



2017 SBA Fact Sheet

Denmark



Key points

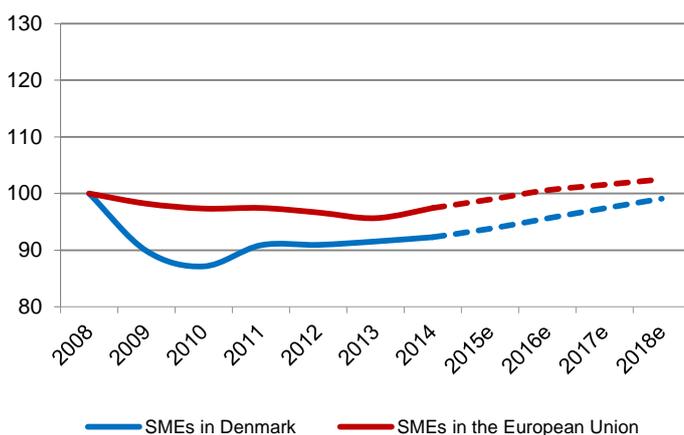
Past & future SME performance¹: Between 2012 and 2016, Danish SMEs generated solid growth. SME value added increased by 6.6 % and employment rose by 5.1 %. Large firms grew even more strongly, with value added going up by 23.1 % and employment by 11.1 %. In 2016, employment and value added rose respectively by 1.9 % and 1.0 % compared to their 2015 levels. The outlook for SMEs in Denmark is optimistic. SME value added is predicted to rise by 9.4 % in 2016-2018, while SME employment is expected to increase 3.6 %. As a result, approximately 39 700 jobs are likely to be created by SMEs in this period. In contrast, large firms in the non-financial business economy are expected to create a larger number of jobs — about 52 400 in total.

Implementing the Small Business Act for Europe (SBA): Denmark continues to boast a very strong SBA profile, offering an SME-friendly business environment. The country performs above the EU average across seven SBA principles. The ‘responsive administration’, single market and skills & innovation areas score particularly well, placing the country among the top three performers in the EU in each area. In entrepreneurship and environment, Denmark performs in line with the EU average. Entrepreneurship has seen the greatest improvement since 2008.

SME policy priorities: Danish SME policy succeeds in delivering a supportive business environment for small businesses. A key current need is to give honest entrepreneurs a second chance, with anecdotal evidence pointing to the need to further speed up procedures. Another key need is to deal with shortages in the supply of labour and in labour productivity, which should be addressed through effective policies on skills and innovation. Last but not least, specific obstacles preventing access to finance, particularly for micro firms and start-ups, remain significantly higher than in the EU as a whole and need to be targeted.

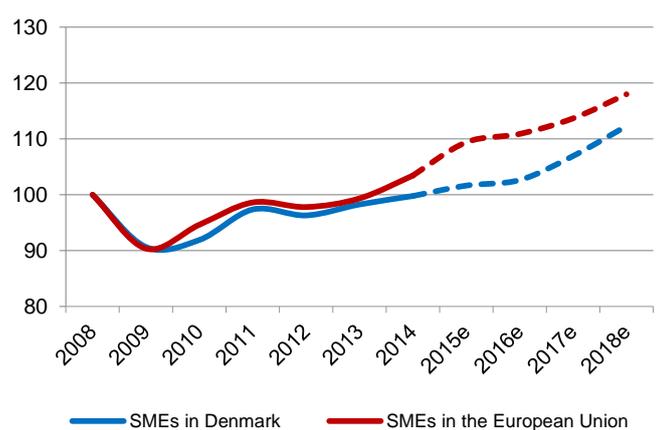
Number of persons employed in SMEs

(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		
	Denmark		EU-28	Denmark		EU-28	Denmark		EU-28
	Number	Share	Share	Number	Share	Share	Billion €	Share	Share
Micro	196 717	88.7 %	93.0 %	336 478	19.6 %	29.8 %	28.1	20.8 %	20.9 %
Small	20 510	9.2 %	5.8 %	391 522	22.8 %	20.0 %	26.3	19.5 %	17.8 %
Medium-sized	3 852	1.7 %	0.9 %	362 749	21.2 %	16.7 %	25.2	18.7 %	18.2 %
SMEs	221 079	99.7 %	99.8 %	1 090 749	63.6 %	66.6 %	79.6	59.0 %	56.8 %
Large	727	0.3 %	0.2 %	622 940	36.4 %	33.4 %	55.4	41.0 %	43.2 %
Total	221 806	100.0 %	100.0 %	1 713 689	100.0 %	100.0 %	135.0	100.0 %	100.0 %

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.

The contribution of SMEs to the Danish non-financial business economy is on a par with the EU average, accounting for 59.0 % of value added and 63.6 % of employment. However, SMEs are on average bigger in Denmark than in the EU as a whole — the average number of people employed in a Danish SME is 4.9, above the EU average of 3.9. Micro firms generate only 19.6 % of employment compared to 29.9 % in the EU as a whole, while small firms and medium firms account for a higher share of employment than the EU average.

In Denmark, like in the rest of the EU, *wholesale and retail trade* and *manufacturing* are the two largest SME sectors. Together they contribute 36.8 % of SME value added and 44.5 % of SME employment in Denmark.

During the period between end of 2012 and 2016, Danish SMEs generated solid growth. SME value added increased by 6.6 % and employment rose by 5.1 %. Large firms grew even more strongly, with value added increasing by 23.1 % and employment by 11.1 %. In 2016, SME growth continued, with employment and value added rising by 1.9 % and 1.0 % respectively since 2015.

Overall SME growth was partly driven by the performance of the *construction* sector, where employment rose by 8.3 % between 2012 and 2016, and SME value added increased by 14.8 %. Although the residential housing market suffered from the global financial crisis in 2009, the recovery has started, and residential construction has been increasing every year since

2013². Growth was additionally fuelled by private and public investment in infrastructure projects³, which are likely to boost growth in the future⁴. Major projects include a number of railway links, the Metro-line project in Copenhagen and tram-line construction in several cities. The upcoming construction of the *Fehmarnbelt Tunnel*⁵, the world's longest road and rail tunnel, which will link Denmark and Germany across the Baltic Sea, should continue this trend in the near future. Such large infrastructure projects are the probable explanation for increased growth in the *specialised construction* subsector, where employment rose by 9.3 % and value added by 18.0 %.

Accommodation and food services also grew strongly, with SME employment increasing by 16.8 % and SME value added rising by 7.0 % in 2012-2016. Affluent households tend to increasingly spend their surplus money on services (hotels and restaurants) rather than on goods, which has led to a considerable increase in this sector. The main growth driver was the *accommodation* subsector, where SME employment and value added increased by 20.0 % and 15.6 % respectively. The sector benefited from a 15.2 % rise in tourist overnight stays in 2012-2016⁶. SMEs in *food and beverage services* also performed very well in terms of employment growth, as eating out and buying take-away food has been gaining popularity in Denmark⁷. However, growth in SME value added in *food and beverage services* was lower than in *accommodation*, amounting to 3.5 % in 2012-2016. This is possibly explained by the high labour intensity of the *food and beverage services* business, which makes productivity gains difficult to achieve.

Slow growth was observed in *wholesale and retail trade*, where SME value added and employment increased by only 2.2 % and 0.9 % respectively in 2012-2016. As is typical for coastal regions throughout the EU⁸, *wholesale trade, except of motor vehicles and motorcycles* plays an important role in Denmark.

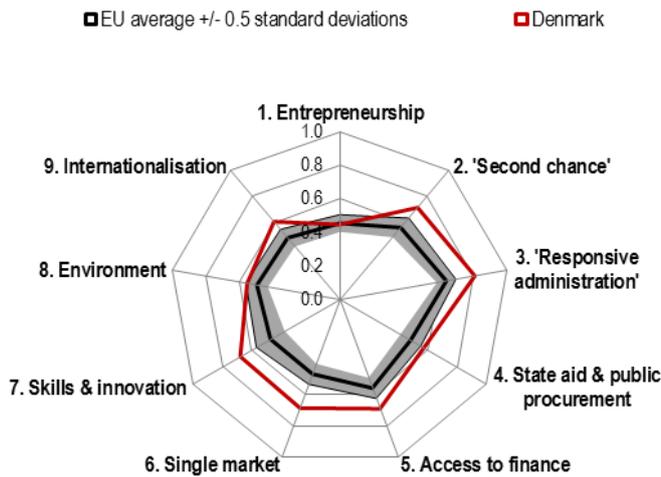
The subsector accounted for 13.2 % of total SME value added in 2016 and performed relatively well, with value added growing by over 5 % during the period between 2012 and 2016. However, both SME value added and employment in *retail trade, except of motor vehicles and motorcycles* dropped by 5.1 % and 2.5 % respectively during the same period. SMEs in this subsector face strong competition from large firms, where employment rose by 15.7 % in the same period. Like in many EU countries, competition from large retail stores is driving smaller stores out of business, especially in small towns⁹.

In 2016, 7.6 % of the workforce were self-employed¹⁰. This share is lower than the EU average of 14.0 %, and it remained stable throughout 2000-2016.

In 2009-2014, the number of business registrations rose by 15.2 %¹¹ to a total of 31 143 in 2014. De-registrations dropped by 6.8 % in 2009-2014, totalling 35 095 in 2014. The result was a net loss of 3 952 firms¹². Nonetheless, employment continued to increase in the same period, with no signs of a slowdown in economic activity. In 2014, 2 118 firms — 9.2 % of all active businesses with at least 10 employees in the business economy — were high-growth firms¹³. The figure is consistent with the EU average. In the same year, the sectors with the highest shares of high-growth firms were *administrative activities* (15.3 %) and *information and communication* (14.7 %).

The outlook for SMEs in Denmark is optimistic. SME value added is predicted to rise by 9.4 % in 2016-2018, while SME employment is expected to increase 3.6 % (these growth rates will require faster growth in labour productivity in SMEs than in the recent past). As a result, approximately 39 700 jobs are likely to be created by SMEs in this period. In contrast, large firms in the non-financial business economy are expected to create a larger number of jobs — about 52 400 in total.

2. SBA profile¹⁴



Denmark continues to boast a very strong SBA profile. The country ranks first in the EU in the single market dimension and third in both 'responsive administration' and skills & innovation. It scores above the EU average in four additional dimensions: 'second chance', state aid & public procurement, access to finance and internationalisation. Meanwhile, Denmark performs in line with the EU average in entrepreneurship and environment. There is no single SBA area in which Denmark's performance trails the EU average.

Denmark's SBA profile has remained relatively constant compared to last year, except for access to finance, where performance improved from broadly in line with the EU average to above the EU average. Since 2008, the country's performance has improved in four out of the five SBA principles, for which there were sufficient statistical indicators to enable a quantitative analysis. Entrepreneurship experienced the greatest progress since 2008, followed by significant progress in access to finance and single market, while 'second chance' levelled off.

Key areas that have benefited from new policy initiatives since 2008 include internationalisation, single market, skills & innovation and 'Think Small First'. Progress in internationalisation

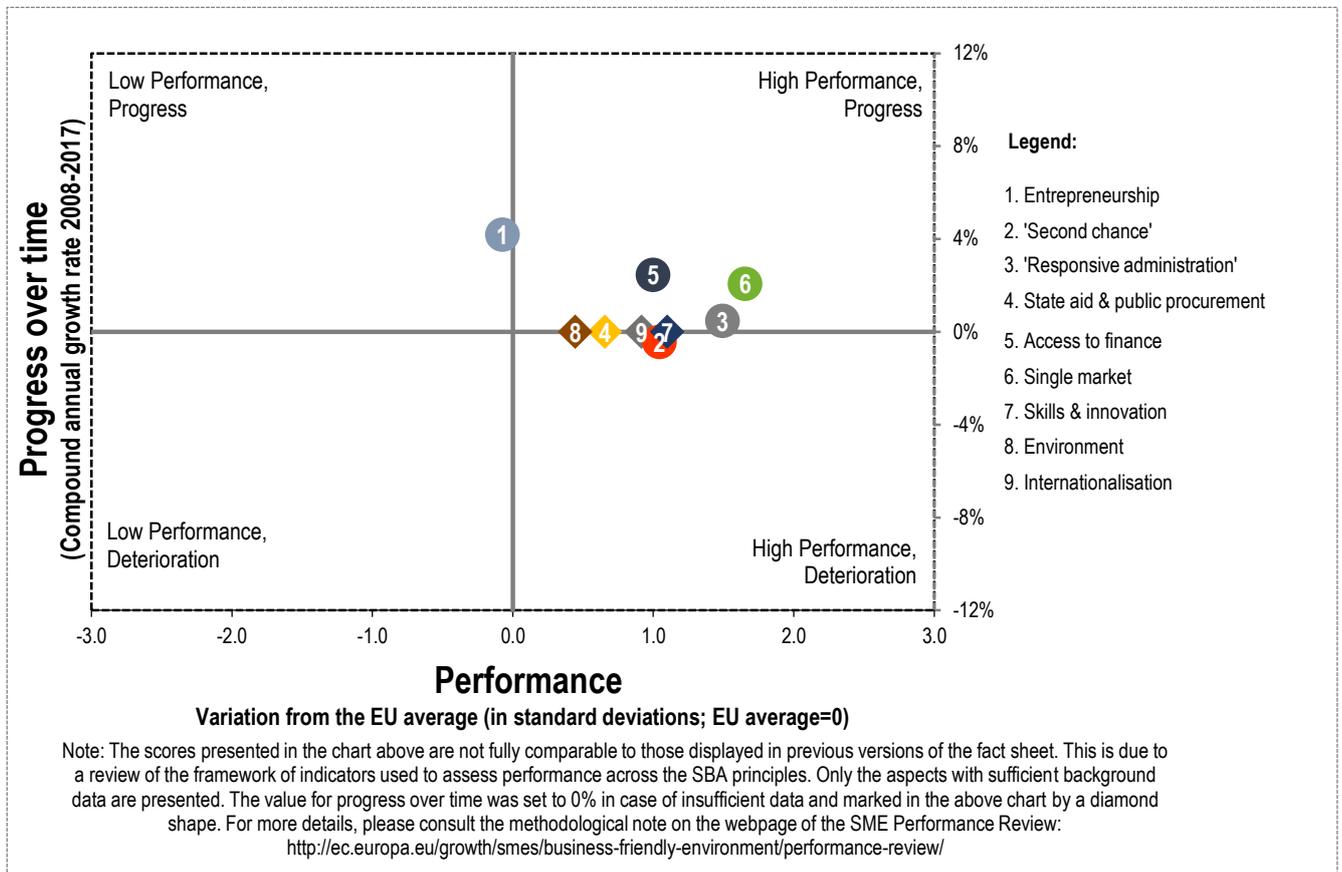
and single market has been partly driven by the guarantees from the Danish Export Credit Agency and several measures which the Trade Council (*Eksportrådet*) put in place (e.g. Vitus, Innovation Centre Denmark). Progress in skills and innovation policy included the implementation of such initiatives as the Netmatch programme, the regional Growth Funds (*VækstForum*) and tax credits. In addition, recent measures implemented under the 'Think Small First' principle substantially reduced unnecessary burden on SMEs.

Although available figures suggest good performance in 'second chance', anecdotal evidence points to the need for faster procedures and stronger measures to support entrepreneurs in difficulty.

During 2016 and the first quarter of 2017, the reference period for policy measures in this year's fact sheet, Denmark implemented 9 new policy measures, addressing 4 out of the 10 policy areas under the Small Business Act. SME stakeholders acknowledge substantial progress in implementing the SBA. They agree that skills & innovation was the area that developed most rapidly during the reference period, with particular attention paid to digital technologies and skills.

Overall, 2016 and the first quarter of 2017 was a period of consolidation for SME-policy initiatives in Denmark. Several new measures were introduced, while those introduced in 2015 were gaining momentum. The Implementation Council, launched in 2015, issued more than 100 recommendations between October 2015 and March 2017 on how to make it easier for SMEs to do business. The government followed up on these suggestions and made a large number of changes to laws and procedures affecting SMEs. Despite the strong political focus on SMEs, implementation of the growth plan *A Stronger Denmark – Growth 2016* (Et Stærkere Danmark – Vækst 2016) was delayed, with only a few measures implemented. These delays were mainly due to the change in the government's political composition at the end of 2016.

SBA performance of Denmark: state of play and development from 2008 to 2017¹⁵



3. SBA principles¹⁶

3.0 'Think Small First'

The 'Think Small First' principle is intended as 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.

Since 2008, Denmark has made significant progress in applying the 'Think Small First' principle. The Business Forum¹⁷ was very effective in transforming recommendations from the SME community into actions that reduce burden for SMEs. This has resulted in a large number of small adjustments which taken together has made a big difference. Tweaking the way in which current legal requirements are administered has resulted in substantial improvements to the business environment, especially for micro and small firms.

In 2016, the government increased the target for saving money by reducing burdensome regulation by 2020 from EUR 400 million to EUR 533 million. The overall amount saved from the reduction is expected to reach EUR 800 million by 2025. By the end of 2016 Danish businesses had been relieved of burdens worth a net EUR 187 million¹⁸. The government also made a commitment to put a stop to new burdens, by making sure that new laws do not put additional bureaucratic requirements on businesses. Exceptions are only granted if such burden is a consequence of international commitments or when national security concerns are at stake. This 'burden stop' initiative is carried out in collaboration with business stakeholders.

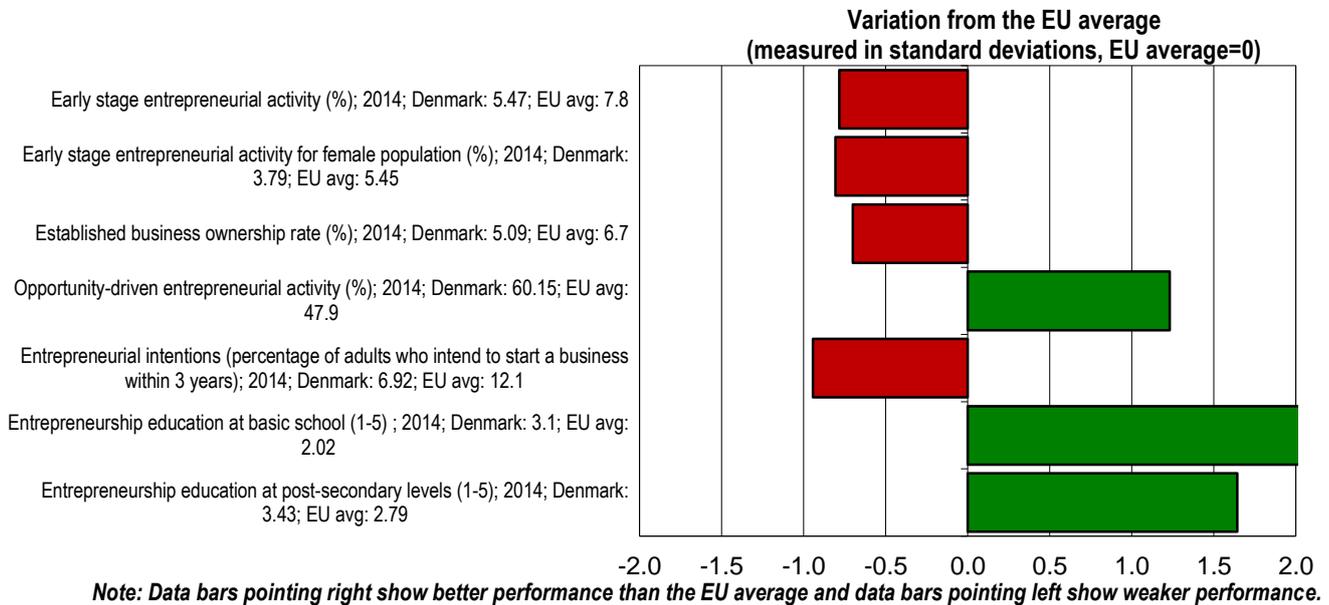
All new regulations are subject to a regulatory impact assessment, and the SME test is systematically applied to each new piece of legislation. The 'Think Small First' principle has been incorporated into all policy domains, and its application has been quite successful in shielding SMEs from new regulatory burden.

Between October 2015, when the Implementation Council started, and March 2017, the Council issued 110 recommendations to the government, in particular on how to implement EU regulations and reduce gold-plating¹⁹. However, some stakeholders would like to see even more done and would especially like to see the Implementation Council work faster.

Overall, moderate progress was made during the reference period (i.e. 2016 and the first quarter of 2017). For example, financial support for the approval of biocides was adopted to ensure that regulatory burden does not kill good ideas from SMEs. Several small adjustments have been made to legislation following the government's systematic effort to remove unnecessary red tape for SMEs. The suggestions for many of the adjustments have been collected through the Business Forum and the Implementation Council.

'Common commencement dates' (1 January and 1 July) were introduced in January 2016. The introduction of changes to the accounting system and other frameworks twice a year represents a major improvement, especially for micro and small firms.

3.1 Entrepreneurship



Denmark’s performance in this area remains in line with the EU average and unchanged from the last year because no indicator has been updated since then.

Individual indicators suggest that the country’s performance is mixed. Denmark scores very well on providing the right conditions for entrepreneurship, and particularly the education system. It reported the second highest scores in the EU for providing entrepreneurship education in primary and secondary schools and in post-secondary education. However, the country performs less well for actual entrepreneurship activity, recording the third lowest performance in the EU for entrepreneurial intentions.

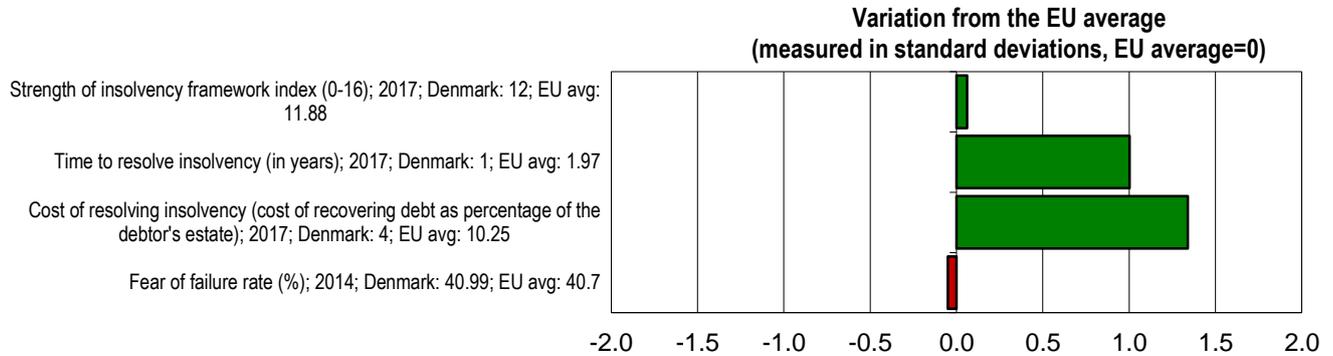
Since 2008, there has been substantial progress in this area, and it has become significantly easier to set up and administer a business in Denmark. Policies over the past 10 years have shifted away from passive financial support towards the creation of a business-friendly environment conducive to SME growth. The entrepreneurial ecosystem has also improved thanks to a comprehensive educational strategy put in place at all levels of the educational system. The EU funds entrepreneurship education through the Structural Funds, and in particular through the European Social Fund. Several schemes have been

implemented to upgrade entrepreneurs’ skills, such as the regional 'Growth Houses' (business development centres), or Scale-Up Denmark²⁰.

The start-up environment is such that it is easy to start a new business in Denmark, with little bureaucracy in both the start-up and operational phases. However, despite that, relatively few SMEs grow into large enterprises (although the share of high-growth enterprises is in line with the EU average), and additional support is needed for scaling-up. Overall, the policy support for SMEs focuses on creating favourable conditions and providing advisory services (legal, tax and export). Access to finance for the smallest businesses could be improved, and facilities to make scaling-up easier could be put in place.

One new measure was introduced during the reference period: the launch of the Enterprise Council on IT Security. The Council includes members from the business sector and academia. It will advise the government on how to strengthen IT security in small businesses and how IT security and responsible data handling can become a competitive advantage for Danish SMEs. The measure is partly aimed at unlocking the large market for IT security and easing the IT burden for small businesses.

3.2 'Second chance'



'Second chance' means ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Denmark continues to deliver above-average performance in this area, with no indicators changing since last year (one indicator was not updated, three remained unchanged). Denmark's least well-performing indicator is the fear of possible failure, for which the country is in line with the EU average.

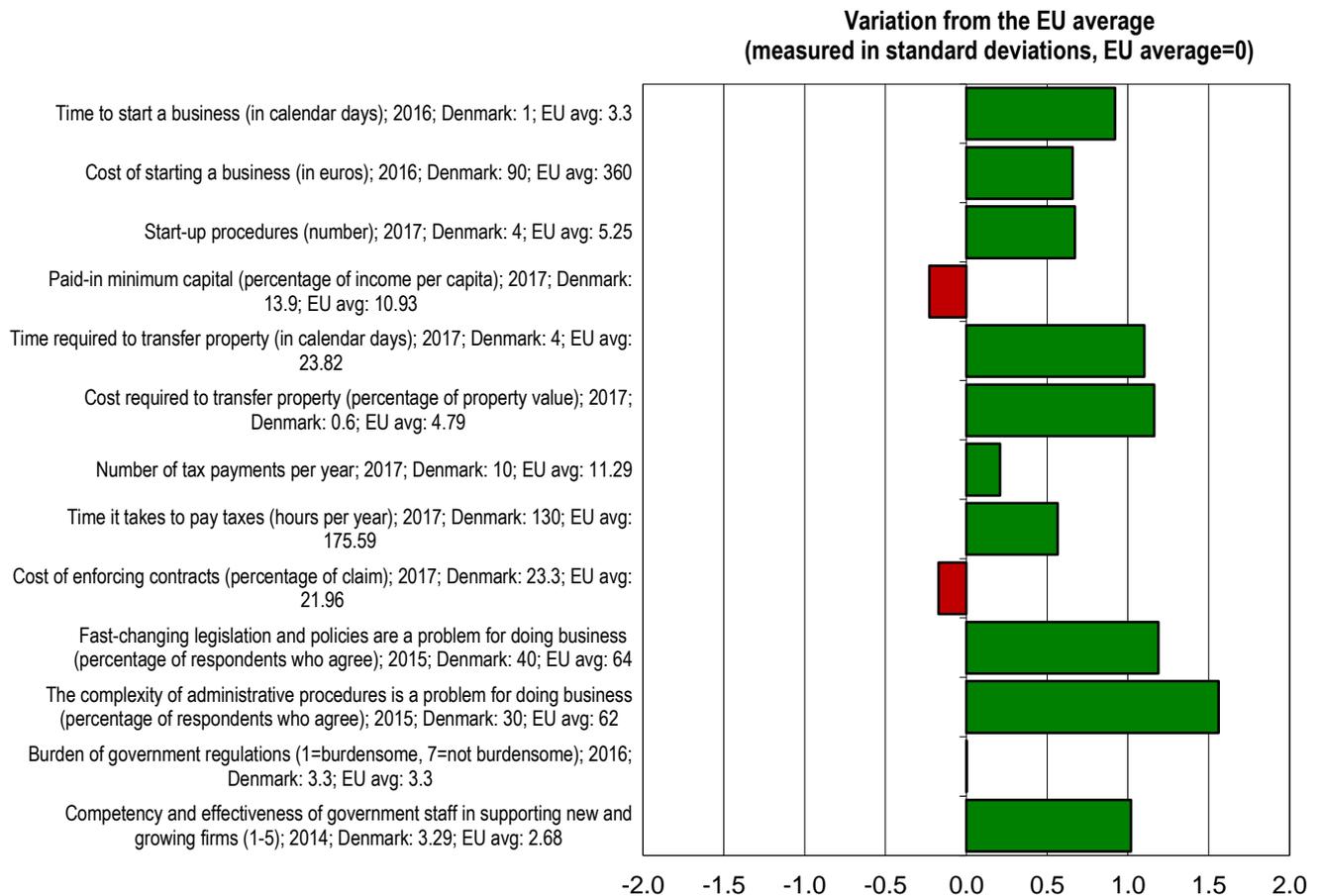
Since 2008, there have been few policy measures in this area. The Danish Business Authority introduced the early warning system. It operates through the regional 'Growth Houses' (business development centres). The system consists in providing free advisory services to SMEs in difficulty and helping them to

successfully implement the advice. Thanks to the fact that financial advice is also provided, the early warning system helps prevent the accumulation of debt in SMEs in difficulty.

There is no legal requirement for bankruptcy procedures to be completed within a year or for discharge from bankruptcy to be completed in less than 3 years. Honest entrepreneurs are not automatically discharged after liquidation. There are no fast-track or specific procedures designed for SMEs.

During 2016 and the first quarter of 2017, no significant new measures were adopted or announced in this area. Stakeholders are waiting for the EU Directive on Insolvency, Restructuring and Second Chance to be transposed into national law.

3.3 'Responsive administration'



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

'Responsive administration' refers to public administration being responsive to the needs of SMEs. Denmark is the third best in the EU in this principle. No significant changes have been reported in Denmark's performance since last year — almost all indicators have remained unchanged, except for the paid-in minimum capital, which went down slightly (from 14.3 % to 13.9 % of per capita income).

The country boasts one of the shortest times to start a business. The share of respondents reporting the complexity of administrative procedures as a problem for doing business is the third lowest in the EU. The required minimum for paid-in capital to start a business and the cost of enforcing contracts remained largely in line with the EU average.

Progress in the area since 2008 has been moderate, but overall performance has been very satisfactory.

Policy-wise, since 2008 Denmark has implemented most of the SBA recommendations in this area. Extensive plans to simplify business-related legislation have been carried out (such as the 'Stop the hassle' campaign). Digitalising the administration has been instrumental in minimising the administrative burden,

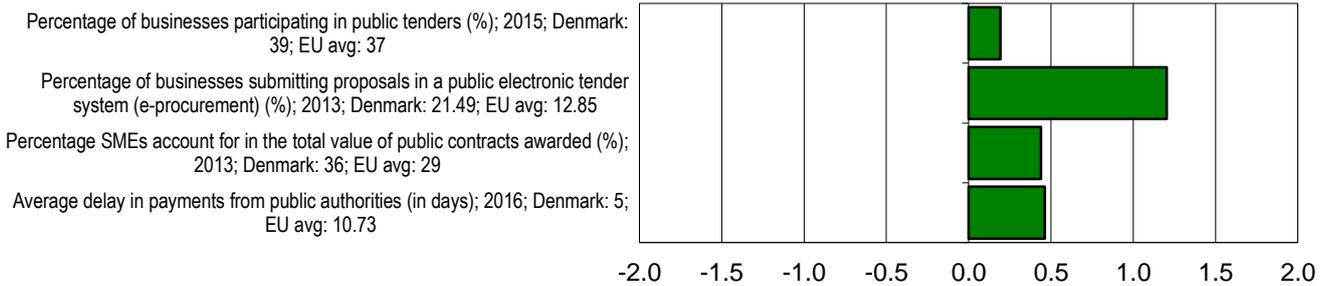
which consistently topped the political agenda in Denmark. Digitalising public administration has made it better adapted to the needs of SMEs. The main business portal, the *virksom.dk* website, works as a one-stop shop for all business matters. Registration of businesses, payment of VAT and the submission of annual reports are all possible online. All new business regulations must be published on the portal at least 4 weeks before entering into force.

The Implementation Council (*Implementeringsrådet*) was created in 2015 to act as a watchdog against over-implementation or 'gold-plating' of EU legislation. The Council has proved to be very efficient in highlighting areas with excessive bureaucracy. Anyone can report a burdensome procedure to the Council, which subsequently assesses whether it is a case of over-implementation. If so, the Council makes a recommendation to the government to change the legislation. As of March 2017, the Council had made 110 recommendations. They have received significant attention and active follow-up from the government. Stakeholders welcome this initiative and consider it a good way to raise awareness of over-implementation.

In 2016 and first quarter of 2017, there were no new significant measures implemented or announced.

3.4 State aid & public procurement

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.

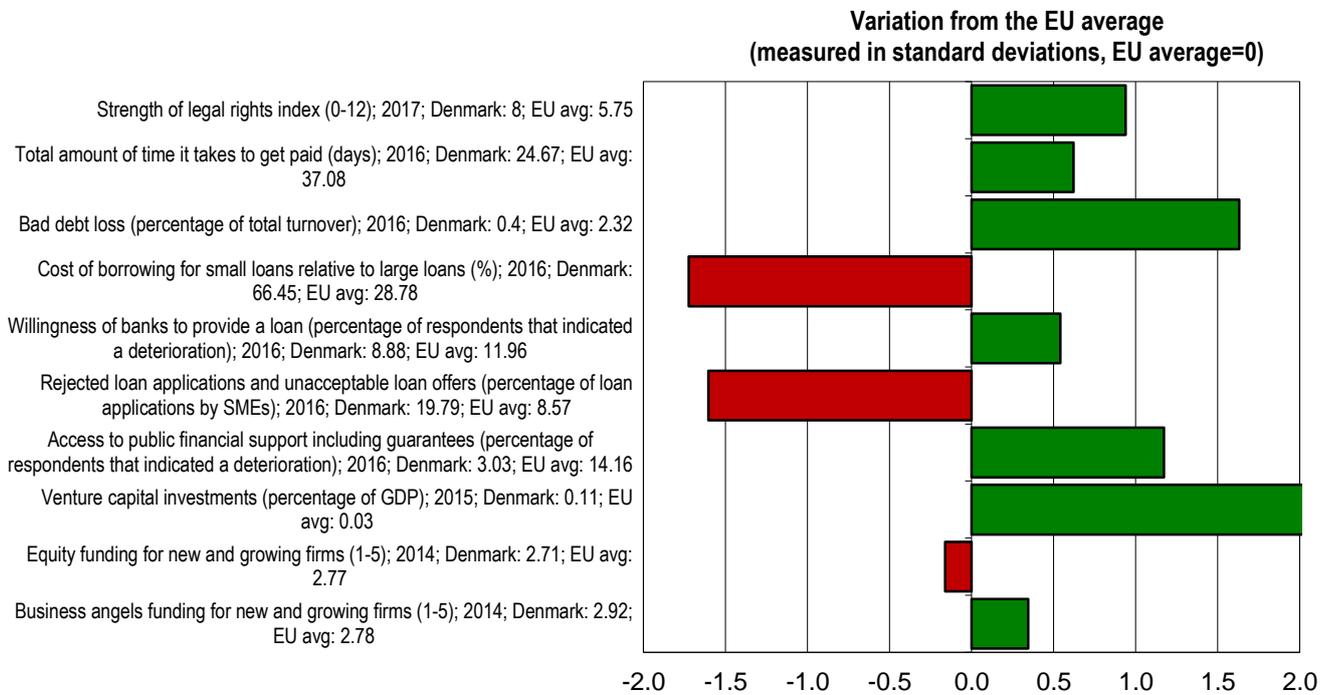
Denmark’s performance in this area remains above the EU average. Only a single indicator has been updated since last year: the average delay in payments. Yet its value remained stable at 5 days. The proportion of companies that took part in public procurement increased from 23 % in 2013 to 39 % in 2015. Similarly, the share of businesses that made use of e-procurement to submit their proposals grew from 16.4 % in 2011 to 21.5 % in 2013.

Since 2008, moderate policy progress has been achieved in this area. Collective bidding from SMEs is promoted, as is the division of contracts into lots. Facilities exist for central and joint government purchasing and for public procurement of innovation. However, a number of SBA recommendations have not been put in place, e.g. there is no effective e-procurement portal and no effective safeguards for SMEs against late payment.

During the reference period, the new Public Procurement Act came into force (January 2016). The Act transposes the European Procurement Directive into Danish legislation. The new legal framework makes formal requirements for bidding companies more flexible and better adapted to the needs of SMEs. The act requires the contracting authority to provide a justification if a tender is not divided into smaller lots to better accommodate small businesses in the tendering process. So far the results have been mixed, but it is expected that they will improve over time. In addition, original administrative documentation is now required only from the winner of the tender, which helps to reduce the cost of preparing bids for other bidding parties.

During 2016 and the first quarter of 2017, no additional significant new measures were adopted or announced.

3.5 Access to finance



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

Denmark scores well above the EU average on this SBA principle. It is a top performer in the EU in access to equity financing, with venture capital investments growing from 0.08 % of GDP in 2014 to 0.11 % in 2015, the highest in the EU. Access to public financial support has also improved, with only 3.0 % of respondents indicating a deterioration in 2016 (compared to 4.0 % in 2015), the best score in the EU. However, access to loans remains relatively difficult. The cost of borrowing for small loans relative to large loans puts Denmark in last place in the EU, due primarily to the particularly low cost of large loans in Denmark. Also, the proportion of rejected loan applications and unacceptable loan offers poses a challenge.

Available data point to substantial progress in access to finance since 2008. The measures introduced include export and tax credits, loan instruments and state guarantees. The most important measures include: the SME guarantee (*SMV-garanti*), administered by the Export Credit Agency (*Eksportkreditrådet*), Business Partnerships (*Erhvervspartnerskaber*) — grants from the Market Development Fund (*Markedsmodningsfonden*) and Danish Growth Capital managed by the Growth Fund (*Vækstfonden*), financially backed by the EU's Investment Plan for Europe. The Export Credit Agency issued 493 guarantees,

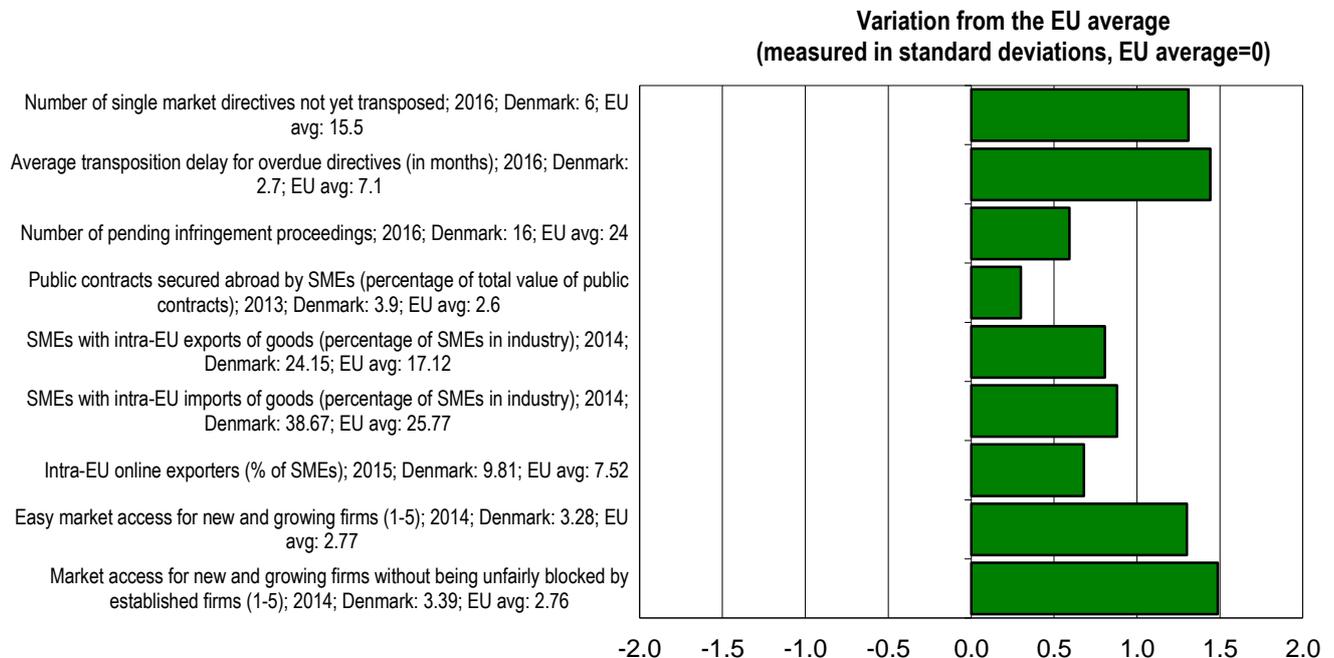
collaterals or loans worth EUR 300 million in 2016. In 2015 the Market Development Fund spent EUR 20 million on helping businesses move from product development to product marketing.

Danish Growth Capital II (*Dansk Vækstkapital II*) is a fund-of-funds scheme with more than EUR 300 million in the portfolio in 2017. One third of its budget is allocated for venture capital investments and the rest is earmarked for investing in SMEs. One third of the capital is provided by institutional investors, mainly pension funds. Stakeholders suggest that measures supporting business angels should be considered and argue for more flexible tax legislation as a way forward.

Despite the relatively good situation overall in access to finance (4th place in the EU) and some recent slight improvements in the weakest areas, Danish SMEs repeatedly point to lack of financing as an obstacle to growth, and stakeholders are continuously asking for easier access to financing. The smallest businesses experience particular difficulties in accessing external sources of finance.

During 2016 and the first quarter of 2017, no significant new measures were adopted or announced.

3.6 Single market



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

Denmark is the best performing country in this area. The country reports the second lowest number of non-transposed directives in the EU and the shortest average delay in transposition²¹. Danish companies are well established in the EU single market, with some 24 % of SMEs involved in imports from other EU countries and as many as 39 % exporting goods to other EU countries. Notably, the share of SMEs exporting online within the EU went from 5.1 % in 2009 up to 9.8 % in 2015.

Denmark has made good progress in this area since 2008, reporting a declining number of pending infringement proceedings over the years. New and growing firms have been increasingly able to access the market since 2008, in an environment featuring relatively fair competition from established companies.

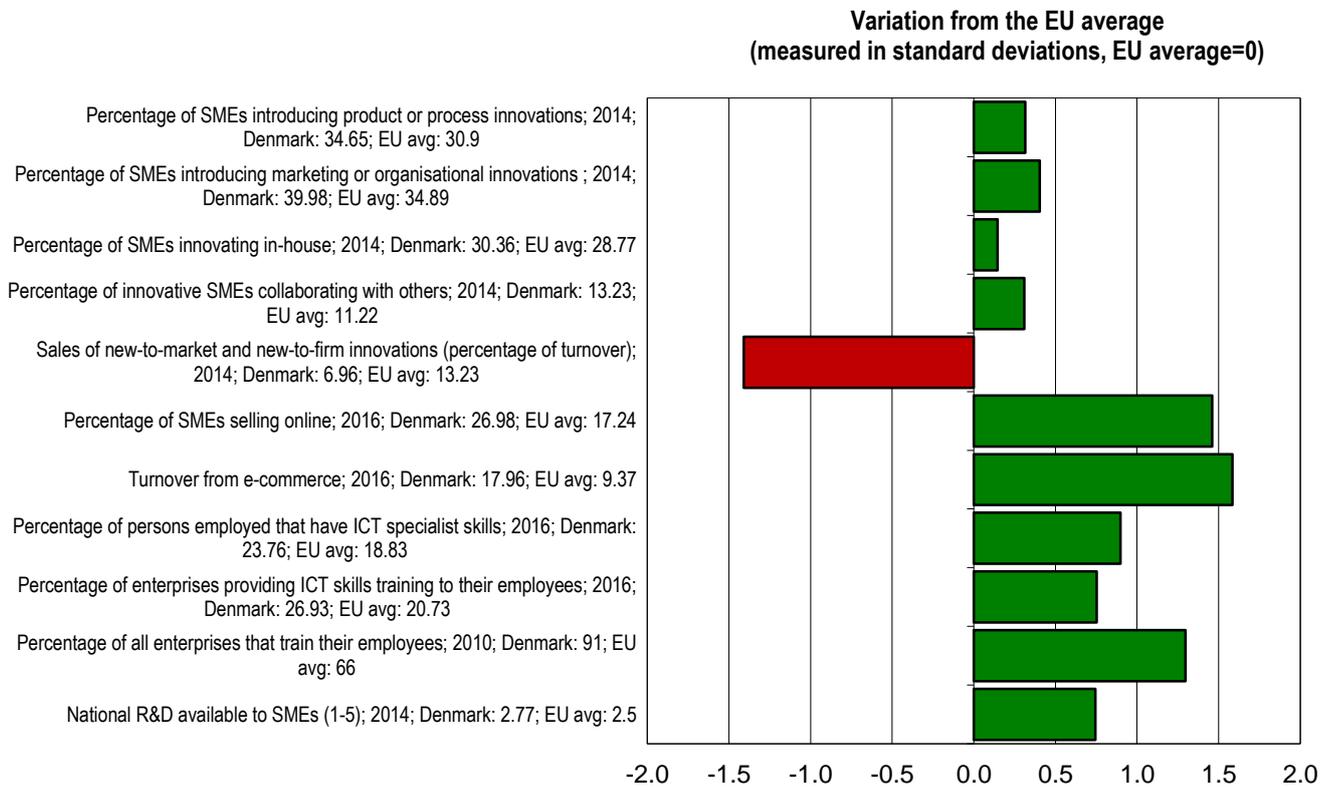
Since 2008, a considerable number of policy measures has been put in place in this area. The Export Credit Agency provides substantial support via export credit insurance facilities, although there are not many export grants made available to Danish SMEs. Most of the public support to businesses is in the form of advisory services, networking facilitation and partnership agreements (see also measures under Skills & Innovation). The regional 'Growth Houses' are the entry points for advice on how to make use of the single market. Special focus is given to e-commerce opportunities for SMEs willing to expand abroad. The Growth Houses are linked to the Enterprise Europe Network. They offer assistance in seeking business partners abroad and advice on how to expand to global markets. The European SOLVIT

network provides assistance when SMEs experience problems with public authorities in another EU country. The Ministry of Foreign Affairs' Trade Council has been assisting Danish SMEs present on the single market with such measures as 'Visit the Markets' (*Markedsbesøg*), which provides subsidies for fact-finding missions and strategic alliances (*Strategiske Virksomhedsalliancer*).

During 2016 and the first quarter of 2017, two significant new measures were adopted. Both of them are specifically aimed at the German market — the largest export market for Danish products and services, due to its size and geographical proximity. Kickstart Germany (*Kickstart Tyskland*) offers advisory services to SMEs entering the German market, while Trade Fair Germany (*Messeprogram Tyskland*) offers advice to SMEs that would like to participate in trade fairs in Germany.

These measures are viewed positively because many businesses want to start exporting to the European market and the German market in particular. The Kickstart Germany scheme offers basic advice on what steps need to be taken to successfully enter the German market. A company can receive analysis of its specific situation from a dedicated export counsellor, who then provides it with list of 'to-dos' to help it enter the German market. Examples include pairing with business partners and giving advice on marketing and German legislation. The Trade Fair Germany scheme helps Danish SMEs professionally prepare for a trade fair, explaining not only how to get the most out of the time spent at the fair, but also how to follow up on contacts made there.

3.7 Skills & innovation



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

Denmark ranks third in the EU in this area. The country outperforms the EU average for SME engagement in online activities and in e-commerce, for the level of development and training of ICT skills and for the availability of national R&D to SMEs. In particular, Denmark ranks third in the EU for the share of SMEs selling online (27 % in 2016) and fourth for turnover from e-commerce (18 % in 2016).

However, innovation indicators have deteriorated in recent years: the share of innovative SMEs collaborating with each other, the percentage of SMEs introducing product/process innovation and the percentage of SMEs introducing marketing/organisational innovations all decreased from their 2010 levels. In parallel, sales of new-to-market and new-to-firm innovations dropped from 13.9 % in 2012 to 7 % in 2014, dipping below the EU average.

Since 2008, substantial policy progress has been made in this area. In 2014 the Innovation Fund Denmark was created, bringing together the activities previously provided by three business-support bodies: the Danish Council of Technology and Innovation, the National Advanced Technology Foundation, and the Strategic Research Council. The Innovation Fund Denmark provides funding to entrepreneurs, researchers and businesses that have come up with knowledge and ideas capable of

creating growth and jobs. The most important scheme for SMEs is the 'InnoBooster' programme. It provides funding for SME research, development and innovation projects. The Entrepreneur Pilot (*Iværksætterpilot*) is another scheme under the fund. It is aimed at graduates interested in pursuing a promising business idea. The scheme assists with entrepreneurship training, providing physical facilities such as office space or internet access and a monthly grant of EUR 2 000.

Skills and innovation in Danish SMEs have been upgraded through a number of measures. The most significant ones include the Innovation Network Denmark programme, with 22 national innovation networks annually providing R&D and innovation support to more than 6000 SMEs. The Market Development Fund (*Markedsmodningsfonden*) is another important measure, because many SMEs carry out advanced R&D activities but are not successful in launching new products. The Fund therefore helps SMEs to bring R&D projects to market.

In 2016, this area was the main focus of the business policies, and four new significant measures were introduced:

- the Digital Growth Panel (*Digitalt Vækstpanel*), which brings together 15 members with knowledge about digital development and Danish business life. They are tasked with

making recommendations to the government about how Danish companies can best use the potential of digitalisation and new technology. The panel should facilitate Denmark's entry into the era of the fourth industrial revolution (digital economy).

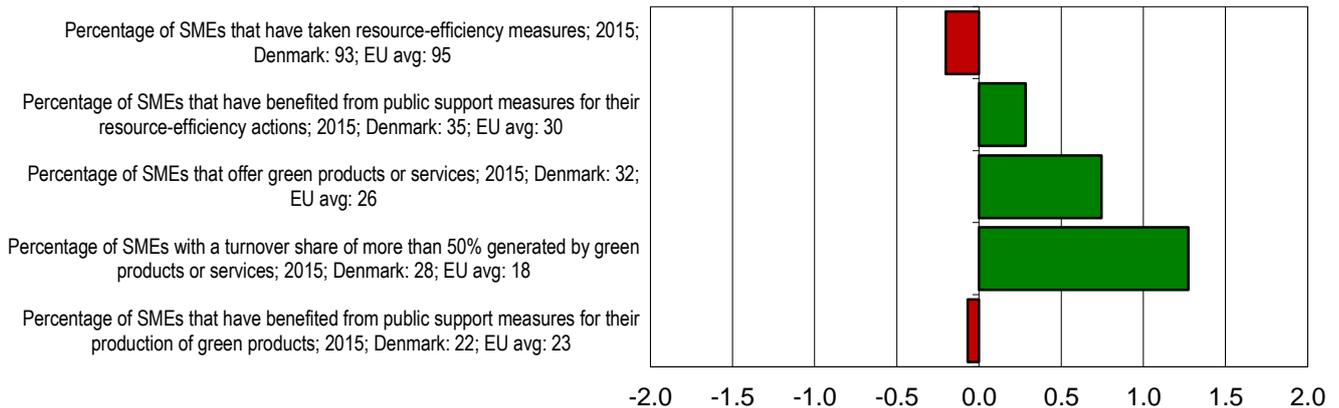
- Scale-up Denmark, which provides a training framework for entrepreneurs and small businesses to help them become high-growth companies. The training focuses on access to capital and venture capital and how to engage with market-leading firms from the regional ecosystem. Scale-up Denmark involves leading universities, research institutions

and science parks and provides easy access to the services of the entire Danish business support system.

- *Strengthening e-commerce and digitalisation in SMEs*, a new theme under the European Social Fund. It supports capacity building in e-commerce and digitalisation (*Styrket e-handel og digitalisering i små- og mellemstore virksomheder*).
- Partnership for Advanced Production Methods (*Partnerskab for avanceret produktion*). It encourages closer partnerships of SMEs and business organisations to implement new production methods.

3.8 Environment

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.

Denmark performs in line with the EU average for this SBA principle. None of the available indicators have been updated since last year.

The proportion of SMEs that have taken efficiency measures, the proportion of SMEs that benefited from public support to take resource-efficiency actions, and the proportion of SMEs having used public assistance to produce green products are all in line with the EU average. However, two indicators show above-average levels of performance: the proportion of Danish SMEs that offer green products or services and the share of SMEs which develop over 50 % of their turnover from green products or services.

Since 2008, Denmark has adopted a substantial number of environmental policy measures. Danish SMEs have traditionally been performing well on environmental technologies and services. This can partly be attributed to considerable environmental concerns among the population and partly to the introduction of a number of measures over the years.

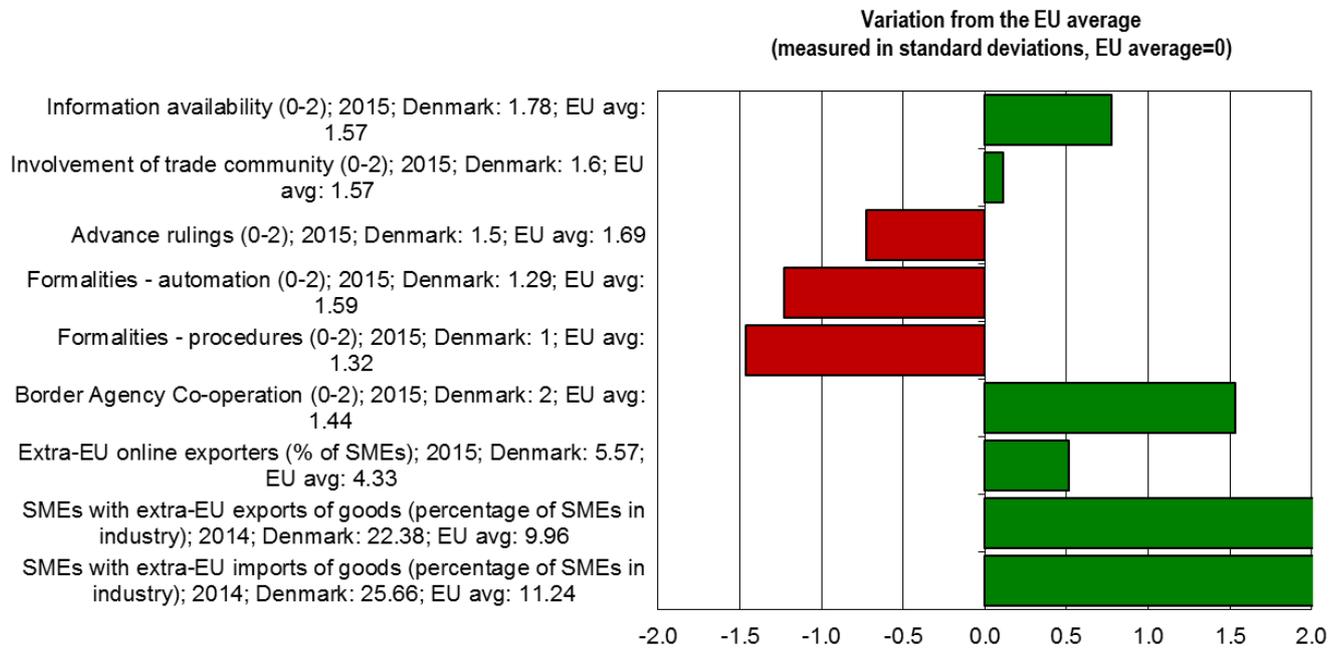
The Green Innovation Pool (*Den Grønne Innovationspulje*) is targeted at SMEs to support the development and marketing of green technologies for climate adjustment and water, reduced environmental pressure and better resource efficiency.

The Green Investment Fund (*Den Grønne Investeringsfond*) is an independent public fund which co-finances investments in environmental protection in Denmark. Eligibility criteria for SMEs to obtain loans for investments are related to energy savings, renewable energy and resource efficiency.

Several other measures (listed in this fact sheet under other SBA principles) include environmental components, such as many of the schemes under the Trade Council, and the Growth Fund. For example, the Export Credit Agency guarantees a substantial amount of exports of wind turbines, and the Growth Fund includes separate green funds that support environmentally-friendly investments and businesses producing environmentally-friendly solutions.

In 2016 and the first quarter of 2017, no significant measures were introduced under this SBA area.

3.9 Internationalisation



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

Important methodological changes have been introduced for this principle in this year's fact sheet. 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)²². Therefore, the overall performance in this area cannot be compared to last year's.

Denmark's score for this dimension stands above the EU average. Specifically, Denmark was tied for first place with four other EU countries on cooperation between border agencies. Moreover, Denmark reports the EU's highest shares of SMEs with extra-EU imports and exports of goods, with the former increasing from 21.2 % in 2008 to 25.7 % in 2014, and the latter from 19.2 % to 22.4 % over the same period.

In recent years, Denmark has made substantial progress in this area. The country has implemented all SBA recommendations. Internationalisation is important for businesses in small countries, particularly if they want to expand. Danish policy efforts in this area have focused on export guarantees and advisory services to help SMEs to enter foreign markets. The Export Credit Agency administers schemes on capital guarantees, export loans and reinsurance of certain types of credit insurance. In 2010, the Agency established a department dedicated to SMEs and clean technology companies. The Trade Council helps Danish businesses to establish themselves on export markets. This is done through a range of means including free services provided by the embassies abroad, advisory services (such as Vitus and the Innovation Centres), and tailor-made strategies and counselling.

The government has set up Danish innovation centres in seven locations around the world. The innovation centres facilitate international networking and the creation of partnerships between high-tech enterprises and research institutions. Part of the service is to provide two packages for SMEs: the Innovation Camp and the Innovation Package. The Innovation Camp is a joint networking and coaching onsite camp for a group of businesses. The Innovation Package is an assessment of the business model and a tailored collection of network meetings in the region.

The Investment Fund for Developing Countries (IFU) and the Danish International Development Agency (*Danida*) provide advisory services and risk capital to Danish companies looking to do business in developing countries and emerging markets. SMEs in particular can receive financial support to enter a developing economy or growth markets.

The Trade Council offers a number of specific programmes to support internationalisation. The ExportStart is the first step to get advice on how to enter an export market. Vitus is another measure specifically aimed at helping SMEs to enter new markets. The Regional Key Account Programme targets businesses which have made initial preparations to enter another market.

In 2016 and the first quarter of 2017, no new measures were specifically introduced within this area. However, several measures mentioned under other SBA principles, such as the Digital Growth Panel and Scale-up Denmark, have strong internationalisation traits.

4. Interesting initiative

Below is an example of an initiative from Denmark to show what governments can do to support SMEs:

Digital Growth Panel

In 2016, the Danish Government established the Production Panel 4.0 (*Produktionspanel 4.0*), later renamed Digital Growth Panel (*Digitalt Vækstpanel*). The aim of the Panel is to prepare Denmark for the digital economy. 15 members from Danish companies and social partners have been appointed to the Panel and will provide recommendations to the government on how enterprises, and especially SMEs, can benefit from digitalisation and new production technologies. The Digital Growth Panel will address the need for digital competences in enterprises and how the public sector can support new digital business cases.

The Panel is part of a long-term strategy to increase productivity in enterprises by using new technology such as robots and maximising the benefits offered by the digital economy. The government will use the Panel's recommendations to present a consolidated strategy for Denmark's long-term strategy on how to benefit from the digital economy. The goal is to maintain existing production in Denmark and expand into new areas offered by the fourth industrial revolution. The Panel presented its first recommendations in May 2017. More interestingly for SMEs, the Panel intends to create an attractive digital growth environment through: better access to test and demonstration facilities; more focus on digitalisation and e-commerce in the public innovation and business support framework; increased investments in digitalisation through tax incentives and a broader and better use of data by SMEs.

Reference:

<http://em.dk/nyheder/2016/16-06-01-produktionspanel-4>

<http://em.dk/arbejdsomraader/vaekst-og-konkurrenceevne/digital-vaekst/digitalt-vaekstpanel>

<http://em.dk/-/media/files/2017/05-09-digipanel/276403-digitalt-vaekstpanel-web.aspx?la=da>

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

Small Business Act:

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

Endnotes

¹ 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/>

² Dansk Byggeri: Forecast for the Construction Sector, September 2016. <https://www.danskybyggeri.dk/media/22640/engelsk-version-af-konjunkturanalysen.pdf>, last accessed 10/04/2017.

³ BMI Research Group: Denmark's construction sector boosted by infrastructure investment, 09/02/2015. <http://www.bmiresearch.com/articles/denmarks-construction-sector-boosted-by-infrastructure-investment>, last accessed 10/04/2017.

⁴ Ibid.

⁵ DIW Econ: Stellungnahme zur aktuellen Kosten-Nutzen Analyse für eine feste Querung über den Fehmarnbelt, 19/02/2015. http://diw-econ.de/wp-content/uploads/2015/02/DIW-Econ-Kurzexpertise_CBA_Fehmarnbelt_v-2.0.pdf, last accessed 10/04/2017.

⁶ Statistics Denmark — StatBank: <http://www.statbank.dk/turist>, last accessed 10/04/2017.

⁷ DR: Vækst for restauranter og take-away: Vi laver mindre mad, 11/10/2016. <https://www.dr.dk/nyheder/penge/vaekst-restauranter-og-take-away-vi-laver-mindre-mad>, last accessed 12/06/2017.

Euromonitor: 100 % Home Delivery/Takeaway in Denmark. Executive Summary, May 2017. <http://www.euromonitor.com/100-home-delivery-takeaway-in-denmark/report>, last accessed 12/06/2017.

⁸ Dachs, Bernhard et al.: EU Wholesale Trade: Analysis of the Sector and Value Chains. Wiiw Research Report 415, December 2016. <https://wiiw.ac.at/eu-wholesale-trade-analysis-of-the-sector-and-value-chains-dlp-4101.pdf>, last accessed 12/06/2017.

⁹ Berlingske Business: Lidl vil udnytte planlov til ny offensiv, 08/04/2016. <http://www.business.dk/detailhandel/lidl-vil-udnytte-planlov-til-ny-offensiv>, last accessed 10/04/2017.

¹⁰ 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.

¹¹ Statistics Denmark — StatBank: <http://www.statbank.dk/demo4>, last accessed 10/04/2017.

¹² Ibid.

¹³ 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 3-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, 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.

¹⁴ 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.

¹⁵ 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/>

¹⁶ 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.

¹⁷ <https://danishbusinessauthority.dk/business-forum-better-regulation>, last accessed 12/10/2017.

¹⁸ Government estimate.

¹⁹ Gold-plating describes a process by which a Member State which has to transpose EU Directives into its national law, or has to implement EU legislation, uses the opportunity to impose additional requirements, obligations or standards on the addressees of its national law that go beyond the requirements or standards in the transposed EU legislation. Source: http://ec.europa.eu/smart-regulation/guidelines/ug_chap8_en.htm, last accessed 27/06/2017.

²⁰ <https://scale-updenmark.com/>, last accessed 12/10/2017.

²¹ Data for 2016 was compiled in December 2016, while the 2015 data is from May 2015.

²² 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/10.1787/5kg6nk654hmr-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.