

Measuring entrepreneurship: Type, motivation, and growth

Effective measurement can help policymakers harness a wide variety of gains from entrepreneurship

Keywords: measurement, self-employment, new firm entry density, high-growth entrepreneurship

ELEVATOR PITCH

Policymakers rely on entrepreneurs to create jobs, provide incomes, innovate, pay taxes to support public revenues, create competition in industries, and much more. Due to its highly heterogeneous nature, the choice of entrepreneurship measures is critically important, impacting the diagnosis, analysis, projection, and understanding of potential and existing policy. Some key aspects to measure include the *how* (self-employment, new firm formation), *why* (necessity, opportunity), and *what* (growth). As such, gaining better insight into the challenges of measuring entrepreneurship is a necessary and productive investment for policymakers.

KEY FINDINGS

Pros

- ⊕ Various measures can help policymakers capture different dimensions related to entrepreneurship.
- ⊕ More precise measurement options can help target specific types of entrepreneurship or outcomes, such as high growth entrepreneurship.
- ⊕ Comparing multiple measures of entrepreneurship, such as necessity and opportunity entrepreneurship, can be useful.
- ⊕ Different measures, like employment-based or accounting-based measures, can be used to evaluate growth entrepreneurship.

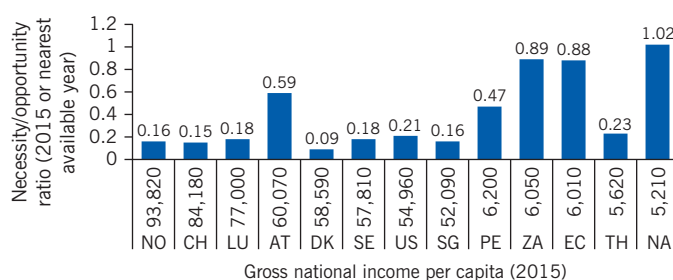
Cons

- ⊖ Measures for new firm formation likely underestimate the entrepreneurial activity in certain places, especially in low-income countries.
- ⊖ There are large gaps in data availability for many countries, especially low-income countries.
- ⊖ Different reporting and accounting standards limit the comparability of firm-level data across countries.
- ⊖ While it is possible to assess entrepreneurs' intentions, it is harder to measure growth.
- ⊖ A lack of comparable measures hinders research on growth entrepreneurship.

AUTHOR'S MAIN MESSAGE

Policymakers can select measures of entrepreneurship that are appropriate to a specific problem or goal; this can improve the contextual relevance of policy design. Several measures, related to different dynamics of entrepreneurship, should be considered. These measures represent how entrepreneurship occurs, why it is undertaken, and what activity or outcome it can yield. Findings based on these measures help identify gains and trade-offs when considering potential policy options, enabling policymakers to design more appropriate policies to target specific entrepreneurship types and outcomes.

Necessity/opportunity ratio in select countries



Notes: Necessity and opportunity entrepreneurship calculated as a percentage of total early-stage entrepreneurship.

Source: World Bank Databank. Online at: <http://databank.worldbank.org/data/home.aspx>; and Global Entrepreneurship Monitor. Online at: <http://www.gemconsortium.org/>