

The OECD-Eurostat Entrepreneurship Indicator Programme (EIP)

Over the past ten years, the OECD has addressed entrepreneurship issues in various analyses and reports. While these studies compiled relevant data to support specific research or policy tasks, no effort was made to establish an ongoing database of entrepreneurship across OECD countries. In 2004, the 2nd OECD Ministerial Conference on SMEs in Istanbul, “Promoting Entrepreneurship and Innovative SMEs in a Global Economy”, concluded that the statistical base for entrepreneurship research was weak and urged the OECD to develop “a robust and comparable statistical base on which SME policy can be developed”.

The OECD launched the Entrepreneurship Indicators Programme (EIP) in 2006 in order to build internationally comparable statistics on entrepreneurship and its determinants. In 2007, Eurostat joined forces with the OECD to create a joint OECD-Eurostat EIP, and work began with the development of standard definitions and concepts as a basis for the collection of empirical data.

Entrepreneurship is a multifaceted concept that manifests itself in many different ways, with the result that various definitions have emerged and no single definition has been generally agreed upon. Several definitions have an essentially theoretical basis and are not concerned with measurement. Another strand of research has largely bypassed the question of definition by “defining” entrepreneurship in terms of a specific empirical measure, such as self-employment or the number of small firms. Not surprisingly, these are measures that are readily available.

The OECD-Eurostat approach has tried to combine the more conceptual definitions of entrepreneurship with (available) empirical indicators. Building on the theoretical contributions of Richard Cantillon, Adam Smith, Jean Baptiste Say, Alfred Marshall, Joseph Schumpeter, Israel Kirzner and Frank Knight, among others,¹ the following definitions were established:

- *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 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.

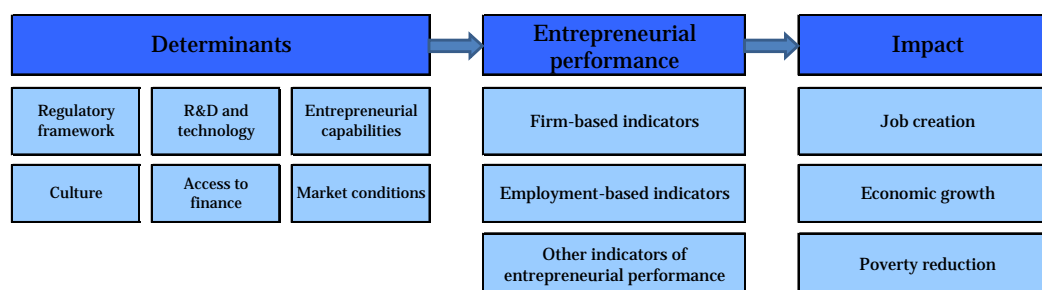
Given the multifaceted nature of entrepreneurship and the multitude of factors that may affect it, establishing a realistic yet relevant set of measures to be produced as core entrepreneurship indicators was a major challenge. Inspired by a number of previous scholarly and policy-oriented studies, a simple entrepreneurship model was proposed

1. For an overview, see N. Ahmad and R. Seymour (2008), “Defining Entrepreneurial Activity: Defining Supporting Frameworks for Data Collection”, OECD Statistics Working Paper.

as a first step towards establishing a framework for the development of empirical indicators that are both relevant and available.²

The first stage of this model (Figure 1) comprises various *determinants* which policy can affect and which in turn influence entrepreneurial *performance*, or the amount and type of entrepreneurship that take place. The final stage is the *impact* of entrepreneurship on higher-level goals such as economic growth, job creation or poverty reduction. Within each of the three main stages of this model, several sub-categories are identified to flesh out the overall framework and guide the selection of indicators. While the entrepreneurship framework is presented here in a linear fashion, it was explicitly recognised that there are complex relationships among the different main components and subcomponents.

Figure 1. Topic categories for entrepreneurship indicators



The goal of the Entrepreneurship Indicators Programme was 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. Because the 2005 Feasibility Study on Entrepreneurship Indicators revealed that no OECD country national statistics office (NSO) explicitly included “entrepreneurship statistics” within its programme, the EIP sought to change this by involving the NSOs in designing the specifications for the relevant variables and by involving them in the production of data. As a result, NSOs from several countries have participated in the collection of data.

Given the multifaceted nature of entrepreneurship, the EIP does not propose any single measure as a key to understanding and comparing the amount and type of entrepreneurship that takes place across countries. Since entrepreneurship is a very broad phenomenon which encompasses, for example, virtually all new firm creation, it is extremely important for policy analysts to be able to understand and distinguish different types of entrepreneurial performance.

The rationale for developing entrepreneurship indicators is to 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. 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.

2. N. Ahmad and A. Hoffmann (2008), “A Framework for Addressing and Measuring Entrepreneurship”, OECD Statistics Working Paper.