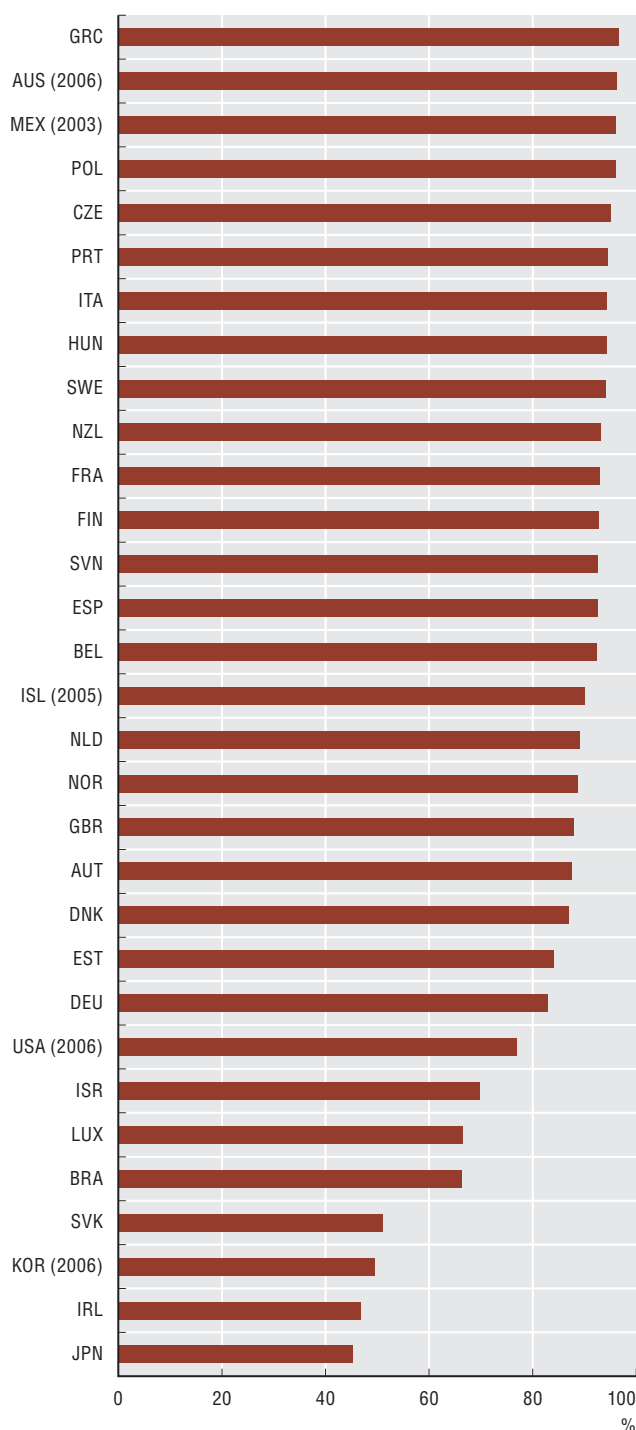


3. Firm size and dynamics

Micro firms, 2007

As a percentage of all firms



Source: OECD (2011), *Entrepreneurship at a Glance 2011*, OECD Publishing, Paris. See chapter notes.

StatLink <http://dx.doi.org/10.1787/888932487647>

Business dynamics have a significant impact on an economy's overall productivity growth, and this in turn affects a country's ability to compete globally. There is mixed empirical evidence on the relation between firm size and business dynamics, but small and medium enterprises (SMEs) play a key role in all countries and are significant generators of employment and income. In the OECD area, SMEs employ more than half of the private sector's labour force. In the European Union, they account for over 99% of all enterprises. SMEs employing between 1 and 9 persons, also called micro firms, represent more than 80% of all firms in most OECD countries.

In spite of the strong presence of micro firms, a considerable part of the business sector's value added is due to enterprises with more than 250 employees. In 2007 in Brazil and Luxembourg, more than 70% of total value added was created by such firms.

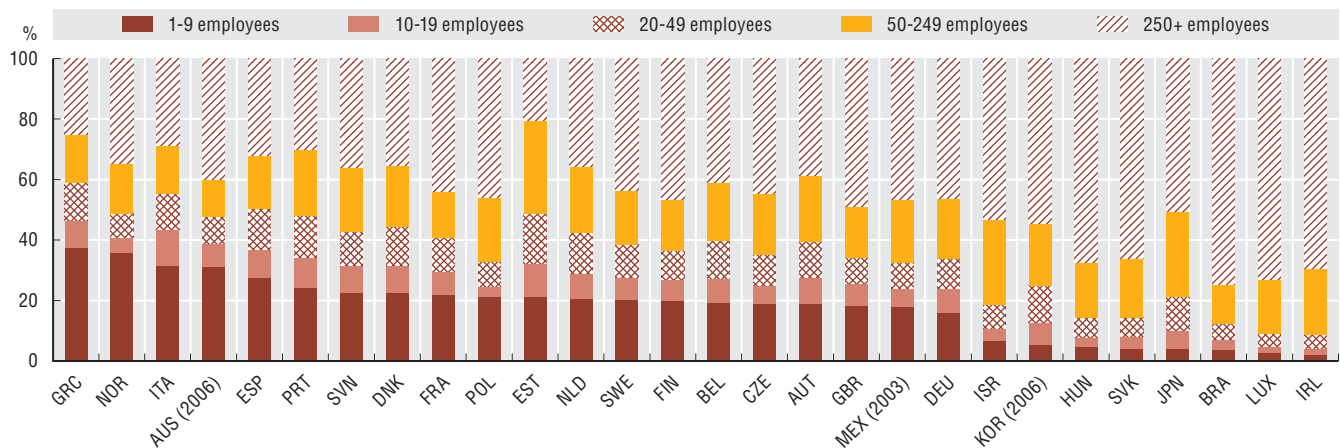
While all forms of entrepreneurship play a critical role in the economy, whether through self-employment or the creation of SMEs, high-growth firms contribute most to productivity, economic growth and job creation. They are a key source of radical and high-impact innovation and key actors in the entrepreneurial ecosystem. They contribute to growth not only directly through the introduction and adoption of novel technologies, but also indirectly through the increased competitive pressure they put on incumbent firms.

Despite their key role in the economy, high-growth enterprises (measured by employment growth) represent on average a small share of the total population of enterprises. In 2007, the share of high-growth firms was larger in services than in manufacturing in most of the countries for which data are available.

Definitions

Micro firms have between 1 and 9 employees. High-growth enterprises, as measured by employment, are enterprises with average annualised growth in employees of over 20% a year, over a three-year period, and with ten or more employees at the beginning of the observation period. The share of high-growth enterprises is compiled as the number of high-growth enterprises as a percentage of the population of enterprises with ten or more employees. In defining high-growth firms, the OECD Entrepreneurship Indicators Programme sets the size threshold at ten employees at the start of any observation period to avoid the small size class bias that the definition of high growth inevitably implies.

Value added by size class, 2007

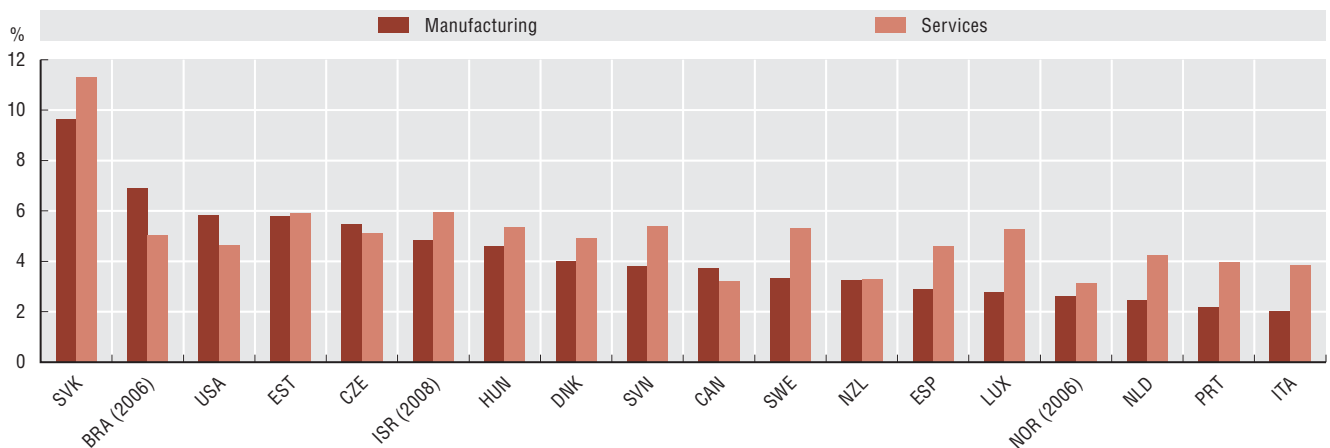


Source: OECD (2011), *Entrepreneurship at a Glance 2011*, OECD Publishing, Paris. See chapter notes.

StatLink <http://dx.doi.org/10.1787/888932487666>

High-growth firms (based on growth in employment), 2007

As a percentage of all firms with ten or more employees



Source: OECD (2011), *Entrepreneurship at a Glance 2011*, OECD Publishing, Paris. See chapter notes.

StatLink <http://dx.doi.org/10.1787/888932487685>

Measurability

The OECD-Entrepreneurship Indicators Programme (EIP) relies on data from national business registers. In spite of the aim of full coverage of existing businesses in a given country, there are cross-country differences in terms of coverage of business registers owing to national circumstances and data availability. To safeguard the international comparability of its indicators, the OECD-EIP collaborates closely with national statistical offices when using these sources.

Firms' growth is traditionally assessed in terms of turnover and employment. Employment-based measures are less affected by the main problems that affect turnover, in particular those related to price changes. Ideally, employment should be counted in full-time equivalents rather than headcounts, but many countries do not collect this information in business registers. In addition, changes in employment and turnover figures do not always reflect firms' organic growth; they can result from events such as mergers or acquisitions. When constructing comparable business demography statistics, the OECD-EIP corrects, as much as possible, for such endogenous factors.



From:

OECD Science, Technology and Industry Scoreboard 2011

Access the complete publication at:

https://doi.org/10.1787/sti_scoreboard-2011-en

Please cite this chapter as:

OECD (2011), "Firm size and dynamics", in *OECD Science, Technology and Industry Scoreboard 2011*, OECD Publishing, Paris.

DOI: https://doi.org/10.1787/sti_scoreboard-2011-57-en

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