Swedish SME companies revisited ten years after

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Abstract

Purpose - The purpose is to study twenty Swedish small- and medium-sized companies over the timeline of a decade.
Methodology - The research uses a qualitative method, based on both empirically research and theoretical framework. The empirically research consist of twenty SME companies functioning in Sweden. The theoretical framework consists of scientific articles regarding SME companies.
Limitations - The limits to this research are the number of variables and that the industry composition of the panel may not present the whole Swedish SME sector.
Findings - All companies have changed in one way or another. Not all of them are existing and the ones that do have various financial results. The SMEs are working in a challenging situation with restricted resources that makes them sensitive to risk-taking. The owner’s willingness to expand is one important variable. If the company do not have the resources inside the company, it is a good solution to take help from the outside.
Conclusions - It is difficult to predict the future outcome of the SMEs when no other cases about SMEs have been done. The benefit with a case study is to be able to compare with cases that already have been done, and learn from it.

Keywords: Swedish company, SMEs, Case Study, Economic aspects, Growth, Analysis

1. Introduction

Small and medium-sized companies, SMEs, play a central role in the world economy. They constitute a major source of entrepreneurial knowledge and contribute by bringing innovation, ideas, inventions and employment to the market. Although, since several SME companies lack the experience in the early start-up phase, in addition to having restricted resources, a great number of them have difficulties obtaining resources and capital, which in some cases can force them into receivership. Having restricted resources limits their capability to develop and get access to new technologies and important knowledge. Thus, the expansion and growth of the business bounds (European Commission, 2003).

A SME firm is an independent, non-subsidiary company that is categorized depending on the numbers of employees and by the financial status. A micro firm has less than 10 employees and should not exceed 2 million EUR. A small-sized company is defined by having 10-49
employees and the total revenue should not exceed 10 million EUR. A medium-sized company has between 50-240 employees and a financial status under 50 million EUR (The Organization for Economic Co-operation and Development (OECD), 2005).

Companies relies on different resources depending on their size, goals and position. Consequently, it is difficult to compare a larger company with a smaller. A large company differ since they have a wider knowledge, a greater network, more resources which gives trained employees and have a larger number of customers. Considering all this, SMEs have a special need to accelerate their growth and profits in order to improve their competitiveness (Forsman, 2008).

A firm’s growth is significant to a firm’s survival and it may also benefit other firms in a positive way (Yazdanfar & Öhman, 2015). An important ambition contributing to a firm’s growth is the capability of innovation and the ability to take advantage of opportunities. This impact both the employment growth and organizations’ capability to explore unpredictable markets (Swee Lin Tan and Smyrnios, 2013).

This study will examine previous case studies that was executed 10 years ago, in 2006, based on 20 Swedish SME companies. Case studies are a method of knowledge. They consist of a short description of a case with the aim to find a solution. A case study is an application of background information of a practical problem, to continuous further research (Solberg Soilen & Huber, 2006). The companies function in different industry sectors and were, at that time, confronting their individual issues and challenges. This will be presented in the next section. This study will examine the problem by offering both theoretical information with empirical data. The main purpose is to inspect whether the 20 companies are still in business and if so, what they are active with at a present time. The aim is to get a greater knowledge about SMEs, case studies and discover which aspects that makes an impact on the companies’ outcome and growth. Based on the results, this study will analyze if there is a common denominator among the organizations. It will also examine if the result could be predicted from the previous studies.

2. Previous research and theoretical framework

2.1 SME Companies – Previous case studies

In this chapter the former case studies will be presented. To compare past tense with present time and to examine the companies’ growth, the numbers of employees and the total revenue will be displayed. A small description with a few keywords of the company and previous challenges will also be presented.

Table 1. Case Studies – SME Companies

<table>
<thead>
<tr>
<th>SME Company</th>
<th>Numbers of employees</th>
<th>Total Revenue (tkr)</th>
<th>Company description</th>
<th>Challenge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case 002</td>
<td>9</td>
<td>5 406</td>
<td>Small company. Metal industry. Low tech segment. No clear vision of company future. Vulnerable to change in demand and competition. Are depending on outside help for survival.</td>
<td>Both administration and leadership works ineffectively - consultancy assistance.</td>
</tr>
<tr>
<td>Case 003</td>
<td>2</td>
<td>462</td>
<td>Was a manufacturing company. Founder in personal crisis. Reduced the production. Concentrated on their core activities, development of machines.</td>
<td>Founder involved in too many sides of the business - changing role of entrepreneurship in company.</td>
</tr>
<tr>
<td>Case 004</td>
<td>32</td>
<td>37 039</td>
<td>Office furniture company. Branch hit by the saturation. Underwent several steps of technical improvements. Investment in technologies. Followed by market researched.</td>
<td>Improvements to maintain position-long-term investment.</td>
</tr>
</tbody>
</table>
Entrepreneur’s strategic choices (015) financial resources in terms of profit is a key factor of firm growth. In many cases growth is usually not objective, the owners often take over initial firm size. That can be taken into reconsideration is a company’s size and firm age. High-growth firms tend to have a lower size and are experiencing a strong growth which can lead to an increase by twice of the initial firm size. The firm age, however, is not a factor worth discussing in aspects such as size and firm age. High-growth firms tend to have a lower size and are experiencing a strong growth which can lead to an increase by twice of the initial firm size. The firm age, however, is not a factor worth discussing in aspects.
of growth (Moreno & Casillas, 2007). Although, the SMEs age matters in aspects of survival, it differs depending if it is a young SME or an old SME company. The young SMEs are depending on cash flow, size and growth for survival than the old SMEs. The young firms are also more sensitive to risks in a larger sense than the old firms (Nunes & Serrasqueiro, 2011).

Davidsson (2005) means that the owners willingness to grow has shown to be an important factor. The human factors take a big part in the determinants of growth. If the owner has a good education and experience the chances will increase, however, the crucial matter is if there is a wish to expand or not. If there are not a will to expand, then the organization has a limited potential. The financial development and the external financing are two variables of control that are related to SME growth. SME companies are generally small and external financing can influence capital allocation efficiency (Fernández, Fernández and Ríos, 2012).

Entrepreneurship has changed over time. The new way of entrepreneurship offers more possibilities, opportunities and more technological advances (Krechovska & Prochazkova, 2014). Innovation is a factor that plays a more central role in the new age of entrepreneurship and is often linked to the other factors. In SME firms, innovation is linked with high-growth strategies and low-growth is linked with being satisfied with the position the company is in at the time (Grundström, Sjöström, Udendberg & Öhrwall Rönnbäck, 2012).

Blackburn, Hart and Wainwright (2013) made a list of the ten top tips for SME enterprises success. To reach success it is important to acknowledge that not all SMEs are the same and that the size matters. Innovation must be balanced with risk taking and it is important for the owners to plan for growth. Their ways of management matters. For SMEs, collaboration beats competition, success is not just about profits and finally, luck, common sense and hard work plays in many cases a central role in the way of reaching success.

2.3 Case studies as a method

Case studies are a useful tool to explore a “research project” providing answers to how and why questions. A case study set the basis with the aim to develop a more structured analysis. The number of units can vary and the method could be exploratory, descriptive or explanatory research (Rowley, 2002). The aim with a case study is to do an intensive study of a unit with the goal to use the information and generalize it to a larger set of units (Gerring, 2004). When you study a big group of units, it may be hard to obtain the large sample of population (Zainal, 2007). Case study is a great method when to analyze one or a few companies. It is also a great method when to examine a management or a strategy in an organization. As mentioned before, case studies explore research projects which in this case are the companies and provide an image of an organization based on the questions; how and why. A case study often captures the process of an organization over time and from that, gives the opportunity to build a new theory from something old and get a fresh perspective to something (Bengtsson & Larsson, 2012).

3. Research methodology

This paper uses a qualitative method where the aim is to get a deeper knowledge about SME companies. This study is approached by an empirical-analytical research method were the variable growth is in focus. The article is based on both empirically research and theoretical framework. The empirically research consist of twenty SME companies functioning in Sweden.
The information about these companies were collected based on previous case studies from the book “20 fallstudier för små och medelstora företag”, the companies’ websites and from the website “Allabolag.se”. The theoretical framework consists of scientific articles regarding SME companies, collected from different databases for example Webscience and Scopus. The search words that have been used most frequently is the following: SME companies, case study, growth and business development.

First a short summary was made of the previous studies (table 1) from the book of the companies followed by theoretical framework with information about SME companies and what effect a company’s growth. The empirical data (table 2) was collected from the companies’ websites and the website “Allabolag.se” with the purpose to examine if the companies still were existing and if so, in which industry. An analysis was made based on the empirical data and the theoretical framework to discuss the questions; “what does the companies do at present time?”, “what has changed from the previous studies?” and “could this be predicted from the former case studies that were made?” (Kallet, 2005).

3.1 Selection of variable

In this paper companies are revisited a decade later and examined if there was a noticeable change in the organizations. To be able to measure this, a variable was chosen. The variable that the companies are analyzed based on is growth. Growth shows how the company has developed within a specific period of time. It can be measured in various ways and has been in previous studies. Some examples are sales, number of employees and market share (Yazdanfar & Öhman, 2015). To measure the effects over time this paper studies the number of employees and the total revenue. This is presented in table 1 and 2.

4. Empirical results

In this chapter the companies will be presented at a present time. Instead of a company description, the table will display if the companies are active or not. A deeper description of each organization will be shown below.

<table>
<thead>
<tr>
<th>SME Company</th>
<th>Existing/ Not existing</th>
<th>Numbers of employees</th>
<th>Total Revenue (tkr)</th>
<th>Company description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case 001</td>
<td>Existing</td>
<td>20</td>
<td>41 524</td>
<td>By the help from a behaviorist, the company has built a theoretical organization model FIRO, a theory of development in three stages with the goal to get the staff to feel that they belong. The company has now a well-developed system with group development, group maturity and efficiency in different stages (Mercatus Engineering AB, 2016).</td>
</tr>
<tr>
<td>Case 002</td>
<td>Existing</td>
<td>4</td>
<td>5 101</td>
<td>Year 2009, the company was taken over by another company in the industry. The company moved two years later into the new owners newly built and customized property (TF Berglunds Mekaniska AB, 2016).</td>
</tr>
<tr>
<td>Case 003</td>
<td>Existing</td>
<td>1</td>
<td>18</td>
<td>Still the same owner of the company. The company has had several losses in the result the closest years (TOMVA AB, 2011).</td>
</tr>
<tr>
<td>Case 004</td>
<td>Existing</td>
<td>51</td>
<td>77 919</td>
<td>Year 2007, the company was taken over by a concern, a holding company whose mission is to develop and own small and medium enterprises, but the company is still working with the same guidelines as before (Glimakra, 2016).</td>
</tr>
<tr>
<td>Case 005</td>
<td>Not existing</td>
<td>-</td>
<td>-</td>
<td>The company has been overtaken by another larger company in the industry (XANO, 2014).</td>
</tr>
<tr>
<td>Case 006</td>
<td>Existing</td>
<td>3</td>
<td>4 537</td>
<td>Is still existing and active company, although the total revenue and employee number is going down the company has made a profit.</td>
</tr>
<tr>
<td>Case 007</td>
<td>Not existing</td>
<td>-</td>
<td>-</td>
<td>After a problem with an unpaid account receivable, the company did not manage to survive and had to go bankrupt (Ltz, 2008).</td>
</tr>
<tr>
<td>Case 008</td>
<td>Existing</td>
<td>2</td>
<td>1,493</td>
<td>Was part of a new effort by the Swedish ESF Council regarding skills development in small Swedish companies. The analysis focused on market development, skills requirements, equality and accessibility (Svenska efs-rådet, 2010).</td>
</tr>
<tr>
<td>Case 009</td>
<td>Existing</td>
<td>13</td>
<td>11,542</td>
<td>Same owner of the company. The company has today a staff with people that got the knowledge in separated areas, that is useful for the specific industry. In this way, the company now has a greater arrangement of handling the company (Nipsoft, 2016).</td>
</tr>
<tr>
<td>Case 010</td>
<td>Existing</td>
<td>57</td>
<td>79,792</td>
<td>The company still has the staff in center and focuses on development in their knowledge. The company has not been able to heighten their profit margin but is one of a few to have a good result in the industry (Nymek, 2016).</td>
</tr>
<tr>
<td>Case 011</td>
<td>Not existing</td>
<td>-</td>
<td>-</td>
<td>The owner sold the company but is now the manager in the new company. Sold to another larger company which also has international partners (Rehnström, 2014).</td>
</tr>
<tr>
<td>Case 012</td>
<td>Not existing</td>
<td>-</td>
<td>-</td>
<td>Has been bought by another company in the industry. The reason is the lack of producing space in both companies. Works together more efficiently (Rosenberg, 2005).</td>
</tr>
<tr>
<td>Case 013</td>
<td>Existing</td>
<td>-</td>
<td>-</td>
<td>The company is launching the industry’s broadest offering, they add business areas, equipment, consumable dental products and teeth with a focus on crown and bridge. Grown both in employee numbers as well as total revenue (Unident, 2016).</td>
</tr>
<tr>
<td>Case 014</td>
<td>Not existing</td>
<td>-</td>
<td>-</td>
<td>Has been bought by another company in the industry (Paw Capital Partners, 2016).</td>
</tr>
<tr>
<td>Case 015</td>
<td>Existing</td>
<td>97</td>
<td>127,526</td>
<td>The company has, together with the new strategy, grown. The business is concentrated to Sweden and has got a new owner (Zetterbergs, 2016).</td>
</tr>
<tr>
<td>Case 016</td>
<td>Not existing</td>
<td>-</td>
<td>-</td>
<td>MSA has continued to take the lead in workplace safety. They have led the development of small first-effort helps and portable methane detectors, and uses new technology to create first-class infrared cameras, ballistic helmets and leading systems for gas and fire detection. The staff is still a priority for the company (MSAsafety, 2016).</td>
</tr>
<tr>
<td>Case 017</td>
<td>Existing</td>
<td>4</td>
<td>5,648</td>
<td>Rock City has a well-developed network which any company can take part of. The expertise lies mainly in the entertainment industry and the creative industries. The company is open for any company or organization that searches for a meeting gathering (Rock City, 2016).</td>
</tr>
<tr>
<td>Case 018</td>
<td>Not existing</td>
<td>-</td>
<td>-</td>
<td>The company was bought by a larger company in the same industry (Bufab, 2016).</td>
</tr>
</tbody>
</table>

Notes: The numbers of employees and the financial information is from database “Allabolag” (Alla bolag, 2016).

5. Analysis

There are several different theories about what is important for a SMEs survival and growth. The factors that have been discussed in this study is the company choices, profits, innovation, size, firm age, owners will, financial development. These are factors that the 20 companies worked with in different ways. Since all the companies had an individual challenge and the outcome varies, it is difficult to compare the companies fully. Although, there are some common patterns that could be told from this study. To be able to draw conclusions about the SMEs, table 1 and table 2 will be studied.

Case 001 and 002 had problems with the staff, the management and leadership but is still existing with the help from outside of the company. Case 003 still has the same owner and suffers with losses unlike case 004 who develops by a holding company. Case 005, 012, 014, 016 and 020 are no longer existing and all of them have been bought by a larger company in the same industry. These companies were functioning in stagnation markets or did not take advantage of the opportunities to develop by itself by various reasons. Case 008, 010, 011 and 017 are still existing with the help of new knowledge or a new company system. Case 015 and 018 are still existing and solved their problems by implementing innovation in the form of new technologies, new products and development in existing products.

More or less all of the companies are still in the same industry as they were in the previous cases, but for an SME company it is hard to survive and not get bought by a larger company when the firm are faced with challenges with the combination of minimal resources. Many of the companies’ owner gets replaced by another one that may have a greater will to expand. It is
also safe to say, judged by some of the cases, that many cases can be saved and get back on the right track by getting help outside with tips and knowledge. They work as a solution to the problem and can implemented innovation as a new start for the SMEs.

From table 1 and 2 it shows that all of the companies have changed in a way. When a company has problems, it need to change the organization in one way or another. When the owner is stuck in the old patterns and does not have the will to change nor the will to develop the company with goals often gets replaced or the company get bankrupt.

By having an owner with a plan that consist of either survival or growth, then the company and the staff have something to strive for.

By concretize problems, certain conclusions can be drawn from the case. Just like Bengtsson and Larsson said:

“A case study is a great method when to analyze one or a few companies. It is also a great method when to examine a management or a strategy in an organization. A case study often captures the process of an organization over time and from that, gives the opportunity to build a new theory from something old and get a fresh perspective to something.”

It is hard to see a pattern or draw conclusions at the time that the case study is done since the future is hard to predict and there are an enormous number of results and outcome that could happened. The good thing with case studies are that they give opportunities and perspectives to other companies that may be in the same position as the companies that the case studies is about. By reading case studies the companies can compare their company with the case and from that, make decisions that will benefit them.

6. Conclusions

The conclusion can be made that all the companies have changed in one way or another. Not all of them are existing and the ones that do have various financial results. The SMEs are working in a challenging situation with restricted resources that makes them sensitive to risk-taking. Many of them are depending on one or a couple of factors to survive or grow. The owner’s willingness to expand is important. If the company do not have the resources inside the company, it is a good solution to take help from the outside. It is difficult to predict the future outcome of the SMEs when no other cases about SMEs have been done. The benefit with a case study is to be able to compare with cases that already have been done, and learn from it. Therefore, you can say that case studies are affective for a company after they have been done on other companies.

7. Further research & implications

This subject can be useful for the all the small- and medium-sized entrepreneurs that already have, or is thinking of starting a company, to get an input in this subject. When you start a company, there are many aspects to reconsider that will affect the outcome. The result of this paper may provide a basis for benchmarking to help companies that have issues.
Like any other research, this study is subject to a number of limitations that could be starting points for further research. A further research with additional variables could obtain several perspectives in this subject and would deepened the study. The additional variables could be to include could be various macroeconomic determinants.

A limitation to the paper is that the industry composition of the panel may not replicate that of the whole Swedish SME sector. The cases have been chosen and to get a bigger picture, it could be a good idea to studying other industry sectors as well.

References


25. Rosenberg, L. (2005). *Det är nu klar att Södra köper Odlarna, företaget som producerar granplantor i stor skala på Ågård i Falkenberg*. Downloaded November, 25, 2016, from Hallans Nyheter’s website. Website: [http://www.hn.se/nyhet/falkenberg/odlarna-s%C3%A5lt-till-s%C3%B6dra-1.3605997](http://www.hn.se/nyhet/falkenberg/odlarna-s%C3%A5lt-till-s%C3%B6dra-1.3605997)


