# Chapter 2

**Review Questions**

1. Discuss some of the underpinning traits held by entrepreneurs.

2. Consider the main attributes of the entrepreneur given by the three main economic theorists of the entrepreneurial tradition, are they applicable today?

3. Are entrepreneurs homogeneous in terms of their types and motivations? Discuss.

4. To what extent is entrepreneurship a new phenomenon?

5. Why do entrepreneurs decide to undertake the risk of going it alone?

6. To what extent has academia resolved questions surrounding entrepreneurship?

**Review Answers**

1. Good answers are expected to highlight some of the enduring human attributes that are attributed to the entrepreneurs in sections 2.2 and 2.3 that are said to lead some people and not others to choose entrepreneurship. Answers should discuss the extent entrepreneurs who exhibit such traits are more likely to exploit opportunities, as well as take into account that no two are the same.

2. Answers should discuss the key economic theories of entrepreneurship introduced in section 2.2 and focus in on the three main economists, Schumpeter, Kirzner and Knight, all of whom influenced the way we view the entrepreneurs today.

3. Answers for this should be stimulated by section 2.3 that suggests entrepreneurial decision making is more a matter of reducing uncertainty than it is about personality or ‘innate’ abilities. Which is why drawing an accurate picture of the individual entrepreneur is almost impossible and instead the most important issue here appears to be the fit between the process and other key elements of entrepreneurship.

4. Answers here should be drawing heavily on both sections 2.2 and 2.3 that discusses the origins of entrepreneurship. Answers should acknowledge that the phenomenon of entrepreneurship is indeed not new and while the fundamental tools may have changed the ability has been present in every civilisation. Answers must include exemplars.

5. Answers should be drawing heavily on the discussion in section 2.4 incorporating elements of motivation and the push and pull of entrepreneurship. Why do individuals choose to enter into such risky endeavours? Answers should also the general concept of "risk" in 2.2 as well as a detailed discussion of how a typical entrepreneur is characterised by their ability to take calculated risks.

6. This answer incorporates everything in section 2.5 and should include a discussion of what recent studies have pointed to - the heterogeneity of research in this field, and to the lack of adequate explanations of how entrepreneurship actually occurs. While acknowledging the work that has been done, answers should state that current theory is underdeveloped and that, crucially, the study of process is now at the epicenter of the debate.

# Chapter 3

**Review Questions**

1. Consider De Bono’s six thinking hats, what practical applications does it have?
2. Consider two theoretical views of creativity, and outline the elements of each.
3. How does innovation impact upon markets?
4. To what extent is luck a factor in becoming a successful entrepreneur?
5. What factors influence the discovery or creation of opportunities?
6. Describe and discuss in detail the stages of creative problem solving.

**Review Answers**

1. Good answers should discuss de Bono’s Six Thinking Hats in section 3.1. Answers should discuss the steps and processes in depth to show how teams generate knowledge and awareness of a certain problem area, and also encourages them to learn more about the problem as a team, as well as assisting them in researching possible solutions and incubating their ideas in moments of reflection by asking questions at each stage.
2. Answers should effectively present the two views in 3.1 expressed by Feldman on the elite and developmental views. They must discuss the elements of both view and consider examples to illustrate answers.
3. Answers here should be focused on section 3.2 on the discussions of innovation by Christensen (1997): *disruptive* innovations and *sustaining* innovations. Answers should detail both views as well as draw on other exemplars such as Schumpeter's (1934) types of innovation to add depth.
4. Answers here should focus on section 3.3 on how opportunities emerge. Answers should discuss the elements of the planned and unplanned approach as well as discuss in detail that it is not just a question of being in the right place at the right time but a question of recognizing a good opportunity and having the skills to convert that opportunity into a thriving business.
5. Answers here should be focused on section 3.4 and should be aimed at discussing how entrepreneurs in the creation or discovery of opportunities implies a match between the market on the one hand, and the knowledge, skills and competencies of the entrepreneur on the other (figure 7).
6. A good answer should be focused on the discussion in section 3.5 note that the process is iterative and each stage is interlinked to the next, like the entrepreneurial process the creative process relies on revision and new insights. Those who hope to make it happen must revisit and revise the original idea.

# Chapter 4

**Review Questions**

1. Explain why it is important to understand diversity in entrepreneurship.
2. Discuss how the key challenges for ethnic minority entrepreneurs could be overcome.
3. Discuss how the key challenges for women entrepreneurs could be overcome.
4. Aside from ethnic minority and women entrepreneurs, which other groups of diverse entrepreneurs are you now aware of? Can you think of any others?
5. What do you think are the biggest challenges that affect multiple groups of diverse entrepreneurs?
6. What are the push and pull factors for grey entrepreneurs entering self-employment?

**Review Answers**

1. Understanding diversity in entrepreneurship is important to:
	* Better understand the heterogeneity in entrepreneurship
	* To understand what the motivations and challenges for entrepreneurs are
	* To help identify and break down the barriers for entrepreneurs
2. Suggestions for ethnic minority entrepreneurs might include:
	* + Provision of financial support
		+ Provision of business advice
		+ Access to business courses
		+ Training and support for use of technology
		+ Access to language courses
3. Suggestions for women entrepreneurs might include:
	* + Provision of financial support
		+ Provision of mentoring services and business advice
		+ Access to formal business networks
		+ A cultural shift away from women’s role within the family and home
4. The other groups of diverse entrepreneurs mentioned in this text are: grey, LGBT, disabled and graduate entrepreneurs. Other groups could be ‘mumpreneurs’ (mum-entrepreneurs), ‘teenpreneurs’ (teenage entrepreneurs) / ‘youthpreneurs’ (youth entrepreneurs), academic entrepreneurs, or others.
5. The biggest challenges that have arisen across multiple groups of diverse entrepreneurs are:
* Access to finance or start-up capital
* Lack of education or skills and knowledge gaps
* Adapting to the role of technology in business
1. Push and pull factors for grey entrepreneurs entering self-employment;

Push factors for grey entrepreneurs

* Accommodation of medical conditions,
* loss of employment
* lack of quality jobs

Pull factors for grey entrepreneurs

* Strong asset base /financial security
* Control of working hours
* Control of level of responsibility assumed
* Vast high quality networks

# Chapter 5

**Review Questions**

1. How do entrepreneurs differ from social entrepreneurs?
2. What are the differences between social enterprise and social entrepreneurship?
3. What are the differences between corporate social responsibility and social entrepreneurship?
4. Discuss the two different schools of thought on social entrepreneurship.
5. Who are Rafael Alvarez, Alvaro Rodriguez Arregui Ignia and Richard Barth? What have they done and what social impact have they made?
6. Analyse and explain why social capital is important to enhancing our understanding of social entrepreneurship.

**Review Answers**

1. The differences between entrepreneurs and social entrepreneurs

Entrepreneurs are typically driven to enhance their personal wealth.

Entrepreneurs do not give primacy to social mission.

Social entrepreneurs do not seek to grow their personal wealth through a venture.

The success of social entrepreneurship is measured in terms of social impact.

Social entrepreneurs do not have harvest or exit strategies.

2. The differences between social enterprise and social entrepreneurship

Social enterprises are a particular type of venture within the third sector, whereas social entrepreneurship can exist in any sector of the economy.

Not all social enterprises are entrepreneurial; many may be small ventures without growth aspirations or potential.

Social enterprises must derive a minimum of 25% of their income from trading (50% according to some theorists) whereas social entrepreneurs need 100% of income from trading according to the earned income school of thought, or can be entirely reliant on grants and donations without any earned income according to the social innovation school of thought.

3. The differences between CSR and SE

Social mission is paramount to social entrepreneurship, as it is a strategic choice for the majority of managed organisations. SE entails primacy of social mission.

The success of social entrepreneurship is measured according to social value creation, whereas the CSR can be measured across a variety of attributes, many of which are non-social value related (creating of awareness, strengthening of brand and return on investment).

4. There are two schools of thought on social entrepreneurship

 Social Innovation

 Earned income

Both accept the primacy of social mission in their theoretical framework and also accept social value creation as the fulfilment of social mission; however, the latter school insist that only SEs with organisations self-sufficient from 100% earned income quality are social entrepreneurs. According to this definition all social businesses are socially entrepreneurial. The addition of this criterion excludes the founder of One World Health, Victoria Hale, from being classified as a SE.

The key flaw with the earned income theory, and hence the strength of the social innovation school of thought, is that it is logically unsound, as it is quite possible that a social business is not entrepreneurial, and secondly that the theory fails to explain organisations like One World Health.

1. Who are Rafael Alvarez, Alvaro Rodriguez Arregui Ignia and Richard Barth? What have they done and what social impact have they made?

Rafael Alvarez Genesys Works: Genesys teaches low-income high school juniors basic IT skills, like installing and troubleshooting software, then places them in paid internships, hoping they'll land steady jobs after graduation. As a bonus Genesys grads are far more likely to go to college than their peers.

Alvaro Rodríguez Arregui Ignia: This "impact venture capital fund" invests in companies that work to assist the millions of Mexicans who lack decent housing, health care and clean water. Portfolio companies include MeXvi, which helps people build their own homes, private water supplier Agua Natural and Finestrella, a company that helps folks without credit cards get cell phones.

Richard Barth: It's a simple idea, but it works: Keep kids in school longer and they learn more. Students in the 109 KIPP (Knowledge Is Power Program) schools across the country attend class from 7:30 a.m. to 5 p.m. (two and a half hours more than most other kids), plus every other Saturday and for three additional weeks in the summer. Last year 98% of KIPP eighth graders outperformed their peers in reading and 90% were better in math. Gap founders Doris and Donald Fisher were early backers.

6. Analyse and explain why social capital is important to enhancing our understanding of social entrepreneurship.

Social capital explains how communities develop and are enhanced by SE at the societal rather than individual level. Research has shown that high rates of SC are indicative of healthy, vibrant communities and demonstrate a strong sense of trust and municipality, greater educational and health outcomes. Social capital is both a valuable precursor and output of SE.

# Chapter 6

**Review Questions**

1. Discuss the dimensions through which environmental turbulence has created the need for corporate entrepreneurship.
2. What is corporate entrepreneurship?
3. What are the differences between start-up entrepreneurship and corporate entrepreneurship?
4. Explain the four schools of thought on corporate entrepreneurship.
5. What are corporate entrepreneurship outcomes?
6. Discuss the variables that are vital for designing work environments that support a corporation’s entrepreneurial strategy.

**Review Answers**

1. Four dimensions through which environmental turbulence has created a need for corporate entrepreneurship:
2. Through customers – fragmented markets, increasing customer expectations, higher cost of customisation, etc.
3. Through competitors – increased expenditure in product development, difficult to differentiate, increased competition, etc.
4. Through technology – new information, service delivery, customer management, logistics, inventory, sales force management and product development technologies.
5. Through legal, regulatory and ethical standards – increased accountability, visibility and transparency to multiple stakeholders; and increased litigious environment and regulatory restrictions
6. Corporate entrepreneurship: development of new business ideas and opportunities within established corporations or activities that enhance a corporation’s ability to innovate, take risk and seize opportunities in its markets. Corporate entrepreneurship is a solution to corporation staleness, lack of innovation and stagnated growth. Corporations that reveal corporate entrepreneurship are regarded as dynamic, flexible and competitive.
7. Differences between start-up and corporate entrepreneurship:

Start-up entrepreneurship – takes the risk; owns the concept or innovative idea; owns all or much of the business; potential rewards are theoretically unlimited; one misstep can mean failure; vulnerable to outside influence; independence of the entrepreneur, although the successful entrepreneur is typically backed by a strong team; flexibility in changing course, experimenting, or tying new directions; speed of decision making; little security; no safety net; few people to talk to; limited scale and scope initially; severe resource limitations.

Corporate entrepreneurship – assumes the risks, other than career-related risk; owns the concept, and typically the intellectual rights surrounding the concept; may have no equity in the company, or a very small percentage; clear limits are placed on the financial rewards; more room for errors; company can absorb failure; more insulated from outside influence; interdependence of the champion with many others; may have to share credit with any number of people; rules, procedures and bureaucracy hinder the entrepreneur’s ability to manoeuvre; longer approval cycles; job security; dependable benefit package; extensive network for bouncing around ideas; potential for sizeable scale and scope fairly quickly.

1. Four schools of thought on corporate entrepreneurship:
2. Corporate venturing – to manage new, entrepreneurial businesses separately from the mainstream activity especially in a critical area of new trend, segment or technology. This happens in different industries such as pharmaceutical, food and beverage, fast-moving consumer goods and others. Reasons to pursue corporate venturing: to create an innovative capability as the base for making corporations more entrepreneurial and accepting of change; to expand the scope of operations and competence into areas of strategic significance; and to generate potential financial gains.
3. Intrapreneurship – as a process whereby individuals inside corporations pursue opportunities independent of the resources they currently control. Involving innovative activities such as development of new products, services, technologies, administrative techniques, strategies and competitive postures. Intrapreneur – employee who introduces and manages an innovative project within the corporate environment. Characteristics of intrapreneurs as result-orientated, ambitious, competitive, questioning, self-motivated, comfortable with change, dislike bureaucracy, adept at politics, clarity of direction and able to delegate.
4. Bringing the market inside – emphasises on structural changes required to inspire entrepreneurial behaviour and uses the marketplace metaphor to suggest how corporations should manage resource allocation and people management systems. It argues for greater use of such market techniques as spin-offs and corporate venture capital operations.
5. Entrepreneurial transformation – corporation can and should adapt to an ever-changing environment and such adaptation can be achieved by manipulating the corporation’s structure, systems and culture. Leader’s role is crucial in putting the architecture in place especially the structures, culture and strategies.
6. Corporate entrepreneurship outcomes:

New corporate strategies – strategic renewal; domain redefinition; organisational rejuvenation

New ventures – internal corporate ventures; joint corporate ventures; external corporate ventures

New business models – new value propositions; new revenue models

New markets – extension of existing markets; entry of market new to firm; creation of new market

New products/services – new to the world; new lines; additions to existing lines; improvements / revisions; new applications; repositioning

New internal processes – administrative systems or procedures; production methods; marketing / sales approaches; customer support programmes; distribution channels/methods; logistical approaches; financing methods; pricing approaches; purchasing techniques; organisational form or structure

1. Corporate entrepreneurial work environment:

Culture – the organisation’s basic beliefs and assumptions regarding what the company is about.

Structure – the formal pattern of how people and jobs are grouped, and how the activities of different people or functions are connected.

Resource controls – the formal and informal mechanisms that help managers ensure that resources are obtained and used efficiently and effectively.

Human resource management – the set of tasks associated with acquiring, training, developing, motivating, organising and maintaining the employees of a company.

# Chapter 7

**Review Questions**

1. How would you define a family firm?
2. What are the benefits of owning and operating a family business?
3. What are the disadvantages to owning and operating a family business?
4. What are the key elements in managing succession?
5. Why do family businesses need a succession plan?
6. When do you think the family business is most vulnerable?

**Review Answers**

1. A good response will identify the three commonly used dimensions highlighted in the chapter. These dimensions help us understand how you would go about defining a family business. The dimensions are ownership (one or several family members hold a major stake in the company), management (family members hold top management positions), or board-membership (family members hold major control over the company via their board membership).

On top of these dimensions a good response will highlight the type of relationships considered to be family within the literature. Family commonly refers to the immediate family, extended family (cousins, uncles, aunts), and family by marriage. Subsequent generations of these various elements of the family can be involved in the family business as well. If business ownership is shared between and amongst these different parts of a family, then researchers tend to refer to them as a family firm. The above guidelines are important to have in mind when you read the family business literature, because a variety of definitions are employed. They provide a valuable criterion for assessing the completeness of an author’s definition.

2. Most responses will highlight the obvious points like obtaining business advice from experienced family members and low or zero interest rate funding from family members, which were discussed under the characteristics of family businesses within the chapter.

Better responses will also highlight that nepotism can have a positive influence on family business performance, as it can enhance communications due to the maintenance of familiar and trusting family relationships. In addition, good responses will mention that family businesses often benefit from a strong company culture. Company culture provides family businesses with a distinctive “sense of future,” because there is an expectation that the family firm will be passed on to the next generation. This “sense of future” means owners generally take a judicious and long-term view of the company and its survival.

A further benefit is that the founder’s entrepreneurial flair and passion frequently inspires and motivates other family members and subsequent generations. Certainly past successes and the experience of previous generations can provide family members with a base of knowledge, skills and business contacts that can be invaluable for successfully operating the family business.

Another benefit is the reputation of a family firm. When a family firm’s reputation improves, so do employee expectations of how they should perform their jobs. The family business literature reports many examples of family businesses that have been successful due to a shared culture and cooperation, long-term vision and established reputation. Paisner (1999) states that a company culture is built by involving family members from an early age in what the business is all about. This involvement starts when children listen to their parents and grandparents discussing business at their dinner table. This early and constant contact means family members develop deep and detailed knowledge of the business, its products, contacts and customers. This accumulated knowledge along with emotional ties to the firm can provide a family business with significant benefits. It can also provide a clear focus on value and success. Family values can also be extended to nonfamily members as well.

3. A major disadvantage is that family members may attempt to interfere with the running of the business particularly if they have provided the funding. Too much family involvement increases the probability that one or more family or non-family members will disagree over the firm’s goals or activities. Other disadvantages centre on the sometimes difficult relationships that can occur between family members and succession planning. Disadvantages relating to family relationships include nepotism, which creates mistrust and dissatisfaction amongst nonfamily employees, who may seek jobs elsewhere. Another disadvantage is family rivalry. If multiple family members are employed in a family firm, the selection of who is, and who is not promoted, within the business can cause problems.

The final disadvantage is succession planning. The next generation of family members can have very different ambitions and attitudes towards the business. Potential heirs in particular may wish to establish themselves in different careers and industries. As a consequence finding a sibling willing to succeed the founder can be a significant problem.

4. Heller (1998) offers the following key elements in managing the succession process include:

First, is the use of an experienced mentor to guide the successor is important. He also argues that the successor needs to keep close to the firm’s customer base, so he or she understands how the company’s products serve their needs. Successful succession in a family business requires the successor to obtain relevant training and experience as well.

Moreover, succession planning guides are widely available from government agencies in most developed countries, as they generally have a remit to assist small family firms. For example, the Scottish Government provides access to free business support services via an agency called the “Business Gateway.” In addition, within the United Kingdom the Institute for Family Business (http://www.ifb.org.uk) supports and promotes the UK family-owned business sector through training events, networking, publications and research etc. Available on the Institute’s website are a number of publications and guides outlining the succession planning process. These guides typically identify the following issues as being critical: The time and effort required to produce a succession plan cannot be underestimated; Owners should plan for succession proactively and early; Owners should create a written succession plan that includes the involvement of appropriate family and business colleagues; Owners should make use of external assistance and support offered by government agencies such as Scotland’s Business Gateway; and establish a training process for the next generation.

5. Succession planning is an important method for identifying and developing potential candidates to fill important leadership positions within a company. The purpose of succession planning is to increase the availability of experienced and skilled employees that can fill key organisational roles as they become vacant.

Succession planning is particularly important if the next generation of family members can have very different ambitions and attitudes towards the business. Potential heirs in particular may wish to establish themselves in different careers and industries. As a consequence finding a sibling willing to succeed the founder can be a significant problem. Indeed it is not unusual for the new generation of family members to have no desire to be involved in the business. As a result, owners need to proactively create a succession plan that investigates likely candidates, whether family and non-family colleagues, and what types of approach to use to ensure the transition of ownership between generations like a “stop-gap manager” or even a management buyout.

Succession planning is also important, as it can help identify whether the next generation possess the necessary experience and qualifications. Successful succession planning can help facilitate potential successors obtaining the relevant training and skills required before taking over the running of the family business.

Sibling rivalry is a further situation where succession planning can help. A succession plan can provide a shared vision for the future of the organization. Having a plan lets everyone know how resources and ownership will be shared in the long-term as well. Moreover, it can avoid ambiguity concerning family and nonfamily roles, business objectives, growth targets, products being offered etc.

Finally, the involvement of outside investors makes succession planning particularly important, as they wish to see their investment protected. Investors also want a clear understanding of where the company will go if something happens to the current owner. Like most investors around the world they crave stability and certainty, so the personal qualities of the successor, the way he or she has been chosen, trained and the involvement of the outgoing leader are all very important considerations for them.

6. Family businesses are particularly vulnerable when its ownership is being transferred from one generation to the next, as a high proportion of owners ignore the need for a successor altogether. Many family firms ignore the succession issue, because it may unearth underlying family problems and issues that would cause pain and conflict. In addition, the succession issue is unpleasant to contemplate for the founder / owner, because it forces him or her to face their mortality and losing control of the business.

Family businesses also have a reputation for being conservative and this means that they can be slow to react to change or to grasp new opportunities. Therefore, during periods of industry change such as the introduction of new technologies, they can struggle to adapt their products and operations to fit new environmental circumstances and as a consequence their business can fail. Another vulnerable period for family businesses is the development of improper management structures or behaviours like nepotism, which can undermine professionalism in the business and discourage non-family staff members. Finally, periods of family conflict can immobilise a company.

# Chapter 8

**Review Questions**

1. How does an Autocratic leadership style impact subordinates?
2. Discuss the decision making for both democratic leaders and laissez-faire leaders.
3. What are the common problems you can associate with the traits approach as ‘the’ theory of leadership?
4. What is the major difference between a task leader and a relationship leader?
5. Why is it important for organisations to have transactional leaders?
6. What is entrepreneurial leadership?

**Review Answers**

1. Staff and team members have little opportunity to suggest and leaders have complete power over their staff. Tepper (2000) uses ‘ abusive supervision’ to describe the Autocratic Leadership Style. (See p. 2 Section 8.2.1 for details).

2. Decision making democratic leaders

* Democratic leaders make the final decisions, but they include team members in the decision-making process

**making Laissez-faire leaders**

Laissez-faire leadership style allows complete freedom to group decision without the leader’s participation. Thus, subordinates are free to do what they like. (See p. 3 Section 8.2.3 for details)

3. Common problems associated to the traits approach as ‘the’ theory of leadership.

* Almost as many traits as studies undertaken were identified
* It became apparent that no consistent traits could be identified
* Leaders might have possessed certain traits but the absence of them did not necessarily mean that the person was not a leader.(See p. 5 section 8.3.2 for details).

4. Major difference between a task leader and a relationship leader:

A task-oriented leader is one who focuses on the task or series of tasks at hand, as well as all procedures necessary to achieve the task. A relational-oriented leader understands the importance of tasks, but also places a tremendous amount of time and focus on meeting the needs of everyone involved in the assignment. (See p.7 section 8.3.7 for details).

5. Transactional leaders provide distinct advantages through their abilities to address small operational details quickly. Transactional leaders handle all the details that come together to build a strong reputation in the marketplace, while keeping employees productive on the front line (See p.11 section 8.3.5 for details).

6. Entrepreneurial leadership literature came into existence when researchers have tried to combine two concepts (Entrepreneurship and leadership) into one concept. This is a leader who can operate in a world that is highly volatile and in which competitive action unstoppably and speedily erodes whatever advantage the firm develops and aims to enjoy (See p. 14 section 8.4 for details).

# Chapter 9

**Review Questions**

1. What are the globalisation factors influencing on the emergence of early internationalising firms or global start-ups?
2. Explain the theoretical foundation of international entrepreneurship
3. Can you identify different motivations for international entrepreneurs?
4. What are the characteristics and traits of an international entrepreneur?
5. How to build international entrepreneurial capabilities for starting an international venture?
6. What is International New Venture, describe different types of International New Ventures with illustrated examples

**Rview Answers**

1. The answer should cover the following points with elaboration and examples:

* Advances in international communication, information technology
* Pace of technological change in production and transportation
* Advances in international transport
* Integration of world’s financial markets
* Market-oriented and globalization polices
* Limited home market
* International nature of industry
* Homogeneity of international market
* International competition

2. The answer should demonstrate the different concepts of international entrepreneurship, what it concerns or studies, the concepts of early internationalising firms, different types of International New ventures.

3. The answer should cover the following points with elaboration, explanation and illustrated examples:

- Overcome local market constraint: Limited size of domestic markets

- Pursue unique international niche market: specialised products

- Shorten product life cycles

- Need to access to foreign resources: financial, human and technological capital

- Exploit proprietary technology internationally

- Avoid domestic inertia within firm

- Seek for lower costs: labour cost, R&D cost, tax

- Advantages of small firms in terms of quicker response time, higher flexibility, adaptability

- Competitiveness of domestic markets

4. The answer should elaborate on the following points with elaboration, explanation and examples:

* Global vision and commitment
* International market orientation
* International experiences
* Alert to the possibilities of combining resources form different national markets
* Cross-cultural background and network
* Innovative mindset, entrepreneurial orientation
* Emphasis on learning and knowledge development
* International marketing capabilities
* Flexibility to adapt to changing conditions abroad
* Emphasize differentiation and/or focus strategies (e.g. super product quality)

5. Building international entrepreneurial capabilities :

-Articulating a global purpose.

-International market opportunity identification: connect the dots

-Institutional bridging: preference and capacity for cross-cultural collaboration

-Strategic alliances building

-Supply chain creation

6. Entrepreneurs who can identify and act on international market opportunities and be able to manage effectively different resources from multiple countries can drive their INVs to success. There are four types of INVs:

1. Export/import start-ups
2. Multinational trader
3. Geographically focused start-ups
4. Global start-ups

(i) the export and import start-ups concentrate on limited countries for trading where the entrepreneur is knowledgeable; (ii) the multinational traders operate in a number of countries and continually scan for new opportunities where “their networks are established or where they can quickly be set up”; (iii) geographically focused start-ups possess their advantages by offering their services as “the specialised needs” of a particular geographic region via the use of foreign resources. The last type of INVs is (iv) the global start-up, which is the most radical manifestation of the INVs. This type develops its competitive advantage from various organisational activities where their locations are globally dispersed.

# Chapter 10

**Review Questions**

1. Discuss the differences between ‘liquidation’ and ‘administration’.
2. Review one social and one economic effect of business closure.
3. What are the operational functions for firms failing?
4. Which factors would need to be considered to review business failure?
5. Discuss how an entrepreneur can be affected by business failure negatively and positively.
6. List 5 ways an entrepreneur can prevent business failure and discuss.

**Review Answers**

1. Liquidation is a voluntary exit, recognised by an entrepreneur knowing that their business is on the decline in life cycle. Entrepreneurs make a willing choice to bring business activities of the company to an end before entire finances dissolve.

Administration on the other hand is where a company decides to hand over their business to a third party (an administrator) in an attempt to revive financial stability. This could lead to liquidation at a later stage.

1. Social
	1. Learning experience
	2. Effect on friends and family
	3. Anguish
	4. Buy-out’s

Economic

* 1. Financial stakeholders
	2. Unemployment
	3. Discovering consumer trends
	4. Accounting - Lack of accurateaccounting and, necessity of working capital
	5. Marketing - Losing sight of their target market, branding, consumer trends and marketing communication strategies
	6. Internal Factors – Lack of start of capital, Nepotism, Internal disputes
	7. External Factors - Economic or political factors changing the environment
	8. Behaviour of owner/manager – Lack of skill and business acumen
	9. Age of business
	10. Size of business
	11. Past- growth
	12. Sector
	13. Economic conditions
	14. Type of firm
	15. Location
	16. Ownership
	17. Business in receipt of state subsidies
1. Negative: Greif, Loss of pride, Financial debt and Stress

Positive: Gaining experience, creative destruction and innovation, re-organisation or new venture creation

* 1. Business plan and Adequate Capital
	2. Do not start your business in a down economy
	3. Close relationships with creditors
	4. Good account receivables
	5. Good record keeping
	6. Diverse customer base
	7. Developing management skills before starting
	8. Consider use of partners
	9. Grow slowly
	10. Financial control

# Chapter 11

Review Questions

1. What are the differences between entrepreneurship and SME policy?
2. Why should taxpayers assist with enterprise policy?
3. Why should government not intervene with enterprise policy?
4. What is market failure and how does this effect SMEs?
5. What are the difference between the two types of support offered to entrepreneurs and SMEs?
6. What are the six major categories designed to address challenges faced by entrepreneurs and SMEs?

**Review Answers**

1. Differences between entreprenruship and SME policy:

* Entrepreneurship policy focuses on *individuals*, while SME policy focuses on *firms*.
* Entrepreneurial policy concentrates on supporting the needs of people as they progress from one stage to the next (from awareness to pre-start-up to post-start-up); SME policy emphasises support for established firms that have already acquired sufficient capacity to benefit from SME schemes and measures.
* Entrepreneurship policy makes greater use of ‘soft’ policy measures, such as mentoring, advice and entrepreneurship promotion; SME policy makes use of ‘hard’ policy instruments such as financial support.
* The implementation of entrepreneurship policy includes a number of players in the makeup of its support infrastructure, such as educators, the media, and government agencies, whilst SME policy is more likely to be directly implemented through a constricted set of key players such as economic development agencies and financial intermediaries.

2. Why should tax payers assist with enterprise policy:

- Contribute disproportionately to job creation: 1970s saw a doubling of the real price of oil, high international interest rates, high rates of inflation, and unemployment levels in developed economies not seen since before the Second World War Birch (1979) highlighted the importance of small businesses to employment creation. Every year around 200,000 to 250,000 private sector firms are born in the UK (BIS, 2013).

- Contributions to economic development:

* Technological advances
* Increased globalisation and competition
* Changes in the workforce
* Consumers increasing demand
* Greater focus on innovation due to a shortening of product life-cycles and competitive pressures

**-** Sustainability benefits:

* SMEs and entrepreneurs provide choice and variety to consumers
* They support local communities because of the personalised way that owners run their business
* They represent an alternative outlet for people that perceived that they are not suited to employment – a shift from ‘dependency’ to and ‘enterprise’ culture

- A core political constituency: the scale and focus of enterprise policy is that entrepreneurs and SMEs constitute a large group of voters in democratic countries. For example, at least 95% of all businesses in any economy are SMEs.

3. Why government should not intervene:

* While government intervention may have been helpful in preventing negative business cycles and controlling inflation, it has created new kinds of problems like inefficiency, reduced growth rates, causing unproductive entrepreneurship and creating a parallel economy. The result of such failures is that governments can then in turn harm small firms and reduce the welfare of society through diverting resources, and deflecting or impeding businesses.
* The government does not always intervene wisely, especially in the area of regulation. Endless paperwork is involved, imposing a fixed compliance cost on firms which large firms can spread over time and financially, putting their smaller competitors at a greater competitive disadvantage.
* It is often argued in the political economy and public finance arena that politicians and interest groups may direct subsidies in ways which primarily benefit themselves, rather than increase social welfare.
* The government is assumed to have clear objectives; however, in the UK enterprise policy aims have been difficult to pin down.
* With policy objectives trying to solve both economic and social problems, specific government enterprise policies become difficult to evaluate, and if and when they are evaluated, it is often in the most favourable light.

4. Market failure: If market failures exist as a consequence of specific barriers or unequal treatment, government should then intervene on the grounds of equality:

* Monopoly
* Imperfect information
* Risk and uncertainty
* Financial support
* Externalities

5. The difference between support:

Hard/direct/operational policy instruments: include a range of implemented financial measures such as direct grants, subsidised loans, loan guarantees and increasing initiatives to make venture capital more readily available.

Soft/indirect/strategic policy instruments: predominant in many industrialised countries utilising taxpayers’ money to offer ‘soft’ business support to SMEs. This type of support comes in the form of advisory assistance, the dissemination of best practice and encouragement of partnerships and gateway services which endeavour to strategically address particular kinds of market failure facing small firms.

6. The six categories include:

* The regulatory environment for start-ups
* The promotion of entrepreneurship
* The entrepreneurship education
* The business start-up support measures
* To access financing and seed-capital
* The target group strategy

# Chapter 12

**Review Questions**

1. Select three definitions of business ethics. One should be from a textbook, one from an academic journal and one from a more general journal or modern media source. Reference them in Harvard style. Identify the similarities between the definitions and the areas in which they differ.

2. If you are an internet user, you probably access Google on a daily basis. Identify three elements of Google’s business model which may have ethical import.

3. Identify three activities within a company of your choice which are morally neutral. Explain why they are so.

4. Identify the main stakeholder groups of your University. On what do they base their claim to be stakeholders?

5.Nova IT is a new technology company creating cutting edge medical hardware. A J Smith is a traditional firm of chartered accountants. Identify two ethical dilemmas which both companies might handle in the same way. Identify one dilemma which each company might treat very differently.

6. Identify three UK companies in different sectors (eg food, homewares) which have clearly defined and documented CSR policies. Give the link to the source of each policy. Identify one element which is common to all three companies.

**Review Answers**

1. The student may well select definitions already identified in the chapter. This is acceptable as what is interesting here are the similarities and differences between definitions.

Similarities

all definitions will specifically mention business organisations or the practice of business

All definitions will mention issues of right and wrong

Differences

Some definitions will make a direct comparison with personal moral codes (eg, de George), while the majority of definitions do not make this personal reference.

Should a student choose a media source such as the video links from the Markkula Centre, it will be noted that specific references to business ethics as promoting human welfare will be made.

References chosen from modern media will tend to adopt the “Ethics in Business” definition identified by de George, that is, a commentary on practical action, rather than the more academic approach of journals.

What students say here is not as important as the exercise of comparing and contrasting definitions to establish that there is no “one size fits all”.

2. Three areas include:

Privacy: Google gathers incredible amounts of data on people who use its search engine. While it makes assertions about protection of privacy and eventual anonymisation (not deletion) of data, the company has access to a great deal of data which it can use for advertising links.

Freedom of Speech: students may note Google’s ongoing issues with the Chinese authorities, which regularly block Google services. In 2012 Google introduced a feature which told Chinese users if their searches would trigger reactions a Chinese Government content blocking firewall. In 2013 this was quietly dropped in, possibly in response to Google’s Chinese services being regularly blocked.

Advertising: Google scans emails/searches identifying key words in a user’s communications which link to advertisements.

3. This encourages you to differentiate between business decisions which have a purely commercial import and those which have no ethical import. The choice of company is not important, although it may results in more variety in examples. Examples might include:

Choice of location: while this might have a benefit in terms of jobs etc, the choice is likely to be made for purely business reasons such as access to transport, cost of services etc.

Choice of suppliers: we choose our advertising agencies, bankers etc to suit our business needs. Note, however, that in some circumstances, ethical import may develop, eg, if we are a Living Wage organisation we may wish to confirm that our supply chain partners pay living wage as well.

Daily Organisation: office layout, décor, start and finish times – a host of small, daily organisational details may have little ethical value – and in many cases, little direct business value either - but help the organisation to run more smoothly

4. Some of the main stakeholders are:

* Students: their interest in the quality of their education qualifies them as stakeholders
* Staff: their status as employees qualifies them as stakeholders
* Local community; your university may be a major local employer
* City Government: Your University enhances the city’s reputation as a seat of learning. Additionally, the city has an interest in the university’s plans for development.
* National Government: its interest in the provision of higher education qualifies it as a stakeholder.
* Employers: their interest in procuring high quality graduates qualifies them as stakeholders.
* Wider University community: the educational community as a whole is a stakeholder as it is interested in the development of university education in the UK and overseas.

5. Answers might include such items as:

Finance: each firm has to ensure taxation is paid completely and in a timely fashion

Invoicing: each firm has to ensure that it charges honestly and fairly

Sustainability: A J Smith may wish to cut down paper use, reduce energy waste etc. However, Nova IT will have additional pressing problems – e.g., how to safely dispose of toxic waste produced in the manufacturing process.

6. Students can choose from a wide variety of organisations, e.g., Sainsbury’s, Ikea, Procter and Gamble. Policies which they have in common may include items such as attitudes to child labour, reducing toxic waste, recycling, fair wage etc.