

## *Foreword*

Business creation is a vital source of innovation, economic growth and employment creation. Policy makers around the world are increasingly trying to promote policies that foster local entrepreneurship and more innovation-based industries. Empirical evidence has highlighted the importance of the creation of new businesses, which mostly consist of small and medium enterprises (SMEs), for local employment growth and productivity growth. Among SMEs, new or young businesses in particular contribute to local employment. Understanding the scale, heterogeneity and determinants of business creations is therefore conducive to designing entrepreneurship-enhancing policies.

Across the OECD, business demography measuring the birth, death and survival of firms is of a highly localised and context-dependent nature. This report presents a first conclusive approach to capture the subnational dimension of business dynamics. Based on a novel comprehensive database on regional business demography across OECD countries, this report analyses the variation in and the importance of entrepreneurial activities for regional development. While differences in business dynamics across regions are inevitable, certain factors within the control of policy makers can encourage and stimulate new business creations and resulting employment. Having reliable and robust business demography statistics can help understand how to promote job creation in all places.

Regions across the OECD show different economic structures as well as different socio-economic trajectories. This is reflected, for example, by the clear divide observed between urban and rural places in terms of productivity growth during the last couple of decades. Thanks to the novel database developed on regional business demography, this report analyses whether these regional disparities also extend to business dynamism and therefore to the degree of reallocation of input and output from less productive towards more productive businesses.

*The Geography of Firm Dynamics* contributes to the ever more important questions of regional development and employment growth. Entrepreneurship is an important factor boosting innovation and making enterprises more efficient while also generating new employment in regions. Through *The Geography of Firm Dynamics*, the OECD provides an overview and a starting point for national and local policy makers to design strategies that are tailored to the specific characteristics of each region and thus raise prosperity.

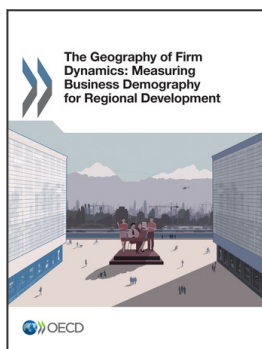
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