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DEFINING ENTREPRENEURIAL ACTIVITY: DEFINITIONS SUPPORTING FRAMEWORKS FOR DATA COLLECTION

Nadim Ahmad and Richard G. Seymour[1]

ABSTRACT

This paper sets out definitions of the entrepreneur, entrepreneurship and entrepreneurial activity for the purpose of supporting the development of related indicators. The paper recognises the long history in this area and the contention and differences that have existed, and that continue to exist, between academics who have confronted this issue over the last two centuries. It deliberately adopts a more pragmatic approach based on two principles – relevance and measurability - resulting in definitions that are developed from both a bottom-up and top-down approach. Importantly, the definitions emphasise the dynamic nature of entrepreneurial activity and focus attention on action rather than intentions or supply/demand conditions. The paper concludes with an overview of policy implications arising from the definitions.

RÉSUMÉ

Ce document propose les définitions de l'entrepreneur, de l'entrepreneuriat et de l'activité entrepreneuriale afin d'étayer le développement d'indicateurs statistiques sur l'entrepreneuriat. Le document reconnaît les controverses et différences qui ont existé, et qui continuent à exister, entre universitaires qui se sont confrontés à cette question au cours des deux derniers siècles. Les auteurs adoptent délibérément une approche plus pragmatique basée sur deux principes - pertinence et mesurabilité - ayant pour résultat des définitions élaborées à partir d'une approche ascendante (à partir de données mesurables) et descendante (basée sur les objectifs à atteindre). Les définitions soulignent en priorité la nature dynamique de l'activité entrepreneuriale et *se concentrent sur l'action plutôt que sur les intentions ou les conditions de l'offre et de la demande. Le papier conclut avec une vue d'ensemble des implications résultant de ces définitions pour les politiques économiques.*

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Background

In September 2006, the OECD launched a new Entrepreneurship Indicators Programme (EIP) to build internationally-comparable statistics on entrepreneurship and its determinants, whose aim is to create a durable, long-term, programme of policy-relevant entrepreneurship statistics. As such, the work involves developing standard definitions and concepts and engaging countries and international agencies in the collection of data.

The challenge for the EIP therefore is to define entrepreneurial activity in a manner that will enable valid indicators to be collected and compared across countries, allowing analysts and policy-makers to better understand the factors that influence the rate and type of entrepreneurial activity, as well as the outcomes or impacts of entrepreneurship, especially its contribution to productivity, wealth and employment creation.

This challenge is made all the more demanding because of the considerable confusion that exists in the way that people use the term entrepreneurship. Although the function of the entrepreneur is probably as old as the institutions of barter and exchange (Hébert & Link, 1988), there is no widely-accepted definition of the term 'entrepreneurship' (Hornaday, 1992, Ucbasaran, Westhead, & Wright, 2001, Watson, 2001).

Indeed, even the OECD itself has contributed to the confusion since virtually every study that has focussed on entrepreneurship has presented a different definition of the term. For example, in an OECD Economic Survey in 1997, it was defined as "the dynamic process of identifying economic opportunities and acting upon them by developing, producing and selling goods and services". In "Fostering Entrepreneurship", it was defined as "…the ability to marshal resources to seize new business opportunities…". In a 2001 publication on Youth Entrepreneurship, the term was equated with self-employment: "… an entrepreneur is anyone who works for himself or herself but not for someone else…". Finally, another 2001 publication entitled Drivers of Growth, referred to, "The concept of entrepreneurship generally refers to enterprising individuals who display the readiness to take risks with new or innovative ideas to generate new products or services".

Many definitions have their genesis in a philosophical perspective (top-down approach) with little concern for measurement. This approach continues today, even in policy-oriented papers that discuss a concept of entrepreneurship without attempting to represent or measure it using concretely defined statistics or indicators. Other papers bypass the discussion of entrepreneurship definitions altogether, and simply equate entrepreneurship to a specific empirical measure (bottom-up approach). Not surprisingly, the measures selected are those based on the most readily available statistics, for example the numbers of self employed, and only rarely do authors attempt to justify or explain how the measures represent "entrepreneurship".

Our approach is different in that it looks at the process from both a bottom-up approach, with an eye to measurement, and a top-down approach that ensures relevance. Indeed the necessity of this overall approach is perhaps best summed up by the economist Peter Kilby (1971) who compared those who study entrepreneurship to characters in Winnie The Pooh hunting for the mysterious and elusive Heffalump. Like the economists and scholars, familiar with entrepreneurs and their contribution to economic growth, and who have attempted over the years to define an entrepreneur, the hunters in Winnie The Pooh all claimed to know about the Heffalump but none could agree on its characteristics.

In this sense one can describe our approach as bringing together the most important characteristics of the Heffalump that are generally agreed on by most academics/policy makers/analysts, whether those characteristics have been formulated from a bottom-up or top-down approach.

The Top-Down Approach

The lack of a single definition of 'entrepreneurship' is partly due to the differentiated traditions within the field of entrepreneurship research, including: anthropology (for example, de Montoya, 2000, Firth, 1967, Fraser, 1937), social science (see for example Swedberg, 1993, Waldringer, Aldrich, & Ward, 1990, Weber, 1898/1990), economics (including Casson, 2003, Kirzner, 1973, Knight, 1942, Schumpeter, 1934, Shane, 2003, von Hayek, 1948, von Mises, 1949/1996) and management (for example, Drucker, 1985, 1999, Ghoshal & Bartlett, 1995).

The French economist Richard Cantillon[2] is generally accredited with being the first to coin the phrase in the context of what we view today as entrepreneurship in about 1730. Loosely, he defined entrepreneurship as self-employment of any sort, and entrepreneurs as risk-takers, in the sense that they purchased goods at certain prices in the present to sell at uncertain prices in the future. Many eminent economists and scholars have elaborated on Cantillon's contribution, including Adam Smith, Jean Baptiste Say, Alfred Marshall, Joseph Schumpeter, Israel Kirzner and Frank Knight, as shown in Table 1 below which also succinctly reveals the extent of differences.

Differences are further complicated by the proliferation of 'sub-categories' of entrepreneurship research, which introduce additional terminology including: 'corporate entrepreneurship', 'corporate venturing', 'intrepreneuring', 'internal entrepreneurship', and 'venturing' (Sharma & Chrisman, 1999).

[2] The word *entrepreneur* itself derives from the French verb *entreprendre*, meaning 'to undertake'.

Table 1: A Superficial Review of Extant Definitions

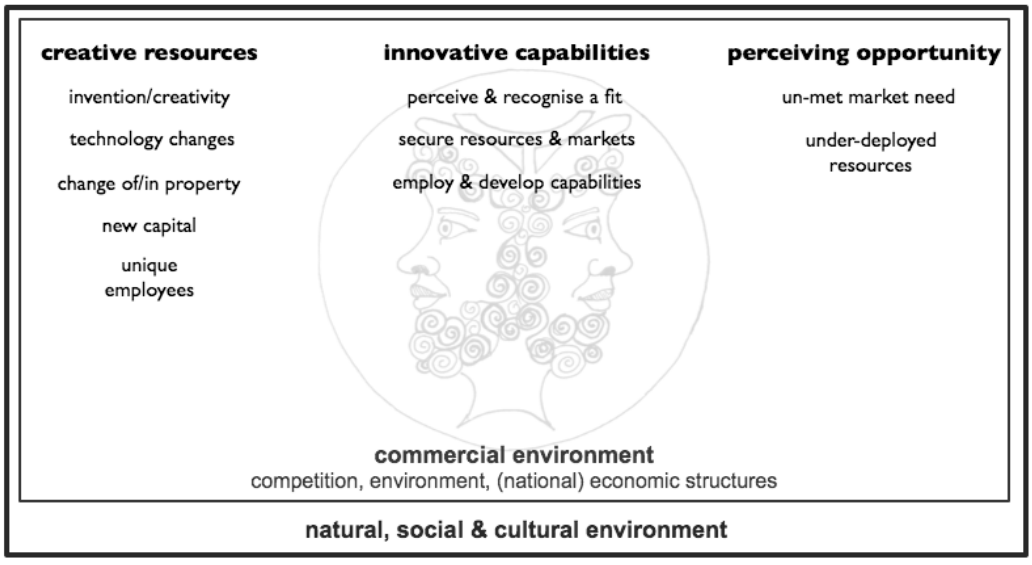
Essence of definition	*Publication*
Entrepreneurs buy at certain prices in the present and sell at uncertain prices in the future. The entrepreneur is a bearer of uncertainty.	(Cantillon, 1755/1931)
Entrepreneurs are 'pro-jectors'.	(Defoe, 1887/2001)
Entrepreneurs attempt to predict and act upon change within markets. The entrepreneur bears the uncertainty of market dynamics.	(Knight, 1921, 1942)
The entrepreneur is the person who maintains immunity from control of rational bureaucratic knowledge.	(Weber, 1947)
The entrepreneur is the innovator who implements change within markets through the carrying out of new combinations. These can take several forms: · the introduction of a new good or quality thereof, · 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 or parts, and · the carrying out of the new organisation of any industry.	(Schumpeter, 1934)
The entrepreneur is always a speculator. He deals with the uncertain conditions of the future. His success or failure depends on the correctness of his anticipation of uncertain events. If he fails in his understanding of things to come he is doomed…	(von Mises, 1949/1996)
The entrepreneur is co-ordinator and arbitrageur.	(Walras, 1954)
Entrepreneurial activity involves identifying opportunities within the economic system.	(Penrose, 1959/1980)
The entrepreneur recognises and acts upon profit opportunities, essentially an arbitrageur.	(Kirzner, 1973)
Entrepreneurship is the act of innovation involving endowing existing resources with new wealth-producing capacity.	(Drucker, 1985)
The essential act of entrepreneurship is new entry. New entry can be accomplished by entering new or established markets with new or existing goods or services. New entry is the act of launching a new venture, either by a start-up firm, through an existing firm, or via 'internal corporate venturing'.	(Lumpkin & Dess, 1996)
The field of entrepreneurship involves the study of sources of opportunities; the processes of discovery, evaluation, and exploitation of opportunities; and the set of individuals who discover, evaluate, and exploit them.	(Shane & Venkataraman, 2000)
Entrepreneurship is a context dependent social process through which individuals and teams create wealth by bringing together unique packages of resources to exploit marketplace opportunities.	(Ireland, Hitt, & Sirmon, 2003)
Entrepreneurship is the mindset and process to create and develop economic activity by blending risk-taking, creativity and/or innovation with sound management, within a new or an existing organisation.	(Commission of the European Communities, 2003)

The chronology of the table reveals that it was not until Joseph Schumpeter's definition of an entrepreneur in 1934 that the more modern interpretation entered the mainstream. Schumpeter defined entrepreneurs as innovators who take advantage of change, including: (i) the introduction of a new (or improved) good; (ii) the introduction of a new method of production; (iii) the opening of a new market; (iv) the exploitation of a new source of supply; and (v) the re-engineering/organization of business management processes. Schumpeter's definition therefore equates entrepreneurship with innovation in the business sense; that is identifying market opportunities and using innovative approaches to exploit them.

Although Schumpeter's definition embodies a characteristic of entrepreneurship that is widely recognized today, namely, innovation, it still retains some ambiguity that has meant the debate regarding a definition of entrepreneurs/hip continues. To some extent, this reflects the definition of innovation, in particular whether it relates to incremental or quantum changes. Moreover, unlike the Knight perspective, for example, the Schumpeterian entrepreneur need not be a risk taker or business owner. Indeed some, for example (Drucker, 1985, 1999), have argued that entrepreneurship reflects merely the creation of a new organization and that any individual who starts a new business venture is an entrepreneur; even those that fail to make a profit - it could be argued that this corresponds to Schumpeter's 'opening of a new market'.

From Table 1, a number of themes emerge, including the risk-taking role of entrepreneurs; the role of innovation or the creation of something new (whether that be a process, product, market or firm); the arbitrage role of the entrepreneur; and the process of change, emergence, and creation (Bruyat & Julian, 2000, Hartmann, 1959, Schumpeter, 1934, Weber, 1947), with activity differentiated from the relatively 'static' management (*Leitung*) (Hartmann, 1959).

Figure 1 – Entrepreneurial Activity in the Commercial & Wider Environment



Organising these concepts graphically, Figure 1 invokes the two-faces of the Roman god Janus to emphasise that the entrepreneur is simultaneously looking back to the resources (and combining them in new and creative ways) *and* forward to markets (and perceiving new or unmet opportunities). The entrepreneur perceives and recognises a fit between the two, a capability and process referred to as innovating. The entrepreneur's activities occur within a business context, which includes industry structures, competition, and national economic structures. This business context is impacted in turn by wider environmental considerations, which include the economic, political, legal, social, cultural, social,

and natural settings. In undertaking such entrepreneurial activities, the entrepreneur is endeavouring to create value.

The business context and wider environmental considerations imply indicators of entrepreneurial activity will consider the significance of social, cultural and the natural contexts as well as trade agreements, trade commissions, industry structures, taxation laws and incentives (to name but a few).

Returning to the various definitions we identify 3 themes: (a) enterprising human activity; (b) the assembly of unique bundles of resources, identification of market opportunities, and/or utilisation of innovative capabilities, and (c) the creation of value. These are now considered in turn.

a) Enterprising Human Activity

Returning to the earliest conceptualisations of the entrepreneur as the person 'undertaking' or 'projecting' into their future (Cantillon, 1755/1931, Defoe, 1887/2001). As noted by von Mises (1949/1996 pp. 290-91), the entrepreneur "cannot evade the law of the market. He can succeed only by best serving the consumers. His profit depends on the approval of his conduct by the consumers.

As well as recognising the conceptual importance of action, researchers have included the concept in their definitions of entrepreneurship (see for example Gartner, 1985, Low & MacMillan, 1988, Lumpkin & Dess, 1996). Such a conceptualisation is conceived by Stevenson and Jarillo (1990), who proposed entrepreneurship to be the study of why, how and what happens when entrepreneurs act. Understanding the organising process is one of the necessary elements of entrepreneurship: "Entrepreneurs create new organizations through a dynamic process that involves such activities as obtaining equipment, establishing production processes, attracting employees and setting up legal entities" (Shane, 2003 p. 247).

This enterprising human action implies indicators of entrepreneurial activity will consider the significance of activity rather than attitudes or intentions. One particular action that is measurable is the creation of vehicles in which the activity is undertaken, including corporations, joint ventures and registering as a sole trader.

b) Leveraging Creativity, Innovation and Identifying Opportunities

To organise the human activities, the analysis now explores the nature of entrepreneurial activities, organising the analysis according to resources, capabilities and markets introduced above.

Resources include access to: (i) physical capital such as property or plant and equipment, (ii) financial capital such as debt finance or equity, and (iii) intangible resources such as intellectual property or technology. These resources can typically be bought and sold by firms or individuals. Changes in these resources can have dramatic implications for firm performance, with changes in these resources typically resulting from (i) creative inventions or discovery, or (ii) unusual and unique combinations of these resources such as venture capital funding.

In contrast, 'capabilities' include the human and social expertise required to leverage a firm's resources and bring them to market. In an entrepreneurial context, these innovative capabilities include the perception and recognition of a match between creative resources and market opportunities. This may include novel and skilled capabilities as well as unique or unusual social networks and connections.

The perception and discovery of market opportunity is an important focus of entrepreneurship research (Ardichvili, Cardozo, & Sourav, 2003, Gaglio & Katz, 2001, Hills, Lumpkin, & Singh, 1997, Kirzner, 1997, Shane & Venkataraman, 2000), as it is one of the most important abilities of successful entrepreneurs (Ardichvili, Cardozo, et al., 2003) and is one of the core intellectual questions for researchers

(Gaglio & Katz, 2001). Market entry need not result in the founding of a new firm or the use of market mechanisms, however "it does require the creation of a new way of exploiting the opportunity (organizing) that did not previously exist" (Shane, 2003 p. 7). This organising is a process (not a state).

Two influential perspectives on entrepreneurship stem from Joseph Schumpeter and Israel Kirzner: Schumpeter (1934) viewed entrepreneurship as creating market disequilibrium from its original equilibrium position by generating innovations, i.e., as disruptive. This disruptive entrepreneurship should not be interpreted as destroying and replacing industries with new ones but as bringing change to the market to a greater or lesser degree.

Given the different ways entrepreneurs fulfil their role in the market; it can be argued that Kirznerian and Schumpeterian entrepreneurs could both work simultaneously, as the former engage in arbitrage and the latter in innovation.

Entrepreneurial activity with regards the leveraging of creativity can be indicated by, for example, property rights, research and development expenditures, patent and other intellectual property registrations, and labour market structures. For example, the process of innovation and dynamic capabilities can be indicated by education expenditures and outcomes, logistic capabilities, and business advisory networks and market opportunities by access to markets and communications infrastructure.

c) The Creation of Value

The third theme emphasised in the literature is 'value creation'. This theme is most prevalent in the management stream of literature (refer for example to Ireland, Hitt, & Sirmon, 2003, Drucker, 1985). The entrepreneur creates value in the sense that their entrepreneurial activity results (sometimes) in sustained competitive advantage and super-normal returns for a number of parties. Innovators (entrepreneurs) can enjoy "temporary monopoly power" (Baumol, 1993 p. 6). As reviewed in Walker and Brown (2004), entrepreneurs have been shown to value a number of non-financial measures of success, including autonomy, job satisfaction, the ability to balance work and family. These are all subjectively and personally defined, however can have a major impact on the decisions and exchanges involved in the creation and exploitation of opportunities.

Similarly, at the firm and national levels, value can include economic, social or cultural significance. Economic value would be considered in relation to an activity's pecuniary, or dollar, output and includes concepts such as economic growth and productivity growth. Alternatively, an entrepreneurial undertaking can create *social value* such as personal relationships, poverty reduction, enhancement of job satisfaction or the creation of better jobs. A third value that could be considered in addition to these two extrinsic values is cultural value, which relates to the development of creative or cultural capital.

The creation of value resulting from entrepreneurial activity can be indicated by the creation of new ventures, rapid-growth ventures, employment levels and a myriad of other alternative existing and new macroeconomic data sets (see below for a comprehensive discussion).

Summarising these points and the top-down approach in general, the definitions commonly used in the literature broadly converge on the following points: Entrepreneurship is about identifying and acting upon (*enterprising human activity*) opportunities that *create value* (be that economic, cultural or social). Typically, entrepreneurial activities require the leveraging of resources and capabilities through *innovation,* but the opportunities themselves always relate to the identification of either new products, processes or markets.

The Bottom-Up Approach

The bottom-up approach bases itself on the measureable characteristics that have commonly been used at a national or policy level, in practice, to measure entrepreneurship. It recognises that although the Heffalump is a relatively elusive beast, from a policy perspective at least, it remains broadly understood. Indeed when policy makers refer to entrepreneurship and entrepreneurs they typically do so in the context of identifying the phenomenon, and the individuals involved, as being factors that influence some predetermined policy goal, such as wealth of job creation or income inequality.

Our approach here is to focus on definitions that facilitate these policy goals, and more specifically provide the basis for indicators that facilitate evidence based policy making. In that sense it is important to recognise an important point. The variety of policy goals and the way in which they can be measured (jobs created, wealth created) immediately points to the notion that entrepreneurship manifests itself in many ways and, so, is a multi-faceted phenomenon that cannot be measured with a solitary indicator but rather a basket of indicators. Moreover it is important to note too that our focus is on defining entrepreneurship from an economic perspective and so we will make no attempt to provide definitions that necessarily embody social entrepreneurship, important as this field is.

Not all concepts evidenced in the 'top-down' approach are easily measurable, with the concept of 'risk-taking' being a case in point: The idea of the entrepreneur as risk-taker, or bearer of uncertainty, as defined by Cantillon and Knight in their earlier thinking, is too broad to be a useful measure of entrepreneurship, at least for our purposes and indeed those of policy makers. Risk takers for example, or bearers of uncertainty, include money lenders and banks, and the lending of money, although of itself important to the entrepreneurial process as a form of funding, does not seem in and of itself to be entrepreneurial. The arbitrage view espoused by Walrus and Kirzner appears similarly deficient in this context, particularly given some of the key arbitrageurs in today's modern economies (traders on the money markets). Definitions that reflect risk or arbitrage alone therefore do not stand up to scrutiny as being workable definitions, at least as far as the key policy targets are concerned (both current and potentially those of the future). The idea of risk-taking however cannot be entirely overlooked. Our view however is that the notion of risk or indeed arbitrage is captured within the idea of doing something 'new'. Sometimes the entrepreneur for example creates the arbitrage situation by creating a new product or process for example, or takes a risk by entering a new market.

The OECD's Entrepreneurship Indicators Project (Ahmad and Hoffman, 2007) has built a framework for addressing and measuring entrepreneurship. This work describes and presents a framework that reflects both the determinants, outputs and most importantly manifestations (performance indicators) of entrepreneurship. It considers:

- employer enterprise birth rates;
- rates of high-growth firms based on employment growth and turnover growth;
- Gazelle rates based on employment and turnover;
- employer enterprise death rates.
- business churn (the addition of birth and death rates);
- net business population growth (a measure of births minus deaths);
- survival rates after 3 and 5 years,
- the number of firms aged 3 and 5 years old as a proportion of all firms with employees;
- the percentage of employees in 3 and 5 year old firms;

- the average size of 3 and 5 year old firms;
- business ownership rates
- business ownership start-up rates
- the value-added share of young firms, and the average productivity of births, deaths, small and young firms and their contribution to productivity growth, the innovation and export performance of small and young firms.

This list is not exhaustive nor do the indicators necessarily claim to explicitly measure either entrepreneurship or entrepreneurs per se. The indicators are, however, important and measurable proxies that paint a picture of entrepreneurial activity and need to be taken into account in developing a definition that attempts to embody them.

Policy-makers are typically interested in facilitating or encouraging the growth of entrepreneurship because it creates both economic and non-economic value. Some policy-makers will, for example, focus on entrepreneurship's contribution to economic growth. Others might focus on entrepreneurship's contribution to solving environmental problems or its contribution to social inclusion. Distilling some commonalities, and relating these to the idea of value creation, one can distil the following key elements from the list above:

- Entrepreneurship is characterised activity in new markets, processes and/or products, which in turn is characterised by the creation of new businesses.
- Successful entrepreneurial businesses, pre-existing or otherwise, typically enjoy higher growth than non- entrepreneurial competitors. There are, certainly, enormous numbers of failed businesses, with businesses frequently appearing and disappearing within a couple of years.
- Concomitant with the view that, at least some, high-growth enterprises reflect aspects of entrepreneurship is the idea that entrepreneurship can be manifested even in the absence of an entrepreneur. This creates 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. This is important because individuals within businesses may demonstrate entrepreneurship without necessarily having a stake in the company. This means that all companies, whether 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 can be of benefit to other businesses owned and managed by entrepreneurs.
- Following on from this, is the idea that entrepreneurs and entrepreneurship are not concepts that relate exclusively to small businesses or the self-employed, as many studies, through expedience, have often assumed. Our view is that entrepreneurship as a definable phenomenon reflects certain characteristics that relate to the processes through which it is manifested and this is not uniquely the preserve of small companies or entrepreneurs, important though these are to the entrepreneurial process. Moreover it is important to avoid a definition that is possibly counter-productive from a policy perspective. Clearly, large companies can be entrepreneurial and it is important that these companies are not ignored when formulating entrepreneurship policies.
- Entrepreneurs are business owners, incorporated or otherwise.

Ultimately when references are made to entrepreneurship it is in relation to the idea that there is something different about entrepreneurial businesses that sets them apart from other businesses. Policy makers are not, for example, interested in merely encouraging the creation of new businesses as the be all and end all. Their interest is in creating successful and sustainable entities (high-growth companies and

gazelles) and indeed the creation of a business environment (competitive) that nurtures and stimulates the growth of more productive companies in general (hence the encouragement of business creations). No country, for example, could ever target increased levels of self-employment indefinitely; businesses need employees to grow and to compete and clearly it would not be desirable for everybody to become self-employed in the truest sense of the word.

We re-emphasise that the indicators described above are proxies for entrepreneurship. What policy makers are typically interested in, and indeed what the most common definitions embody, as shown below, is that entrepreneurial businesses are in the business of doing something different. This, from the bottom-up perspective, is what the most commonly used indicators try to capture. Clearly not all businesses are entrepreneurial despite the fact that they take risks, create products, employment, revenue and taxes. If entrepreneurship studies were just about businesses and the people who owned or ran them, entrepreneurship would just be a euphemism for the general business environment. Indeed, not all new businesses are necessarily entrepreneurial. But clearly, the indicators, proxies or not, provide an indication of the types of definitions needed for both entrepreneurs and entrepreneurship.

The indicators described in bottom-up approach therefore should be seen as tools that improve our understanding of 'pure' entrepreneurship and indeed can be viewed as measures that have loose or strict interpretations of 'new' and 'new' can reflect 'new products, processes or markets'. All new businesses or increases in self-employment for example could be considered as creating new markets if one takes a liberal interpretation of 'new' for example. Moving further down the spectrum one could equally argue that indicators of high-growth enterprises, which are more likely to have demonstrated 'pure' entrepreneurship, take us closer to a stricter definition of 'new'. But one still needs to recognise that all along the spectrum the indicators are merely proxies, For example some high-growth firms' growth will not reflect entrepreneurship at all, and indeed, it may reflect the very antithesis of entrepreneurship, for example, firms in monopoly positions with rapid growth.

In summary, therefore, the bottom-up analysis points to the following: entrepreneurs are in the business of doing something different, whether that be through identifying new products, processes or markets. They seek corporate success, higher productivity and efficiency by being involved in the day-to-day running of the company. They can be differentiated from financiers such as business angels, advisors, passive shareholders, silent partners, (though these parties form a significant part of the entrepreneurial environment). An entrepreneurial company is one that displays the characteristics of doing something different, (new products, processes, markets) but does not necessarily need to have an entrepreneur at the helm. Employees, as agents of entrepreneurial businesses, can also be entrepreneurial. Entrepreneurship is also about doing. The creation of a new idea is an important pre-cursor to the creation of an entrepreneur or entrepreneurial firm but entrepreneurialism is not just about thinking. There needs to be some concrete manifestation of the idea and this is reflected in the creation of a business or the embodiment of the idea within a business. That is not to say that indicators reflecting the numbers of creators of ideas are not important: - Clearly they are as they provide an important indication of the potential for entrepreneurs and entrepreneurship but one needs to recognise that indicators such as these will be rife with problems for international comparability, reflecting cultural differences as much as real differences in entrepreneurial potential.

Formal Definitions

The concurrent development of a definition with the development of the framework reflects pragmatism and a need to meet policy-makers needs. The top-down approach has emphasised the importance of enterprising human activity that creates value through innovative products and processes or new markets. The bottom-up approach reinforces this message, reflecting for example the importance of:

the creation of new markets (e.g. enterprise births); the creation of value (e.g. high-growth enterprises); and, the pool of entrepreneurs (*e.g.* business ownership rates).

Drawing on the above analysis and arguments, entrepreneurship is about identifying and acting upon (*enterprising human activity*) opportunities that *create value* (be that economic, cultural or social). Typically, entrepreneurial activities require the leveraging of resources and capabilities through *innovation,* but the opportunities themselves always relate to the identification of either new products, processes or markets. This points to the following definitions of the entrepreneur, entrepreneurship, and entrepreneurial activity:

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 phenomena associated with entrepreneurial activity.

The definitions suggest that any indicator should include reference to the value created by entrepreneurial activity, the changes in resources, capabilities and opportunities confronting an entrepreneur, and the business and wider environments that will impact activity. The definitions are proposed to guide the collection and interrogation of data sets.

Conclusions

Note that these definitions differentiate entrepreneurial activity from 'ordinary' business activity, and additionally: (i) indicate corporations and other enterprises can be entrepreneurial, though only the people in control and owners of organisations can be considered entrepreneurs, (ii) emphasise entrepreneurial action is manifested rather than planned or intended, (iii) do not equate activity with the formation of any particular 'vehicle', whether formal such as incorporated entity or informal, though they do allow measurement to reflect particular vehicles as embodying activity, and (iv) although defined in the context of businesses they incorporate economic, social and cultural value created. Addressing each of these issues in turn:

- The definitions recognise that many companies can attempt to instil an entrepreneurial spirit in their employees and encourage them to be creative and innovative. Employees may be urged to "take ownership" of particular components of the company's work and be remunerated accordingly for success. The definitions do, however, recognise a distinction between the entrepreneur, who is a business owner, and entrepreneurial activity, and so, a business without an entrepreneur at the helm can continue to be entrepreneurial, as can its employees.

- We deliberately do not set out to define what 'new' is or how it should be defined. As discussed above the definition of new is in some respects an issue of convention. The indicators described in the OECD's framework all implicitly focus on different interpretations of what 'new' is, and this, perhaps surprisingly, is one of the strengths of the framework and the definitions, since ultimately it is the role of policy makers to determine the policy goals, and so the types of entrepreneurship and entrepreneurs they wish to foster.

- Despite this 'vagueness', the definition also lends itself well to international comparability since it provides the umbrella for comparable indicators to be produced across countries that can be developed in a harmonised way, reflecting different definitions of new. Moreover, it is also very easy to define 'new' in a more precise way as the basis for more focussed analyses and surveys. One could for example adopt the definitions set out in the OECD's OSLO Manual.

Secondly, the definitions proposed do not include those 'considering' entrepreneurial activity, nor do they differentiate between entrepreneurs in new or old ventures. The success of an entrepreneur's undertaking is based on the strength of their perceived opportunity, innovative capabilities and creative resources. It is not based on their intentions or on a supply/demand equation for entrepreneurs. Such phenomena would be considered in relation to cultural or socio-cultural analysis, which may indeed impact entrepreneurial activity indirectly. This could be contrasted with the Index of Total Entrepreneurial Activity (TEA-index) (Reynolds, Bosma, Autio, Hunt, De Bono, Servais, Lopez-Garcia, & Chin, 2005), which measures the ratio of people classified as entrepreneurs to the total adult population. The TEA-index criterion for an 'entrepreneur' is based on whether a respondent is planning to start a business, or owns and manages a business aged between 0 and 42 months (Minniti, Bygrave, & Autio, 2006).

Thirdly, there is no particular 'vehicle' that is required for entrepreneurial activity to be 'undertaken'. Given technology and new business models, even an independent "entrepreneur", without employees can innovate, implement new products and processes and "grow". Furthermore, the definitions recognise that entrepreneurial activity can be associated with organic as well as acquisitive decisions. The definitions do, however, allow different countries to have different objectives for entrepreneurship policy, for example encouraging self-employment, the development of the formal economy, or development of new corporations.

Fourthly, although the definitions reflect the fact that entrepreneurial activity does not result in economic impacts alone, there has been a conscious decision to orient the framework towards the economic policy interests of the OECD, EU and other countries. As has been alluded to in the above review, there are many 'types' of entrepreneurial activity, from corporate venturing to social change enterprises. Value created by entrepreneurs can be captured by the entrepreneur (either a lot or a little) and/or exchanged or shared with others (for example with employees, stakeholders and society). Although pecuniary data are often the simplest and most widely available measures available, the definitions do not limit the value considerations to economic outputs alone. EIP's focus on business-related entrepreneurship does not imply that other forms of (social) entrepreneurship are unimportant.

This paper is intended to be read in conjunction with Ahmad and Hoffman's framework paper, and indeed has facilitated and supported the elaboration. In turn, this will improve our understanding and ability to measure the process and outcome of activities that determine business-related entrepreneurship. This definitions paper is intended to guide the development of future indicators (to complement and improve those already mentioned in the 'bottom-up' analysis documented in this paper).

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