Eurofound

Restructuring in SMEs: Sweden

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Introduction

The modern business environment is unpredictable and frequently changing. To survive in the long term, organisations must change and adapt to their environment (Burke, 2011). This is the reality for Swedish small and medium-sized enterprises (SMEs). Increasing international competition, economic liberalisation and technological development has, as for the rest of industry in the developed world, characterised the rapid restructuring in the Swedish economy (Aritake-Wild, 2008).

Research has indicated that size does not necessarily limit the international activity of the enterprise and that SMEs often become global competitors through taking advantage of their competence and unique resources (Lloyd-Reason and Sear, 2007). International competition has created interdependence between countries where restructuring in one can often create a positive effect in the other. Nevertheless, the same interdependence can also create negative chain reactions leading to a financial crisis where SMEs are especially vulnerable due to their size and lack of restructuring plans.

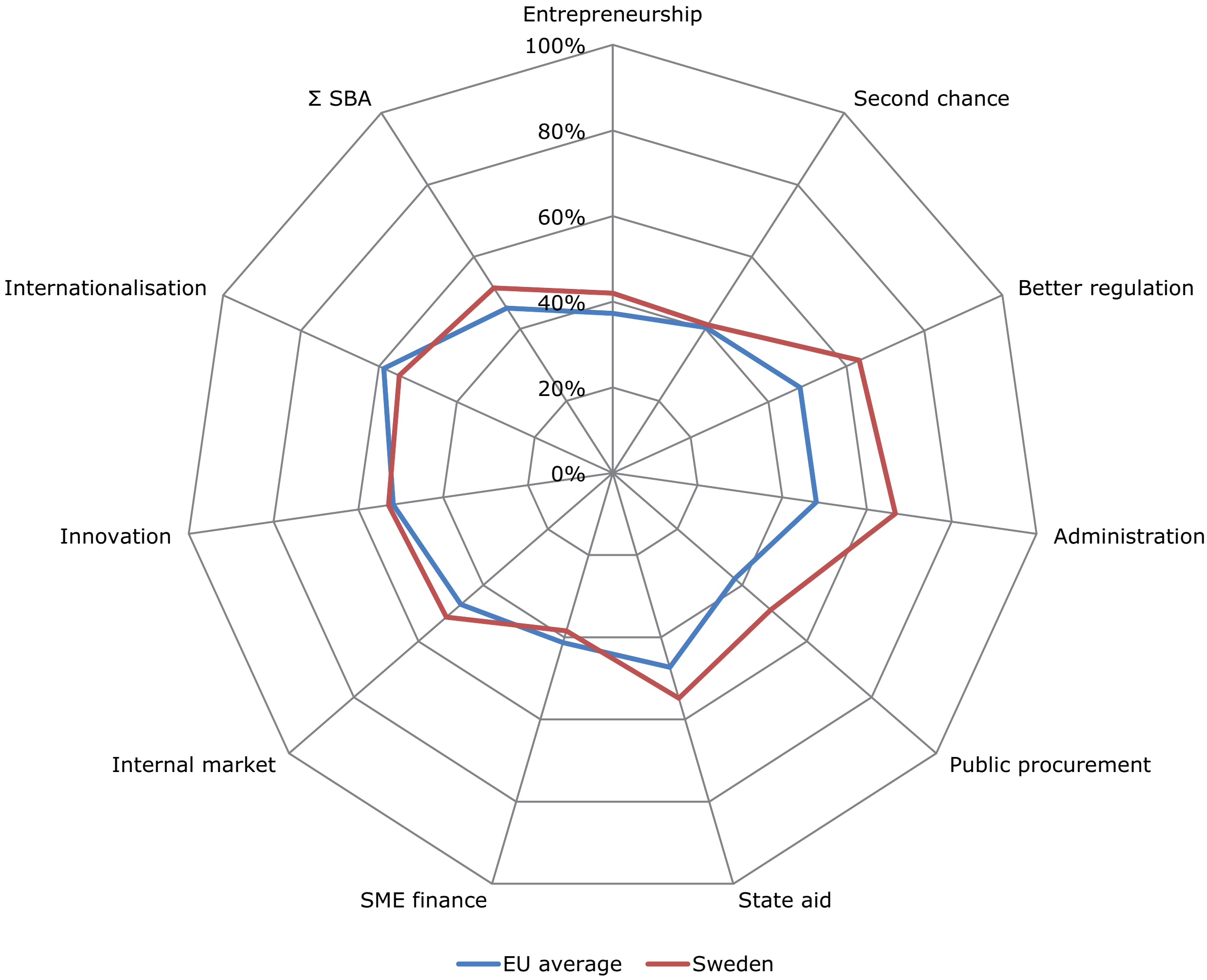
A number of reports and surveys have been produced in recent years covering the situation and conditions of Swedish SMEs. An explanation to why attention on smaller businesses is increasing is the trend dating back to the 1970s of smaller companies accounting for an ever increasing share of employment (SCB, 2008). Comparing figures for 2008 and 2011, SMEs accounted for 48% of value added and 52% of employees in Sweden in 2008, while micro enterprises with 0–9 employees represented 92% of companies in Sweden (SCB, 2008). In 2011, SMEs accounted for 60% in terms of both value added and employee numbers, and 96% of enterprises were micro enterprises (Tillväxtverket, 2011a).

The Small Business Act (SBA) Implementation Scoreboard (Figure 1) suggests that the degree to which public institutions in Sweden respect the ‘Think Small First’ principle[1] is relatively weak, as shown by factors such as the taxation system discouraging private investors, support in finding international partners and the winding up process after bankruptcy (UEAPME, 2011). The results presented in Figure 1 indicate the degree to which the commitments have been respected, the level of activity or measures taken during the last year and its effects or improvements. This radar diagram gives an indication of the relative strengths and weaknesses in Sweden compared with other EU countries.

Sweden is above the EU average when it comes to implementation of the SBA commitments, having adopted more measures and made greater progress in improving the situation for small businesses. Sweden performs relatively well for the business registration process (better regulation), administrative burden (administration) reduction targets and protection of subcontractors of public contractors (public procurement). However, Sweden is weaker than the EU average when it comes to second chances, improvement in SME finance and internationalisation.

[1] http://ec.europa.eu/enterprise/policies/sme/small-business-act/think-small-first/index_en.htm

Figure 1: *Radar diagram of implementation of SBA commitments (%)*



Source: *UEAPME (2011)*

One explanation for the strengths observed in Figure 1 is the increasing interest in SMEs shown by the Swedish Agency for Economic and Regional Growth (Tillväxtverket), which has implemented a number of measures to promote and simplify SME conditions. Administrative costs for companies in Sweden fell by SEK 7 billion (€ 792 million) between 2006 and 2010 (Tillväxtverket, 2012a).

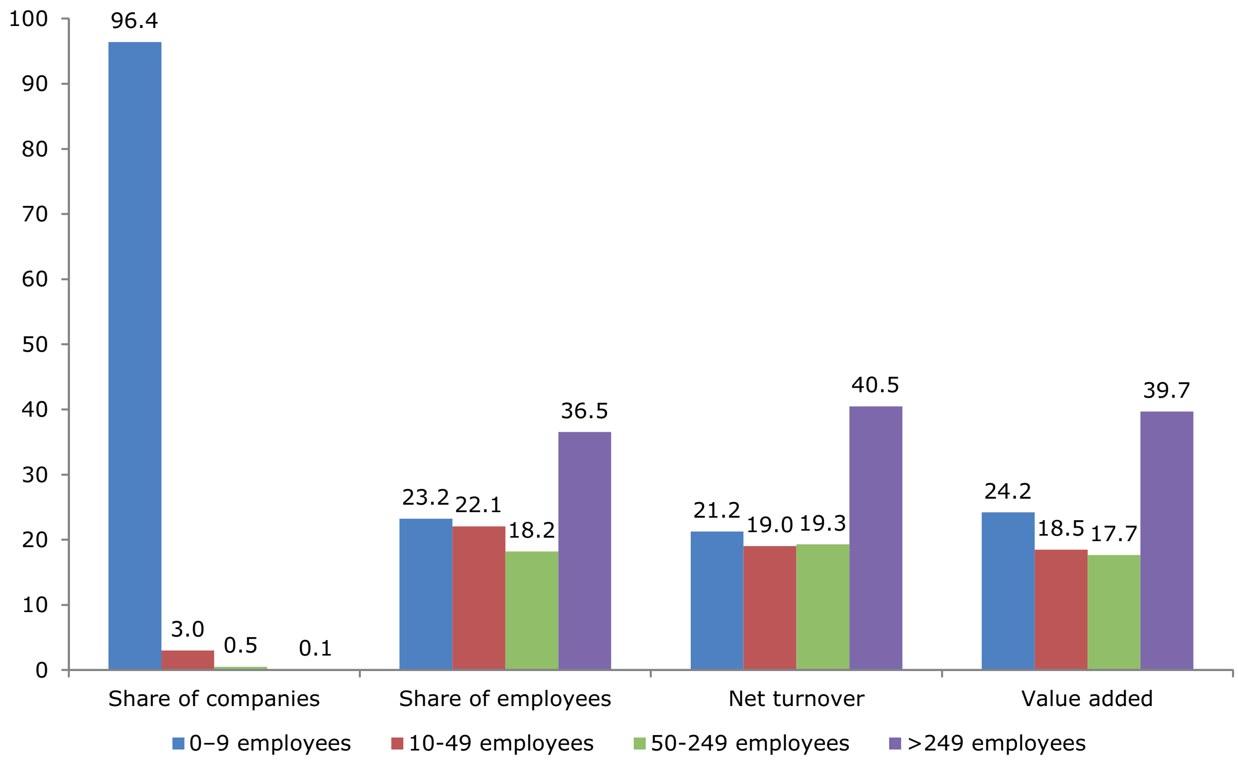
SMEs constitute 99.9% of the enterprises in Sweden. They account for about 60% of total value added and 60% of total employment (Tillväxtverket, 2011a). This makes SMEs an important part of the Swedish economy. Table 1 presented business structure by company size while Figure 2 presents the same numbers on companies, employees, turnover and value added in percentage terms. Figure 2 highlights the importance of SMEs with 0–9 employees within the Swedish business structure. They make up the highest number of enterprises and, after large companies, businesses with 0–9 employees provide the majority of employment, turnover and value added.

Table 1: *Business structure by company size, 2009*

		SMEs	Micro	Small	Medium	Large
	Total	**0–249 employees**	**0–9 employees**	**10–49 employees**	**50–249 employees**	**>250 employees**
Number of enterprises	927,917	926,973	894,527	27,846	4,600	944
Number of employees	2,441,926	1,550,062	566,948	538,782	444,332	891,864
Net turnover	6,224,273	3,706,295	1,322,396	1,183,737	1,200,162	2,517,979
Value added	1,759,562	1,061,409	425,687	324,874	310,848	698,154

Note: Number of companies, employees, turnover (SEK million), value added (SEK million) per size class
Source: *Tillväxtverket (2011a)*

Figure 2: *Business structure by company size, 2009 (%)*



Note: Share of companies, employees, turnover (€ million), value added (€ million) per size class
Source: *Tillväxtverket (2011a)*

SME production represents over 80% of the value added within the forestry, agriculture, fishing industry, hotel and restaurant, real estate, law, economic, technology and science services, education and 'other services' sectors. In real estate and 'other services' sectors, micro enterprises with 0–9 employees account for over 50% of the total value added. In the agriculture, forestry and fishing sectors, micro enterprises produce almost 80% of the value added within the sector. The only sector where SMEs provide less than 30% of the value added is within mining and quarrying (SCB, 2009).

In Sweden average annual employment growth rates in the non-financial business economy were higher than the EU average between 2002 and 2010 (Table 2). Small enterprises were the ones growing the most during this period with an annual employment growth rate of 3%. SMEs in Sweden grew 1.6% compared with an SME annual employment growth rate of 1.0% in the EU 27.

Table 2: A*verage annual employment growth rates in the non-financial business economy 2002-2010 (average annual change in %)*

	Micro	Small	Medium	SMEs	Large	All enterprises
Sweden	0.3	3.0	2.6	1.6	0.9	1.3
EU27	1.7	0.7	0.5	1.0	0.5	0.9

Source: *De Kok et al (2011)*

Table 3 shows the total growth in employment between 2004 and 2008. Micro, small and medium sized enterprises accounted for 27%, 15% and 13% respectively of the growth during this period. This means that SMEs generated the majority of new employment in 2004–2008 excluding newly created enterprises.

Table 3: *Changes in turnover, value added and number of employees between 2004 and 2008*

Active companies	Turnover		Value added		Employees	
	SEK million	%	SEK million	%	SEK million	%
Micro	252,063	14	89,659	22	78,888	27
Small-	230,233	13	66,546	16	44,179	15
Medium-	231,385	13	52,878	13	38,925	13
Large	85,178	49	137,121	34	61,200	21
Total	**1,546,860**	**89**	**346,204**	**85**	**223,192**	**77**
Newcomers	684,937	39	198,537	49	288,228	99
Closed	-485,609	<0	-139,914	<0	-221,669	<0
Total	**199,328**	**11**	**52,623**	**15**	**66,559**	**23**
Total	**1,746,188**	**100**	**404,827**	**100**	**289,751**	**100**

Source: *SCB (2008)*

Sweden has relatively low entrepreneurial activity compared with other countries. GEM (2011) found that 25% of entrepreneurs in Sweden expected to employ 5–19 people within the next five years and that 13% expected to employ 20 or more (there are no data on the present size of these enterprises). This is similar to other Nordic countries. Sweden had a high score for opportunity-based entrepreneurship in terms of either an increase in income or the creation of independence. However, there was still a high fear of failure for newly created enterprises, suggesting that a small number of obstacles continued for increased entrepreneurship.

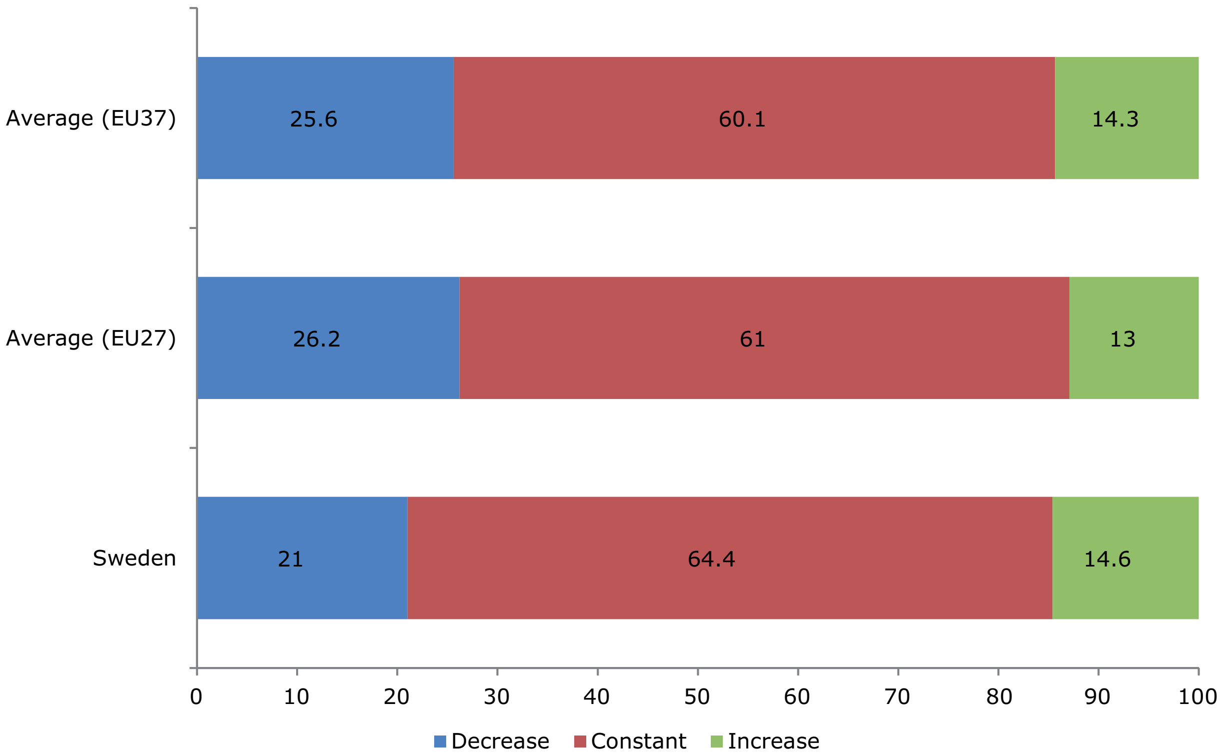
Another trend seen in recent years is that the population share in Sweden planning to start a new enterprise in the next three years has fallen. In 2001, 13% had plans to start a business within the next three years but, by 2010, this figure had fallen to 9%. However, entrepreneurial activity has gone up from 4% to 5% as a result of more women starting up businesses. Overall, the increase has nonetheless been quite modest during the past decade, which has of course been characterised by two global crises. The first in 2001–2003 hit the entrepreneurship driven IT-sector especially hard while the financial crisis in 2008–2009 hit most sectors – probably causing a slower entrepreneurial increase in Swedish SMEs (GEM, 2011).

The European Commission's *Annual report on EU small and medium-sized enterprises 2010/2011* found that Swedish SMEs had recovered relatively well from the financial crisis (Wymenga et al, 2011). Sweden has had a positive growth rate of both gross value added and employment since the crisis. In addition, Sweden is ranked high on the Global Competitiveness Index 2011–2012 produced by the World Economic Forum (Schwab, 2011). In general Sweden showed high global competitiveness and climbed four places from sixth to second between 2005 and 2006. However, Sweden fell one place from second to third between the 2010–2011 and the 2011–2012 rankings (Schwab, 2011).

Sweden has handled the crisis relatively well. However, statistics from the Public Employment Service (*Arbetsförmedlingen*) show that the sectors most affected by the crisis were construction, manufacturing and automotive, which together account for a large share of employment in Swedish SMEs (Arbetsförmedlingen, 2012).

During 2009–2010 Sweden had a smaller percentage of enterprises with a decreasing number of employees than the EU average. The Swedish net employment decrease was about 22%, slightly smaller than the EU average (Figure 3). Nevertheless, the actual net increase during the period was 15%, which was similar to the average for the EU 27. This indicates that Swedish SMEs actually kept a more constant level concerning net employment compared with the EU average.

Figure 3: *Net employment changes between Q4 2009 and Q4 2010 (%)*



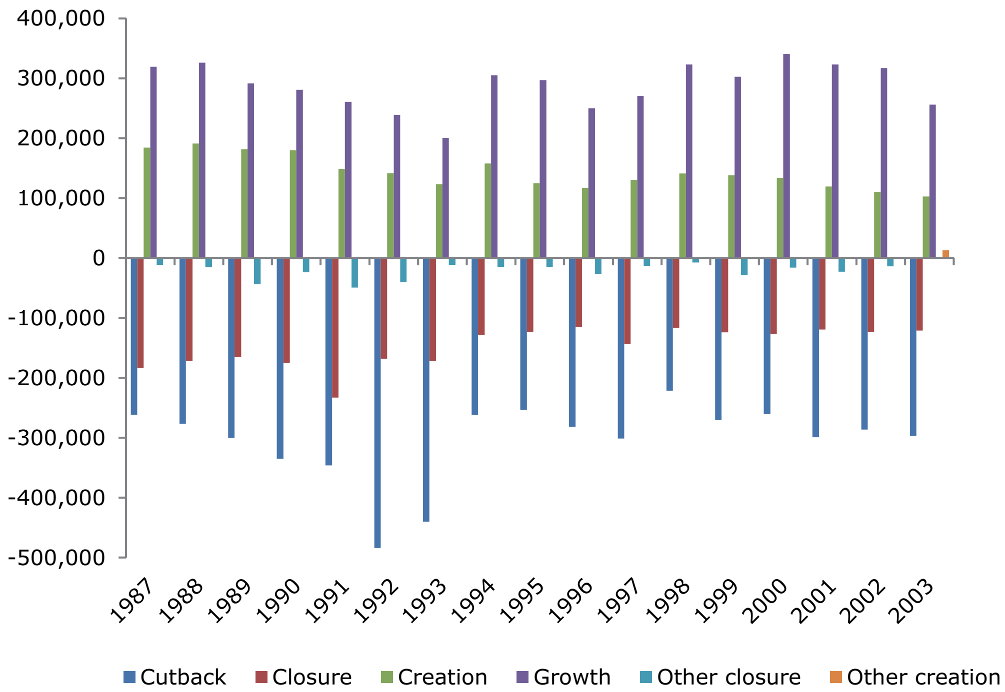
Notes: Proportion of enterprises with decreasing, constant or increasing number of people employed by country for the EU37 business economy. This is made up the EU27 Member States plus Albania, Croatia, Former Yugoslavian Republic of Macedonia, Iceland, Israel, Liechtenstein, Montenegro, Norway, Serbia and Turkey.
Source: *De Kok et al (2011)*

Restructuring is accepted as a normal and fundamental process in Sweden and is therefore not often debated. As a consequence there is little academic research, scientific reports or publications on restructuring. Compared with other larger European countries, Swedish politicians do not have the instruments to stimulate domestic consumption to maintain demand for products and services. This has given Sweden a special approach to restructuring.

One example of this is the central collective wage negotiations system. The central collective agreements keep wage increases at an equal level across sectors, which allow export industries to compete abroad and remain profitable. However, it often results in higher wage levels than companies (with relatively low production compared with similar businesses within the same sector) can afford when international competition increases. To survive companies have to invest in new production technology, reduce wages or reduce the workforce. Since trade unions negotiate collective agreements under the notion that 'we shouldn't compete by lowering wages', the Swedish model accepts that restructuring results in a reduction in the workforce. Therefore, the central collective agreements also include measures available to support workers and companies in managing restructuring (Bergström, 2009a).

Looking at the change in employment in relation to restructuring events, Figure 4 shows that job turnover appears to have been relatively stable over the years suggesting that around every fifth job turns over (that is, is created/lost) in a typical year. This means that hundreds of thousands of jobs are vanishing and being created every year. In 2003, 300,000 jobs were lost due to cutbacks, about 110,000 were lost due to closure, about 100,000 were created, about 310,000 jobs were created due to growth in already existing companies, 40,000 jobs were lost due to 'other closure' and about 50,000 were created due to 'other creation'. Other closure and other creation include jobs lost or created due to mergers or demergers. This shows that about 900,000 jobs were created or lost during that year, that is, more than every fifth job since the Swedish workforce is just above four million.

Figure 4: *Change in employment in relation to restructuring events 1987–2003*



Source: *TCO, 2005*

Although Figure 4 only covers the years 1987–2003, interesting trends can nevertheless be observed. One is that job turnover is high regardless of the state of the market as, even during the extreme downturn in the early 1990s, a large number of new jobs were created. However, the number of jobs disappearing was higher. Compared with other countries, this is a very high job turnover. When this study was made, Sweden and the other Nordic countries had a job turnover rate that was among the highest in the world and above average in Europe. Fewer jobs were created in newly established enterprises. Since the late 1980s, the number of jobs created in new companies has halved. It is difficult to say if this is due to a reduced willingness to hire new employees or if it is a cyclical variation (TCO, 2005).

Relevance of different types of restructuring for SMEs

Overview

The nature of restructuring in Sweden has mainly been a result of outsourcing and export of production activities to lower labour cost countries, but also mergers and acquisitions involving larger Swedish companies (Aritake-Wild, 2008). Restructuring with job loss consequences, in Sweden, to a higher extent seems to be caused by cutbacks rather than through enterprise closure.

Relocation

There is little literature on the subject of relocation in Sweden, especially within SMEs.

Outsourcing

According to a study by the International Data Corporation (IDC), the Swedish outsourcing market grew by 2.6% in 2010 (Molin et al, 2011). Within the Swedish outsourcing market the IDC forecast also predicts an increase in cloud services, that is, the delivery of computing and storage capacity provided by IT consultancy businesses. However, there are no data and exact numbers for SME outsourcing.

Offshoring/delocalisation

This phenomenon is well-known in Sweden but it is not until recently that the effects and the companies involved have been the subject of detailed analysis.

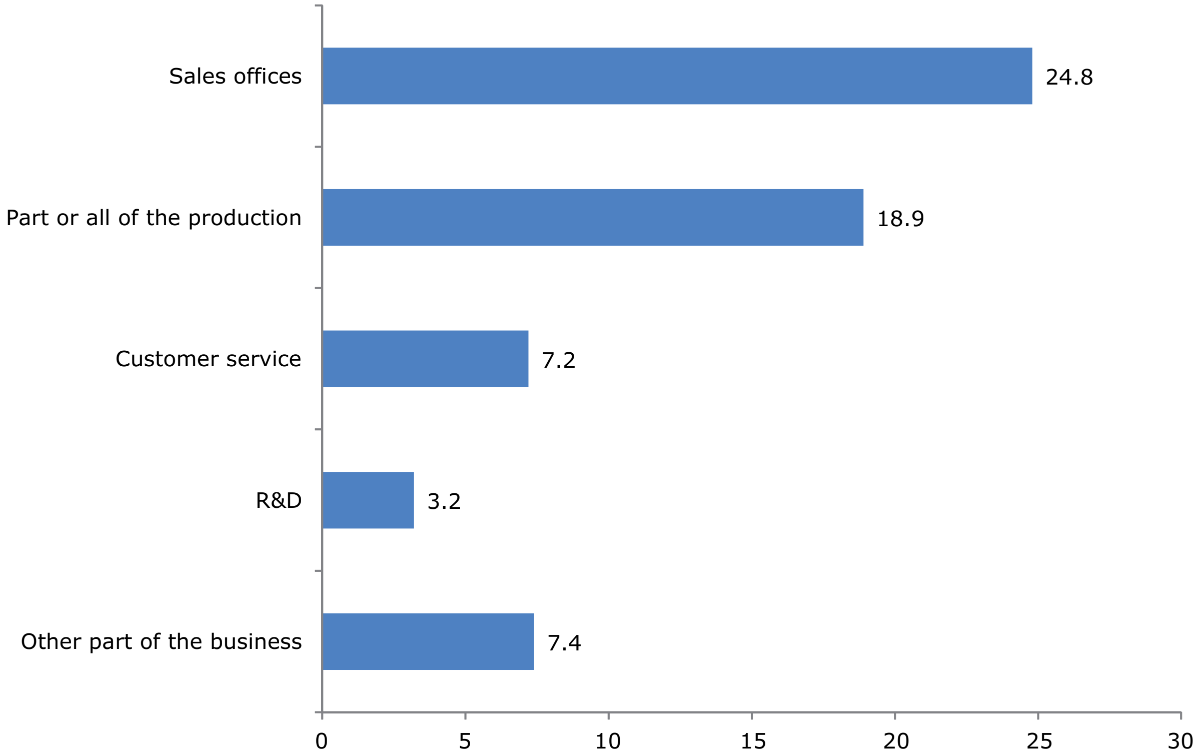
A few general attributes have been studied by Statistics Sweden regarding offshoring in Swedish companies. According to Hagsten and Svanberg (2006), being an offshorer means that the company has higher labour productivity. In general, offshoring companies that work in the service sector have a higher percentage of employees with post-secondary education than those in non-offshoring companies within the same sector.

According to Tillväxtverket (2012b), one in four Swedish is internationalised. The concept of internationalisation encompasses several dimensions by which a company can be considered internationalised:

- exports and/or imports of goods and services;
- branch of a foreign company;
- engaged in cross-border collaboration;
- having some part of its operations localised abroad.

In this report based on a survey of SMEs, 19% of medium-sized enterprises (50–249 employees) declared they had established business abroad (defined as sales, customer service, production, R&D or other business). Unfortunately, SMEs with less than 50 employees were not asked this question (Tillväxtverket, 2012b). The most common answer among the medium-sized companies was that they had sales offices abroad (Figure 5).

Figure 5: *Internationalisation of medium-sized enterprises (%)*



Note: Respondents could choose several alternatives.
Source: *Tillväxtverket (2012b)*

According to Hagsten and Svanberg (2006), a small open economy such as Sweden could not be expected to gain hugely from offshoring. This is because Sweden is already used to international trade and has strict labour market regulations and high taxes. But despite these hindrances, the study did find positive effects of offshoring. Unfortunately, the study does not say much specifically about SMEs and the effects on them. In 2004, the largest proportion of intermediate goods offshorers was SMEs with 1–20 employees while larger companies offshored services to a higher extent (Table 4). However, SMEs did not seem to account for much of the value added in the offshorer share.

Table 4: *Size of offshores in 2004 (%)*

Number of employees	Share of companies offshoring		Offshorer share of total value added	
	Services	Intermediate goods	Services	Intermediate goods
1–5	10.1	47.2	0.2	2.1
5–20	18.5	29.7	1.0	6.3
21–50	16.5	11.6	1.5	7.1
50–500	41.5	10.2	23.65	31.9
>500	13.3	1.2	73.71	52.5

Note: Unlike the offshoring of goods, data on the offshoring of services are based on an international trade sample of 4,600 companies.
Source: *Hagsten and Svanberg (2006)*

Bankruptcy/closure

In Sweden a majority of companies survive their first three years. Almost 44,000 enterprises were created in 2005 but, by 2008, almost 14,000 (32%) had closed (Table 5). However, there is a difference in sector closure/survival rates. Of companies established in the industrial sector in 2005, 27% were not active in 2008. The death rate of businesses in service industry was higher at 33%. However, there are no data on the size of new enterprises though most companies start out as SMEs with fewer than 250 employees.

Table 5: *Death rate of enterprises*

	Number of new enterprises in 2005	Number still active in 2008	Percentage of deaths
Industry sector	7,999	5,830	27.1
Service sector	35,933	23,966	33.3
Total	**43,923**	**29,796**	**32.2**

Source: *Ekonomifakta (2012)*

The majority of companies going bankrupt in Sweden between 2009 and 2011 had no employees and most bankruptcies occurred in smaller enterprises (Table 6) (SCB, 2012). However, companies with no employees have the lowest bankruptcy share followed by companies with 50 or more employees. The highest share of bankruptcies occurred in companies with 5–9 and 10–19 employees.

Table 6: *Bankruptcy by company size and year*

Number of employees	2009	2010	2011	Total	% of total number of companies
0	3,973	4,203	3,777	11,953	0.5
1–4	2,477	2,159	2,356	6,992	1.3
5–9	774	685	667	2,126	1.6
10–19	431	318	282	1,031	1.3
20–49	215	145	118	478	1.3
50+	52	36	29	117	0.6
Total	**7,870**	**7,510**	**7,200**		

Source: *SCB (2012) plus author's own data preparation*

Small companies are more vulnerable than large ones. Schrör (2007) found that a majority of enterprises that died in Sweden in 2003 were small ones. Only 10% of enterprises that died in 2003 had 20 or more employees. Sweden has a higher number of enterprise deaths compared with the average of 19 European countries in the study.[2] Sweden was one of six countries that had over 70% of enterprise deaths in companies with 0–4 employees.

Merger/acquisition

There is little literature on merger activities in Swedish SMEs.

[2] The countries in the study were the Czech Republic, Denmark, Estonia, Finland, Hungary, Italy, Latvia, Lithuania, Luxembourg, The Netherlands, Norway, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland and the UK.

Internal restructuring

Internal restructuring can consist of many different restructuring activities, be implemented for many reasons and lead to various effects. A financial crisis can be one of the triggers for internal restructuring and is discussed further elsewhere in this report.

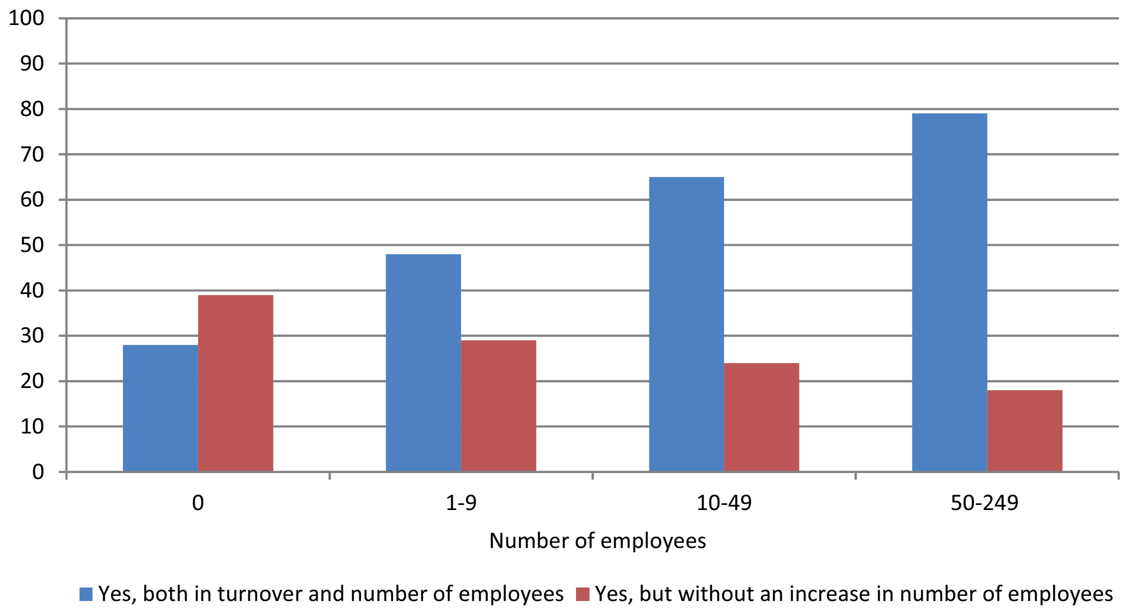
Internal restructuring can be due to business transfers or successions. Forecasts from the Swedish Federation of Business Owners (*Företagarna*) have assessed that over 40% of the SME owners want to sell/leave their enterprises within ten years, which will create a need for restructuring. The methods used for this are generation shifts and sale of the company to employees, individuals outside the company or other companies.

See also Swedish case studies for examples of internal restructuring due to the financial crisis (Ödeshögs Mekaniska), internal conflict related to an acquisition (Cordovan) and due to corporate reconstruction.

Business expansion

A willingness to expand the business both in number of employees and turnover seems to be common in Swedish SMEs. According to a survey by Tillväxtverket (2011b), over 50% of 18,000 respondents from Swedish SMEs were interested, given the opportunity, in expanding in terms of employees and turnover. This is in contrast to the 17% of respondents who said they were not interested. Almost 30% were interested in expanding turnover without an expansion in employees. Tillväxtverket investigated the trends and concluded that the willingness to grow had been high and stable for the past few years. About three quarters (77%) responded they would like to expand their business in surveys conducted in 2005, 2008 and 2011 with roughly 19,000 respondents answering the inquiry (Tillväxtverket, 2011a). The larger the company, the more willing it seems to be to expand (Figure 6). In addition, the larger the company, the more willing it is to expand both in terms of turnover and number of employees.

Figure 6: *Share of companies wishing to expand their business (%)*



Source: *Tillväxtverket (2011a)*

Employment in established SMEs in the EU27 countries increased most in Belgium, Slovenia and Sweden between 2004 and 2008. However, Sweden is one of the countries where employment in the micro enterprise sector actually declined during the same period yet job growth was more than proportionate to their employment share in SMEs (De Kok, 2011). Much emphasis has been given in Sweden to promote the formation of new companies. This is important but it is equally important to ensure that existing viable businesses continue to grow (Tillväxtverket, 2011c).

Drivers of restructuring

There are several explanations and theories concerning the influences on restructuring in SMEs. SMEs account for an increasing part of employment in Sweden (at the moment 60%). According to Statistics Sweden (2008), the driving forces for this trend are:

- increased global competition;
- the continued expansion of the service sector;
- an increased focus on innovation and knowledge-based economy;
- technological developments that encourage flexible, small-scale production technology.

Other drivers for restructuring include innovative leadership where Sweden has been observed to be well above the EU27 average (Wymenga et al, 2011). In addition, the economic crisis led to restructuring in many SMEs after the financial crisis in 2008.

Increased competition

Increasing competition can trigger expansion but also challenge SMEs, causing internal restructuring or even making them go bankrupt. According to a national survey, an increase in competition has been perceived by Swedish SMEs (Tillväxtverket, 2011b). Over 40% of the survey respondents agreed that competition from companies within Sweden had increased over the past five years. Almost 17% indicated that competition had increased from foreign countries during the same period.

Competition from other companies is the biggest growth obstacle for medium-sized companies.

EU membership has also been a trigger for restructuring since this has opened up competition on the market and international competition has become something SMEs have to cope with on a daily basis (Aritake-Wild, 2008; Tillväxtverket, 2011a). Tillväxtverket (2012b) found that a high proportion of internationalised SMEs were positive about the future and 85% reported a high willingness to grow.

Innovation

In the annual report on EU SMEs 2010/2011, Sweden was categorised as an innovative leader (Wymenga et al, 2011). The report also concluded that innovation is crucial as it allows SMEs to recover faster from adverse shocks such as recessions and financial crisis. This could explain why Swedish enterprises handled the financial crisis relatively well even though it was the trigger for restructuring in many companies. In Sweden, there has also been significant emphasis on creating conditions for innovation-led growth (Schwab, 2011).

Continued expansion of the service sector

In Sweden, out of almost 44,000 new enterprises in 2005, 36,000 were created within the service sector, demonstrating that this sector seems to attract and create new business ideas (Ekonomifakta, 2012) According to Statistics Sweden, the continued expansion of the service sector is one of the greatest drivers for restructuring as the sectoral development ‘forces’ individual companies to adjust (for example, to competitive and demand trends) (SCB, 2008).

Economic crisis

During 2008 the recession caused by the financial crisis hit Sweden. Increased globalisation and company interdependence resulted in a chain reaction for all companies – small, medium and large. Declining demand in one company led to declining demand for its subcontractors and so on. In December 2008, a survey of more than 1,700 SME owners found that 20% had already felt the crisis since sales were falling and they had suffered a lack of capital due to increasing caution by the banks. Two out of five said they believed they would become very affected by the crisis and 49% answered they would take necessary measures to deal with the recession such as reducing staff, cutting costs and stopping investments (Företagarförbundet, 2008).

For many small businesses in Sweden orders went down and the situation was very unstable and uncertain for a period. Sectors were affected differently, resulting in differing levels of dismissals. Data on announced redundancies per month during 2007–2009 show that there were 5,000 redundancies in July 2008 but by November 2008 the number had increased to 20,000 (Arbetsförmedlingen, 2012).

Demographic change

The demographic trend towards an ageing population is a central and common challenge that Sweden shares with many countries (Tillväxtverket, 2011a). In recent years the problem of skill supply has often been linked to the massive generation shift that is expected to result when the large group of Swedish workers born in the 1940s reach retirement age. Forecasts show that a large proportion of the working population will retire within the next few years. This can cause problems since there are no strategies, methods and tools to handle this change.

The demographic change towards an older population is a driver for restructuring within companies, small, medium as well as large. One important issue is that the authorities, companies and other actors need to work together for a better match between supply and demand for labour in Sweden (Tillväxtverket, 2012c).

In 1997, 65% of men aged 55–64 years old and 60% of women were employed. In 2008 that number had increased by more than five percentage points for both men and women. This means that the Swedish economy is quite dependent on older workers and it will be a challenge when this group retires.

In a European perspective employment among people aged 55–65 in Sweden is much higher compared with the EU27 average. In Sweden employment among this age group is roughly ten percentage points higher than the EU average (Bergström, 2009b).

Changed/refined organisational structure within Swedish enterprise

One trend seen recently in the Swedish enterprise structure is that the SME proportion has grown rapidly. Some claim the growing number of Swedish SMEs is a general trend while others assert that the increasing number of SMEs is a result of a gradual shift towards smaller production units rather than an independent trend shift. Another explanation given for the changing Swedish enterprise structure is that companies are refining their business and, in doing so, are changing their organisational structure towards more outsourcing. For instance, this can be done by purchasing support services and outsourcing part of their production from other companies (SCB, 2008). One example could be the increasing number of IT-support and cloud service companies that are growing fast in terms of turnover and employees due to increasing demand (Wallstrom, 2009).

Will to increase effectiveness

According to an IDC market research report, the financial crisis was a contributing factor for the intensification in outsourcing seen today as it led to an increase in the number of companies reviewing their IT budgets to identify savings. Often it is the medium-sized enterprises in Sweden that outsource their management of e-mail and business system. The actual saving, however, is not the trigger for outsourcing but is instead explained by the company's desire to increase effectiveness (Molin et al, 2011).

Increased value added in larger companies

Value added per employee increases with company size. Statistics Sweden found that in 2008 large companies had a value added per employee of SEK 635,000 (€70,550). For medium-sized companies value added per employee was SEK 548,000 (€60,890) and for small sized ones it was SEK 470,000 (€52,220). The trend is similar at EU level and perhaps could have created a driver for restructuring and investment in a growing number of employees (SCB, 2008). One explanation for the differences between the size categories could be that larger companies have an advantage in economies of scale which can trigger restructuring.

Distinctive characteristics of restructuring in SMEs

Anticipation, planning and preparation of restructuring events

Organisations change every day and for the most part this change is unplanned and gradual. Our knowledge about how organisational change is planned and implemented is limited (Burke, 2011). Since there are a number of different restructuring events, it is difficult to see one simple pattern for anticipation, planning and preparation in SMEs. When it comes to offshoring it is easier to see general plans for this type of event than it is to find general patterns for internal restructuring or business expansion. However, one common mistake made when SMEs restructure through internationalisation or offshoring is that they enter too many markets at once instead of planning and focusing on what is the most suitable (Exportrådet, 2012)

In the Swedish case studies with companies that had to give notices to employees, experiences differ regarding anticipation, planning and preparation (see case studies Cordovan and Ödeshögs Mekaniska). However, both companies concluded they had waited too long before starting the process. In the case study from Trosa Tryckeri, the company was about to go bankrupt but to avoid this they entered a company reconstruction. The company's strategy and planning worked and it survived. According to the reconstruction manager, the company had started the reconstruction right on time. Something very rare, according to him, since most SMEs believe they will find another solution and wait too long before restructuring. However, there are no data as to whether this is a general attribute for SMEs going through internal restructuring and cutting personnel.

Managing restructuring

As mentioned previously, restructuring is accepted as a normal and fundamental process in Sweden. Therefore there are also plenty of measures to support workers. For example, these are transition agencies (job security councils) offering outplacement services to dismissed workers (Bergström, 2009a). Social partners have a lot of responsibility in the management of restructuring but much support is provided by different agencies. Examples of agencies managing restructuring include (Eurofound EMCC, 2012):

- Trygghetsrådet TRR – white-collar workers in the private sector;
- Trygghetsstiftelsen TSN – state employees;
- TSL Trygghetsfonden – blue-collar workers in the private sector;
- Trygghetsrådet TRS – performing arts;
- Trygghetsrådet Fastigo;
- KFS-företagens Trygghetsfond;
- Trygghetsfonden BAO/Finansförbundet;
- Trygghets- och AGE-fond för KFO Tjänstemän;
- TFL Trygghetsfonden Fastigo-LO;
- Job Security Foundation 2005.

There is no literature on private support for SMEs to manage restructuring.

During restructuring, which includes dismissals, support activities are usually initiated by some form of counselling or advisory seminar to determine the state of the person as well as to inform them of what lies ahead. After these initial activities further measures are taken in the form of education, personal development activities or support in starting a new business. The measures provided are flexible and activities are usually tailored to the needs of the individual, according to their qualifications, professional interests and personal preferences. The support is usually provided for a period of six to eight months (Eurofound EMCC, 2012).

One example is the Job Security Council (*Trygghetsrådet*), which can assist companies facing restructuring or rather those employees about to be redundant. The Job Security Council offers advice, training, matching, start-up support and income support for workers. Social partners are involved and make sure through collective agreements that there are measures available to support workers' transition to new jobs in more productive industries (Eurofound, 2011).

When a company is facing restructuring or a change, a labour consultant (*Arbetstagarkonsult*) can be hired to analyse the situation and provide a second opinion on the proposed change. This provides a possibility for trade unions, works councils or social partners to obtain an independent analysis on the situation within the company. By using this service workers can get support in assessing the situation, managing the restructuring and/or perhaps finding alternative solutions. The labour consultant can also support the union representative in explaining why certain measures are necessary.[3]

Despite the many public agencies and councils that support SMEs in restructuring not much research literature has been produced in this field. There are therefore no evaluations of the effectiveness of these measures to manage restructuring.

Involved actors

The most involved actors in restructuring are often the board of the company and the owner. Other actors include trade union representatives and employer association representatives. Workers are also commonly involved in decisions made during restructuring processes.

Traditionally Sweden has had a high participation in trade unions compared with other countries within the EU and worldwide. Even though the number of members of Swedish trade unions has declined, the connection density in 2010 was 71% (Kjellberg, 2012). One reason for this is the key role played by trade union representatives in the management of social security measurements. The terms of employment in the Swedish model are characterised by strong and influential social partners. These actors are involved in managing collective agreements at all levels and influence the design of regulatory mechanisms for the labour market (Aritake-Wild, 2008). Social partners have a major influence on employees and employment contracts, and in times of restructuring, they usually become involved in representing the employees. This is common in SMEs even though little literature exists on the matter; all three Swedish case studies mention the presence of trade union representatives.

Swedish labour legislation is relatively restrictive compared with other European countries. However, this is compensated for by the active roles played by the social partners who have the possibility of negotiating improvements above the legal minimum level through collective agreements. Over 90% of Swedish employees are affected by different

[3] http://www.atk.se/arbetstagarkonsultation/den-privata-sektorn/att-anlita-en-arbetstagarkonsult.html

collective agreements (Kjellberg, 2012). This also makes social partners powerful in times of restructuring where employees turn to their trade union representatives for advice and counselling. The main social partners for employees are:

- Swedish Trade Unions Confederation (*Landsorganisationen*, LO);
- Swedish Confederation of Professional Employees (*Tjänstemännens Centrala Organisation*, TCO);
- Swedish Confederation of Professional Associations (*Sveriges Akademikers Centralorganisation*, SACO).

Over 3.3 million employees are members of these unions.

Employer associations are also often used as support for SMEs during restructuring events. *Företagarna and Svensk industriförening* (Sinf) are the national employer associations that mainly represent SMEs. During restructuring events employers can turn to them to obtain counselling on legislation and practical legal advice regarding employment and restructuring.

The negotiation collaboration tradition, which is the result of the restrictive labour legislation and the recurrent contract negotiations between social partners and employer associations, has resulted in innovative and original solutions and methods when it comes to dismissals. For instance, employment safety funds and councils have been created to support employees during transition periods between jobs. This is discussed further in the chapter on public support.

Main challenges and constraints facing SMEs in restructuring

Tillväxtverket (2011a) identified the largest obstacles to growth and business expansion from a survey of over 19,000 SMEs (Table 7). One interesting aspect is that slightly larger small enterprises with 10–49 employees were the ones experiencing major barriers to growth – access to suitable labour but also regulations and capacity in present premises. Businesses with 10–49 employees also had a higher willingness to grow.

Table 7: *Major obstacles to development and growth by enterprise size (%)*

	0 employees	1–9 employees	10–49 employees	50–249 employees
Competition from other companies	18.5	22.8	32.0	41.9
Lack of demand	8.6	8.0	9.7	13.3
Company's profitability	13.9	14.0	13.9	13.4
Access to credits and loans	9.1	11.7	14.2	12.1
Access to external equity capital	8.5	9.4	10.0	5.8
Access to suitable labour	15.0	24.6	33.0	26.8
Access to infrastructure	4.2	3.7	5.8	6.6
Capacity in present premises	6.1	9.0	13.1	12.4
Lack of own time	29.4	31.0	26.4	*

* Lack of own time was not included in the alternatives given to the SMEs.
Source: *Tillväxtverket (2011a)*

According to a third of Swedish SMEs, rules governing employment are a major obstacle to development and growth (Tillväxtverket, 2011b). The smallest companies highlighted the lack of their own time as the largest obstacle, while for enterprises with 10–49 employees, lack of suitable labour was the biggest limitation. For medium-sized enterprises, competition from other companies was the biggest growth obstacle (Tillväxtverket, 2011a).

Table 8 compares the main obstacles to growth within small enterprises reported in the 2011 and 2088 Tillväxtverket surveys. Over 30% responded that 'lack of own time' was a major obstacle in 2011 and in 2008. 'Rules and regulations' and 'access to suitable labour', however, became less of a hindrance for growth; the proportion of small enterprises identifying 'rules and regulations' as a major obstacle fell from 30% in 2008 to 22% in 2011, while 'access to suitable labour' as a major obstacle also decreased by almost seven percentage points from 27.1% to 20.3% between 2008 and 2011 (Tillväxtverket, 2011a). Yet these obstacles were indicated to be a great hindrance by one in five SMEs and this is one area where authorities have the power to simplify the structure in order to reduce the constraints on SME growth (Tillväxtverket, 2011a).

Table 8: *Major obstacles to growth (%)*

	2008	2011	Difference
Competition from other companies	18.5	21.0	-2.5
Lack of demand	7.7	8.1	+0.4
Company's profitability	15.5	14.1	-1.4
Access to credits and loans	8.9	10.3	+1.4
Access to external equity capital	9.7	8.9	-0.8
Access to suitable labour	27.1	20.3	-6.8
Lack of own time	33.7	30.3	-3.4
Rules and regulations	30.0	22.0	-8

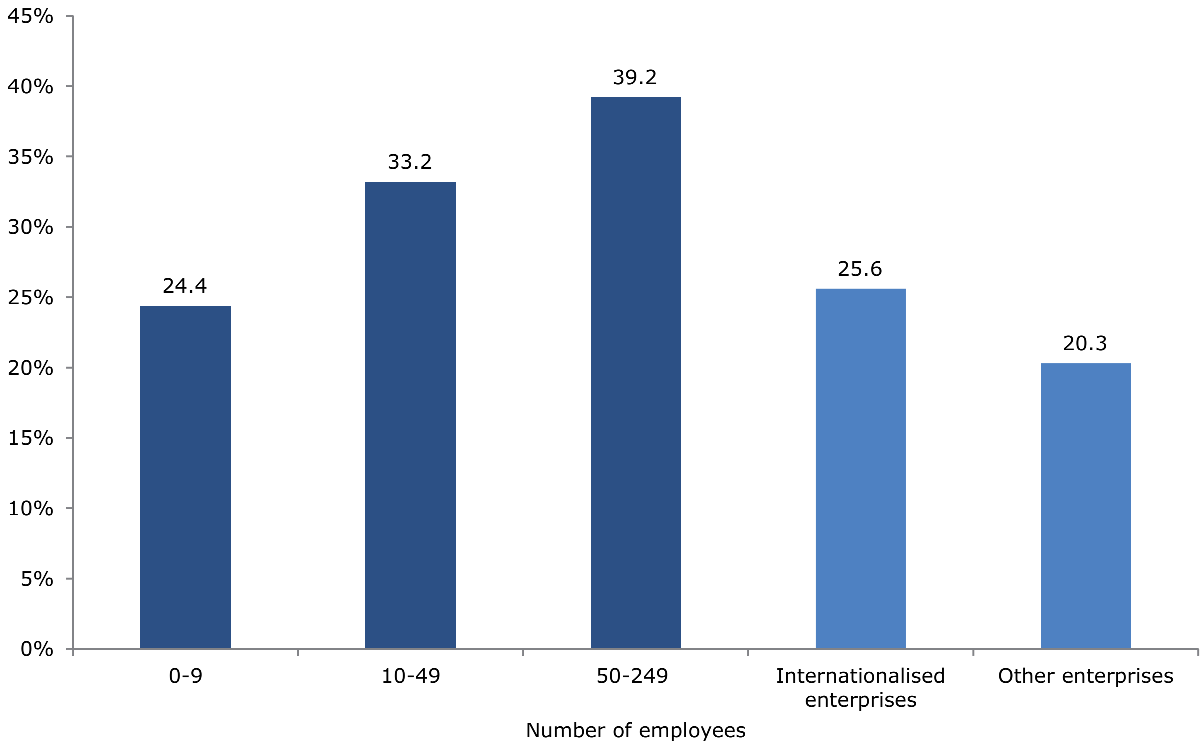
Source: *Tillväxtverket (2011a)*

The GEM Consortium interviewed national experts to obtain their view of business conditions within their countries (GEM, 2011). The results showed Sweden was relatively weak in terms of bureaucracy, regulations and taxation – factors that can be challenges for restructuring. For instance, bureaucracy can be a constraint since it can complicate acquisitions/mergers or business expansion. Complicated bureaucracy can also make it difficult for someone to take over a business that is closing down. Regulations on health insurance have also been criticised for making it difficult for one-person companies since the rules are constructed for employees and not for self-employed entrepreneurs. This has been a challenge for SMEs and has been criticised for causing unnecessary business closures (Företagarna, 2011). In addition, regulations on employment security make SMEs less flexible when going through internal restructuring (see Swedish case studies, Cordovan and Ödeshögs Mekaniska).

Another relative weakness for Swedish business conditions was found to be education and competence. This can be a constraint since many SMEs, in research undertaken by Tillväxtverket, claim lack of skilled workers/competence supply as a hindrance for business expansion.

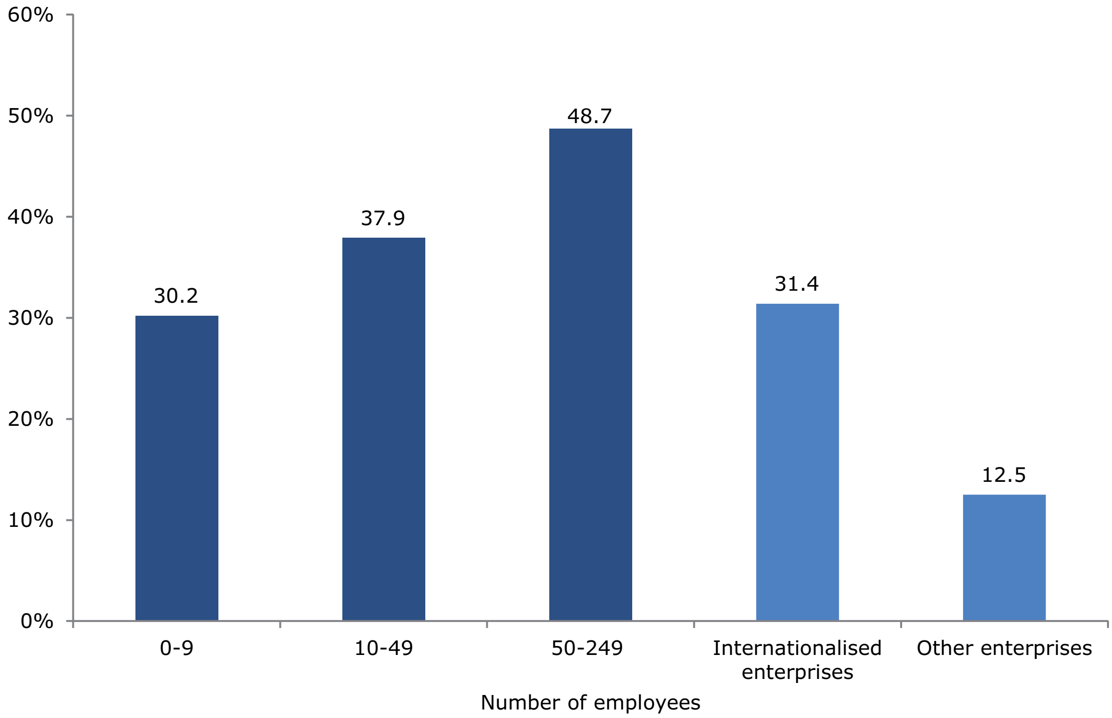
It is easier to find methods to study obstacles to growth in SMEs than it is to identify general trends in internal restructuring. One reason for this is that SMEs are very heterogeneous and it is therefore difficult to give general indicators. However, a few trends have been observed regarding restructuring events including internationalisation. Competition from Swedish as well as foreign companies seems to be a greater obstacle for company development for internationalised Swedish SMEs than for non-internationalised SMEs (Figures 7 and 8). Of internationalised SMEs, over 30% responded that competition from foreign companies was a major obstacle to development whereas only 13% of non-internationalised SMEs indicated this to be a major obstacle (Figure 8).

Figure 7: *Competition as a major hindrance for development and growth (%)*



Source: *Tillväxtverket, 2012:0408*

Figure 8: *Competition from foreign companies as a major hindrance for development and growth (%)*



Source: *Tillväxtverket, 2012:0408*

In studies of restructuring, it is argued that Swedish law concerning employment security protects older employees at the expense of younger ones. Critical voices have been raised claiming this regulation is particularly ill-suited for large restructuring events including transition to new technologies where younger employees can have more key competences of benefit to the company than older employees (Aritake-Wild, 2008).

Trade union representatives are usually involved in restructuring with workforce reduction. Frequently, these representatives back up their arguments during negotiations with references to regulations such as the Swedish law on employment security. This is mentioned in the case study interviews as a strong regulatory measure governing employers' potentially biased decisions in restructuring processes. The law ensures a 'last in first out' system where employers cannot carry out large-scale dismissals according to their own personal agendas (see case study interviews for Cordovan and Ödeshögs Mekaniska).

The financial crisis struck many SMEs hard and many suffered negative impacts on turnover, production and number of employees. SMEs usually have less access to capital during these periods and can find it hard to identify potential investors and obtain access to loans and credit from banks. They can also find it difficult to receive understanding from clients in times of restructuring when it can be difficult to deliver on time (see Swedish case study Trosa tryckeri).

Business support from public and private sources

Practically all developed economies use taxpayers' money to offer either free or subsidised assistance to small business, the self-employed or to potential small business owners. At times this assistance takes the form of direct financial payments as subsidies to increase investment in human or physical capital. In other cases, support takes the form of free or subsidised advisory services in starting or developing a small business, exporting or the use of new technology (Storey, 1998).

The public actors in Sweden at national, regional and local level can promote business development in the short term but can also be aware of, understand and be prepared for future development. To make public policies as efficient as possible, Tillväxtverket identified obstacles as well as opportunities for SMEs based on its survey of over 19,000 SMEs (Tillväxtverket, 2011a). Sectors where the need for public support was acknowledged and fields where public support can generate improvements to simplify SMEs abilities are identified in the next section.

Supply

During the last recession the Swedish government introduced several targeted measures that affected SMEs, including increased access to capital for SMEs and tax reductions for specific sectors. The increasing demand for loans was due to the lack of liquidity experienced within SMEs. In December 2008, the government decided to provide Almi, the state-owned enterprise which provides loans to SMEs and for business start-ups, with SEK 2 billion (€194 million) (Almi, 2009). Almi's mission is to offer advice in three main areas – innovation, entrepreneurship and established business. Almi offers corporate loans, micro loans, financing for companies operating in international markets and tailored funding for innovators.

The total amount of loans granted by Almi increased during the recession. In 2008 the increase in total granted loans was 20% higher than the year before – from SEK 1.422 billion (€153 million) in 2007 to SEK 1.716 billion (€183 million) in 2008. In the first six months of 2008, granted loans increased by 9% and, in the second half of the year when the financial crisis began to affect Sweden, the increase was 40% compared with the year before. In 2009 loans increased even further to SEK3.2 billion (€345 million), which represents an increase of almost 90% on the year before (Almi, 2010).

There has been a shift from the traditional SME policy focus on providing entrepreneurs with skills, risk capital and expertise (so-called 'production factors') towards focusing more on incentives and opportunity-oriented measures. Opportunity-oriented measures include opening up possibilities for privatisation or tax relief for certain services such as house renovation or household services. In contrast to the social democratic government (1994–2006), the conservative government (2006 to the present) prefers a strategy that opens up many of the public sector monopolies to encourage entrepreneurship and thereby increase competition.

In 2011 the European Commission published the results of a two-year study by national experts on bankruptcy and second chances, concluding that in order to prevent more companies from closing their doors, 'government intervention is crucial and active assistance should be offered to entrepreneurs in financial difficulties' (European Commission, 2011, p. 7). According to the Commission's annual report on EU SMEs (2010/2011), the Swedish government had implemented new, temporary measures to encourage entrepreneurs to start a business again after bankruptcy by reducing the long-term risks involved in starting up businesses. The most successful initiative mentioned in the report was the 'Business Emergency Treatment' programme in the western region of Sweden, where entrepreneurs in financial distress can obtain advice and negotiation assistance (Wymenga et al, 2011). The Swedish government also made it possible for companies to have a 'tax payment holiday', which was helpful for many companies (Euractiv, 2011).

During the financial crisis in 2008, trade unions and workers agreed to a crisis pact with the effect that salaries were lowered and working hours reduced. Recently the government declared it wanted to investigate whether a so-called reduced working hour system could be introduced in Sweden in unprecedented economic crisis. Such a system would mean that employees temporarily reduced their working hours and wages when a crisis struck and demand was falling sharply. The system would be financed by three actors – employers, employees and the government. This has not been investigated sufficiently although a suggestion is that the government would give contributions in the form of credits against payroll taxes. The system would be implemented only under exceptional circumstances of the kind experienced in 2009 and when demanded by order of Parliament. Using this system would reduce redundancies and companies would avoid losing valuable competences and having to undertake expensive recruitments after the crisis (Dagens Nyheter, 2012).

During the crisis the government implemented measures worth nearly SEK 90 billion (€10 billion) to preserve jobs. These measurements included tax cuts for low and middle income earners, investments in infrastructure, and labour market training and education. According to the Department of Finance, the investments represented 65,000 saved jobs in 2010. Statements by trade unions and employers that they wish to see a more sustainable and long-term solution were welcomed by the government (Dagens Nyheter, 2012).

According to de Kok et al (2011), several measures were introduced before and during the crisis to encourage employers to retain their current employees and/or hire new ones. The publicly supported employment protection schemes included temporary short-time working arrangements, wage subsidies and non-wage cost reductions.

As described previously, several bodies work with restructuring processes in enterprises to make them easier to handle. One of them is the safety fund, Trygghetsfonden TSL, which supports blue-collar workers in the private sector who risk dismissal or have been made redundant. Since many industries undergo structural changes, Trygghetsfonden believes it is in their interest to provide support and contributions to the unemployment that occurs in this type of situations. By becoming a member of the organisation, companies have the opportunity to give support to their employees in the event of scarcity of work.[4] One of the Swedish case study companies used this support during restructuring (see case study at Ödeshögs mekaniska).

Trygghetsrådet (TRR) supports companies through the transition process in the event of redundancies by giving advice, and discussing and explaining different options for handling change. It also has a recruitment network in a number of professional categories and specialist areas where companies are looking for new staff during business expansion.[5]

Many restructuring events result in employees being made redundant and it is easy to become demoralised when losing employment. A number of measures can be taken to give these employees support after restructuring and to motivate them to find new jobs. The result for 2010 is that, of the employees included in a job security agreement, eight out of ten had solved their situation before the end of their term of notice. The ones that had not found a solution had the option to continue with support in their quest to find a new job.

To prevent SMEs making mistakes in choosing the wrong business strategy, the Swedish Trade Council (Exportrådet) supports businesses with plans to restructure and establish their business abroad. According to Tillväxtverket (2012b), many internationalised enterprises anticipate a bright future since 85% reported a high willingness to grow.

[4] Trygghetsfonden TSL website (**http://www.tsl.se**), 9 March 2012.

[5] Trygghetsrådets website (**http://www.trr.se**), 7 March 2012.

In recent years Tillväxtverket has focused more on acquisition possibilities in Sweden. On behalf of the government, it has completed a project to increase the opportunities for women to take over companies. The purpose was to facilitate and promote ownership change with women buyers to stimulate women entrepreneurship. Several workshops and seminars were held providing support services and mentorship to start-ups run by women. A national network of women ambassadors was created which has been a member of the European Network of Female Entrepreneurship Ambassadors since 2009. Because of this investment, Sweden is presented as an example of good practice in supporting entrepreneurship in SMEs according to the SBA overview (European Commission, 2011b; Tillväxtverket, 2011c).

Although still less common than in many other countries, there are a growing number of private relocation agencies in Sweden that can assist in managing domestic relocation. According to one of them, a domestic move can be as challenging as a move abroad. The reason given for this is that the Swedish public system (healthcare, schools and so on) has a different structure depending on location, city and regional levels. This means that the public services, lifestyles and culture vary.

Demand

The share of enterprises using publicly supported employment protection schemes during 2008–2010 in Sweden was 5% according to de Kok et al (2011).

Based on the results from a survey from Tillväxtverket, it is possible to identify areas where SMEs have indicated a demand for support. This applies to initiatives that promote:

- innovation;
- environmental work in small enterprises;
- internationalisation;
- skills supply;
- continuing efforts to simplify regulations;
- encouragement of different types of cooperation between companies;
- access to capital – initiatives targeting certain sectors and groups.

According to an enterprise survey from 2010 on SMEs and the EU labour market, only 5% of enterprises in Sweden used publicly supported employment protection schemes during the period after the crisis. This is considered a small proportion compared with many other EU countries. According to de Kok et al (2011), many of these measures were introduced or expanded as a reaction to the crisis.

Outcome of restructuring events

Organisational effects

SMEs are getting more internationalised (that is, having a branch in a foreign country, being engaged in cross-border collaboration, having some part of its operation localised abroad or conducting imports/exports) due to increasing globalisation and a more open market resulting from membership of the European Union. A recent report by Tillväxtverket (2012b) on internationalisation in SMEs stated that:

- more SMEs are entering the international arena due to increasing globalisation;
- a quarter of Swedish SMEs are internationalised today.

Besides expanding to new markets, internationalisation can also result in new business and learning possibilities which can be an important source of long-term competition. In the short term, establishment in the international arena can contribute to a larger market for the company as well as an increase in employees, and it can also generate growth at home. Internationalisation and innovation go hand in hand and internationalised SMEs consider themselves more innovative than non-internationalised enterprises, regardless of their business activity. However, it is unclear whether the higher level of innovation is due to internationalisation or if they were innovative before entering the international arena. A further result of internationalisation is that many companies use the internet to a greater extent than non-internationalised companies (Tillväxtverket, 2012b).

The Swedish case study interviews concluded that restructuring has had a positive outcome on the companies. Where notices were given the process was difficult. However, it did generate awareness and involvement among employees and better strategies for employers (see Cordovan and Ödeshögs Mekaniska case studies).

Compared with other European countries, Sweden is positioned in the middle in terms of the proportion of job losses as a result of offshoring; in 2006, 14.6% of job losses in Sweden were due to offshoring[6] (Aritake-Wild, 2008).

Tillväxtverket assesses the chances of survival for the first five years as being better for a company with a new owner than for a newly formed company.

Effects on employees

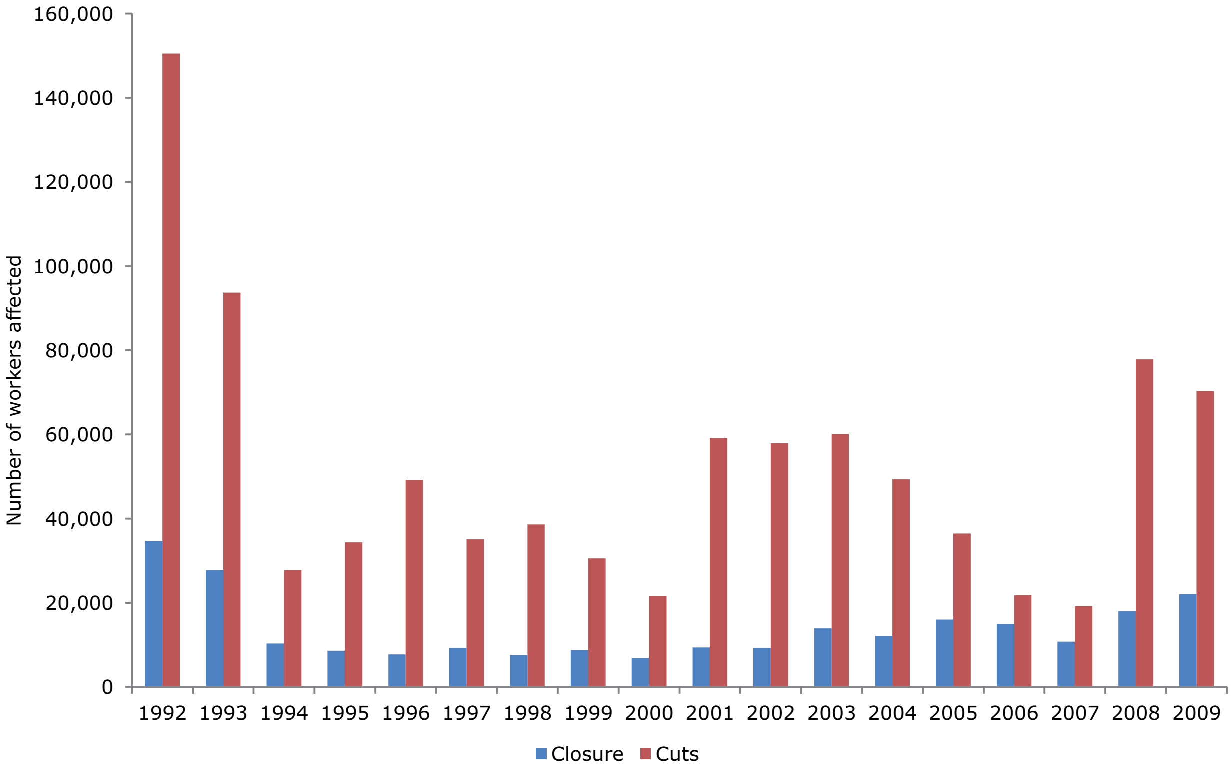
SMEs in Sweden had an average annual employment growth rate of 1.6% between 2002 and 2010. However, it is difficult to determine how many employees have been made redundant or recruited due to specific restructuring events since SMEs are not in general studied as much as larger enterprises. Neither do they report reasons for giving notice or recruiting someone to any specific agency collecting these data.

In the Swedish case studies, employees stated that the outcome of restructuring had been positive. For many of the employees who did experience internal restructuring resulting in notices, the restructuring process was hard. High uncertainty generated a poor working atmosphere. After restructuring the workforce is more aware of the company's vulnerability but were more involved in its development (see case study interviews, Cordovan and Ödeshögs Mekaniska).

[6] There are no data on the size of offshoring enterprises.

The announced redundancies between 1990 and 2009 peaked in the early 1990s and more recently in 2008–2009 as a consequence of the recession hitting Swedish enterprises (Figure 9). The recession in 1992 resulted in over twice as many closures compared with the recession in 2008.

Figure 9: *Announcement of redundancies, 1992 to August 2009*



Note: There are no data on the size of the enterprises announcing redundancies.
Source: *Bergström (2009b)*

One internal restructuring measure is to cut jobs when demand and production decrease. Figure 9 shows that more employees were affected by internal restructuring causing workforce reductions between 1992 and 2009 than by company closure. Just before the financial crisis the number of cuts was very low but increased drastically after 2008 when the recession hit Sweden, causing internal restructuring in many enterprises as a result of lower demand. Data show a drastic increase in redundancies in the manufacturing sector – the most affected sector during the recession in 2008 as well as in the early 1990s (Bergström 2009b).

Conclusions and policy issues

Even though SMEs constitute 99.9% of the companies in Sweden, not much literature on restructuring focuses purely on SMEs. Instead most studies concern restructuring in general.

Restructuring is accepted as a common and fundamental process in Sweden. One explanation offered in the literature is that central collective agreements keep wages at a high level and social partners prefer not to compete by lowering wages during recessions or when production is low. Instead when production goes down employees are made redundant. Furthermore, small open economies like Sweden are, to a high degree, vulnerable to international fluctuations. Increasing international competition, economic liberalisation and technological developments have therefore characterised the rapid restructuring in the Swedish economy.

For specific types of restructuring, the one most covered in the literature is offshoring. Studies show that Sweden is positioned in the middle in terms of the proportion of job losses compared with other European countries. However, literature on offshoring in SMEs specifically is difficult to find. Also, there is little literature on the subject of relocation and merger activities in Sweden, especially within SMEs.

The literature review also shows that restructuring with job loss consequences in Sweden are to a greater extent caused by cutbacks rather than created by bankruptcy, enterprise closure or acquisitions. This may explain the lack of literature on these types of restructuring.

A willingness to expand the business both in number of employees and in total turnover in Swedish SMEs seems to be common. In a survey with 19,000 SMEs, only 16.7% responded they were not interested in expanding either the number of employees or their turnover even if such an opportunity arose (Tillväxtverket, 2011a). Another finding of the literature review is that the larger the SME, the more willing it is to expand both in terms of turnover and number of employees.

The literature review shows that the main driving forces for restructuring in Swedish SMEs seem to be:

- increased global competition;
- entrepreneurship;
- innovation;
- continued expansion of the service sector;
- financial crisis/business cycles;
- demographic change;
- increased value per employee in larger companies;
- an increased focus on innovation and knowledge-based economy and technological development that encourages flexible, small-scale production technology.

Despite a number of measures aiming at supporting workers and companies in restructuring, there is little literature on the use by SMEs of public or private support in managing restructuring. Measures to manage restructuring in SMEs are mainly public ones and include several independent institutes offering prognoses and evaluations of future changes, providing information in order to simplify the anticipation and preparation for restructuring. There are also several measures offered to support workers when managing the restructuring. These include transition/restructuring agencies supporting workers' transition to new jobs, job security councils and safety funds offering support services to dismissed workers as well as companies with plans to restructure their business. Nevertheless, it seems that micro, small and sole trader businesses in Sweden still make relatively little use of the services available to them.

Involved actors in SME restructuring are often the board of the company and the owner; other actors present are trade union representatives (see Swedish case studies, Cordovan and Ödeshögs Mekaniska) and employer association representatives. Workers are also commonly involved in decisions made during restructuring processes in Sweden. This co-determination is, according to the literature, an important mechanism when it comes to planning and preparations for restructuring.

Swedish SMEs are a very large and heterogeneous group and therefore information on general outcomes from restructuring is hard to compile. It is easier to find methods for studying obstacles to growth than it is to find general trends on restructuring. However, surveys conclude that 85% of internationalised SMEs report a high willingness to grow compared with 75% in small enterprises in general. Meanwhile, internationalisation can become a challenge since offshoring and relocation events in SMEs create a greater vulnerability to global financial fluctuations. The financial crisis triggered internal restructuring for many SMEs and this has been hard and expensive for many enterprises. Competition from Swedish as well as foreign companies also seems to be a greater obstacle for company development for internationalised Swedish SMEs than for non-internationalised ones. As to challenges, rules on employment are a common hindrance and, according to a third of Swedish SMEs, are a major obstacle towards the goal of achieving development and growth.

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