

11. High-growth enterprises rate

High-growth enterprises are firms that by their extraordinary growth make the largest contribution to net job creation, despite typically representing a small proportion of the business population. With their presence in the economy considered promising for the creation of more jobs and innovation, interest in high-growth firms is high among policy makers.

Definition

High-growth enterprises, as measured by employment (or by turnover), are enterprises with average annualised growth in employees (or in turnover) greater than 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.

Comparability

A size threshold of ten employees at the start of any observation period was set to avoid the small size class bias that the above definition of high growth inevitably contains. The optimal threshold in terms of firm size at start, growth rate and growth period needs to balance two competing criteria: the first is to provide as detailed and as meaningful information as possible, and the second is to maximise information that can be disclosed, i.e. that satisfies confidentiality rules and allows producing the indicators at as detailed an industry level as possible, and by standard (employment) size classes.

Setting the employment thresholds too low, for example, will reduce disclosure problems but at the same time result in disproportionate numbers of small enterprises appearing in the statistics. Too high, however, and disclosure problems increase, particularly for smaller economies, with significantly less large companies than larger economies. It is clear that an absolute threshold will affect countries and industries differently, depending on their size.

The size threshold of ten or more employees holds for both the turnover and employment measures. The advantage is that the initial population is the same, regardless of whether growth is measured in employment or turnover. Moreover, it would be difficult to apply a consistent turn-

over threshold across all countries because of exchange rates, inflation, etc.

Data for Canada refer to employer enterprises with less than 250 employees.

Manufacturing data for Canada exclude Mining and Utilities.

Highlights

High-growth enterprises represent on average a small share of the total population, typically between 3.5% and 6% when measured by employment growth; the proportion of enterprises that show high growth in turnover is higher with percentages going up to 20 and even more. Also, in most countries high-growth firms (by employment) are in general more frequent in services, while their prevalence is higher in manufacturing when high-growth is measured by turnover.

Source/Online database

OECD Structural and Demographic Business Statistics (SDBS) Database.

For further reading

OECD (2010), *Structural and Demographic Business Statistics*, OECD Publishing, Paris.

<http://dx.doi.org/10.1787/9789264072886-en>

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The OECD Entrepreneurship Indicators Programme: Workshop on the Measurement of High-growth Enterprises, 19 November 2007, Paris.

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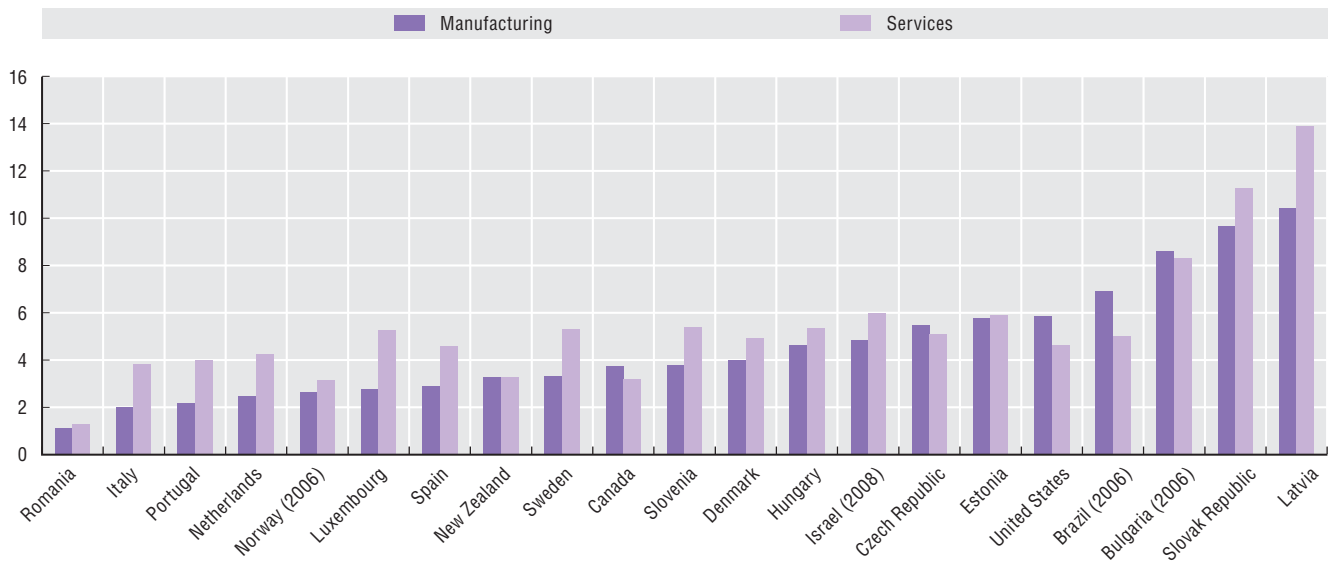
Ahmad, N. and E. Gonnard (2007), "High-growth Enterprises and Gazelles", paper prepared for the International Consortium on Entrepreneurship (ICE), Copenhagen, Denmark. <http://ice.foranet.dk/upload/highgrowth.pdf>

Information on data for Israel:

<http://dx.doi.org/10.1787/888932315602>

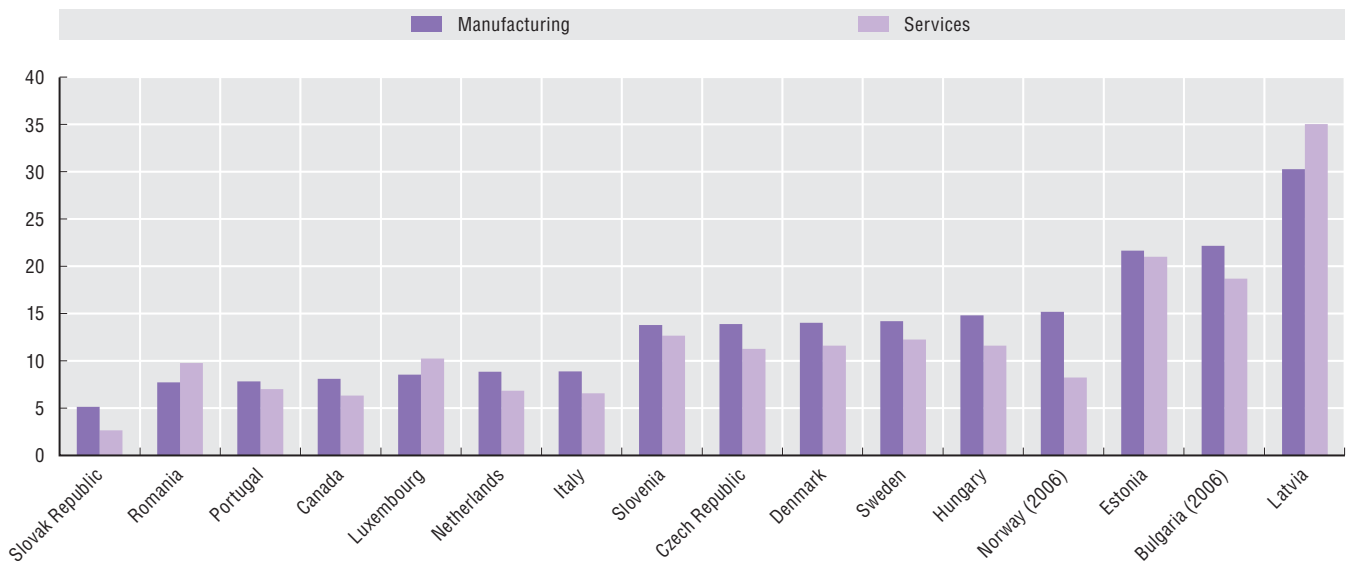
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Figure 11.1. Share of high-growth enterprises (employment definition) in 2007

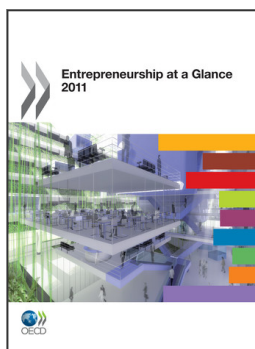


StatLink <http://dx.doi.org/10.1787/888932384800>

Figure 11.2. Share of high-growth enterprises (turnover definition) in 2007



StatLink <http://dx.doi.org/10.1787/888932384819>



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