



# 2017 SBA Fact Sheet

Finland



## Key points

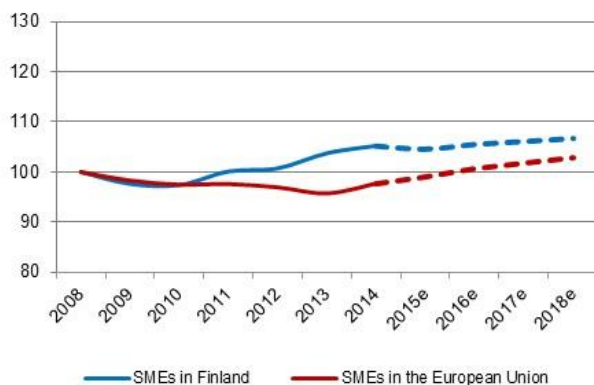
**Past & future SME performance**<sup>1</sup>: In 2012-2016, SME value added increased by 7.2 %, almost twice the growth of value added in large firms. SME employment grew 4.8 %, while employment in large firms fell 6.1 % in the same period. By 2016, SMEs had therefore largely surpassed their pre-crisis levels of value added and employment, by 11.1 % and 5.5 % respectively. Most recently, in 2015-2016, SME value added grew by 3.3 %, and SME employment increased slightly by 0.9 %. The forecast for SME growth in Finland is moderate. In 2016-2018, SME value added is projected to grow by 4 % in total. In the same period, SME employment is expected to increase only slightly by 1 %, with the creation of approximately 8 000 new jobs.

**Implementing the Small Business Act for Europe (SBA)**: Finland has one of the most competitive SBA profiles in the EU. It surpasses the EU average in seven SBA principles. State aid & public procurement and internationalisation are the only SBA principles where Finland performs below the EU average. One reason for concern is the stagnating performance since 2008. There is, therefore, a genuine risk that Finland may lose its competitive advantage in the future. However, the policy areas that saw the most progress in implementation were 'second chance', skills & innovation and 'responsive administration'.

**SME policy priorities**: Since 2008, Finland has been active in implementing SME-supportive policies, and therefore, there are only a few remaining problems. To make entrepreneurship more attractive, more emphasis should be put on specific support schemes for self-employment such as the new initiative to improve social security of the self-employed. Even though Finnish SMEs are performing well in skills & innovation, they face difficulties in commercialising innovations. Therefore, the existing support mechanisms should be adjusted to help transform innovations into commercial products and services. To improve the low export rates of Finnish SMEs, including for online exports, the Internal Market Information System<sup>2</sup> should be better used and specific measures introduced to help SMEs overcome the difficulties in accessing patents and trademarks in the single market. Although there has been progress in implementing the 'Think Small First' principle, more attention should be paid to the systematic application of the principle across public administrations, including when implementing rules and regulations.

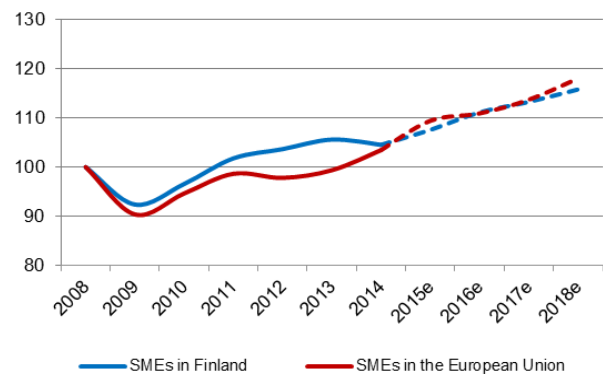
**Number of persons employed in SMEs**

(Index: 2008=100, estimates as from 2015 onwards)



**Value added of SMEs**

(Index: 2008=100, estimates as from 2015 onwards)



## About the SBA fact sheets

The Small Business Act for Europe (SBA) is the EU's flagship policy initiative to support small and medium-sized enterprises (SMEs). It comprises a set of policy measures organised around 10 principles ranging from entrepreneurship and 'responsive administration' to internationalisation. To improve the governance of the SBA, the 2011 review of it called for better monitoring. The SBA fact sheets, published annually, aim to improve the understanding of recent trends and national policies affecting SMEs. Since 2011, each EU Member State has appointed a high-ranking government official as its national SME envoy. SME envoys spearhead the implementation of the SBA agenda in their countries.

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## 1. SMEs — basic figures

Class size	Number of enterprises			Number of persons employed			Value added		
	Finland		EU-28	Finland		EU-28	Finland		EU-28
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	210 777	91.3 %	93.0 %	363 665	24.8 %	29.8 %	18.1	19.7 %	20.9 %
Small	16 643	7.2 %	5.8 %	326 483	22.3 %	20.0 %	18.4	20.0 %	17.8 %
Medium-sized	2 776	1.2 %	0.9 %	267 985	18.3 %	16.7 %	18.4	20.0 %	18.2 %
<b>SMEs</b>	<b>230 196</b>	<b>99.7 %</b>	<b>99.8 %</b>	<b>958 133</b>	<b>65.4 %</b>	<b>66.6 %</b>	<b>54.9</b>	<b>59.8 %</b>	<b>56.8 %</b>
Large	591	0.3 %	0.2 %	506 444	34.6 %	33.4 %	37.0	40.2 %	43.2 %
<b>Total</b>	<b>230 787</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>1 464 577</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>91.9</b>	<b>100.0 %</b>	<b>100.0 %</b>

*These are estimates for 2016 produced by DIW Econ, based on 2008-2014 figures from the Structural Business Statistics Database (Eurostat). The data cover the 'non-financial business economy', which includes industry, construction, trade, and services (NACE Rev. 2 sections B to J, L, M and N), but not enterprises in agriculture, forestry and fisheries and the largely non-market service sectors such as education and health. The following size-class definitions are applied: micro firms (0-9 persons employed), small firms (10-49 persons employed), medium-sized firms (50-249 persons employed), and large firms (250+ persons employed). The advantage of using Eurostat data is that the statistics are harmonised and comparable across countries. The disadvantage is that for some countries the data may be different from those published by national authorities.*

Finnish SMEs, like SMEs in the rest of the EU, play an important role in the non-financial business economy. SMEs in Finland generate 59.8 % of total value added and 65.4 % of total employment, compared to the EU averages of 56.8 % and 66.6 % respectively. The average number of people employed in Finnish SMEs is 4.2, slightly higher than the EU average of 3.9. In 2016, annual SME productivity, calculated as value added per person employed, was approximately EUR 57 300, well above the EU average of EUR 43 500.

SMEs have been the main drivers of growth in the non-financial business economy in recent years. In 2012-2016, SME value added increased by 7.2 %, almost twice the growth rate of value added in large firms and more than 2.5 times the growth in

absolute numbers. SME employment increased by 4.8 %, while employment in large firms fell by 6.1 % in the same period. By 2016, SMEs had therefore largely surpassed their pre-crisis levels of value added and employment, by 11.1 % and 5.5 % respectively. Meanwhile, in large firms, both value added and employment are still more than 10 % lower than their 2008 levels. This divergence in growth is also mirrored in exports of goods, with SME exports increasing and exports by large firms decreasing<sup>3,4</sup>. Most recently, in 2015-2016, SME value added grew by 3.3 %, and SME employment increased slightly by 0.9 %.

In the *information and communication* sector, SMEs — unlike large firms — have continued to perform particularly well. In 2012-2016, SME value added grew by 31.8 % and SME

employment rose by 9.9 %. One of the reasons for this strong performance was the rise in international demand for computer and information services, which account for over 40 % of service exports from Finland<sup>5</sup>. As a result, in *computer programming and consultancy*, which is the largest subsector for SMEs, generating more than half of value added and employment, value added increased by 45.5 % and employment grew by 15.4 % in 2012-2016. Another subsector with outstanding growth was *information service activities*, with increases of 63.9 % and 19.0 % in value added and employment respectively in the same period. The comparatively poor performance of large firms was largely due to the closure of major mobile and smart phone businesses in Finland such as Nokia and Microsoft branches<sup>6,7,8</sup>. As a result, employment in large firms in the *information and communication* sector fell by 15.7 % in 2012-2016, and growth in value added was weak at 3.0 %.

*Manufacturing* growth was uneven in 2012-2016, with a 6.7 % increase in SME value added but a 5.2 % drop in SME employment. This is another sector which was impacted by the restructuring and downsizing of the Nokia business cluster, with suppliers and contractors suffering from the decline in local production<sup>9</sup>. Furthermore, investment by Finnish firms has fallen substantially recently, especially investments in machinery and equipment, which have remained at low levels since the 2009 downturn<sup>10</sup>. This is partly due to the increased international competition that production sites in Finland have been facing from countries such as Estonia<sup>11</sup>. As a result of losing production sites to international competitors, demand has fallen in the *manufacturing* sector. In addition, the Finnish economy has been transitioning from investment in production facilities to investment in innovation as the main driver of growth<sup>12</sup>. This change in focus is reflected in the downward trend of SME employment in the large subsectors of *fabricated metal products*, *electrical equipment* and *machinery and equipment*, in which employment fell by 17 %, 22 % and 12 % respectively over the period 2008-2016.

*Administrative activities* is another sector which experienced growth of SME value added and employment in 2012-2016,

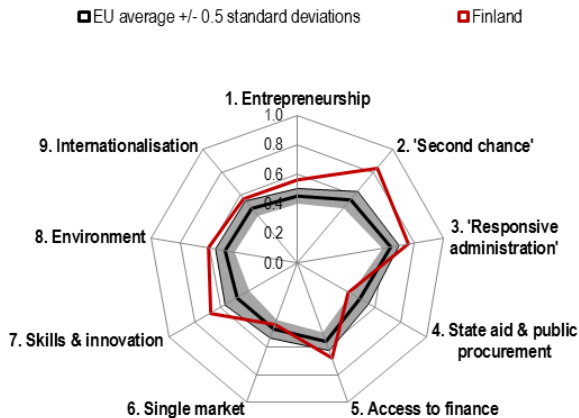
with increases of 11.4 % and 16.0 % respectively. The leading subsectors driving SME growth were *employment activities*, followed by *services to buildings and landscapes* and *office administrative and support activities*. In the sector as a whole, SMEs outperformed large firms, which had weaker value added growth and even falling employment figures. This disparity reflects the increasing tendency of large firms to outsource specialised services to specialised SMEs, instead of sourcing the services in-house. This change of approach has contributed to the increase in SME employment and value added in this sector<sup>13</sup>.

Business registrations totalled 28 277 in 2015, a decline of 1.6 % compared with 2014<sup>14</sup>. This followed a previous drop of 4.9 % in 2013-2014. Business de-registrations totalled 25 616 in 2015, down 14.1 % from 2014. This contrasted with a 10.2 % increase in de-registrations in 2013-2014. The net increase of 2 661 companies in 2015 was relatively minor when compared to the total of all businesses — 375 044 in 2015 — which has remained fairly stable in recent years. Comparing the net impact across sectors, the picture is mixed: net gains were high in *professional activities*, *information and communication* and *real estate activities*. Net losses occurred in *wholesale and retail trade*, *construction*, *manufacturing*, and *transportation and storage*<sup>15</sup>.

Self-employment is slightly less common in Finland than in the EU as a whole. In 2016, the self-employment share of total employment was 12.5 %, compared to 14.0 % in the rest of the EU<sup>16</sup>. The share of high-growth firms in Finland is one percentage point above the EU average, at 10.2 %<sup>17</sup>. The largest share of high-growth firms was in *information and communication*, with a share of 16.5 %<sup>18</sup>.

The forecast for SME growth in Finland is moderate. In 2016-2018, SME value added is projected to grow by 4.2 % in total. In the same period, SME employment is expected to increase only slightly by 1.1 %, corresponding to the creation of approximately 10 800 new jobs.

## 2. SBA profile<sup>19</sup>



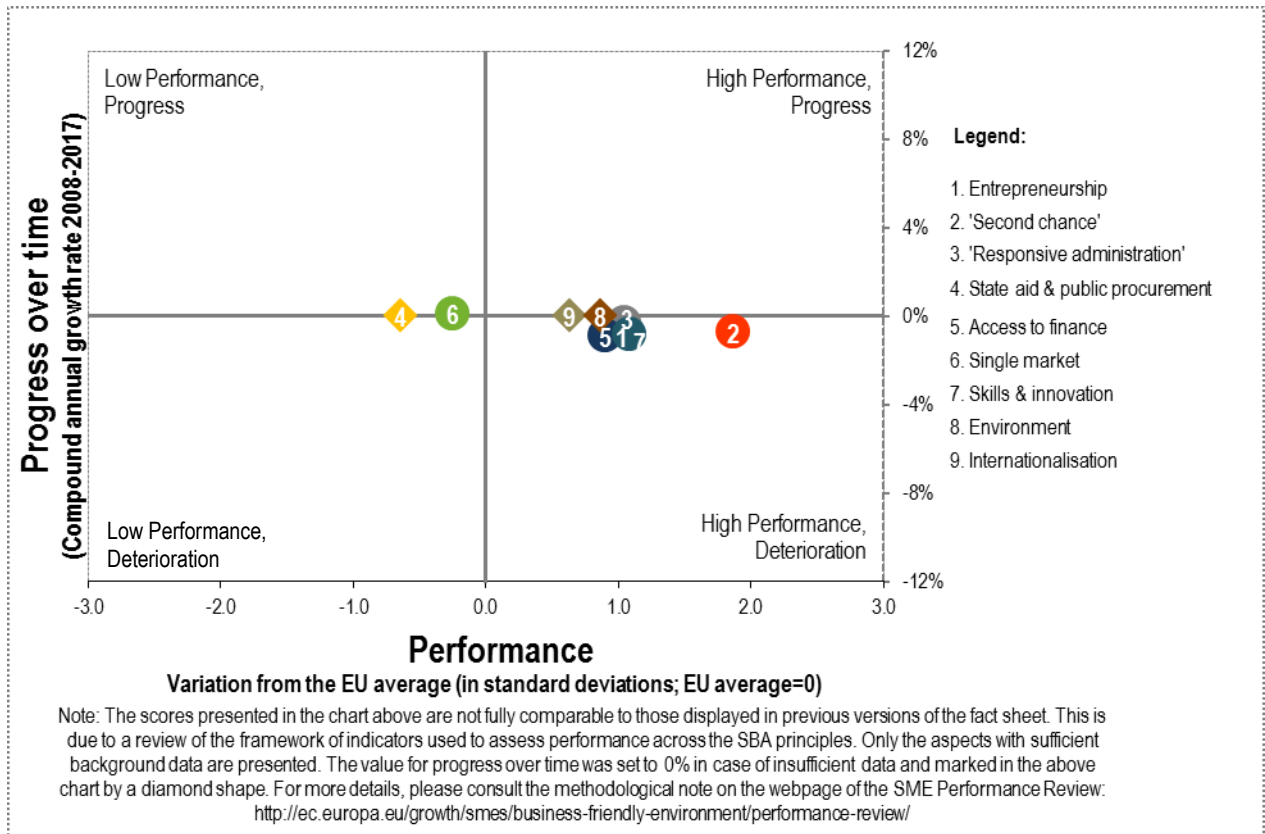
Finland continues to have one of the most competitive SBA profiles in the EU, performing above average in seven SBA principle areas. Finland was able to maintain its top position in the category 'second chance' and scored within the EU average for the single market SBA policy area. The only SBA policy area in which Finland performs below the EU average concerns state aid & public procurement.

Since 2008, Finland's SMEs have performed relatively well despite the country's stagnant economic development. SMEs have played an ever important role as the engine for economic development in the past few years, and this has been partly reflected in the government's policy priorities.

The economic development policies implemented in Finland have been mostly in line with the SBA even though these activities were not directly connected to the SBA. The rather low focus on the SBA can be explained by the highly competitive environment for SMEs in Finland, which reduces the need for further policy actions linked to the SBA. Overall, several objectives of the SBA have already been implemented in Finland, and many of the national objectives are in line with the SBA. For instance, Finnish administration can be considered responsive to the needs of SMEs, with SMEs benefiting from increased access to finance and from support for internationalisation. In addition, many programmes focus on the development of skills and put the emphasis on innovation. However, there is still some room for improvement, especially for the 'second chance' and 'Think Small First' principles. Over the past few years, implementation of the SBA has further improved in the field of entrepreneurship. Key initiatives include new consultancy and training services for early stage companies as well as changes to the social security of entrepreneurs. Some progress was also made in entrepreneurship education, although more needs to be done in this field.

In 2016 and the first quarter of 2017, the reference period for policy measures in this year's fact sheet, Finland has implemented a moderate number of policy measures (7) addressing 5 of the 10 policy areas under the Small Business Act. Overall, SME stakeholders acknowledge that progress in implementing the SBA has been moderate. There is wide consensus that the areas where the most progress was made in 2016 were in 'Think Small First', access to finance and entrepreneurship.

## SBA performance of Finland: state of play and development from 2008 to 2017<sup>20</sup>



## 3. SBA principles<sup>21</sup>

### 3.0 'Think Small First'

The 'Think Small First' principle is meant to be a guiding principle for all policy and law-making activities. It requires policy-makers to take SME interests into account at the early stages of the policy-making process. The principle also calls for newly designed legislation, administrative rules and procedures to be made simple and easy to apply.

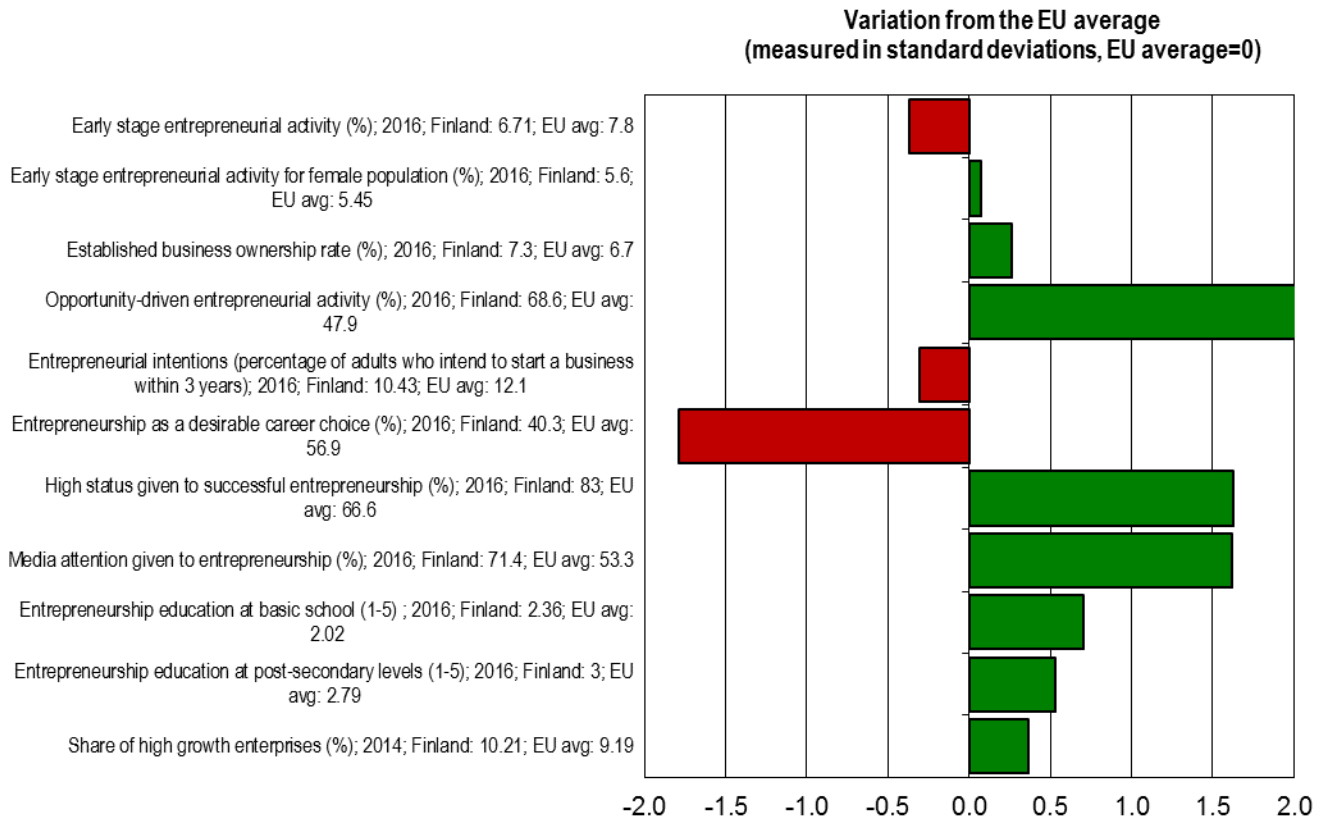
Although some progress has been made with the implementation of the 'Think Small First' principle, there is still some room for improvement. The SME test and the assessment of impact on business competitiveness are integrated into the system. However, the use of the SME test is not binding, and the impact assessment procedure does not always differentiate SMEs from other enterprises. The Ministry of Employment and the Economy publishes statements on the impact of new legislation on business competitiveness, and the new Council of Regulatory Impact Analysis has improved impact analyses in general. The Council recently analysed the impact of deregulation on businesses.

Overall, the 'Think Small First' principle is taken into account in the Finnish system, and some progress has been made in certain

areas. For example, the principle has been extensively applied in various lighter procedures to help SMEs, in a revised accounting act and in the new public procurement legislation. However, more could be done to better implement this principle.

Although 'Think Small First' was not a specific priority in the government's agenda in 2016, some progress has been made on this principle. SME stakeholders are consulted in the legislative process, and the number of regulations has decreased. There are new policy measures such as a tax deduction for entrepreneurs, an innovation voucher, compensation for the costs of parental leave for employers and VAT on a cash basis that are compatible with the 'Think Small First' principle in the way they particularly benefit SMEs. Stakeholders continue to be consulted on a regular basis, and the recently established Council of Regulatory Impact Analysis has improved the impact analysis of new legislation, including the impact on SMEs. However, there is still room for further improvement as 'Think Small First' is still not explicitly promoted in Finland. In this respect, business associations are calling for a wider implementation of the principle in Finland.

### 3.1 Entrepreneurship



**Note:** Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Finland performs above the EU average in this area, scoring among the top four EU Member States. Finland’s performance has remained stable over the years, although on a very slight downward trend since 2008. The most progress can be seen in opportunity-driven entrepreneurial activity, which increased from 63 % in 2015 to 68.6 % in 2016. Entrepreneurship as a desirable career choice also went up from 33.2 % in 2015 to 40.3 % in 2016 (although Finland’s performance remains below the EU average). Over the same period, Finland’s performance on entrepreneurship education at post-secondary levels and early stage entrepreneurial activity for women moved from below to within the EU average. Moreover, the continued high status given to successful entrepreneurs and the above-EU-average media attention given to entrepreneurship create a favourable environment for entrepreneurs. Compared to last year, Finland therefore improved its performance for both entrepreneurial activity and for providing framework conditions to stimulate entrepreneurship.

Since 2008, substantial progress has been made on entrepreneurship policy. New consultancy and training services for early-stage companies have been introduced, as have changes to the social security of entrepreneurs. There has also been some progress in entrepreneurship education, although more work needs to be done in this field.

There are many organisations and measures to support start-ups in Finland, and many of these are promoted by cities. Funding for growth-oriented start-ups has also developed while funding for SMEs in general has been reduced. Financial instruments are provided by Tekes (the Finnish Funding Agency for Technology and Innovation) and Finnvera (a Finnish state-owned financing company), and the EU SME instrument<sup>22</sup> was recently launched. Various matchmaking measures for SMEs have been developed, including various hackathons<sup>23</sup> (often organised by large companies) or big events such as Slush<sup>24</sup> (which is one of the biggest European events in this field).

On the scale-up environment, there are many accelerators in Finland, and several new start-up accelerators were established during the reference period. More accelerators have been established recently, with many of them focusing on specific sectors. Foreign players have also entered this field. Examples include Samsung as a partner in Vertical Accelerator (2015) and a Chinese start-up accelerator, TechCode, which began operations in Helsinki in December 2016. The Finnish start-ups are also attracting an increasing amount of venture capital from abroad.

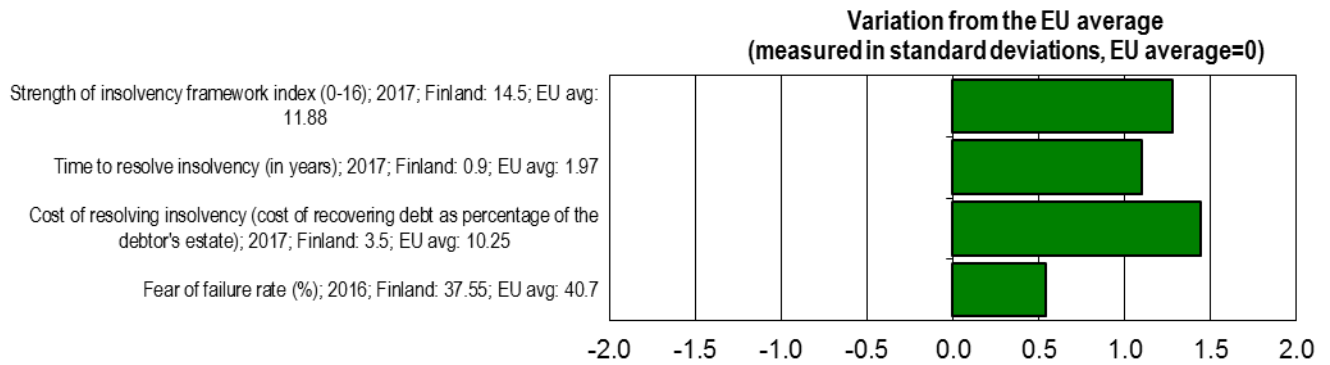


Overall, the start-up/scale-up environment is quite rich and developing, and public support for SMEs is increasingly focusing on growth-oriented start-ups.

During 2016 and the first quarter of 2017, one new measure to improve the employment security of self-employed workers was

announced. The measure specifically aims to improve the position of unemployed people who become entrepreneurs. This is an important reform, since unemployment and the social security of self-employed workers have been the biggest gaps in Finnish entrepreneurship policy.

### 3.2 'Second chance'



**Note:** Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

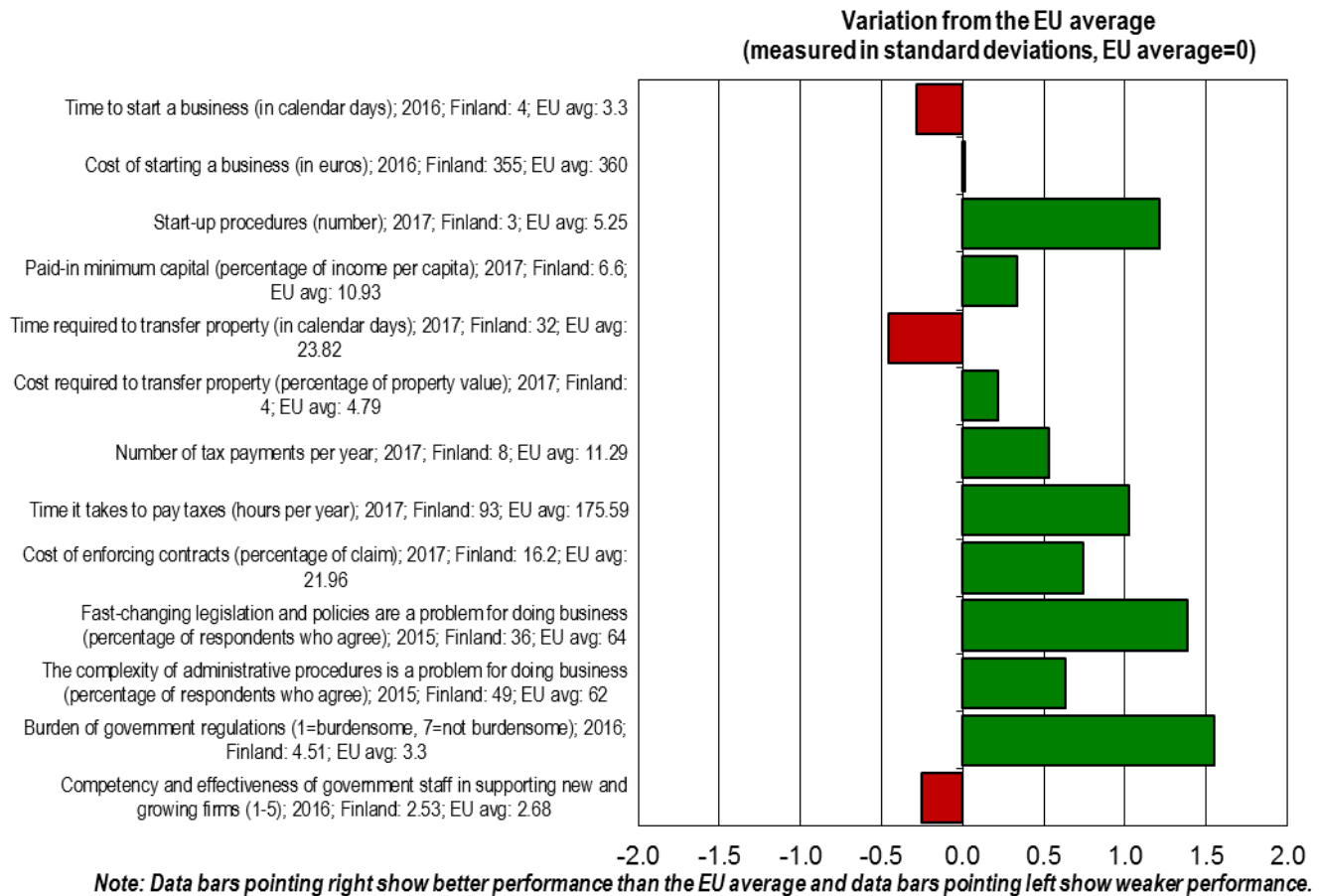
'Second chance' means ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Finland continues to perform well above the EU average in this area, scoring the highest of all EU countries. As in previous years, 'second chance' remains Finland's strongest area, even though there has been a very slight decrease in performance since 2008. Most indicators have remained stable with the exception of the fear of failure rate, which increased from 32.6 % to 37.55 % from the previous year. This suggests a slight decrease in the trust of the economic climate for SMEs.

Since 2008, policy progress can be considered moderate in this area. Insolvency procedures were implemented before the SBA's adoption and are still effective. The insolvency framework has been steadily improved, as evidenced by the recent measure to allow self-employed debtors to restructure their debt, similar to what private households are allowed to do. This reform has helped entrepreneurs manage their debts in case of business failure and to get a fresh start.

In 2016 and the first quarter of 2017, no significant additional measures were adopted in this field.



### 3.3 'Responsive administration'

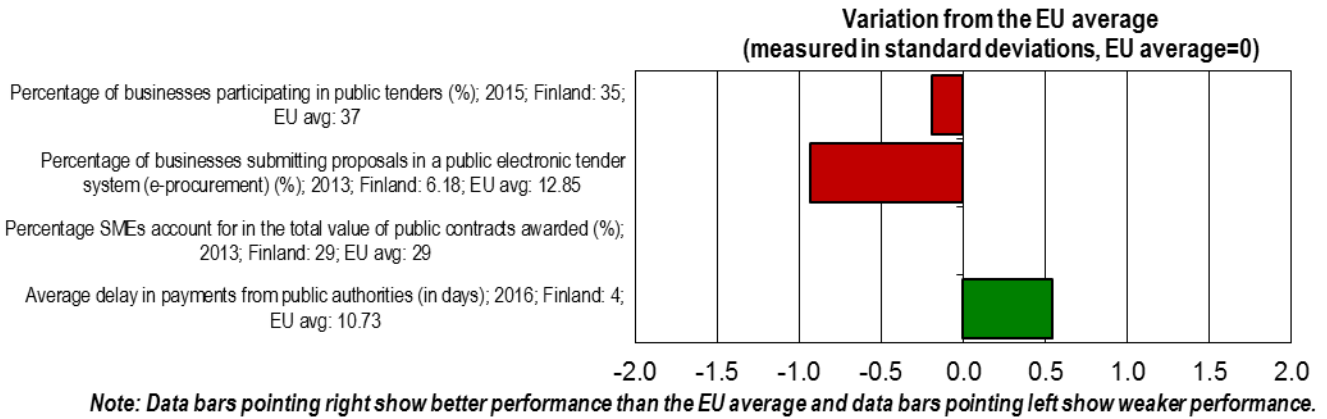


'Responsive administration' refers to public administration being responsive to the needs of SMEs. Finland continues to perform well above the EU average in this SBA principle area, scoring among the top five countries. While overall performance remains on a par with last year's fact sheet, some positive changes can be observed with the business creation process. Between 2015 and 2016, the time it takes to start a business decreased from 5 to 4 days. Government regulations are also considered less burdensome than the previous year and slight improvements can be seen in the competency and effectiveness of government staff in supporting new and growing firms.

From a policy perspective, reforms have been moderate in scale since 2008 in this area. In general, there has been a lot of effort to cut red tape, and the current government is determined to further decrease the administrative burden which still appears to hinder SMEs.

In 2016 and the first quarter of 2017, policy progress was moderate. The liberalisation of shopping hours in 2016 has had mixed results on SMEs. On the one hand, this has brought more freedom for SMEs, but on the other hand, the competition against larger units has increased.

### 3.4 State aid & public procurement



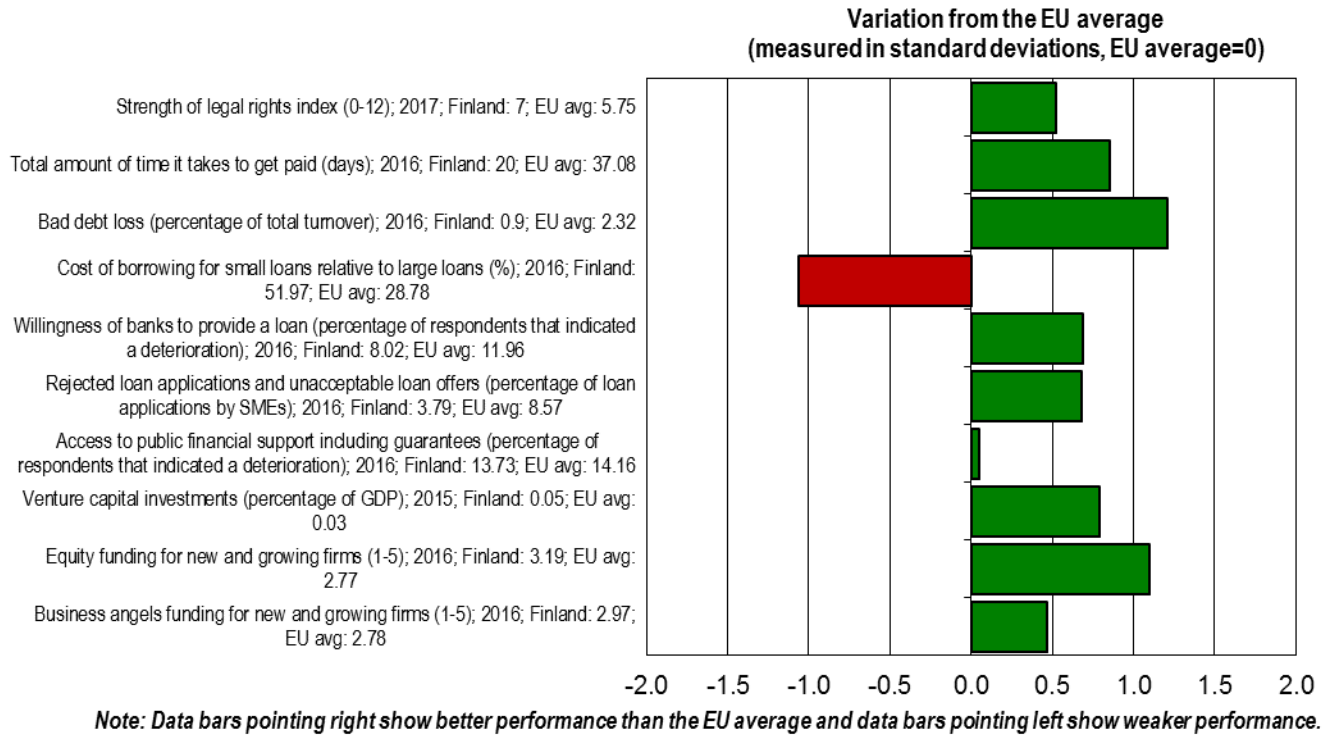
On state aid & public procurement, Finland performs below the EU average and, making it Finland’s worst performing area. The average delay in payments from public authorities remained unchanged between 2015 and 2016. Finland’s performance in this indicator, however, remains above the EU average, even though progress occurred at EU level. There is no new data for the other indicators.

Policy activity has been moderate since 2008. Various policy measures have been introduced to make public procurement easier and improve the competitive position of SMEs at state and local government levels. However, many SMEs still lack the

capacity to participate in public procurement, especially when a network of SMEs is required to participate in bigger bids.

The most notable new measure introduced during the reference period is the new Law on public procurement, which came into force in January 2017. The new legislation (based on EU public procurement directives) provides contracting authorities with better possibilities to make more innovative, sustainable and responsible procurements of a higher quality. From an SME perspective, the new legislation offers better conditions to increase SME participation in public procurement.

### 3.5 Access to finance



Finland performs above the EU average in this SBA area. Its overall performance has been on a negative trend since 2008, but improved compared to last year. The biggest improvement can be seen in access to public financial support, including guarantees, where fewer respondents reported a deterioration (21.6 % in 2015 versus 13.7 % in 2016). Fewer respondents also reported a deterioration when it came to banks' willingness to provide a loan (down from 9.4 % to 8.0 %). This decline reflects Finland's efforts to improve SMEs' access to finance. However, Finland continues to perform below the EU average for the cost of borrowing for small loans relative to large loans. Moreover, the percentage of rejected loan applications increased slightly from 2.7 % to 3.8 % in 2015-2016.

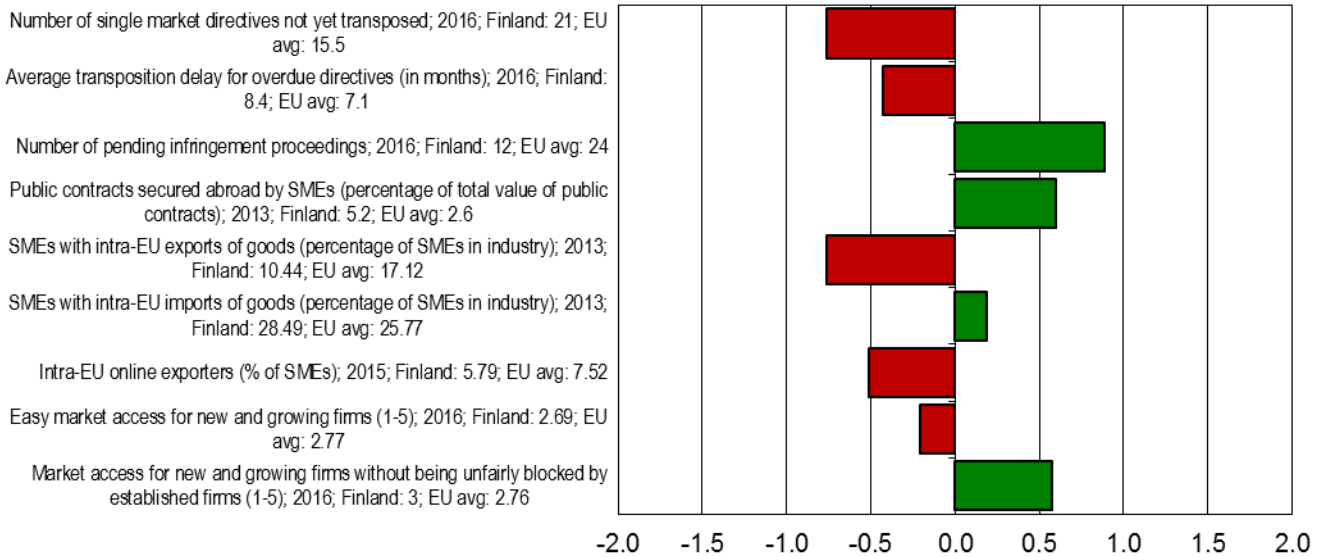
Finland has many initiatives to build on in this area. Since 2008, additional policy measures have been introduced to improve the

financing of SMEs, such as the growth-funding programme, junior loans and the investment programme for industrial renewal. Finland has also adopted the SME initiative and the Finnvera growth loan to act as a catalyst for private investments for SMEs to help them develop their businesses.

In 2016 and the first quarter of 2017, two measures on access to finance were introduced. The new tax deduction for entrepreneurs aims to improve the financial situation of entrepreneurs and particularly SMEs<sup>25</sup> (see also Section 4. — Interesting initiative). The implementation of the Finnvera growth loan aims to make it easier to access finance and paves the way for the introduction of the SME Initiative in Finland, in partnership with the EIB'.

### 3.6 Single market

Variation from the EU average  
(measured in standard deviations, EU average=0)



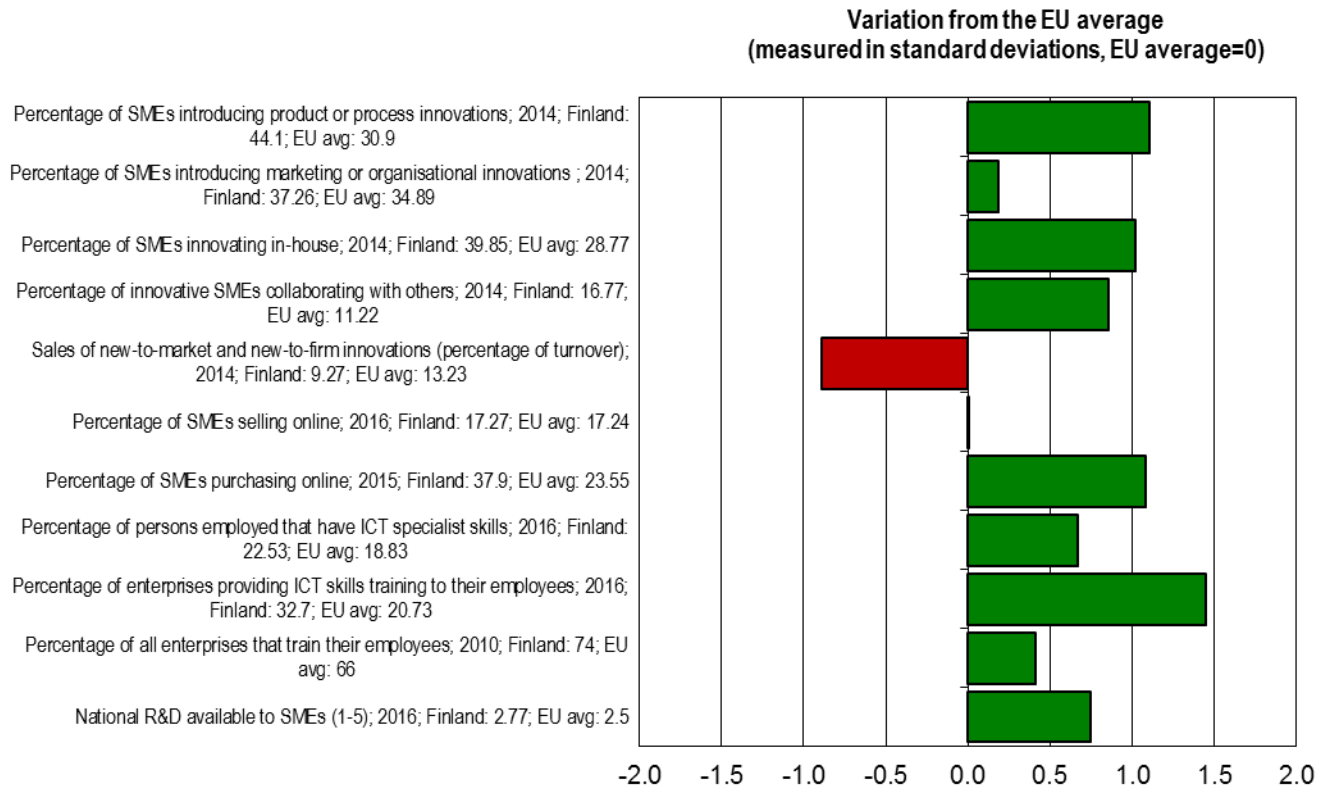
**Note:** Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

In this SBA policy area, Finland’s performance declined compared to last year’s assessment. This is the only SBA area in which Finland’s performance falls within the EU average. This downward trend is mostly due to Finland’s decrease in performance on the number of single directives not yet transposed, which increased from 3 to 21 directives in 2015-2016, and the average transposition delay for overdue directives, which increased in the same period from 2 months to 8.4 months<sup>26</sup>. Significant effort therefore has to be made to speed up the legislative and administrative process.

From a policy perspective, reforms have been moderate in scale since 2008. In general, the most significant gaps for the SBA area single market have to do with insufficient work on electronic interoperability in the internal market. More needs to be done to open up e-services and to use electronic signatures.

No additional significant measures were adopted under this SBA principle during the reference period.

### 3.7 Skills & innovation



**Note: Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.**

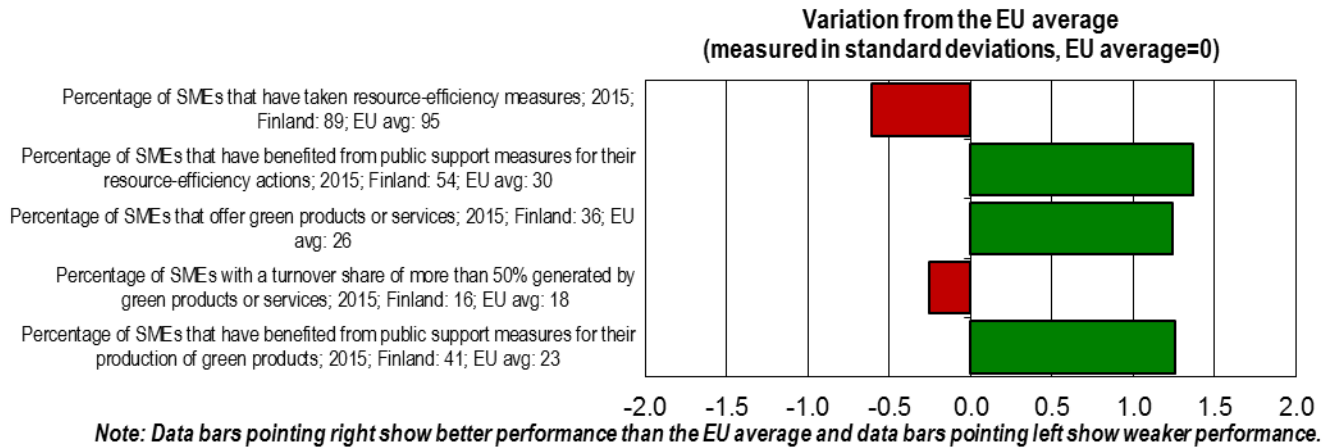
Finland continues to perform above the EU average in this SBA area, but has been on a slight downward trend since 2008. Compared to last year, its performance on most indicators improved. The greatest improvement was in the percentage of SMEs selling online, which increased from 14.6 % to 17.3 % between 2015 and 2016. By contrast, the sales of new-to-market and new-to-firm innovations fell from 11.1 % of company turnover in 2012 to 9.3 % in 2014. In 2014-2016, Finland’s performance in persons employed with ICT specialist skills deteriorated from 38.5 % to 32.7 %, while the share of enterprises providing ICT skills training to their employees dropped from 26.4 % to 22.5 %.

Finland has many initiatives it can build on in this area. Skills & innovation has been a priority for policy-making for a long time in Finland. Since 2008, several new measures to improve the skills of businesses have been introduced. Tekes activities have also moved their focus from pure RTDI-oriented (Research, Technological Development and Innovation) measures to support the development and growth of SMEs. SMEs are now more

explicitly in the focus of the Tekes funding instruments, with several smaller scale campaigns and the new dedicated SME innovation financing instrument being introduced.

The two most notable measures introduced during the reference period focused on promoting innovation particularly among SMEs. The first one is the Tekes ‘innovation voucher’ to make it easier for SMEs to launch innovation activities<sup>27</sup>. The other measure, the ‘innovation bank’, aims to boost the commercialisation of research, innovations and intellectual property rights with an untapped potential. There are no plans to set up a specific bank to collect innovations and patents. The purpose of the initiative is more to test if there is any market for innovations and inventions by large companies, research institutes and universities. It will also demonstrate how these could be channelled to SMEs for further development if the original innovator/inventor does not have plans for commercialisation. The initiative is expected to be piloted in June 2017<sup>28</sup>.

### 3.8 Environment

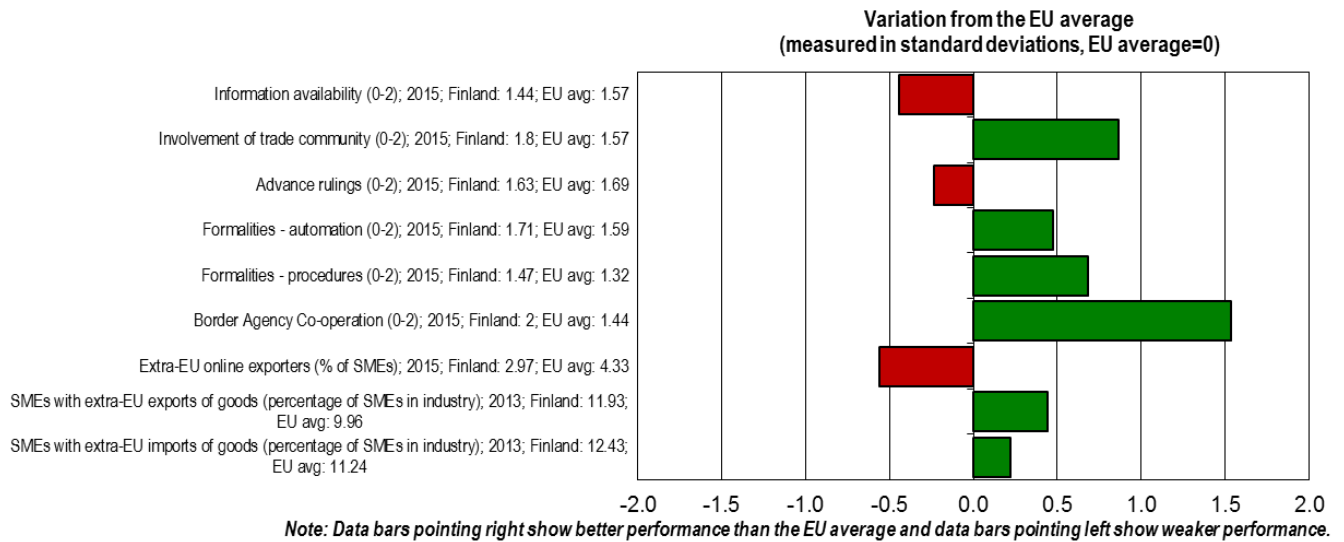


Finland performed above the EU average in this SBA principle area. It strongly improved its relative position compared to 2013, when its performance was on a par with the EU. In 2015, there were slightly more SMEs that had invested in resource-saving measures while the proportion of SMEs producing green products and services jumped from 24 % to 36 %. This large increase was accompanied by a rise in the proportion of SMEs benefiting from public support for the production of these goods and services from 27 % to 41 % in 2015. Only the proportion of specialist green producers, i.e. firms that generate at least half of their turnover from green products, fell from 22 % to 16 %, emulating a similar fall in almost all other EU Member States. Finland’s positive trend is even more noteworthy as it occurred against the backdrop of a general drop in resource-saving and green investment in most other EU Member States. Despite this recent progress, the proportion of SMEs taking measures to improve their resource efficiency still trails behind the EU average.

Since 2008, little progress has been observed with the ‘environment’ principle. However, environmental issues are still being supported in Finland. In the policy debate, the emphasis is on developing environment-related business areas rather than making production more environmentally friendly. The focus on environmental technologies, clean tech and ‘green growth’ is laid down in the relevant national strategies.

In 2016 and the first quarter of 2017, no significant additional measures were adopted in this field.

### 3.9 Internationalisation



Finland performs above the EU average in this SBA policy area. Due to the replacement of most of the indicators used in this year's fact sheet, Finland's overall performance in this category cannot be compared to last year's,<sup>29</sup> with the exception of extra-EU imports and exports of goods by SMEs, which remain unchanged. According to the new dataset used, Finland scores among the top EU performers for border agency cooperation and for the involvement of the trade community. This high performance indicates a high level of inter-state cooperation and an awareness of the need to support the internationalisation of Finnish SMEs.

Since 2008, several policy measures were implemented to strengthen Finland's performance on internationalisation. There has been a continuous effort to develop and improve the effectiveness of Team Finland<sup>30</sup>'s services. Team Finland's revised service model was introduced as a new measure in late August 2015. The aim of the model was to streamline the activities of various organisations working as part of the Team Finland network. The new centralised contact points have made

it easier for companies to seek help. Moreover, companies with an ambitious internationalisation plan will get a joint service plan from all relevant organisations. The internationalisation activities include, for instance, market research, networking, training and business development support and financing. However, companies' awareness of these new services should still be improved.

The latest change was announced in March 2017 when the government announced that Tekes and Finpro will be merged to provide more efficient internationalisation services<sup>31</sup>. This reform is a significant effort to improve internationalisation support in Finland. As part of the same reform, the foreign ministry services abroad will also be developed to support the internationalisation of businesses in a more comprehensive way. The purpose of this change is to improve existing services for growth-oriented companies interested in expanding to international markets.





## 4. Interesting initiative

Below is an example of an initiative from Finland to show what governments can do to support SMEs.

### Entrepreneur tax deduction

A new tax deduction for entrepreneurs was implemented at the beginning of 2017. The level of the deduction will be 5 % of the taxable net income derived from business operations, farming and reindeer husbandry. A similar deduction will apply to forestry. The measure is interesting because it specifically aims to support SMEs and entrepreneurship through taxation, a policy approach not typical in Finland in the past. Entrepreneur deduction is specifically applied to entrepreneurs, farmers and forest owners who are taxed as individuals. This is important because the tax rate for individuals for earned and capital income has been in most cases higher than the tax rate for limited companies. The tax deduction therefore aims to create a more level playing field for different types of business entities.

References:

<http://www.finlex.fi/fi/laki/alkup/2016/20161323>

## Important remarks

The European Commission Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW) produces the SBA fact sheets as part of the SME Performance Review (SPR), its main vehicle for economic analysis of SME issues. They combine the latest available statistical and policy information. Produced annually, they help to organise the available information to facilitate SME policy assessments and monitor SBA implementation. They take stock and record progress. They are not an assessment of Member State policies. Rather, they should be regarded as an additional source of information to improve evidence-based policy-making. For example, they cite only policy measures national SME policy experts consider relevant. They do not and cannot reflect all measures the government has taken over the reference period. There is more policy information on a database accessible from the SPR website.

SME Performance Review:

<http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

[grow-spr@ec.europa.eu](mailto:grow-spr@ec.europa.eu)

Small Business Act:

[http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index\\_en.htm](http://ec.europa.eu/growth/smes/business-friendly-environment/small-business-act/index_en.htm)

European Small Business Portal:

[http://ec.europa.eu/small-business/index\\_en.htm](http://ec.europa.eu/small-business/index_en.htm)

## Endnotes

<sup>1</sup> The two graphs below present the trend over time for the variables. They consist of index values for the years since 2008, with the base year 2008 set at a value of 100. From 2015, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2014 figures from Eurostat's Structural Business Statistics Database. The data cover the 'non-financial business economy', which includes industry, construction, trade and services (NACE Rev. 2 sections B to J, L, M and N). They do not cover enterprises in agriculture, forestry and fisheries or largely non-market service sectors such as education and health. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

<sup>2</sup> The [Internal Market Information system](http://ec.europa.eu/internal_market/scoreboard/performance_by_governance_tool/internal_market_information_system/index_en.htm) (IMI) is an IT-based information network that links up national, regional and local authorities across borders. It enables them to communicate quickly and easily with their counterparts abroad. [http://ec.europa.eu/internal\\_market/scoreboard/performance\\_by\\_governance\\_tool/internal\\_market\\_information\\_system/index\\_en.htm](http://ec.europa.eu/internal_market/scoreboard/performance_by_governance_tool/internal_market_information_system/index_en.htm)

<sup>3</sup> TULLI Tull Customs, Statistics on the international trade in goods (21.12.2016); available at: [http://tulli.fi/tilastot/tilastojulkaisu/-/asset\\_publisher/tavaroiden-ulkomaankauppa-yritysten-kokoluokittain-heina-syyskuussa-2016](http://tulli.fi/tilastot/tilastojulkaisu/-/asset_publisher/tavaroiden-ulkomaankauppa-yritysten-kokoluokittain-heina-syyskuussa-2016); last accessed 04.04.2017.

<sup>4</sup> Yrittäjät Pk-yritysbarometri 1/2017; available at: <https://www.yrittajat.fi/suomen-yrittajat/tutkimukset/pk-yritysbarometrit/pk-yritysbarometri-12017-549090>; last accessed 04.04.2017.

<sup>5</sup> Statistics Finland, International trade in services 2015 — Exports of services grew strongly in 2015 (27.05.2016); available at: [http://www.stat.fi/til/pul/2015/pul\\_2015\\_2016-05-27\\_tie\\_001\\_en.html](http://www.stat.fi/til/pul/2015/pul_2015_2016-05-27_tie_001_en.html); last accessed 04.04.2017.

<sup>6</sup> Article on Talouselämä (13.08.2016); available at: <http://www.talouselama.fi/uutiset/sata-suurinta-it-yritysta-mainiosti-menee-kun-jattaa-nokian-ja-microsoftin-huomiotta-6572986>; last accessed 04.04.2017.

<sup>7</sup> Article on Helsingin Sanomat (12.06.2016); available at: <http://www.hs.fi/talous/art-2000002905575.html>; last accessed 04.04.2017.

<sup>8</sup> Pekka Neittaanmäki, Päivi Kinnunen (2016), Työttömyys It-Alalla Koko Suomessa Ja Maakunnissa 2006-2015, Jyväskylän Yliopisto, Informaatioteknologian Tiedekunta; available at: <https://www.jyu.fi/it/tutkimus/muistiot/it-tyottomat>; last accessed 04.04.2017.

<sup>9</sup> Article on Helsingin Sanomat (12.06.2016); available at: <http://www.hs.fi/talous/art-2000002905575.html>; last accessed 04.04.2017.

<sup>10</sup> Jyrki Ali-Yrkkö et al. (2017), Miksi yritysten investoinnit ovat vähentyneet? Selvitys- ja tutkimustoiminnan julkaisusarja 11/2017; available at: [http://tietokayttoon.fi/documents/10616/3866814/11\\_2017\\_Miksi+yritysten+investoinnit+ovat+v%C3%A4hentyneet.pdf/c357e8d1-00f0-4a79-aeca-f086755b3a36?version=1.0](http://tietokayttoon.fi/documents/10616/3866814/11_2017_Miksi+yritysten+investoinnit+ovat+v%C3%A4hentyneet.pdf/c357e8d1-00f0-4a79-aeca-f086755b3a36?version=1.0); last accessed 04.04.2017.

<sup>11</sup> Ibid.

<sup>12</sup> Ibid.

<sup>13</sup> Ministry of Employment and the Economy, Selvitys- ja tutkimustoiminnan julkaisusarja 11/2017, Palvelutalouden murros ja digitalisaatio — Suomen kasvun mahdollisuudet; available at: [http://digitaalinenpolku.fi/wp-content/uploads/2015/08/TEMjul\\_12\\_2015\\_web\\_30032015.pdf](http://digitaalinenpolku.fi/wp-content/uploads/2015/08/TEMjul_12_2015_web_30032015.pdf); last accessed 04.04.2017.

<sup>14</sup> Statistics Finland, Enterprise openings and closures (24.01.2017); available at: [http://www.stat.fi/ti/aly/index\\_en.html](http://www.stat.fi/ti/aly/index_en.html); last accessed 04.04.2017.

<sup>15</sup> Ibid.

<sup>16</sup> Persons employed and self-employed persons refer to persons aged 15-64. Source of the data is Eurostat. To calculate the 2016 value, quarterly data from the LFS series was averaged over all quarters for which information was available on 20.03.2017.

<sup>17</sup> In line with Commission implementing regulation (EU) No 439/2014, high-growth enterprises are defined as firms with at least 10 employees in the beginning of their growth and average annualised growth in number of employees greater than 10 % per annum, over a three-year period. The share of high-growth enterprises is the number of high growth enterprises divided by the number of active enterprises with at least 10 employees. The source of the data on high-growth enterprises is Eurostat ([http://ec.europa.eu/eurostat/web/products-datasets/-/bd\\_9pm\\_r2](http://ec.europa.eu/eurostat/web/products-datasets/-/bd_9pm_r2), last accessed 10.04.2017). Due to data availability on Eurostat, the data on high-growth firms refer to the 'business economy', which covers sections B-N including section K (financial activities, except activities of holding companies). The 'non-financial business economy' excludes section K.

<sup>18</sup> Ibid.

<sup>19</sup> The 2017 SBA fact sheets benefited substantially from input from the European Commission's Joint Research Centre (JRC) in Ispra, Italy. The JRC made major improvements to the methodological approach, statistical work on the dataset and the visual presentation of the data.

<sup>20</sup> The quadrant chart combines two sets of information. Firstly, it shows current performance based on data for the latest available years. This information is plotted along the X-axis measured in standard deviations of the simple, non-weighted arithmetical average for the EU-28. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2017. These are measured against the individual indicators which make up the SBA area averages. Hence, the location of a particular SBA area average in any of the four quadrants provides information not only about where the country is located in this SBA area relative to the EU average at a given point in time but also about the extent of progress made between 2008 and 2017. All SBA principles, with the exception of the 'Think Small First' principle for which there is not enough statistical data available, are calculated as composite indicators following the OECD/JRC Handbook guide. A detailed methodology can be consulted at: <http://ec.europa.eu/growth/smes/business-friendly-environment/performance-review/>

<sup>21</sup> The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2016 and the first quarter of 2017. The national SME policy expert that CARSA Spain (DG GROW's lead contractor for the 2017 SBA fact sheets) contracted made the selection. The experts were asked to select only the measures they considered the most important, i.e. the ones expected to have the highest impact in the SBA area in question. The complete range of measures the experts compiled in producing this year's fact sheets will be published alongside the fact sheets in the form of a policy database on the DG GROW website.

<sup>22</sup> <http://ec.europa.eu/programmes/horizon2020/en/h2020-section/sme-instrument>

<sup>23</sup> A hackathon (also known as a hack day, hackfest or codefest) is a design sprint-like event in which computer programmers and others involved in software development, including graphic designers, interface designers, project managers, and others, often including subject-matter-experts, collaborate intensively on software projects; <https://en.wikipedia.org/wiki/Hackathon>

<sup>24</sup> <http://www.slush.org/>

<sup>25</sup> Pienyritykset voivat tilittää arvonlisäveron maksuperusteisesti. 21.12.2016. [https://www.vero.fi/fi-FI/Yritys\\_ ja\\_yhteisoasiakkaat/Arvonlisaverotus/Pienyritykset\\_ voivat\\_ tilittaa\\_ arvonlisav\(41757\)](https://www.vero.fi/fi-FI/Yritys_ ja_yhteisoasiakkaat/Arvonlisaverotus/Pienyritykset_ voivat_ tilittaa_ arvonlisav(41757))

<sup>26</sup> The data for 2016 were compiled in December 2016, while the 2015 data were from May 2015.

<sup>27</sup> Innovation voucher <https://www.tekes.fi/en/funding/SME/innovation-voucher/>

<sup>28</sup> Government decision concerning measures to boost employment. 1.9.2016.

<http://vnk.fi/documents/10616/3127780/Liite+2+Hallituksen+p%C3%A4%C3%A4t%C3%B6s+ty%C3%B6llisytt%C3%A4+lis%C3%A4%C3%A4vist%C3%A4+toimista+en.pdf/aebb65ac-17f6-42d3-8a12-111ae334f7d4>; Innovation Scout ja Innovaatiopankki 18.1.2017 [https://tapahtumat.tekes.fi/uploads/6b1801013/Innovaatiopankki\\_Kanto\\_Kimmo-8000.pdf](https://tapahtumat.tekes.fi/uploads/6b1801013/Innovaatiopankki_Kanto_Kimmo-8000.pdf)

<sup>29</sup> All World Bank indicators (time and cost to export and import) have been replaced by six OECD trade-facilitation indicators (following a scale where 0 is the worst and 2 is the best score). Please see Moisé, E., T. Orliac and P. Minor (2011), 'Trade Facilitation Indicators: The Impact on Trade Costs', OECD Trade Policy Papers, No 118, OECD Publishing, Paris. <http://dx.doi.org/10.1787/5kq6nk654hmr-en> for more information on the methodology applied to construct the indicators; further information is available at: <http://www.oecd.org/trade/facilitation/indicators.htm>, last accessed 06/07/2017.

<sup>30</sup> Team Finland brings together all state-funded internationalisation services. <http://team.finland.fi/en/frontpage>

<sup>31</sup> Tekes and Finpro to be merged, the role of the Ministry for Foreign Affairs will strengthen in the promotion of exports.

28.3.2017 [https://tem.fi/en/article/-/asset\\_publisher/tekes-ja-finpro-yhdistetaan-ulkoministerion-rooli-vienninedistamisessa-vahvistuu](https://tem.fi/en/article/-/asset_publisher/tekes-ja-finpro-yhdistetaan-ulkoministerion-rooli-vienninedistamisessa-vahvistuu)