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Sweden is a Nesting Ground for Young Start-up Entrepreneurs

James Whyte

Abstract

This paper explores the business climate in Sweden and the recent steps Sweden has made to make their country an attractive place for young international entrepreneurs to begin their careers. Through an examination of Sweden's laws, labour force, education system and culture (supported by first-hand testimonials), the author builds a convincing case that places Sweden as an international leader in entrepreneurial thinking and policy and a favourable climate for first time start-ups.

Introduction

With globalization being highly prominent in the world today, business can be conducted easily by virtually any individual from any country. A facet of modern day business is entrepreneurship. Although the concept and study of entrepreneurship has been around for decades, it has grown in understanding and has been redefined from "active risk taking" in the 19th Century to "the discovery and exploitation of profitable business opportunities" in the 21st Century (Wickham, 2006, pg 17).

The global economic growth rate during the Roman Empire era following up to the Industrial Revolution was virtually 0%. It was power, war and politics that defined a society. Since the Industrial Revolution, however, economic growth has been exponentially spiking. This indicates the importance of innovation. Global society has been moving towards the growth of small businesses as they foster innovations and inventions – created by inventors and entrepreneurs. Although large companies possess all of the resources to develop ideas and refine them, they often are not the ones who create them.

Sweden is a nation that has not been primarily focused on promoting entrepreneurship in the past however, has recently taken enormous steps to promote entrepreneurial activity. The Swedish laws and regulations, their labour market, their education system and their culture are pertinent factors that contribute to making Sweden a

prosperous and attractive country for students from around the world to become successful start-up entrepreneurs.

Swedish Laws and Regulations

Sweden is a developed industrial country, which allows it to offer top quality opportunities to business enterprises. An entrepreneur looks for a business setting where entering the market is simple but, more importantly, remaining and prospering in the long run as well. First time start-up entrepreneurs do not have much 'real world' experience and to begin their venture in a country that has little complications allows for a favourable business climate.

Sweden's public administration is accessible, efficient and service minded. In addition, the country's first class infrastructure guarantees fast transportation and efficient use of time which all contribute to helping run a business trouble-free (Ernst & Young, 2005, pg 1).

Recent laws and regulations have been created to allow easier start-up businesses in Sweden as "an entrepreneur is a key determinant to business growth and success." (Box, 2005, pg 33) Since 1992, overseas citizens or companies may run a business in Sweden without first having to obtain authorization (Ernst & Young, 2005, pg 2). There are five basic legal forms for business ventures in Sweden: Sole Trader (enkelt bolag), Trading Partnership (handelsbolag), Limited Partnership (kommanditbolag), Limited Liability Company (aktiebolag) and Branch of a Foreign Company (filial). There are different laws pending on the type of business; however, there are also particular rules and regulations that pertain to all five. All businesses in Sweden must comply with the Swedish Bookkeeping Act of 1999 called 'Bokföringslagen' or 'BL' (Ernst & Young, 2005, pg 7). A major advantage of starting any one of the five types of businesses in Sweden, in comparison to other industrialized countries, is that the corporate tax is one of the lowest in Europe – a nominal tax rate of

28%. Having a Limited Company, the nominal tax rate can be reduced to approximately 20% using profit allocations to Reserves (Ernst & Young, 2005, pg 9-10). Sweden has an enabling tax system meaning that having "lower business taxation can help stimulate business creation and enabling of investments for companies who want to grow" (Baumol, 2007). According to a new small business entrepreneur, Niclas Jinnestrand owner of TRYCKMAN 2.0:

Starting TRYCKMAN was easier than I expected. I received 8000 SEK (roughly \$1250 CAD) non-taxed a month from the government for the first 6 months to get me on my feet. It felt nice to be paid to try something I really wanted to do!

Sweden is looking towards the future. The government has been taking action, by promoting and investing in young start-up businesses, in order to keep the economy growing as the workforce is getting older and many will soon retire. "Sweden needs new – and growing – companies that provide new jobs. To achieve this, it must become more attractive and profitable to own, run and develop companies." (Confederation of Swedish Enterprise, 2006)

A German citizen on an international exchange in Sweden, Bartos Malcherek, attending Junketing International School, stated:

I had to start a business with 200 SEK (roughly \$30 CAD) and turn a profit in 6 weeks for a course project. I created an Events Planning company which was very easy to do and I made a profit of 15 000 SEK (roughly \$2340 CAD). I never knew being an entrepreneur could be so easy and fun at the same time!

Since the Swedish government is promoting entrepreneurship and small business start-ups, they are changing the way small businesses are viewed and have created incentives for people, especially students, to start up businesses in Sweden. Students that are in school and start up a business for class

requirements, are not subject to tax unless the revenue exceeds 20 000 SEK (roughly \$3100 CAD) in one year. This encourages schools to implement entrepreneurial education.

Sweden realizes that small businesses will be the future of the country's economic growth. Laws and regulations benefit young entrepreneurs to enter Sweden. "Institutional change and new policy have affected [business] structures." (Box, 2005, pg72) Sweden, not to mention its first class quality living standards, has a favourable business environment to easily start-up a company as well as maintaining profitability in the long run due to certain policies and laws regarding small businesses. Along with laws and regulations, Sweden's labour market favours entrepreneurship.

Sweden's Labour Market

Sweden, unlike many countries, strives for gender equality, which makes it possible to start a business no matter if the entrepreneur is male or female. "The overall objective of Sweden's gender equality policy is that women and men shall have equal power to shape society and their own lives." (Statistics Sweden, 2006) This enables business to function with fewer conflicts that might occur in a nation where gender equality is not enforced. In terms of population, Sweden is in 84th place among the world's 227 countries and has a literacy rate of 99 %. (Statistics Sweden, 2006) This depicts why Sweden has such a skilled labour force. Sweden's total labour force is approximately 75% of their total population with an unemployment rate of 5.6%. With such a low unemployment rate, Sweden is expected to have rapid economic growth in the next 10 years (Central Intelligence Agency, 2007). This creates an opening for international business start-up entrepreneurs to take advantage of. Small businesses which are "a more efficient form of organization" are growing in Sweden and are treated well as they are the current and future heart of the country's economy as 'the era of 'big' businesses is over.'" (Box, 2005,

pg72) Being an entrepreneur, according to Wickham, is not only being able to see opportunities, but being able to exploit them (Wickham, 2006, pg 72). The current success of the Swedish economy and their soon to be diminished labour force, due to baby boomers retiring, is the type of opportunity a young international entrepreneur should exploit. Another reason to become a part of the Swedish labour force is their powerful unions that enforce job security which will enable one to prosper safely in the long run.

There are four major organizations that represent the labour force: two for employers and two for employees. The largest Swedish employers' organization in the private sector is the Confederation of Swedish Enterprises (SEC), which acts as an umbrella organization for various employers' organizations in various sectors. The Government has their own negotiating bodies for public employers. The two major organizations that represent employees in Sweden are The Swedish Confederation of Professional Employees (SCPE) and The Swedish Trade Union Confederation (STUC). These powerful organizations provide many benefits for both employers' and employees alike such as bargaining power and job security; however, it is not mandatory for either an employer or employee to join these organizations (Ernst & Young, 2005, pg 33).

In Sweden, there are four major laws that govern the labour market which new start-up entrepreneurs would find attractive: *The Security of Employment Act*, which contains regulations governing employment security, lay-offs and termination of employment; *The Industrial Codetermination Act*, which contains regulations governing collective agreements, negotiating law, industrial peace etc.; *The Holiday Act*, stipulating 25 days of paid holiday per year; and *The Working Hours Restriction Act*, stating that work weeks may not exceed 40 hours unless overtime pay is given. All of these laws allow a new start-up entrepreneur to enter and remain in the market with protection to conduct safe and humane business. If these

laws are not followed, a complaint can be disputed through a special court – The Labour Tribunal (Ernst & Young, 2005, pg 34).

Working in Sweden allows me to have a great and secure career as well as a personal life due to laws that guarantee me time off work. My employees get the same rights as I do. I am a businessman but I also understand that when work is done, I go home to my family - and so do my employees. Personal time is mutually respected and cherished by bosses and employees in Sweden. (Jinnestrand, 2007)

Every business is stressful, but starting up a business in Sweden allows the entrepreneur to maintain their personal life after working hours, which is a valuable asset to any individual. Sweden's labour force is skilled; however, it is diminishing. For Sweden to keep economically growing they will need to keep their unemployment rate low; hence, finding a job or starting up a business should not be a tough task if the entrepreneur is educated and knowledgeable. Unions and labour laws are in place favouring everyone in the labour force and, in addition to Sweden's ever expanding job opportunities, it is a prime time for young, educated, and knowledgeable aspiring entrepreneurs to enter the Swedish market.

The Swedish Education System

As pointed out earlier in this paper, entrepreneurship was defined by recognizing opportunities and exploiting them. In order to be able to do both, the acquisition of knowledge through education proves to be a pivotal asset. "Research suggests that knowledge may be particularly essential to the discovery as well as the evaluation and exploitation of opportunities." (Butler, 2004, pg 220) Sweden is aware that they need to expand their small businesses "as [they] are viewed as having more entrepreneurial orientation; growth and performance have been found to be intimately related to an individual's competence and knowledge." (Box, 2005, pg 33) The Swedish education

system has been restructured to advance students learning in accordance to becoming more entrepreneurially focused. The director of the Belmont University in The U.S. quoted that:

Over the past several years I have seen an explosion of interest in entrepreneurship and free enterprise in Sweden. They are developing amazing educational programs at their universities. They are enacting public policy decisions that the US should pay attention to. It now appears that the Swedish government is moving ahead of the US in recognition of the global shift to a new entrepreneurial economy. Perhaps we are witnessing the beginning of an entrepreneurial, grassroots transformation of the economic climate in Europe. (Cornwall, 2006)

Sweden has business schools that focus strictly on entrepreneurship such as Jönköping International Business School. A Swedish belief that has been established in young students today is that "knowledge is not a static resource" and is the foundation to business success (Butler, 2004, pg 245). There has been debate concerning whether education makes a better entrepreneur and studies have been conducted to clarify these debates. Conclusions have been made that "Entrepreneurs who [have] university education achieve a higher level of profitability than entrepreneurs with a lower level of education." (Bjorn, 1993, pg V) Due to constant findings that education improves entrepreneurial success, the Swedish government has poured resources, such as schools and business start-up allocation money to stimulate growth in their entrepreneurs and small businesses.

Aforementioned, Malcherek's experience at Jönköping International Business School has been something that illustrates the educational system.

I have never been pushed so hard to succeed in a course project before. I learned and practiced real life business skills that will be with me for longer than just theory I have

learned in the past and will help me greatly when I start my own business one day.

In Sweden, school is paid for by the government no matter what level the education is. It is not compulsory to attend university, but it is 'expected' and frowned upon socially if one does not get tertiary education. Since Sweden's labour force is so highly skilled, one may not be hired unless the correct level of education is achieved. Jinnestrand graduated from the Jönköping's Communication and Science University in 2003. Since he did not have a business or entrepreneurship degree, the government would not give him his six-month business start-up allocation money unless he had education regarding business. He needed the money from the government to get him on his feet so he had to take a six-month business start-up course, which was funded by the government, before he started TRYCKMAN. (Jinnestrand, 2007) This system explicitly denotes how much the Swedish educational system is viewed – essential. One will be supported financially and encouraged to start up a business if and only if the entrepreneur has the correct education level and is knowledgeable about what he/she is doing.

This system is engraved in society, which limits some entrepreneurs from starting a business in Sweden unless they have a high level of education and competence. This is to prevent anybody from just starting a business for the sake of it and wasting the government's investment money. The studies have shown that the "higher the entrepreneurs level of education is, the more profitable and likely to achieve growth he/she is." (Bjorn, 1993, pg 208) The educational system in Sweden is of a very high caliber, which is conveyed through their extremely competent labour force. Young start-up entrepreneurs must know that education is important to being successful in Sweden. The Swedes have a vivid way of thinking and a specific way of conducting business. One must be aware that Sweden is its own proud nation, which creates many cultural

differences in doing business in Sweden compared to other nations.

Swedish Culture

"Since World War II, globalization has been advancing throughout the world." (Northhouse, 2007, pg 301) This modern day feature has affected the way cultures have grown and developed especially with more and more countries, like Sweden, becoming westernized. Businesses are rapidly expanding internationally and there is more "cultural exchange" which employees have to adapt to in order for their organization to be successful. With most of the Swedish business being done across its borders, the Swedish culture has softened and is moulding towards the way of the western world. There are, however, still a few cultural differences that a young entrepreneur may need to be aware of before starting up a business in Sweden. Before culture can be elaborated on further, one must understand the constantly debated definition of culture. For the purpose of this paper, culture is defined as "the learned beliefs, values, roles, norms, symbols, and norms that are common to a group of people." (Northhouse, 2007, pg 302) One must be aware that there are many differences in doing business in another country; however, "in business, rejection isn't personal." (Norman, 2004, pg 40)

National culture varies with every customer I have. Americans are aggressive and demanding whereas Asians are extremely quiet and shy; I sometimes don't even know how to deal with them because they do not tell me what they want. Swedes are somewhere in between. Getting beyond language barriers may be difficult, but it is even more difficult to not feel awkward in certain business situations depending on different national culture differences (Jinnestrand, 2007)

Malcherek found that "Societal culture in Sweden is very different. I had a difficult time trying to communicate with Swedes not because I did not know how to speak Swedish, but just that the Swedes are shy people in general. It certainly creates a

barrier when doing business.” Complications occur in all types of situations, including business settings. Culture differences are eminent no matter where one does business; however, Sweden is an easier place to adapt as well as be accepted for having a different culture. “There are a lot of organizations involved in assisting and supporting the creation and development of new companies in Sweden.” (Kruzich & Fahraeus, 1998, pg 41)

According to a study conducted by House et al (which is mainly referenced from Hofstede), labeled *Dimensions of Culture and Leadership*, conclusions regarding the differences between Anglo (North American) and Nordic (Sweden) cultures, is that the Swedish culture is more focused on Humane-Oriented Leadership. “Humane-Oriented Leadership emphasizes being supportive, considerate, compassionate, and generous.” (Northhouse, 2007, pg 314) This aspect of the Swedish culture ensures that starting a business in Sweden will be supported by those around the new entrepreneur. “We were taught to accept other cultures from a very young age and that is what makes working with so many different people easy.” (Jinnestrand, 2007) Since Sweden is focused on being entrepreneurial, there are certain aspects that have been created in order to develop an entrepreneurial culture. “The fostering of a more pronounced entrepreneurial culture is crucial for industrial renewal, economic growth and employment creation in a mature industrialized economy like Sweden.” (Kruzich & Fahraeus, 1998, pg 79) Entrepreneurs that start up an international business have a step up in today’s globalized economy. Being part of another culture creates diversity in an individual, which allows better interpersonal skills, and relationship building that can foster growth. “The obstacles to a strengthened entrepreneurial culture are primarily connected with how institutions and economic policies forge the incentive structure of both potential and extant entrepreneurs.” (Kruzich & Fahraeus, 1998, pg 81) For a young entrepreneur, to start a business in Sweden

allows them to reap all the benefits while being able to merge into society through their accepting culture; not to mention the help and support from the local community.

Conclusion

Sweden is a prosperous and attractive country for students from around the world to become successful start-up entrepreneurs. There are many factors that make Sweden’s business climate suitable for success. “Vast areas of the Swedish economy have remained unexploited as sources of commercial growth.” (Kruzich & Fahraeus, 1998, pg 98) The laws and regulations surrounding entrepreneurship favour starting up a business in Sweden as small enterprises are what will be the competitive force of Sweden’s business practices in the future. There are many opportunities in Sweden for young entrepreneurs wanting to begin their business including a low business tax in comparison to other countries in the EU as well as the mass amount of job openings in the labour force. Education is paid for by the government in Sweden, which may be a magnet for aspiring students to want to go to Sweden. Education and knowledge has been the key component for why the world has developed exponentially in the past century and who knows where it will lead us in the future. One of the most important reasons, which could make or break a start-up company, is the entrepreneur’s ability to work in the country’s climate stemming from their culture. Ethnocentrism is “the tendency for individuals to place their own group (ethnic, racial, or cultural) at the center of their observations of others and the world,” which is not invoked in Swedish business. Swedish people are very open and accepting of those around them. This makes adjusting to a new country effortless and comfortable for those young international entrepreneurs beginning their career in Sweden.

Sweden is a very entrepreneurial focused nation whereas other nations do not have the ability to become so entrepreneurial through their laws, labour force, education, or culture.

If every nation could aspire to view entrepreneurship the way Sweden does, there would be an educated global business society bringing many competencies to the global economy table while respecting as well as maintaining cultural aspects from all over the world.

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