Eurostat/OECD Manuals on
- Business demography (2007)
- Innovation (Oslo Manual 2018)

Carsten Olsson
European Businesses, Eurostat G2
European Commission
Entrepreneurship and Innovation

Creative destruction

- Entrepreneurs [...] seek to generate value through creation or expansion of economic activity by identifying and exploiting new products, processes or markets
- An innovation is a new or improved product or process that differs significantly from the previous product or process

Impact

- poverty reduction and social inclusion
- higher productivity, economic growth

Measurement through

- Business Demography
- Innovation survey
Business demography (BD)
What does it measure?

- **Number of active enterprises** in the reference year (t)
  - *Active = had turnover or employees or investment*
- **Birth** of enterprises
- **Survivals** (followed up to five years after birth)
- **Death** of enterprises
- **Number of persons employed** and/or **employees** (enterprise-event)
Business demography (BD)

Why?

- Births, deaths, survival rates, etc.
  - insight into the dynamic nature of the business environment
- Breakdowns (country, region, NACE/ISIC, size, legal form)
  - Pinpoint mature or volatile business ‘segments’
- Important for policy makers
  - understanding economic growth (and productivity)
  - as information for tackling social demographic issues
- Example: EU Cohesion Policy (regional policies)
  Support innovative and high growth firms; increase competitiveness, develop products, find new markets and create new jobs;
  Ongoing discussion to use result indicators (e.g. survival rates) as policy indicator
Employment share of enterprise births and deaths (2016), geographical distribution

Employment share of enterprise births, 2016

% of employment in active enterprises
- < 2.3
- 2.3 - 3.0
- 3.0 - 3.7
- 3.7 - 4.7
- ≥ 4.7
- no data

Persons employed among enterprises newly born divided by the number of persons employed in active enterprises (industry, construction and services except insurance activities of holding companies).
Source: Eurostat

Employment share of enterprise deaths, 2016

% of employment in active enterprises
- < 2.0
- 2.0 - 2.7
- 2.7 - 3.5
- 3.5 - 4.4
- ≥ 4.4
- no data

Persons employed among enterprise deaths divided by the number of persons employed in active enterprises (industry, construction and services except insurance activities of holding companies).
BGR, CZ, HR, HU, AT, PT, RO, SK: 2015
Source: Eurostat
## Typology of business events
(Eurostat/OECD 2007)

<table>
<thead>
<tr>
<th>Event</th>
<th>Real, observable world</th>
<th>Business register</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Enterprises before the event</td>
<td>Enterprises after the event</td>
</tr>
<tr>
<td>Enterprise birth</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>Enterprise death</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Change of ownership</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Merger</td>
<td>n</td>
<td>1</td>
</tr>
<tr>
<td>Take-over</td>
<td>n</td>
<td>1</td>
</tr>
<tr>
<td>Break-up</td>
<td>1</td>
<td>n</td>
</tr>
<tr>
<td>Split-off</td>
<td>1</td>
<td>n</td>
</tr>
<tr>
<td>Creation of a joint venture</td>
<td>n</td>
<td>n+1</td>
</tr>
<tr>
<td>Cessation of a joint venture</td>
<td>n</td>
<td>n-1</td>
</tr>
<tr>
<td>Restructuring within an enterprise</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Restructuring within an enterprise group</td>
<td>n</td>
<td>n</td>
</tr>
<tr>
<td>Change of group</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Complex restructuring</td>
<td>n</td>
<td>n</td>
</tr>
</tbody>
</table>

*Note:* n = 2 or more
Business Demography Indicators

• **Top indicators**
  - Birth rate, Death rate, Survival rate

• **Other indicators**
  - **High growth enterprises (HGE)**
    Enterprises with more than \(20\%\) 10% annualised growth in number of employees over 3 years \((\geq 10 \text{ employees})\); Extend methodology to micro-enterprises
  - **Gazelles**
    Subset of high-growth enterprises
    All enterprises up to 5 years old with more than \(20\%\) 10% annualised growth over three years

• **On the drawing board**
  - Sustainable growth of HGE
  - Scale-ups, unicorns
  - Dependency (belonging to group or not, strong indicator of turnover)
Business demography (BD)
Statistical infrastructure needed?

- Business registers

- If no business register
  - Census
    Expensive to carry out frequently
  - Surveys
    Sample selection and frame?
    Cannot catch enterprise deaths
Business Demography Reference Manual(s)

Eurostat – OECD

UNECE
Creative destruction

Innovation
Innovation

• Policy interest
  - What **drives** innovation in businesses?
  - What **hampers** innovation in businesses?
  - What **features** set innovative enterprises apart from non-innovative enterprises?
  - How do innovative enterprises **develop**?
  - How can governments **support**?

• Types of innovation (with subtypes)
  • **Product innovation**
  • **Business process innovation**
Mandatory variables under EU legislation

- Enterprise identification and basic information on the enterprise

- Products
  - Incidence of new or improved goods or services
  - Goods or services new to market/firm?
  - Turnover from goods/services new to market/firm
  - Who developed new or improved goods or services?

- Processes
  - New or improved business processes
  - Who developed new or improved business processes?

- Innovation activity
  - Innovation expenditure
  - Innovation co-operation
Optional variables

- Enterprise strategies
- Customisation and co-creation
- Intellectual property rights (issuing and usage)
- Knowledge inflows and Management methods
- Funding and financial support
- Impact of external factors on innovation
- Further information on the enterprise and enterprise group
**Improving EU innovation survey (CIS)** *(based on 2018 Eurostat-OECD Oslo Manual)*

- **Reduced subjectivity** *(Self-assessment (don’t ask): Did you introduce an innovation to the market?)*

- **Better information** on innovation activities *(e.g. who developed? in co-operation with whom? expenditure? [optional: knowledge flows, funding & financial support, ...])*

- **Reduced bias** *(remove opt out questions at beginning)*

- **Improved balance** *(amount of) questions for ‘innovative’ and ‘not innovative’ enterprises*
  - [Why are non-innovative enterprises not innovating?]
Innovation
Statistical infrastructure needed?

Need random (stratified) sample selection within well-defined frame

- Business registers as basis for survey frame
Thank you for your attention