

Entrepreneurship: Successfully Launching New Ventures, 4e (Barringer/Ireland)
Chapter 9 Building a New Venture Team

1) Scripped, the company profiled in the opening feature for Chapter 9, offers Web-based screenwriting software. Which of the following statements best reflects Scripped's personnel policy?

- A) Scripped has hired aggressively and now has approximately 40 employees.
- B) Its three cofounders are its only employees.
- C) Scripped was founded by two UCLA MBA students and quickly grew to 10 employees.
- D) Its founder is its only employee.
- E) It has avoided building a large staff. Its formal employees consist of its three cofounders and an individual obtained in a merger.

Answer: E

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

2) A _____ is the group of founders, key employees, and advisers that move a new venture from an idea to a fully functioning firm.

- A) new venture panel
- B) startup team
- C) new venture team
- D) new project team
- E) startup cadre

Answer: C

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

3) Jenny Templeton is preparing to launch a home security firm. The team of people that will launch Jenny's firm are as follows: Jenny (CEO), Brent (VP-Finance), Carrie (VP-Sales), a four-person Board of Directors, a five-person Board of Advisors, and Jenny's primary investor, who will assume an advisory role. The group of people that will launch Jenny's firm is called its:

- A) startup squad
- B) new venture panel
- C) new venture team
- D) startup cadre
- E) startup troop

Answer: C

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

4) The fact that companies often falter because the people who start the firms can't adjust quickly enough to their new roles and because the firm lacks a "track record" with outside buyers and sellers, is referred to as the:

- A) liability of preparedness
- B) liability of newness
- C) burden of novelty
- D) burden of freshness
- E) millstone of innovation

Answer: B

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

5) Savanna Combs opened a clothing boutique two years ago. Unfortunately, the boutique failed after 18 months. Savanna attributes the failure of her boutique to the facts that her employees couldn't adjust quickly enough to their new roles and that her boutique lacked a "track record" with outside buyers and sellers, which made it difficult to form partnerships and make sales.

Savanna suffered from what research calls the:

- A) burden of novelty
- B) millstone of innovation
- C) liability of newness
- D) liability of preparedness
- E) burden of newness

Answer: C

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

6) The high failure rate among new ventures is due in part to the liability of newness, which refers to the fact that new companies often falter because:

- A) they are underfunded and the founders of the firms don't move quickly enough to put together boards of directors and boards of advisors that can provide them direction and advice
- B) the founders of the firms underestimate the complexities involved with starting a new business and the firms lack a "track record" with outside buyers and sellers
- C) the people who start the firms can't adjust quickly enough to their new roles and the firms lack a "track record" with outside buyers and sellers
- D) the people who start the firms can't adjust quickly enough to their new roles and they are underfunded
- E) the founders of the firms underestimate the complexities involved with starting a new business and they don't move quickly enough to establish business partnerships

Answer: C

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

7) Which of the following was not identified in the textbook as an element of a new venture team?

- A) board of advisors
- B) suppliers and vendors
- C) key employees
- D) lenders and investors
- E) management team

Answer: B

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

8) According to the textbook, studies show that more than one individual starts _____ of all new firms.

- A) 20 to 25 percent
- B) 50 to 70 percent
- C) 5 to 15 percent
- D) 30 to 40 percent
- E) 75 to 90 percent

Answer: B

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

9) The What Went Wrong feature in Chapter 9 focuses on Deever, a 2008 startup that helped software developers use cloud-based services to "test" their code in an expedient manner.

According to the feature, one of the primary reasons Deever failed was:

- A) it lacked a cofounder who loved the business side of running a startup
- B) the cofounders couldn't get along
- C) it didn't build a robust partnership network
- D) it didn't solicit advice from attorneys, bankers or business consultants
- E) it didn't have a Board of Advisors

Answer: A

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

10) Which of the following statements is untrue regarding founding teams?

- A) The members of heterogeneous teams are diverse in terms of their abilities and experiences.
- B) The members of homogenous teams are very similar in terms of their abilities and experiences.
- C) Teams that have worked together before have an edge.
- D) Studies show that more than one individual starts 50 to 70 percent of all new firms.
- E) It is generally believed that new ventures started by an individual have an advantage over new ventures started by a team.

Answer: E

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

11) Which of the following statements is incorrect regarding founding teams?

- A) The members of heterogeneous teams are diverse in terms of their abilities and experiences.
- B) Teams that are working together for the first time have an advantage over teams that have worked together before.
- C) The psychological support that cofounders of a new business can offer one another is an important element of a firm's success.
- D) The members of homogeneous teams are very similar in terms of their abilities and experiences.
- E) Studies show that more than one individual starts 50 to 70 percent of all new teams.

Answer: B

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

12) The members of heterogeneous teams are:

- A) diverse in terms of their abilities and experiences
- B) diverse in terms of their abilities, but very similar in terms of their experiences
- C) similar in terms of their abilities and experiences
- D) diverse in terms of their experiences, but very similar in terms of their abilities
- E) sometimes diverse in terms of their abilities and experiences and sometimes similar along the same dimensions

Answer: A

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

13) The members of homogeneous teams are:

- A) diverse in terms of their abilities and experiences
- B) diverse in terms of their abilities, but very similar in terms of their experiences
- C) similar in terms of their abilities and experiences
- D) diverse in terms of their experiences, but very similar in terms of their abilities
- E) sometimes diverse in terms of their abilities and experiences and sometimes similar along the same dimensions

Answer: C

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

14) According to the textbook, which of the following statements is inaccurate regarding the size and composition of the founding team of a firm?

- A) There is no relationship between a founding team's size and its effectiveness.
- B) A founding team larger than four people is typically too large to be practical.
- C) The members of a homogeneous founding team are similar in terms of their abilities and experiences.
- D) The members of a heterogeneous founding team are diverse in terms of their abilities and experiences.
- E) A founding team can be too big, causing communication problems and increasing potential for conflict.

Answer: A

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

15) According to the textbook, prior entrepreneurial experiences:

- A) is one of the poorest predictors of future entrepreneurial performance
- B) is one of the most consistent predictors of future entrepreneurial performance for entrepreneurs under 50 years of age but not for entrepreneurs over 50 years of age
- C) is one of the most consistent predictors of future entrepreneurial performance
- D) is one of the most consistent predictors of future entrepreneurial performance in service firms but not in manufacturing firms
- E) has no relationship to future entrepreneurial performance

Answer: C

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

16) Which of the following statements is not true regarding the attributes of the founder or founders of a firm?

- A) Evidence suggests that important entrepreneurial skills are enhanced through higher education.
- B) Founders with prior entrepreneurial experience are more likely to avoid costly mistakes.
- C) Founders with experience in the same industry as their new ventures will typically have "blinders" on and are typically not as effective as founders new to the industry.
- D) Founders with broad social and professional networks have an advantage.
- E) New ventures that are started by a team rather than an individual have an advantage.

Answer: C

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

17) Which of the following qualities was not identified in the textbook as a preferred attribute of the founder or founders of a firm?

- A) prior entrepreneurial experience
- B) firm started by a team
- C) relevant industry experience
- D) prior experience working in a government or university position
- E) higher education

Answer: D

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

18) The process of building and maintaining relationships with people whose interests are similar or whose relationship could bring advantages to the firm is called:

- A) linking
- B) socializing
- C) networking
- D) associating
- E) connecting

Answer: C

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

19) Ned Kite is a four time business owner. One thing that has served Ned well throughout his entrepreneurial career is his ability to build and maintain relationships with people whose interests are similar or whose relationships could bring advantages to his new ventures.

According to the textbook, Ned is a good:

- A) networker
- B) socializer
- C) linker
- D) assembler
- E) connector

Answer: A

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

20) A(n) _____ is a chart that depicts the most important skills that are needed in a new venture and where skills gaps exist.

- A) expertise report
- B) talent profile
- C) abilities summary
- D) skills profile
- E) talent summary

Answer: D

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

21) Jason Andersen just finished writing a business plan for a new type of office supply store. One thing Jason included in the "Management Team & Company Structure" section of his business plan is a chart that depicts the most important skills that are needed for his business and where skills gaps exist. Jason included a(n) _____ in his business plan.

- A) skills profile
- B) talent report
- C) abilities profile
- D) expertise report
- E) talent summary

Answer: A

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

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22) A skills profile is a chart that depicts the:

- A) preferable skills and abilities of the members of a firm's board of advisors
- B) preferable skills and abilities of the members of a firm's board of directors
- C) most important skills that are needed in a business startup and where skills gaps exist
- D) skills and abilities that will be needed for a firm to maintain an aggressive growth strategy
- E) the skills of a company's customers and how those skills impact the product and services a company provides

Answer: C

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Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

23) The Savvy Entrepreneurial Firm feature in Chapter 9 focuses on how business founders overcome a lack of business experience. Which of the following was not mentioned as a practical way for a new business founder to overcome a lack of business experience?

- A) hiring consultants from a major consulting firm, like Bain & Company or McKinsey & Company
- B) taking on a partner that has business experience
- C) getting help from a Small Business Development Center
- D) joining a Meetup group
- E) participating in online forums

Answer: A

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

24) A 2011 survey conducted by the University of Maryland's School of Business and Network Solutions asked small business owners how well they competed with other companies for good employees, and only _____ said they were successful.

- A) 16 percent
- B) 28 percent
- C) 30 percent
- D) 46 percent
- E) 66 percent

Answer: D

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

25) If a new venture organizes as a corporation, it is legally required to have a(n) _____, which is a panel of individuals who are elected by a corporation's shareholders to oversee the management of the firm.

- A) board of advisors
- B) review team
- C) team of advisors
- D) accountability panel
- E) board of directors

Answer: E

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

26) Kate Harrison is in the process of launching an educational services firm. She plans to incorporate the firm. Because the firm will be incorporated, Kate is legally required to have a:

- A) board of investors
- B) board of advisors
- C) customer advisory board
- D) board of directors
- E) panel of advisors and peers

Answer: D

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

27) A board of directors is typically made up of both:

- A) junior and senior directors
- B) inside and outside directors
- C) experienced and inexperienced directors
- D) novice and expert directors
- E) paid and unpaid directors

Answer: B

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

28) The panel of individuals who are elected by a corporation's shareholders to oversee the management of the firm is called the:

- A) board of advisors
- B) accountability panel
- C) advisory team
- D) panel of directors
- E) board of directors

Answer: E

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

29) A board of directors is typically made up of both inside and _____ directors.

- A) leading
- B) subordinate
- C) specialist
- D) outside
- E) impartial

Answer: D

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

30) In the context of boards of directors, a(n) _____ is a person who is also an officer of the firm.

- A) outside director
- B) junior director
- C) inside director
- D) expert director
- E) senior director

Answer: C

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

31) In the context of boards of directors, a(n) _____ is someone who is not employed by the firm.

- A) outside director
- B) inside director
- C) external director
- D) impartial director
- E) peripheral director

Answer: A

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

32) James Williams is the Chief Operating Officer of a startup in the health food industry. He is also a member of his firm's board of directors. In board of directors terminology, James is a(n):

- A) inside director
- B) outside director
- C) expert director
- D) junior director
- E) senior director

Answer: A

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

33) Keith Barnes is a general partner in a venture capital firm that just funded South Florida Software, a software firm in Coral Gables, Florida. South Florida Software is incorporated, and Keith has taken a seat on the firm's board of directors. In board of directors terminology, Keith is a(n):

- A) subordinate director
- B) senior director
- C) distant director
- D) inside director
- E) outside director

Answer: E

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

34) A board of directors has three formal responsibilities:

- A) periodically update the firm's business plan, declare dividends, and write the firm's marketing plan
- B) appoint the officers of the firm, declare dividends, and oversee the affairs of the corporation
- C) write the firm's strategic plan, declare dividends, and conduct the annual meeting
- D) appoint the officers of the firm, conduct the annual meeting, and submit the firm's annual report to the Securities & Exchange Commission
- E) provide funding to the firm, write the firm's strategic plan, and submit the firm's annual report to the Securities & Exchange Commission

Answer: B

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

35) A board of directors has three formal responsibilities: appoint the officers of the firm, oversee the affairs of the corporation, and:

- A) conduct the annual meeting
- B) provide funding for the firm
- C) submit the firm's annual report to the stockholders
- D) declare dividends
- E) write the firm's strategic plan

Answer: D

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

36) A board of directors has three formal responsibilities: appoint the officers of the firm, declare dividends, and:

- A) write the firm's strategic plan
- B) conduct the annual meeting
- C) provide funding for the firm
- D) represent the firm in public relations activities
- E) oversee the affairs of the corporation

Answer: E

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

37) Which of the following statements is incorrect regarding boards of directors?

- A) If a new venture organizes as a corporation, it is not legally required to have a board of directors, but it is strongly recommended.
- B) A board is typically made up of both inside and outside directors.
- C) The board is responsible for declaring dividends.
- D) Most boards meet formally three or four times a year.
- E) The boards for publicly traded companies are required by law to have audit and compensation committees.

Answer: A

Diff: 2 Page Ref: 300

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

38) According to the textbook, although a board of directors has formal governance responsibilities, its most useful role is to:

- A) provide guidance and support to the firm's managers
- B) submit papers on behalf of the firm to the SEC
- C) represent the firm in public relations activities
- D) conduct the firm's annual meeting
- E) provide funding to the firm

Answer: A

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

39) Andy Zackery just launched a firm in the sporting goods industry. On the day the company was launched, Andy issued a press release, indicating that the vice president of Brunswick, a highly respected sporting goods company, had agreed to serve on his board of directors. Andy knows that such a high quality appointment will send an important message to his potential clientele. This phenomenon is referred to as:

- A) championing
- B) signaling
- C) profiling
- D) indicating
- E) trumping

Answer: B

Diff: 2 Page Ref: 301

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

40) Melissa Jones just launched a firm in the wireless communications industry. Shortly after the company was launched, Melissa announced that a prominent Silicon Valley venture capitalist had agreed to serve on her board of directors. Melissa knows that such a high quality appointment will send an important message to her potential business partners and clientele. This phenomenon is referred to as:

- A) trumping
- B) championing
- C) profiling
- D) signaling
- E) indicating

Answer: D

Diff: 2 Page Ref: 301

Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

41) Which of the following was not identified in the textbook as an attribute of an effective board of directors?

- A) homogeneous set of experiences and talents
- B) customer-focused point of view
- C) ability and willingness to stand up to the CEO and top managers of the firm
- D) strong communication with the CEO
- E) decisiveness

Answer: A

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Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

42) Which of the following was not identified in the textbook as an attribute of an effective board member?

- A) strong personal and professional networks
- B) unknown in their field
- C) investment and/or operating experience
- D) ability and willingness to mentor the CEO and the top managers of the firm
- E) pattern recognition skills

Answer: B

Diff: 2 Page Ref: 302

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

43) A(n) _____ is a panel of experts who are asked by a firm's managers to provide counsel and advice on an ongoing basis.

- A) consultation board
- B) idea panel
- C) counseling panel
- D) advisory board
- E) suggestion panel

Answer: D

Diff: 2 Page Ref: 302

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

44) William Woods recently launched a printing company. One thing William is thinking about creating is a panel of experts who can provide him ongoing direction and advice regarding the future of his business. William is thinking about creating a(n):

- A) analysis panel
- B) discussion board
- C) advisory board
- D) suggestion panel
- E) accountability panel

Answer: C

Diff: 2 Page Ref: 302

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

45) Amy Phillips founded a cosmetics firm several years ago. Her firm has grown rapidly and is financially successful. One thing that Amy attributes her success to is that early on she assembled a panel of experts who provided her ongoing direction and advice about her business. What Amy created is called a(n):

- A) consultation panel
- B) suggestion panel
- C) idea board
- D) accountability panel
- E) advisory board

Answer: E

Diff: 2 Page Ref: 302

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

46) Which of the following statements about advisory boards is incorrect?

- A) The fact that a corporation has a board of directors does not preclude it from establishing one or more advisory boards.
- B) An advisory board can be established for general purposes or can be set up to address a specific issue or need.
- C) Similar to a board of directors, an advisory board has legal responsibility for the firm in certain areas.
- D) An advisory board is a panel of experts who are asked by a firm's managers to provide counsel and advice on an ongoing basis.
- E) A growing number of startups are forming advisory boards.

Answer: C

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Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

47) Which of the following statements about advisory boards is incorrect?

- A) If a firm has a board of directors it is not permitted to have an advisory board.
- B) Many people are more willing to serve on a company's board of advisors than its board of directors because it requires less time and there is no potential legal liability involved.
- C) Most boards of advisers have between 5 and 15 members.
- D) A growing number of startups are forming advisory boards.
- E) An advisory board can be established for general purposes or can be set up to address a specific issue or need.

Answer: A

Diff: 2 Page Ref: 302

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

48) According to the textbook, most boards of advisers have between:

- A) 5 and 15 members
- B) 2 and 4 members
- C) 10 and 18 members
- D) 2 and 3 members
- E) 4 and 7 members

Answer: A

Diff: 3 Page Ref: 303

Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

49) The Partnering for Success feature in Chapter 9 focuses on iConclude, a company that set up a customer advisory board. The main point of the feature is:

- A) the proper time to set up a customer advisory board is just after a business has been launched
- B) the members of a firm's customer advisory board should be as diverse as possible
- C) a customer advisory board can be a good source of new product or service ideas
- D) the main purpose of a customer advisory board is to assess customer satisfaction
- E) setting up a customer advisory board before a business is launched can be a useful way of getting feedback while a product is being developed

Answer: E

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Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

50) Which of the following is incorrect regarding the typical role of consultants in business startups?

- A) give professional advice
- B) international consulting firms, like Accenture and Bearing Point, are financially beyond the reach of most small firms
- C) consultants fall into two categories: paid consultants and consultants who are made available for free
- D) give expert advice
- E) help manage the day-to-day activities of the firm

Answer: E

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Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

51) A new venture team is the group of founders, key employees, and advisers that move a new venture from an idea to a fully functioning firm.

Answer: TRUE

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

52) The term "liability of newness" refers to the fact that companies often falter because the people who start the firms can't adjust quickly enough to their new roles and because the firms lack "track records" with outside buyers and suppliers.

Answer: TRUE

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

53) Studies show that more than one individual starts 80 to 90 percent of all new firms.

Answer: FALSE

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

54) It is generally believed that new ventures started by an individual have an advantage over those started by a team.

Answer: FALSE

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

55) Founding teams that have worked together before, as opposed to teams that are working together for the first time, have an edge.

Answer: TRUE

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

56) Homogeneous teams are diverse in terms of their abilities and experiences.

Answer: FALSE

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

57) Prior entrepreneurial experience, relevant industry experience, and networking are attributes that strengthen the chances of a founder's success.

Answer: TRUE

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

58) Relevant industry experience is a poor predictor of future entrepreneurial performance.

Answer: FALSE

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

59) Networking is building and maintaining relationships with people whose interests are similar or whose relationship could bring advantages to a firm.

Answer: TRUE

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60) A skills profile is a chart that depicts the most important skills that are needed and where skills gaps exist.

Answer: TRUE

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61) An increasingly important approach for recruiting employees is via social media sites like LinkedIn, Facebook, and Twitter.

Answer: TRUE

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62) Although a board of directors has formal governance responsibilities, its most useful role is to provide guidance and support to the firm's managers.

Answer: TRUE

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63) An advisory board is a panel of experts who are asked by a firm's managers to provide counsel and advice on an ongoing basis.

Answer: TRUE

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Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

64) Similar to a board of directors, an advisory board possesses legal responsibility for the firm.

Answer: FALSE

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Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

65) An advisory board can be established for general purposes or can be set up to address a specific need.

Answer: TRUE

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Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

66) The fact that a corporation has a board of directors precludes it from having a board of advisors.

Answer: FALSE

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Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

67) Most boards of advisers have between 3 and 5 members.

Answer: FALSE

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Topic: Rounding Out the Team: The Role of Professional Advisers

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Objective: Summarize best practices in staffing and team formation

68) More people are willing to serve on a company's board of directors than board of advisors.

Answer: FALSE

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Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

69) Consultants fall into two categories: paid consultants and consultants who are made available for free or at a reduced rate through a nonprofit or government agency.

Answer: TRUE

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Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

70) SCORE is a for-profit organization that provides consulting services to small businesses.

Answer: FALSE

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Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

71) Describe the term "liability of newness" and suggest several ways that a new venture can overcome this handicap.

Answer: The term "liability of newness" refers to the fact that companies often falter because the people who start them aren't able to adjust quickly enough to their new roles and because the firms lack "track records" with outside buyers and suppliers. Assembling a talented and experienced new venture team is one path firms can take to overcome these limitations. In addition, firms able to persuade high-quality individuals to join them as directors or advisers quickly gain legitimacy with a variety of individuals, such as some of those working inside the venture as well as some people outside the venture (e.g., suppliers, customers, and investors). In turn, legitimacy opens doors that otherwise would be closed.

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72) Are more firms started by individuals or founding teams? What are the advantages to founding a firm as a team rather than as an individual?

Answer: Studies show that more than one individual starts 50 to 70 percent of all new firms. It is generally believed that new ventures started by a team have an advantage over those started by an individual because a team brings more talent, resources, ideas, and professional contacts to a new venture than does a sole entrepreneur. In addition, the psychological support that cofounders of a new business can offer one another is an important element in the firm's success.

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Topic: Creating a New Venture Team

AACSB: Reflective Thinking

Objective: Summarize best practices in staffing and team formation

73) What is the difference between a heterogeneous and a homogeneous founding team? Which type of team has the advantage?

Answer: Heterogeneous founding teams are diverse in terms of their abilities and experiences. Homogeneous founding teams are very similar on the same dimensions. Heterogeneous teams typically have the advantage. The members of heterogeneous teams are likely to have different points of view about technology, hiring, decisions, competitive tactics, and other important activities. These different points of view are likely to generate debate and constructive conflict among the founders, reducing the likelihood that decisions will be made in haste or without the airing of alternative points of view.

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AACSB: Reflective Thinking

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74) What is a skills profile and what is it used for?

Answer: A skills profile is a chart that depicts the most important skills that are needed in a startup (such as executive leadership, finance, operations, HR) on the horizontal axis and lists the members of the new venture team and the skills that each individual contributes on the vertical axis. The idea is to see whether the skills that are needed to launch a firm are adequately covered by the members of the new venture team, or whether skills gaps exist that need to be filled.

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Objective: Summarize best practices in staffing and team formation

75) What is SCORE? What is its role in helping a firm fill out its new venture team?

Answer: SCORE is a nonprofit organization that provides free consulting services to small businesses. SCORE currently has over 13,000 volunteers, who are typically retired business owners and who counsel in areas as diverse as finance, operations, and sales. SCORE helps a business fill out its new venture team by providing important advice and direction in areas that the new venture cannot provide for itself.

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Topic: Rounding Out the Team: The Role of Professional Advisers

AACSB: Reflective Thinking

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