ANALYZING THE IMPACT OF CORPORATE EXPANSION DRIVEN JOB CREATION, WAGES PAID, AND LEVEL OF FINANCIAL INVESTMENT ON SMALL BUSINESS CREATIONS AND FAILURES: A COUNTY LEVEL ANALYSIS

by

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ABSTRACT

KENYA SMITH. Analyzing the impact of corporate expansion driven job creation, wages paid, and level of financial investment on small business creations and failures: A county level analysis. (Under the direction of DR. JUSTIN WEBB)

This dissertation examines the relationship between corporate expansions and entrepreneurial startup activity and failures, the number of jobs created, wages paid, and the level of investment received by the corporate relocate. Using data sourced from the North Carolina Secretary of State, North Carolina Department of Commerce, and Job Development Investment Grant, I set out to evaluate changes in entrepreneurial startup activity and failures, tax incentive payouts, and salaries arising from large (greater than 251 employees) corporate expansions and relocations located in the state of North Carolina. The analysis suggests that the number of jobs created, and the level of investment received by expansions of existing corporations had a direct effect on entrepreneurial startup activity. However, there was no direct effect found on wages paid, number of jobs created, and the level of investment on failure activity by the same focal corporate expansions. I conclude by highlighting the study's theoretical contributions to help further the conversation and direct startup and failure business strategies for small businesses.

KEYWORDS: New Venture Creation, Firm Growth, New Venture Failure, Economic Development

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CHAPTER 1: INTRODUCTION

There have been ongoing interests in the economic activities of large corporations expanding their operations to geographic locations across the United States (Edmiston, 2004). Some common reasons for such interest include the effectiveness of state tax incentives (Cressy, 2006), the creation of new jobs (Kille, & Ordway, 2015), and net effects on entrepreneurial startup activity (Heinze, 2013). Large corporations are constantly looking for ways to expand operations and increase revenue. One way they do this is by expanding to new geographic locations across the United States. The interest of large corporations in expanding their operations is also driven by the desire to tap into new markets, access to resources, and to diversify their products and services. Companies are increasingly looking to expand their operations in the United States to take advantage of the country's growing consumer market, skilled workforce, and stable business environment (Khanna, Palepu, & Sinha 2005).

This expansion can bring economic benefits to the communities where they establish operations, such as new jobs and increased investment in surrounding communities. Much has been made of the indirect effects, or spillovers, of corporate expansions. The positive spillovers include contracts with suppliers (Zollo, & Reuer, 2010), increased consumer spending, knowledge transfer between businesses (Audretsch, & Keilbach, 2005), the influx of businesses that can bring jobs and economic growth to the community, and the sharing of employment pools (Rosenthal, & Strange, 2001). However, as we know from research on opportunity costs (Rubin, 1973), corporate jobs present opportunity costs that can reduce individuals' incentives to start up. Corporate jobs and their perquisites can present stark competition for key resources for entrepreneurial ventures (Chang, & Singh, 2000). Negative spillovers and direct effects are important as well. They include constraints on employment pools, wage wars for top talent (Edmiston, 2007), increased housing

market prices (Chapple, & Jeon, 2021), small businesses exiting leading to the loss of culture and character, and pressures to meet strict requirements of local tax incentive programs (Duranton, Gobillon & Overman, 2011). Overall, the effects of big corporations moving into small communities can be complex and multifaceted. The impact will depend on the specific community, the corporation, and the actions that are taken by local governments and residents.

Research has shown that incentives offered by state and local governments, such as tax breaks and grants, play a significant role in where corporations decide to expand. A Government Accountability Office (GAO) study found that state and local governments spend billions in economic development incentives to attract or retain businesses (GAO, 2021). Additionally, a study by McKinsey and Company found that corporations are more likely to locate in states that offer generous incentives (Gonzalez et al., 2019).

One of the emphases of extant research is on the effectiveness of state tax incentives to increase corporate expansions at the regional level. Findings suggest that using state tax credits reduces resource costs and increases job creation for most corporations (Luger & Bae, 2005). The majority of empirical studies have focused on the antecedents of entrepreneurial startup activity, such as the influence of institutional and economic infrastructure on entrepreneurship (Bygrave & Minniti, 2000). However, there is a gap in the literature specifically regarding the role that state tax incentive programs might have on entrepreneurial startup activity and failures in the context of corporate expansions.

Research on entrepreneurial startup activity has predominantly examined regional variations within the same country (Young et al., 1994). These studies have identified factors such as market conditions, access to resources, and policy environments as important drivers of entrepreneurial activity (Bygrave & Minniti, 2000). Despite the extensive body of research, the

potential impact of corporate expansions on entrepreneurial startup activity remains underexplored, particularly in terms of how it might positively or negatively influence jobs and wages within communities (Huggins et al., 2017).

This research gap is interesting because corporate expansions can have both positive and negative effects on entrepreneurial startup activity and failures. On one hand, corporate expansion may stimulate startup activity by bringing in more money to be invested in the community, creating a need for suppliers, and facilitating knowledge transfer (Shepherd & Williams, 2018). On the other hand, it may create competition for resources (such as skilled labor) and increase opportunity costs for individuals (through higher salaries), reducing the attractiveness of entrepreneurial startup activities and potentially undermining existing entrepreneurs' activities (Cardon et al., 2011) leading to entrepreneurial failures.

One key variable that has not been adequately addressed in the literature is the importance of financial investment made by state and local governments in corporations relocating to the area (Shepherd & Williams, 2018). This variable is crucial to understanding the relationship between corporate expansions and entrepreneurial startup activity and failures, as it may directly influence the availability of resources and opportunities for entrepreneurs.

In this study, I aim to examine how corporate expansions influence entrepreneurial activity, including both startup and failure. In particular, I investigate the role of state tax incentive programs and financial investments made by state and local governments in shaping the entrepreneurial landscape (Shepherd & Williams, 2018). By examining the interplay between corporate expansions, financial investment, wages, and job creation, this research seeks to provide a deeper understanding of the factors that drive or hinder entrepreneurial startup activity and failures in the context of corporate growth.

To fill the knowledge gap in the literature, I propose a model for how corporate expansion influences entrepreneurial startup activity and failure, keeping in mind that corporate expansions can often alter entrepreneurial opportunities and place certain demands on resources. I examine the following research question, also depicted in the research model shown in **Figure 1:**

How do the characteristics of corporate expansions (wages paid, # of jobs created, and level of govt financial investment) influence startup activity and failure?

I examined this question by connecting and leveraging data from various sources. Specifically, entrepreneurial startup activity and failures was measured by collecting data from the North Carolina Secretary of State. Jobs and wage data was pulled from the North Carolina Commerce website, specifically the Job Development Investment Grant section. Finally, to collect data on state and local tax incentive payouts, I utilized the North Carolina Job Development Investment Grant (JDIG) program site as well.

For the empirical aspect of this dissertation, I began by collecting the relevant datasets focusing on variables related to corporate expansions, entrepreneurial activity, wages, job creation, and government investments. I standardized the data by ensuring consistency in measurement units, geographic boundaries, time periods, and variable names. Second, I merged the datasets using common key variables, like geographic codes or unique identifiers, while ensuring data integrity and consistency. Next, I conducted data validation and quality checks by comparing summary statistics and visualizing the data to spot errors or outliers. Finally, I documented the data processing steps, data sources, and any transformations performed, to facilitate collaboration and reproducibility of results in this research project.

The purpose of the current study is to examine how corporate expansions impact entrepreneurial activity and failures at the county level across North Carolina. Understanding the

elements that impact entrepreneurial startup activity and terminations is crucial because of the contributions new businesses make to economic development (Fritsch & Mueller, 2007). This research seeks to provide several contributions to scholarly understanding. Scholars have examined the influence of various factors on startup activity, including tax policies (Goolsbee, 2004), population growth (Armington & Acs, 2002), economic indicators (Wennekers et al., 2005), entrepreneur's characteristics (Gartner, 1985), and prior knowledge (Shane & Venkataraman, 2003) on startup activity.

However, to my knowledge (and after conducting a thorough review of extant research), scholars have yet to investigate the influence of corporate expansions on startup activity. This gap in the literature is surprising because local and state governments frequently incur significant costs to attract corporations to their communities with the intent of sparking local productivity (Couch & Placzek, 2010). Corporate expansions can disrupt the nature of opportunities within a local community, raising questions about whether such expansions consistently contribute to increased productivity (Huggins et al., 2017).

My study provides essential insights into how corporate expansions affect both entrepreneurial startup activity and exit decisions, shedding light on the complex relationship between corporate growth and local entrepreneurial ecosystems. First, I contribute to the growing but limited knowledge of entrepreneurial research on new venture creation and the impact of corporate expansions. I add nuance by examining how jobs created and wages paid by corporations can moderate the potential disruption caused by corporate expansions on local entrepreneurial activity. Understanding these dynamics is crucial for policymakers and stakeholders, as it can inform their decision-making processes to better support entrepreneurship in their communities during periods of corporate expansion. Lastly, I contribute to the growing

body of literature on the role of state tax incentives (Luger & Bae, 2005), infrastructure investments (Lahr et al, 2010), economic growth (Acs et al., 2007) and government policies (Audretsch et al., 2007) on startup activity and exit. However, as scholars, we still lack an understanding of how financial investments made by state and local governments influence the number of jobs created by corporations relocating to an area, and how this, in turn, affects entrepreneurial startup activity and exit decisions.

State and local governments make significant financial commitments to attract and retain corporations, often with the express goal of stimulating local economic development and job creation (Bartik, 1991). The expectation is that such investments will create a positive ripple effect, sparking entrepreneurial activity and strengthening the local economy. However, the precise dynamics and outcomes of these initiatives remain underexplored.

Lastly, my study seeks to contribute essential insights into the interplay between governmental financial investments, corporate relocation, job creation, wage levels, and their subsequent effects on entrepreneurial startup activity and exit decisions. By shedding light on these dynamics, my research will not only bridge this knowledge gap, but also equip policymakers, local governments, and entrepreneurs with valuable information to inform their strategies.

In conclusion, this research distinctly contributes to entrepreneurship literature by addressing three pivotal, yet underexplored areas. Firstly, it unravels the complex relationship between corporate expansions and local entrepreneurial startup activity and exits providing a nuanced understanding of the impact of corporate growth on the entrepreneurial ecosystem. Secondly, it delves into the effects of government financial incentives aimed at attracting corporations on startup and exit decisions Lastly, it examines the influence of the level of financial investment

made by state and local governments in attracting corporate expansions on entrepreneurial startup and exit decisions.

Each of these contributions underscores the multifaceted dynamics between corporate expansions, government policies, and entrepreneurial activity. This research, therefore, provides valuable insights into the potential ripple effects of corporate expansions on local entrepreneurial ecosystems, and how policy decisions can enhance or impede these effects. In doing so, it equips policymakers, local governments, and entrepreneurs with a more comprehensive understanding of the entrepreneurial implications of corporate expansions, offering them a valuable tool in their efforts to cultivate a more vibrant and inclusive entrepreneurial environment.

The next chapter will examine the economic and entrepreneurial literature on entrepreneurial startup activity and failure/exit, further highlighting extant research gaps in the literature. Chapter two will describe the gap in economic and entrepreneurial literature. The theoretical framework for new venture creation as well as our newly enhanced model is described in chapter three, along with our hypotheses. An overview of the techniques and methods used to test the hypotheses is provided in chapter four. The results of the hypotheses testing are presented in chapter five, and the importance of the results and the dissertation's limits are covered in chapter six.

CHAPTER 2: LITERATURE REVIEW

This literature review aims to provide a comprehensive overview of three specific areas: (1) entrepreneurial startup activity, (2) entrepreneurial failures, and (3) the economic impact of state business tax programs. By exploring these topics, this review will offer insights into the key drivers of entrepreneurial activity, the challenges faced by entrepreneurs, and the potential policy interventions that can foster a more supportive environment for new businesses.

By synthesizing the existing body of knowledge on these three interconnected topics, this literature review aims to provide a solid foundation for future research and inform policy and practice in the field of entrepreneurship. Understanding the complex interplay between entrepreneurial activity, failure, and policy interventions will ultimately contribute to a more comprehensive understanding of the entrepreneurial ecosystem and the strategies that can be employed to foster its growth and sustainability.

2.1. Entrepreneurial Startup Activity

The first section of this literature review will delve into the various factors that influence entrepreneurial startup activity, including individual characteristics, regional and cultural factors, and the availability of resources and support.

Entrepreneurial startup activity plays a crucial position in economic growth and innovation (Acs & Audretsch, 2010; Baumol, 1990). Acs et al., (2008) research findings indicate that start-ups contribute to job creation, productivity improvement, and technological advancements, all of which are crucial elements for fostering economic growth. Entrepreneurs bring fresh ideas, introduce new products or services, and create competition in the market, leading to increased efficiency and innovation across industries (Acs et al., 2008). Baumol's (1990) findings suggest that start-ups play a vital role in disrupting established industries,

challenging traditional business models, and driving market dynamism (Baumol, 1990). By introducing novel ideas, processes, and technologies, entrepreneurs contribute to economic progress by spurring competition, stimulating productivity gains, and fueling innovation, leading to overall economic growth (Baumol, 1990).

As a result, entrepreneurial startup activity is a common topic in the field of entrepreneurial research. Entrepreneurial startup activity refers to the creation of new businesses by individuals with innovative ideas and the willingness to take risks to bring their ideas to fruition. The definition has been provided by several scholars in the field, including Brown et al. (2001) who define it as "the process by which individuals create new firms or organizations to pursue opportunities for innovation, growth, and profit" (p. 25). Similarly, Shane and Venkataraman (2000) define it as "the process of creating a new business through the identification and exploitation of opportunities, the mobilization of resources, and the development of a business model" (p. 218). Gartner (1985) defines it as "the creation of a new business or the expansion of an existing business by an individual, team, or group of individuals, who identify a new product or service and bear the risk of the enterprise" (p. 697). Other scholars have defined entrepreneurial startup activity in different ways, but the common thread among these definitions is the focus on creating new businesses and pursuing opportunities for growth and profit.

2.1.1. What we know from extant research

Various conceptual frameworks have been proposed to understand new venture creation (Gartner, 1985; Sarasvathy, 2001). Gartner's (1985) findings highlighted the importance of individual factors, such as entrepreneurial mindset, motivation, and skills, in influencing entrepreneurial behavior (Gartner, 1985). Additionally, Gartner emphasizes situational factors,

including market conditions, industry dynamics, and resource availability, which shape the opportunities and constraints faced by entrepreneurs and influence their decision to engage in new venture creation (Gartner, 1985). Sarasvathy (2001) introduces the effectual reasoning framework to understand new venture creation (Sarasvathy, 2001). Her research findings suggest that entrepreneurs engage in a unique decision-making process characterized by effectual reasoning, which involves leveraging available resources, managing uncertainties, and forming partnerships to create new businesses (Sarasvathy, 2001). Sarasvathy's framework emphasizes the influence of individual characteristics, such as creativity, flexibility, and resilience, in driving entrepreneurial behavior and the identification of opportunities (Sarasvathy, 2001).

The studies by Gartner (1985) and Sarasvathy (2001) offer valuable insights into the factors that influence entrepreneurial behavior and new venture creation. Gartner's framework emphasizes the interplay of individual and situational factors, highlighting the importance of personal attributes and contextual factors in shaping entrepreneurial decisions (Gartner, 1985). Sarasvathy's effectual reasoning framework sheds light on the cognitive processes and behaviors exhibited by entrepreneurs during venture creation, emphasizing the role of creativity, adaptability, and resourcefulness (Sarasvathy, 2001). Together, these frameworks provide a comprehensive understanding of the multifaceted influences on entrepreneurial behavior and offer valuable insights for individuals and policymakers seeking to promote and support new venture creation.

Entrepreneurial motivation is a widely researched topic in the field of entrepreneurship. Krueger and Carsrud (1993) define entrepreneurial motivation as the driving force behind an individual's desire to start and grow a business venture (Krueger & Carsrud, 1993). The findings from Krueger and Carsrud's (1993) study demonstrate that entrepreneurial motivation serves as a

driving force behind individuals' decision to engage in start-up activities (Krueger & Carsrud, 1993). Entrepreneurs who possess strong entrepreneurial motivation are more likely to identify and seize opportunities, persist in the face of challenges, and exhibit proactive behaviors necessary for launching and growing a successful venture (Krueger, & Carsrud, 1993). Their motivation propels them to take risks, innovate, and persevere, ultimately influencing their engagement and success in entrepreneurial start-up activity (Krueger, & Carsrud, 1993).

One major area of research on entrepreneurial motivation has focused on the role of personal characteristics in driving individuals to become entrepreneurs. Scholars have identified a range of personal characteristics that are associated with entrepreneurial intention and behavior (Rauch & Frese, 2007; Zhao et al., 2010). The research by Rauch and Frese (2007) and Zhao et al. (2010) emphasizes the significance of personal characteristics in influencing entrepreneurial intention and behavior, which in turn impacts entrepreneurial start-up activity. The presence of traits like locus of control, the need for achievement, self -efficacy, risk-taking propensity, proactiveness, and innovativeness provides individuals with the motivation, confidence, and skills required to undertake entrepreneurial ventures (Rauch & Frese, 2007). As individuals with these characteristics are more inclined to take risks, persevere through challenges, and pursue opportunities, they are more likely to engage in entrepreneurial start-up activity, leading to increased innovation, job creation, and economic growth (Zhao et al., 2010).

For example, the need for achievement refers to an individual's motivation to excel and achieve success in their chosen field, which can drive them to pursue entrepreneurial endeavors (McClelland, 1961). According to McClelland's theory of needs, the need for achievement strongly influences start-up activity by serving as a motivator for individuals to pursue entrepreneurial endeavors. Entrepreneurs with a high need for achievement are more likely to be

driven by the inherent challenges and uncertainties of starting a business, as they thrive on taking risks, persisting in the face of obstacles, and actively seeking opportunities for growth and success (McClelland, 1961). The need for achievement provides the internal drive and determination necessary for entrepreneurs to overcome barriers, innovate, and persistently work toward their goals, thus influencing their engagement in entrepreneurial start-up activities (McClelland, 1961).

Locus of control, a psychological concept, indicates the extent to which individuals believe they have control over events in their lives (Rotter, 1966). Rotter (1966) investigates the concept of locus of control and its impact on entrepreneurial start-up activity (Rotter, 1966). The author's findings suggest that individuals with an internal locus of control, who believe they have control over their destiny, are more likely to engage in entrepreneurial endeavors. They exhibit a sense of personal agency, take responsibility for their actions, and have a proactive approach toward pursuing entrepreneurial opportunities (Rotter, 1966). Entrepreneurs with an internal locus of control tend to believe that they can influence their business outcomes through their actions and decisions, which can positively impact their motivation to start and grow a venture (versus an external locus of control, which tends to attribute business outcomes primarily to external factors beyond their control (Rotter, 1966).

Risk-taking propensity, another personal characteristic, refers to an individual's willingness to engage in activities with uncertain outcomes, which is crucial for entrepreneurs who often face uncertain market conditions and potential failure (Brockhaus, 1980). The author's findings suggest that individuals with a higher risk-taking propensity are more inclined to engage in entrepreneurial ventures. These individuals are more comfortable with uncertainty, willing to take calculated risks and exhibit greater tolerance for failure, which are crucial traits for

entrepreneurs operating in dynamic and uncertain business environments (Brockhaus, 1980). The influence of risk-taking propensity on entrepreneurial start-up activity can be attributed to several factors. Firstly, entrepreneurs with a higher risk-taking propensity are more likely to identify and pursue innovative opportunities, as they are willing to venture into unexplored territories and challenge the status quo (Brockhaus, 1980). Secondly, their willingness to take risks allows them to make bold decisions, invest resources, and adopt new strategies, which can lead to competitive advantages and market disruption (Brockhaus, 1980). Finally, their higher tolerance for failure enables them to learn from setbacks, pivot when necessary, and persist in the face of challenges, ultimately increasing their chances of success in entrepreneurial start-up activities (Brockhaus, 1980).

Other researchers focus on the personal characteristics of entrepreneurs and their motivations for starting their businesses. This line of research examines the importance of various demographic variables and their impact on entrepreneurial motivations. Gender has been found to influence entrepreneurial motivations in several ways. Verheul et al. (2005) investigated the influence of gender on entrepreneurial motivations. Their findings indicated that women were more likely to be driven by necessity-based motivations for entrepreneurship, such as the need for income or flexibility, while men tended to be more influenced by opportunity-based motivations, such as the desire for independence and wealth creation. These gender differences in motivations suggest that women may be more inclined to start businesses out of necessity, while men may be driven by opportunities for growth and success (Verheul et al., 2005).

Age can also impact entrepreneurial motivations, with younger individuals typically more willing to take risks and pursue innovative ideas, while older individuals may be more motivated by the desire for stability and independence (Wagner, 2004). In their study "The effect of aging

on entrepreneurial behavior," Lévesque and Minniti (2006) propose that as individuals age, they are more likely to become entrepreneurs due to accumulated knowledge and resources, though this probability declines after a certain age due to factors like reduced risk tolerance and potential health issues (Levesque & Minniti, 2006). Their research suggests an inverted U-shaped relationship between age and entrepreneurial entry, with the likelihood of becoming an entrepreneur increasing with age to a certain point and then starting to decline. As individuals age, they tend to gain valuable experience, industry-specific knowledge, and a wider network of professional contacts (Levesque & Minniti, 2006).

Ethnicity can play a role in entrepreneurial motivations, with minority entrepreneurs often driven by the desire to create opportunities for their communities and overcome social and economic barriers (Aldrich & Waldinger, 1990). In their article, Aldrich and Waldinger explore the relationship between ethnicity and entrepreneurship. The study findings suggest minority entrepreneurs, driven by their desire to create opportunities for their communities and overcome social and economic barriers, are more likely to engage in entrepreneurial ventures. Their strong sense of social responsibility and commitment to addressing the needs of their ethnic communities provide the motivation and drive to start businesses (Aldrich & Waldinger, 1990). This influence of ethnicity on entrepreneurial motivations encourages and promotes entrepreneurial startup activity among minority groups, fostering economic growth, community development, and empowerment (Aldrich & Waldinger, 1990).

Drawing from various theoretical perspectives, the authors investigate how cultural factors, social networks, and institutional contexts intersect with ethnicity to shape entrepreneurial aspirations and opportunities. Cultural factors associated with specific ethnic groups, such as values, beliefs, and norms, shape individuals' perceptions, aspirations, and

attitudes toward entrepreneurship (Aldrich & Waldinger, 1990). Social networks, often formed along ethnic lines, provide access to resources, mentorship, and business connections that can influence entrepreneurial behavior and opportunities. Additionally, the institutional context, including policies and support systems, may vary across ethnic groups, affecting the outcomes and success of entrepreneurial endeavors (Aldrich & Waldinger, 1990). The findings highlight the significance of ethnicity in influencing entrepreneurial motivations and outcomes, with variations observed among different ethnic groups.

Concurrently, higher education levels are found to positively influence entrepreneurial startup activity. They found that higher education levels generally lead to a higher likelihood of entrepreneurial activity, especially in older individuals. Higher levels of education can lead to greater confidence, knowledge, and access to resources, which in turn can influence an individual's decision to start a venture (Van der Sluis et al., 2008). Van der Sluis et al (2008) review noted a positive correlation between education and entrepreneurial intentions and activity, suggesting that higher levels of education can increase the likelihood of an individual becoming an entrepreneur. Along with a positive impact of education on entrepreneurial success or performance, potentially because education equips entrepreneurs with important skills, improves opportunity recognition, and aids in the acquisition of resources (Van der Sluis et al., 2008).

Research has identified several factors that shape entrepreneurial intentions and subsequent startup activity. These factors can be broadly categorized into individual-level factors and environmental factors (Davidsson, & Gordon, 2012). Individual-level factors refer to personal characteristics, such as personality traits, prior experience, and knowledge that influence an individual's decision to become an entrepreneur (Baum, & Locke, 2004). Moreover, research has also shown that the interaction between individual-level and environmental factors

can shape entrepreneurial intentions and startup activity (Breznitz & Murugkar, 2003). For instance, an individual's prior experience and knowledge may be more important in an environment with few resources and opportunities, whereas cultural norms and values may be more important in an environment with a supportive entrepreneurial culture (Shane, 2000).

The theory of planned behavior has also been employed to predict entrepreneurial intentions (Kautonen et al., 2013). According to the theory, attitudes towards entrepreneurship, shaped by an individual's beliefs and evaluations of entrepreneurship, play a crucial role in determining their intention to start a business. Kautonen et al.'s (2013) study suggests that individuals' intentions to start a business are influenced by their attitudes toward entrepreneurship, subjective norms, and perceived behavioral control. Understanding how attitudes, subjective norms, and perceived behavioral control shape entrepreneurial intentions can inform interventions and policies aimed at fostering a supportive environment for entrepreneurial activity and increasing start-up rates (Kautonen et al., 2013).

Prior research has explored how cognitive biases, such as overconfidence and optimism, can lead to higher rates of startup activity (Simon et al., 2000). Their findings indicate that individuals with higher levels of overconfidence tend to have an inflated belief in their abilities and the potential success of their businesses, leading them to be more likely to engage in entrepreneurial activities. Similarly, individuals characterized by higher levels of optimism exhibit a positive bias toward the outcomes of their entrepreneurial endeavors, driving them to take risks and pursue start-up opportunities (Simon et al., 2000).

Scott Shane’s (2000) study suggests a significant impact of prior knowledge about markets, customer issues, and ways to serve markets on the discovery of entrepreneurial opportunities. Drawing upon a cognitive framework of entrepreneurship, Shane theorizes that the

recognition of opportunities is shaped by an entrepreneur's unique cognitive attributes, particularly their prior knowledge, which enables them to identify opportunities that may be overlooked by others (Shane, 2000). The empirical findings of Shane's study validate his hypothesis, demonstrating a significant correlation between an individual's prior knowledge and their capacity for opportunity recognition (Shane, 2000). This study underscores the importance of an entrepreneur's prior knowledge in recognizing entrepreneurial opportunities, shifting the focus from traditional aspects such as personality traits and demographics to a more cognitive-based understanding of entrepreneurial behavior (Shane, 2000).

Prior experience in a particular industry or role can significantly impact an individual's decision to start a business, as it provides valuable knowledge, skills, and networks that can be leveraged for entrepreneurial success (Ramos-Rodriguez et al., 2012; Ronstadt, 1988). Ramos-Rodriguez et al. (2012) findings suggest that individuals with prior industry experience have a better understanding of market dynamics, customer needs, and industry trends (Ramos-Rodriguez et al., 2012). This knowledge and expertise gained from previous roles can enhance their ability to identify viable business opportunities, develop effective strategies, and navigate the challenges of starting a new business (Ramos-Rodriguez et al., 2012). Therefore, Ramos-Rodriguez’s (2012) research emphasizes the importance of industry-specific experience in fostering entrepreneurial startup activity (Ramos-Rodriguez et al., 2012).

Ronstadt’s (1988) article introduces the concept of the “corridor principle,” which suggests that prior industry experience provides entrepreneurs with a focused path for starting a business within their existing domain knowledge and networks (Ronstadt, 1988). The findings suggest that individuals with relevant experience in a particular industry or role possess valuable knowledge, skills, and networks that can be leveraged for entrepreneurial success. This prior

experience allows entrepreneurs to capitalize on their expertise, make informed decisions, and access necessary resources (Ronstadt, 1988).

Socioeconomic status may influence entrepreneurial motivations, with individuals from higher socioeconomic backgrounds having greater access to resources and networks that can facilitate venture creation and growth (Knatko et al., 2016). The authors hypothesize that individuals from higher socioeconomic status (SES) backgrounds may have greater access to resources, networks, and education, which could positively impact their entrepreneurial motivation. Conversely, individuals from lower SES backgrounds may face additional challenges and barriers that could affect their entrepreneurial aspirations (Knatko et al., 2016). The findings of the study reveal that socioeconomic status indeed plays a significant role in entrepreneurial motivation.

In addition to individual-level factors, scholars have also studied how contextual factors influence start-up activity. Bosma et al. (2012) have examined the influence of regional and local policies on entrepreneurial activity (Bosma et al., 2012). The research conducted by Bosma et al. (2012) on the influence of regional and local policies on entrepreneurial activity highlights the significant role of supportive policies in shaping entrepreneurial startup activity (Bosma et al., 2012). Their findings demonstrate that well-designed policies at the regional and local levels can have a positive impact on entrepreneurship. By providing access to funding, business support services, and entrepreneurial education, these policies reduce barriers to entry, facilitate resource acquisition, and foster an entrepreneurial culture (Bosma et al., 2012). This, in turn, encourages individuals to start new businesses, contributes to the growth of entrepreneurial ecosystems, and stimulates economic development within specific regions (Bosma et al., 2012).

Minniti (2005) argued that entrepreneurs decide to start businesses in certain geographic locations in part because of the social environment that already exists (Minniti, 2005). Some researchers attribute this phenomenon to economies of scale and scope, which can lead to reduced transaction costs and increased efficiency for businesses operating within a specific location (Baum & Singh, 1994; Fujita et al., 1999; Fujita & Thisse, 2002; Greenhut et al., 1987; Wade, 1995). In these cases, entrepreneurs may be drawn to areas where they can benefit from shared resources, knowledge spillovers, and a skilled workforce that creates efficiencies for prospective entrepreneurs in their startup activity.

Strong legal and property rights protection, a stable political environment, and well-developed financial markets can create an ecosystem that promotes and sustains entrepreneurial activity (Acs & Szerb, 2007). The authors suggest that countries with favorable institutional conditions, including secure property rights, stable political environments, and developed financial markets, tend to have higher rates of entrepreneurial activity and contribute to economic growth. Their findings suggest that these factors contribute to the creation of an ecosystem that fosters and sustains entrepreneurial activity. Strong legal and property rights protection provides entrepreneurs with the necessary confidence and security to invest and innovate (Acs & Szerb, 2007). A stable political environment creates a conducive atmosphere for long-term planning and reduces uncertainties for entrepreneurs (Acs & Szerb, 2007). Well-developed financial markets offer access to capital, investment opportunities, and risk management tools, supporting the growth and sustainability of entrepreneurial ventures (Acs & Szerb, 2007). Overall, the presence of these factors enhances the entrepreneurial ecosystem and promotes a favorable environment for entrepreneurial activity.

Additionally, policies that promote a favorable business environment, such as streamlined regulations and reduced bureaucratic hurdles, can also encourage entrepreneurial activity (Lee et al., 2004). The authors conducted a study on creativity and entrepreneurship, focusing on regional analysis of new firm formation. Their hypothesis centered on the idea that regions with a favorable business environment, characterized by less regulation, would exhibit higher rates of new firm formation (Lee et al., 2004). Drawing on regional development and entrepreneurship theories, the authors argued that the regional business environment significantly influences entrepreneurial activity. The findings of their research supported their hypothesis, revealing those regions with more favorable business environments, including less regulation, indeed experienced higher rates of new business formation (Lee et al., 2004).

Research has focused on the effects of corporate tax rates, personal income tax rates, and capital gains tax rates on entrepreneurial startup activity. Djankov et al. (2010) examine the impact of corporate tax rates on entrepreneurial startup activity (Djankov et al., 2010). Their findings suggest that higher corporate tax rates can negatively affect entrepreneurial startup activity by reducing the financial incentives for investment and innovation. When corporate tax rates are high, entrepreneurs may face higher costs and reduced profitability, which can discourage them from starting new businesses or expanding existing businesses (Djankov et al., 2010).

Henrekson and Sanandaji (2011) focus on the effects of personal income tax rates on entrepreneurship (Henrekson & Sanandaji, 2011). Their research indicates that high personal income tax rates can hinder entrepreneurial startup activity by reducing the financial rewards for individuals who take risks and start new businesses. Higher tax rates on personal income can decrease the potential returns for entrepreneurs, which may discourage individuals from pursuing

entrepreneurial opportunities or investing in their businesses (Cullen & Gordon, 2002). Cullen and Gordon (2002) explore the effects of capital gains tax rates on entrepreneurial activity (Cullen & Gordon, 2002). Their findings suggest that higher capital gains tax rates can have a negative impact on entrepreneurial startup activity. When capital gains taxes are high, it reduces the financial incentives for entrepreneurs to undertake risky businesses, as it decreases the potential profits, they can earn from selling their businesses or investments (Cullen & Gordon, 2002).

There is a growing body of economics research that explores the various factors that influence and are related to start-up activity. These factors include tax policies, incentives, and population dynamics, among others. Tax policies, in particular, have been shown to have a significant impact on start-up activity, as they affect the financial attractiveness of starting and operating a business (Gentry & Hubbard, 2001; Hanson & Rohlin, 2011). Gentry and Hubbard, (2001) findings suggest when tax policies provide favorable conditions, such as tax incentives, exemptions, or lower tax rates for entrepreneurs, it incentivizes individuals to undertake entrepreneurial activities (Gentry & Hubbard, 2001). Hanson and Rohlin (2011) highlight how favorable tax policies, such as reduced tax rates or exemptions for small businesses, can encourage entrepreneurial endeavors by improving the return on investment and reducing the financial burden on entrepreneurs (Hanson & Rohlin, 2011).

In addition to tax policies, incentives are another important factor that can influence start-up activity. One common incentive is the provision of financial support for start-ups. For example, government grants, loans, and subsidies can help to reduce the financial burden of starting a new business. Research has shown that such financial incentives can increase the likelihood of start-up activity (Audretsch et al., 2004). In a study by Audretsch et al. (2004), it

was found that access to public venture capital programs was positively related to the number of start-ups in a region (Audretsch et al., 2004).

Supportive government policies, such as tax incentives, streamlined regulations, and entrepreneurship programs, can facilitate entrepreneurial motivation by reducing barriers to entry and providing resources for entrepreneurs to grow their businesses (Autio & Thomas, 2014). Autio and Thomas (2014) explore the hypothesis that policy learning and the establishment of innovation ecosystems have a significant impact on entrepreneurial motivation and startup activities (Autio & Thomas, 2014). Autio and Thomas (2014) find that well-designed government policies that promote policy learning, collaboration, and knowledge exchange within innovation ecosystems positively influence entrepreneurial startup activity and contribute to economic growth (Autio & Thomas, 2014). The study highlights the importance of initiatives such as funding programs, incubators, and networking platforms in creating an environment that fosters entrepreneurial aspirations and facilitates the successful commercialization of innovative ideas.

For example, tax incentives can reduce the cost of doing business for entrepreneurs, leading to increased startup activity (Goolsbee, 1998). The study investigated how specific tax incentives, such as tax credits for research and development expenses or deductions for business expenses, influenced the decision to start a new business. The findings suggested that these tax incentives reduced the financial burden on entrepreneurs by lowering their tax liabilities or providing direct financial benefits. This, in turn, increased the attractiveness of entrepreneurship by making it more financially viable and potentially influenced a higher rate of entrepreneurial startup activity (Goolsbee, 1998).

Similarly, grant programs that provide financial assistance to startups can improve access to capital, which is often a major barrier for entrepreneurs (Acs & Audretsch, 1990). This research looks at the role of innovation in small firms. The authors hypothesize that small firms contribute significantly to innovation in the economy. They theorize that policies that support small firms, such as grants and incentives, can promote innovation (Acs & Audretsch, 1990). Their findings support this hypothesis, indicating that small firms are key drivers of innovation.

Furthermore, support programs, such as training and mentorship initiatives, can help entrepreneurs develop the necessary skills and knowledge to successfully navigate the challenges of starting and growing a business (St-Jean & Audet, 2012). The authors investigate the role of mentoring in the learning development of novice entrepreneurs. Their study shows that mentoring significantly contributes to the development of entrepreneurial competencies, particularly those related to management and leadership. They conclude that mentoring should be considered a key component of entrepreneurial learning and development programs (St-Jean & Audet, 2012).

Prior research has explored the knowledge spillover theory of entrepreneurship, highlighting the importance of knowledge transfer from established organizations to new businesses (Acs et al., 2009). Acs et al. (2009) investigates the knowledge spillover theory of entrepreneurship and find that knowledge transfer from established organizations significantly influences entrepreneurial start-up activity (Acs et al., 2009). Their research reveals that entrepreneurs benefit from accessing and utilizing knowledge generated by established firms, such as technical expertise, market insights, and managerial practices. This knowledge transfer enhances the capabilities and resource base of start-ups, enabling them to navigate challenges, innovate, and increase their chances of success (Acs et al., 2009).

Several factors have been shown to influence start-up activity, including the availability of financing (Shane & Cable, 2002), the level of education in the population (Li & Dutta, 2018), and the presence of other start-ups in the region (De Carolis et al., 2009). Each of these factors plays a distinct role in shaping the entrepreneurial landscape. The level of education in the population is another important factor that influences start-up activity. Higher levels of education are associated with greater human capital, which can lead to the development of new ideas, innovation, and the creation of new businesses (Li & Dutta, 2018). A study by Van Stel et al. (2005) found that the level of education in the population is positively associated with the rate of start-up activity (Van Stel et al., 2005). This suggests that a well-educated population is more likely to generate entrepreneurial ventures, as individuals with higher education levels are better equipped to identify opportunities and possess the skills needed to start and manage a business.

The presence of other start-ups in the region can also affect start-up activity. A dense concentration of start-ups can create a supportive entrepreneurial ecosystem that fosters innovation, collaboration, and knowledge spillovers (Mason & Brown, 2014). This environment may attract additional entrepreneurs and resources, further boosting start-up activity. A study by Stam et al. (2009) found that the presence of other start-ups in the region is positively associated with the likelihood of start-up activity (Stam et al., 2009), highlighting the importance of a vibrant entrepreneurial community for the overall growth of the start-up ecosystem. Population dynamics are another important factor that can influence start-up activity. Specifically, the size and composition of the population can affect the availability of resources and the demand for goods and services, both of which can impact start-up activity (Porter & Porter 1998). In a study by Acs et al. (2006), it was found that population growth is positively associated with the rate of start-up activity (Acs et al., 2006). Additionally, a study by Sternberg and Wennekers (2005)

found that ethnic diversity is positively associated with start-up activity (Sternberg & Wennekers, 2005).

Access to resources plays a crucial role in fostering entrepreneurial motivation. Financial resources, including venture capital, angel investors, and government grants, can positively influence entrepreneurial motivation and intention, particularly when these resources are readily available and accessible at reasonable costs (Freear et al., 1995; Gompers & Lerner, 2001). The authors hypothesize that financial resources, such as venture capital, angel investors, and government grants, have a positive influence on entrepreneurial motivation and intention (Freear et al., 1995). The findings support this hypothesis, indicating that when these financial resources are readily available and accessible at reasonable costs, they significantly contribute to the motivation and intention of individuals to become entrepreneurs.

Economic conditions, such as access to capital and market opportunities, also play a crucial role in shaping entrepreneurial intentions (Arenius & Minniti, 2005). Access to capital, such as loans or venture capital, is essential for financing new businesses (Cassar, 2004), while a growing market with unmet needs provides opportunities for entrepreneurs to create value (Wennekers et al., 2005). In addition, the level of economic development in a region can influence the availability of resources and infrastructure necessary for entrepreneurial success (Naudé, 2010). Economic conditions significantly impact entrepreneurial motivation. Favorable conditions, such as low unemployment rates and high GDP growth, create a conducive environment for entrepreneurs to thrive, as they signal a healthy market with potential opportunities (Wennekers et al., 2005).

Access to different types of financial capital, such as seed funding, venture capital, or bank loans, can positively influence entrepreneurial motivation and intention depending on the

stage of the venture and the terms of the financing (Wiltbank et al., 2009). Early-stage ventures may benefit more from seed funding or angel investment, as these investors often provide mentorship and guidance in addition to capital (Shane, 2008). Meanwhile, more mature startups might require venture capital or bank loans to scale their operations, and the availability of these funds at favorable interest rates and repayment terms can significantly impact entrepreneurs' motivation (Gompers & Lerner, 2001).

Moreover, non-financial resources, such as access to information, networks, and skilled labor, are also crucial for entrepreneurs to develop and grow their businesses (De Carolis & Saparito, 2006; Hoang & Antoncic, 2003). The authors hypothesize that access to information, networks, and skilled labor are essential non-financial resources that significantly impact entrepreneurs in developing and growing their businesses (De Carolis & Saparito, 2006). The findings support this hypothesis, indicating that entrepreneurs who have access to relevant and timely information, strong networks, and a skilled labor pool are more likely to succeed in their entrepreneurial startup activities. These non-financial resources provide valuable knowledge, connections, and expertise that entrepreneurs can leverage to overcome challenges, identify opportunities, and create competitive advantages (Hoang & Antoncic, 2003).

The literature on entrepreneurial start-up activity provides an intricate understanding of the interplay between individual traits and the broader institutional and environmental context that shapes start-up activity. Research at the individual level illuminates the role of knowledge and cognitive factors in enabling prospective entrepreneurs to effectively perceive opportunities, along with idiosyncratic factors such as the need for achievement and risk-taking propensity that bolster motivations to initiate ventures ((Maharani et al., 2020; Shane, 1996). Complementing this, studies on the broader environment underscore the influence of policies, incentives,

infrastructure, and wider conditions, including population dynamics and economic circumstances. These environmental elements facilitate access to essential resources and knowledge, thereby allowing entrepreneurs to efficiently act upon their motivations and knowledge base (Acs & Audretsch, 1990; Acs et al., 2009; St-Jean, É., & Audet, J. 2012). Despite this multifaceted understanding, gaps remain in the literature, particularly around the impact of corporate expansions on entrepreneurial ecosystems, which necessitates further exploration of the nuanced relationship between individual and environmental factors in entrepreneurial activity.

2.2. Entrepreneurial Failures

The second section will focus on the multifaceted phenomenon of entrepreneurial failure. The review will cover the definitions and classifications of entrepreneurial failure, as well as the internal and external factors that contribute to the collapse of entrepreneurial endeavors. Additionally, this section will explore the consequences of failure for entrepreneurs, such as the psychological impact and potential learning opportunities, as well as the broader implications for the entrepreneurial ecosystem.

Davidsson and Gordon (2012) define entrepreneurial failure as "the cessation of a firm's operations with a negative balance sheet, whether through bankruptcy or any other means" (Davidsson & Gordon, 2012). Similarly, Shane and Venkataraman (2000) define entrepreneurial failure as "a discontinuance of an organization's operations because of an inability to generate sufficient revenue to cover expenses, or because of an inability to grow or sustain growth" (Shane & Venkataraman, 2000). DeTienne (2010) expands on this concept by examining entrepreneurial exit, which involves the voluntary or involuntary departure of a founder or owner

from their firm (DeTienne, 2010). This can encompass both failures, as described earlier, and other circumstances such as successful sales or transitions.

When large corporations expand their operations to new geographic locations, it can put small businesses at a disadvantage and increase the likelihood of them going out of business or experiencing an entrepreneurial exit. It is essential to consider both failure and exit when examining the impact of corporate expansions on small businesses and entrepreneurs (DeTienne, 2010). Business closure refers to the voluntary or involuntary shutdown of a business due to various factors such as lack of profitability, market changes, or personal reasons (Bates, 2005).

In their study, Bates (2005) explored the phenomenon of business closure and identify key factors associated with the voluntary or involuntary shutdown of businesses (Bates, 2005). Their findings indicate that lack of profitability is a primary reason for business closure, as businesses unable to generate sustainable profits face challenges in sustaining their operations. Additionally, market changes, such as shifts in consumer preferences or competitive landscape, can render businesses obsolete or less competitive, leading to closure (Bates, 2005).

Furthermore, personal reasons, such as retirement, health issues, or changes in the owner's circumstances, can also contribute to the decision to close a business. Business closures are a common form of entrepreneurial failure and can be viewed as a natural part of the entrepreneurial process (Delmar & Shane, 2003). Delmar and Shane (2003) argue that experiencing failure and closure does not necessarily indicate overall entrepreneurial failure, but rather can be viewed as an opportunity for learning and growth (Delmar & Shane, 2003).

Understanding and embracing business closures as part of the entrepreneurial process can help entrepreneurs develop resilience, learn from their experiences, and potentially launch new businesses with improved strategies and knowledge. This is due to post–failure factors, including

increased competition for customers and resources, and a lack of access to government incentives. A study by the Center of Economic Studies (CES) in conjunction with the U.S Bureau of the Census found that when a large retail chain opens a new store in a local area, for every new store opened by a large retail chain, about 1 in 4 small retail businesses in the area closed within the following year (Klimek et al., 2005).

2.2.1. What we know from extant research

Existing research on entrepreneurial failure has examined various factors, such as firm resources, alliances, individual traits, and institutional contexts (Shepherd, 2003; Ucbasaran et al., 2009). Firm resources, including financial, human, and technological assets, can influence a venture's ability to compete and survive (Brush et al., 2008). Their findings suggest that the availability and effective utilization of firm resources, such as financial capital, human talent, and technological assets, significantly influence a venture's ability to compete in the market and survive over time.

Insufficient resources or their misallocation can increase the likelihood of entrepreneurial failures (Brush et al., 2008). The authors argue that firm resources play a crucial role in mitigating risks, supporting innovation, and enabling strategic decision-making, all of which are vital for entrepreneurial success and reducing the chances of failure. Limited access to resources can hinder a firm's capacity to innovate and adapt to changing market conditions, ultimately contributing to failure (Covin et al., 2000). Their findings suggest that a firm's capacity to innovate and adapt to changing market conditions is hindered when resources are scarce or inaccessible.

Insufficient resources can constrain an entrepreneur's ability to invest in research and development, implement necessary changes, or respond to competitive pressures (Covin et al.,

2000). As a result, the lack of resources diminishes a firm's competitiveness, decreases its ability to seize opportunities, and increases the likelihood of entrepreneurial failure (Covin et al., 2000).

Cardon et al. (2011) examined the influence of limited resources, specifically capital, on entrepreneurial failure (Cardon et al., 2011). Their hypothesis suggested that insufficient capital can hinder entrepreneurs' ability to invest in essential business areas, limiting their growth potential and competitiveness. The study's findings supported this hypothesis, highlighting the critical role of capital in entrepreneurial success.

Similarly, Davidsson and Honig (2003) focused on the impact of limited human resources and networks on entrepreneurial failure. Their hypothesis suggested that entrepreneurs without access to the necessary skills, talent, and supportive networks would struggle with operational inefficiencies, poor business management, and missed opportunities. The study findings confirmed the significance of human resources and networks in entrepreneurial success. Entrepreneurs lacking the right skills and talent encountered difficulties in effectively running their businesses, leading to decreased productivity and quality (Davidsson & Honig, 2003).

One prominent framework for understanding entrepreneurial exit is the resource-based view (RBV) of the firm, which suggests that the value of a firm depends on the resources and capabilities it possesses (Barney, 1991). In this view, firms that lack valuable resources or capabilities are more likely to exit the market. Empirical research has largely supported this view, finding that factors such as low financial performance, limited access to resources, and strong competition can increase the likelihood of exit (Gimeno et al., 1997).

Resource availability refers to the access an entrepreneur has to essential resources, such as human capital, financial funding, and technological assets, which are necessary for starting and sustaining a business (Minniti et al., 2005). Minniti’s findings suggest that access to essential

resources, including human capital, financial funding, and technological assets, is crucial for starting and sustaining a business. Inadequate resource availability can hinder an entrepreneur's ability to effectively operate, innovate, and adapt to market demands, increasing the risk of entrepreneurial failure (Minniti et al., 2005).

Insufficient human capital may limit the skills and expertise necessary for managing the business, while a lack of financial funding and technological assets can impede growth and competitiveness (Minniti et al., 2005). Hence, resource availability plays a pivotal role in reducing the likelihood of entrepreneurial failure by providing the necessary foundation for sustainable business operations and growth (Minniti et al., 2005).

Insufficient resources can lead to operational challenges and, ultimately, the decision to exit the market (DeTienne & Chandler, 2004). DeTienne and Chandler (2004) explore the impact of insufficient resources on entrepreneurial failure (DeTienne & Chandler, 2004). Their findings suggest that a lack of resources can lead to operational challenges for entrepreneurs. Insufficient financial, human, or technological resources can limit an entrepreneur's ability to effectively manage and sustain the business, hindering its growth and competitiveness (DeTienne & Chandler, 2004).

These operational challenges, in turn, can contribute to the decision to exit the market. The authors argue that resource scarcity increases the vulnerability of entrepreneurial ventures, making them more susceptible to failure as they struggle to overcome the limitations imposed by insufficient resources. Financial performance, for instance, involves the venture's ability to generate revenue and maintain profitability, which is crucial for its survival and growth (Bruno & Leidecker, 1988). Their findings suggest that financial performance, which encompasses the

venture's ability to generate revenue and maintain profitability, plays a crucial role in determining the outcome of an entrepreneurial venture.

Poor financial performance can contribute to entrepreneurial failure by limiting the resources available for operation and growth, impeding the ability to meet financial obligations, and reducing the overall sustainability of the venture (Bruno & Leidecker, 1988). Poor financial performance may also force an entrepreneur to exit the market, either due to the inability to cover expenses or the lack of investment to grow the business (Gimeno et al., 1997). Their findings suggest that inadequate financial performance can compel entrepreneurs to exit the market.

This may occur due to the inability to cover operating expenses, or the lack of investment required to sustain and grow the business. As a result, it increases the likelihood of entrepreneurial failure as the business becomes financially unsustainable and unable to compete effectively in the market (Gimeno et al., 1997).

Bankruptcy, a common form of entrepreneurial failure, occurs when a business cannot generate enough revenue to cover its debts and expenses (Coad & Kato, 2021). Bankruptcy significantly impacts entrepreneurial failure as it often leads to the closure of the business, financial losses for entrepreneurs, and the inability to recover from the financial burden (Coad & Kato, 2021). The author highlights the importance of financial stability and effective financial management in mitigating the risk of bankruptcy and reducing the likelihood of entrepreneurial failure. Barney (1991) argues that current U.S. bankruptcy policies favor large established firms and discourage entrepreneurship by providing greater protection to secured creditors and fewer protections for unsecured creditors, including entrepreneurs and small businesses (Barney, 1991).

This imbalance in protection can hinder the ability of entrepreneurs and small businesses to recover from financial distress, increasing the likelihood of entrepreneurial failure (Barney, 1991). The author suggests that revising bankruptcy policies to provide fairer protections for all stakeholders, including entrepreneurs, can contribute to a more supportive environment for entrepreneurship and mitigate the risk of failure.

Lee et al. (2007) revisited the topic of bankruptcy policies and their impact on entrepreneurial failure in an article in the Academy of Management Review (Lee et al., 2007). Building on Barney's (1991) earlier work, they argued that the existing bankruptcy policies in the United States still favored large established firms and discouraged entrepreneurship (Barney, 1991). These policies provided greater protection to secured creditors, who were typically large financial institutions, while leaving unsecured creditors, including entrepreneurs and small businesses, at a disadvantage (Barney, 1991).

This imbalance reduced the incentive for entrepreneurs to start new businesses, as they faced greater risks and fewer protections. Lee et al. (2007) suggested that a more balanced bankruptcy policy that provides greater protection for unsecured creditors, including entrepreneurs, could encourage greater entrepreneurial activity and reduce the negative impact of bankruptcy on entrepreneurship (Lee et al., 2007). Their work highlights the importance of re-evaluating and updating bankruptcy policies to better support and foster entrepreneurship and mitigate the potential consequences of entrepreneurial failure.

Some argue that the United States has a well-developed bankruptcy framework that provides certain advantages, such as efficient procedures, clear legal guidelines, and established precedents (Campbell, 2007). This may contribute to greater predictability and confidence for

entrepreneurs and creditors alike, potentially facilitating a smoother resolution of bankruptcy cases (Skeel, 2002).

Alliances, or strategic partnerships, can also impact entrepreneurial failure (Gulati, 1995). The author's hypothesis suggested that limited resources, particularly in terms of expertise, technology, and market access, can contribute to entrepreneurial failure. The findings of the study supported this hypothesis, demonstrating that entrepreneurs with limited resources may struggle to form and maintain effective alliances.

Insufficient resources can hinder entrepreneurs' ability to attract and retain valuable partners, resulting in missed opportunities for collaboration, resource sharing, and market expansion (Gulati, 1995). Consequently, the lack of strategic alliances can limit access to critical resources and capabilities, increasing the risk of entrepreneurial failure (Gulati, 1995).

Eisenhardt and Schoonhoven (1996) argue that alliances play a crucial role in facilitating strategic advantages and adaptability for entrepreneurial firms. Strategic advantages are gained through alliances by combining complementary resources, capabilities, and expertise (Eisenhardt & Schoonhoven, 1996). When entrepreneurial firms form alliances with partners who possess unique strengths or assets, they can create synergies and strategic advantages that are difficult to achieve independently (Eisenhardt & Schoonhoven, 1996).

This collaborative approach allows firms to pool resources, share risks, and gain a competitive edge in the market. By leveraging the strengths of their alliance partners, entrepreneurial firms can enhance their competitive positioning and increase their chances of success while mitigating potential failure (Eisenhardt & Schoonhoven, 1996).

However, the absence or breakdown of alliances may expose firms to competitive pressures, leading to a potential failure (Deeds & Hill, 1996). Deeds and Hill (1996) hypothesize

that the absence or breakdown of alliances exposes firms to competitive pressures, potentially leading to failure. Their research findings support this hypothesis by demonstrating that firms without alliances face challenges in terms of resource constraints, limited market access, and increased exposure to risks. The absence of alliances can hinder firms ability to compete effectively, adapt to market changes, and sustain growth, thereby increasing the likelihood of entrepreneurial failure (Deeds & Hill, 1996).

Individual traits of entrepreneurs, such as overconfidence, risk-taking propensity, and lack of experience, can contribute to the likelihood of failure (Cooper et al., 1988; Ucbasaran et al., 2009). Cooper et al. (1988) findings reveal that overconfidence leads entrepreneurs to underestimate risks and make poor decisions, while high risk-taking propensity can result in excessive or poorly calculated risks (Cooper et al., 1988). Moreover, a lack of experience limits an entrepreneur's ability to navigate complex business environments and manage challenges effectively, making them more susceptible to entrepreneurial failures (Cooper et al., 1988).

Ucbasaran et al. (2009) also explore the influence of individual traits on entrepreneurial failures (Ucbasaran et al., 2009). Their research suggests that overconfident entrepreneurs tend to exhibit biased judgment and make unrealistic assumptions, increasing the probability of failure. High risk-taking propensity can lead to excessive risk exposure and inadequate risk management, further contributing to failure (Ucbasaran et al., 2009). Additionally, a lack of experience can result in poor decision-making, insufficient knowledge of industry dynamics, and ineffective management practices, all of which can undermine the success of entrepreneurial ventures (Ucbasaran et al., 2009).

These traits can lead to poor decision-making, inadequate resource allocation, and unrealistic expectations, which may ultimately result in the firm's demise (Camerer & Lovallo,

1999). The authors argue that these individual traits influence entrepreneurial failures by creating an environment conducive to flawed decision-making, improper resource allocation, and unrealistic expectations, which are detrimental to the long-term sustainability and success of the venture. Overall, then a number of the individual-level attributes that influence start-up activity are also the same individual-level attributes that increase the likelihood of failure (Camerer & Lovallo, 1999).

Internal factors, like managerial incompetence, are another significant contributor to failure (Pretorius, 2009). The author's findings suggest that managerial incompetence significantly contributes to failure in entrepreneurial ventures. Inadequate management skills, lack of experience, poor decision-making, and ineffective leadership can lead to operational inefficiencies, misallocation of resources, and overall mismanagement (Pretorius, 2009).

These factors can undermine the viability and sustainability of the business, increasing the likelihood of failure (Pretorius, 2009). The author argues that developing and improving managerial competencies is crucial for entrepreneurs to effectively navigate challenges, make sound decisions, and ensure the long-term success of their ventures. Inexperienced or ineffective management can result in poor strategic planning, inadequate financial management, and suboptimal operational decisions, which can ultimately lead to a firm's failure (Hambrick & D'Aveni, 1992). Their research findings suggest that such management can lead to a series of detrimental outcomes, including poor strategic planning, inadequate financial management, and suboptimal operational decisions.

These factors collectively increase the likelihood of failure for entrepreneurial ventures. Poor strategic planning can result in a misalignment with market demands and a failure to seize opportunities (Hambrick & D'Aveni, 1992). Inadequate financial management can lead to cash

flow problems and insufficient resources (Hambrick & D'Aveni, 1992). Suboptimal operational decisions can negatively impact productivity and customer satisfaction (Hambrick & D'Aveni, 1992). The authors argue that competent and experienced management is crucial for effective decision-making, strategic execution, and overall business performance, reducing the risk of entrepreneurial failure.

Various factors can play a role in entrepreneurial exit, including personal, social, and economic aspects (Levesque & Minniti, 2011). For instance, an entrepreneur's age can impact their decision to exit the venture, as older entrepreneurs might have different risk preferences and may be more inclined to exit due to retirement or concerns about their long-term involvement in the business (Levesque & Minniti, 2011). Their findings suggest that age can impact the likelihood of entrepreneurial exit, as older entrepreneurs may have different risk preferences and considerations.

Older entrepreneurs may be more inclined to exit their businesses due to retirement plans or concerns about long-term involvement in the business. This decision can be influenced by factors such as financial security, personal goals, or a desire to transition into other life phases (Kautonen et al., 2014). The authors argue that understanding the role of age in entrepreneurial exit is important for assessing the potential impact on business continuity, succession planning, and the overall dynamics of entrepreneurial ventures.

Health issues may also contribute to the exit decision, as entrepreneurs facing health challenges may find it difficult to manage their businesses effectively (Coad et al., 2016). Their findings suggest that health challenges can contribute to entrepreneurs' decisions to exit their businesses. When facing health issues, entrepreneurs may struggle to effectively manage and

operate their businesses, leading to decreased productivity, limited capacity, and compromised decision-making (Coad et al., 2016).

These challenges can increase the risk of failure as the business may experience operational inefficiencies and a decline in performance (DeTienne & Chandler, 2004). The authors argue that considering the impact of health issues on entrepreneurial failure is crucial for understanding the unique challenges faced by entrepreneurs and developing support mechanisms that promote their well-being and business sustainability.

Furthermore, family responsibilities, such as childcare or eldercare, can influence the exit decision by limiting the entrepreneur's time and energy to devote to the venture (Minniti et al., 2005). Their findings suggest that family responsibilities, such as childcare or eldercare, can influence an entrepreneur's decision to exit their venture. The demands of family responsibilities can limit the time, energy, and resources available to the entrepreneur for managing and growing the business (Minniti et al., 2005). This constraint may lead to reduced commitment, limited flexibility, and compromised decision-making, increasing the likelihood of entrepreneurial failure (Minniti et al., 2005). The authors argue that understanding the influence of family responsibilities on the exit decision is essential for recognizing the interplay between personal and professional spheres and developing supportive policies and programs that address the unique challenges faced by entrepreneurs in balancing family and business responsibilities.

Personal circumstances, such as family commitments, health issues, or other personal factors, can also influence an entrepreneur's decision to exit their venture (DeTienne & Chandler, 2004). Their findings suggest that personal factors, such as family commitments, health issues, or other individual circumstances, can play a significant role in an entrepreneur's decision to exit their venture.

Personal circumstances can create challenges and constraints that impact an entrepreneur's ability to effectively manage and sustain the business (DeTienne & Chandler, 2004). These challenges may include time constraints, limited availability, or decreased capacity to handle the demands of entrepreneurship. As a result, personal circumstances can influence entrepreneurial failure by affecting an entrepreneur's ability to allocate necessary resources, make strategic decisions, and maintain the necessary commitment to the venture.

These factors may limit the entrepreneur's ability to dedicate time and resources to the business, leading to an exit decision (Bates, 1990). The author's findings suggest that factors such as time constraints, limited resources, and other personal commitments can limit an entrepreneur's ability to dedicate sufficient time and resources to the business. These limitations can ultimately lead to the decision to exit the venture.

When entrepreneurs are unable to allocate the necessary time and resources needed for the business's growth and sustainability, it increases the risk of failure (Bates, 1990). The author argues that understanding the influence of personal factors on entrepreneurial exit is crucial for assessing and mitigating the risk of failure, as it allows entrepreneurs to make informed decisions regarding the future of their businesses.

Moreover, Cardon et al. (2011) emphasize the role of cultural sensemaking in the interpretation of entrepreneurial failure, arguing that cultural norms and values shape how entrepreneurs understand and respond to failure (Cardon et al., 2011). The authors suggest that cultural factors influence the perception of failure, the attribution of blame, and the willingness to take risks and persist in entrepreneurship. This highlights the importance of considering the cultural context when examining entrepreneurial failure.

Cultural differences can lead to varying consequences of entrepreneurial failure, with some societies stigmatizing it while others view it as an opportunity for growth and learning (Bruton et al., 2009). Their findings suggest that societies differ in their responses to entrepreneurial failure, with some societies stigmatizing it while others view it as an opportunity for growth and learning. In societies that stigmatize failure, entrepreneurs may face social and professional repercussions, leading to a reluctance to take risks and a fear of failure (Bruton et al., 2009).

Conversely, in societies that embrace failure as a learning experience, entrepreneurs are more likely to bounce back, learn from their mistakes, and pursue new businesses (Bruton et al., 2009). The authors argue that cultural attitudes towards failure significantly influence entrepreneurial failure by shaping the risk-taking behavior, resilience, and entrepreneurial ecosystem within a society.

Institutional contexts, such as legal and regulatory environments, also play a role in entrepreneurial failure (Wennekers et al., 2005). Wennekers et al. (2005) findings suggest that institutional contexts significantly impact entrepreneurial failures. Stringent regulations, complex bureaucratic procedures, and inadequate legal frameworks can create barriers and increase costs for entrepreneurs, hindering their ability to operate efficiently and sustainably (Wennekers et al., 2005). These institutional constraints contribute to higher rates of failure as entrepreneurs face difficulties in navigating the regulatory landscape and adapting to institutional demands. The authors argue that a supportive and conducive institutional context is crucial for reducing barriers and promoting entrepreneurial success while minimizing the likelihood of failure.

Unfavorable regulatory conditions may create barriers to entry, increase compliance costs, and limit access to resources, thereby increasing the likelihood of failure (Baumol et al.,

2007). Their findings suggest that unfavorable regulatory environments limit the ability of entrepreneurs to establish and operate their businesses effectively, impede their competitiveness, and restrict their access to vital resources. As a result, the chances of success diminish, leading to higher rates of entrepreneurial failure (Baumol et al., 2007). The authors argue that creating more favorable regulatory conditions is crucial in reducing barriers, enhancing entrepreneurial opportunities, and fostering a supportive ecosystem for entrepreneurial ventures.

External factors, such as industry conditions and competition, can also lead to entrepreneurial failures (Gimeno et al., 1997). Gimeno et al. (1997) explore the role of external factors, particularly industry conditions and competition, in contributing to entrepreneurial failures (Gimeno et al., 1997). Their research findings indicate that unfavorable industry conditions and intense competition can increase the likelihood of failure for entrepreneurial ventures.

Unfavorable industry conditions, such as declining demand or disruptive technological advancements, can render business models obsolete or unviable (Gimeno et al., 1997). Intense competition, on the other hand, can erode market share and profitability, making it challenging for entrepreneurs to sustain their ventures. The authors argue that entrepreneurs need to carefully assess and navigate the external environment, adapting their strategies and business models to align with industry conditions and effectively compete. Failure to do so can increase the vulnerability of entrepreneurial ventures, leading to higher rates of failure (Gimeno et al., 1997).

Volatile industry conditions, characterized by unpredictable market trends and demand fluctuations, can disrupt business operations, and render business models obsolete (Aldrich & Auster, 1986). Rapid technological advancements introduce new competition and require entrepreneurs to constantly adapt and innovate to stay relevant. Intense competition further

intensifies the pressure on entrepreneurs, as it can erode market share and reduce profit margins (Aldrich & Auster, 1986). The authors argue that entrepreneurs must be proactive, agile, and innovative in navigating these external factors to mitigate the risk of failure and ensure long-term success.

Exit decisions can also be influenced by factors related to the broader economic environment. Market conditions, such as changes in the competitive landscape or industry growth rates, can affect the viability and attractiveness of a venture (DeTienne, 2010). Their findings suggest that changes in the competitive landscape, such as the entry of new competitors or shifts in consumer preferences, can directly impact a venture's performance and success. Additionally, industry growth rates can affect the overall market potential and the opportunities available to a venture. Unfavorable market conditions, including increased competition or stagnant growth, can pose significant challenges to entrepreneurs, making it more difficult to attract customers, generate revenue, and achieve sustainable profitability (DeTienne, 2010).

Competition in the market can also impact entrepreneurial exit, as the presence of established or dominant players may hinder a new venture's ability to attract customers and generate revenue (Shane & Stuart, 2002). Their findings suggest that the presence of established or dominant players in the market can hinder a new venture's ability to attract customers and generate revenue. Intense competition from these incumbents can restrict the market share and growth prospects of entrepreneurial ventures, making it challenging to achieve sustainable profitability (Shane & Stuart, 2002).

As a result, the increased difficulty in establishing a customer base and generating sufficient revenue can contribute to entrepreneurial failure (Sterman, 2010). The authors argue that understanding and effectively navigating market competition is crucial for entrepreneurs to

mitigate the risk of failure and sustain their businesses in a competitive business landscape. Fierce competition may cause some entrepreneurs to exit the market and pursue alternative opportunities (Sterman, 2010).

The pressures and challenges posed by strong competition may make it difficult for entrepreneurs to gain a competitive edge and maintain sustainable profitability (Fleisher & Wright 2014). As a result, some entrepreneurs may choose to exit the market to avoid further losses or explore other businesses with potentially more favorable conditions. The authors argue that fierce competition can increase the likelihood of entrepreneurial failure as it poses significant obstacles to success, making it challenging for entrepreneurs to thrive and survive in highly competitive environments (Fleisher & Wright 2014).

Unfavorable market conditions, such as declining demand or disruptive innovation, may force entrepreneurs to exit their businesses (Minniti et al., 2005). Their findings suggest that factors such as declining demand or disruptive innovation can exert significant pressure on entrepreneurs, leading them to exit their businesses. Unfavorable market conditions can create challenges for entrepreneurs in terms of attracting customers, maintaining profitability, and adapting to changing market dynamics (Minniti et al., 2005). The inability to sustain operations or effectively compete in such conditions increases the risk of failure. Therefore, understanding and adapting to market conditions is crucial for entrepreneurial success, as it helps mitigate the likelihood of failure and enables entrepreneurs to make informed decisions regarding the continuation or exit of their businesses (Minniti et al., 2005).

Market conditions, encompassing changes in consumer preferences, technological advancements, and broader economic trends, can also affect entrepreneurial exit (Shane & Stuart, 2002). Shifts in consumer preferences may lead to a decline in demand for a product or

service, making it difficult for entrepreneurs to sustain profitability. Technological advancements can disrupt existing business models and render them obsolete, prompting entrepreneurs to exit or pivot their businesses. Broader economic trends, such as recessions or market downturns, can also create challenging conditions that contribute to entrepreneurial failure. Understanding and adapting to these market conditions is crucial for entrepreneurs to navigate challenges, identify opportunities, and make strategic decisions that mitigate the risk of failure and enhance the prospects of entrepreneurial success.

Shifts in consumer preferences, driven by evolving tastes or technological advancements, can also impact the demand for a venture's products or services, thereby influencing the entrepreneur's decision to exit (Chesbrough, 2006). Entrepreneurs may face challenges if their offerings become less desirable or if new technologies render their products or services obsolete. In such cases, the decline in demand and the inability to adapt to evolving consumer preferences can lead entrepreneurs to consider exiting their businesses (Chesbrough, 2006).

Institutional isomorphism and collective rationality in organizational fields also have implications for entrepreneurial failure (DiMaggio & Powell, 1983). Their findings suggest that the pressure for conformity to institutional norms and practices within a specific field can influence entrepreneurial failure. Institutional isomorphism, where organizations strive to resemble one another, can result in a homogenization of practices that may not be suitable for all entrepreneurial ventures (DiMaggio & Powell, 1983). This conformity can limit innovation and adaptability, increasing the risk of failure. The authors argue that understanding the impact of institutional isomorphism and collective rationality is essential for entrepreneurs to navigate institutional pressures effectively, foster innovation, and increase their chances of success while minimizing the risk of failure.

Institutional support, which includes government policies, regulations, and the presence of support programs for entrepreneurs, plays a significant role in shaping the entrepreneurial environment (Shepherd & Williams, 2018). The lack of institutional support can create challenges for entrepreneurs and may contribute to their decision to exit the market (Bates, 1990). The author's findings suggest that a lack of institutional support can create significant challenges for entrepreneurs and may contribute to their decision to exit the market. Insufficient support from regulatory bodies, government agencies, or other institutional actors can impede an entrepreneur's ability to access resources, navigate bureaucratic processes, and overcome barriers to entry. This lack of support can limit the growth and sustainability of the business, increasing the likelihood of entrepreneurial failure (Shepherd & Williams, 2018). The author argues that adequate institutional support is crucial for creating an enabling environment that facilitates entrepreneurial success, reduces barriers to entry, and enhances the chances of survival and growth for businesses.

Moreover, institutional support can influence the means of exit, as entrepreneurs who have access to support services may be more likely to sell or merge their businesses, rather than simply shutting down (Bates, 1990). The authors argue that by enabling entrepreneurs to explore alternative exit options, institutional support can help mitigate the negative outcomes associated with entrepreneurial failure, allowing for a more favorable outcome in terms of preserving business value, minimizing financial losses, and facilitating the entrepreneur's transition to new businesses or opportunities. This can be attributed to the fact that support services can help entrepreneurs identify potential acquirers or partners, as well as facilitate negotiations and deal-making processes (Wennberg et al., 2010). Consequently, entrepreneurs with access to

institutional support may be more likely to achieve a successful exit, as opposed to simply closing their business.

Furthermore, the role of mentorship and social networks in entrepreneurial failure should be acknowledged. Research has shown that entrepreneurs who have access to experienced mentors and strong social networks are more likely to succeed and have lower failure rates. Mentorship provides guidance, advice, and support, enabling entrepreneurs to make informed decisions and navigate challenges effectively. In their study, Eesley and Wang (2017) conducted a randomized field experiment to examine the impact of entrepreneurial mentorship on career choice. They found that individuals who received entrepreneurial mentorship were more likely to choose entrepreneurship as a career path compared to those who did not receive mentorship. Furthermore, they observed that the effect of mentorship was more pronounced for individuals with weaker prior entrepreneurial intentions (Eesley & Wang, 2017).

Social networks serve as crucial channels for entrepreneurs to access resources, information, and support (Baron & Markman, 2003). In this study, Baron and Markman (2003) examined the role of entrepreneurs' social competence, which includes the ability to build and maintain social networks, in their financial success. They found that entrepreneurs with limited social networks or lower social competence faced challenges in accessing resources, opportunities, and support. These deficiencies in social networks and competence influenced their financial outcomes, potentially increasing the risk of entrepreneurial failure (Baron & Markman, 2003).

Fluctuations in interest rates and exchange rates can affect the financial performance of a venture, making it more challenging to raise capital or maintain profitability (Everett & Watson, 1998). Their findings suggest that changes in interest rates and exchange rates can pose

significant challenges for entrepreneurs. Higher interest rates can increase the cost of borrowing, making it more difficult to raise capital for business operations or investments (Everett & Watson, 1998). Similarly, fluctuations in exchange rates can impact international trade, affecting the cost of imports and exports. These financial challenges can strain the resources and profitability of businesses, increasing the risk of entrepreneurial failure (Everett & Watson, 1998).

Entrepreneurial failure is influenced by various factors encompassing firm resources, limited access to resources, financial performance, bankruptcy, alliances, individual traits, internal factors like managerial incompetence, personal circumstances, cultural and institutional contexts, market conditions, and fluctuations in interest rates and exchange rates (Ibrahim & Ellis, 1987; Dunn & Cheatham, 1993; Edmondson, 2011; Altman, 1983; Everett & Watson, 1998). These factors collectively impact the likelihood of entrepreneurial exit and failure. Age, health issues, family responsibilities, and personal circumstances influence an entrepreneur's decision to exit, while cultural and institutional contexts shape perceptions and responses to failure (Ibrahim & Ellis, 1987; Altman, 1983; Everett & Watson, 1998). Market conditions, competition, and economic factors can create challenges or opportunities for entrepreneurs (Dunn & Cheatham, 1993; Edmondson, 2011). Additionally, regulatory environments and institutional support play a role in facilitating or hindering entrepreneurial success and exit strategies. Understanding these multifaceted factors is crucial for entrepreneurs and policymakers to mitigate risks, develop supportive environments, and foster entrepreneurial resilience and success.

2.3. State Tax Incentive Programs

The third and final section of this literature review will examine the economic impact of state business tax programs on entrepreneurial activity. This section will evaluate the effectiveness of various tax incentives and policy interventions in promoting new venture creation, job growth, and innovation. Furthermore, it will investigate the potential unintended consequences of these programs, such as the displacement of existing businesses and the potential for tax competition between states.

State tax incentives have emerged as a prominent policy tool employed by governments to promote entrepreneurial activity and stimulate economic development. These incentives, encompassing tax credits, exemptions, and investment incentives, are designed to attract and retain businesses, foster innovation, and generate job opportunities. The literature examining the effectiveness of state tax incentives in shaping entrepreneurial startups has garnered significant scholarly attention. This literature review aims to provide a comprehensive synthesis of existing research, analyzing the empirical evidence on the impact of state tax incentives on entrepreneurial activity. By incorporating findings from various studies, including those by Bartik (2009) and Gabe & Kraybill (2002), this review seeks to elucidate the relationship between state tax incentives and entrepreneurial startups and identify key determinants that influence their effectiveness or limitations (Bartik, 2009; Gabe & Kraybill, 2002).

2.3.1. What we know from extant research

Numerous studies have evaluated the effectiveness of tax incentives in promoting entrepreneurial activity. Bartik (2009) argues that well-designed tax incentives can have positive effects on job creation and economic development (Bartik, 2009). His research suggests that targeted incentives, such as investment tax credits and entrepreneurship-friendly tax structures,

tend to have a greater impact on entrepreneurial startups than broad-based incentives. These findings indicate that tailored tax incentives can effectively stimulate entrepreneurial activity and encourage the formation of new ventures (Bartik, 2009). These insights lay the foundation for Bartik's later work, "Making Sense of Incentives: Taming Business Incentives to Promote Prosperity," author Timothy J. Bartik (2019) puts forward the hypothesis that excessive business incentives can hinder economic growth and prosperity (Bartik, 2019). He argues that while incentives are often used to attract businesses and stimulate local economies, their effectiveness is limited due to factors such as displacement effects and fiscal costs.

Tax incentives have long been a tool employed by states to sway decisions about business development, including the launching of new enterprises, expansion of existing ones, or incentivizing relocations (Gabe & Kraybill, 1998). These policies often favor certain businesses, either shielding them from competitive pressures or aiding in their survival. The widespread adoption of such tactics has intensified the rivalry between states, as they compete for business, investment, and economic growth (Bowman, 1988). Bowman examines the competition for economic development among Southeastern cities. Bowman hypothesized that cities in the region are engaged in a competitive struggle to attract new businesses and industries. Bowman’s (1988) findings were that the competition is strong among Southeastern cities and that there is a significant variation in the effectiveness of economic development strategies (Bowman, 1988).

Some researchers believe that tax incentives either work or are of no benefit (Wiewel, 1999). Wiewel recommends independent reviews of economic impact studies. The General Accounting Office and the Department of Commerce's Office of the Inspector General have significantly contributed to enhancing data quality and the evaluation of federal economic development funding. Wievel suggests this method be adopted by states, or alternatively,

national entities like the National Council for Urban Economic Development review committees to aid local public agencies (Wiewel, 1999).

In Wasylenko (1997) research he analyzed 74 interregional and interstate tax studies (Wasylenko, 1997). His hypothesis was that these studies would reveal a significant relationship between tax rates and economic activities. His findings indicated that the majority of these studies showed a positive effect, implying that changes in tax rates led to a direct impact on economic activities. Studies such as Bartik (1989), Munnell (1990), Buss (2001), Papke (1991), and Wasylenko and McGuire (1985) support this, as they all showed positive correlations between tax changes and economic impacts (Bartik, 1989; Munnell, 1990; Buss, 2001; Papke, 1991; Wasylenko & McGuire, 1985).

Conversely, a minority of studies hypothesized that the relationship between tax changes and economic activities would be weak or statistically insignificant. The hypothesis was based on the assumption that other factors might have a stronger influence on economic activities than changes in tax rates. Studies like Bradbury et al., (1982), Carlton (1983), Carroll & Wasylenko (1994), McGuire & Wasylenko (1987), Schmenner (1982), and Tannenwald (1996) found either small or statistically insignificant elasticities, supporting this hypothesis and showing that changes in tax rates do not have a substantial impact on economic activities (Bradbury et al., 1982; Carlton, 1983; Carroll & Wasylenko, 1994; McGuire & Wasylenko, 1987; Schmenner, 1982; Tannenwald; 1996).

In 1996, the most prevalent tax incentives included exemptions for goods in transit, tax breaks on raw materials used in manufacturing, sales use tax waivers on new equipment, tax relief on manufacturers' inventories, and job creation tax incentives. The Washington Department of Revenue (1996) focused on three tax incentives: distressed area sales tax deferral

and/or exemptions, job tax credits, and manufacturing sales tax deferrals. Surprisingly, their analysis revealed a minimal correlation between the tax benefits received by participating entities and subsequent employment growth. Consequently, these findings suggested that these tax incentives might not significantly influence businesses' location decisions (Washington Department of Revenue, 1996, p.20).

However, the Washington Department of Revenue's analysis revealed a minimal correlation between the level of tax benefit obtained by entities partaking in the tax incentive programs and a subsequent increase in employment. This led them to conclude that these tax incentives may not significantly sway the decision-making process for businesses when it comes to location selection (Washington Department of Revenue, 1996 p.20).

The Government Accountability Office found that while state tax incentives can potentially stimulate job growth and investment, their effectiveness depends on the specific policy and the state's economic conditions (GAO, 2017). Conversely, the Economic Policy Institute contended these incentives might widen income inequality by benefiting large corporations more than small businesses or low-income individuals (EPI, 2018). Meanwhile, the Pew Charitable Trusts discovered that these incentives can negatively affect state budgets and limit funding for public services like education and infrastructure (Pew Charitable Trusts, 2015).

The economic impact of state business tax incentive programs can be both positive and negative. some of the potential positive impacts include:

1. Increased investment: business tax incentives can encourage companies to relocate to a particular state or region, which can lead to job creation and economic growth.

2. Attraction of new businesses: tax incentives can also be used to attract new businesses to a particular state or region, which can increase competition and provide more job opportunities for residents.

3. Increase productivity: businesses that receive tax incentives may be more productive and efficient, which can lead to economic growth and development.

However, there are also potential negative impacts of state business tax incentive programs:

1. Reduced government revenue: tax incentives can reduce the amount of revenue that the government receives from businesses, which can make it more difficult to fund public services and infrastructure.

2. Unfair competition: tax incentives can create an uneven playing field for businesses, with some firms receiving preferential treatment over others.

3. Inefficient allocation of resources: tax incentives can lead to a misallocation of resources, as businesses may make investment decisions based on the availability of incentives rather than on market conditions.

4. Ineffectiveness: Some studies have shown that tax incentives alone are not enough to drive economic development and that other factors such as education, infrastructure, and workforce development are also important,

Like many states, North Carolina has developed a state tax incentive program. The program is named The Job Development Investment Grant (JDIG). JDIG provides cash grants and tax incentives to corporations that are willing to expand their operations within the state of North Carolina. JDIG was established to strengthen the state economy through job creation, enhancement of critical infrastructure, creation of emerging industries, and by increasing state

and local tax activity. The program is administered by the Economic Investment Committee with strict guidelines that businesses must adhere to before acceptance into the program. Program criteria and certification are managed through a partnership with the Attorney General's office and the Economic Investment Committee.

A JDIG award's amount and effectiveness are calculated by taking into account several factors, such as the project's location, the county's tier designation, the number of net new jobs created the wages of those jobs in comparison to the county's average wage, the amount of investment made, and whether the industry falls under the state's targeted industry sectors. Program effectiveness does not consider impacts on local entrepreneurial startup activity and failures.

Additionally, larger incentives tend to have a more significant impact on corporate expansions, as they can offset a considerable portion of the costs associated with growth. The cost-effectiveness of state tax incentives has been a topic of concern among several researchers. In a study by Guenther et al. (2019), it was found that state tax incentives might not always yield enough economic benefits to justify their costs (Guenther et al., 2019). In some instances, the costs associated with incentives could even surpass the benefits they provide. Therefore, it is essential to perform a cost-benefit analysis to evaluate the effectiveness of state tax incentives, taking into account both the costs involved in offering the incentives and the economic advantages they generate (Klemm, 2010).

Cost-benefit analysis is a crucial tool for policymakers to assess the overall value of tax incentives, as it provides a systematic framework for comparing the costs and benefits of various policy options (Boardman et al., 2017). This type of analysis can help policymakers determine the extent to which tax incentives contribute to economic growth, job creation, and other desired

outcomes while taking into consideration the fiscal implications of these incentives on government budgets (Klemm, 2010).

Moreover, researchers argue that cost-benefit analysis should be performed not only at the initial stage of designing tax incentive programs but also throughout their implementation, as a means of monitoring and adjusting the programs to maximize their effectiveness and efficiency (Bartik, 2005; Boardman et al., 2017). By conducting ongoing cost-benefit analyses, policymakers can ensure that tax incentives are properly targeted, well-designed, and contribute to the desired economic outcomes while minimizing the potential negative effects on public finances (Klemm, 2010; Bartik, 2018).

On the other hand, tax incentives might be less effective in promoting corporate expansions if they are poorly targeted, not accompanied by other supportive measures, or the broader economic environment is unfavorable (Jensen, 2018). For instance, if tax incentives are provided indiscriminately to all businesses without considering the specific needs and potential growth opportunities of different industries, they may not yield the desired outcomes. Furthermore, tax incentives alone might be insufficient to spur expansion if companies face other barriers, such as regulatory constraints, limited access to skilled labor, or inadequate infrastructure (Jensen, 2018).

Numerous studies investigating the role of tax incentives and policy interventions in spurring job growth have generated diverse findings, underscoring the complexity of employment trends and economic development. Levine's 1995 research delved into the federal Targeted Jobs Tax Credit (TJTC) program, an initiative aimed at encouraging employers to hire and train individuals from socio-economically disadvantaged backgrounds. Other author’s

findings, however, were inconclusive, with cost-benefit analyses producing mixed outcomes, suggesting the TJTC's effectiveness varied considerably (Christensen, 1984).

The Government Accountability Office conducted a study on the TJTC program across 13 states, revealing that over half of employers (55%) did not actively recruit from the targeted groups (GAO, 1991). Instead, these employers hired a disadvantaged worker and subsequently applied for the credit (GAO, 1991). Importantly, the study found no significant wage difference between the beneficiaries of the TJTC program and those not participating, with most jobs centered around entry-level positions in retail and restaurant industries.

The U.S. Department of Labor in its audit of the TJTC program covering 1,150 workers, reported that the costs far outweighed the benefits. For each dollar invested in the program, 37 cents were returned in benefits (U.S Department of Labor, 1993). This sentiment was echoed by Pope and Kuhle (1996), whose survey of California firms revealed more than 80% were indifferent to tax credits aimed at hiring or retraining workers (Pope & Kuhle, 1996). These findings further affirm Levine's observation of the inconsistent effectiveness of the TJTC program.

However, other studies have found mixed results. A study by Cotti and Skidmore (2010) found that tax incentives had a weak or insignificant impact on job creation and investment and that the benefits of tax incentives were concentrated in certain industries and regions (Cotti & Skidmore, 2010). In cases where tax incentives have a weak or insignificant impact on job creation and investment, other factors may play a more significant role in businesses' location or expansion decisions (Cotti & Skidmore, 2010). These factors may include the availability of skilled labor, the quality of infrastructure, and the proximity to markets (Porter, 1998; Glaeser & Gottlieb, 2009).

The availability of skilled labor is a critical factor for businesses, especially in knowledge-intensive industries, as it directly affects their ability to innovate, compete, and grow (Glaeser & Gottlieb, 2009). They review three types of agglomeration economies - reduced transport costs for manufacturing and service firms, labor market pooling, and information transfer. They find that, currently, cities primarily succeed by enhancing information transfer, particularly within skilled industries, and this factor is a strong predictor of urban success. Another thought is that a well-educated and skilled workforce can attract businesses to a region, even in the absence of tax incentives, as it provides a strong foundation for the development and commercialization of new products and services (Porter, 1998). According to Porter, the creative class does not follow jobs, rather jobs follow them. As they tend to congregate in vibrant, diverse, and culturally rich cities, businesses and jobs are drawn to these locations, thus stimulating economic growth and urban revitalization.

Infrastructure, such as transportation systems, communication networks, and utilities, is also crucial for businesses when considering expansion or relocation decisions (Holl, 2004). High-quality infrastructure can reduce production and distribution costs, enhance connectivity, and improve access to markets, suppliers, and customers (Glaeser & Gottlieb, 2009). Consequently, regions with well-developed infrastructure may be more attractive to businesses, regardless of the tax incentives offered.

Proximity to markets is another important factor in business location decisions, as it directly affects transportation costs and access to customers (Krugman, 1991). Businesses that are closer to their target markets can respond more quickly to changes in demand, ensure timely delivery of products, and reduce shipping costs, providing them with a competitive advantage over businesses located further away (Krugman, 1991; Holl, 2004). In addition, a study by Bartik

(2017) found that while tax incentives can be effective in attracting businesses to a particular state, they may not have a significant impact on the broader economy (Bartik, 2017).

The role of state tax incentives in fostering innovation, particularly in Research and Development (R&D), has been the subject of thorough investigation by a variety of scholars. For instance, Wilson (2009) suggested that while R&D tax credits may incite a 'beggar-thy-neighbor' effect, diminishing innovation activities in other states, they can still instigate considerable local growth (Wilson, 2019). Importantly, Wilson underscored that the overall effect on innovation remains positive when viewed from a holistic perspective (Wilson, 2009). Echoing Wilson's sentiments, Moretti and Wilson (2014) examined the biotech industry, arguing that R&D tax incentives at the state level can effectively attract star scientists, consequently bolstering innovation, and job creation within the state (Moretti & Wilson, 2014). Their study bolstered the argument that targeted incentives can facilitate the growth of specific industries within a state.

Switching to the fiscal side of the argument, Guceri and Liu (2019) offered quasi-experimental evidence suggesting that fiscal incentives can significantly enhance innovation output, particularly patents, in affected firms (Guceri & Liu, 2019). Their findings indicate that such incentives can act as effective instruments for encouraging R&D and innovation. In a similar study, Howell (2017) found that R&D grants could lead to a substantial increase in innovation, as measured by patent filings and citations, particularly for smaller and younger firms (Howell, 2017). This lends support to the idea that direct innovation financing via grants can positively affect R&D efforts (Howell, 2017).

Finally, Zwick and Mahon (2017) investigated how tax policies can differentially affect firm investment behaviors, including innovation (Zwick & Mahone, 2017). They discovered that tax incentives could significantly influence investment decisions, particularly for financially

constrained firms. As such, they proposed that tax policy can indirectly shape firm-level innovation by mitigating these financial constraints.

In conclusion, the literature suggests that the effectiveness of tax incentives on corporate expansions can be context-dependent, with outcomes varying across industries and regions (Skidmore et al., 2013; Bartik, 2017). While these incentives can sometimes attract businesses and stimulate growth, their broader economic impact may be limited or insignificant under certain circumstances. Policymakers should exercise caution when relying on tax incentives as their primary economic development tool and explore complementary policies to support corporate expansions and overall economic growth.

Overall, state tax incentives can play a crucial role in a company's decision to expand or relocate. However, their effectiveness is contingent upon factors such as the industry, firm size, and the design and implementation of the incentive program. To maximize the cost-effectiveness and intended goals of tax incentives, policymakers must thoroughly evaluate and monitor these programs, and consider alternative strategies like investments in infrastructure and workforce development (Bartik, 2017; Fisher & Peters, 1997).

CHAPTER 3: OVERVIEW OF THE HYPOTHESIZED MODEL

As mentioned earlier, this study has three goals. The purpose of the current study is to examine how corporate expansions impact entrepreneurial activity and failures at the county level across North Carolina. Within this purpose are several goals. The first goal is to apply a theoretical framework for new venture creation and failures to examine entrepreneurial startup activity and failures in North Carolina locations where corporate expansions exist. The second goal is to examine what influences the number of jobs created and salaries paid by the corporation expansion and how this impacts entrepreneurial startup activity and failures in North Carolina locations. The third purpose is to understand how state tax incentives influences entrepreneurial startup activity and failures in North Carolina locations.

The hypotheses are divided into three sections. The first section will address corporate expansions that pay higher wages. The hypotheses in this section focus on the positive and negative impacts higher wages have on startup activity and failures (H1a – H1b). The second section will address the number of jobs created by corporate expansion. The hypotheses in this section focus on the positive and negative impacts the number of jobs created has on startup activity and failure (H1c- H1d). The third section measures the financial investments by State and Local Governments. The hypotheses in this section focus on the positive and negative impacts the level of financial investment has on startup activity and failures (H1e – H1f). The proposed model and hypotheses are depicted below.

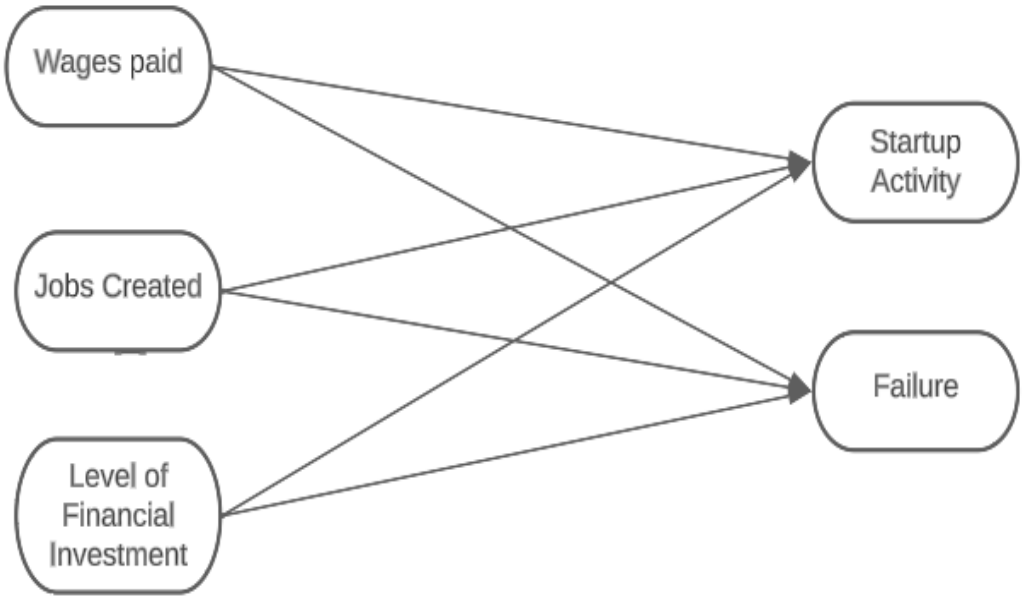

Figure 1: Research Model

3.1 Development of Hypothesis H1a -H1b

In recent years, there has been a growing interest in the relationship between corporate expansions and entrepreneurial startup activity. This study aims to investigate the effects of the wages paid, number of jobs created, and level of financial investment provided by the state on entrepreneurial startup activity and failures. Corporate expansions can change the landscape of opportunities and resource demand in a region, which can have an impact on entrepreneurial startup activity and failures. When a corporation expands, it may attract additional resources and support services to the region, such as suppliers, distributors, and financial institutions. This can create opportunities for new businesses to start up and take advantage of the increased demand for goods and services.

The influence of wage levels on startup activity is an important area of research within the field of entrepreneurship. This hypothesis development section intends to explore the existing

studies and their findings regarding the relationship between wage levels and entrepreneurial activity. Understanding this relationship can provide valuable insights into the factors that shape the decision-making process of individuals considering entrepreneurship as a career choice. The literature offers diverse perspectives on the influence of wage levels on startup activity. Acs, Desai, and Klapper (2008) suggest that higher wage levels may discourage entrepreneurial activity, finding a negative association between wage levels and the likelihood of entrepreneurship (Acs et al., 2008). This aligns with the hypothesis that higher wages create opportunity costs that deter individuals from pursuing entrepreneurial ventures.

Additionally, Baumol (1990) argues that wage levels can affect the allocation of entrepreneurial efforts across productive and unproductive activities (Baumol, 1990). While not specifically examining wage levels, Davidsson and Honig (2003) emphasize the role of social and human capital in the entrepreneurial process, indicating that wage levels may impact the motivation of individuals to become entrepreneurs (Davidsson & Honig, 2003). Examining the impact of local industrial conditions on entrepreneurship, Glaeser and Kerr (2010) explore factors influencing the spatial distribution of entrepreneurship. Their findings suggest that local wage levels may play a role in determining entrepreneurial activity within a region (Glaeser & Kerr, 2010).

Huggins and Thompson (2015) propose a network theory of entrepreneurship, considering innovation and regional growth. Their work implies that wage levels may influence entrepreneurial activity within regional innovation networks (Huggins & Thompson, 2015). Parker (2006) provides a comprehensive overview of the economics of entrepreneurship, considering various factors that influence entrepreneurial activity (Parker, 2006). Parker discusses the relationship between wage level and entrepreneurship. He finds that there is a

positive relationship between the two, meaning that higher wage levels are associated with higher rates of entrepreneurship. However, Parker also notes that the relationship between wage level and entrepreneurship is not always straightforward (Parker, 2006). For example, he finds that the relationship is weaker in countries with more generous social safety nets, as these nets provide a buffer against the risks of entrepreneurship.

Shane and Venkataraman (2000) highlight the importance of studying entrepreneurship as an academic field and the motivations behind pursuing entrepreneurship (Shane & Venkataraman, 2000). Shane and Venkataraman argue that opportunity costs are an important factor in determining whether or not an individual will become an entrepreneur. They state that "the higher the opportunity costs of entrepreneurship, the less likely it is that individuals will become entrepreneurs (Shane & Venkataraman, 2000). "This suggests that wage level could have an indirect effect on entrepreneurship (Shane & Venkataraman, 2000). If wage levels are high, then the opportunity costs of entrepreneurship will be high, which could lead to lower rates of entrepreneurship. This leads to the following hypotheses:

H1a: Corporate expansions that pay higher wages will positively influence startup activity.

The literature review also encompasses the works of Stam (2009) along with Wennekers and Thurik (1999), who discuss the link between entrepreneurship and economic growth (Stam, 2009; Wennekers & Thurik, 1999). Wennekers and Thurik (1999) conducted a meta-analysis of 37 studies that investigated the relationship between wage level and entrepreneurship (Wennekers & Thurik, 1999). They found that there is a weak positive relationship between the two, meaning that higher wage levels are associated with slightly higher rates of entrepreneurship. Stam argues that the opportunity costs of entrepreneurship are higher in

regions with high wage levels. This is because individuals in these regions have more opportunities to earn high wages by working for someone else. As a result, they are less likely to be willing to take the risks associated with starting their own business.

Zahra and Wright (2011) discuss emerging trends in entrepreneurship research and the motivations and outcomes of entrepreneurs (Zahra & Wright, 2011). Zahra and Wright also note that the relationship between wage level and the opportunity costs of entrepreneurship is likely to be nonlinear. This means that the opportunity costs of entrepreneurship may increase more than proportionally with wage level (Zahra & Wright, 2011). For example, if wage levels double, the opportunity costs of entrepreneurship may triple. This leads to the following hypotheses:

H1b: Corporate expansions that pay higher wages will positively influence failure activity.

In summary, much of the research suggests that higher wages create opportunity costs that reduce entrepreneurial activity. I go a step beyond this and suggest that when corporate expansions are accompanied by higher wages paid to employees, existing entrepreneurs will find these higher wages to be more attractive and will discontinue their entrepreneurial ventures. At the same time, higher wages also represent a greater discretionary income for individuals living within a particular region that will demand new products and services. As such, when corporations expand in a region, new entrepreneurs might perceive new opportunities and have an increased propensity to start new ventures in response.

3.2. The Development of Hypothesis H1c - H1d

Several studies have explored the relationship between corporate expansions, startup activity, and failure activity. Autio et al. (2000) hypothesized that corporate expansion positively influences startup activity. Their findings indicated that large firms and their expansions

stimulate local entrepreneurial activity through knowledge spillovers and increased market opportunities. Colombo and Grilli (2006) proposed that job creation by expanding corporations positively influences startup activity (Colombo & Grilli, 2006). However, their study primarily focused on access to bank loans for high-tech startups and did not directly examine the impact of job creation on startup or failure activity.

Cooper et al. (1994) investigated four categories of human and financial capital on startup activity and failures (Cooper et. al, 1994). Their findings suggested initial human and financial capital is positively related to startup activity, but the impact of job creation was not specifically analyzed. Similarly, Davidsson and Honig (2003) emphasized the role of social and human capital in the entrepreneurial process (Davidsson & Honig, 2003). Their study found that both social and human capital play an important part in the process of entrepreneurial startup activity. Specifically, the authors discovered that social capital, characterized by strong networks and relationships, positively affects the chance of successfully starting a business. In addition, social capital was found to facilitate access to resources, knowledge sharing, and opportunities. Human capital, which refers to the skills, knowledge, and experience of individuals, was also identified as a critical factor. Entrepreneurs with higher levels of human capital were more likely to succeed in their ventures and effectively handle challenges. However, their study did not directly examine the impact of job creation on startup or failure activity.

Huggins and Thompson (2015) investigated the relationship between entrepreneurship, innovation, and regional growth (Huggins & Thompson, 2015). Their study found that entrepreneurship and innovation play significant roles in driving regional growth. The authors discovered that regions with higher levels of entrepreneurial activity and innovation tend to experience faster economic growth and higher levels of employment. This finding suggests a

positive relationship between entrepreneurship, innovation, and regional economic performance. Although their study did not specifically analyze the impact of job creation, it offered valuable insights into the broader context of entrepreneurial activity (Huggins & Thompson, 2015).

Audretsch and Keilbach (2007) explored the theory of knowledge spillovers and entrepreneurship, which indirectly touched upon the impact of job creation (Audretsch & Keilbach, 2007). They found that regions or environments with higher levels of knowledge spillovers tend to exhibit higher rates of entrepreneurial activity and innovation. However, the direct examination of job creation's influence on startup or failure activity was not the primary focus (Audretsch & Keilbach, 2007). Lee et al. (2004) investigates the relationship between creativity and new firm formation (Lee et al., 2004). The authors conclude that social diversity and creativity are important factors in explaining the regional variation in new firm formation. They argue that policies that promote social diversity and creativity can help to increase the rate of entrepreneurial startup activity in a region (Lee et al., 2004). While their study did not specifically analyze the impact of job creation, it contributed to understanding the broader dynamics of entrepreneurship in specific contexts. By creating more jobs, corporate expansions bring greater human capital and social capital to regions, and I expect that such job creation can influence broader startup activity and failure.

In summary, the literature on the relationship between corporate expansions, job creation, startup activity, and failure activity reveal several key findings. Studies suggest that corporate expansions and higher numbers of job creation can have positive effects on startup activity, as they stimulate local entrepreneurial activity, provide knowledge spillovers, and create increased market opportunities. Additionally, an increase in job opportunities can attract and retain skilled workers, reducing the likelihood of entrepreneurial ventures facing talent shortages and skill

gaps that could lead to failure. I go a step beyond and suggest corporate expansions that create a higher number of jobs will positively influence both startup activity and failure activity. This leads to the following hypotheses:

H1c: Corporate expansions that create a higher number of jobs will positively influence startup activity.

H1d: Corporate expansions that create a higher number of jobs will positively influence failure activity.

3.3. The Development of Hypothesis H1e - H1f

The impact of the level of financial investment provided by the state received by corporate expansion has been the subject of investigation in numerous articles. These studies contribute to our understanding of how state-level financial investments provided to corporate expansions impact entrepreneurial startup activity and failures. State governments often provide financial investments to corporations through various incentives to promote economic growth and regional development. These financial investments can take the form of tax breaks, grants, subsidies, or infrastructure development (Bartik, 1991; Busso et al., 2013). The rationale behind these incentives is to attract corporations to specific regions, create jobs, stimulate economic activity, and enhance the overall competitiveness of the area (Feldman & Florida, 1994; Huggins & Thompson, 2015)

The level of financial investment provided by state incentives to corporations has been a subject of research interest. Scholars have examined the impact of these investments on various outcomes, including job creation, innovation, and business growth. For example, Girma et al. (2007) conducted a micro-econometric analysis and found that government grants received by corporations positively affect plant survival rates, suggesting the potential positive influence of

financial investments on job creation and firm performance (Girma et al., 2007). Similarly, Haltiwanger et al. (2009) examined the effects of various government programs on firm-level performance and found evidence of positive impacts on job creation and productivity (Haltiwanger et al., 2009).

Moreover, financial investments provided by state incentives can have spillover effects on the broader economy. These investments can attract other businesses, suppliers, and service providers to the region, leading to a multiplier effect that stimulates additional economic activity (Duranton & Storper, 2005). The presence of corporations receiving financial investments can create a favorable business environment that encourages entrepreneurial activity, as well as supports the growth of small and medium-sized enterprises (Braunerhjelm & Feldman, 2006; Haltiwanger et al., 2013).

Girma et al. (2007) examine the influence of government grants on the survival of businesses in specific industries (Girma et al., 2007). The authors put forth the hypothesis that government grants have a positive effect on business survival, indicating that state financial investment contributes to reducing failure activity. The authors found that businesses receiving government grants have a higher likelihood of survival compared to businesses that do not receive such financial support (Girma et al., 2007). The results of this study contribute to our understanding of the impact of state financial investment on business outcomes, particularly in terms of survival. However, their study does not study the direct relationship between the level of investments and startup activity and failures.

In summary, research on the level of financial investments provided to corporations through state incentives suggests that the investments play a significant role in promoting economic development, job creation, and regional growth. These investments can attract

corporations to specific regions, stimulate entrepreneurial activity, and have spillover effects that benefit the broader economy. Research suggests that the level of financial investment received by the corporate expansion will positively influence startup activity. Furthermore, when a significant level of financial investment is focused on a select group of corporations, it may divert resources and attention away from other potential startups leading to failure. I go a step further and suggest that the level of financial investment received by the corporate expansion will positively influence startup activity and negatively influence failure activity. This leads to the following hypotheses:

H1e: The level of financial investment received by the corporate expansion will positively influence startup activity.

H1f: Level of financial investment received by the corporate expansion will negatively influence failure activity.

CHAPTER 4: METHODS

For this study, the chapter on Methods is divided into three sections. The first section describes the data collection and sample size characteristics. The second section discusses the controls and variables. The third section presents the methods used to test the hypotheses.

4.1 Data Sample

To thoroughly evaluate the consequences of wages paid, the creation of job opportunities, and the impact of financial investments on entrepreneurial startup activities and failures in North Carolina counties, this study encompasses all counties in the state. The period under investigation spans from 2013 to 2019, with a specific emphasis on corporations that have expanded or relocated during this timeframe. To differentiate between established corporations and newer entrepreneurial ventures or failures, this research will utilize the classification guidelines provided by the Small Business Administration (SBA). As per the SBA's 2023 criteria, an establishment is considered a small business if it employs up to 499 personnel. Conversely, establishments with a workforce ranging from 500 to 999 employees and 1,000 employees or more are classified as medium and large corporations.

For the purpose of this study, I gathered and merged data on corporate relocations and expansions from the annual reports of the Job Development Investment Grant (JDIG) program. The data span the years between 2013 and 2019, covering a total of 72 unique corporations representing various industries. These corporations are distributed across different regions and counties in North Carolina. To analyze the impact of corporate relocations on startup activity and failures, I captured the 3-year lagged effect for years 2013 through 2019 for startup and closure activity. The rationale for choosing these specific years is to capture the effects of corporate relocations over a longer period, as immediate impacts may not be evident in the first year after

relocation. By analyzing trends at multiple intervals post-relocation, I aim to identify any emerging patterns and discern the long-term consequences of corporate relocations on startup activities and failures.

4.1.1 Secondary Data Collection

To collect the necessary data to answer the following research question: 'How do the characteristics of corporate expansions (wages paid, # of jobs created, and level of govt financial investment) influence startup activity and failure?", I utilized various reliable and reputable secondary data sources. The North Carolina Secretary of State dataset will provide comprehensive information on business startups and closures, job creation and other economic indicators for every county in the United States. This dataset will enable us to measure and analyze entrepreneurial activity. Additionally, the Bureau of Labor Statistics will be utilized to analyze employment and wage data at the state and local levels.

Information on economic development and state-level financial incentives in North Carolina will be sourced from NC Commerce and JDIG (Job Development Investment Grant). Data on gross domestic product will be sources from the North Carolina REA Project. While population density and education attainment (at the county level) will be sourced from usa.com and my future NC, respectively.

To integrate the collected data effectively, a rigorous data merging process will be conducted. Common variables such as county and year will be identified across the datasets, facilitating data matching and integration. Regression analysis will be employed to examine the relationships between the variables of interest, with a specific focus on exploring the direct effects of wages, job creation, and financial investments on startup activity and failures. Control variables, including population density, gross domestic product (county level), education

attainment (county level), duration of corporate grants, new business registrations (3 year average) and business closures (3 year average) will be included in the analysis to account for additional contextual factors.

4.2. Variables

This study aims to examine the influence of various characteristics of corporate expansions on entrepreneurial startup activities and failures at the county level in North Carolina.

4.2.1. Independent Variables

The independent variables include wages paid, the number of jobs created, and the level of financial investment. Wages paid are the average wages received by employees by the focal corporation. Wages paid was collected from the corporate expansion filing at the time the corporate expansion was announced by JDIG. The number of jobs created are the jobs created by the focal corporation. The number of jobs created was collected from the corporate expansion filing at the time the corporate expansion was announced by JDIG. Lastly, the level of financial investments is the monetary value distributed by the state to the focal corporation. The level of financial investment was collected from the corporate expansion filing at the time the corporate expansion was announced by JDIG. The independent variables in my study encompass wages paid, the number of jobs created, and the level of financial investment. I will derive these specific variables from distinct data sources, ensuring a clear linkage between each dataset and the corresponding variables. To elaborate further, I will gather information on wages paid, the number of jobs created, and the level of financial investment from the Job Development Investment Grant (JDIG) (see Figure 1).

4.2.2. Dependent Variables

The dependent variables in this study are entrepreneurial startup activity and failure (see

Figure 2). Startup activity refers to the number of new businesses established within each county, while failure represents the number of businesses dissolved and withdrawn between 2013 and 2019. Entrepreneurial startup activity and failures were collected from the North Carolina Secretary of State website at the time the business was started and closed. The North Carolina Secretary of State website was the primary source for obtaining data on startup activity and failures.

4.2.3. Controls

To ensure the robustness and reliability of our findings, I incorporated the following control variables commonly employed in extant studies on startup activity:

GDP (Gross Domestic Product): As a fundamental economic indicator, GDP was included to contextualize the analysis within the broader economic environment, accounting for potential economic fluctuations. GDP was quantified as the total monetary value of all goods and services and will be calculated as the U.S. dollar. County level GDP data was collected from the North Carolina REAP website. The mean centered GDP was used in this study.

Recognizing the role of population density in influencing entrepreneurial dynamics, I controlled this factor. Population density was expressed as the number of people per square mile. County level population density data was sourced from the USA.com website at the time the corporate expansion was announced. To prevent multicollinearity, mean centered population density county data will be incorporated into this study. Controlling educational levels within counties is essential, as regions with higher educational attainment may display distinct patterns in entrepreneurial activity. Education attainment was sourced from my future NC website, specifically the county attainment profile data summary. Education attainment variable was obtained by assessing the percentage of individuals who have attained at minimum a bachelor's

degree or higher and who reside in the foal county. Education attainment was collected at the time the corporate expansion was announced.

To highlight the significance of grant duration, I will include this variable to assess the long-term impacts of relocation incentives on startup activity and business failures. Grant duration is a numerical value representing the number of years. Grant duration was collected from the corporate expansion filing at the time the corporate expansion was announced by JDIG. Lastly, the average new business registrations and failures for 3 years prior to the focal corporate expansion and relocation year was included as a control. The average new business registrations and failures for 3 years was collected from the North Carolina Secretary of State website for the 3 years prior to the corporate expansion announcement. To prevent multicollinearity the mean center values for new business registration and failures was included in this study, accounting for potential temporal shifts in economic conditions and policies.

4.3. Research Model Testing and Data Analysis

SPSS (Statistical Package for the Social Sciences) was chosen as the tool to test the dissertation's hypotheses because; (a)is a widely used software tool for statistical analysis in business and other fields, (b) researchers often choose SPSS for their hypotheses testing due to its user-friendly interface, (c) a comprehensive set of statistical procedures, and (d) robust data management capabilities.

First, for the hypotheses related to the influence of higher wages on startup and failure activity, a linear regression analysis was conducted using SPSS. The average wages paid by corporations in each county is the independent variable, while the measures of entrepreneurial startup and failure activity were the dependent variables. This test was performed using the 3-year lagged effect for the years 2013 through 2019 for startup and closure activity. This analysis

assessed the strength and direction of the relationship between wages and the two dependent variables, providing statistical evidence to support or reject the hypotheses.

Next, to examine the impact of the number of jobs created through corporate expansions on entrepreneurial startup and failure activity, a linear regression analysis was performed using SPSS. The total number of jobs created is the independent variable, and the measures of entrepreneurial startup and failure activity was the dependent variables. This test was performed using year 3 startup activity and business closure data. This analysis will help determine the extent to which job creation influences the likelihood of startup activity and failure.

Finally, to evaluate the relationship between the level of financial investment received by the corporate expansion and entrepreneurial startup and failure activity, a final linear regression analysis was conducted using SPSS. The level of financial investment served as the independent variable, and the measures of entrepreneurial startup and failure activity were the dependent variables. This test was performed using year 3 startup activity and business closure data. These analyses will assess whether financial investment positively influences entrepreneurial startup activity and failure and provide insights into the role of financial resources in entrepreneurial outcomes.

SPSS offers a range of statistical tools to conduct hypothesis testing for the stated hypotheses. Linear regression analyses can be used to assess the influence of independent variables (wages, job creation, financial investment) on dependent variables (startup and failure activity). Additionally, SPSS's advanced features enable the exploration of mediating or moderating effects, providing a comprehensive analysis of the relationships between the variables.

CHAPTER 5: RESULTS

5.1. Descriptive Statistics

Prior to conducting the data analysis, a thorough examination of all variables was carried out to identify potential code discrepancies, violations of statistical assumptions, and missing or outlier values using IBM SPSS. Among the 72 corporate expansions and relocations, a meticulous review for missing values across all variables was conducted. Subsequently, 5 corporations were excluded from the analysis due to incomplete information. The level of financial investment and new business registration 3-year average did not fall within an acceptable range. For data to be considered normal skewness must fall between -2 to 2 and kurtosis -7 to 7 (AASHTO, 2007).

To rectify the abnormality in the data related to new business registration 3-year average and the level of investment data, I employed a logarithmic transformation using the "Transform" feature in SPSS. Specifically, I used the "Compute Variable" function within SPSS to create new variables that represent the logarithmic transformations of these original variables. This transformation involved taking the natural logarithm (ln) of each data point for average wage, the number of jobs created, and the level of investment. This process helps to normalize the data and reduce the impact of extreme values, making it more suitable for statistical analysis.

By applying this logarithmic transformation, I aimed to address any skewness or non-normality in the data, ultimately enhancing the reliability and appropriateness of the data for my analytical purposes. Descriptive statistics including the newly transformed variables are in Table 1. Correlations can be found in table 2. Linear regression results are presented in Tables 3 through 10.

5.2 Linear Regression for Startup Activity and Average Wage

Hypothesis 1a is that corporate expansions that pay higher wages will positively influence startup activity. A linear regression was used to model the dependent variable of startup activity at year 3. Based on the results of the regression analysis at year 3, the findings do not provide support for the hypothesis that corporate expansions paying higher wages significantly influence startup activity. Average Wage has a positive coefficient (B = 0.205) with a significance level (Sig.) of 0.084 ($p > 0.05$) (see table 3), which suggests a average Wage is not statistically significant as a predictor of startup activity in this model.

5.2.1. Linear Regression for Failure Activity and Average Wage

Hypothesis 1b is that corporate expansions that pay higher wages will positively influence failure activity. A linear regression was used to model the dependent variable of failure activity at year 3. Based on the results of the regression analysis the results do not provide support for Hypothesis H1b. Average Wage has a coefficient (B) of -0.037 with a significance level (Sig.) of 0.593 ($p > 0.05$) (see table 4). This suggests that there is no statistically significant relationship between higher wages and failure activity in this model as well.

5.3 Linear Regression for Startup Activity and Number of Jobs Created

Hypothesis 1c is that corporate expansions that create a higher number of jobs will positively influence startup activity. A linear regression was used to model the dependent variable of startup activity at year 3. Based on the results of the regression analysis the results provide support for Hypothesis H1c. Number of jobs created has a coefficient (B) of 0.601 with a significance level (Sig.) of 0.000 ($p < 0.05$) (see table 5). This suggests that there is a strong and statistically significant positive relationship between the number of jobs created and startup activity in this model.

5.3.1 Linear Regression for Failure Activity and Number of Jobs Created

Hypothesis 1d is that corporate expansions that create a higher number of jobs will positively influence failure activity. A linear regression was used to model the dependent variable of startup activity at year 3. Based on the results of the regression analysis the results do not provide support for Hypothesis H1d. Number of jobs created has a coefficient (B) of 0.129 with a significance level (Sig.) of 0.069 ($p > 0.05$) (see table 6). The results indicate that there is not a statistically significant relationship between the number of jobs created and failure activity.

5.4. Linear Regression for Startup activity and Level of investment

Hypothesis 1e is that the level of financial investment received by the corporate expansion will negatively influence startup activity. A linear regression was used to model the dependent variable of startup activity at year 3. Based on the results of the regression analysis, the results provide support for Hypothesis H1e. Level of financial investment has a coefficient (B) of 0.321 with a significance level (Sig.) of 0.024 ($p < 0.05$) (see table 7). This indicates that a higher level of financial investment negatively influences startup activity.

5.4.1. Linear Regression for Failure activity and Level of investment

Hypothesis 1f is that the level of financial investment received by the corporate expansion will negatively influence failure activity. Based on the results of the regression analysis, the results do not support Hypothesis H1f. Level of financial investment has a coefficient (B) of -0.029 with a significance level (Sig.) of 0.741 ($p > 0.05$). This indicates that the relationship between the level of financial investment and failure activity remains statistically insignificant (see table 8).

Table 1: Descriptive Statistics

	N	***M***	***SD***
1.Jobs Created	72	1616	2222
2.Business Failures AVG	72	-3232	3350
3.Business Failures	72	752	3954
4.GDP	72	56969745	41796348
5.Education Attainment	72	35%	0.10
6. Grant Duration	72	11.54	1.26
7.New Business AVG	72	-518	1522
8.Population Density	72	414.30	477.39
9.Level of Invest	72	15.4151	1.15
10.New Business	72	843	7306.6
11.Average Wage	72	62051	25301

Table 2: Correlations

		1	2	3	4	5	6	7	8	9	10
1.Jobs Created		1	.652**	.663**	.399**	.508**	-0.042	.641**	.399**	.809**	0.058
	N	72	72	72	72	72	72	72	72	72	72
2.Business Failures AVG		.652**	1	.897**	.516**	.636**	-0.191	.845**	.464**	.743**	-0.382
	N	72	72	72	72	72	72	72	72	72	72
3.Business Failures		.663**	.897**	1	.428**	.630**	-0.179	.903**	.486**	.668**	-0.076
	N	72	72	72	72	72	72	72	72	72	72
4.GDP .		399**	.516**	.428**	1	.336**	-0.192	.463**	.365**	.459**	-.789**
	N	72	72	72	72	72	72	72	72	72	72
5.Education Attainment		.508**	.636**	.630**	.336**	1	-0.060	.704**	.566**	.635**	0.241
	N	72	72	72	72	72	72	72	72	72	72
6. Grant Duration		-0.042	-0.191	-0.179	-0.192	-0.060	1	-0.157	-0.022	0.056	-0.395
	N	72	72	72	72	72	72	72	72	72	72
7.New Business AVG		.641**	.845**	.903**	.463**	.704**	-0.157	1	.462**	.685**	-0.033
	N	72	72	72	72	72	72	72	72	72	72
8.Population Density		.399**	.464**	.486**	.365**	.566**	-0.022	.462**	1	.470**	-.617*
	N	72	72	72	72	72	72	72	72	72	72
9.Level of Invest		.809**	.743**	.668**	.459**	.635**	0.056	.685**	.470**	1	-0.487
	N	72	72	72	72	72	72	72	72	72	72
10.New Business		.678**	.554**	.497**	0.126	.525**	-0.180	.571**	0.152	.508**	.435**
	N	72	72	72	72	72	72	72	72	72	72
11.Average Wage		.449**	.520**	.473**	.274*	.572**	0.041	.524**	.448**	.601**	0.143
	N	72	72	72	72	72	72	72	72	72	72

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Table 3: Linear Regression for Startup Activity and Average Wage

Variables	Model 1 Controls		Model 2 Main Effect	
Controls	B	Sig.	B	Sig.
Grant Duration	-0.119	0.218	-0.140	0.144
GDP	-0.158	0.150	-0.163	0.133
Education Attainment	0.360	0.014	0.295	0.046
Population Density	-0.214	0.070	-0.245	0.038
New Business AVG	0.471	0.001	0.423	0.004
Main Effect				
Average Wage			0.205	0.084
Constant		0.641		0.544
R^2	.427		.453	<.001
ΔR^2			.026	0.743
F	9.841**	<.001	8.970	<.001

a. Dependent Variable: New Business
b. N = 72

Note: **Significant at 0.05 level. N indicates the sample size used in the analysis. ΔR^2 values represent the change in R^2 due to the addition of the specified variables in the model.

Table 4: Linear Regression for Failure Activity and Average Wage

Variables	Model 1 Controls		Model 2 Main Effect	
Controls	B	Sig.	B	Sig.
Grant Duration	-0.024	0.657	-0.020	0.718
GDP	-0.065	0.305	-0.065	0.306
Education Attainment	0.068	0.366	0.080	0.311
Population Density	0.078	0.239	0.083	0.217
Business Failures AVG	0.847	<0.001	0.857	<0.001
Main Effect				
Average Wage			-0.037	0.593
Constant		0.088		0.083
R^2	.817		.818	<.001
ΔR^2			.001	0.028
F	59.058	<.001	48.733	<.001

a. Dependent Variable: Business Failures
b. N = 72

Note: **Significant at 0.05 level. N indicates the sample size used in the analysis. ΔR^2 values represent the change in R^2 due to the addition of the specified variables in the model.

Table 5: Linear Regression for Startup Activity and Number of Jobs Created

Variables	Model 1 Controls		Model 2 Main Effect	
Controls	B	Sig.	B	Sig.
Grant Duration	-0.119	0.218	-0.160	0.045
GDP	-0.158	0.150	-0.232	0.011
Education Attainment	0.360	0.014	0.321	0.007
Population Density	-0.214	0.070	-0.264	0.007
New Business AVG	0.471	0.001	0.164	0.193
Main Effect				
Jobs Created			0.601	0.000**
Constant		0.641		0.426
R^2	.427		.629	<.001
ΔR^2			.202	5.76
F	9.841**	<.001	18.369	<.001

a. Dependent Variable: New Business
b. N = 72

Note: **Significant at 0.05 level. N indicates the sample size used in the analysis. ΔR^2 values represent the change in R^2 due to the addition of the specified variables in the model.

Table 6: Linear Regression for Failure Activity and Number of Jobs Created

Variables	Model 1 Controls		Model Main Effect	
Controls	B	Sig.	B	Sig.
Grant Duration	-0.024	0.657	-0.035	0.520
GDP	-0.065	0.305	-0.076	0.225
Education Attainment	0.068	0.366	0.052	0.481
Population Density	0.078	0.239	0.070	0.282
Business Failures AVG	0.847	<.001	0.780	<.001
Main Effect				
Jobs Created			0.129	0.069
Constant		0.088		0.093
R^2	.817		.826	<.001
ΔR^2			.009	0.56
F	59.058	<.001	51.579	<.001

a. Dependent Variable: Business Failures
b. N = 72

Note: **Significant at 0.05 level. N indicates the sample size used in the analysis. ΔR^2 values represent the change in R^2 due to the addition of the specified variables in the model.

Table 7: Linear Regression for Startup Activity and Level of Investment

Variables	Model 1 Controls		Model 2 Main Effect	
Controls	B	Sig.	B	Sig.
Grant Duration	-0.119	0.218	-0.175	0.072
GDP	-0.158	0.150	-0.219	0.047
Education Attainment	0.360	0.014	0.281	0.052
Population Density	-0.214	0.070	-0.237	0.040
New Business AVG	0.471	0.001	0.338	0.025
Main Effect				
Level of Investment			0.321	0.024**
Constant		0.641		0.029
R^2	.427		.471	<.001
ΔR^2			.044	0.012
F	9.841**	<.001	9.642	<.001

a. Dependent Variable: New Business
b. N = 72

Note: **Significant at 0.05 level. N indicates the sample size used in the analysis. ΔR^2 values represent the change in R^2 due to the addition of the specified variables in the model.

Table 8: Linear Regression for Failure Activity and Level of Investment

Variables	Model 1 Controls		Model 2 Main Effect	
Controls	B	Sig.	B	Sig.
Grant Duration	-0.024	0.657	-0.018	0.751
GDP	-0.065	0.305	-0.061	0.342
Education Attainment	0.068	0.366	0.075	0.341
Population Density	0.078	0.239	0.079	0.236
Business Failures AVG	0.847	<.001	0.863	<.001
Main Effect				
Level of Investment			-0.029	0.741
Constant		0.088		0.263
R^2	.817		.818	<.001
ΔR^2			.001	0.073
F	59.058	<.001	48.570	<.001

a. Dependent Variable: Business Failures
b. N = 72
Note: **Significant at 0.05 level. N indicates the sample size used in the analysis. ΔR^2 values represent the change in R^2 due to the addition of the specified variables in the model.

Table 9: Linear Regression for Startup Activity **Controls with IV's**

Variables	Model 1 Controls		Model Main Effect	
Controls	B	Sig.	B	Sig.
Grant Duration	-0.119	0.218	-0.136	0.087
GDP	-0.158	0.150	-0.197	0.029
Education Attainment	0.360	0.014	0.326	0.008
Population Density	-0.214	0.070	-0.284	0.003
New Business AVG	0.471	0.001	0.170	0.172
Main Effect				
Level of Investment			-0.309	0.049
Jobs Created			0.752	<0.001
Average Wage			0.194	0.052
Constant	0.641			0.158
R^2	.427		.662	<.001
ΔR^2			.235	5.48
F	9.841**	<.001	15.443	<.001

a. Dependent Variable: New Business

b. N = 72

Note: **Significant at 0.05 level. N indicates the sample size used in the analysis. ΔR^2 values represent the change in R^2 due to the addition of the specified variables in the model.

Table 10: Linear Regression for Failure Activity **Controls with IV's**

Variables	Model 1 Controls		Model Main Effect	
Controls	B	Sig.	B	Sig.
Grant Duration	-0.024	0.657	-0.001	0.992
GDP	-0.065	0.305	-0.061	0.332
Education Attainment	0.068	0.366	0.092	0.234
Population Density	0.078	0.239	0.075	0.249
Business Failures AVG	0.847	<0.001	0.843	<0.001
Main Effect				
Level of Investment			-0.204	0.076
Jobs Created			0.233	0.011
Average Wage			-0.017	0.798
Constant	.088			0.21
R^2	.817		.836	<.001
ΔR^2			.019	.913
F	59.058	<.001	40.231	<.001

a. Dependent Variable: Business Failures

b. N = 72

Note: **Significant at 0.05 level. N indicates the sample size used in the analysis. ΔR^2 values represent the change in R^2 due to the addition of the specified variables in the model.

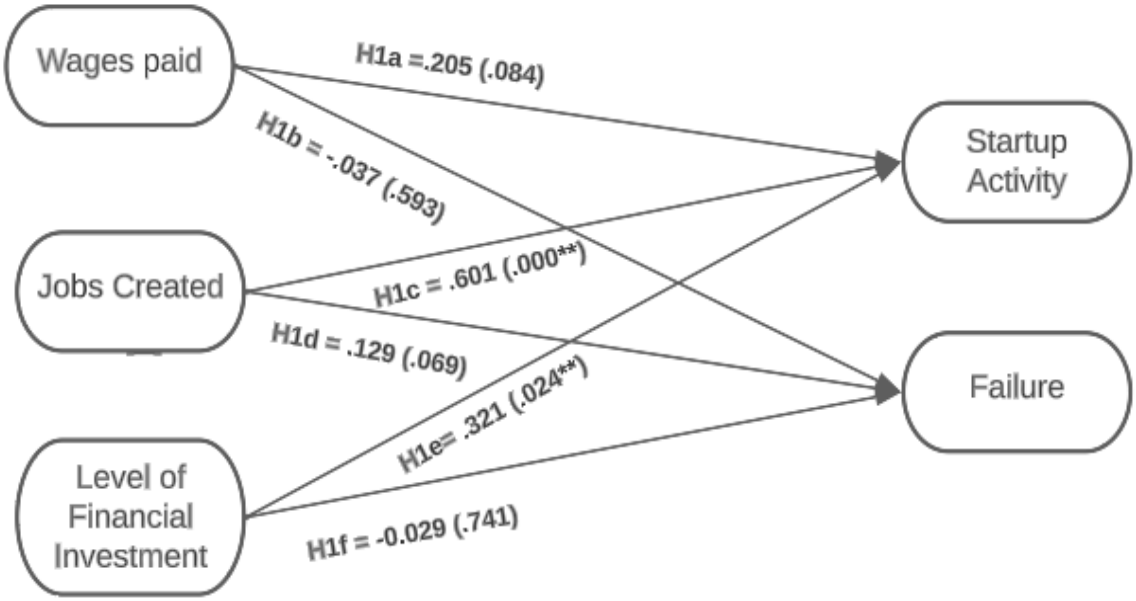

Figure 2: Research Model with results

CHAPTER 6: DISCUSSION

Understanding the multifaceted dynamics that underlie startup activity and failures is paramount in unraveling the complex tapestry of entrepreneurship. It is within this context that I explored the intricate interplay between corporate expansions and entrepreneurial outcomes, specifically startup activity and failure rates. While prior research has spotlighted various aspects of entrepreneurship, there remains a notable gap in understanding the relationship between corporate expansions (and relocations), the wages paid, the number of jobs created, and the level of financial investments in the form of state tax incentives. To address this gap, I proposed a series of hypotheses derived from a theoretical model and tested those hypothesized relationships using secondary data that contained a sample of 72 corporate expansions and relocations across North Carolina between 2013 and 2019.

Aspiring entrepreneurs embark on their journeys with dreams of bringing innovative ideas to life, contributing to economic growth, and realizing personal and professional aspirations. However, their journeys are often influenced by a variety of factors, including the presence of corporate expansions and relocations. Considering the significant impact that corporate expansions can exert on entrepreneurial startup activity and failures, a crucial question emerges: How do the characteristics of corporate expansions (wages paid, the number of jobs created, and the level of government financial investment) influence startup activity and failure?

My investigation sought to fill this gap in understanding by scrutinizing the intricate dynamics of corporate expansions and their influence on entrepreneurial startup activity and failure rates. Drawing inspiration from prior research on entrepreneurial startup activity (Acs & Audretsch, 1990; Acs et al., 2009; St-Jean & Audet, 2012) and failures (Ibrahim, & Ellis, 1987; Dunn & Cheatham, 1993; Edmondson, 2011; Altman, 1983; Everett & Watson, 1998), which

argued that certain environmental factors can impact startup activity and failures, I began a comprehensive study.

Interestingly, my findings challenge conventional assumptions and offer fresh perspectives on the dynamics between corporate expansions and entrepreneurship. As I venture further into this exploration, I not only contribute to the scholarly understanding of entrepreneurship but also equip policymakers, entrepreneurs, and stakeholders with valuable insights to inform their strategies and decisions. My journey through the often complicated landscape of entrepreneurship promises to uncover new facets of this ever evolving landscape, ultimately advancing my comprehension of the critical role that corporate expansions play in shaping entrepreneurial outcomes.

I argued that corporate expansions paying higher wages would have a positive influence on startup activity. The results of my linear regression analysis did not provide strong support for this hypothesis. These findings suggest that higher wage levels in corporate expansions do not significantly impact startup activity. Firstly, entrepreneurial activity is influenced by a myriad of factors beyond wage levels. As Edmiston (2004) suggests, local economic conditions, access to funding, and the regulatory environment are critical determinants of entrepreneurship (Edmiston, 2004). The presence of a well-developed entrepreneurial ecosystem, as noted by Minniti and Bygrave (2005), with robust support structures, may mitigate the significance of wage levels (Minniti & Bygrave, 2005). In such contexts, aspiring entrepreneurs may be more motivated by factors like access to resources and mentorship than the immediate wage offers from corporate expansions (Minniti & Bygrave 2005).

Secondly, the cost of starting a new business, including capital requirements, may overshadow the influence of wage levels (Shepherd & Williams, 2018). High startup costs can

deter potential entrepreneurs, despite the wage levels offered by corporate expansions. Moreover, different industries may react differently to wage changes, as industries with lower skill requirements or lower prevailing wage levels may be less affected by corporate expansions' wage offers (Chang & Singh, 2000).

Thirdly, the composition of the sample used in the analysis is a crucial factor. As Rubin (1973) points out, the motivations and characteristics of individuals in the sample can significantly impact the results (Rubin, 1973). If the sample predominantly consists of highly motivated individuals with a strong entrepreneurial drive, the influence of wage levels may be attenuated. Additionally, there might be a time lag before the effects of corporate expansions on entrepreneurial activity become evident (Heinze, 2013).

Lastly, methodological considerations, such as model choice and control variables, can affect the results. Factors not accounted for in the model or model misspecification (Gonzalez et al., 2019). Leading to a lack of significance. Additionally, the presence of a robust local entrepreneurship culture may outweigh the influence of wage levels (Audretsch & Keilbach, 2005). In regions where entrepreneurship is highly valued and supported, individuals may be more inclined to start businesses regardless of corporate wage offers.

The challenges encountered in this analysis appear to stem from a blend of both theoretical and methodological issues. Theoretical complexities arise from the multifaceted nature of entrepreneurship, where numerous factors beyond wage levels influence entrepreneurial decisions. This complexity challenges the isolation of wage levels as a singular driver of entrepreneurship. On the methodological front, issues encompass model specification, sample composition, and the chosen time frame of analysis. Ensuring that the model

comprehensively accounts for relevant factors, that the sample is representative, and that the analysis captures long-term effects will be crucial in addressing these challenges.

I hypothesized that corporate expansions offering higher wages would positively influence failure activity, my linear regression analysis did not support this hypothesis. Neither corporate expansion nor average wage levels significantly influenced failure activity. Intriguingly, the most influential factor in predicting failure activity was business failures in the previous three years, overshadowing the effects of corporate expansions and wage levels.

The absence of a significant impact of higher wage levels in corporate expansions on entrepreneurial failure activity in the data can be attributed to several plausible reasons, as supported by existing research.

Firstly, the determinants of entrepreneurial failure are multifaceted, and wage levels offered by corporate expansions represent just one of many factors influencing this outcome. Entrepreneurial failure can be driven by a combination of factors such as market conditions, management competence, access to resources, and competitive pressures (DeTienne, 2010). The presence of corporate expansions with higher wage offers may not be a dominant driver of entrepreneurial failure compared to other critical factors.

Lastly, the characteristics of the sample used in the analysis may play a significant role. The motivations and attributes of individuals in the sample can influence the results. If the sample consists of entrepreneurs who are resilient and resourceful, they may be better equipped to overcome challenges associated with entrepreneurial failure, regardless of wage levels offered by corporate expansions (Sarasvathy, 2001).

In reflection on the challenges faced in this analysis, it is apparent that a combination of both theoretical and methodological issues contributed to the observed results. The theoretical

complexity surrounding entrepreneurial failure, influenced by a multitude of factors beyond wage levels, suggests the need for a more comprehensive and nuanced theoretical framework. Future research should consider a broader set of variables such as access to resources and entrepreneurial experience and a refined model that captures the multifaceted nature of entrepreneurial failure.

Methodologically, a more representative and diverse sample, such as exploration of different timeframes, and consideration of alternative statistical approaches may enhance the robustness of the analysis. While the initial test did not yield the anticipated effects of higher wages offered by corporate expansions on entrepreneurial failure, a more comprehensive and context-sensitive approach is warranted to uncover potential relationships and contributing factors.

I proposed that corporate expansions generating a higher number of jobs would positively influence startup activity. The results of the linear regression analysis provided support for this hypothesis. The number of jobs created emerged as statistically significant predictors of startup activity, several control variables displayed significant associations. Higher business registrations in the previous three years, a higher GDP, lower population density, and higher education attainment were all significantly linked to increased startup activity. Notably, the duration of corporate grants did not exert a significant effect on startup activity in this analysis.

Hart and Oulton (1996) suggested that as corporations grow jobs are created to support the different stages of corporate growth. Making job creation critical to the corporation's success. The data showing a significant positive influence of corporate expansions generating a higher number of jobs on startup activity could be attributed to several plausible reasons, supported by existing research. First, certain scholars associate this occurrence with economies

of scale and scope, which result in decreased transaction expenses and enhanced effectiveness for businesses functioning in a particular area (Baum & Singh, 1994; Fujita et al., 1999; Fujita & Thisse, 2002; Greenhut et al., 1987; Wade, 1995). In such scenarios, entrepreneurs might be attracted to regions where they can capitalize on shared resources, the transfer of knowledge, and a proficient workforce, all contributing to increased efficiencies for individuals engaged in entrepreneurial ventures.

Secondly, previous studies have delved into the theory of knowledge spillover in entrepreneurship, emphasizing the crucial role of transferring knowledge from established enterprises to newly established ones (Acs et al., 2009). Acs and colleagues (2009) examined this theory and found that the transfer of knowledge from well-established organizations significantly impacts the initiation of entrepreneurial activities (Acs et al., 2009). Their research demonstrates that entrepreneurs gain valuable insights by accessing knowledge generated by established firms, including technical know-how, market intelligence, and managerial expertise. This exchange of knowledge enriches the capabilities and resources of startups, empowering them to tackle challenges, foster innovation, and enhance their likelihood of success (Acs et al., 2009).

Lastly, the establishment of corporate expansions in communities can yield economic advantages, such as the creation of new jobs and heightened investments in neighboring areas (Audretsch & Keilbach, 2005). Considerable attention has been given to the indirect consequences, or spillover effects, of these expansions. Positive spillovers encompass agreements with suppliers heightened consumer expenditures, the exchange of knowledge among enterprises the arrival of businesses that contribute to local employment and economic development, as well as the pooling and sharing of employment resources (Rosenthal & Strange, 2001; Zollo & Reuer, 2010).

I argued that corporate expansions creating a greater number of jobs would positively influence failure activity. My linear regression analysis did not provide support for this hypothesis. Firstly, it's essential to consider the quality and sustainability of the jobs created by corporate expansions. While job creation is generally seen as a positive economic development, the type of jobs matters. If the jobs generated are temporary, low-paying, or lack growth opportunities, they may not contribute positively to the local economy or entrepreneurial ecosystem (Holmes, 2005). Such jobs might not attract or retain skilled workers or encourage entrepreneurship.

Lastly, other external factors and conditions may influence entrepreneurial failure activity more strongly than job creation. Economic conditions, access to funding, market demand, and regulatory environments all play pivotal roles in the success or failure of startups (Edmiston, 2004; Bosma et al., 2012). Job creation, while important, is just one of many factors affecting entrepreneurial outcomes.

The identified problem in this analysis appears to be a complex interplay of factors, involving both theoretical and methodological considerations. The theoretical challenge lies in the need to account for job quality and sustainability in addition to job quantity when assessing their impact on failure activity. The type of jobs created by corporate expansions, whether they are temporary, low-paying, or offer growth opportunities, could significantly influence their contribution to the local economy and the entrepreneurial ecosystem. If the newly created jobs do not match the expertise or interests of the local population, it may not stimulate entrepreneurial activity (Luger & Bae, 2005). This suggests that not just the quantity but also the quality of jobs matters.

Methodologically, the timeframe considered in the analysis may not capture the nuanced and potentially delayed effects of job creation on failure activity. Entrepreneurial ventures often require time for planning, preparation, and resource gathering before actual startup or potential failure occurs. Adjusting the timeframe to account for this gestation period might yield different results. This gestation period can extend beyond the immediate job creation phase associated with corporate expansions. As a result, the impact of job creation on entrepreneurial startups may take time to materialize (Acs & Szerb, 2007).

I hypothesized that the level of financial investment received by corporate expansions (state tax incentives) would positively influence startup activity. The linear regression analysis provided strong support for this hypothesis. The results show that the level of financial investments received by the corporate expansion or relocation significantly influenced startup activity. The significant positive impact of the level of financial investments received by the corporate expansions on startup activity, as indicated by the data, can be explained by various plausible factors substantiated by existing research.

Several scholars have investigated the impact of state tax incentives on Research and Development (R&D) based financial investments and have noted a positive effect. For example, Wilson (2009) proposed that while R&D tax credits might lead to a competitive dynamic among states, potentially reducing innovation efforts in other regions, they can still spur significant local growth (Wilson, 2019). In alignment with Wilson's viewpoint, Moretti and Wilson (2014) delved into the biotech industry, contending that state-level R&D tax incentives effectively attract renowned scientists, thereby enhancing innovation and job creation within the state (Moretti & Wilson, 2014). Their research further supported the notion that targeted incentives can facilitate the growth of specific industries within a state.

Policymakers at the state and local levels advocate for directing public resources towards the expansion and relocation of corporations. They argue that this approach leads to increased productivity, greater prosperity, and higher tax revenues from both other firms and higher incomes. This viewpoint is supported by various studies (Garcia Mila & McGuire 2002; Henderson, 2003; Greenstone & Moretti 2003; Greenstone et al., 2010).

Finally, I proposed that the level of financial investment (state tax incentives) received by corporate expansions would negatively influence failure activity. The regression analysis did not provide substantial evidence to support this hypothesis.

The absence of a significant negative influence of the level of financial investment (state tax incentives) on failure activity in corporate expansions could be attributed to various factors, each supported by relevant research. To begin, the impact of financial investment, including state tax incentives, on entrepreneurial failure activity may be context-dependent and multifaceted. While tax incentives can help reduce resource costs for corporations (Musil, 2011), they may not have a direct effect on the specific factors that lead to entrepreneurial failures, such as market competition, management challenges, or shifts in market demand (Holmes, 2005). Tax incentives are typically aimed at encouraging business expansion and investment, and their influence on failure rates may not manifest immediately (Chang & Singh, 2000).

Additionally, the effectiveness of state tax incentives in reducing entrepreneurial failure may hinge on the design and targeting of these incentives. Not all tax incentive programs are equally effective, and their impact can vary depending on eligibility criteria and the industries they are intended to support (Cressy, 2006). The specific tax incentive programs in place in North Carolina during the study period may not have been designed to directly address the root causes of entrepreneurial failures.

Lastly, the timing of the analysis could be a contributing factor. Tax incentives often shape corporate decisions related to expansion and investment in the long term, while entrepreneurial failures may occur in the shorter term. Consequently, the immediate effects of tax incentives on entrepreneurial failure may not be readily observable, and their impact may become more apparent over time (Luger & Bae, 2005). It is important to consider the presence of other variables and control factors in the statistical model. Failure activity is influenced by a multitude of factors, and the significance of tax incentives may be masked or moderated by the inclusion of other influential variables in the analysis (Huggins et al., 2017).

The study's policy implications emphasize the need for a strategic and holistic approach to promoting entrepreneurship in light of the research findings. Policymakers should carefully tailor tax incentive programs to align with specific economic development objectives and address the challenges faced by entrepreneurs, ultimately enhancing their effectiveness. Additionally, recognizing that the impact of financial incentives may unfold gradually, policymakers should commit to long-term monitoring and evaluation of these programs to assess their enduring effects on startup activity and failure rates.

Furthermore, fostering a comprehensive ecosystem of support for entrepreneurship, encompassing access to funding, mentorship, favorable market conditions, and regulatory environments, is crucial for amplifying the impact of financial investments. Lastly, policy flexibility is essential, given the multifaceted and context-dependent nature of entrepreneurship. Regular reviews and evidence-based adjustments to incentive programs ensure their relevance and effectiveness in promoting entrepreneurial activity.

6.2 Limitations and Future Research

6.2.1 Limitations

While this study has contributed valuable insights to the understanding of the relationship between corporate expansions and entrepreneurial outcomes, it is essential to recognize several limitations that warrant consideration. Firstly, the study's geographical focus on North Carolina, while providing rich contextual data, may raise questions about the generalizability of the findings to regions with distinct economic and policy landscapes (Edmiston, 2004). Future research endeavors should aim to explore how these dynamics play out in diverse geographic settings, facilitating a more comprehensive understanding of the broader implications.

Secondly, this study primarily relied on quantitative data, which undoubtedly established a robust foundation for analysis. However, it is important to acknowledge that entrepreneurship is a multifaceted phenomenon with intricate nuances that quantitative data alone may not fully capture. Qualitative research methods, as suggested by Minniti and Bygrave (2005), could serve as a valuable complement, offering a deeper exploration of the experiences, perceptions, and narratives of entrepreneurs and policymakers (Minniti & Bygrave, 2005). Such qualitative insights can provide a more holistic view of the entrepreneurial ecosystem and its interaction with corporate expansions.

Thirdly, it is crucial to acknowledge that the dataset used in this study, while comprehensive, may have inherent limitations or biases. Careful consideration of data completeness, and potential sources of bias should be integral to future research endeavors in this domain. For data completeness researchers should consider longitudinal data collection to track changes over time and better understand the evolution of entrepreneurial ecosystems in response to corporate expansions. Regarding potential sources of biases researchers should explore the use

of quasi-experimental designs, such as difference-in-differences or propensity score matching, to strengthen causal inferences and reduce bias.

Lastly, my study was limited to a sample size of 72 unique corporate expansions and relocations. This was done deliberately to reduce multicollinearity.

6.2.2 Future Research Directions

Building on the foundations laid by this research there are several promising directions for future investigations in the realm of corporate expansions and their impact on entrepreneurial ecosystems. In the future incorporating the motivations and attributes of the entrepreneurial startup and failures in the sample may significantly impact the results, potentially biasing the findings if the sample primarily consists of resilient and resourceful entrepreneurs. Longitudinal studies that assess the enduring effects of corporate expansions on entrepreneurship over extended periods could provide invaluable insights into the sustainability of entrepreneurial activities influenced by corporate growth. Understanding how the initial impacts of corporate expansions evolve over time and whether they lead to lasting changes in the entrepreneurial landscape is a question of significant relevance.

As the relationship between corporate expansion and local entrepreneurship is a dynamic and multifaceted one, future research might also investigate strategies for optimizing the balance between corporate growth and entrepreneurship within local communities. Future research efforts might look deeper into the specific industries or types of corporations that have a more pronounced influence on entrepreneurial activity. As noted by Huggins et al. (2017), there may be variations in the effects of corporate expansions across different sectors or corporate profiles (Huggins et al., 2017). Identifying these nuances can contribute to a more fine-grained understanding of the intricate interplay between corporate growth and entrepreneurship.

In future research, addressing these complexities may involve refining the theoretical framework to incorporate measures of job quality and sustainability. Additionally, considering a broader set of variables, including those related to economic conditions, access to resources, and regulatory factors, could provide a more comprehensive understanding of the dynamics affecting failure activity.

Furthermore, the mechanisms through which government financial investments can have influence on entrepreneurial activity remains open for exploration. Drawing inspiration from the work of Shepherd and Williams (2018), future studies could dissect these mechanisms, shedding light on how financial investments at the governmental level translate into tangible impacts on startup activity and failures (Shepherd & Williams, 2018). Addressing these complexities could involve a more detailed examination of the specific tax incentive programs in place and their alignment with local economic conditions. Additionally, extending the observation period to capture potential long-term effects and employing advanced statistical techniques to account for the interplay of variables may provide a more comprehensive understanding of the relationship between financial investment, state tax incentives, corporate expansions, and failure activity.

Based on the study's policy implications and the multifaceted nature of entrepreneurship, there are several avenues for future research that can contribute to a deeper understanding of how to effectively promote entrepreneurship. First, research can focus on the effectiveness of tailored tax incentive programs in achieving specific economic development objectives and supporting different industries. Understanding the nuances of incentive design and its impact on entrepreneurship can help policymakers optimize their strategies.

Second, longitudinal studies that assess the long-term effects of financial incentives on startup activity and failure rates can provide valuable insights. Tracking businesses over

extended periods can reveal the enduring influence of incentives, which may unfold gradually (Gulati, 1995).

Third, exploring the components of a comprehensive entrepreneurial ecosystem and their relative importance is crucial. Research can delve into which elements, such as access to funding, mentorship, or regulatory conditions, have the most significant impact on entrepreneurship, informing policymakers' priorities (Breznitz & Murugkar, 2003).

Fourth, investigating the role of policy flexibility in promoting entrepreneurship is essential. Research can assess how policies that are regularly reviewed and adapted based on empirical evidence compared to static policies in terms of their impact on entrepreneurial activity (Acs & Szerb, 2007).

Fifth, comparative studies across different regions or countries with varying incentive structures and entrepreneurial environments can provide valuable insights into the relative effectiveness of policy approaches, allowing policymakers to learn from international experiences (Young et Al., 1994; Feldman & Zolller, 2012; Armington & Acs, 2002)

Sixth, complementing quantitative analyses with qualitative research can provide a deeper understanding of the experiences and perspectives of entrepreneurs and policymakers in the context of incentive programs and ecosystem support.

Seventh, sector-specific analyses can focus on specific industries or sectors and their responsiveness to different policy measures. This approach can uncover sector-specific dynamics and inform targeted policy recommendations (Klette, 2000).

Lastly, research on the transferability of successful policy models from one region or industry to another can help policymakers make informed decisions when adapting policies to

their unique contexts. Exploring the transferability of effective policies can save time and resources while promoting entrepreneurship effectively.

6.3 Conclusion

This study has highlighted the intricate relationship between corporate expansions, government financial investments, job creation, wage levels, and their influence on entrepreneurial startup activity and failures. These findings have significant implications for policymakers, local governments, and entrepreneurs navigating the complex terrain of corporate growth and entrepreneurship.

The results underscore the potential benefits of strategic government resource allocation during corporate expansions, as regions with higher levels of government financial investment tend to experience more robust entrepreneurial startup activity (Shepherd & Williams, 2018). Additionally, the study highlights the importance of fostering an environment where corporations and startups coexist harmoniously, striking a balance between economic growth and entrepreneurship (Edmiston, 2004).

While state tax incentive programs play a role in attracting corporations and creating jobs, their impact on entrepreneurial startup activity is nuanced (Gonzalez et al., 2019). Policymakers should revisit the design and implementation of these programs to ensure they contribute effectively to vibrant entrepreneurial ecosystems.

This study offered valuable insights into the impact of corporate expansions on both entrepreneurial startup and failure activity, elucidating the intricate relationship between corporate growth and local entrepreneurial ecosystems. It extended the existing body of research on startup activity and the consequences of corporate expansions by introducing a nuanced perspective. Specifically, this research explored how the jobs generated and wages offered by

corporations had a direct relationship, potentially mitigating the disruptive effects of corporate expansions on local entrepreneurial activity. These insights held significant relevance for policymakers and stakeholders, equipping them with valuable information to make informed decisions and provide enhanced support for entrepreneurship within their communities during periods of corporate expansion.

Furthermore, this study contributed to the expanding literature concerning the influence of state tax incentives, infrastructure investments, economic growth, and government policies on startup and failure activity. While previous research had explored these areas, the understanding of how financial investments made by state and local governments could impact the number of jobs created by relocating corporations and subsequently influence entrepreneurial startup and failure activity remained incomplete. By delving into this uncharted territory, this study provided critical insights into the complex interplay among governmental financial investments, corporate relocations, job creation, wage levels, and their cascading effects on entrepreneurial activities. In conclusion, this research contributes to the growing body of knowledge at the intersection of corporate growth and entrepreneurial activity, drawing on a rich body of research (Audretsch, 2005; Gonzalez et al., 2019; Kille & Ordway, 2015). It offers essential insights that can inform decision-making, and strategies aimed at promoting economic development and entrepreneurship in local communities (Minniti & Bygrave, 2005).

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