

The Importance of Entrepreneurship

Entrepreneurship is increasingly recognised as an important driver of economic growth, productivity, innovation and employment, and it is widely accepted as a key aspect of economic dynamism: the birth and death of firms and their growth and downsizing. As firms enter and exit the market, theory suggests that the new arrivals will be more efficient than those they displace. Existing firms that are not driven out 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.

However, while academic studies have long recognised the importance of entrepreneurship, policy makers have only recently explicitly discovered it. Indeed, entrepreneurship was long considered an exogenous factor in government policies, and policy efforts were often directed simply towards the large population of very small firms rather than aimed at stimulating entrepreneurs able to introduce new products, processes or organisational forms in order to exploit new markets and grow.

However, many OECD countries have made entrepreneurship an explicit policy priority in recent years, and governments’ policies now seek to affect the rate and type of entrepreneurship. As globalisation reshapes the international economic landscape and technological change creates greater uncertainty in the world economy, the dynamism of entrepreneurship is believed to be able to help to meet the new economic, social and environmental challenges.

Governments increasingly consider entrepreneurship and innovation to be the cornerstones of a competitive national economy, and in most countries entrepreneurship policies are in fact closely connected to innovation policies, with which they share many characteristics and challenges. Both are associated with “doing something new” and, designed correctly, they can be mutually reinforcing. The dynamic process of new firm creation introduces and disperses innovative products, processes and organisational structures throughout the economy.

Entrepreneurship objectives and policies nevertheless differ considerably among countries, owing to different policy needs and diverse perspectives on what is meant by entrepreneurship. In some countries, entrepreneurship is linked to regional development programmes and the creation of new firms is stimulated to boost employment and output in depressed regions. In others, entrepreneurship is a key element of strategies designed to facilitate the participation of certain target groups, such as women or minorities, in the economy. Some countries simply seek to increase firm creation as such, while others set out to support high-growth firms.

While many countries are making serious efforts to support entrepreneurship, results appear to vary. Countries want to understand the determinants of and obstacles to entrepreneurship, and they need to analyse the effectiveness of different policy approaches. The lack of internationally comparable empirical evidence has however constrained our understanding of entrepreneurship and many questions remain unanswered. Ultimately, policy making must be guided, as far as possible, by evidence and facts. To tackle these issues, the OECD, in association with Eurostat and many others, has undertaken to build a new, and more robust, international knowledge base.