

# **An Analysis of Entrepreneurship Policies in 13 Countries: Where Does Canada Fit?**

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**ABSTRACT:** A growing body of research evidence linking new firms and employment creation, innovation and economic growth has called increasing policy attention to the importance of entrepreneurial activity levels and the supply side of entrepreneurship. Since the late 1990s, governments have been gradually broadening their small and medium-sized enterprise (SME) policy frameworks, which focus primarily on supporting existing small firms, to incorporate a focus on new firms, but limited knowledge exists about the emerging domain of entrepreneurship-oriented policy. This paper describes research to better understand the parameters of entrepreneurship policy based on the practices of national-level governments in 13 countries. It compares the performance of Canada in areas of entrepreneurship policy and discusses the potential factors underlying differences. Although Canada has a favorable environment for entrepreneurship, and was one of the first to adopt a National Entrepreneurship Policy (1989-1993), it ranks among the lowest of the 13 countries on Entrepreneurship Policy Comprehensiveness. The paper advances knowledge about the characteristics of entrepreneurship policy and its application in the Canadian environment, and raises a number of issues for further research and analysis.

## **Introduction**

Research in the US and other countries has confirmed the job creating contribution of new and small firms (Birch, 1979, Storey, 1994). In addition to job creation, new entrants are found to play a key role in driving productivity improvements at the firm and industry level (Baldwin, 1999) and contribute to a country's innovation performance (Audretsch, 1995; Baldwin, 1996, 1999). Initially, governments were interested in entrepreneurship as a potential solution to high unemployment levels or as a mechanism for absorbing a growing number of new entrants into the labor force. More recently, as the rate of technology development and globalization accelerates, governments have been paying attention to entrepreneurship policies because of the need for renewal of their country's economic and competitive performance. In fact, Audretsch

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<sup>1</sup> The views expressed in this paper are those of the author and do not necessarily reflect the views of Industry Canada.

and Thurik (2001a) explain the rise in entrepreneurship policy formulation as a necessary response to fundamental industrial and economic restructuring – a shift from the “managed economy” to the “entrepreneurial economy”.

International and research interest in entrepreneurship policy has been escalating over the past five years (European Commission, 2004, 1998; OECD, 2001, 1998, 1995; UNDP, 2004). There is a growing body of research on: the relationship between entrepreneurship and economic growth (Carree and Thurik, 2003; Kirzner, 1982; OECD 2001); the contribution of new firms to employment growth and economic renewal (Audretsch and Thurik, 2001b; Friis, Paulsson and Karlsson, 2002; Kirchoff, 1994; OECD, 1997); dynamics of the entrepreneurial process (Reynolds and White, 1997); the differing rates of business ownership and entrepreneurial activity across nations (Carree et al., 2002; Reynolds, Hay and Camp, 2004); and the various factors and dimensions influencing the emergence of entrepreneurship (see Acs and Audretsch, 2003; Hart, 2003; Holtz-Eakin and Rosen, 2004). Combined with advances in statistical collection and reporting which are enabling policymakers to see that business turnover and the entry and exit of firms merit their attention (OECD, 2002b)<sup>2</sup>, this knowledge is leading more governments to become interested in how to stimulate start-ups and encourage more entrepreneurship.

Stimulating entrepreneurial activity requires a different set of policy imperatives than supporting the maintenance and growth of existing SMEs (articulated in Stevenson and Lundström, 2002). In entrepreneurship policy, the unit of observation and analysis is the individual entrepreneur rather than the firm and policy attention begins at early stages of the entrepreneurial process, in advance of the point where individuals start firms and certainly before

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<sup>2</sup> See “Enterprise Demography: Examining Business Dynamism in OECD Countries,” in OECD (2002), pp. 31-41. One of the policy implications one can draw from an analysis of “enterprise demography” data is that new firms are required to replace exiting firms and to create jobs to replace those lost due to exiting and downsizing firms

they have an established SME. Governments and societies are eager to identify gaps in existing policy frameworks that will lead to the right conditions for an environment conducive to entrepreneurship and seeking a better understanding of how to do this. However, this is not a simple task. In their review of the literature, Lundström and Stevenson (2005) identified at least 41 multi-faceted and varied influencers associated with the level of entrepreneurial activity in a country or region, acting as either promoters or inhibitors. These included social and cultural factors; human factors (positive attitudes towards entrepreneurship; fear and “stigma” of failure; belief in “efficacy”; perception of opportunity); demographic, macro-economic and structural factors; SME and entrepreneurship levels and dynamics; and policy dimensions. There is very little understanding of how this large number of possible influencers and factors, individually or in combination, works to produce a certain level of entrepreneurial activity relative to another country. Not only is it difficult for policymakers to sort through this vast array of evidence in order to determine which policies and measures will be most effective in accelerating the emergence and growth of new firms, but there is limited knowledge on the construction of entrepreneurship policy.

This paper explores the development of entrepreneurship policy frameworks based on findings from a 13 country study of government policy and practice, including a discussion of Canada’s fit within this international context. It advances knowledge about the characteristics of entrepreneurship policy and its application in the Canadian environment, and raises a number of issues for further research and analysis. The next section of the paper presents a snapshot of the state of entrepreneurial activity in Canada and is followed by a comparison of entrepreneurship policy comprehensiveness among the 13 national-level governments.

## **The State of Entrepreneurial Activity in Canada**

In 2004, there were an estimated 2.4 million business establishments in Canada, 99.7% of which were defined as small and medium-sized (SMEs), that is, with fewer than 500 employees (Statistics Canada, 2004). Canada is densely populated with SMEs – with 74.2 business establishments per 1,000 of population. Only 44% of these establishments have paid employees. As reported in Industry Canada (2005a), over 88% of all establishments have less than 10 employees or none at all, and 74% of employer businesses have fewer than 10 employees. In 2004, over 49% of the private sector labor force was employed in small firms with fewer than 100 employees, and another 16% in medium-sized firms with 100-499 employees. Firms with fewer than 20 employees accounted for 26% of the private sector labor force.

In December 2004, there were 2.5 self-employed persons (Statistics Canada, 2005), comprising over 15.4% of total employment and 24% of private sector employment. Since 1976, the number of self-employed persons has more than doubled and the rate of self-employment has grown by 26% (from 12.2% of the labor force to 15.4%), however, almost two-thirds of self-employed persons do not have any paid employees, the self-employment cohort that is growing most rapidly. Between 1991 and 2001, the number of self-employed persons without employees increased by 48% (Kanagarajah, 2005). Annual flows into and out of self-employment are very large. Lin, Picot, and Yates (1999) estimated an average annual entry rate into self-employment of 23% between 1989 and 1995 and an exit rate of 19.9%. This suggests that in 1995 about 468,000 Canadians entered self-employment and 405,000 left self-employment to do something else. Approximately a third of self-employed persons are women, although it should be noted that they tend to start smaller businesses than men and own only about 4% of businesses with over 100 employees. Young people (under 30 years of age) are becoming increasingly interested

in entrepreneurship. Finnie, LaPorte and Rivard (2002) found that five years after graduation, between 9.9% and 11.1% of male university graduates had started a business (depending on the program of study and degree level) and 5.3% to 6.7% of female graduates. The incidence of self-employment among Canadian university graduates has been rising since 1995.

Research by Peterson (1999), Riverin et al. (2004), and Menzies et al. (2003) suggests there are a large number of nascent entrepreneurs in the country. Peterson (1999), in the first Global Entrepreneurship Monitor (GEM) report for Canada, estimated that almost 500,000 people were actively trying to start a business in 1999. According to Riverin et al. (2004), 8% of the Canadian adult population in 2003 was engaged in entrepreneurial activity, equating to 1.66 million adults who were either in the process of starting a business or had launched one within the past 42 months.<sup>3</sup> However, this level of entrepreneurial activity had declined from 12.2% in the 2000 GEM study and from 11% in 2001.

In their 2000 poll of over 21,000 Canadian households, Menzies et al. (2003) found 11.2% with a business owner, 5.3% with a discouraged entrepreneur, 9.4% with a discontinued business owner, 2.0% with a business angel and 1.8% with a nascent entrepreneur<sup>4</sup> who was currently taking actions to start a business. However, not all nascent entrepreneurs succeed in establishing a business. Diochon, Menzies and Gasse (2005) found that only 29.8% of nascents had established an operating business 12 months later, a third were still trying, and a third were either inactive or had given up entirely. After 24 months, a quarter of the original group had operating businesses and a quarter had given up. By year two, only 47% of the businesses started after the

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<sup>3</sup> The total entrepreneurial activity index for Canada comprised of 5.1% of the adult population who were trying to start a business (nascent entrepreneurs prevalence rate) and 3.5% who were engaged in new firms less than 42 months old (new firm prevalence rate). See Riverin et al. (2004), p. 14-16.

<sup>4</sup> A nascent entrepreneur is someone who is actively in the process of trying to start a business, evidenced by such actions as looking for equipment or a location, organizing a start-up team, working on a business plan, or any other activity that would help start a business (Diochon et al., 2003, p. 5).

first 12 months were still in existence. Similar studies in the US, the Netherlands, Sweden, and Norway indicate higher start-up results from nascent activity, in most instances, of over 40% (Wagner, 2004). Very little is known about what it takes for nascent entrepreneurs to cross the threshold into start-ups and more research is needed.

Canada has one of the highest rates of turbulence – rate of entry and exit of firms – among the 13 countries in this study, an indicator associated with high levels of innovation. In 2000, the entry rate for employer firms was 13.7% and the exit rate was 12.6% (Kanagarajah, 2005); however, it should be noted that both rates had dropped since 1996 from highs of 15.7% and 14.5% respectively. During the 1991-2002 period, the number of new employer SMEs entering the marketplace on an annual basis was approximately 135,000, although it peaked to 146,000 in 1996–97 (Industry Canada 2005a). The number of exits in each year was between 130,000 and 135,000 in the early 1990s, grew to 143,000 in 1995–96, and then dropped to 127,000 for each year until 2002. On a net basis, annual entries exceeded exits by approximately 8,800. New firms contribute about 6% each year to the employment base (Baldwin, 1999).

The Canadian SME segment is highly dynamic and new entrants are a strong force in employment creation. According to Parsley and Dreessen (2004), 77% of the Canadian firms in existence in 1999 did not exist in 1985. These new firms contributed a cumulative total of 4.9 million jobs to the economy. By 1999, 62% of the 1985 stock of businesses no longer existed, resulting in a cumulative total loss of 3.6 million jobs. In the four years from 1996-2000, new firms created an average of 5.54 jobs and exiting firms produced an average loss of 4.84 jobs, producing a net total job creation impact of 487,000 jobs. Continuously operating businesses produced an additional 674,000 jobs (an average of 1.4 jobs per firm). Parsley and Dreessen (2004) conclude by stating how enormously important business start-ups and new firms are to

employment and wealth creation. It should also be noted that there are many regional differences in the distribution of Canada's employer businesses as well as in the number of business establishments per 1,000 inhabitants (NRC, 2004).

Two other issues are important to this discussion of the state of entrepreneurship in Canada, the failure, or exit, rate of firms and the impending retirement of hundreds of thousands of Canadian business owners. Only about 20% of firms survive their first 10 years of operation (Baldwin, 1999). Baldwin et al. (2000) estimate the probability that a new firm will not live past its first birthday is 23%, but the chances of failure decrease for each year in business.<sup>5</sup> The probability that a new firm that has reached the age of five will not survive the year is only 14%. The majority of bankrupt firms (63%) fail within their first five years of existence (Baldwin, 1999). Almost half of these do so primarily because of deficiencies rooted in the firm's management (lack of knowledge, vision and marketing and financial skills) rather than because of externally-generated problems (economic downturns, increases in competition, loss of a major customer). As Baldwin puts it, "...bankruptcies are not caused by deficiencies in sophisticated management; they result from a new firm's inability to master the basics".

Within the next 15 years, more than half of the country's current small business owners are expected to retire. One in five existing small business owners (or more than 500,000) are planning to retire within the next five years, and another 30% will retire by 2020 (CIBC World Markets, 2005a). The Canadian Federation of Independent Business (CFIB) reports that over 70% of members plan to exit ownership or transfer control of their businesses within ten years and 41% plan to do this within the next five years (CFIB, 2005). By the end of the decade, \$1.2 trillion in business assets will change hands, what the CIBC World Market (2005) authors refer to as "the largest turnover of economic control in generations" that if not well handled in terms

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<sup>5</sup> It should be noted that firm survival rates vary by sector, region, and age of firm.

of succession planning “could have significant economic costs resulting from reduced productivity, job losses, premature sales and increased bankruptcy.”<sup>6</sup> Only 40% of business owners 55-64 have started discussing their exit plans, only 15% have definite plans to sell the business to a family member, and 40% plan to sell their businesses to outside interests. The most commonly identified barrier to succession is financing of the purchase or transfer (CFIB, 2005).

The big policy question is whether there is a sufficient supply of potential entrepreneurs in the “entrepreneurial process pipeline” who will be ready and able to purchase and take over these businesses? To what extent is it necessary to develop policies and measures to ensure the required future supply of Canadian entrepreneurs to maintain the existing base of firms and jobs and to more than replace the firms and jobs that will be lost due to business turnover and the forces of competitive dynamism?

### **The Evolution of Entrepreneurship Policy in Canada**

The first countries in this study to adopt entrepreneurship policies were Canada, the Netherlands and the UK, but the Canadian government was the first (in 1988) to adopt a National Policy on Entrepreneurship (ISTC, 1988). The stated goal of the government at that time was to create an economic environment conducive to entrepreneurship.<sup>7</sup> The objectives of the National Policy on Entrepreneurship (NEP) were to promote entrepreneurship as an option for all Canadians, especially among groups less well represented among business owners, to nurture the growth of existing SMEs, and to remove obstacles to growth, particularly those arising from government policies and activities. The Policy embodied a number of initiatives designed to create an entrepreneurial culture in Canada, including a five-year National Entrepreneurship Awareness Program (NEAP) and establishment of the National Entrepreneurship Development

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<sup>6</sup> CIBC World Markets, 2005a, p. 2.

<sup>7</sup> ISTC, 1988, p. 25.

Institute (NEDI). The NEAP program ran for five years and during that time, several initiatives took place to create awareness of entrepreneurship across the country and support new entrepreneurs.

In 1993, the government changed and the NEAP and NEDI were not refunded at the end of the initial 5-year funding commitment. The new government's "jobs and growth" agenda shifted from the widespread promotion of entrepreneurship to a more narrow focus on high-growth SMEs, particularly in the technology-oriented sectors, a decision influenced by both the government's Program Review exercise and statistical evidence that the 4% of firms that grow rapidly contribute disproportionately to net job creation (Storey, 1994).

With the exception of federal interest in the promotion of youth entrepreneurship (as a solution to youth unemployment and a changing labor market), and Aboriginal economic development, there is no longer a national, strategic emphasis on entrepreneurship in Canada, and SME policy objectives and measures are fragmented along departmental and agency lines.<sup>8</sup> Most entrepreneurship development efforts are currently carried out at a regional level. The Atlantic Canada Opportunities Agency (ACOA) has been implementing its Entrepreneurship Development since 1990 and is considered a "good practice" in entrepreneurship development (see Stevenson, 1996). Entrepreneurship is also a key pillar of the regional agency in Quebec, Western Economic Diversification (WED), and FedNOR (Federal Northern Ontario Regional Agency).

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<sup>8</sup> See "The Case of Canada" in Chapter 4 of Stevenson and Lundström (2001). Departments with policies and measures affecting new and small firms include Industry Canada, Human Resources and Skills Development Canada, International Trade Canada, Heritage Canada, Canada Customs and Revenue Agency, Finance, Environment Canada, as well as other sectorially-oriented departments.

## **Entrepreneurship Policy Frameworks**

Although there is widespread agreement among the leading experts that factors influencing business entry and exit dynamics are central to any effective and focused entrepreneurship policy, there is limited clarity as to which combination of policy measures will produce the desired result in any particular country. Policy prescriptions regarding what *should* be done to produce higher levels of entrepreneurial activity have been largely derived either from the development of theoretical, conceptual frameworks for analyzing the determinants of entrepreneurship (Reynolds, Hay and Camp, 1999; Verheul et al., 2001) or empirical studies of entrepreneurs (Kantis, 2002). There have also been recent attempts to benchmark entrepreneurship policy, for example the Enterprise Scoreboard (European Commission, 2003) and the Danish Entrepreneurship Index (Danish National Agency for Enterprise and Housing et al., 2004), but limited knowledge exists about how entrepreneurship policy is constructed – what it actually looks like, what policies characterize its make-up and how policymakers make decisions about the mix of these policies.

Lundström and Stevenson (2001) and Stevenson and Lundström (2002) were the first to examine the patterns of entrepreneurship policy on an international basis, based on what governments were actually doing. The purpose in their initial exploratory research, involving 10 diverse countries, was to learn more about the construction of entrepreneurship policy by exploring the practices of governments at the national level (federal or central governments) through key informant interviews, analysis of policy and program documents, and policy mapping. Through this work, the researchers were able to define, establish the parameters of, and articulate a framework for entrepreneurship policy measures. In follow-up phases, additional countries were added to the analysis (Lundström (ed.), 2003) and an entrepreneurship policy

comprehensiveness index developed to assess the scope of a government's entrepreneurship policy actions (Lundström and Stevenson, 2005). This index was applied in a 2004 review and analysis of policies in all 13 countries: Australia, Canada, Denmark, Finland, Iceland, Ireland, the Netherlands, Norway, Spain, Sweden, Taiwan, the United Kingdom and the United States.

These countries differed in various ways, for example, by population size, level of GDP per capita, public sector contribution to GDP, industry structure, and rate of unemployment, as well as their existing levels of business ownership and entrepreneurial vitality (Stevenson and Lundström, 2002). Notable differences in the level of entrepreneurial activity were found using the business ownership rate, the TEA Index, and the nascent entrepreneur prevalence rate as points of comparison (Chart 1).

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INSERT CHART 1

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Relative to these countries, Canada ranked sixth in terms of the business ownership rate, fifth on the TEA Index, and fourth on the nascent entrepreneur prevalence rate.

### ***A Definition of Entrepreneurship Policy***

Lundström and Stevenson (2001) defined entrepreneurship policy as that aimed at the pre-start, the start-up and early post-start-up phases of the entrepreneurial process, designed and delivered to address the areas of Motivation, Opportunity and Skills, with the primary objective of encouraging more people in the population to consider entrepreneurship as an option, move into the nascent stage of taking actions to start a business and proceed into the entry and early stages of the business. For a more extensive discussion of Motivation, Opportunity and Skill, see Lundström and Stevenson, 2005.

### *A Framework of Entrepreneurship Policies and Measures*

Governments with entrepreneurship policy objectives stated them in terms of aiming to stimulate a stronger entrepreneurship culture, increase the business entry rate and number of new firms and/or increase the level of entrepreneurial activity (that is, the number of people engaged in activity leading to the start-up of new firms). Stevenson and Lundström (2002) categorized the range of policy measures being implemented to achieve these objectives, into an entrepreneurship policy framework consisting of six broad categories of measures:

- 1) Promotion of entrepreneurship;
- 2) Exposure to entrepreneurship in the education system;
- 3) Ease of entry and exit (that is, removal of start-up barriers and disincentives);
- 4) Access to start-up and early-stage capital;
- 5) Access to start-up and early-stage growth business support; and
- 6) Targeting specific segments of the population that are underrepresented as entrepreneurs, for example, women, young people, ethnic minorities and technology entrepreneurs.

Individual governments displayed considerable diversity in how, and to what extent, they applied and implemented these elements of entrepreneurship policy, placing different weights and levels of importance on different policy measures from the six categories. This was clearly influenced, to some extent, by their economic and social circumstances. Some were seeking to achieve higher levels of employment creation and social cohesion, while others were seeking economic renewal, sector productivity and competitiveness, innovation, and wealth creation.

### *Assessing Entrepreneurship Policy Comprehensiveness*

The Lundström and Stevenson (2005) Entrepreneurship Policy Comprehensiveness instrument provides a basis for comparing the number of actions a government is taking from among a checklist of possible actions in each of the policy areas, that is, the scope of its entrepreneurship policy. The checklist consists of 107 items compiled from an itemization of the collective policy actions of the 13 governments garnered from an analysis of each government's policy documents and other relevant materials.<sup>9</sup> Ninety of the items are intended to rate actions in the six policy framework areas (Table 1). The remaining 17 items score commitment to entrepreneurship policy, entrepreneurship policy structure, and performance tracking.

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INSERT TABLE 1

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Quantitative (frequency counts) and qualitative (document analysis) techniques were used to develop and score policy comprehensiveness. If there was evidence that the government was implementing a policy measure/ action, they were given a score of 1 on that item. If there was no evidence of any action on the item, a nil (0) score was allocated. In cases where the government had made a review of a policy issue and was underway with concrete plans to launch an initiative or announce a program, they were allotted a half a point. A government that was implementing actions related to each item in the nine areas, would have a total score of 107. This policy scoring

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<sup>9</sup> The checklist of policy actions and measures was based on our compilation of the collective actions being taken by the different governments in 2000-01 (see Stevenson and Lundström, 2002) and updated in 2004 to reflect policy advancements (see Lundström and Stevenson, 2005).

method was adapted from that employed by Hall (2002; 2003) to measure the comprehensiveness of SME policy in ASEAN and APEC countries.<sup>10</sup>

## **Results and Discussion**

### ***A Comparison of Entrepreneurship Policy Comprehensiveness***

On the six policy measure areas, the average number of policy actions being taken by these governments was 60 (66% of the possible 90 action items on the list). The total comprehensive scores ranged from a high of 92% for the UK to a low of 36% for Iceland. It was 61% for Canada. Scores within each of the six policy framework areas also varied widely. The comparative ranking of country scores for each area of the entrepreneurship policy framework is presented in Table 2.

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INSERT TABLE 2

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Vis-à-vis other countries in the study, Canada ranks second on target group policies, third on financing policies, tied for eighth place on ease of entry policies and promotion policies, and tenth on both start-up business support and entrepreneurship education policies.

Chart 2 is a graphic representation of how the patterns of entrepreneurship policy configuration differ among countries. This demonstrates more clearly that governments place different levels of emphasis on policy framework areas. One example would be the differences in policy scope of national-level entrepreneurship education measures in the UK, the Netherlands, Finland and Australia compared to the US, Taiwan, Canada and Iceland.

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<sup>10</sup> Hall's scale consisted of 35 policy questions in seven policy areas and was used as a tool to identify patterns in the SME policy approaches adopted by ASEAN and APEC governments and to provide a basis for comparing SME policy and programs amongst these economies over two time periods: 1990-1994 and 2000-2001.

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Within Canada, the federal government has the highest entrepreneurship policy comprehensiveness scores for its target group policies, access to financing, easing entry and exit, start-up business support, promotion, and entrepreneurship education, in that order (Chart 3).

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INSERT CHART 3

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A discussion of the policy comprehensiveness ratings in each of the six policy framework areas follows next.

***Entrepreneurship Promotion.*** Promotion policies are considered an important element in creating a stronger entrepreneurial culture and more entrepreneurial economy and are intended to create widespread awareness of the role of entrepreneurship and small business in the economy, to increase the visibility and profile of entrepreneurship, to generate more favorable attitudes towards it in society, and to reward and recognize entrepreneurs as role models. The policy comprehensiveness of entrepreneurship promotion measures varies across governments (see Chart 4). Governments in the UK, the US and Taiwan employ the broadest number of possible actions. The least number are evident in the government policies and practices of Iceland, Ireland, the Netherlands and Norway.

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INSERT CHART 4

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Eighty-five percent of the national governments has a stated objective to create more awareness of entrepreneurship or to promote a culture of entrepreneurship. In only 38% of the cases is it

evident that a specific budget has been allocated for awareness campaigns or specific promotional initiatives.

Governments in almost all of the countries sponsor national events and activities to profile entrepreneurship. The Canadian, US, and Australian governments have been hosting an annual Small Business Week for several years; the Swedish government sponsors an annual Entrepreneurship Week in partnership with NUTEK and the Swedish Foundation for Small Business Research; the Finnish government hosts regular regional entrepreneurship forums; the UK government has recently proclaimed an annual Enterprise Week; and the Danish government has implemented a series of “road shows” in schools to raise awareness of entrepreneurship among senior secondary students.

Over three-quarters of the governments support national level entrepreneurship awards programs. Although not as pervasive across countries, these awards programs will often recognize certain types of entrepreneurs (for example, women entrepreneurs, micro-enterprises, student entrepreneurs, promising start-ups, or young entrepreneurs).

Just over half of the governments appear to use the mass media to promote entrepreneurship, specifically television and radio, but only 38% take steps to nurture the media by providing entrepreneurship-related features and success story profiles. Mass media initiatives to promote entrepreneurship are most evident in Taiwan, the UK, the US, Canada and, to some extent, Finland.

It is common to find governments acting in partnership with the private sector to promote entrepreneurship. In Canada and the US, where there has been pervasive media promotion of entrepreneurship over time, much of the activity is actually driven by the private sector, e.g.,

banks, large management consulting firms, telecommunications companies, and entrepreneur associations.

The below-average scoring for Canada (44% and an eighth place ranking) is not necessarily a reflection of a lack of entrepreneurship promotion in the country, but more a reflection that the promotion of entrepreneurship is not a stated policy priority within federal government policies and actions. Having said that, the federal government recognizes entrepreneurs in national awards programs such as the National Aboriginal Achievement Awards, the Business Development Bank (BDC) Young Entrepreneur Awards, and programs supported by the Regional Development Agencies, as well as through partnerships with organizations to promote entrepreneurship. The government has supported the production of a number of videos featuring women entrepreneurs, youth entrepreneurship and Aboriginal entrepreneurship and, in some regions of the country, engages in nurturing the media to increase entrepreneurship-related programming.<sup>11</sup> The federal government also sponsors an annual Small Business Week coordinated by the BDC which includes activities and events related to starting and growing a business in many regions of the country. Industry Canada's InfoFairs, initiated in 1996, ran for several years but recently ended. However, from a policy point of view, these efforts fall short of the proactive efforts of the UK government, such as the Enterprise UK campaign, the government in Taiwan which makes active use of the media to profile entrepreneurs and SMEs and the activities of the Small Business Administration in the US.

***Entrepreneurship education.*** Fostering entrepreneurship education is an important area for government policy given the role of the education system in fostering cultural attitudes and preparing young people for future careers, however, the policy emphasis of national governments varies significantly (Chart 5).

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<sup>11</sup> See Stevenson (1996) for the example in Atlantic Canada.

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INSERT CHART 5

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Although integrating entrepreneurship education in the Kindergarten to Grade 12 level was a national policy objective in ten countries, only 62% had a plan or strategy for making this happen; just more than half had undertaken a content analysis of the existing curriculum; less than half had managed to have entrepreneurship outcomes adopted as part of their National Curriculum Guidelines; less than a third delivered training programs to prepare teachers in the instruction of entrepreneurship (or enterprise) curriculum; only 15% appeared to have a national action plan for the in-servicing of teachers; and all of the governments supported the activities of international organizations such as Junior Achievement or Young Enterprise to introduce their programs in more classrooms and schools (Lundström and Stevenson, 2005). Seven governments had substantial national entrepreneurship education initiatives in place: Australia, Denmark, Finland, the Netherlands, Norway, Spain, and the UK, each a collaborative effort among the ministry responsible for small business, industry or economic affairs, and one or more other ministries.

The top scoring governments are those in Finland, the Netherlands, Australia, Denmark and the UK. Canada, like Iceland, Taiwan and the US, has low scores on this area of entrepreneurship policy comprehensiveness. The primary reason in the case of Canada and the US is related to the fact that education matters are the jurisdiction of provincial and state governments. There are some excellent initiatives to imbed entrepreneurship education in the primary and secondary school systems in certain regions of Canada (particularly in the Atlantic

region<sup>12</sup>) and some US states, but national policy plans have not been adopted at the national level, entrepreneurship is not included in National Curriculum Guidelines, a national education authority does not exist, there are no coherent strategies to train teachers or any coordinated national mechanisms for sharing information, resources and materials, and so on. In Taiwan, the government has only recently initiated attention to entrepreneurship in the education system, but primarily at the post-secondary level and the Icelandic government has implemented entrepreneurship as an elective module in the General School Curriculum in about a third of the system but does not have a comprehensive national initiative.

There was evidence in only seven of the countries that the ministry responsible for small business, entrepreneurship or innovation provides incentives to universities for the broadening of their entrepreneurship courses and programs. Canada was not among them. Among the activities supported by these governments are national business plan competitions, campus-based incubators, entrepreneurship learning programs for new graduates, funding for Schools of Entrepreneurship, a Graduate Council for Entrepreneurship, and campus seed capital programs. Governments in the UK, Denmark, Finland, Ireland, the Netherlands, Norway, and Sweden are the most active in this area.

There is relatively little research on the actual impact of university-based entrepreneurship education, but what does exist suggests that the propensity to be self-employed is positively correlated with the number of entrepreneurship/ small business courses a student takes and that the greater the number of courses taken the greater the likelihood of self-employment (Charney and Libecap, 2000). There is at least some evidence that the self-employment status of recent graduates is generally associated with enhanced labor market outcomes and greater worker

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<sup>12</sup> The most prominent example of this of this is in Atlantic Canada, initiated by the Atlantic Canada Opportunities Agency (ACOA) in partnership with the Council of Atlantic Premiers (CAP). See Stevenson (1996) and Stevenson and Lundström (2002), Chapter 10.

satisfaction than paid employment (Finnie, Laporte and Rivard, 2002). Unfortunately the majority of university students do not have the opportunity to take entrepreneurship courses.

Menzies (2004) estimates there are 21 degree programs in entrepreneurship in Canada offered primarily by faculties of business (84%), faculties of engineering (12%) and the remainder by other faculties. McNaughton (2005) notes that relatively few entrepreneurship courses are available to students in disciplines where the potential for technology-based business start-ups is greatest. He also notes the deficiency of knowledge and know-how of Canadian business leaders and managers in the managerial, marketing and financial skills to bring innovation to commercial success.<sup>13</sup>

While Canada's low scores reflect structural responsibilities for education matters in the K-12 system of education, more could be done to encourage universities and other post-secondary institutions to integrate entrepreneurship across the curriculum, especially in light of the trend in the US and elsewhere to offer entrepreneurship to engineering and science students and researchers and to create new interdisciplinary programs.

***Reducing barriers to entry and exit.*** This policy area takes into consideration actions to reduce the time and cost of starting a business; simplify registration procedures; review legislative areas relating to competition, incorporation and bankruptcy policies; taxation and regulatory regimes for new firms; taxation treatment of R&D investments, capital gains tax, business transfers, and the equity investments of angels and venture capitalists; labor market restrictions and hiring complexities; and administrative and paper burden for small firms. Country scores for this area of entrepreneurship policy are presented in Chart 6. Governments acting on more of the policy items are particularly seeking to eliminate any "quiet disincentives" which act to inadvertently discourage individuals from moving into self-employment from

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<sup>13</sup> McNaughton, 2005, p. 198.

employment or unemployment and to improve the opportunities entrepreneurs have to start and grow businesses.

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To contribute to the creation of dynamic start-up markets, most of the 13 governments have a stated objective to reduce barriers to entry and exit, although the policy actions of some are clearly more intense than others, and governments, of course, differ considerably in their approaches. The US, the UK and Denmark have policy measures in more of the areas. The lowest scores are for Norway, Taiwan and Iceland. Canada scored 14.5 on the 19 items, but it should be noted that Canada is one of the easiest countries in the world to start a business (Djankov et al., 2000) and there few disincentives in the tax and labor market systems for people wanting to become self-employed.

All of the governments, including Canada, have taken actions to streamline their business registration procedures and simplify businesses' dealings with government ("single entry points" to facilitate the business registration process, use of single business numbers, electronic filing). Just over half of the governments have put measures into place to reduce or relax the administrative burden on new firms by exempting them from certain regulatory and reporting obligations during the start-up phase. In countries where it is not difficult or costly to start a business, governments are focusing more on taking steps to examine and reduce any undue administrative, red-tape and paper work burden for existing SMEs, such as in the case of Canada. Almost all of the governments have initiatives to review and reduce administrative burdens on SMEs.

Several of the governments are reviewing (or have already done so) the range of legislative areas affecting new business entry: competition policy; company law; bankruptcy legislation; and patent law. Almost all governments are doing work in the area of Competition policy to enable new firms to enter the market in all sectors of economic activity and to compete on a fair basis with large private sector firms and public sector enterprises, even in the US. Governments in the UK, Ireland, Spain, Denmark, Taiwan, and Finland have updated or simplified their business incorporation laws and processes to encourage more new and small firms to become limited liability companies. Bankruptcy policies are seen as a major issue by governments in the UK, the Netherlands, Spain and Sweden where actions have been taken to reform insolvency procedures so troubled firms have more of an opportunity to restructure rather than going into bankruptcy and to reduce the penalties for bankrupt entrepreneurs so as not to prevent them from having the chance to start another business. Many governments, like that in the UK, are keen to reduce this “stigma of failure” because it is a deterrent to new business entry (Boston Consulting Group, 2002). Canada’s situation is one of the more favorable in this area.

Legislation affecting the transfer of family businesses to the next generation is seen as a particularly important entrepreneurship policy issue because of the large number of business owners in many countries who will reach retirement age within the next 10 years. In Sweden, about 200,000 companies have owners who will have reached retirement age by around 2015.<sup>14</sup> The Dutch government estimates that 18,000 business transfers every year can be expected in the Netherlands and that a successful transfer retains an average of five jobs (while starters create an average of two jobs).<sup>15</sup> An estimated 10% of the business transfers in Europe lead to the unnecessary winding up of a business because of inadequate preparation for succession, inability

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<sup>14</sup> See NUTEK (2003), p. 28.

<sup>15</sup> See discussion in *Action for Entrepreneurs!*, Ministry of Economic Affairs (2003), p. 43.

to sell the business, or punitive inheritance taxes (European Commission, 2002). Nine of the 13 countries are implementing concrete policy actions in this area of policy. Canada is not among them. The most common policy action is to make modifications in the taxation of intergenerational business transfers, that is, by repealing “death taxes” (the US) and reducing the Gift, Inheritance, or Capital Gains Tax due when a family business changes hands or when the owner passes into retirement (Sweden, Spain, Finland, Ireland, Iceland and Australia). Simplifying the business transfer process is one of the three action priorities in the Dutch government’s entrepreneurship policy platform and includes a number of proactive policy measures (Ministry of Economic Affairs, 2003).

In light of growing demands for the commercialization of research and innovative technologies, many of these governments have also started to examine intellectual property policies and patent laws and the extent to which these favor the formation and early-stage development of new innovative, technology-oriented businesses.

Governments in eight of the countries were examining biases in their labor market and employment policies that might inadvertently favor paid versus self-employment, but only five appeared to be reviewing possible barriers faced by new firms in hiring their first employees. In Canada, the US, Taiwan and Denmark, there are already relatively flexible labor market rules with few barriers to the hiring of new employees.

About three-quarters of the governments offer concessions or favorable tax rates to newly-started firms. For example, the UK government has introduced a zero rate of corporation tax on the income of new firms to improve the cash flow of new firms and the Irish government rebates taxes paid by individuals starting businesses through a Seed Capital Scheme. Almost two-thirds offer tax credits to both informal “angel” investors and venture capital firms to direct a larger

flow of capital into new and early-stage companies with high-growth potential (sometimes on a geographic basis). This activity is most evident in the UK and Australia.

Almost 70% of the governments, including Canada, have lowered the rate of tax on reinvested Capital Gains with the goal of increasing the level of private sector reinvestment of capital.<sup>16</sup> Over three-quarters of the governments offer tax credits to private companies as a mechanism for leveraging R&D investments in the early-stage development of new technologies or products, although are not specifically targeted to start-up or early-stage companies.

*Access to start-up capital.* When governments shift their focus to entrepreneurship policy, one of the first questions they have to ask is: how much of the available SME financing is finding its way into start-up firms? Much of the research evidence about this reinforces the conventional wisdom that not enough outside formal debt and equity capital is finding its way into new and early-stage firms (CHIER, 2002; Department of Industry, Tourism and Resources, 2003; Ministry of Industry, Employment and Communications, 2003; Ministry of Economic Affairs, 2004; Minniti and Bygrave, 2004). Most national level governments are active in a multiplicity of measures either to make financing more broadly available to small firms at each phase of the business development cycle or more selectively available to higher risk, innovative, technology-based start-ups and early-stage companies.

The policy comprehensiveness score for financing-related items is the highest for any of the entrepreneurship policy framework areas (84%). See Chart 7. This means it is the policy area where governments are overall the most active. Governments with higher policy comprehensiveness ratings tend to be the ones who seek to make financing more available at all phases of business development with a multiplicity of instruments and programs. This includes the US, Spain, Canada, the UK, Taiwan, and the Netherlands, all of which have very high scores.

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<sup>16</sup> It should be noted that Capital Gains Tax rates vary across countries.

Canada ranks third behind the US and Spain. The lowest scoring countries are Norway and Australia. Countries with average or low ratings are more reflective of a government's policy decision to focus on those market failures affecting innovative entrepreneurs and firms and, thus, they have fewer policy measures.

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All of the governments have established special seed programs for the funding of new innovative technology firms; all but one has a pre-commercialization fund; and all of them support the development of venture capital funds and activity with programs or initiatives to stimulate more investment in start-up and early-stage enterprises. All except one either supports the development of business angel networks or delivers government loan and equity programs in favor of new and early-stage companies. In Finland, Iceland, Denmark, Spain, Norway and Taiwan there are government programs aimed specifically at the funding needs of pre-start-up or start-up firms, including in some cases, grants and seed capital to help nascent entrepreneurs establish their businesses and to cover costs during the pre-venture stage.

Eighty-five percent of the governments see a role for themselves in reducing information asymmetries by supporting actions to network private investors and entrepreneurs, offering training and educational programs to increase the "investor-readiness" of both entrepreneurs and investors, and/or facilitating the development of financing databases that include information on the sources and types of available financing. Canada has been a leader in this area.

Eighty-five percent of these governments fund micro-loan programs, almost two-thirds of which designate a portion of these funds for selected target groups, such as women, ethnic minorities, and young entrepreneurs, including Canada. Just over three-quarters of the

governments offers a small business loan guarantee program, although it is not clear what percentage of guaranteed loans go to new businesses. Over 60 percent of the governments partner in other ways with the banking system to improve the financing prospects of small firms, and in some cases, to channel more funds to start-ups. These partnerships or relationships may be more pronounced in the US, Canada, Taiwan, and Ireland.

The Canadian government provides a range of financing supports and mechanisms to small businesses through the Community Futures Business Development Corporations, the BDC, the Aboriginal Business Capital Corporation, Women's Enterprise Centers in Western and Eastern Canada, the Small Business Financing Act, to name a few, and has successfully piloted the Canada Community Investment program to mobilize networks of angel investors at the community level. It is not clear how much of this financing is directed to new versus existing firms.

*Start-up business support.* The provision of quality business support to entrepreneurs in nascent and start-up phases is an important policy issue for governments seeking ways to create more dynamic start-up markets. Individuals who are trying to start a business often lack know-how regarding the steps to take and some governments are keen to increase the take-up rate of these advisory support services to accelerate the start-up rate of new firms, as well as their survival and growth rate.

There is quite a bit of consistency in the mechanisms used by individual governments to provide business support services to entrepreneurs, but some are more advanced than others in terms of focusing specifically on the start-up market. The policy comprehensiveness scores for items in the business support scale are presented in Chart 8. The top scoring countries are the UK, Taiwan, Sweden and Australia. The lowest scoring countries are Denmark, Norway and

Iceland. Canada scored 53% on policies and actions in business support for start-ups. With the exception of Canada, countries with lower policy comprehensiveness ratings do not yet have the diversity of policy measures evident in higher scoring countries. Either they have only recently adopted an entrepreneurship policy approach or their strategy is to serve start-ups through existing generic SME or innovation support structures.

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All of the governments have start-up information on their websites. Almost all operate a “one-stop shop” system to provide start-up information and referral services and support a network of enterprises centers mandated to assist new entrepreneurs (as well as existing small firms). Just over three-quarters support national mentor programs for new entrepreneurs or growth firms, provide for the delivery of entrepreneurship training programs, and fund national incubator strategies for new enterprises. Less than two-thirds are actively involved in supporting different kinds of entrepreneurial networking activities and just over a third emphasize professional development opportunities for their business advisers.

In Denmark, the UK, Finland, Norway, Spain and Taiwan, the government is restructuring the current business support system and/or establishing new institutional arrangements to focus on the needs of start-up and early-stage entrepreneurs. They have recently launched local and regional entrepreneurship/ business service centers to serve as the contact point for entrepreneurs and new businesses, as well as new program offerings for start-ups. These new structures are

often complemented by parallel institutional arrangements and institutions to foster innovation activity and spin-off firms.

In Canada, the SME support system is well established. There is the network of Canada Business Service Centers, Community Futures Business Development Corporations, Women's Enterprise Centers, Aboriginal Economic Development Corporations, IRAP offices, Regional Development Agencies, branches of the BDC, and a wealth of widely disseminated business information through the BusinessGateway and Strategis websites. Most of this infrastructure has been built over the past 15 years. Missing at the policy level, compared to other countries in this comparison, are national incubator strategies, mentoring programs, entrepreneurship-focused horizontal networking initiatives and evidence of a deliberate policy objective to segment service offerings by stage of entrepreneurial development.

**Target groups.** Over 85% of the governments have a stated objective to increase the business ownership rates of particular target groups. A total of ten different target groups were identified, although individual governments differed in their target group selections. This will depend on the demographic make-up of their populations, what problems they are trying to address (such as, diversity, social inclusion, unemployment, labour force integration) and whether they want to increase start-up rates among under-represented groups or in the area of innovative entrepreneurship. The entrepreneurship policy comprehensiveness ratings for target group policies reflect a combination of multiplicity in the number of groups targeted and the range of services offered to support each one, but not all governments support target groups to the same degree. Country scores are presented in Chart 9. Top scoring countries are the UK, Canada, Sweden and the Netherlands. Lowest scoring countries are Taiwan, Iceland, Norway and Denmark.

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All but one of the governments have special programs to encourage entrepreneurship among women; over three quarters have initiatives in support of young entrepreneurs; over 60% target ethnic minority or aboriginal groups or have programs to encourage unemployed people to become self-employed; 46% target groups such as war veterans, people with disabilities or senior citizens; 31% have programs to attract immigrant entrepreneurs; and all have some policy initiatives intended to encourage graduates, researchers or technologists to start enterprises based on innovative technologies with commercialization potential.

Governments in the US and Canada target the largest number of different target groups and do it with more intensity. In both cases, these governments provide special program support for seven different groups while in Denmark, Norway and Ireland only three target groups receive special support. In Canada, policy measures are directed at women, young people, immigrants, people with disabilities, Aboriginals, the unemployed, and to some extent, ethnic minorities, and include varying degrees of comprehensive assistance and support. Canada and the US have the most intense support for women entrepreneurs, with the UK government rapidly gaining policy ground. Canada and Taiwan have the most extensive set of policy measures for young entrepreneurs. The UK and the US governments are leaders in support for the start-up activity of ethnic minorities, with growing interest in Sweden, the Netherlands, Finland and Denmark. Policy measures range from setting up special development agencies, enterprise centers, or incubators for the target group; providing dedicated advisory services, entrepreneurship training programs and web portals; establishing special loan funds or income support programs; supporting entrepreneurship award programs and promoting role-models reflective of the target

group demographic; encouraging the formation of peer-group networks and associations; and establishing procurement set-asides so members of the target group can have a better competitive opportunity to secure government procurement contracts.

All of the governments are seeking to increase the number of start-ups based on the commercialization of innovative technologies being developed in R&D environments. Some have more comprehensive strategies in place to encourage and support this than others. The Australian, Danish, Dutch, Irish, Norwegian, Swedish, and UK governments target university employees, researchers or graduates and provide them with access to various supports and resources including idea development training, technical and management expertise, pre-commercialization and seed funds, incubation services, mentoring and so on, all with the purpose of motivating them to start high-growth potential enterprises. This is not the case in all countries. Support for the development of innovative enterprises exists in Canada, the US, Spain, Taiwan, Finland and Iceland, but government strategies are not directed to precisely specified target groups of potential entrepreneurs. So while they support innovation, they do not necessarily support the development of innovative entrepreneurs.

***Policy Commitment, Structure and Performance Tracking.*** Only four countries (Denmark, Finland, the Netherlands and the UK) had a concrete policy framework for entrepreneurship that was laid out in a specific document with identified policy actions and had been adopted by the Government. In seven additional cases, entrepreneurship was embedded as a line of policy action in either the SME framework (the US, Spain, Iceland, Sweden, and Taiwan) or the innovation policy framework (Norway and Australia), and in four cases, it was embedded in both of these. Almost two-thirds of the governments had set targets for increasing the business start-up rate, the level of entrepreneurial activity or the number of new entrepreneurs. Just over three-quarters had

allocated a specific budget for implementation of entrepreneurship policy measures, but the amount of this varied substantially. This was not an area in which Canada scored very high relative to the other countries.

In terms of structure, all of the governments have designated administrative units or agencies with a mandate for SMEs or entrepreneurship. In most, an office existed somewhere within the national government with responsibility for directing, managing or delivering support to new entrepreneurs, even in cases where entrepreneurship policy, per se, did not exist. In Canada, it is the Small Business Policy Branch of Industry Canada. Most also had some level of horizontal communication or coordination mechanism to liaise with other ministries on at least some aspects related to the entrepreneurship policy framework and just over half appeared to have an advocacy arm inside government to promote entrepreneurship/SME policies and strategies. Most also managed a national delivery structure rendering support to nascent and new entrepreneurs at the local level. Governments with a more comprehensive entrepreneurship policy approach tended to adopt more horizontal structures for its development and implementation. This means that the ministry with lead responsibility for entrepreneurship built collaborative relationships with other departments and ministries and other levels of government to promote a common vision and agenda.

All of the governments, to some extent and with varying quality and inclusiveness, track the level of business dynamics (the entry and exit rate of firms) on an annual basis, but some are better than others in making this information readily available. Only eight of the 13 governments appear to publish some form of annual report on small business and entrepreneurship. Governments in the US, Taiwan, the Netherlands and Sweden are particularly good examples. Increasingly, governments are becoming more systematic about conducting reviews of existing

support services and evaluating new entrepreneurs' needs. Canada has excellent statistical capability with respect to capturing information on business entrants and exits, and produces research and reports on aspects of entrepreneurial activity, but does not compare well to countries such as the UK, Sweden, and the Netherlands on tracking measures of the entrepreneurial climate and culture and evaluating the impact of policy measures on entrepreneurial activity levels.

### **Study Conclusions**

In summary, Canada has a good environment for entrepreneurship, a high business ownership rate, a high self-employment rate, a high start-up rate, and a large number of nascent entrepreneurs. There are few barriers to business entry and exit, however, few new and small firms grow to medium-sized. The federal government ranks tenth on entrepreneurship policy comprehensiveness. This could reflect a low level of national policy priority on entrepreneurship or might suggest that the federal government assumes such policy plays out best at the regional or provincial level. Having said that, the extent of Canadian policy measures directed at target groups and access to financing compare very favorably with those of other countries in this study. In light of reported deficiencies in the management capability of Canadian business owners (especially related to commercialization), the low nascent entrepreneur conversion rates, and the lack of succession planning among business owners nearing retirement age, there may be a case for more policy attention in a number of areas of the entrepreneurship policy framework.

One of the observations from this study is that governments in countries with lower than average business ownership and TEA rates tend to have higher scores on entrepreneurship policy comprehensiveness. This specifically seems to be the case when the business ownership rate is less than 12% and the TEA Index rate is less than 7%. Governments in lower business ownership

rate or TEA index countries, such as Denmark, Sweden, Finland, the UK and the Netherlands, want to produce higher dynamics.<sup>17</sup> As such, they have adopted a more comprehensive set of policies to stimulate entrepreneurial activity. The government in Canada, along with those in Australia, Iceland, Ireland and Taiwan, countries with higher than average business ownership rates or TEA rates, do not appear to focus their policies on increasing overall entrepreneurship levels, but rather have a greater tendency towards adoption of policies emphasizing the start-up of innovative, technology-oriented firms and the fostering of technology entrepreneurs. They appear to be less concerned about overall business start-up rates than they are about trying to generate more wealth creating activity from the commercialization of R&D and firms with higher growth potential. These also tend to be countries where it is easy to start a business and where there is fair and open competition, lower levels of government taxation and public sector employment, higher levels of employment in SMEs and so on. These contextual influences on a government's entrepreneurship policy orientation are very important (Lundström and Stevenson, 2005).

### *Limitations of the study*

There are a number of limitations when trying to score entrepreneurship policy comprehensiveness. First of all, few governments have coherent entrepreneurship policy frameworks in place and the entrepreneurship policy map is difficult to piece together because, in practice, relevant policies may be fragmented in a number of government policy documents, including those related to SME policy, enterprise policy, innovation policy, growth policy, business environment policy, employment policy, and etcetera. Initiatives to stimulate

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<sup>17</sup> Norway is an outlier in this generalization. One of the reasons for this may be its high GDP per capita relative to the other countries. Its entrepreneurship policy is less about increasing overall start-up rates, in spite of a low business ownership rate and a TEA rate of just above 7%, and more focused on innovative entrepreneurship.

entrepreneurship tend to be scattered among a number of ministries at the national/central government level and between levels of national, regional, and local governments. Because this policy scoring approach is a simplification of a complex phenomenon, an interpretation of the scope of policy activity in each country is somewhat subjective. In addition, it is difficult to precisely assess the relative degree to which governments are implementing actions in each of the six framework areas. The policy comprehensiveness scale provides an estimation of the multiplicity of actions in each area, but lack of readily available measures of reach and penetration does not allow for a comparison of the intensity of these policies and actions.

### ***Implications for Future Research***

The scoring of policy comprehensiveness offers a way to examine patterns across countries and to note similarities and differences in policy approaches and emphasis and to track progress in entrepreneurship policy over time. The main interest of the study was assessment of national level activity, but the actions of state, provincial, regional and local governments are also a part of the picture. Future studies should include a mapping of provincial/ state/ regional policies and actions to obtain a more accurate assessment of the scope and intensity of all entrepreneurship policy initiatives in a country, Canada being a case in point. This would require a comprehensive systems approach with collaboration from other levels of government.

This study included only countries at a higher level of economic development (minimum GDP per capita of over US\$20,000). The formulation and application of entrepreneurship policy would undoubtedly assume a different character in developing countries because the economic context of these countries and the challenges to be overcome are markedly different from those in developed countries. These differences should be explored in a future study.

It would also be insightful to develop an econometric model capable of estimating the supply of entrepreneurs needed to produce the future stream of new businesses (over a specified time period) to replace exiting firms and jobs lost due to exiting and downsizing firms. Such a model would take into account statistical data on entry, survival and exit rates (and associated employment impacts), combined with information on the conversion rates over time of people in the nascent stage of new business development (the number of people who actually start business from among those trying to, the number of jobs they create at start-up and within 12 and 24 months), projections of current business owners' retirement, and other data, such as on the intent of people in the population to start businesses at some future time and the probability they will actually do so. This would enable governments to project the future demand for new entrepreneurs (and firms) and to estimate the number of people needed in the "entrepreneurial process pipeline" to fulfill future needs. Such calculations would assist in identifying targets for entrepreneurship policy measures and provide more convincing evidence to governments that have not yet realized how important it is to build the entrepreneurial capacity of their nations if they want to improve their innovation and economic performance. Work similar to this is presently being done in some other countries (see NUTEK, 2003) and should be built upon.

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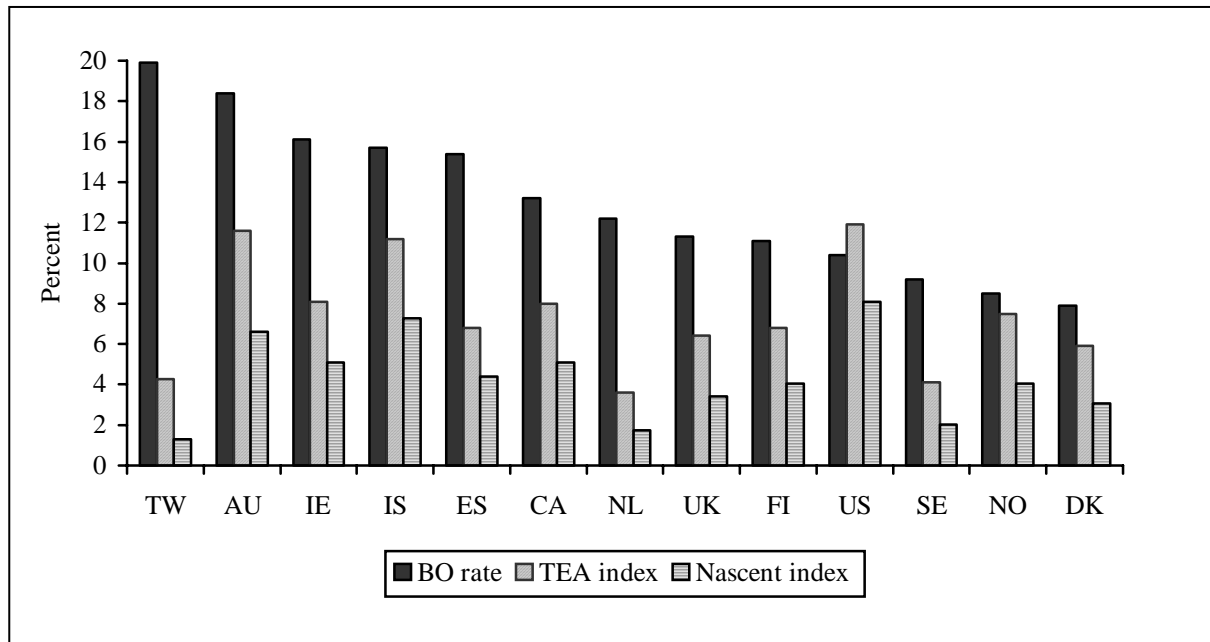
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**Chart 1**  
**Cross-country Variation in Business Ownership Rates, the TEA Index and the Nascent Entrepreneur Prevalence Rate**



Source: Lundström and Stevenson, 2005, p. 28. Data for the TEA and nascent indices come from GEM 2003 statistics (based on adult population); for the business ownership rate from the 2002 BLISS COMPENDIA data (EIM) (based on labour force). The exception is data for Taiwan which is based on 2002 GEM statistics and business ownership rates calculated from data in the *White Paper on Small and Medium Enterprises in Taiwan 2003* (SMEA, 2003).

**Table 1**  
**Construct of the Entrepreneurship Policy Comprehensiveness Index**

Policy areas	Number of items
Commitment to entrepreneurship policy/general policy approach	6 items
Policy structure for entrepreneurship	5 items
Promotion of entrepreneurship	8 items
Entrepreneurship in the education system	19 items
Easing entry, early-stage growth, and exit	22 items
Access to start-up, seed and early-stage financing	15 items
Start-up and early-stage growth – business support	16 items
Target group policies/measures	10 items
Tracking performance	6 items
<b>Total</b>	<b>107 items</b>

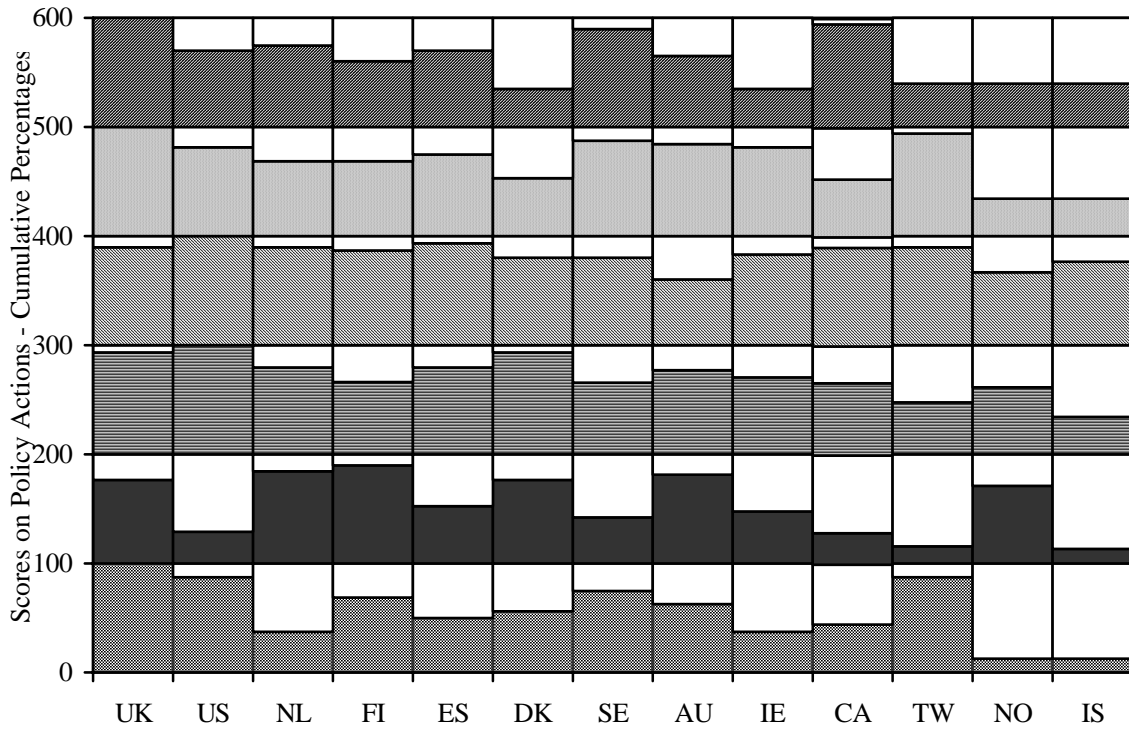
**Table 2**

**Country Ranking of Entrepreneurship Policy Comprehensiveness Scores**

<b>Entrepreneurship Policy Lines and Measures</b>	<b>CA</b>	<b>AU</b>	<b>DK</b>	<b>FI</b>	<b>IS</b>	<b>IE</b>	<b>NL</b>	<b>NO</b>	<b>ES</b>	<b>SE</b>	<b>TW</b>	<b>UK</b>	<b>US</b>
1. Entrepreneurship promotion	8	6	7	5	12	10	10	12	8	4	2	1	2
2. Entrepreneurship in the education system	10	3	5	1	13	8	2	6	7	9	12	4	10
3. Easing entry, early-stage survival/growth, and exit	8	6	2	8	13	7	4	11	4	8	12	2	1
4. Access to start-up, seed, and early-stage financing	3	13	9	7	11	8	3	12	2	9	3	3	1
5. Start-up and early-stage growth - business support	10	4	10	8	12	5	8	12	7	3	2	1	5
6. Policy for target groups	2	7	12	8	9	12	4	9	5	3	9	1	5
<b>Average ranking on 6 policy areas</b>	<b>10</b>	<b>8</b>	<b>6</b>	<b>4</b>	<b>13</b>	<b>9</b>	<b>3</b>	<b>12</b>	<b>5</b>	<b>6</b>	<b>11</b>	<b>1</b>	<b>2</b>
<b>Policy Commitment, Structure and Performance Tracking</b>	<b>CA</b>	<b>AU</b>	<b>DK</b>	<b>FI</b>	<b>IS</b>	<b>IE</b>	<b>NL</b>	<b>NO</b>	<b>ES</b>	<b>SE</b>	<b>TW</b>	<b>UK</b>	<b>US</b>
7. General policy approach/commitment	13	11	1	1	12	10	1	6	6	1	6	1	6
8. Policy structure for entrepreneurship	13	9	1	1	12	8	9	9	1	6	1	1	6
9. Performance tracking	10	7	4	5	12	11	1	12	7	1	7	1	5
<b>Country rankings on overall e-policy comprehensiveness</b>	<b>11</b>	<b>8</b>	<b>5</b>	<b>4</b>	<b>13</b>	<b>10</b>	<b>2</b>	<b>12</b>	<b>7</b>	<b>6</b>	<b>9</b>	<b>1</b>	<b>2</b>

**Chart 2**

**Comparison of Entrepreneurship Policy Comprehensiveness Ratings by Country**

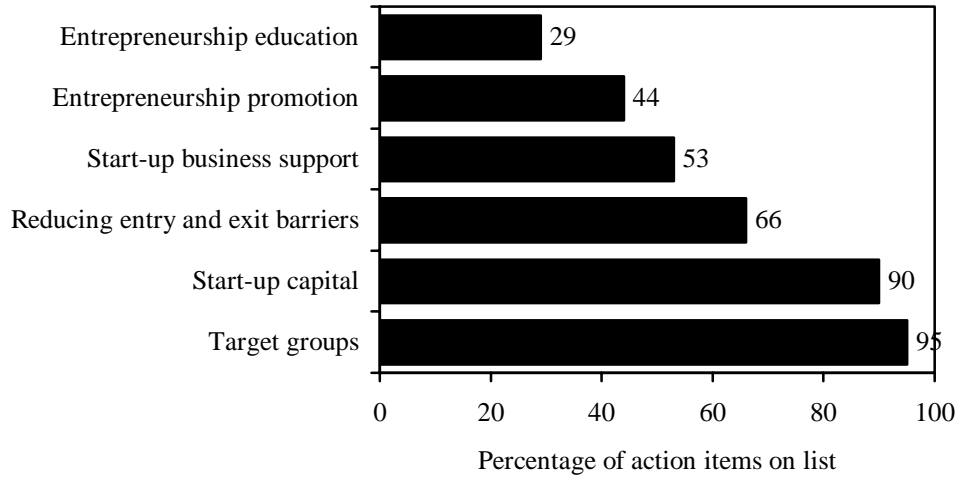


0-100 – Promotion of entrepreneurship	100-200 – Entrepreneurship education
200-300 – Reducing entry and exit barriers	300-400 – Start-up capital
400-500 – Start-up business support	500-600 – Target groups

Note: The vertical axis presents the cumulative of percentage scores on actions being taken in each of the six policy framework areas. Countries are presented in the order of their overall ranking with UK being the top scorer.

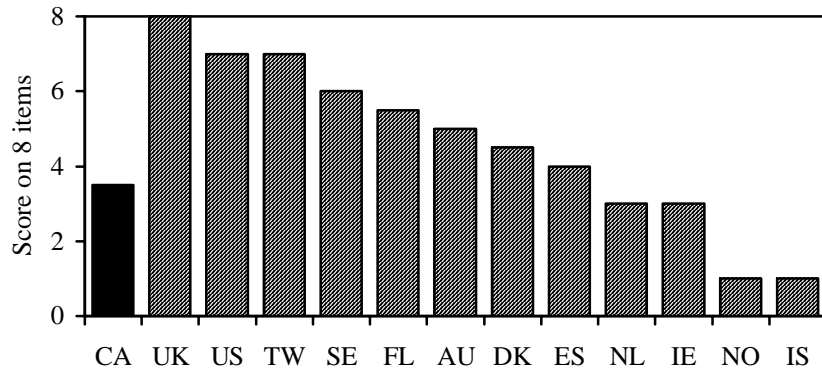
**Chart 3**

**Scope of Entrepreneurship Policy Comprehensiveness in Framework Areas: Canada**



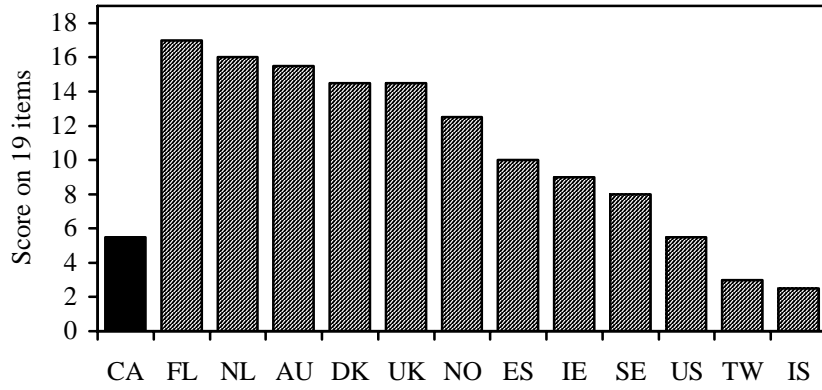
**Chart 4**

**Promotion of Entrepreneurship: Scope of National Policies and Actions**



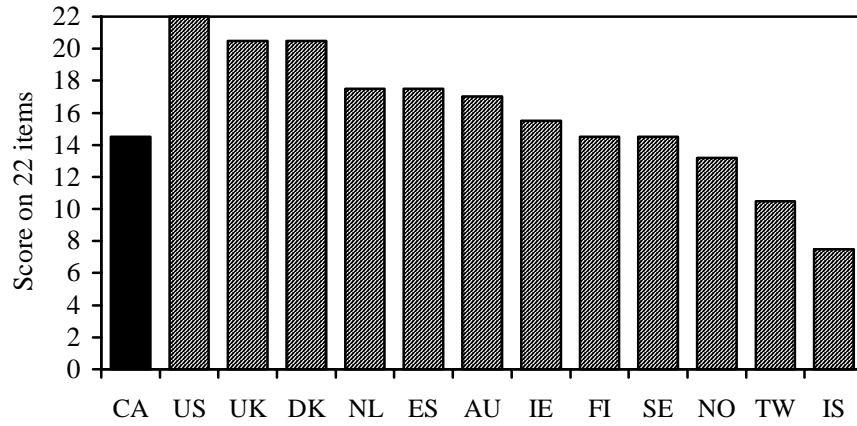
**Chart 5**

**Entrepreneurship Education: Scope of National Policies and Actions**



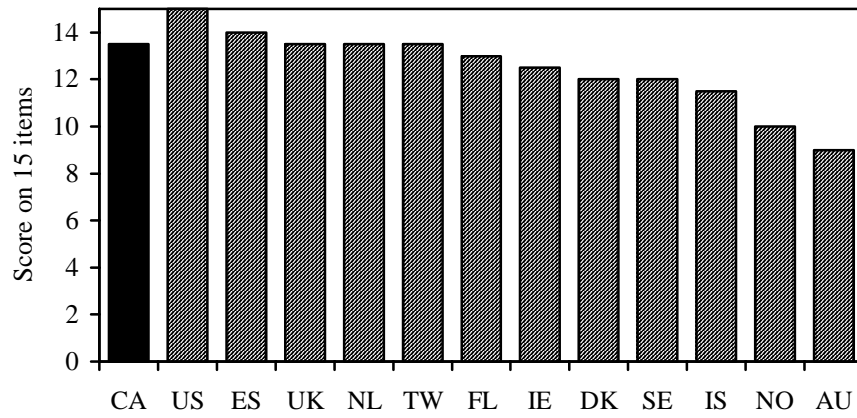
**Chart 6**

**Reducing Entry and Exit Barriers: Scope of National Policies and Actions**



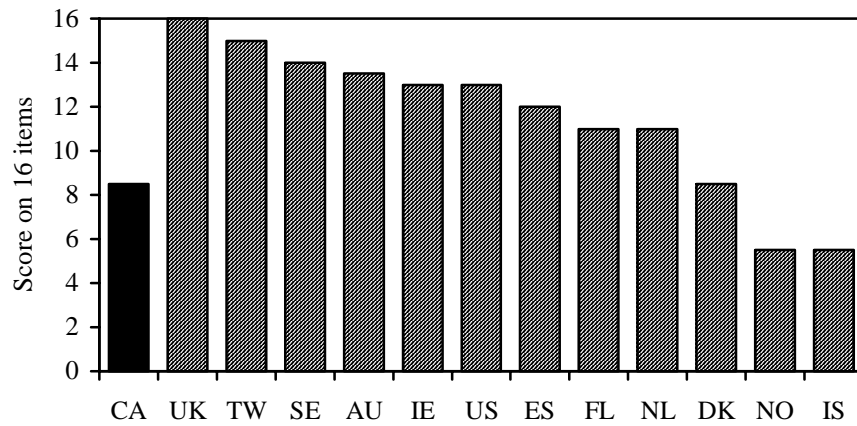
**Chart 7**

**Access to Start-up Financing: Scope of National Policies and Actions**



**Chart 8**

**Access to Start-up Business Support: Scope of National Policies and Actions**



**Chart 9**

**Target Groups: Scope of National Policies and Actions**

