

High-growth enterprises rate

Key Facts

- High-growth enterprises represent on average a small share of the total enterprise population. Typically, when measured on the basis of employment growth, the share ranges between 2% and 4% for most countries. Measures based on turnover are generally twice as high, with the rate of high growth manufacturing enterprises in Korea reaching 15%. For both measures, the shares of high-growth enterprises were lower compared to 2006 in almost all countries.
- In all countries the prevalence of high growth firms in the service sector (measured by employment) was higher than in manufacturing. This was also typically the case for measures based on turnover.

Relevance

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. Understanding the characteristics of high-growth firms is of high interest to policy makers.

Definitions

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.

Medium-growth enterprises, as measured by employment, are enterprises with average annualised growth in employees between 10% and 20% a year, over a three-year period, and with ten or more employees at the beginning of the observation period.

The *rate of high-growth enterprises* and *rate of medium-growth enterprises* measure, respectively, the number of high-growth enterprises and the number of medium-growth enterprises as a percentage of the population of enterprises with ten or more employees.

For the definition of “Total economy”, see Reader’s Guide.

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 i) firm size at start ii) growth rate and iii) growth (observation) 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. If the threshold is too high, however, disclosure problems increase, particularly for smaller economies, with significantly fewer 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 turnover threshold across all countries because of exchange rates, inflation, etc.

Data presented refer to the whole population of employer enterprises, with the exception of Canada, for which data for 2007 and earlier years refer to employer enterprises with less than 250 employees.

Data for Israel and the United States are compiled according to ISIC Revision 3. Data for Austria, New Zealand and Slovenia are compiled according to ISIC Revision 4. For other countries data after 2007 are compiled in ISIC Revision 4 and data for 2007 and before are compiled in ISIC Revision 3.

Source/Online database

OECD *Structural and Demographic Business Statistics (SDBS) Database*.

For further reading

Ahmad, N. and D. Rude Petersen (2007), *High-Growth Enterprises and Gazelles – Preliminary and Summary Sensitivity Analysis*, OECD-FORA, Paris, www.oecd.org/document/31/0,3746,en_2825_499554_39151327_1_1_1_1,00.html.

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>.

Eurostat/OECD (2007), *Eurostat-OECD Manual on Business Demography Statistics*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264072886-en>.

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

OECD (2010), *Structural and Demographic Business Statistics*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264072886-en>.

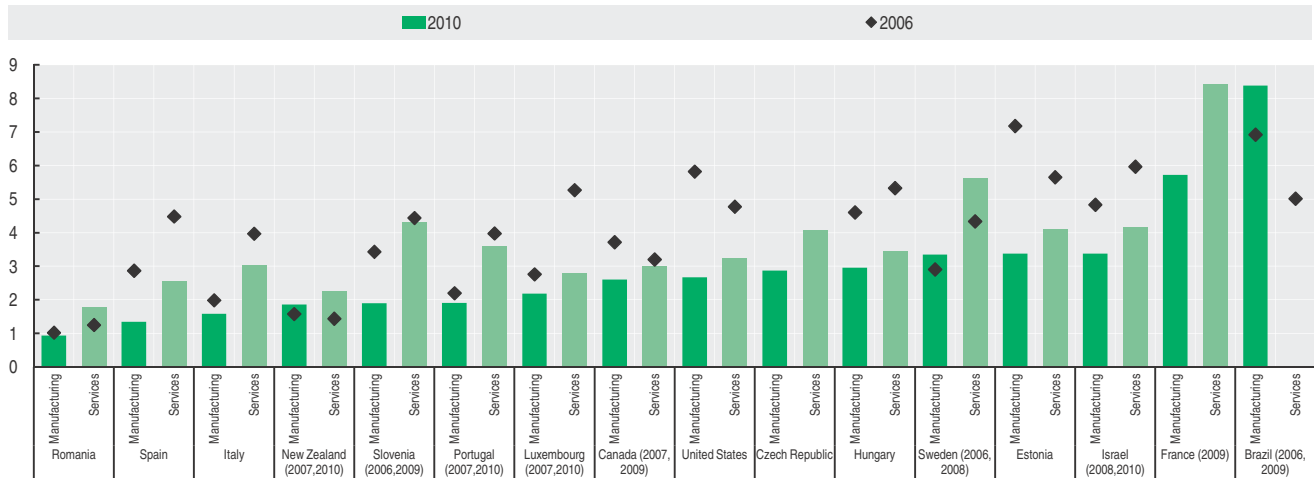
Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

4. ENTERPRISE GROWTH AND EMPLOYMENT CREATION

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Figure 4.7. **High-growth enterprises rate, measured by employment growth**

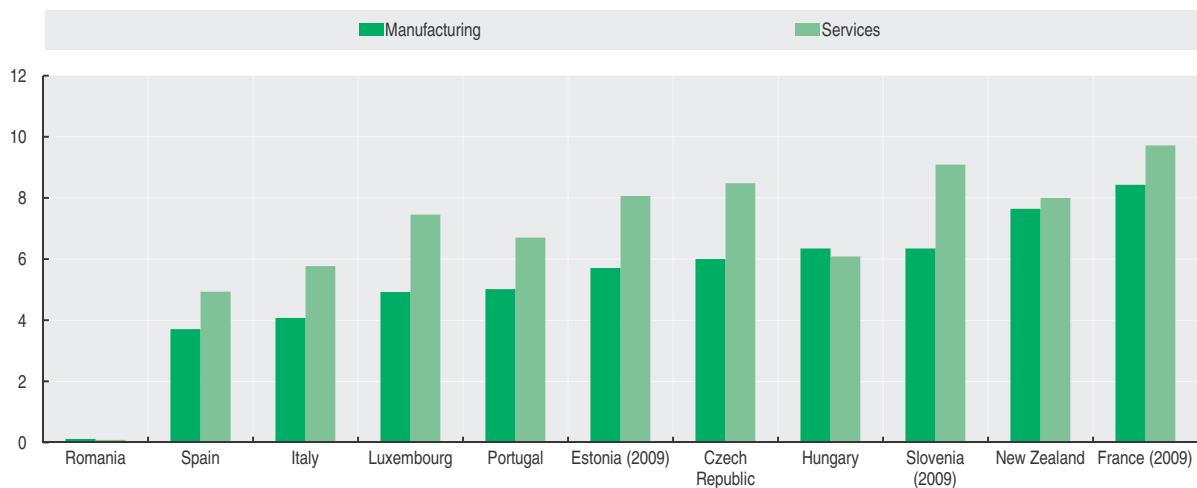
Measured by employment growth, 2010 or latest available year



StatLink <http://dx.doi.org/10.1787/888932828963>

Figure 4.8. **Medium-growth enterprises rate, measured by employment growth**

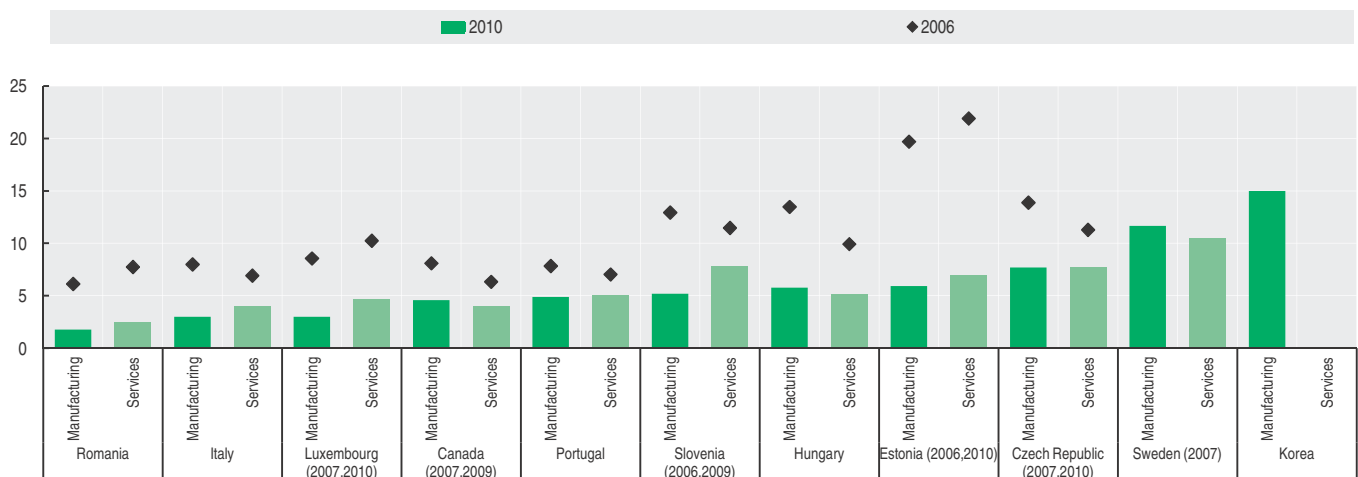
Measured by employment growth, 2010 or latest available year



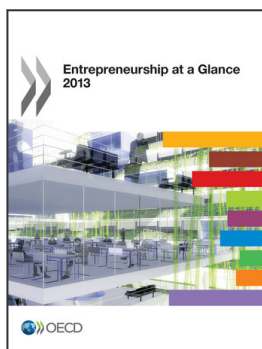
StatLink <http://dx.doi.org/10.1787/888932828982>

Figure 4.9. **High-growth enterprises rate, measured by turnover growth**

Measured by turnover growth, 2010 or latest available year



StatLink <http://dx.doi.org/10.1787/888932829001>



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