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SUMMARY

CATASTROPHIC ENVIRONMENTAL DISEQUILIBRIUM AND NEW VENTURE SURVIVORS: A SEARCH FOR EVIDENCE OF SCHUMPETER’S ENTREPRENEURIAL ENGINE

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Principal Topic

In initial research, new venture creation (NVC) rates occurring across catastrophic bust cycles affecting industry hubs were found to recover and precede general local, regional and national economic recovery rates. Subsequent study presented here found a difference in rates of new venture survivors (NVS) across catastrophic environmental disequilibrium (CED) periods. Past literature on venture activity in conjunction with general economic rates found that NVC followed or maintained an even pace with general economic trends (Birley 1985; Shane, 1996). However, this research did not differentiate between local, regional and national impacts of CED or assess survivors, and were not designed to assess venture interaction with disruption or regeneration of the business environment.

The wealth-creation behavior of survivors may contribute to renovation of damaged business infrastructure by innovative replacement or proactive regeneration of fractured or of enriched facets. Previously unidentified integration/establishment behavior by survivors may systemically force dispersed reintegration of wealth and infrastructure, jumpstarting revitalization of the affected hub and general economies.

This research is intended to aid in discovering, building and empirically supporting aspects of entrepreneurship theory related to the contribution of entrepreneurial activities to the general economy.

Method

The study looks at NVS in a metropolitan context during a seven year period from 1996 to 2002, a time when two major CED events occurred: the tech bubble bust, marked by a major market correction; and the air-carrier crisis set off by the 9-11 terrorist attack. New ventures are defined by the four properties of an organization (Katz & Gartner, 1988), tracked by registration at the state level. Data was collected from federal, state and business databases and analyzed with analysis of variance and regression to discover a negative relationship between new venture survivor rates and general economic impacts in an industry-centric hub or corridor.

Results and Implications

CED events may stem from market-based corrections, war-based disruptions, or weather-based destruction—all too common in current news. They devastate regions and spawn questions about recovery efforts and policy. Research on environmental and firm level aspects of new venture states such as survival, is necessary to understand contributions to regeneration and recovery, and to identify how these unique entities integrate into the larger economy.

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