

ENTREPRENEURSHIP

"Training Course on Entrepreneurship Statistics"

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ENTREPRENEURSHIP

- Becoming a more popular subject
- Very broad phenomenon
- Understanding the economic dynamism and looking for the ways out of crisis
 - ❖ *economic growth*
 - ❖ *productivity*
 - ❖ *innovation*
 - ❖ *Employment*
- Understanding the determinants

ENTREPRENEURSHIP

- Measuring can be by many aspects
 - ❖ *Regional development; the creation of new firms is supported for employment&economic value for troubled regions*
 - ❖ *The participation of certain target groups (women or minorities, in the economy)*
 - ❖ *Increasing firm creations*
 - ❖ *Supporting high growth firms*

ENTREPRENEUR

- Bearer of uncertainty of market dynamics
- Innovator
 - ❖ *the introduction of a new good or quality*
 - ❖ *the introduction of a new method of production*
 - ❖ *the opening of a new market*
 - ❖ *the conquest of a new source of supply of new materials*
 - ❖ *the carrying out of the new organization of any industry*
- Risk taker

ENTREPRENEURIAL ACTIVITY

- Involves identifying opportunities within the economic system
- Recognising and acting upon profit opportunities
- Act of innovation
- Act of making a new entry

ENTREPRENEURIAL ACTIVITY

- Business creation but how?
 - ❖ *Self-employment or employer enterprises?*
 - ❖ *High-growth companies and gazelles?*
 - ❖ *Creating a competitive business environment*

ENTREPRENEURIAL ACTIVITY

- Defining entrepreneurial activity in many aspects
- Many different approaches in the literature (innovators, as a factor of production etc.)
- For a comparable measure, standard definitions and indicators are necessary

ENTREPRENEURSHIP INDICATORS PROGRAMME

- Launched by OECD in 2006, joint programme with Eurostat after 2007
- To build internationally comparable statistics on entrepreneurship and its determinants
- The goal is to establish a framework of relevant indicators for the study of entrepreneurship and to encourage countries to use the definitions, methodologies and classifications of the framework as much as possible when producing the data

ENTREPRENEURSHIP INDICATORS PROGRAMME

- Result of a strong collaborative effort by Eurostat and the OECD and a willing commitment by many National Statistics Offices to harmonise methods and produce results
- Publication by industry and by size class
- Also publication by entrepreneurial determinants

DEFINITIONS

- *Entrepreneurs* are those persons (business owners) who seek to generate value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets.
- *Entrepreneurial activity* is the enterprising human action in pursuit of the generation of value, through the creation or expansion of economic activity, by identifying and exploiting new products, processes or markets.
- *Entrepreneurship* is the phenomenon associated with entrepreneurial activity.

**Formal definitions by OECD and Eurostat*

DEFINITIONS

An important distinction between Entrepreneurs and Entrepreneurial Activity

- Where there are entrepreneurs, there will always be entrepreneurial activity but it is important to note that the latter is not dependent on the existence of the former
 - ❖ *individuals within businesses may demonstrate entrepreneurship without necessarily having a stake in the company. This means that all companies, even those without an entrepreneur at their helm, can be entrepreneurial. Companies owned by shareholders or trust funds for example and managed/run by salaried directors can still be entrepreneurial and the way they operate their businesses in identifying and exploiting new products, processes or markets can be of benefit to other businesses owned and managed by entrepreneurs.*

DEFINITIONS

Entrepreneurs and entrepreneurship are not concepts that relate exclusively to small businesses (or self-employed), as many studies often assuming so.

- Entrepreneurship reflects certain characteristics that relate to the processes through the creation of value through the identification and exploitation of new products, processes, and markets.
 - ❖ *This is not uniquely the preserve of small companies or entrepreneurs*
 - ❖ *Clearly, large companies can be entrepreneurial, not ignored when formulating entrepreneurship policies*

DEFINITIONS

Something different about entrepreneurial businesses that sets them apart from other businesses

- They are in the business of doing something new, by creating/identifying new processes, products or markets. Not even all businesses or new ones are necessarily entrepreneurial

DEFINITIONS

Businesses that has failed

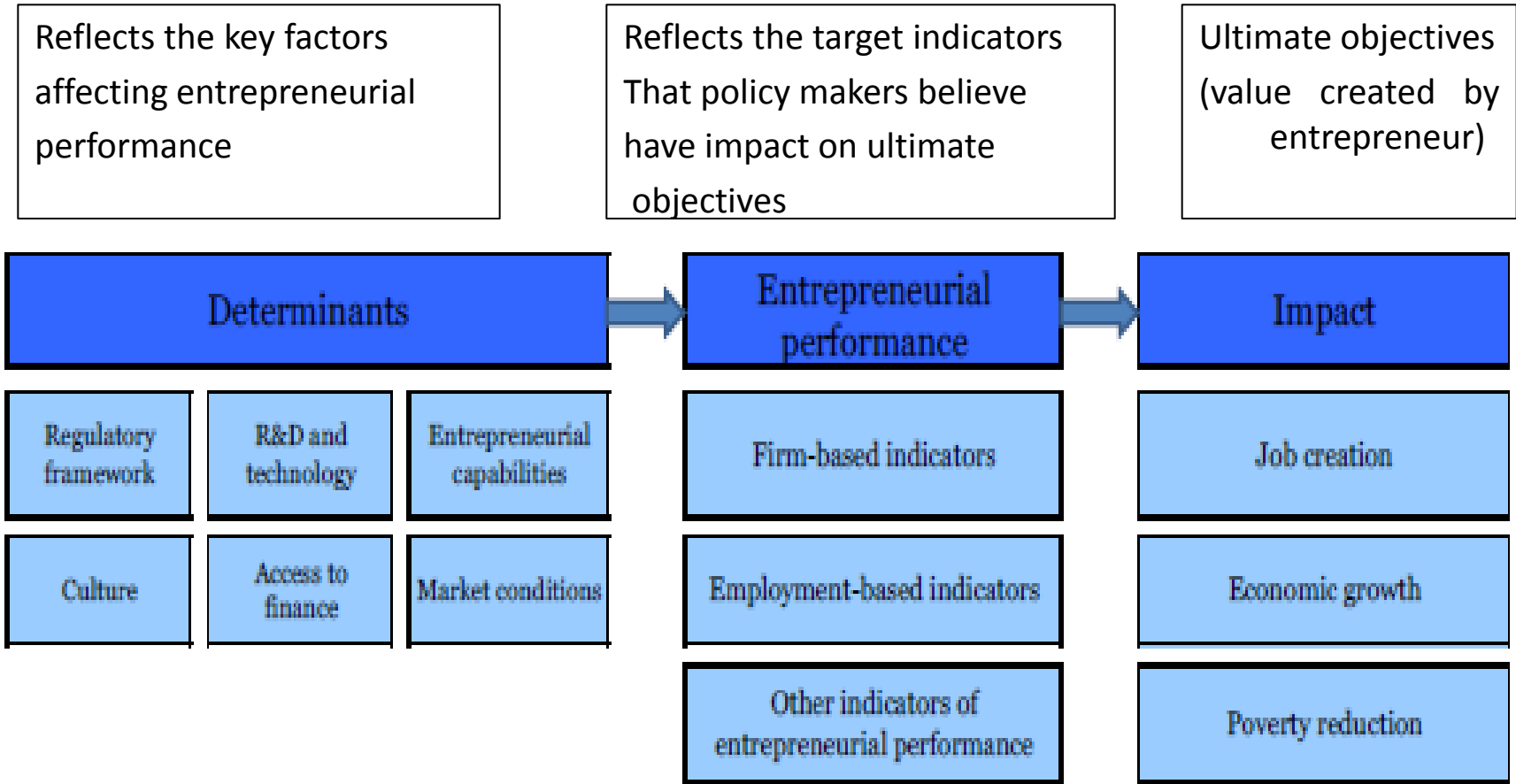
- Many studies of entrepreneurship investigate and focus only on those entrepreneurs or entrepreneurial businesses that succeed. Failure is a very important part of the entrepreneurial process and much can be learned from understanding it.
 - ❖ *Entrepreneurs who failed were still entrepreneurial and, indeed, entrepreneurs*

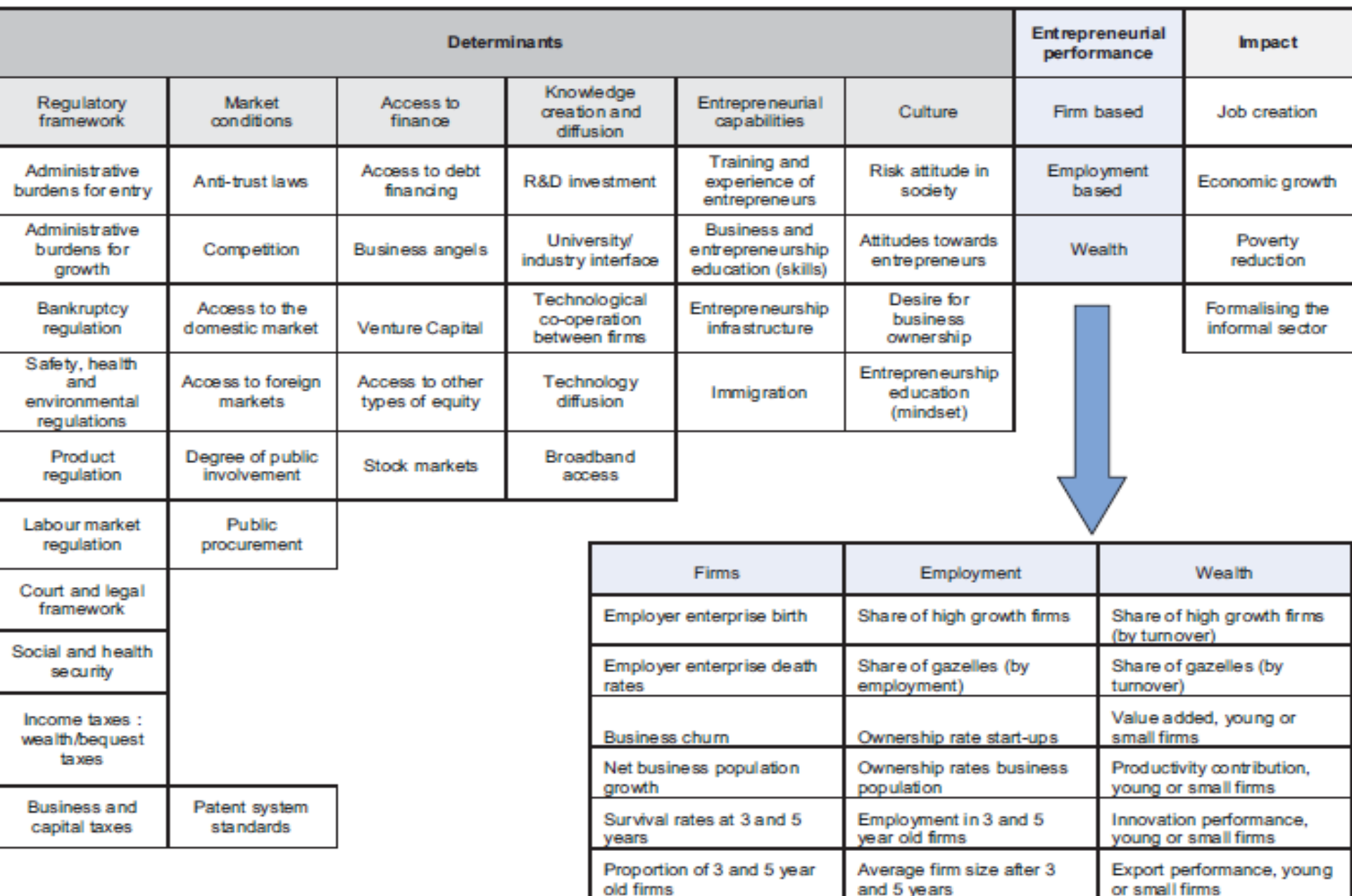
DEFINITIONS

Concept of Value

- Policy makers are interested in facilitating or encouraging the growth of entrepreneurship because it is creating value in one domain or another, and, as noted above, these can be very diverse.
 - ❖ *Value covers both monetary and non-monetary returns. These values are identified as objectives or targets by policy makers, who will then develop policies designed to achieve these targets although clearly they are carried out by entrepreneurs and entrepreneurial firms.*
 - ❖ *Some countries for example will focus on entrepreneurship's contribution to economic growth. Other countries however might focus on entrepreneurship's contribution to solving environmental problems or its contribution to social inclusion.*

ENTREPRENEURSHIP MODEL





SMALL BUSINESS ACT (SBA)

- An overarching framework for the European Union policy on Small and Medium Enterprises (SMEs)
- To improve the approach to entrepreneurship in Europe
- To simplify the regulatory and policy environment for SMEs
- To remove the remaining barriers to their development
- More entrepreneur in Europe

SMALL BUSINESS ACT (SBA)

Main priorities of the SBA

- Promoting entrepreneurship
- Less regulatory burden
- Access to finance
- Access to markets and internationalization

SMALL BUSINESS ACT (SBA)

1. Promoting entrepreneurship

The Commission's objective is to encourage people to become entrepreneurs and also make it easier for them to set up and grow their businesses.

SMALL BUSINESS ACT (SBA)

Challenges faced by entrepreneurs in Europe:

- Only 37% of Europeans would like to be self-employed, compared to 51% of people in the US and China
- Education should offer the right foundation for an entrepreneurial career
- Difficult access to finance and markets
- Difficulty in transferring businesses
- The fear of 'punitive' sanctions in case of failure;
- Burdensome administrative procedures

SMALL BUSINESS ACT (SBA)

2. Less regulatory burden

The Commission's Regulatory Fitness and Performance Programme ensures that EU legislation delivers results for citizens and businesses effectively, efficiently and at minimum cost.

It aims to keep EU law simple, remove unnecessary burdens and adapt existing legislation without compromising on policy objectives.

SMALL BUSINESS ACT (SBA)

3. Access to finance for SMEs

SMEs represent over 99% of businesses in the EU so it is crucial to support their growth and innovation.

However, one of the most important issues facing SMEs is their difficulty accessing finance.

The European Commission works to improve the financing environment for small businesses in Europe.

SMALL BUSINESS ACT (SBA)

4.SMEs' access to markets

The Commission aims to help European businesses face competition, access foreign markets, and find new business partners abroad.

Going international increases SMEs' performance, enhances competitiveness, and reinforces sustainable growth.

SMALL BUSINESS ACT (SBA)

SBA Assessment

- The purpose of the SBA Assessment is to improve SME policy-making in Partner Countries and to enhance the capacity of policy-makers.
- The objective is to improve the business environment 'on the ground' and to foster entrepreneurship and competitiveness.
- The SBA Assessment has been jointly developed and is undertaken by OECD, European Commission, European Bank, European Training Foundation

SMALL BUSINESS ACT (SBA)

SBA Action 1

- Entrepreneurial education to support growth and business creation
 - ❖ *increasing the prevalence and quality of entrepreneurial learning*
 - ❖ *higher education for entrepreneurship*

SMALL BUSINESS ACT (SBA)

SBA Action 2

- Create an environment where entrepreneurs can flourish and grow
 - *Better access to finance*
 - *Supporting new businesses in crucial phases of their lifecycle and help them grow*
 - *Unleashing new business opportunities in the digital age*
 - *Easier business transfers*
 - *Turning failure into success: second chances for honest bankrupts*
 - *Regulatory burden: clearer and simpler rules*

SMALL BUSINESS ACT (SBA)

SBA Action 3

- Role models and reaching out to specific groups
 - ❖ *New perceptions: entrepreneurs as role models*
 - ❖ *New horizons: reaching out to women, seniors, migrants, the unemployed, young people*
 - ✓ *Women*
 - ✓ *Seniors*
 - ✓ *Migrant entrepreneurs*
 - ✓ *Unemployed, in particular young people*

SMALL BUSINESS ACT (SBA)

- Need of indicators and statistics . Which type of statistics?
 - ❖ **Business statistics**, *i.e. value added by size class, birth rate of employer enterprises*
 - ❖ **Statistics on policy inputs and outputs**, *i.e. budget of the SME agency*
 - ❖ **Company-level data**, *i.e. company perception on policy measures*

SMALL BUSINESS ACT (SBA)

Statistics requested from NSOs:

- Business demography & structural statistics allowing analysis of the structure and dynamics of enterprises.
- This data is typically acquired from statistical business registers, which supplement business register data with tax data, surveys and clerical checks

SMALL BUSINESS ACT (SBA)

Business demography & structural statistics requested

Statistic	Unit	Source
Number of enterprises, by sector and size class	thousands	Business statistical registers
Number of persons employed, by sector and size class	thousands	Business statistical registers
Value added, by size class (at factor costs)	domestic currency	Business statistical registers
Exports, by enterprise size class	% of total export	Business statistical registers
Birth rate of employer enterprises	% of the population of active enterprises	Business statistical registers
Death rate of employer enterprises	% of the population of active enterprises	Business statistical registers
Churn rate of employer enterprises	% of the population of active enterprises	Business statistical registers
Share of less than 1-year old enterprises	% of the population of active enterprises	Business statistical registers
Share of 1-year old enterprises	% of the population of active enterprises	Business statistical registers
Share of 2-year old enterprises	% of the population of active enterprises	Business statistical registers
Share of 3-year old enterprises	% of the population of active enterprises	Business statistical registers
Share of 4-year old enterprises	% of the population of active enterprises	Business statistical registers
Share of 5-year old enterprises	% of the population of active enterprises	Business statistical registers
Share of enterprises older than 5 years and younger than 10 years	% of the population of active enterprises	Business statistical registers
Employment share of 0-3 years old enterprises	% of employment in total economy	Business statistical registers
High-growth enterprises ¹ rate, measured by employment growth	% of the population of enterprises with ten or more employees	Business statistical registers
Gazelles ² rate, measured by employment growth	% of the population of enterprises with ten or more employees	Business statistical registers

SMALL BUSINESS ACT (SBA)

Other relevant statistics: NSOs are expected to provide for each policy dimension

Dimension 1: Entrepreneurial learning and women's entrepreneurship

Total early-stage Entrepreneurial Activity (TEA)	GEM	Survey
Total early-stage Entrepreneurial Activity for Female Working Age Population	GEM	Survey
Established Business Ownership Rate	GEM	Survey

Dimension 2: Bankruptcy and Second Chance for SMEs

Number of bankruptcies	OECD Timely Indicators of Entrepreneurship	Official data
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Dimension 5b: Public procurement

SMEs' share in the total value of public contracts awarded		Official data
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Dimension 8a: Enterprise skills

Training enterprises, as share of all enterprises	Eurostat, Continuing Vocational Training Survey	Survey
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SMALL BUSINESS ACT (SBA)

Other relevant statistics: NSOs are expected to provide for each policy dimension

Dimension 8b: Innovation

SMEs introducing product or process innovations	Eurostat, Community Innovation Survey	Survey
SMEs introducing marketing or organisational innovations	Eurostat, Community Innovation Survey	Survey
SMEs selling online	Eurostat, Community Survey on ICT usage and e-Commerce in enterprises	Survey
SMEs purchasing online	Eurostat, Community Survey on ICT usage and e-Commerce in enterprises	Survey
Gross domestic expenditure on R&D, as a percentage of GDP	OECD Science, Technology and Industry Scoreboard	Official data
Direct government funding of business R&D, as a percentage of GDP	OECD Science, Technology and Industry Scoreboard	Official data
Tax incentives for business R&D expenditures, as a percentage of GDP	OECD Science, Technology and Industry Scoreboard	Official data

Dimension 9: SMEs in a Green Economy

SMEs that have benefitted from public support measures for their production of green products	Eurobarometer survey: How green are European SMEs?	Survey
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Dimension 10: Internationalisation

Share of export of SMEs		Official data
Average value of export per enterprise		Official data

Small and Medium Enterprises (SMEs)

- SMEs are defined in the EU recommendation 2003/361
- SMEs represent 99% of all businesses in the EU
- The definition of an SME is important for access to finance and EU support programmes targeted specifically at these enterprises.
- The main factors determining whether an enterprise is an SME are staff headcount either turnover or balance sheet total

Small and Medium Enterprises (SMEs)

Company category	Staff headcount	Turnover or Balance sheet Total	
Medium-sized	< 250	≤ € 50 m	≤ € 43 m
Small	< 50	≤ € 10 m	≤ € 10 m
Micro	< 10	≤ € 2 m	≤ € 2 m

The Entrepreneurship 2020 Action Plan

- To unleash Europe's entrepreneurial potential, remove existing obstacles and revolutionize the culture of entrepreneurship in the EU
- To ease the creation of new businesses and to create a much more supportive environment for existing entrepreneurs to grow

The Entrepreneurship 2020 Action Plan

3 areas for immediate intervention:

- Entrepreneurial education and training to support growth and business creation
- Removing existing administrative barriers and supporting entrepreneurs in crucial phases of the business lifecycle
- Reigniting the culture of entrepreneurship in Europe and nurturing the new generation of entrepreneurs

INDICATORS

- Indicators vary because different policy needs and diverse perspectives on what is meant by entrepreneurship
- As firms enter and exit the market, theory suggests that the new arrivals will be more efficient than those they displace. Existing firms are forced to innovate and become more productive in order to compete.
- Many studies have given empirical support to this process of “creative destruction” first described by Joseph Schumpeter.

INDICATORS

- help policy makers to understand how the policies they put in place or adjust will affect entrepreneurship and, eventually, higher-level objectives for the economy and society.
- In order for countries to benefit from the experience of others, it is also essential that the entrepreneurship indicators allow for comparisons across countries by type of entrepreneurship.

INDICATORS

Core indicators of entrepreneurial performance

Entrepreneurial performance		
Firm-based	Employment-based	Other
Employer firm birth rate	High-growth firm rate by employment	High-growth firm rate by turnover
Employer firm death rate	Gazelle rate by employment	Gazelle rate by turnover
Business churn	Ownership rate start-ups	Value added by young firms
Net business population growth	Ownership rate business population	Productivity contribution, young firms
Survival rate at 3 and 5 years	Employment in 3 and 5 year old firms	Innovation performance, young or small firms
Proportion 3 and 5 year survival	Average firm size after 3 and 5 years	Export performance, small firms

INDICATORS

- Structural indicators on enterprise population
 - ❖ Number of *enterprises by size class*
 - ❖ *Employment by size class*
 - ❖ *Value added by size class*
 - ❖ *Exports by size class*

INDICATORS

- Entrepreneurial performance
 - ❖ *Employer enterprise birth rates*
 - ❖ *Employer enterprise death rates*
 - ❖ *One- and two-year survival rates*
 - ❖ *Share of one- and two-year-old employer enterprises in the population*
 - ❖ *Share of high-growth firms (employment or turnover)*
 - ❖ *Share of gazelles (employment or turnover)*
 - ❖ *Employment creation by enterprise births*
 - ❖ *Employment destruction by enterprise deaths*

INDICATORS

- Timely indicators of entrepreneurship
 - ❖ *Enterprise entries*
 - ❖ *Enterprise exits*

- Entrepreneurial determinants
 - ❖ *Knowledge creation and diffusion*
 - ❖ *Access to finance*
 - ❖ *Entrepreneurial capabilities*
 - ❖ *Regulatory framework*
 - ❖ *Market conditions*
 - ❖ *Entrepreneurial culture*

INDICATORS

Questions to be answered by indicators

- Relationships between entrepreneurial determinants and entrepreneurial performance
 - ❖ *Do more innovative entrepreneurs grow faster or more strongly than non-innovative entrepreneurs in terms of employment or turnover?*
 - ❖ *Do firms that receive venture capital show different growth patterns?*
- Relations between entrepreneurial performance and entrepreneurial impacts
 - ❖ *the precise contribution of firm births, firm deaths and gazelles to employment and productivity growth*

SOME INDICATORS

Some indicators from “Entrepreneurship at a Glance, 2016” by OECD

- Around half of firms with 50 or more employees and between 10% and 20% of self-employed firms in G7 economies, for example, expect to increase employment in the next six months
- In all countries, most micro and small firms do not export; indeed, only between 10% and 40% of SMEs are direct exporters
- On average, men are more likely than women to declare that they would have access to money to set up a business (34% for men and 27% for women)
- On average, 5.1% of employed men aged 15-24 are self-employed, compared with 3.6% for women, while 29.2% of employed men aged 55+ are self-employed compared with 15.9% for women.

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SOME INDICATORS

Indicators from “Entrepreneurship at a Glance, 2016” by OECD

- New enterprise creations
- Enterprise exits
- Bankruptcies
- Self-employment
- Outlook and prospects of job creation
- Enterprises by size
- Employment by enterprise size
- Value added by enterprise size
- Turnover by enterprise size
- Compensation of employees by enterprise size

SOME INDICATORS

Indicators from “Entrepreneurship at a Glance, 2016” by OECD

- Labour productivity by enterprise size
- Birth rate of enterprises
- Death rate of enterprises
- Survival of enterprises
- Employment creation and destruction by enterprise births and deaths
- High-growth enterprises rate
- Incidence of traders
- Trade concentration
- Exports and imports by enterprise size
- Market proximity

SOME INDICATORS

Indicators from “Entrepreneurship at a Glance, 2016” by OECD

- Exports and imports by enterprise ownership
- Self-employment by gender
- Self-employment among the youth
- Earnings from self-employment
- Inventors by gender
- Perception of entrepreneurial risk
- Venture capital investments

SOURCES

- Measuring Entrepreneurship by OECD-EUROSTAT
- Manual on Business Demography Statistics by OECD-EUROSTAT
- Glossary of Statistical Terms by OECD
- A Framework for Addressing and Measuring Entrepreneurship by Nadim Ahmad and Anders Hoffman
- Other

Thank you