets at which to aim her strategy. Analytic Skills 95 A company pursuing a cost-leadership strategy strives to be the lowest-cost producer relative to its competitors in the industry. Analytic Skills 96 A danger of

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cost-leadership is that a company may misunderstand what processes actually drive its true costs. Analytic Skills 97 Small firms pursuing a cost-leadership strategy have an advantage in reaching customers whose primary purchase criterion is high quality. Analytic Skills 99 One key to building a successful differentiation strategy is to be better than competitors at some characteristic that customers value. Analytic Skills The key to a successful differentiation strategy is to build it on a core competency, something the company is uniquely good at doing in comparison to its competitors. Analytic Skills A differentiation strategy frequently allows the company the opportunity to charge a higher price for its products or services. Analytic Skills One danger in choosing a differentiation strategy is trying to differentiate based on something that the customer does not perceive as valuable. Analytic Skills A small business following a focus strategy attempts to serve its narrow target markets more effectively and efficiently than competitors trying to appeal to the broad market.

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Chapter 3 : Scarborough, Essentials of Entrepreneurship and Small Business Management | Pearson

SMALL BUSINESS MANAGEMENT provides a balanced introduction to both entrepreneurship and small business management, with a focus on achieving and maintaining a sustainable competitive advantage as a small organization.

The person is separate from the process. Begin the class discussion by asking students to describe entrepreneurs they know or have read about. Ask students why they want to go into business for themselves rather than work for someone else. Compare their responses to Figure 2. Use Reality Check to illustrate the vast differences in ways businesses begin. Ask students about traits or personal characteristics needed to be a successful entrepreneur. Use the case, What Would You Do? The chapter closing case features small business owners who are struggling with problems regarding their business model. Have students read the case setup before class and have students make a commitment on what they recommend. Then you can either begin class discussion with the whole group or break the class into groups of three or four and have them brainstorm strategies before opening discussion to all. Sara Blakely, founder of Spanx Sara looked for the solution to a personal problem like most entrepreneurs do and created flattering undergarments for females. Entrepreneurship and small business management are both processes, not isolated incidents. What Is an Entrepreneur? Small Business Chapter Management, 2: Entrepreneurship and the Small Business Manager Entrepreneurship involves the startup process. Small business management focuses on running a business over a long period of time. Entre-Perspectives Are You Ready? The questions are designed to be thought provoking and will provide some personal insight for class discussion. Concept Check Questions 1. What do entrepreneurs do that distinguishes them from any other person involved in business? Entrepreneurs assume the risk involved in starting businesses. The entrepreneur, unlike employees, is the one who puts forth the initial effort in creating a new business. Imagine that the principal from the high school you attended and graduated from called to invite you to make a presentation to the newly founded entrepreneurship club. What would you tell this group of high school students about owning their own business as a career option? One could imagine talking about the commitment required for self-employment, about perseverance, about creativity and financial organization that are all needed at the same time. The entrepreneurship process includes the innovation, triggering event, and implementation stages. The small business management process includes the growth, maturity, and harvest stages. Describe the significance of triggering events in entrepreneurship. Small Entrepreneurship, Business Management, and Ownership Entrepreneurship, and Ownership A triggering event is something that happens to the entrepreneur that causes him or her to bring an idea to reality. This is important to bring the organization to life i. How is small business management different from entrepreneurship? Entrepreneurship involves the startup process of an organization. Why would an entrepreneur be concerned about harvesting a business that has not yet been started? By viewing the business as an investment and keeping in mind how to get out of it, an entrepreneur can better increase the value of a business and decrease chances of failure at the same time. Preparation for owning a small business. Pros and Cons of Self-Employment Advantages and disadvantages include: Opportunity for Profitâ€”Few other occupations provide such a direct link between performance and compensationâ€”strong motivation. Risks of Self-Employmentâ€”Personal liability, uncertain income, long working hours, and frequently limited compensation are all risks. Reality Check Small Biz on Campus This box highlights students who are running their own businesses before their college graduation good classroom discussion fodder. For more examples see Inc. Traits of Some Successful Entrepreneurs While personal traits and characteristics are not predictive of who will be a successful entrepreneur, some commonality exists. Important characteristics include passion for the business, determination, knowledge of product and markets, a need to achieve, internal locus of control, tolerance for ambiguity, tolerance for risk, and incredible tenacity. Students will probably not recognize the company IdeaPaint, but it is an inspiring story of a successful company as a college freshman after recognizing an opportunity while working in 10 11 Chapter 2: The point of the story is entrepreneurial success

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with a business started while the owner was still in college. Preparing Yourself for Business Ownership 1. Experience and education are both needed to start and run a business, but the type and amount of each depends greatly on the business. Entrepreneurs and small business owners have higher education levels than the general public. A good question can be asked here: Why might personality characteristics may be good predictors of who will be a successful entrepreneur? Personal characteristics and traits are not useful in predicting who will be a successful entrepreneur. However, personal characteristics such as a high tolerance for ambiguity, a strong need to achieve, and a willingness to accept risk are important throughout the entrepreneurship process. If a friend told you that entrepreneurs are high risk takers, how would you set the story straight? Although there are many risks involved in entrepreneurship, financial as well as emotional, there are factors that make those risks worth taking. These include the opportunity for independence, the chance for a better lifestyle, and the potential for significant profit. Entrepreneurs, contrary to popular opinion, do not take risks just for the sake of taking them. They carefully analyze what steps can be taken to decrease the risk to a moderate level or at least to the point where it is worth taking. Explain why people who own a small business may not enjoy pure independence. Pure independence equals total liability, and some people may not want to take this total responsibility. If personal characteristics or personality traits do not predict who will be a successful entrepreneur, why are they significant to the study of entrepreneurship or small business management? Which characteristics do you think are most important? Although there are not any characteristics or traits that predict who would be a successful entrepreneur, studies have found shared characteristics among individuals who tend to be at the top of any profession. The most important characteristics or traits are determination, knowledge of the field, and innovation. Think of an activity that you love to do; it could be a personal interest or a hobby. How could you turn your passion for this activity into a business? What questions would you have to answer for yourself before you took this step? What triggering events in your personal life would it take for you to start this business? Small Entrepreneurship, Business Management, and Ownership Entrepreneurship, and Ownership For example, a student who has the hobby of photography it could be turned into a business by opening a portrait studio, by selling stock photos, or by taking fashion photographs for magazine or professional sports team. One of the first decisions to be made in starting a business is choosing a form of ownership. There is no single best form of organization. The decision depends on individual needs and preferences, tax consequences, and liability concerns. See the following figures: The Sole Proprietorship A sole proprietorship is a business that is owned and operated by one person. Advantages include independence, easy to set up and easy to close, and payment of taxes as an individual. Disadvantages include unlimited liability you can lose more than you invest, limited resources and skills, and difficulty in continuity of the business. Zoo Doo, a Memphis, Tennessee-based company that sells composted animal manure to gardeners 1. Discuss the advantages and disadvantages of organizing Zoo Doo as a sole proprietorship, a partnership, or a corporation. Think of all the possible factors that might influence your choice. The advantages of Ledbetter staying a proprietorship are simplicity and stability. The disadvantage of staying a proprietorship is the biggest problem he faces and may not even realize it and that is of the potential liability if a customer contracted e-coli contamination from Zoo Doo a long shot, but possible. The only advantage to bringing a partner into an existing business is if Pierce had some deficiency that only another person could provide. The disadvantage would be giving up equity and control that he had worked hard to build. The corporate advantage is providing the limited liability lacking in the proprietorship. The corporate downside is the added expense and complexity. The Partnership A partnership is an association of two or more persons who are co-owners of a business. Advantages include pooled talent, access to more resources, relatively easy to form, and taxes paid as individuals. Disadvantages unlimited liability, potential for management conflict, less independence, and problems of continuity of the business. The Limited Partnership a structure designed to increase investments and resources of a business where limited partners may retain limited liability as long as at least one general partner retains unlimited liability. Articles of Partnership a contractual agreement that defines the terms and conditions, obligations, and responsibilities

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of partners. The Corporation A corporation is a business structure that creates an entity separate from its owners and managers. Many small businesses that incorporate form closely held corporations in which the stock is held by a relatively few people and is not available for sale to the general public. Advantages include limited liability unfortunately, many small business owners must use their personal possessions as collateral for business loans, which effectively negates limited liability, increased access to resources, and ease of transfer of ownership. Disadvantages include the expense and complexity of starting and maintaining the corporation, and double taxation. Forming a Corporation Articles of incorporation must be filed with the Secretary of State in the state in which the business is formed. A board of directors must be appointed, bylaws adopted, officers elected, and stock issued. Discussion topic - The Buy-Sell Agreement One of the smartest documents for owners of multiple-owner businesses such as partnerships and corporations is a Buy-Sell Agreement. A buy-sell is useful if one or more of the owners wants out of the business, wants to retire, goes through personal bankruptcy, wants to sell his shares to someone else, goes through a divorce, or passes away. A good teaching moment is to do a Google search in order to bring in an example of such an agreement. A competent tax advisor should be consulted to assist this decision. S Corporation The primary advantage of an S corporation is that owners pay taxes as individuals rather than the corporation paying taxes separately.

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A business that is small compared to large companies in an industry, is geographically localized, is financed by only a

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few individuals, and has a small management team. Entrepreneurial Opportunities An economically attractive and timely opportunity that creates value for interested buyers or end users.