Europe Startup Nations Alliance

EU Startup Ecosystem – Framework for Startup definition for policymaking

ESNA

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About ESNA

Founded as a direct result of the EU Startup Nations Standard of Excellence Ministerial Declaration in March 2021, ESNA is committed to transforming Europe's startup landscape by fostering a robust, interconnected, and competitive entrepreneurial environment within Europe, that drives innovation and economic prosperity across the continent.

Disclaimer

Views and opinions expressed in this document do not necessarily reflect the position of the European Union regarding each topic covered in this report.

PRR Plano de Recuperação e Resiliência

REPÚBLICA PORTUGUESA

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1. Introduction

The terms startup and scale-up have gained prominence across policy, academic, and commercial spheres; however, their conceptual boundaries remain unclear. Despite widespread use, no consensus exists regarding their definitions. The absence of standardised definitions creates obstacles in several key areas, including data collection and ecosystem mapping, the formulation and implementation of policy, and the benchmarking of performance across countries or regions.

In the EU Startup Nations Standard of Excellence Ministerial Declaration, signed in March 2021, the signatory countries identified the need for a common platform to support and accelerate the growth of startups across the continent and welcome "the creation of a common data platform for all Member States, that will provide valuable information across the EU"[1]. Signatory countries also recognised the importance of establishing a clear EU-wide reference point to define key features of a startup; which would make it possible to have comparable indicators concerning the startup ecosystem and easier to design harmonised supporting policies,

Established as a direct outcome of the Ministerial Declaration, the Europe Startup Nations Alliance (ESNA) aims to support the common objective of establishing Europe as a leader in the global startup ecosystem. It promotes a robust, interconnected, and competitive entrepreneurial environment that fosters innovation and economic prosperity throughout the continent. In the pursuit of this mission, ESNA is building a Data Platform for the European startup ecosystem, with systematised aggregated, curated and comparable data on key performance metrics and indicators. The Data Platform is designed for Member's needs, addressing the until now dependency on current private solutions not thought through to policy makers. Besides the basic indicators needs to support policy-making execution it will also promote knowledge and information sharing among EU and ESNA member countries.

The successful development and operation of the ESNA Data Platform critically depends on the establishment of a common and operational taxonomy for startups and scale-ups. Without clear and shared definitions, it would be impossible to ensure consistency in data collection, aggregation, and analysis across countries. Inconsistent criteria would not only compromise the comparability of data but also undermine the platform's ability to provide meaningful insights to policymakers and other stakeholders. Defining what constitutes a startup and a scale-up is, therefore, a foundational requirement to build a reliable, coherent, and policy-relevant European startup data infrastructure.

Defining startups and scale-ups involves navigating several challenges, which were also encountered during the course of this study. First, it is necessary to determine which elements should be included in the definition. Second, once the relevant elements have been selected, they must be precisely specified to ensure consistency across applications. These decisions directly affect how companies are classified and, consequently, influence the comparability of performance indicators. Third, the definitions must be designed with practical implementation in mind: they need not only to be conceptually robust, but also to align with the types of data currently available across Member States. Finally, differing national approaches—shaped by distinct legal, statistical, and institutional traditions—further compound the challenge of achieving harmonisation at the EU level.

This study aims to contribute to the clarification of the concepts of startup, recognising that important groundwork has already been laid. It builds on three pillars of work developed by ESNA: 1) Startup taxonomy survey conducted at the Web Summit in Lisbon in 2023 and 2024,

[1] https://ec.europa.eu/newsroom/dae/redirection/document/74944

which captured, in an in-person format, how different stakeholders—from founders to policymakers—understand the notion of a startup in practice; 2) Discussions with experts and stakeholders, conducted through focus groups integrated into ESNA's Advisory Board meetings; and 3) Desk Research work mapping and comparing definitions drawn from legal and non-legal sources, including regulatory frameworks, national strategies, and privately held startup ecosystem databases. In addition, the study considers the work carried out by the European Commission's Directorate-General for Research and Innovation, which systematically compiled definitions used across Member States and EU institutions. Together, these prior efforts have revealed recurring definitional patterns as well as significant diversity in the operational criteria applied across jurisdictions and organisations. Building on this foundation and complementing it with a targeted review of academic literature, the present report advances towards the formulation of a concrete definitional framework proposal for startups. This proposal aims to combine conceptual soundness with operational feasibility, providing a harmonised yet adaptable framework to guide policy development, and performance benchmarking across Europe.

Lastly, the recently released EU Startup and Scale-up Strategy document from the European Commission highlights the importance of having a startup definition on an European level, suggesting considering existing definitions of SMEs and small mid-cap enterprises (SMC), aiming for such definition to be published as part of the EU Innovation Act in 2026. The document also recommends carrying out annual startup perception surveys. Both the taxonomy research having in mind existing official definitions and annual surveys are tasks ESNA has carried out since 2023.

2. Methodology

As stated in the European Statistics Code of Practice, “sound methodology underpins quality statistics”. Developed by the Joint UNECE/Eurostat/OECD Group on Statistical Metadata, the Generic Statistical Business Process Model (GSBPM) defines eight phases required to produce official statistics. When the demand for new statistics arises, the “Specify Needs” phase is initiated, which includes the sub-process “Identify Concepts”. The principle of sound methodology further establishes that the methodological framework underpinning European statistics should be aligned with European and international standards, guidelines, and recognised best practices, while also encouraging continuous methodological improvement and innovation. Another key principle highlights the importance of cooperation with academic institutions and other international organisations, where relevant, to ensure the robustness and relevance of the statistical work.

In line with these principles, this report adopts a multi-pronged methodological approach designed to ensure both conceptual rigour and practical relevance. The activities underpinning the proposed taxonomy are structured across three main areas: (i) desk research, which combines the analysis of academic literature with a review of legal and institutional definitions at national and international levels; (ii) targeted survey, used to collect first-hand insights from a diverse set of stakeholders across the startup ecosystem; and (iii) focus groups and expert workshops, which provided a forum for in-depth discussion and validation of definitional criteria. Together, these complementary strands of work inform the development of a robust and implementable definitional framework for startups and scale-ups in the European context.

Regarding desk research, this report builds on and expands previous efforts by ESNA to map the definitional landscape surrounding startups. The initial research focused on identifying and comparing definitions across legal and institutional sources, including national legislation, EU-level frameworks, and initiatives from international organisations and private data providers. That foundational work enabled ESNA to classify definitions by source type—legal, non-legal public, and non-legal private—and to extract recurring patterns in the use of operational indicators across different jurisdictions and policy contexts. The present report complements that initial work by introducing a systematic review of academic literature, with the goal of integrating conceptual perspectives from innovation studies, entrepreneurship research, and economic geography. These publications were analysed to trace how definitions of startups have evolved over time and to identify key criteria that distinguish these categories in theory and practice. This dual-track approach—combining regulatory and institutional mappings with academic insights—ensures that the proposed taxonomy is grounded both in how startups are governed and supported in the real world and in how they are understood and theorised in scholarly discourse.

The second methodological strand involved the use of questionnaires to collect first-hand insights from stakeholders active in the startup ecosystem. Two rounds of data collection were carried out during the Web Summit in Lisbon—one in 2023 and another in 2024—with the aim of capturing how founders, investors, and other ecosystem actors interpret key terms such as “startup” and “scale-up” in practice. In the 2024 edition, data were collected over four days (10–13 November) through a mixed-mode survey combining face-to-face interviews (CAPI - Computer-Assisted Personal Interviewing) and self-administered responses via tablet (CASI - Computer-Assisted Self Interviewing). To maximise reach, trained interviewers also distributed QR codes with a link to the survey, allowing participants to respond at a more convenient time. The questionnaire was refined for the 2024 edition in response to feedback from ESNA, maintaining comparability with the 2023 version where relevant, but expanding the range of closed-ended options and improving conceptual clarity. In particular, several of the response categories were derived from a content analysis of open answers from the previous year and

a filtering mechanism was introduced: only respondents who confirmed prior familiarity with the concepts under analysis were asked to assess specific definitional indicators.

The third component of the methodology consisted in structured discussions with experts and stakeholders, conducted through focus groups integrated into ESNA's Advisory Board meetings. Two sessions were held to gather qualitative input on the definition and classification of startups and scale-ups within the European context. The first focus group took the form of a breakout session involving a small group of participants, including policymakers, venture capital representatives, and public ecosystem actors. The discussion centred on the question "What should it mean to be a European startup?", encouraging participants to reflect on the conceptual and policy implications of a common definition.

The second session adopted a broader, more participatory format, engaging the full Advisory Board. Participants were divided into smaller groups to facilitate focused discussion around three core categories: startups, scale-ups, and deep tech startups. The conversation was structured around a framework proposed by ESNA, with the aim of testing and refining the emerging taxonomy. This exchange brought together diverse perspectives from academia, startup founders, investors, business angels, public institutions, and innovation policymakers, helping to ensure that the resulting framework would be both conceptually robust and aligned with stakeholder realities. Taken together, the three methodological strands—desk research, stakeholder surveys, and expert consultations—provide a comprehensive and triangulated evidence base for the development of a robust taxonomy. By combining conceptual depth with empirical input and stakeholder validation, this approach ensures that the proposed definitions are not only theoretically grounded and policy-relevant, but also feasible to implement using available data.

The purpose of this work is to propose a clear, operational framework for a definition of startup that can be used across European datasets and policy instruments. The methodological approach outlined above was designed not only to capture conceptual diversity, but also to identify points of convergence across sources. Particular attention was paid to the definitions and criteria already adopted by Member States, international institutions, and ecosystem stakeholders, with the aim of proposing a taxonomy that reflects the most widely accepted elements in current practice, reinforcing the potential for harmonised implementation and comparability across national contexts. This approach follows the principle that standardised definitions should emerge from a process of consensus and be grounded in established use, as recognised in the European framework for statistical standardisation[2].

The definitional criteria were selected not only for their theoretical relevance but also for their operational feasibility—prioritising indicators that are already established and for which statistical data are available across Member States. This approach aligns with the principle of proportionality in statistical standardisation, which emphasises that definitions should be adapted to what is feasible within existing data infrastructures. It also reflects the principle of cost effectiveness outlined in the European Statistics Code of Practice, which underscores the importance of maximising informational value while minimising the burden on data providers and statistical systems.

Moreover, recognising that every classification involves trade-offs, particular care was taken to minimise the risk of *false negatives*—that is, of excluding companies that clearly align with the conceptual understanding of a startup. In statistical terms, this corresponds to minimising a type II error, where a relevant entity fails to be recognised as such. The alternative—minimising *false positives* or type I errors—would involve a stricter, more exclusive definition, which reduces the likelihood of including borderline or misclassified cases but increases the

[2] *See European Commission (2021), Principles of Standardisation, in CROS Portal – Collaborative Platform for European Statistical System. Available at: https://cros.ec.europa.eu/book-page/principles-standardisation. Accessed on 29th April 2025.*

risk of overlooking companies that should legitimately fall within the target category. Given the purpose of this taxonomy—to support policy design, data collection and ecosystem monitoring—priority was given to inclusiveness, provided that the definitional elements remained conceptually coherent and statistically measurable. This choice reflects a deliberate balancing of precision and coverage, ensuring that the taxonomy serves not only analytical rigour, but also practical relevance and usability.

The framework and definitions proposed in this report are thus the outcome of a deliberate balancing act between conceptual coherence, stakeholder alignment, statistical viability, and inclusiveness. The following chapter presents the main findings from each strand of research and outlines the rationale for the definitional choices underpinning the proposed taxonomy.

3. Conceptual Analysis

3.1. Academic Literature Review

According to *Merriam-Webster*, the earliest recorded use of the term "*start-up*" dates back to 1845, when it was defined as "the act or an instance of setting in operation or motion". In its original usage, *startup* referred broadly to any form of business in its early stage of development. Over time, however, the connotation of the term evolved to denote a distinct category of enterprise, rather than simply referring to the early stage of any newly established firm, irrespective of its level of innovation. This semantic transition is generally traced back to the 1970s. The *Oxford English Dictionary* identifies 1976 as the year in which the term *startup* first appeared with this modern sense. In August of that year, *Forbes* published an article referring to "the business of investing in the startups in the electronic data processing field" and, a year later, on 5 November 1977, *Business Week* featured a piece mentioning "incubators for startups, operating in fast-moving industries related to high technology" (Cockayne, 2019; Magalhães, 2019; Skala, 2019; Vandresse et al., 2023).

The term *startup* gained significant traction in public and industry discourse from the late 1970s onward, a trend observable in Google Ngram data, which tracks word usage across a broad corpus of published texts. Its frequency in discourse from the late 1970s correlates with the growing prominence of concepts tied to technological economies of the period—such as *semiconductor*, *minicomputer*, and *venture capital*—indicating an early and persistent association between startups and innovation-driven sectors. Since the 1980s, the term has travelled extensively, both in its semantic scope and in its geographical application, progressively shedding its initial association with Silicon Valley to become a globally resonant label for emerging ventures in diverse economic and institutional contexts (Cockayne, 2019; Magalhães, 2019).

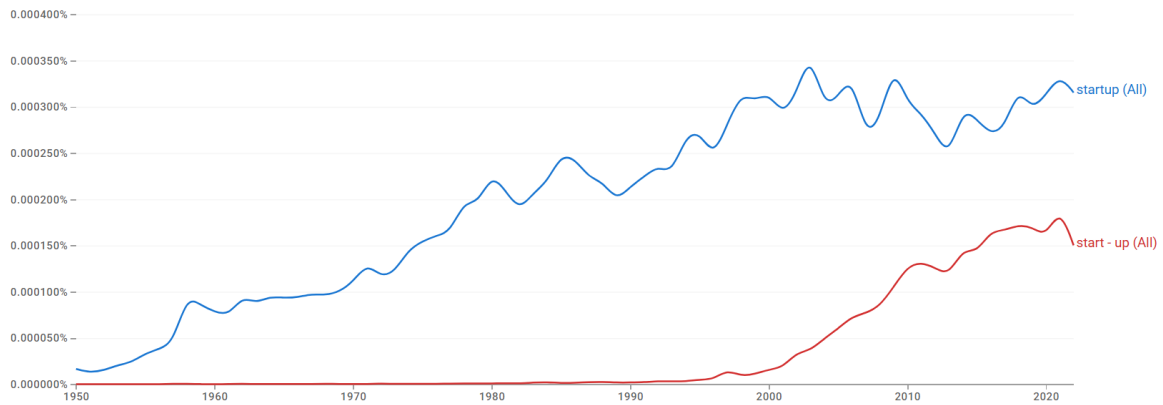

Figure 1. Google ngram data for the terms "startup" and "start-up" from 1950 to 2022

The evolution of the term *startup* is not only semantic but also orthographic, reflecting broader changes in how the concept is understood and formalised. Initially appearing in various forms—*start-up*, *start up*, and *startup*—the inconsistency in spelling mirrors the conceptual ambiguity that has long surrounded the term. Bindi (2015) notes that while hyphens in compound nouns typically serve to clarify meaning, in the case of *start-up*, the hyphen offers no semantic advantage. The term is not a true compound in the traditional linguistic sense,

and the meaning of *startup* does not derive from a literal interpretation of *start* and *up*. Rather, the expression has come to function as a standalone lexical item, with a specific connotation rooted in the culture of innovation and entrepreneurship. The progressive standardisation of the closed form—*startup*—can thus be seen as part of the broader process through which the term has become conceptually and institutionally stabilised.

Although most academic works fail to provide a systematic conceptualisation of what constitutes a *startup* (Cockayne, 2019; Magalhães, 2019), Ehsan (2020) identifies a chronological distinction: earlier scholarly efforts, particularly those prior to the 2000s, tended to categorise startups primarily based on their newness (Luger & Koo, 2005). More recent studies, however, increasingly frame startups in terms of their innovative character, their growth potential, and the uncertainty they face.

This chronological distinction is further echoed in Skala's (2019) analysis of the most cited academic articles on startups. By comparing publications from 2010 onwards, and particularly those since 2013—after the popularisation of the "lean startup" concept—Skala observes a gradual shift toward definitions that emphasise innovation, technology, and growth. However, she concludes that the dominant interpretation in leading academic sources remains tied to the original view of the startup as a new or early-stage enterprise, suggesting that the earlier understanding still prevails in the mainstream literature.

The *lean startup* concept was developed by Steve Blank, a Silicon Valley entrepreneur and academic. Blank is also widely credited with coining the most popular definition of a startup, which has been extensively cited in both industry and academic literature (Skala, 2019; Bouhaj et al., 2022; Tóthóva & Fil'a, 2023). According to Blank (2003, 2013), "a startup is a temporary organisation formed to search for a repeatable and scalable business model." He stresses that "a startup is not a small version of a large company," but a fundamentally different organisational form. Startups, in his view, are characterised by: (i) ambitious goals aimed at significantly transforming or creating markets; (ii) a core function of testing and refining business hypotheses in search of a viable model; and (iii) a financing structure that typically evolves to include external investors, reducing the founders' ownership stake as the company grows.

Interestingly, as Skala (2019) observes, Blank's definition does not include the terms "new", "innovative", or "technological". That is, it does not specify the company's age, sector, or degree of product innovation. Instead, it highlights the ambition and dynamism of the business process and, at later stages, the role of external funding. The key element that sets startups apart, according to this view, is the notion of *search*—a process driven primarily by uncertainty around market demand and the nature of the solution being proposed. While not explicitly mentioned, technology is implicitly present: scalability, Blank suggests, typically requires the automation of core processes, which in turn involves their algorithmic translation—often into software.

While Blank's definition has gained widespread traction, it has also drawn criticism for its lack of theoretical and methodological precision—particularly regarding the duration and boundaries of the so-called "temporary" phase (Bouhaj et al., 2022). This ambiguity is perhaps unsurprising given that much of the academic discourse on startups remains closely intertwined with practitioner narratives, especially those shaped by experienced startup founders themselves (Skala, 2019).

Another widespread definition, often treated as complementary to Blank's, is proposed by entrepreneur-in-residence at Harvard Business School and co-developer of the Lean Startup methodology Eric Ries. He defines a startup as "a human institution, founded to create a new product or service in the conditions of extreme uncertainty", shifting the focus towards the product and the highly volatile environment in which such organisations operate (Ries, 2011).

Bouhaj et al. (2022) identify these two approaches—Blank's and Ries's—as representative of the Anglophone perspective on startups. This line of thinking, particularly prominent in American academic and practitioner literature, tends to conceptualise startups not primarily by their age, size, or technological sector, but by their organisational behaviour and strategic orientation. Central to this view is the idea that a startup is a temporary, dynamic organisation engaged in the iterative search for a viable, repeatable, and scalable business model. Startups are thus characterised by continuous experimentation, the testing and refinement of hypotheses, and rapid learning cycles. The focus is placed on process rather than structure, on adaptability rather than stability (Reisdorfer-Leite et al., 2020; Bortolini et al, 2021; Baldridge & Curry, 2024).

This conceptual lens reflects the influence of entrepreneurial practice in Silicon Valley, where speed, agility, and responsiveness to uncertainty are seen as key virtues. Within this framework, what distinguishes a startup is less what it *is*—in terms of sector, product, or age—and more what it *does*: it learns, pivots, experiments, and scales. As such, Blank's emphasis on the "search" and Ries's stress on "extreme uncertainty" articulate a startup not as a static organisational form, but as a transitional phase defined by high levels of risk and learning intensity.

Several influential figures from the startup ecosystem have offered definitions that, while less formal, have significantly shaped the entrepreneurial discourse (Robehmed, 2013; Skala, 2019). Paul Graham, co-founder of the renowned startup accelerator Y Combinator, succinctly stated that "a startup is growth," emphasizing that rapid and scalable development is the core attribute of a startup. In his view, all other characteristics are secondary to this primary function of accelerated growth. Peter Thiel, co-founder of PayPal, offered a broader definition, suggesting that "a company is a startup as long as it creates new solutions," thereby highlighting continuous innovation as the defining feature. Marc Andreessen, co-founder of Netscape and a prominent venture capitalist, aligns with Blank's definition by asserting that a startup is fundamentally engaged in the search for a perfect product-market fit. Natalie Robehmed (2013), writing in Forbes, cites Warby Parker's Neil Blumenthal, who defines a startup as "a company working to solve a problem where the solution is not obvious and success is not guaranteed". Similarly, Adora Cheung, co-founder of Homejoy, describes a startup as "a state of mind", characterised by a deliberate trade-off of stability for the promise of exponential growth and immediate impact. Across these views, the startup emerges less as a legal or structural category and more as a mode of organisation defined by ambition, risk-taking, and an iterative search for scalable solutions.

This broader definitional landscape includes other influential contributions. Clayton Christensen, a professor at Harvard Business School and one of the visionaries of innovative entrepreneurship, introduced in *The Innovator's Dilemma* (1997) the concept of disruptive innovation. In his subsequent work, startups are portrayed as organisations capable of generating breakthrough innovations that, over time, reshape market paradigms. Aswath Damodaran (2009), a professor at New York University and an expert in corporate valuation, highlights the high growth potential of startups as their defining characteristic, while also noting

secondary features such as early-stage development, lack of historical data (including financials), capital dependency, and low survival rates. Noam Wasserman (2012), also from Harvard, sees startups as opportunity-driven organisations, independent of the size of their resources. Omar Mohout (Mohout and Kiemen 2016), professor of entrepreneurship in Antwerp, points to hyper-scalability—the ability to increase sales rapidly without proportionally expanding human resources—as a fundamental trait.

In contrast, the Francophone perspective—outlined by Bouhaj et al. (2022)—places greater emphasis on the institutional and policy dimensions of startups. Rather than highlighting uncertainty or the search for a scalable model, this approach tends to define startups through more structured, often externally imposed criteria, such as age, size, and innovation status. While the Anglophone view is rooted in entrepreneurial praxis and closely tied to the lived experiences of founders and investors, the Francophone approach is more normative and institutional in orientation, privileging stability, categorisation, and measurable innovation indicators.

Despite the definitional ambiguities that persist in the literature, several attempts have been made to stabilise the concept of a startup by identifying recurring criteria. As Skala observes, "certain definitions with a focus on a more practical and less philosophical dimension have appeared", particularly in policy and support programme contexts. From this perspective, she identifies four essential features that typically distinguish startups from other types of enterprises: (i) their young age and limited resources, especially financial; (ii) their orientation towards innovation, both in terms of the solutions they offer and the ways in which they deliver them; (iii) their ambition for rapid development and scalability; and (iv) their predominant presence in the digital, ICT, or broader technology sectors.

In a similar vein, Bouhaj et al. (2019) argue that the notion of a startup is typically associated with small or young companies characterised by a set of recurring — though not always tautological — criteria. Among the most cited characteristics are limited size, innovation, a technological foundation, engagement in research and development, and measurable growth in terms of turnover or number of employees.

The notion of youth is more complex than it may initially appear. According to Cockayne (2019), firm age is commonly used as a rough proxy for startup status—both by policymakers and interviewees within the startup ecosystem. Yet there is considerable ambiguity around what precisely marks the beginning of a startup: is it the moment of incorporation, the first commercial transaction, the initial development of a technology, or the hiring of the first full-time employee?

Luger and Koo (2005) note that most empirical studies adopt the date of legal registration as the start-up date, primarily for practical reasons, as these records are publicly accessible. Nevertheless, they argue that this approach has significant limitations. Many registered firms may exist only on paper, created for tax or legal purposes, and not engaged in any active business operations. To be meaningfully considered a startup, a firm must be both new and active—i.e., involved in the trading of goods or services. Also, the authors regard a firm's independence as an essential condition for startup status: not all newly created and active firms qualify as startups if they are subsidiaries or local branches of existing companies. The independence criterion helps to exclude firms that, although newly registered and operational, are effectively extensions of parent organisations. While some firms may be legally separate from their parent company, they may still be financially or operationally dependent on it. Firms founded by individuals who leave existing organisations to start new ventures—so-called spin-

offs—may or may not meet this criterion, depending on their actual separation from the former employer in strategic and market terms. In sum, for Luger and Koo (2005), to qualify as a startup, a firm must not only be new and active, but also organisationally independent, reflecting the autonomous decision-making and entrepreneurial risk-taking that are central to the startup ethos.

In short, age-based definitions are often applied for administrative convenience, but they fail to capture the nuanced processes through which startups emerge. As Cockayne (2019) points out, interviewees disagreed not only on the relevance but also on the directionality of the age criterion—some viewed youth as a defining feature, others as merely incidental.

The small size of a firm is another feature frequently cited in attempts to define startups. This criterion usually refers to the number of people working in the firm. Bouhaj et al. (2019) emphasise that the small size of startups is often strategic. A lean structure enables founders to test market assumptions without excessive capital risk, reducing the likelihood of failure from premature investment.

As Cockayne (2020) points out, despite a consensus that size matters in distinguishing startups, there are important conceptual and practical limitations to this measure. First, size is relative, and there is little agreement on where to draw the line: how many employees are "too many" for a firm to still be considered a startup? Second, counting only paid employees can be misleading, since many early-stage ventures rely on informal labour—founders working without pay, collaborators compensated in kind, or team members living off savings. Third, firm size alone is insufficient to differentiate startups from other types of small businesses. Many small enterprises, such as family-owned restaurants or local service providers, clearly fall outside most definitions of startups despite their modest headcount. Fourth, Cockayne warns that firms with large teams—but still lacking a viable product or engaged primarily in fundraising and user acquisition—should not necessarily be excluded from the startup category.

If size alone does not sufficiently define a startup, innovation emerges as a more distinctive and essential criterion. It is this dimension that, according to several authors, truly sets startups apart from other small businesses. Vandresse et al. (2023) argue that startups are best understood as a subset of SMEs distinguished by their innovation-driven character. While they share the limited scale of other SMEs, what marks them as startups is their core engagement with innovation—not merely as a feature, but as a condition for their existence and growth potential.

Skala (2019), drawing on Blank (2013), reinforces this view by noting that a company operating with a proven business model is no longer a startup. Instead, a startup must be engaged in a process of searching for answers to fundamental business questions: *What is the product? Who is the customer? How can we make money from this?* These questions are unresolved at the outset, and innovation becomes necessary because the path forward is uncertain and must be discovered through market interaction. As such, innovation may concern not only the product itself, but also its delivery, the underlying technology, or even the revenue model.

Bouhaj et al. (2019) likewise identify innovation and technology as among the most frequently cited characteristics of startups. However, they acknowledge the diversity in how these features are expressed. Innovation need not be radical or disruptive; it can be incremental or even organisational, provided it reflects an attempt to create value in novel ways.

What these perspectives collectively underscore is that innovation is not optional for a startup—it is a defining feature. It shapes not only what the firm does, but how it is structured, how it relates to risk and uncertainty, and how it seeks to position itself in the market. Without this orientation towards experimentation and the creation of something new or improved, a firm may be small and new, but it is unlikely to be considered a startup in the meaningful sense.

Another central characteristic frequently associated with startups is their orientation towards growth and scalability. Unlike traditional businesses, which may seek incremental development over time, startups are expected to pursue rapid and often exponential expansion. This ambition for growth is not only embedded in their organisational structures and market strategies, but also reflected in the expectations of investors, founders, and policy frameworks.

Bouhaj et al. (2019) are unequivocal in stating that growth is "the most important characteristic in the life of a startup", measured not only in terms of employees or revenue, but also by popularity, customer base, and overall valuation. Skala (2019) adds that this process of scaling typically relies on significant capital injection from external sources, allowing the firm to expand its technical and organisational capacities. Crucially, this does not always imply a proportional increase in workforce size; startups often aim to scale through automation rather than headcount, preserving flat, agile structures even in phases of accelerated growth.

Yet, as Cockayne (2019) emphasises, growth-based definitions are not without problems. First, there is a lack of clarity on what precisely counts as growth: is it revenue, profit, number of users, employees, or something else entirely? Second, there is a temporal ambiguity—growth is often assessed retrospectively, making it difficult to define a startup in the moment if its expansion has not yet materialised. This challenges definitions that rely on observed growth rather than on growth potential.

Cockayne (2019) also notes an important conceptual tension: some interviewees considered high growth a defining feature of startups, while others saw startups as pre-growth firms, still developing a product or searching for a market. Definitions based exclusively on growth can exclude early-stage ventures engaged in research and development or operating without revenue, users, or even a finalised product—features that are, paradoxically, typical of many startups. Startups that are self-financed or still at the idea-validation stage are therefore often overlooked in growth-driven typologies.

His critique suggests that growth-based definitions do not account for the diversity of startup trajectories. They tend to privilege a narrow, investor-centred path, often implicitly shaped by venture financing. Indeed, the definition of a startup is frequently inseparable from the logics of financing that structure the contemporary entrepreneurial ecosystem — particularly the role of Venture Capital (VC). In many accounts, the concept of a startup becomes almost synonymous with VC and some authors use the two terms interchangeably, even though this equivalence is never made explicit. Startups are thus defined by the kind of funding they pursue and the expectations of return that this funding entails. From this perspective, a startup is not merely a firm in an early stage of development but rather one that is actively oriented towards securing equity investment, typically with the aim of achieving rapid growth and an eventual 'exit event' — whether through acquisition or an Initial Public Offering (IPO). Such a framing not only ties the notion of a startup to a narrow set of financial practices, but also establishes an exclusionary standard, whereby firms that grow slowly, are self-funded, or operate outside the VC pipeline are implicitly denied the label of 'startup', regardless of their innovativeness or early-stage status.

The fourth criterion often associated with the definition of a startup is its technological intensity, that is, the degree to which a firm relies on advanced knowledge, R&D capabilities, and high-tech sectors. Bouhaj frames this dimension in terms of both human capital and material-technological infrastructure. On one hand, startups are said to mobilise scientific and technical skills — including engineering knowledge, practical know-how, and talent. On the other hand, they are expected to develop and exploit a distinctive technological core, often rooted in research labs or intensive design processes. These technological activities typically fall under what is described as “industrial high technology”, ICT services, and other knowledge-intensive fields, such as engineering design, pharmaceutical manufacturing, or space technologies.

This view, however, is not uncontested. Cockayne (2019) highlights the widespread but problematic reliance on sectoral definitions when classifying startups. These definitions often use taxonomies such as the statistical classification of economic activities NACE to delimit what counts as a startup, typically privileging firms in high-tech sectors. Yet such classifications risk excluding ventures in emerging or hybrid domains — for instance, those engaged in digital media, creative industries, or social innovation. Some interviewees in Cockayne’s study explicitly rejected the notion that startups must operate within technologically intensive sectors and pointed to the term's broader cultural and aspirational usage. Their accounts show how technological intensity remains a normative expectation more than a universal feature, and how it may operate as a gatekeeping mechanism that marginalises certain firms or entrepreneurs.

This tension exposes a deeper ambiguity: while technological sophistication is often considered a hallmark of startup identity — reinforcing associations with innovation, scalability, and venture capital — the reliance on sectoral proxies can obscure the diversity of entrepreneurial practices and models. As such, using technological intensity as a definitional criterion may be more descriptive of particular subsets of startups (especially in the Silicon Valley imaginary) than of the phenomenon as a whole.

In sum, the academic literature offers a rich but heterogeneous set of approaches to defining startups, organised around recurring criteria such as innovation, growth potential, organisational structure, and technological intensity. Yet, as Skala (2019) highlights, there remains a notable disconnect between academic theorisation and the practical realities of startup ecosystems. Scientific research on startups is neither widely known nor particularly influential among startups themselves or the organisations that support them.

In contrast, definitions advanced by actors embedded in these ecosystems — including consulting firms, startup networks, and the startups themselves — tend to have greater visibility and traction. This signals the importance of expanding the analytical focus beyond the academic field to examine how startups are defined and operationalised in non-academic contexts, particularly those tied to policymaking, support frameworks, and economic strategy. The next section therefore turns to definitions found in reports and publications issued by international organisations and other ecosystem actors operating outside academia, as well as in legal documents.

3.2. Legal and Institutional Definitions

The objective was to identify how the concept of a startup is defined in national legislation, public policy instruments, and dedicated legal frameworks for entrepreneurial support. This analysis examined the extent to which definitions are formally codified in normative acts and which criteria are most used to determine eligibility for legal or fiscal incentives. It also

assessed the degree of alignment or divergence across national legal systems, highlighting recurring patterns in the use of indicators such as maximum age, employee thresholds, revenue ceilings, R&D investment, or official recognition by public authorities. The systematic review of these legal provisions provides an essential empirical basis for the construction of a taxonomy that is both operational and respectful of the regulatory diversity across the EU.

Additionally, many EU Member States have adopted non-legal, operational definitions of startups to inform support schemes, ecosystem monitoring, or national reports. While not formally binding, these definitions play an important role in shaping policy eligibility criteria and guiding public discourse on entrepreneurship.

The following table summarizes the list of countries with a Startup law or specific regulation for startups

Country	Startup Law	Year
Estonia	Aliens Act	2010
Italy	Decree Law 179/2012 - Italian Startup Act	2012
Latvia	Law on Aid for Start-up Companies	2017
Lithuania	Law on the Development of Small and Medium-Sized Enterprises	2019
Portugal	Law 21/2023, reinforced by Decree 401/2023 and Decree 49/2025 (2025)	2023
Slovakia	Law No. 290/2016 Coll	2016
Spain	*Law 28/2022, de 21 de diciembre, de fomento del ecosistema de las empresas emergentes.*	2022

The text that follows provides an overview of the current startup frameworks and definitions across the EU Member States, European entities and OECD.

Austria

Austria does not have a specific startup law or regulation, but as part of the Company Law Amendment Act[3], it introduced a new form of business entity in January 2024: the FlexCo (*Flexible Kapitalgesellschaft* or Flexible Company in English). This new format aims to offer an internationally competitive company structure and provide incentives for startups and founders.

Additionally, as non-legal operational definition, the *Austrian Startup Monitor* defines startups as enterprises younger than ten years, innovative in their products, services, technologies, or business models, and showing—or aiming for—significant growth in revenue or employment. A related but stricter definition is employed by *Austria Wirtschaftsservice*, the Austrian Economic Service: it includes a five-year age cap (or not active for more than seven years

[3] *https://www.parlament.gv.at/gegenstand/XXVII/I/2320*

since first commercial sale), EU small enterprise criteria, and an expectation of innovation and future growth.

Belgium

Belgium does not have a specific startup law or regulation, but since 2015 has in place the Tax Shelter program for startups and scale-ups[4], as part of their "Digital Belgium" plan, where a definition and corresponding incentives are given:

- Startup: Less than 4 years, less than 50 employees and 9M Euros annual turnover
- Scale-up: 5 to 10 years, 10-50 employees, 10% growth over a 2-year period on employee size or turnover

Additionally, as non-legal operational definitions, a similar growth-focused perspective is found as part of the Digital Wallonia initiative, which defines startups as young digital or tech-sector companies, typically operating for less than ten years and offering a scalable business model or marketed product.

Bulgaria

Bulgaria does not have a startup law or regulation. In 2021, Bulgaria introduced a Startup Visa framework under the Foreigners in the Republic of Bulgaria Act, aimed at facilitating residence for foreign founders involved in high-tech or innovative ventures. The implementing ordinance, adopted in October 2022, outlines several pathways to certification, including holding a patent, securing investment of at least BGN 100,000 (approximately €51,000), receiving a Seal of Excellence under Horizon Europe, or demonstrating scientific or commercial merit (e.g., Q1/Q2 publications, award recognition, or proven sales activity). The framework defines startups in functional terms as high-tech or innovative projects with credible potential and founder commitment.

Croatia

Croatia does not have a startup law or regulation. The START system[5] supports the company creation process as a digital-first tool; however, it does not include specific provisions for startups, relying instead on general EU-aligned regulations.

Cyprus

Cyprus does not have a startup law or regulation, but it has introduced a Startup Visa Scheme targeting non-EU entrepreneurs (updated in 2025)[6]. For the purposes of this scheme, a startup is defined as an unlisted small enterprise that is up to 5 years old, not formed through a merger and has not distributed profits. The enterprise must be developing - or intending to develop -

[4] *https://economie.fgov.be/fr/themes/entreprises/pme-et-independants-en/tax-shelter*

[5] *https://start.gov.hr/st/index.html*

[6] *https://www.gov.cy/en/service/apply-for-a-cyprus-startup-visa/*

products, services, or processes that are innovative, disruptive, and either based on new technologies or applying new business models. Additional definitional criteria are aligned with EU Regulation No. 651/2014.

Czechia

In the Czech Republic, there is no startup law or regulation. The *Startup Report 2019–2020* simply considers companies to be startups if they self-identify as such. A more structured approach is found in the *Czech Startups Report 2016*, which defines a startup as an entity from any industry that develops a unique product or service addressing a problem in an innovative way, has growth potential in terms of revenue or customer base, is led by founders actively involved in operations, and typically requires external investment.

Denmark

Denmark does not have a startup law or regulation. However, the Start-up Denmark Visa Scheme provides a functional definition for eligibility purposes: an innovative, scalable business idea with potential to contribute to Denmark's economy and create jobs.

Additionally, *Statistics Denmark* uses a broader designation of startups and early-stage ventures as simply newly established enterprises, reflecting a more statistical, rather than strategic, focus.

Estonia

Estonia has a legal startup definition, in the context of its 2010 Aliens Act. Estonia defines startups as business entities registered in the country that are in the early stages of activity and aim to develop a globally scalable, innovative, and replicable business model. The definition is used specifically to assess eligibility for startup visas and associated residence permits, with emphasis on the potential contribution to the Estonian economy.

Additionally, the *Estonian Startup Database* and the *Startup Estonia White Paper* describe startups as tech-based companies, registered in Estonia, no older than ten years, with the goal of developing and launching an innovative and repeatable business model with global scaling potential. A near-identical formulation appears on the startupestonia.ee portal, evidencing coherence in the national ecosystem narrative.

Finland

Finland does not have a startup law or regulation. However, the Startup Permit program provides some functional criteria: 1) The business must offer a novel solution with global scalability and competitive advantage 2) Startups must target international markets, excluding

local-only ventures like restaurants 3) Requires minimum of 2 founders with minimum of 60% ownership and they need to relocate to Finland[7].

France

France has no startup law or regulation. However, functional criteria emerge from programs like the French Tech, where they define JEI (Young Innovative Company or *Jeune Entreprise Innovante* in french) type of company as: 1) Less than 8 years old, 2) Less than 250 employees, 3) less than 50M EUR in annual turnover, 4) R&D expenditure of at least 20% of their expenses, 5) 50% of their capital held by certain entities and, 6) they are not part of a restructuring, take-over of an existing company[8].

Additionally, other organisations in France provide some level of definition. For example, the *Bpifrance* characterises startups as new, innovative companies with high growth potential and speculative future value. The *France Digital Barometer* defines them more narrowly as firms based in France, operating for less than five years and active in the digital sector. The national *Digital Agency* offers a broader definition: young, innovative enterprises seeking a scalable business model with international development. Internal documents from the Directorate General for Enterprises add further specificity: startups are less than 12 years old, have under 250 employees, and must have raised at least one funding round.

Germany

Germany does not have a startup law or regulation. However, in Germany, multiple definitions coexist, often with overlapping criteria. The *Deutscher Startup Monitor* defines startups as companies younger than ten years, with plans for growth and/or innovative business models. The Female Founders Monitor applies a similar three-criteria structure—age below ten years, innovation in technology or business model, and current or planned growth in staff or turnover—requiring that the first and at least one of the others be met. The federal government's Startup Strategy adds a policy-oriented definition: young, innovative companies with growth ambitions, a scalable model, and a novel product or service. This view is reinforced by the *KfW-Start-up Report*, which identifies startups as commercial enterprises less than five years old, led by full-time entrepreneurs or teams, and driven by innovation or growth—particularly through R&D or market-introduced technological advancements.

Greece

Greece does not have a startup law or regulation. However, to qualify for the Greek National Register of Startups, a company must be no older than 8 years, employ no more than 250 people, and generate no more than €50 million in annual turnover. In addition, the company

[7] *https://migri.fi/en/start-up-entrepreneur*

[8] *https://entreprendre.service-public.fr/vosdroits/F31188*

must be headquartered in Greece—or, if based abroad, operate a branch or subsidiary registered in the Greek General Commercial Register and hold a Greek VAT number[9].

Hungary

In Hungary, Government Decree No. 331/2017 defines a startup as a company that is no more than 3 years old, has a net annual turnover below HUF 100 million (approximately €260,000), and employs between 2 and 20 people. To qualify, the company must not have received venture capital investment, hold equity in other companies, or result from a corporate restructuring. Moreover, it must qualify as an "innovative company" under Hungary's Innovation Law[10].

Additionally, the *Hungarian Startup Report 2021* outlines eligibility for survey inclusion based on technological innovation—either through creating new technologies or applying existing ones to IT, energy, industrial, materials, or biomedical fields—or through scalable business models. It distinguishes between "champions" (high-revenue, high-growth, VC-backed) and "pretenders" (older, pre–product-market fit, or low-revenue startups), reflecting a nuanced view of the ecosystem.

Ireland

Ireland does not have a startup law or regulation. Startups in Ireland are governed by the Company Act 2014. Programs like STEP (Startup Entrepreneur Program) or IIP (Immigrant Investor Program) provide additional support schemes.

Italy

The 2012 Italian Startup Act provides a detailed legal definition for innovative startups. Eligible companies must be incorporated as limited liability companies (including cooperatives), be operational for less than 5 years, and have their headquarters in Italy or in another EU country with at least a production site or branch in Italy. They must have annual revenues under €5 million, not be listed on a regulated market, and must not distribute profits or originate from mergers, demergers, or company spin-offs. In addition, they must develop, produce, and commercialise innovative products or services with a strong technological component. To qualify, they must also meet at least one of the following three conditions: (i) invest at least 15% of their costs or turnover in R&D; (ii) employ a highly qualified workforce (at least one-third PhD holders or researchers, or two-thirds Master's degree holders); or (iii) own or license a registered patent or software.

Latvia

[9] *https://elevategreece.gov.gr/startup-registry/*

[10] *https://firmaxhungary.com/tax-benefit-for-start-up-companies/*

In Latvia, the Law on Aid for the Activities of Startup Companies defines startups as capital companies with high growth potential, whose core activity involves the development, production, or improvement of scalable business models and innovative products. This legal definition is directly tied to eligibility for state support measures.

Additionally, the Latvian *Ministry of Economics* defines startups as capital companies with high growth potential, mainly focused on implementing scalable business models and designing innovative products. The *Latvian Startup Database* adds that such firms must be innovative, scalable, and incorporated in Latvia, with high economic potential. Additional signs of being a startup may include investor backing or participation in acceleration or incubation programmes. Meanwhile, financial instruments in Latvia use a five-year age limit for eligibility under startup support schemes.

Lithuania

Lithuania formally incorporated the concept of a startup into national legislation through amendments to the 2019 Law on the Development of Small and Medium Enterprises. A startup is defined as a very small or small enterprise with strong innovation-driven growth potential, registered in the Register of Legal Entities for no more than 5 years[11].

Luxembourg

Luxembourg does not have a startup law or specific regulation. However, Luxembourg's *Startup Ecosystem Tracker* identifies startups as tech-enabled, innovative companies less than ten years old, headquartered in Luxembourg, with strong growth potential and international ambition. The *Fit-4-Start* accelerator defines its targets more narrowly as small enterprises (per the EU definition), less than five years old, and working with emerging digital technologies such as AI, blockchain, or IoT. The *BeNeLux Catalyst* adds qualitative entry conditions such as having a scalable business model, internationalisation plans (especially toward the US), a committed founding team, and evidence of traction in the domestic market.

Malta

In Malta, the GBER definition (from EU law) is often used, but national schemes such as *Kick Start 2021* and *Business Start 2021* further specify that eligible companies must be unlisted, no older than five years, and engaged in innovation. Other exclusions apply, such as having not taken over the activity of another enterprise or having not yet distributed profits.

Additionally, it's worth mentioning that during the EU-Startup Summit 2025, Prime Minister Robert Abela announced a new startup framework regulation to be released during the upcoming months[12]

[11] *https://e-seimas.lrs.lt/portal/legalAct/lt/TAD/TAIS.68516/asr*

[12] *https://timesofmalta.com/article/new-regulations-support-startups-soon-announced.1108660*

Netherlands

Netherlands does not have a startup law or regulation. However, for specific government programs, such as the Dutch startup visa for non-EU entrepreneurs, an operational definition is used: a startup is a business that translates an innovative idea into a scalable and generic product or service, often using new technology[13]

Poland

Poland does not have a startup law or regulation, but Poland offers multiple complementary definitions. The *Polish Development Fund* views startups as newly created enterprises (up to ten years) or temporary organisations seeking a business model for profitable growth, based on innovation or modern technologies, with international scale-up potential. According to the *National Centre for Research and Development*, startups are young, high-risk ventures aiming to optimise their business model through ongoing implementations, typically excluding long-term R&D phases. These may be structured as capital companies or teams intending to found one. The *Startup & Entrepreneurial Ecosystem Report 2021* further describes startups as young companies or projects launched by entrepreneurs to validate scalable and repeatable models, often under high uncertainty, with growth driven by technology.

Portugal

The Portuguese Startup Law defines a startup as a legal entity that cumulatively meets the following criteria: (i) has been active for less than 10 years; (ii) employs fewer than 250 workers; (iii) has an annual turnover below €50 million; (iv) is not the result of a transformation or division of a large enterprise and is not majority-owned by one; and (v) has either a permanent establishment or at least 25 employees based in Portugal. Additionally, the company must fulfil one of three innovation-related conditions: (i) be recognised as an innovative company with high growth potential; (ii) have secured at least one round of venture capital investment from a qualified investor (including certified business angels); or (iii) have received investment from the Portuguese Development Bank (Banco Português de Fomento) or one of its associated funds. Real estate investment and development companies are explicitly excluded from eligibility. The same legal framework also establishes that organisations with more than 10 years of activity, over 250 employees, or annual revenues exceeding €50 million may qualify as scale-ups if they meet the investment criteria required for startups and are eligible to receive highly qualified professionals under the Tech Visa programme.

Romania

[13] *https://business.gov.nl/starting-your-business/starting-situations/how-to-set-up-a-startup-in-the-netherlands/*

Romania does not have a specific startup law. The establishment of the ROStartup Ecosystem Association in 2024 marks the first official umbrella organization representing Romania's startup ecosystem, with support from public authorities and European institutions.

Slovakia

The *Slovak Ministry of Economy* uses a narrow definition of Startup under Law No. 290/2016 Coll, for eligibility under its support schemes: commercial companies based in Slovakia, established no more than 36 months earlier, controlled by natural person founders, and classified as innovative enterprises under Article 2(80) of Regulation (EU) 651/2014. However, this definition is not part of the general commercial or company law and does not apply universally to all business contexts in Slovakia. Outside this specific law, the term "startup" is not recognized or defined in the broader Slovak legal system.

Slovenia

Slovenia does not have a startup law or regulation. However, under the Investment Promotion Act, Slovenia defines an innovative startup as an independent economic entity that develops or markets an innovative product, service, or business model with high potential. For inclusion in the official Register of Innovative Start-up Companies, the firm must also meet several conditions, including being registered for no more than five years at the time of application[14].

Additionally, we found operational definitions also linked to public support instruments. The *P2 Startup Programme* defines startups as newly established micro or small enterprises registered as limited liability companies, sole proprietors, or cooperatives, and with at least one employee at contract signing. The *SK75* and *SI-SK* programmes both target limited liability companies up to five years old, headquartered in Slovenia, with full-time founders and at least some market activity. Eligibility is also conditional on not operating in excluded sectors, not being in financial difficulty, and presenting an innovative business model or product.

Spain

Spain's Startup Law, officially titled "Ley de fomento del ecosistema de las empresas emergentes", introduces the legal category of a startup. To qualify, a company must be newly created or no more than 5 years old — or up to 7 years for companies in the biotechnology, energy, and industrial sectors, or those developing proprietary technology. It must not be the result of a corporate restructuring process, and must be based in Spain, with at least 60% of its workforce under Spanish employment contracts. Additional requirements include an annual turnover below €10 million, a ban on dividend distribution, and the absence of listing on regulated markets. Crucially, the company must develop an innovative and scalable project.

[14] *https://www.startup.si/en-us/for-startups/register*

Sweden

Sweden does not have a startup law or regulation. However, functional criteria emerge from government support programs and ecosystem initiatives like Vinnova or Tillväxtverket.

Additionally, the *Nordic Impact Startups 2021* report defines eligible startups as small, limited companies, younger than five years, with annual turnover below SEK 2 million (ca. 180K EUR), that have not distributed profits and aim to address global societal challenges.

Iceland

Iceland does not have a startup law or regulation. Icelandic institutions and support organizations, such as Innovation Center Iceland and Icelandic Startups, use the term "startup" in the context of providing guidance, mentoring, and funding to entrepreneurs and new businesses with innovative ideas and high growth potential.

Ukraine

Ukraine does not have a startup law or regulation. However, sector-specific frameworks like Diia.City, a legal "free zone" for IT companies, provide tailored regulations for tech-focused startups with criteria such us being no older than 24 months and annual revenue of 9.3M UAH (194K EUR)[15]

European Union

At the EU level, there is no single, unified legal definition of a startup; however, relevant definitions appear in several legislative instruments, primarily in the context of state aid regulation and research and innovation policy. The most formal definition is found in Commission Regulation (EU) 651/2014, commonly referred to as the General Block Exemption Regulation (GBER). This regulation defines a startup as a small, unlisted enterprise that is less than five years old, has not distributed profits and is not the result of a merger. This definition is used for determining the eligibility of companies for certain categories of state aid, distinguishing startups from more established SMEs based on their early-stage risk profile. A complementary characterisation appears in Regulation (EU) 2021/695, which establishes the Horizon Europe programme. Here, startups are described more generally as early-stage SMEs focused on developing innovative solutions and scalable business models. While this reference is more descriptive than formal, it reinforces the EU's strategic view of startups as drivers of innovation and growth. A similar perspective is reflected in the European Commission's 2016 communication *Europe's next leaders: the Start-up and Scale-up Initiative*, which highlights high growth, innovation, and technology as defining features of startups and calls for more coherent support mechanisms to help them scale across the Single Market (European Commission, 2016).

[15] *https://city.diia.gov.ua/en*

In addition to these legal and strategic references, the *European Parliamentary Research Service* (EPRS), in its 2017 report *Helping European SMEs to grow*, defines startups structurally as ventures with at least one employee, not originating from mergers, break-ups, or restructurings—without requiring innovation or growth intent as part of the definition (EPRS, 2017). The 2017 *Dynamic Mapping of Web Entrepreneurs and Startups Ecosystem* report defined startups as businesses less than five years old, regardless of sector, in order to offer a broad and inclusive picture of business formation and growth (European Commission et al., 2017). The 2021/2022 edition of the Annual Report on European SMEs, drawing on the Crunchbase database, identified startups as active, for-profit companies with fewer than 250 employees and less than five years of activity (European Commission, 2022).

The European Investment Bank (EIB) offers a functional characterisation, describing startups as businesses that are still searching for a scalable business model, while already working to expand their market access, revenues, and employee base (EIB, 2020). The *European Startups Dashboard* presents startups as typically tech-enabled companies, innovative in nature and capable of scaling rapidly. Similarly, the *European Startup Monitor* defines startups as companies younger than ten years, with an innovative product, service or business model, and a clear intention to grow in terms of employment, revenue or market scope (European Startup Monitor, 2021). This definition was referenced in the *EIC Forum's response to the call for evidence* on the EU Startup and Scale-up Strategy, which identified the importance of establishing a shared taxonomy and suggested criteria such as age, R&D intensity, and technological capacity (European Commission, 2025). A related view is provided by *Startup Genome*, which defines startups as innovative or technology-driven companies founded within the last ten years, with technology and/or scalability at the core of their business model—across both digital and deep tech sectors, such as robotics, life sciences, or agricultural technologies (Startup Genome, n.d.). In the *Southeast Europe Startup Report 2018*, although no specific age limit is imposed, the authors note that most startups in the region are younger than ten years, reinforcing the relevance of age as a practical proxy for early-stage enterprise status (World Bank & DigitalK, 2018).

OECD

In contrast to the many definitions that rely on specific criteria such as age, size, innovation, or growth intent, the OECD adopts a more generalised usage of the term. In its cross-country study on startup dynamics, the term startup is used synonymously with "newly starting firm", without further reference to technological intensity, business model, or scale-up potential (Calvino et al., 2015). This broader interpretation underscores the definitional diversity that still characterises international practice, even as convergence increases across many EU and global sources.

Despite the diversity of sources and objectives behind these definitions—ranging from statistical mapping and investment support to visa schemes and innovation funding—a number of recurring traits can be observed across national frameworks. Most definitions include an age threshold, often between five and ten years, and refer to some combination of innovation, technological orientation, and scalability. Many also reflect an implicit or explicit expectation of future growth, whether in terms of revenue, employment, or international market expansion. Criteria such as not being formed through a merger or having received private investment (e.g. VC or angel backing) also appear frequently, particularly in operational definitions tied to funding or support programmes.

However, subtle differences remain in how Member States interpret and apply these concepts. Some definitions prioritise technological innovation (e.g. Estonia, Hungary), others adopt broader criteria linked to product or business model novelty (e.g. Germany, Czech Republic), while a few focus on measurable outcomes such as R&D intensity or early commercial traction (e.g. Italy, France). These variations underscore the challenge of creating a harmonised taxonomy at EU level, but they also provide a rich empirical basis from which to distil the most widely accepted indicators. Importantly, the convergence observed around core attributes—youth, innovation, scalability—offers a practical foundation for building a common, operational definition of startup that remains sensitive to national specificities.

3.3. Startup taxonomy survey results

ESNA conducted a Startup taxonomy survey among the Web Summit attendees during the 2023 and 2024 editions. For the 2024 edition, a total of 679 people were interviewed[16], with the following region distribution is shown in the following table:

Region	Respondents (%)
EU-27	**60%**
Northern Europe	6%
Southern Europe	31%
Eastern Europe	6%
Western Europe	17%
Europe (not EU-27)	**20%**
Asia	**5%**
Africa	**3%**
North America	**2%**
South/ Central America	**9%**

Here some key findings of the 2024 survey, when it comes to startup perception:

- When asked to identify key values that identify a startup, more than 80% of respondents selected “innovation” as key factor, followed by “growth” (51% of respondents) and “scalability” (50% of respondents)

[16] *Survey results have a margin of error of 3.8%, calculated at a 95% confidence interval*

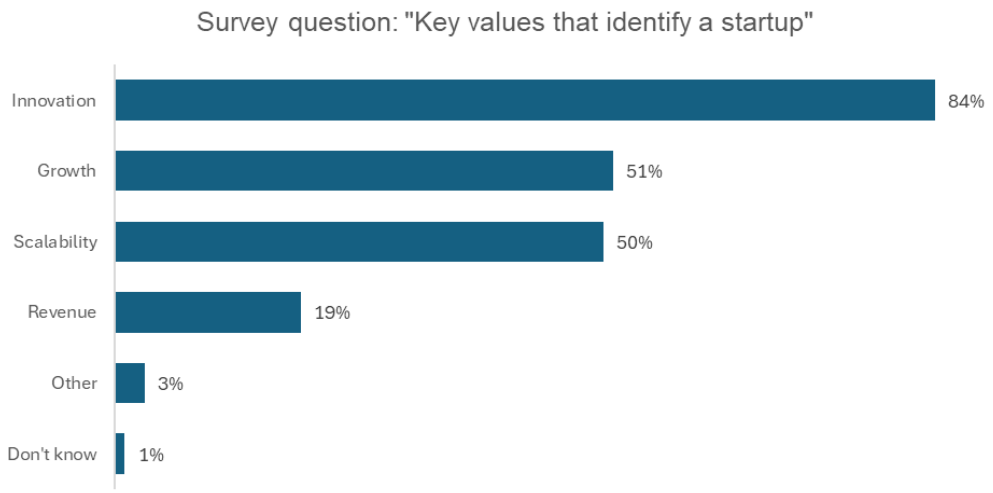

Figure 2. Survey question: "Key values that identify a startup" (multiple choice multiple answer type of question)

- When asked about the maximum age for a company to be considered a startup, majority of respondents, close to 60%, choose "up to 5 years".

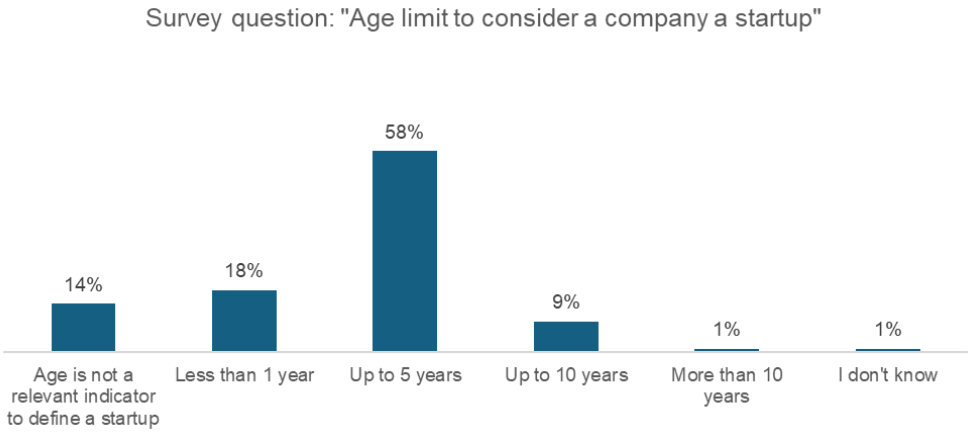

Figure 3. Survey question: "Age limit as indicator to define a startup"

- When respondents were asked about revenue thresholds for a company to be considered a startup, 30% opted for "up to 1M EUR". Interestingly, 25% of respondents indicated that "Revenue is not a relevant indicator"

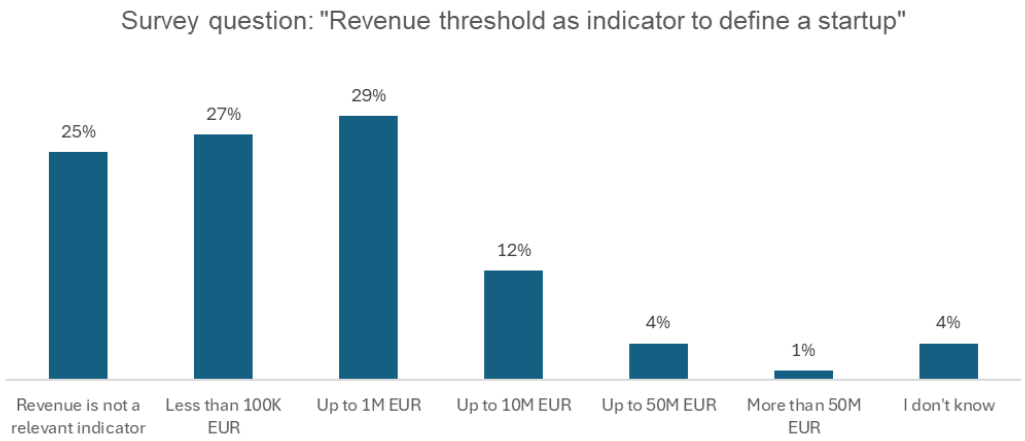

Figure 4. Survey question: "Revenue threshold as indicator to define a startup"

- Lastly, when asked about company size in employees' thresholds, 43% respondents opted to consider startups, companies up to 10 employees, while 32% opted for "up to 50 employees"

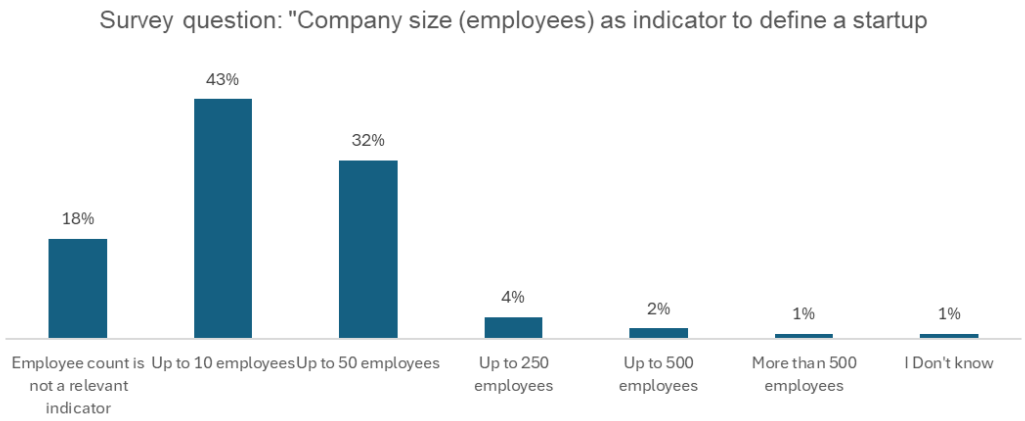

Figure 5. Survey question: "Company size (employees) as indicator to define a startup"

According to the perceptions of most interviewees, all three factors – startup seniority, number of employees, and revenue – are considered defining attributes of startups. This is reflected in the fact that only 14% disagree with seniority being a defining factor, only 18% question the relevance of the number of employees, and 25% expressed scepticism about revenue as a defining element. These findings indicate a broad consensus on these parameters as key identifiers of startups.

3.4. Focus Groups results

During 2024, ESNA conducted two focus group studies with its Advisory Board members to understand the market's perspective on startup taxonomy. The discussions were guided by a framework that encouraged participants to examine startup taxonomy from 3 different angles: quantitative values, qualitative values and regulatory aspects.

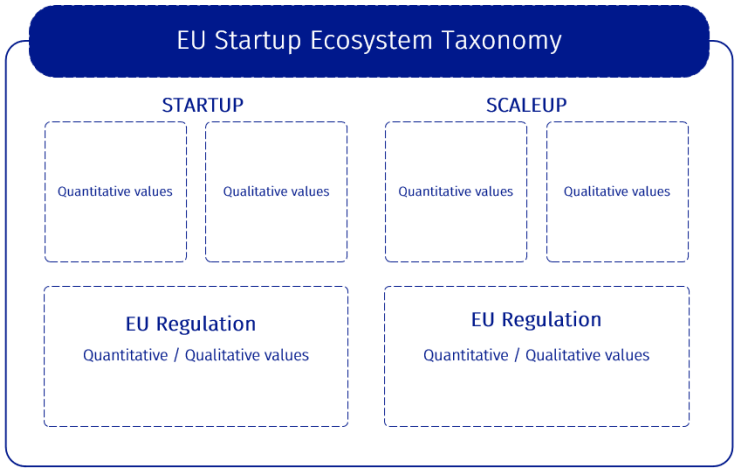

Figure 6. Framework defined for focus groups discussions

The following table summarizes the outcome of both Focus groups ideas and comments:

Quantitative values	Qualitative values	EU Regulation
Up to 10 years of age	Innovation	Legally registered in the EU
Up to 50 M yearly revenue	Scalability	HQ and/or main decision making in the EU
Up to 100 employees	Growth potential	Being verified as startup
Up to 50M in Funding		Independent entity, not formed from mergers or restructuring of existing enterprises
Up to 100M in Valuation		
Innovation based on R&D Workforce of at least 20%		

According to the focus groups, age, revenue and number of employees are again identified as key indicators, alongside other factors such as valuation or individual funding. There is also a general consensus on innovation being a key characteristic of a startup.

4. Results and Proposed Definitions

4.1. Results

This chapter synthesises the main empirical findings from the three strands of work described in the methodology. While Chapter 3 provided a qualitative overview of the diversity of definitions, the present one adopts a comparative and quantitative lens to identify the most frequently used definitional criteria and assess how they are specified in practice. The aim is to extract patterns across jurisdictions and data sources, highlight points of convergence or divergence, and support the formulation of a taxonomy that reflects the most widely accepted and operational elements.

- Age

  Across all three sources, *age* emerged as the most frequently used criterion in defining a startup. In the European Commission's Directorate-General for Research and Innovation study, 25 sources explicitly specified an age threshold, making it the most common single indicator. The ESNA desk research on taxonomy confirmed this trend: age was cited in 44 out of 99 sources (45%) consulted, and in most cases, a maximum limit was given—typically between 5 and 10 years. The ESNA Startup Survey 2024 corroborates this pattern, with respondents overwhelmingly associating startups with early-stage companies, most often selecting "less than 10 years" as a defining attribute. In terms of precision, 8 sources in the Commission study specified 10 years as the maximum age, while a few opted for 5 or 7 years depending on sector (e.g. biotech). This convergence suggests that an upper age limit of 10 years represents the most widely accepted benchmark.

- Size

  A second group of criteria relates to the size of the company, typically measured by number of employees and/or annual turnover. In the European Commission's Directorate-General for Research and Innovation study, 15 sources specified a turnover ceiling, most commonly €50 million, and 9 sources indicated a maximum of 250 employees, aligning with the EU's SME definition. The ESNA desk research on taxonomy found similar figures: employee thresholds appeared in 11 sources, turnover in 15, and both values were most frequently set at 250 employees and €50 million respectively. Although these indicators are less central than age, their recurrence suggests that the SME boundary is a common reference point when distinguishing startups from larger firms. In the ESNA Startup Survey, these variables were less frequently selected as essential by respondents, indicating a potential disconnect between institutional definitions and stakeholder perceptions.

- Innovation

  Innovation stands out as the most consistently referenced qualitative criterion. In the ESNA desk research on taxonomy, 32 sources explicitly included innovation as a defining trait—more than any other indicator. This was confirmed in the Commission study, where innovation appeared in a wide range of legal and policy definitions, often linked to eligibility for support schemes. Technology components and R&D engagement also featured prominently: 16 and 7 sources respectively in the ESNA dataset. The ESNA Startup Survey supports these findings, with innovation, scalability, and use of technology ranking among

the top five attributes selected by respondents. The emphasis on innovation is consistent across the above-mentioned reports and analysis done and is frequently operationalised through proxies such as R&D expenditure, technological intensity, or novelty of product/service offering. For instance, some legal definitions require R&D intensity above a specific threshold (e.g. 15%) or formal certification by a public innovation agency.

- Scalability and Growth

  Scalability and growth potential were also frequent, though less universally present. In the ESNA desk research work on taxonomy, scalability was mentioned in 11 sources, and growth orientation in 14. In the ESNA Startup Survey, scalability was one of the most selected attributes, showing strong resonance among practitioners. Interestingly, the European Commission's Directorate-General for Research and Innovation study found these traits more frequently in non-legal definitions—especially those used by innovation agencies and databases such as Dealroom or StartupBlink—than in formal regulatory texts. This suggests that while growth ambition is a widely shared expectation, it is not always codified in legally binding terms. Also worth noting that all identified codified definitions are related to Scale-ups, and not to all startups; like definitions from OECD or the European Scaleup Institute.

- Organisational and Geographic Criteria

  Some definitions include criteria related to *headquarters location*, *SME status*, or *shareholding structure*. In the Commission study, 8 sources required the company to be headquartered in the country; SME status appeared in 4 sources. The ESNA desk research found similar conditions, with a few legal regimes excluding subsidiaries of large firms or requiring a certain percentage of local employees. These criteria are primarily used in legal or policy settings to define eligibility for national support, rather than as general definitional attributes. The Startup Survey did not prioritise these dimensions, reinforcing the view that such constraints are context-specific rather than conceptual.

Taken together, these sources point to a set of recurring definitional indicators. Age, innovation, scalability, and SME-type size constraints appear consistently across legal, institutional, and stakeholder perspectives. Age limits (often 10 years), employee ceilings (250), turnover thresholds (€50 million), and references to innovation (frequently qualified by R&D or technological novelty) dominate the definitional landscape. However, the relative importance of each indicator varies by context: legal frameworks are more prescriptive and selective, while institutional sources and ecosystem actors embrace broader, more qualitative conceptions. These findings form the empirical foundation for the taxonomy proposed in the following section.

At this point it would be good to mention the definition of Small Mid-Cap companies as well, outlined in a European Commission Recommendation (EU) 2025/1099[17]. It defines small mid-caps (SMC) as companies that are not SMEs but not yet large companies, with up to 700 employees and 150M EUR annual revenue or 128M EUR annual balance sheet. As the definition got published in May 2025, there's not a lot of sources on its usage yet, but it's a point to consider for the taxonomy exercise.

[17] https://eur-lex.europa.eu/eli/reco/2025/1099/oj/eng

4.2. Proposed Framework

This section presents a proposed operational framework to define startups, building on the findings of the research conducted throughout this report. The proposal is informed both by the empirical evidence gathered — particularly the criteria that emerged as most widely used or broadly accepted across the European Commission study, the ESNA desk research work, and the ESNA survey and focus groups — and by the more conceptual reflections explored in the academic literature and stakeholder consultations. The aim is to strike a balance between pragmatic applicability and conceptual coherence. Crucially, this is not merely a normative exercise: the proposed framework must be statistically operationalizable using existing data sources. The framework and definition must rely on existing indicators available through European and national level data sources

In line with the objective of this work to provide a usable, broadly accepted framework—built on the most consensual elements identified across institutional, academic, and empirical sources—this section proposes an operational framework for a definition of a *startup*. **As previously noted in the methodological chapter, the aim was not to create a new theoretical framework, but rather to identify the lowest common denominator across existing definitions, facilitating its political and statistical adoption.** This approach also responds to the practical constraint that ESNA will not itself be a data producer in the short term and therefore must rely on indicators already collected by Eurostat and other statistical bodies at a national level.

Against this background, we suggest a *startup* definition based on the following framework:

> ***A startup is a Small or Medium-sized Enterprise (SME) that is young, innovative, and with high growth potential, not created through a merger, split-off, or corporate restructuring.***

Each component of this framework reflects a high degree of convergence across the sources analysed and is detailed below. These elements will be justified individually—both in terms of conceptual significance and practical measurability—so as to ensure the definition is not only robust, but also implementable within the current statistical infrastructure.

- Small or Medium-Sized Enterprise

  The inclusion of a size threshold in the proposed startup definition and framework responds both to conceptual distinctions and to operational constraints. Firm size—most often measured by the number of employees or annual turnover—is one of the most frequently cited features in attempts to define startups, appearing in multiple legal, institutional, and academic sources.

  As mentioned in the literature review, from a conceptual standpoint, the small size of startups is not merely descriptive, but often seen as strategically advantageous. Lean teams are a defining trait of startup logic, enabling founders to test hypotheses and iterate business models without incurring excessive fixed costs (Bouhaj et al., 2019). Smaller structures reduce exposure to premature investment risk and allow for agile market exploration. Empirically, size thresholds were used in a significant share of the definitions analysed in this study. In the European Commission's Directorate-General for Research and Innovation mapping, 15 sources specified a turnover ceiling—most commonly €50 million—and 9 referred to a maximum of 250 employees, mirroring the EU's SME definition.

The ESNA desk research work found similar figures, and while the ESNA Startup Survey revealed that respondents prioritised other characteristics (such as innovation and growth), the recurrence of size thresholds in formal definitions suggests their continued relevance for statistical and policy purposes.

However, as Cockayne (2020) cautions, using firm size as a definitional boundary presents conceptual and practical difficulties. On the one hand, size is a relative notion, lacking consensus on what counts as "too big" for a firm to still qualify as a startup. On the other, early-stage ventures often operate with hybrid or informal labour arrangements that are not easily captured by standard headcount measures—making the accurate measurement of size particularly challenging.

Despite these conceptual caveats, the adoption of a size threshold remains a practical necessity in the operationalisation of the startup definition. For this purpose, we align with the European Commission's established definition of Small and Medium-sized Enterprises (SMEs), as set out in Commission Recommendation 2003/361/EC. Under this framework, an SME is defined as a firm which employs less than 250 persons, and either an annual turnover not exceeding €50 million or a balance sheet total not exceeding €43 million. These thresholds are widely recognised across the EU and are used to determine eligibility for funding programmes, state aid, and statistical reporting. Crucially, the adoption of this definition helps address the concerns raised by Cockayne. First, it provides a harmonised, sector-neutral benchmark for "size". Second, its underlying statistical concept of "persons employed" goes beyond formal contracts and it should not be confused with employees or full-time equivalents; it includes employees but also working proprietors, partners regularly active in the enterprise, and unpaid family workers. This broader accounting approach mitigates the risk of undercounting entrepreneurial or informal labour contributions, which are common in the early stages of startup development.

This SME classification is embedded in the Eurostat Business Registers Recommendations Manual (Eurostat, 2010), which guides national statistical institutes in the consistent recording of firm-level data across Europe. Business registers typically include data on headcount and financials, making it possible to identify SMEs based on harmonised criteria. By anchoring the startup definition in this existing infrastructure, the proposed taxonomy avoids the need for new data collection and ensures comparability across Member States.

Moreover, using the SME threshold enables alignment with existing EU policy instruments, such as the SME Strategy, the Horizon Europe framework, and national innovation schemes, all of which rely on the same size boundaries. While acknowledging its limitations, this approach ensures that the startup category remains operationalisable within current statistical systems and compatible with regulatory practice.

- ### Young

Firm age is one of the most cited criteria in definitions of startups, often used as a proxy for early-stage development. Skala (2019) notes that age serves as a simple and intuitive indicator of the firm's position on the business lifecycle. Startups are typically distinguished from scale-ups and mature firms by their recent market entry, experimental business models, and limited organisational inertia. As such, youthfulness functions as a rough correlate of novelty, agility, and high uncertainty. Ehsan et al. (2021) similarly argue that age is not merely a chronological measure but reflects the temporal window in which entrepreneurial risk is highest and outcomes most volatile. However, as Cockayne (2020)

warns, age alone is a blunt instrument: while some young firms grow quickly and stabilise early, others may linger in a startup-like state for longer, especially in capital-intensive or regulated sectors.

Despite such reservations, the empirical evidence reviewed in this report confirms that age is the single most frequently used criterion across legal, institutional, and stakeholder-based definitions of startups. In the European Commission's Directorate-General for Research and Innovation study, 25 of the surveyed definitions explicitly included an age threshold. The ESNA desk research work also found age cited in many sources, typically with a maximum limit ranging between 5 and 10 years. In the ESNA Startup Survey 2024, being less than five years old was the most selected attribute associated with the startup category, suggesting strong consensus among ecosystem actors. Taken together, these findings support the continued inclusion of age as a core definitional dimension.

To ensure statistical operability, we adopt a maximum age of 10 years as the cutoff for startup status. This threshold represents the upper bound most frequently identified across policy and survey sources and offers a compromise between inclusivity and specificity. It is broad enough to accommodate sectoral variation—such as longer product development cycles in biotech or clean tech—while still capturing the notion of "early-stage" as understood in common practice. Moreover, firm age is a variable readily available in official statistical infrastructures, including Eurostat's business registers. These registers allow for the calculation of a firm's age based on its year of registration or incorporation, providing a harmonised and replicable measure across countries. By adopting a 10-year threshold, we aim to balance the conceptual association between youth and entrepreneurial dynamism with the practical need for a clearly defined and widely measurable indicator.

- ## Innovative

Innovation is often considered a defining feature of startups, especially in contrast to traditional small businesses. The literature suggests that startups are typically associated with the development of novel products, services, or business models, often under conditions of uncertainty and resource scarcity (Skala, 2019; Cockayne, 2020). This association underpins many efforts to distinguish startups not merely by their age or size, but by their orientation towards innovation. The ESNA desk research work found that innovation was the most commonly cited qualitative criterion. The study commissioned by the European Commission's DG Research and Innovation confirmed the centrality of innovation in legal and policy frameworks, frequently linked to eligibility for public support. The ESNA Startup Survey adds further evidence, with innovation ranking among the top five attributes selected by respondents to describe startups—alongside scalability and the use of technology.

Despite this strong convergence, defining and measuring innovation remains conceptually and empirically challenging. The Oslo Manual (OECD/Eurostat, 2018), which provides internationally accepted guidelines for collecting and interpreting innovation data, defines four main types of innovation: product, process, organisational, and marketing innovation. Moreover, innovation can vary in terms of its novelty (new to the firm, new to the market, or new to the world) and its source (developed in-house or adopted from others).

The Community Innovation Survey (CIS), coordinated by Eurostat, operationalises these dimensions through a structured questionnaire used across EU Member States. In recent editions, Eurostat has also developed a typology of "innovation profiles" based on firm-level responses. These profiles reflect not only whether firms innovate, but how they do so and to what degree.

Adopting a pragmatic and data-driven proxy for innovation, we draw on Eurostat's harmonised typology of innovation profiles derived from the CIS, as it enables consistent application across Member States, using existing statistical infrastructure. Specifically, the proposed operational definition of a startup in this report adopts Profile I as the innovation criterion. Profile I corresponds to firms that have introduced product innovations that are new to the market and developed in-house. This profile closely matches the idea of a startup as a venture engaged in original innovation under conditions of technological or market uncertainty.

While narrower than some legal definitions, this choice allows for a clear, survey-based identification of firms whose innovation efforts are not merely imitative or adaptive, but genuinely original. It also aligns with the methodological principles of the CIS, which explicitly distinguish between firms that adopt innovations developed elsewhere and those that create their own. As noted in the CIS methodological guidelines, "Profile I firms typically represent the most innovation-intensive enterprises in the dataset" (Eurostat, 2024)[18].

By restricting the innovation criterion to Profile I, the definition ensures that the innovation criterion targets genuinely novel and internally developed offerings, excluding firms that merely adopt existing innovations or engage in non-technological changes. This helps prevent over-inclusiveness, while maintaining a focus on the distinctiveness of startups within the broader SME population, in line with the empirical evidence and policy priorities underpinning recent European work in this domain.

- ## Scalability and Growth

Scalability is another core attribute frequently invoked to distinguish startups from traditional small businesses. While many small firms seek stability or local market niches, startups are typically characterised by their ambition—and capacity—for rapid growth. This is often linked to the use of technology, standardisable products or services, and business models with low marginal costs that can accommodate exponential expansion (Skala, 2019; Ehsan, 2021). As Cockayne (2020) notes, scalability sets startups apart from most microenterprises, even when they share similar sizes at inception.

This growth orientation is not merely aspirational; it has become a functional criterion in various policy definitions. The ongoing ESNA desk research activities found that scalability and growth potential featured in more than one-third of the definitions analysed, sometimes framed in terms of market ambition or internationalisation. The Commission DG Research and Innovation study similarly highlighted growth as a recurrent criterion in national legal frameworks and eligibility conditions for startup support. In the ESNA Startup Survey,

18 https://ec.europa.eu/eurostat/databrowser/view/inn_cis13_yreg_ip/default/table?lang=en&category=scitech.inn.inn_cis13.inn_cis13_ip

respondents consistently ranked scalability and growth among the most salient traits of startups—only slightly behind innovation.

However, scalability remains difficult to measure in practice. Not all startups that aim to scale ultimately succeed in doing so, and some may delay growth to focus on product-market fit. Moreover, fast-growing firms are not always startups—some may be long-established SMEs experiencing late-stage expansion. A forward-looking ambition to grow must therefore be carefully distinguished from retrospective indicators of past performance.

To balance conceptual precision with empirical feasibility, we adopt a pragmatic proxy to operationalise growth orientation using Eurostat data as a reference. Specifically, we draw on the young enterprises in high-growth sectors, as defined by Eurostat's structural business statistics. These include sectors classified as high-tech[19] or knowledge-intensive[20], which typically offer greater potential for scale.

This proxy offers a way to capture scalability in a manner that aligns with the startup literature and the findings of previous EU studies, while remaining grounded in harmonised, cross-country statistical sources. It also responds to the operational need for scalable definitions that do not depend solely on retrospective success but reflect the structural capacity and intention to grow.

- Organisational Criteria

Startups are frequently characterised not only by their size, age, innovation, and growth orientation, but also by their status as new and independent organisational entities. In much of the literature, startups are understood as emergent firms built "from scratch", distinct from new units created within—or spun off from—existing companies. As Blank (2003, 2013) puts it, "a startup is a temporary organisation formed to search for a repeatable and scalable business model," underscoring its identity as a self-standing venture rather than an extension of an established firm.

This distinction is essential to differentiate startups from spin-offs, subsidiaries, or entities resulting from mergers, acquisitions, or corporate restructurings. In fact, our proposed definition explicitly excludes firms formed through these channels, in order to preserve the analytical clarity and policy relevance of the startup category. The importance of this criterion is supported by the ongoing ESNA research activities, which found several definitions in national and regional frameworks that stress the novelty and independence of startups. The DG Research and Innovation study also referenced this aspect in the context of eligibility for startup-specific support instruments.

Operationalising this criterion is feasible using Eurostat's business demography and structural business statistics. Specifically, the "enterprise births" dataset classifies newly created enterprises according to their mode of formation. We propose including only those firms identified as:

- Enterprise births (not reorganisations or legal transformations); and

[19] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:High-tech_classification_of_manufacturing_industries

[20] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Glossary:Knowledge-intensive_services_(KIS)

– Independent enterprises, i.e., not subsidiaries of existing domestic or foreign firms.

Eurostat's methodology (as detailed in the Business Demography Statistics) also distinguishes "real births" from "administrative births," enabling further refinement of the population under analysis. This ensures that only genuinely new market entrants—rather than restructured entities—are captured in the startup universe.

In sum, this independence criterion reinforces the conceptual integrity of the framework for a startup definition by focusing on autonomous organisational emergence. It aligns with both academic perspectives and European statistical standards, while remaining implementable within the constraints of available data.

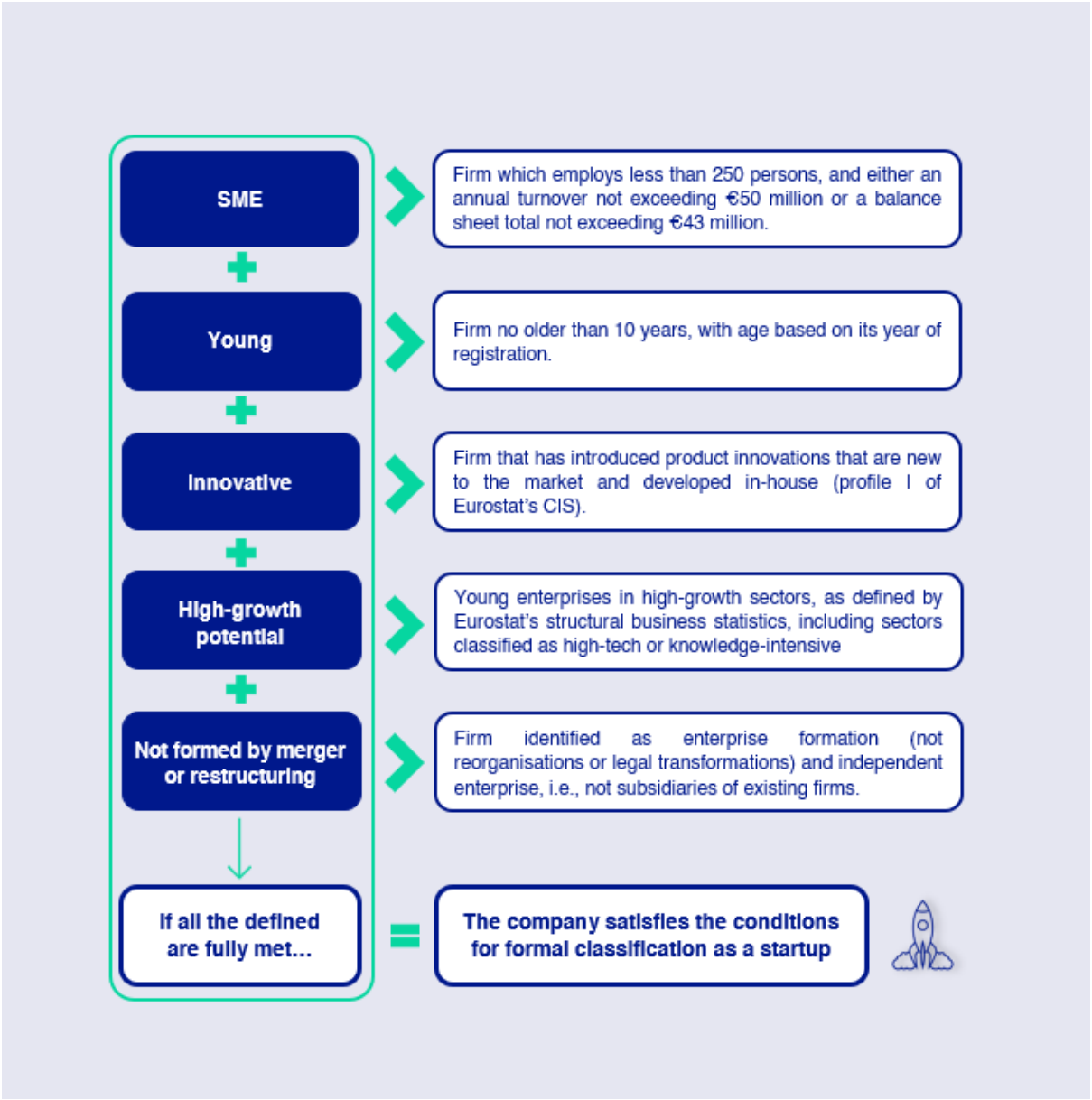

Figure 7. Framework and Startup definition sample summary

5. Conclusions

This report has examined the conceptual and empirical foundations for a common framework for definition of startups, synthesising insights from academic literature, legal and policy frameworks, and Startup perception surveys and focus groups evidence. While the term startup is widely used, it remains undefined or inconsistently defined across countries and institutions, leading to fragmentation in both research and policymaking.

Despite these divergences, the review identified a core set of criteria that recur across definitions: small or medium enterprise status, recent creation, orientation towards innovation, high growth potential, and organisational independence. Building on this shared ground, the proposed taxonomy defines a startup as a Small or Medium-sized Enterprise (SME) that is not older than ten years, and that combines innovation, scalability or growth ambition, and that was not created through a merger, split-off or corporate restructuring.

Each of these criteria has been selected based on both conceptual relevance and operational feasibility. The age threshold of ten years captures the formative stage of business development while remaining compatible with available longitudinal data. Innovation is a cornerstone of most legal, academic and survey-based definitions, and is operationalised through Eurostat's innovation profiles (notably profile I of the CIS). Growth potential is addressed through variables such as turnover and employment growth, while organisational independence ensures the exclusion of firms that emerge from corporate reorganisations rather than entrepreneurial initiative.

By aligning these dimensions with available Eurostat indicators and established SME thresholds, the proposed definition balances conceptual clarity with operational feasibility, aligning with available statistical data (e.g., Eurostat business demography and CIS) and it is precise enough to guide policy and analysis, yet broad enough to accommodate the diversity of startup trajectories across Europe. Worth mentioning the new small mid-Cap (SMC) definition and its consideration for future definition adjustments.

As previously noted, the absence of a shared definition has hindered the comparability of data and research across contexts. Therefore, establishing a shared definition of startups is not merely a conceptual undertaking. Adopting a common definition would support greater coherence in startup-related policies and programmes across the EU, fostering a clearer understanding of Europe's entrepreneurial landscape and improving targeting, comparability, and impact assessment. The definition proposed in this report seeks to address these challenges by combining conceptual rigour with operational feasibility, aligning with existing statistical frameworks and empirical evidence. It is, however, a proposal intended to be developed. Going forward, collaboration with national statistical institutes and innovation stakeholders will be essential to refine and implement this taxonomy in practice. Their feedback will be essential to validate, adjust and ultimately embed this definition into the ecosystem it seeks to describe.

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