



### Key points

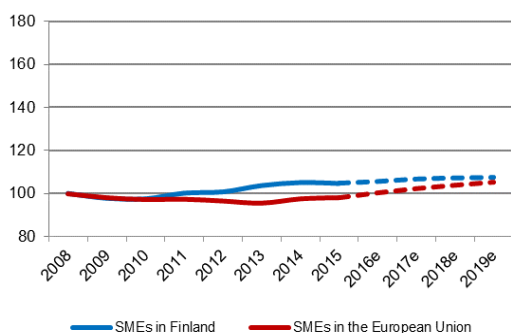
**Past & future SME performance<sup>1</sup>:** SMEs contribute significantly to Finland's 'non-financial business economy'. They generate 60.9 % of total value added, slightly more than the EU average of 56.8 %. In contrast, the SME share of 65.3 % in total employment is marginally lower than the EU average of 66.4 %. In 2016-2017, SME growth accelerated, with value added increasing by 5.8 % and employment by 1.2 %. The outlook for SMEs in Finland is reasonably optimistic. The recent growth of SME value added is expected to continue, increasing by 7.4 % in 2017-2019. On the other hand, SME employment growth is likely to level off, with only a small rise of 0.8 % expected.

**Implementing the Small Business Act for Europe (SBA):** Finland has implemented SME policies that have largely been in line with the SBA; as a result, most SBA recommendations have been transposed. Finland maintains a strong SBA profile, addressing all the SBA principles. It surpasses the EU average in six areas (entrepreneurship, 'second chance', 'responsive administration', access to finance, single market and skills & innovation). Finland's scores in the 'second chance' and skills & innovation principles are among the strongest in the EU. In the remaining areas, its scores are in line with the EU average. The trend since 2008 shows a deterioration in state aid & public procurement and an improvement in access to finance, while in most other SBA areas Finland ensured its scores remained broadly the same.

**SME policy priorities:** Entrepreneurial activity as a career option seems to be less attractive to Finns than it is to people in other EU countries. The government has put considerable effort into supporting entrepreneurship and start-ups. It has also improved the availability of loans and export guarantees for SMEs. Moreover, the unemployed are entitled to continue receiving unemployment benefits during the first months of starting a business. It is important to continue these efforts, and it might be helpful to combine such support with training and coaching measures and to extend the duration of these short support programmes. On the single market and internationalisation, Finnish SMEs are reluctant to use the untapped potential of online trade within and beyond the EU. Specific initiatives need to be designed to help them increase their e-commerce business. Trade can also be facilitated by improving the availability of information on import/export procedures and by automating electronic import/export declarations. Minor points of concern include the time required to transfer property, which has recently increased, in 'responsive administration'; in access to finance, attention should be paid to the larger interest rate spread (>50 %) of small loans as opposed to bigger loans.

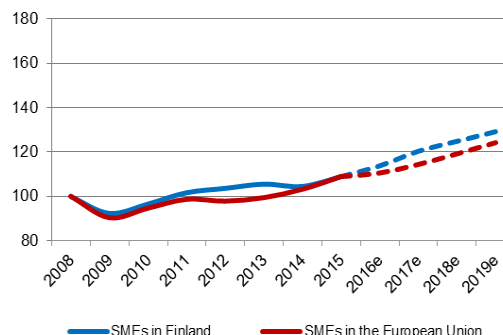
**Number of persons employed in SMEs**

(Index: 2008=100, estimates as from 2016 onwards)



**Value added of SMEs**

(Index: 2008=100, estimates as from 2016 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	215 795	91.3 %	93.1 %	365 952	24.6 %	29.4 %	19.3	19.8 %	20.7 %
Small	17 081	7.2 %	5.8 %	331 236	22.3 %	20.0 %	19.6	20.1 %	17.8 %
Medium-sized	2 885	1.2 %	0.9 %	273 268	18.4 %	17.0 %	20.6	21.0 %	18.3 %
<b>SMEs</b>	<b>235 761</b>	<b>99.7 %</b>	<b>99.8 %</b>	<b>970 456</b>	<b>65.3 %</b>	<b>66.4 %</b>	<b>59.5</b>	<b>60.9 %</b>	<b>56.8 %</b>
Large	611	0.3 %	0.2 %	515 577	34.7 %	33.6 %	38.3	39.1 %	43.2 %
Total	<b>236 372</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>1 486 033</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>97.8</b>	<b>100.0 %</b>	<b>100.0 %</b>

*These are estimates for 2017 produced by DIW Econ, based on 2008-2015 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.*

SMEs contribute significantly to Finland's 'non-financial business economy'. They generate 60.9 % of total value added, slightly more than the EU average of 56.8 %. In contrast, the SME share of 65.3 % in total employment is marginally lower than the EU average of 66.4 %. They employ 4.1 people on average, which is similar to the EU average of 3.9. Finnish SMEs are more productive than the EU average. Value added per person employed is 39.9 % higher in Finland, at EUR 61 400 against EUR 43 900 in the EU as a whole.

In 2013-2017, SME value added grew in line with the overall 'non-financial business economy' by 14.0 %. In terms of employment, SMEs led the modest overall sector growth with a rise of 3.0 % over the same period. In contrast, employment

in large firms fell slightly, by 0.6 %. It is noteworthy that there was no clear trend for SME employment growth across sectors. Despite universal increases in SME value added, SME employment fell in sectors which have traditionally been most important for Finnish SMEs, namely *wholesale and retail trade* and *manufacturing*. Conversely, employment increased in most other sectors, particularly in *administrative activities*, *information and communication*, and *construction*. This mixed trend reflects increasing competition for labour between SMEs and large firms; in some cases, this has resulted in shortages of skilled workers, thereby hampering growth especially in SMEs<sup>2</sup>. Furthermore, the trend of rising value added and lagging employment growth is an indicator of increasing productivity, and is mainly a consequence of technological

improvements and product innovation<sup>3</sup>. More recently, in 2016-2017 SME growth has accelerated, with value added increasing by 5.8 % and employment by 1.2 %.

The *construction* sector has achieved strong growth in recent years. SME value added increased by more than a quarter (27.0 %) in 2013-2017, and SME employment rose by almost a tenth (9.4 %). As a result of its strong growth, this sector has become extremely important to the overall 'non-financial business economy'. In 2017, SMEs in *construction* accounted for 17.6 % of total SME employment, a significantly higher share than the EU average of 11.8 %. The sector as a whole has benefited from strong renewed domestic demand for industrial facilities, offices and warehouses as well as residential buildings, following a substantial slowdown in investment in 2012-2015<sup>4</sup>. In line with a rise in investment in the economy as a whole, gross fixed capital formation in *construction* has recently recovered from this slump, peaking in 2016. There were several supporting factors, including low interest rates and the growing trend towards urban living<sup>5</sup>. Investment in house building jumped by 10.6 % in 2015-2016, while investment in other types of building construction also experienced similar growth, up 9.7 %<sup>6</sup>. Over the coming years, this growth is expected to continue, albeit at a slower pace<sup>7</sup>.

SMEs in the *wholesale and retail trade* sector did not enjoy the same general growth. Although SME value added in the sector increased by 4.9 % in 2013-2017, it grew more slowly than in most other sectors. At the same time, SME employment fell by 2.6 %. The trend for large companies in this sector was similar, although their increase in value added (7.1 %) and decline in terms of employment (8.0 %) were more marked. These developments reflect the technological and organisational transformations currently taking place in this sector. In *wholesale trade*, firms are improving their supply chain management by using automated tracking, creating large

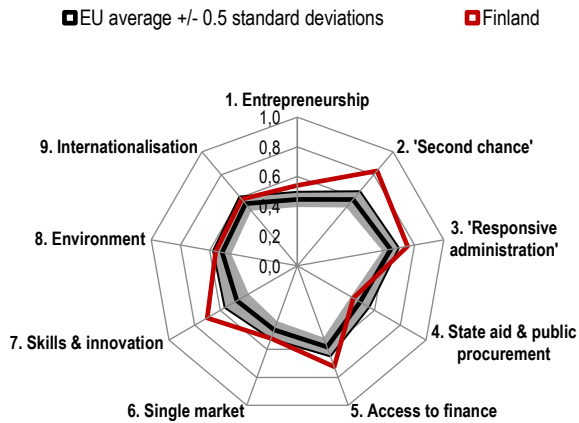
central warehouses and cooperating on procurement<sup>8</sup>. In *retail trade*, online purchasing is experiencing rapid growth, offering significant advantages in particular to consumers in sparsely populated areas. At the same time, stores are facing consumer pressure to provide cashless and contactless payment options<sup>9</sup>. As a result of these trends towards digitisation and automation, the fixed costs of trading are rising whereas marginal costs are falling, which could present a challenge to SMEs.

Business registrations totalled 28 533 in 2016, a 1.0 % increase on 2015. At the same time, deregistrations also increased by 0.8 % to 25 870<sup>10</sup>. As a result, the total number of Finnish businesses at the end of 2016 stood at 364 412, an increase of 1.0 % on the previous year<sup>11</sup>. The highest net increases were in *professional activities* and *information and communication*, whereas significant net losses occurred in *transportation and storage* and *wholesale and retail trade*, reflecting the market consolidation currently taking place in these sectors.

In 2015, 1 996 firms in the Finnish 'business economy'<sup>12</sup> with at least 10 employees were high-growth firms<sup>13</sup>. The 10.1 % of the total 'business economy' they account for is roughly comparable to the EU average of 9.9 %. The sectors with the highest proportion of high-growth firms in Finland are *information and communication* and *administrative activities*, both standing at 15.5 %.

The outlook for SMEs in Finland is reasonably optimistic. The recent growth of SME value added is expected to continue, increasing by 7.4 % in 2017-2019. On the other hand, SME employment growth is likely to level off, with only a small rise of 0.8 % expected. In absolute figures, Finnish SMEs are expected to create 7 500 new jobs over the same period.

## 2. SBA profile<sup>14</sup>



Finland has maintained a strong SBA profile and performed above the EU average in six areas (entrepreneurship, 'second chance', 'responsive administration', access to finance, single market and skills & innovation), with 'second chance' and skills & innovation ranked among the top three in the EU. In the remaining areas, Finland's scores are in line with the EU average. The country's performance from 2008 to 2018 indicates a deterioration in state aid & public procurement and an improvement in access to finance, with stagnation in most other SBA areas.

Since 2008, key areas that have benefited from new policy initiatives include internationalisation, access to finance and

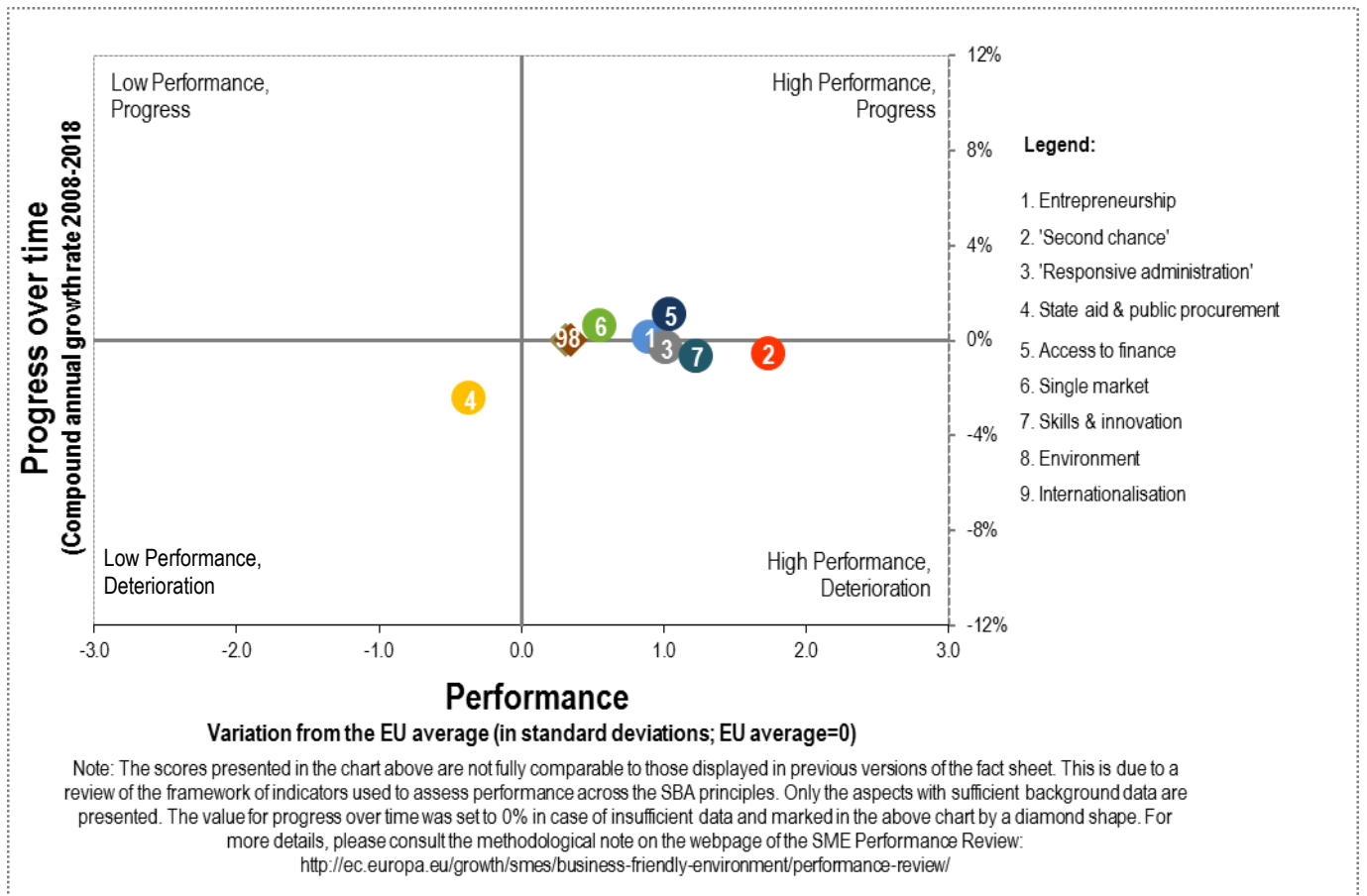
skills & innovation. Over the past few years, there has been a greater focus on 'Think Small First' and entrepreneurship. However, there is still some room for improvement, especially on 'second chance' and the single market.

While Finland has not adopted a dedicated strategy for implementing the SBA, policies implemented have largely been compatible with the SBA, with Finland covering most SBA recommendations.

In 2017 and the first quarter of 2018, which is the reference period for policy measures in this year's fact sheet, Finland has implemented only five new policy measures, addressing 3 of the 10 policy areas under the Small Business Act. Overall, SME stakeholders acknowledge that progress in implementing the SBA has been moderate. The areas that saw most progress in 2017 were skills & innovation and entrepreneurship. The areas that experienced least progress during the reference period were environment and single market.

The national strategy in 2017 and the first quarter of 2018 has been to further implement and fine-tune the measures included in the government programme. A specific entrepreneurship and employment package is intended to strengthen the conditions for growth, renewal and employment among SMEs. Instead of comprehensive measures, the strategy consists of a set of smaller measures and broad changes. Several potential measures related to entrepreneurship and 'second chance' are being examined. The biggest challenges lie in the skills department. Most SMEs find the shortage of skilled employees the main barrier to growth.

## SBA performance of Finland: state of play and development from 2008 to 2018<sup>15</sup>



### 3. SBA principles<sup>16</sup>

#### 3.0 ‘Think Small First’

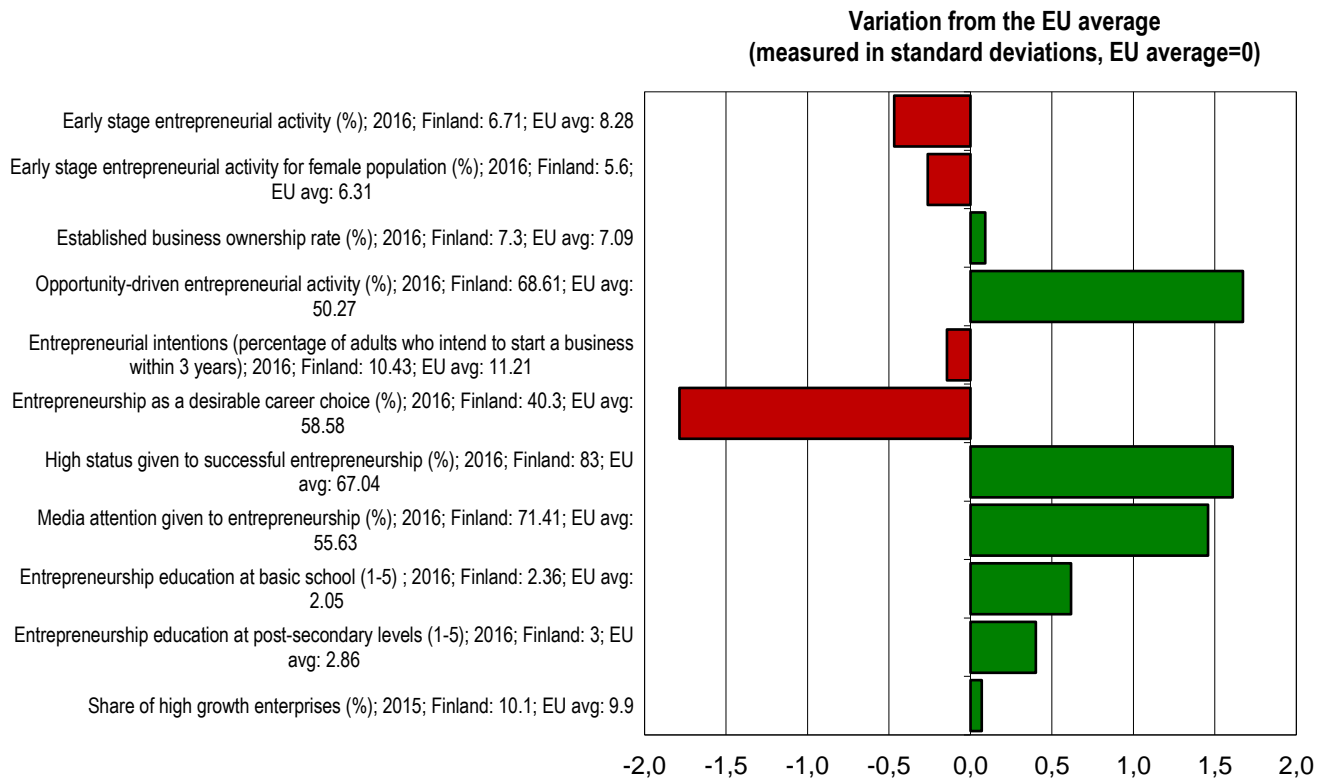
The ‘Think Small First’ principle is meant to be a guiding principle for all policy- and law-making activities. It requires policymakers to take SME interests into account at the early stages of the policymaking process. The principle also calls for newly designed legislation, administrative rules and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

Since 2008, some progress has been made on implementing the ‘Think Small First’ principle, though there is still some room for improvement. The ‘SME test’ — used to assess the impact of regulation on SMEs — and the assessment of impact on business competitiveness have been integrated into the system. However, the use of the ‘SME test’ is not binding, and the impact assessment procedure in general is not used as much as in other European countries.

The ‘Think Small First’ principle has been extensively applied to help SMEs in various lighter procedures, in a revised Accounting Act (2016) and in the new public procurement legislation that entered into force in January 2017. The Finnish government has also made efforts to cut red tape and administrative costs for SMEs.

During the reference period, the ‘Think Small First’ principle has seen some progress, with previously announced measures now implemented. These include a tax deduction for entrepreneurs and VAT on a cash basis. SME stakeholders are also regularly consulted as part of the legislative process.

#### 3.1 Entrepreneurship



**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 area. Since 2008, its performance has remained stable. The proportion of high-growth enterprises remained unchanged between 2014 and 2015. No updated data were available for the other indicators. The impact of recent measures is therefore not reflected in these indicators.

Since 2008, substantial progress has been made on entrepreneurship. The government has introduced new consultancy and training services for SMEs, especially early-stage companies. Social security for entrepreneurs has also been improved.

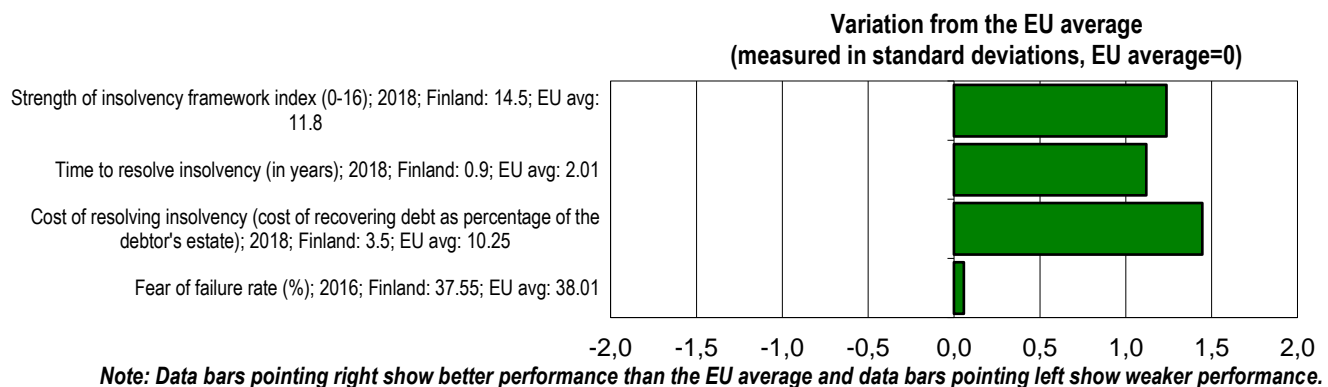
Organisations and measures to support start-ups in Finland are promoted not only by the central government, but also by cities. Various matchmaking measures for SMEs have been introduced, including a number of hackathons (often organised by large companies) or big events such as Slush, one of the biggest European events in this field. Central government and local authorities typically support these initiatives. The biggest gaps are in entrepreneurship education and in the transfer of businesses.

During the reference period, the government has continued to implement the entrepreneurship package introduced in 2016;

the most notable measures have been the introduction of employment benefit for starting a business, which is paid for the first 4 months, and the new residence permit for entrepreneurs, which is intended to make it easier for foreign nationals to start a business in Finland<sup>17</sup> (see Section 4). Plans have been made to promote entrepreneurship specifically among immigrants, while the government recently commissioned a study on an entrepreneurship strategy for Finland<sup>18</sup>.

In general, Finland has become a very start-up-friendly environment. There are several start-up hubs in the country; over the last decade, central government and local authorities have introduced a number of measures to help develop start-up companies, and start-ups appear to be attracting more and more venture capital funding. According to a recent study<sup>19</sup>, there are still many aspects of start-up support policies that need improvement. The position of scale-up<sup>20</sup> companies is somewhat more mixed because there is less emphasis on them at local level; however, Business Finland has developed new measures to support high-growth companies, including scale-ups.

### 3.2 ‘Second chance’



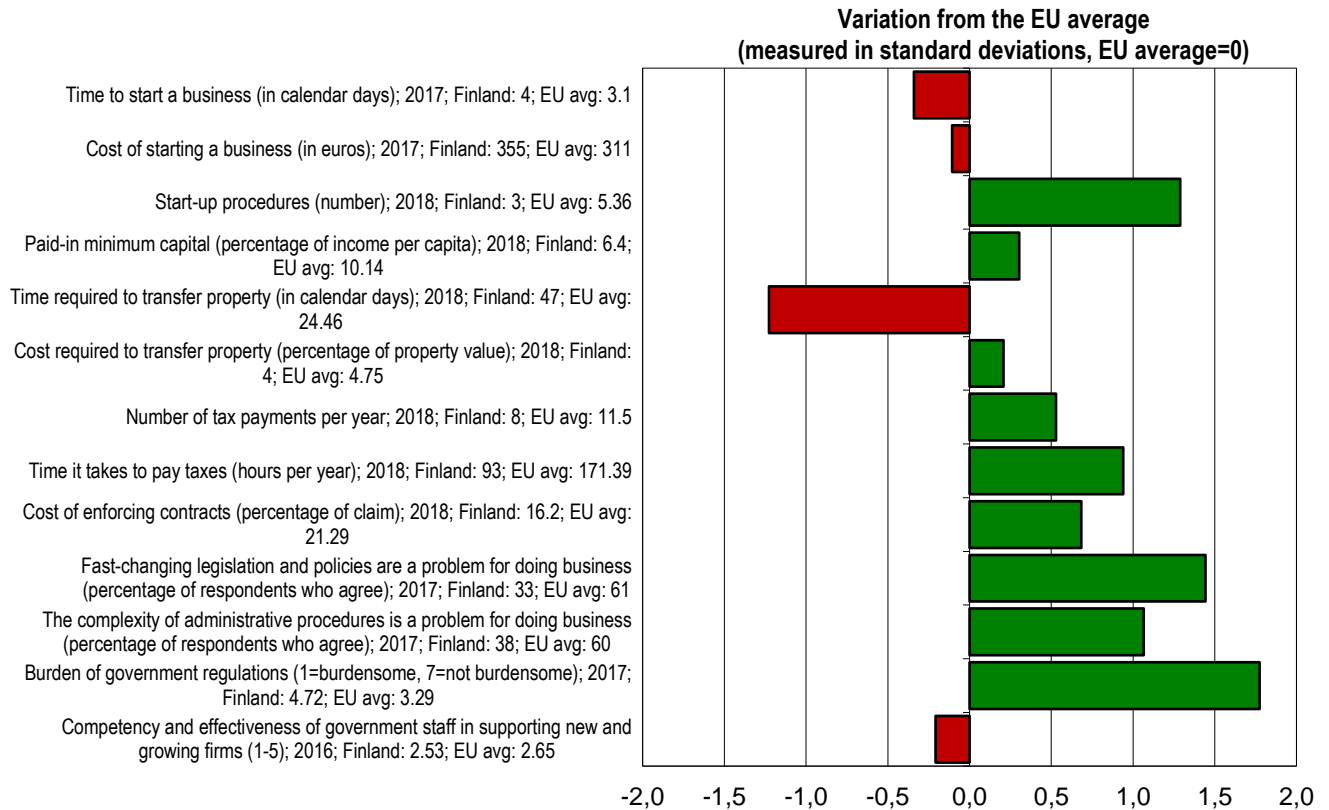
‘Second chance’ refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Finland has continued to make progress in this area, scoring the highest of all EU Member States; ‘second chance’ remains its main strength among the SBA principles. Most indicators have remained stable. Finland continues to perform particularly well on the cost of resolving insolvency.

Since 2008, policy progress in Finland can be considered moderate in this area. The insolvency framework has been steadily improved, as evidenced by the recent measure to allow self-employed debtors to restructure their debt in a similar way to private households. The biggest gap appears to be in how tax debt is treated. Although it is possible to set up a

new company quite quickly after a bankruptcy, the remaining tax debts may still represent an issue for entrepreneurs.

During the reference period, not much progress has been made. The Ministry of Justice is carrying out an international comparison of how bankrupt entrepreneurs can be released from personal liability. There have been plans since September 2017 to amend the legislation so as to speed up bankruptcy proceedings, but the work on this has still not been completed<sup>21</sup>.

### 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. Finland's overall performance in this area is still above the EU average, though the trend has been slightly downwards since 2008. Most indicators have remained stable. Improvements have been made to reduce the complexity of administrative procedures and in the burden of government regulations. However, the time required to transfer property has substantially increased over the last year, from 32 to 47 days, bringing the gap between Finland and the EU average into sharper focus.

Since 2008, there has been moderate progress in this area, and it has become somewhat easier to set up and run a business in Finland.

There has been a noticeable effort to cut red tape. The current government is determined to further reduce the administrative

burden for SMEs. The deregulation of the opening hours of shops, barber shops and hairdressing salons in 2016 has had mixed results for SMEs, but many other small changes have made it easier for SMEs to operate. Most progress has been made in the digitalisation of services and permit applications.

In 2017 and the first quarter of 2018, policy progress was moderate. The government has continued its deregulation programme, 'Norminpurku', involving several small initiatives relating to deregulation. Perhaps one of the most notable reforms has been to the opening hours of and certain other restrictions on restaurants and bars; the aim is to improve business opportunities in that sector. The taxi sector was deregulated on 1 July 2018.



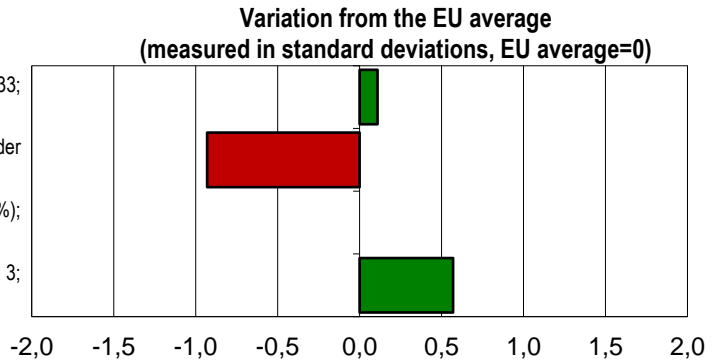
### 3.4 State aid & public procurement

Percentage of businesses participating in public tenders (%); 2017; Finland: 33; EU avg: 32

Percentage of businesses submitting proposals in a public electronic tender system (e-procurement) (%); 2013; Finland: 6.18; EU avg: 12.85

Percentage SMEs account for in the total value of public contracts awarded (%); 2013; Finland: 29; EU avg: 29

Average delay in payments from public authorities (in days); 2017; Finland: 3; EU avg: 9.27



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

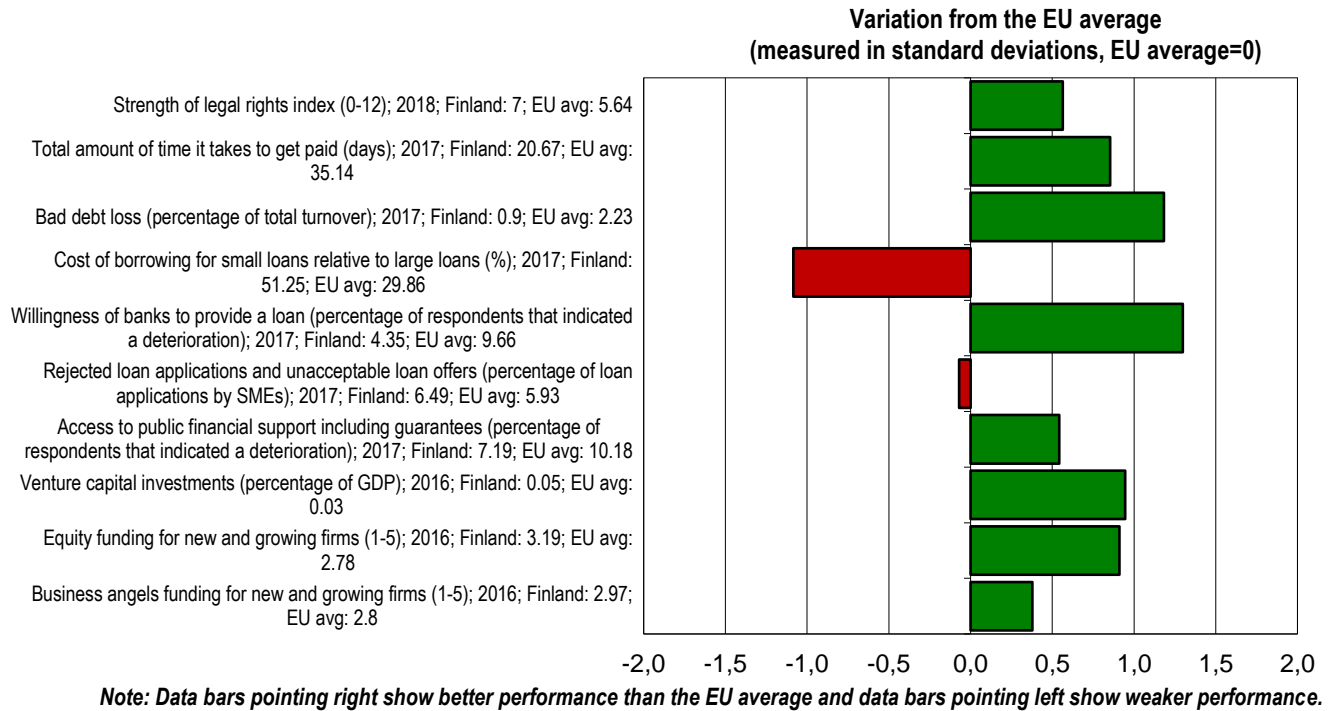
Finland performs on a par with the EU average in state aid & public procurement; this compares well with last year's below EU average performance. Public authorities reduced the average delay in payments from 4 days to 3 between 2016 and 2017, while the percentage of businesses participating in public tenders fell slightly from 35 % in 2015 to 33 % in 2017 (in line with the downward trend throughout Europe). There are no new data for the other indicators.

Since 2008, policy progress has been moderate in this area. Various measures have been introduced to facilitate public procurement and improve the competitive position of SMEs at both national and local government level. The recently introduced law on public procurement, which transposes the 2014 directives, encourages collective bidding by SMEs and the division of contracts into lots. However, many SMEs still lack the capability to participate in public procurement. State

aid policy has changed direction slightly in recent years, with slightly less support for research and innovation and greater focus on energy and the environment. Much of the state aid to SMEs has targeted start-ups and growing companies.

In 2017 and the first quarter of 2018, one new measure was adopted. The new KEINO<sup>22</sup> network competence centre was set up in March 2018 to support innovative and sustainable procurement. It provides a variety of services free of charge to its customers and stakeholders from public administration, and aims to create buyer groups to facilitate peer learning and knowledge transfer, and even buying strategies. There was also an initiative to reform the national state aid policy (business subsidies), but the national business aid working group failed to deliver any results<sup>23</sup>.

### 3.5 Access to finance



Finland continues to perform above the EU average in access to finance. Since 2008, performance has been improving steadily. The biggest improvement was in access to public financial support, including guarantees, with fewer respondents reporting a deterioration (7.2 % in 2017 versus 13.7 % in 2016). Fewer respondents also reported a deterioration in banks' willingness to provide a loan (down from 8.0 % to 4.4 %). This downward trend reflects Finland's efforts to improve SMEs' access to finance. However, the percentage of rejected loan applications and unacceptable loan offers nearly doubled between 2016 and 2017, from 3.8 % to 6.5 %.

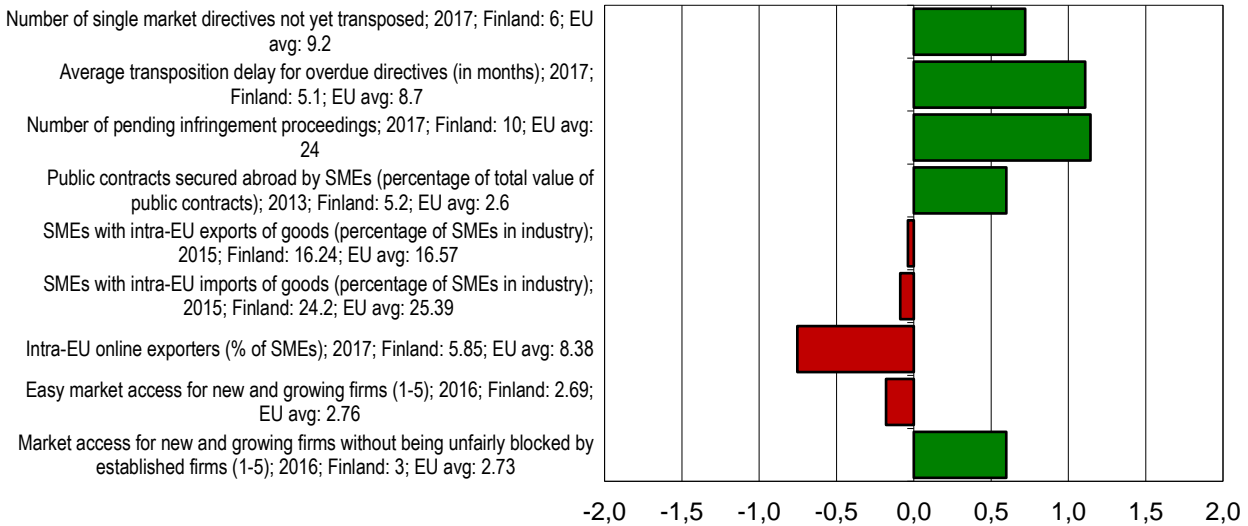
Since 2008, there has been substantial policy progress in access to finance. Several policy measures have been

introduced to improve SME financing, such as the growth funding programme, junior loans and the investment programme for industrial renewal. Finland has also adopted the SME initiative with the help of several banks, and new Finnvera instruments have been introduced to assist SMEs. Some legislative changes have also been made, such as the new law on crowdfunding (2016)<sup>24</sup>, which may have helped to increase the use of crowdfunding by SMEs. The biggest gaps in access to finance appear to be for new companies that are not considered innovative or growing start-ups.

No significant new measures have been introduced during the current reference period. The biggest changes in financing by public sector organisations have been the 80 % increase in export financing and Finnvera guarantees.

### 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.

Finland performs above the EU average, having made substantial improvements in several indicators. Considerable effort has gone into speeding up the legislative and administrative process. The number of single market directives not yet transposed has been cut drastically (from 21 in 2016 to 6 in 2017), and the time taken to transpose overdue directives fell from 8.4 months in 2016 to 5.1 months in 2017. The number of single market infringement cases also fell in the same period, from 12 to 10.

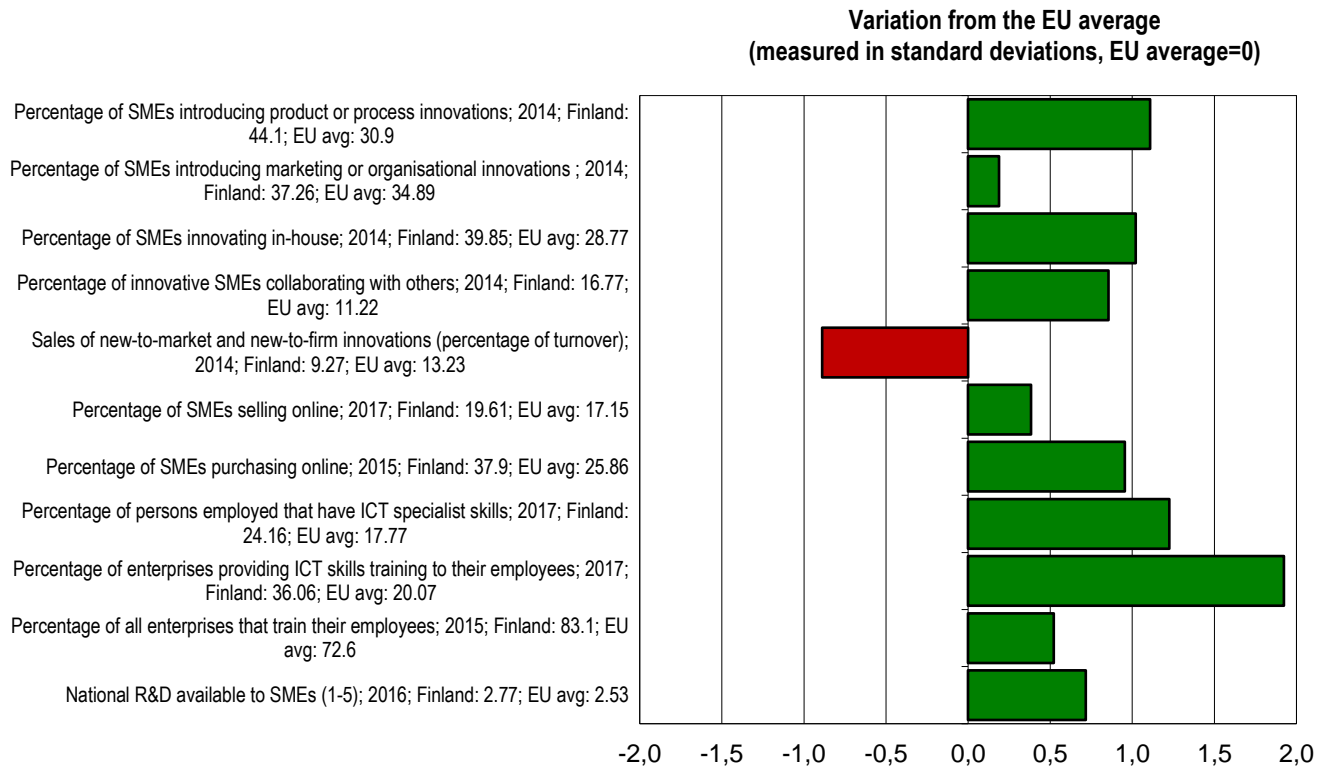
On SME trade within the single market, there has been a substantial improvement in the number of manufacturing SMEs exporting their goods, up from 10.4 % in 2013 to 16.2 % in 2015. However, the percentage of SMEs in industry with intra-EU imports of goods fell from 28.5 % in 2013 to 24.2 %

in 2015. In addition, on the indicator for the proportion of online exporting SMEs (goods and services) Finland scores below the EU average, and improved only marginally from 2016 to 2017.

From a policy perspective, reforms have been moderate since 2008. The single market is indirectly catered for in many services, but is not a major focus for the country. Finland has set up the Enterprise Europe Network to help companies in their internationalisation efforts<sup>25</sup>. Points of Single Contact for service companies have also been created.

During the reference period, no significant new measures were introduced in this area.

### 3.7 Skills & innovation



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

While Finland is still one of the top three countries for skills & innovation, it has been on a slight downward trajectory since 2008. Compared with last year's fact sheet, the country's performance has improved on all updated indicators. The greatest improvement is in the proportion of all enterprises that train their employees, which increased from 74.4 % in 2010 to 83.1 % in 2015. The number of SMEs selling online also increased, from 17.3 % to 19.6 %, between 2016 and 2017. In addition, companies in Finland now employ more people with ICT specialist skills (up from 22.5 % in 2016 to 24.2 % in 2017), and a greater proportion provide ICT skills training to their staff (up from 32.7 % in 2016 to 36.1 % in 2017).

Innovation policy has been a priority for some time in Finland, although the focus has recently shifted from pure research, technology development and innovation (RTDI) measures to more broad support for the development and growth of SMEs. For instance, since 2008 the funding provided by the main RTDI financing body, Tekes (now Business Finland), has gradually shifted towards instruments to support SMEs, especially innovative, growing start-ups. In recent years, new

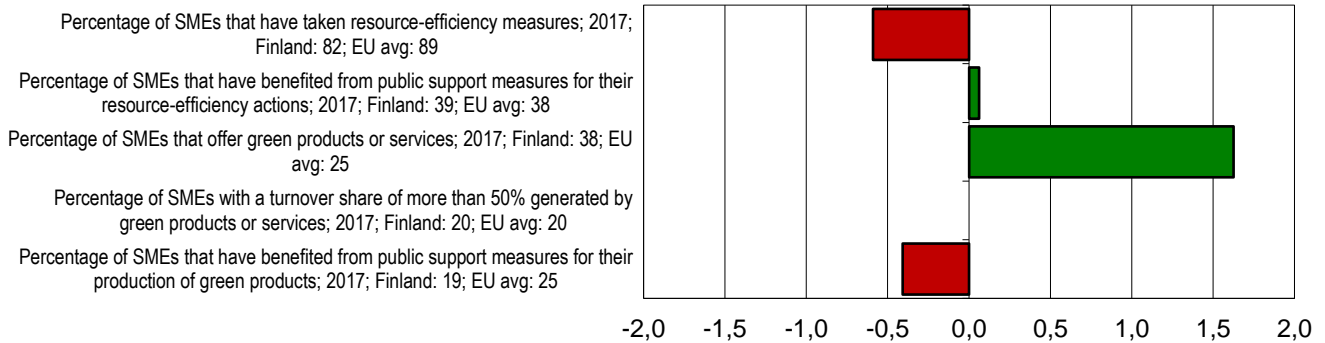
instruments such as TEMPO, KIITO and the Innovation Voucher have been introduced. However, the total amount of funding for innovation in Finland has also been reduced.

The biggest gap may be in skills development. While several small-scale measures and projects have been launched, Finland lacks a comprehensive policy and overarching measures for skills development in SMEs. This gap is all the more striking when digitalisation further challenges the capabilities of SMEs to stay competitive in changing markets.

The biggest change during the reference period was the merger of Tekes and Finpro, which together became Business Finland in early 2018. The merger is intended to ensure that the entire life cycle of the growth and internationalisation of companies is handled more effectively. The aim is to improve the services provided, especially for growth-oriented businesses seeking to internationalise their activities. This particular emphasis is meant to strengthen export promotion among SMEs. This action together with an updated service portfolio is expected to be completed by the end of 2018.

### 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.**

Finland performs on a par with the EU average. The proportion of SMEs that benefited from public support measures for their resource efficiency fell from 54 % in 2015 to 39 % in 2017. In addition, the proportion that benefited from public support to produce green products fell dramatically from 41 % to 19 % in the same period, though this still leaves Finland within the EU average. Despite the downward trend in public support measures, the number of SMEs that offer green products increased from 36 % in 2015 to 38 % in 2017. The proportion of SMEs with a turnover share of more than 50 % generated by green products or services increased from 16 % to 20 % during the same period.

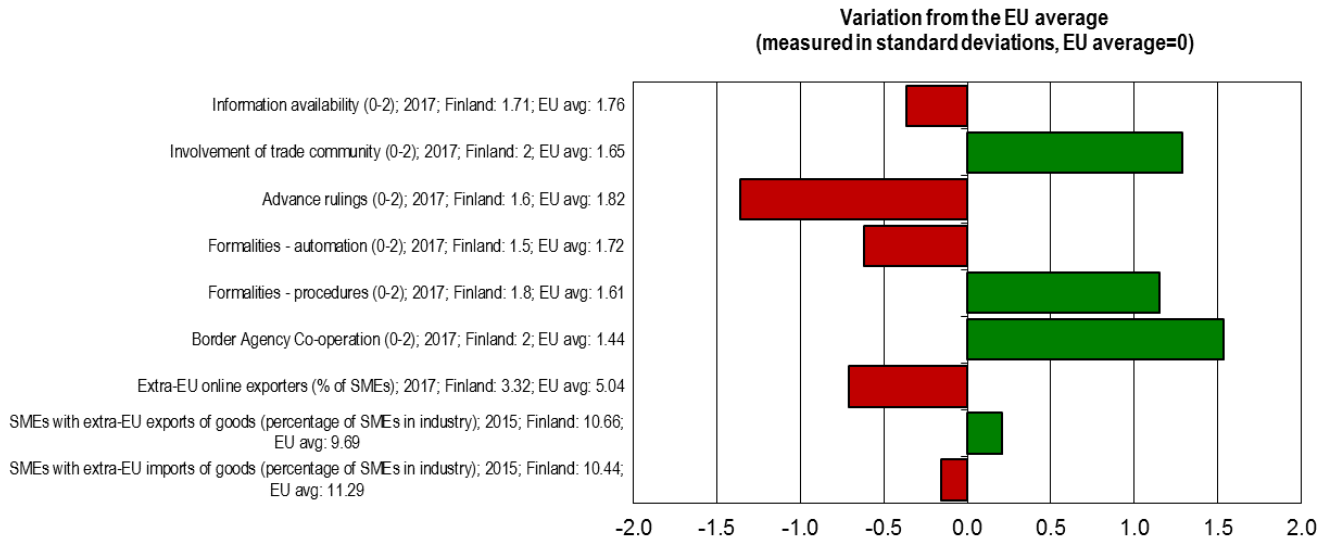
Since 2008, little progress has been made on the environment principle, even though it is an important policy area in Finland. Economic development policy includes many instruments to support developing business areas relating to the environment. Supporting the development of environmental technologies has been a focus area in national policy for some time<sup>26</sup>, and

the current government programme has developed one of its key projects: 'Bioeconomy and clean solutions'.

On a local scale, new measures have been introduced to support companies in the field of environmental technologies. One example is the Smart & Clean Foundation in the Helsinki metropolitan region, a joint public-private partnership organisation that helps businesses that offer smart and clean solutions<sup>27</sup>.

Relatively little has happened in Finland in terms of SME support in relation to the SBA principle environment during the reference period. However, some small measures can be identified. Applying for environmental permits is being simplified, in line with the 'one-stop principle'<sup>28</sup>. The draft legislation is currently in the process of public consultation. The government is also working on a new programme to promote the circular economy, which aims to help develop cleantech companies, many of which are SMEs.

### 3.9 Internationalisation



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

Finland performs in line with the EU average in this SBA area, in contrast to its above-average score in the previous year. This is partly due to a deterioration in SME trade performance — the proportion of industrial SMEs with extra-EU exports having fallen from 11.9 % in 2013 to 10.7 % in 2015, while the proportion of those with extra-EU imports declined from 12.4 % to 10.4 % in the same period. It is also the result of sharp falls in the trade facilitation indicators of advance rulings and the automation of procedures. However, Finland continues to rank among the top EU performers on border agency cooperation and involvement of the trade community. Even though traditional SME trade in goods scores close to the EU average, the proportion of Finnish SMEs exporting online is below the EU average, despite having improved from 3.0 % in 2015 to 3.3 % in 2017.

Since 2008, Finland has made moderate policy progress in this area. Several policy measures have been introduced to help companies with their internationalisation efforts, but not all activities have so far been as successful as expected. There has been a continuous effort to develop and improve the operations of the Team Finland network, which is the main organisation helping companies go<sup>29</sup>. Despite the continuous development of services in the field of internationalisation,

some gaps remain. The main challenges that SMEs face when they want to go global appear to lie in the costs of certification and standardisation, intellectual property rights management, and knowledge of the regulatory environment in the destination country<sup>30</sup>.

In November 2016, the government decided to overhaul Team Finland's services and operating models<sup>31</sup>. During the reference period, the changes were introduced in two stages: in 2017, a number of smaller changes were made to services; at the beginning of 2018, Tekes and Finpro were merged to create Business Finland, which aims to strengthen the provision of internationalisation services. There are clear targets to significantly increase exports by SMEs in the coming years. As the new operating model is still under construction, the effectiveness of the new organisation cannot be assessed at this stage.

The new Talent Boost programme and the start-up permit may also indirectly help SMEs go if they succeed in attracting more international talent to Finnish SMEs. There have also been minor measures, such as the agreement on cooperation with the German Chambers of Commerce Abroad network involving the government and the Finland Chamber of Commerce.

## 4. Interesting initiative

### Residence permit for start-ups

Finland has struggled to be seen as an attractive location for start-up entrepreneurs and foreign professionals, despite having a vibrant start-up ecosystem and many companies that need high-level professionals. In recent years, software SMEs have struggled to find the right professionals.

A new start-up permit has been introduced, enabling international growth entrepreneurs to create start-up companies in Finland and to become part of the Finnish start-up ecosystem. For specialists, a residence permit can be issued for 2 years instead of the one previously available, and it also covers family members.

The aim is to make it easier for entrepreneurs and experts to move to Finland, thereby boosting economic growth and employment. The objective is also to convey the message that Finland invests in growth and entrepreneurship by making it more attractive for people looking for new business opportunities to invest in. With this reform, Finland is following other countries with similar systems, such as Denmark and Estonia.

The permit is aimed at innovative start-up founders from countries outside the EU, and at specialists with an employment relationship of at least 2 years. Before submitting a start-up permit application to the Finnish Immigration Service, the start-up must obtain a favourable assessment from Business Finland, which evaluates whether the business model, team and resources show potential for rapid international growth. The permit is first issued for a maximum of 2 years, after which it can be renewed.

References:

[http://valtioneuvosto.fi/en/article/-/asset\\_publisher/1410869/startup-oleskelulupa-helpottaa-yrittajien-ja-huippuosajien-maahanmuuttoa-suomeen](http://valtioneuvosto.fi/en/article/-/asset_publisher/1410869/startup-oleskelulupa-helpottaa-yrittajien-ja-huippuosajien-maahanmuuttoa-suomeen)

<https://www.businessfinland.fi/en/startuppermit>

## 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)

Entrepreneurship and SMEs:

<https://ec.europa.eu/growth/smes>

## 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. As from 2016, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2015 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> Suomen Yrittäjät, Finnvera Oyj, työ- ja elinkeinoministeriö Suomen Yrittäjät, Finnvera Oyj, työ- ja elinkeinoministeriö, *PK-Yritysbareometri – Kevät 2018*, February 2018; available at [https://www.yrittajat.fi/sites/default/files/pk\\_barometri\\_kevat2018.pdf](https://www.yrittajat.fi/sites/default/files/pk_barometri_kevat2018.pdf); last accessed 17.5.2018.

<sup>3</sup> Ibid.

<sup>4</sup> Statistics Finland, National Accounts, Gross fixed capital formation 1975-2016; available at [http://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin/StatFin\\_kan\\_vtp/statfin\\_vtp\\_pxt\\_016.px?rxid=f7c0fcc0-22a6-4f6b-a18a-e30e03d11084](http://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin/StatFin_kan_vtp/statfin_vtp_pxt_016.px?rxid=f7c0fcc0-22a6-4f6b-a18a-e30e03d11084); last accessed 17.5.2018.

<sup>5</sup> [https://www.rakennusteollisuus.fi/globalassets/suhdanteet-ja-tilastot/suhdannekatsaukset/2018/kevat/suhdanne\\_kevat18\\_valmis\\_luku.pdf](https://www.rakennusteollisuus.fi/globalassets/suhdanteet-ja-tilastot/suhdannekatsaukset/2018/kevat/suhdanne_kevat18_valmis_luku.pdf); last accessed 17.5.2018.

<sup>6</sup> Statistics Finland, National Accounts, Gross fixed capital formation 1975-2016; available at [http://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin/StatFin\\_kan\\_vtp/statfin\\_vtp\\_pxt\\_016.px?rxid=f7c0fcc0-22a6-4f6b-a18a-e30e03d11084](http://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin/StatFin_kan_vtp/statfin_vtp_pxt_016.px?rxid=f7c0fcc0-22a6-4f6b-a18a-e30e03d11084); last accessed 17.5.2018.

<sup>7</sup> Sources: Rakennusteollisuuden suhdanteet kevät 2018; [https://www.rakennusteollisuus.fi/globalassets/suhdanteet-ja-tilastot/suhdannekatsaukset/2018/kevat/suhdanne\\_kevat18\\_valmis\\_luku.pdf](https://www.rakennusteollisuus.fi/globalassets/suhdanteet-ja-tilastot/suhdannekatsaukset/2018/kevat/suhdanne_kevat18_valmis_luku.pdf); last accessed 17.5.2018.

<sup>8</sup> Kaupan näkymät 2018–2019, Jaana Kurjenoja, Kaupan liitto; available at <http://kauppa.fi/content/download/111259/1404230/file/Poimintoja%20kaupan%20näkyistä%20240118.pdf>; last accessed 17.5.2018.



<sup>9</sup> Ibid.

<sup>10</sup> Statistics Finland, *Business Register: Enterprise openings and closures 2016*, press release published 29.10.2017; available at [http://www.stat.fi/ti/aly/2016/aly\\_2016\\_2017-10-31\\_tie\\_001\\_en.html](http://www.stat.fi/ti/aly/2016/aly_2016_2017-10-31_tie_001_en.html); last accessed 16.5.2018.

<sup>11</sup> Statistics Finland, Statfin database, Table *Enterprise openings and closures from 2013 - by legal form*, last updated 26.4.2018; obtained from [http://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin/StatFin\\_yri\\_aly/statfin\\_aly\\_pxt\\_002.px?rxid=7e9a70a3-75d0-4963-9204-30117d82f5df](http://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin/StatFin_yri_aly/statfin_aly_pxt_002.px?rxid=7e9a70a3-75d0-4963-9204-30117d82f5df); 16.5.2018.

<sup>12</sup> Due to data availability, the data on high-growth firms refers to the 'business economy' only, which covers sections B-N including section K (financial activities, except activities of holding companies). The 'non-financial business economy' excludes section K.

<sup>13</sup> In line with the 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. 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 13.04.2018).

<sup>14</sup> The 2018 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>15</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 2018. 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 2018. 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>16</sup> The policy measures presented in this SBA fact sheet are only a selection of the measures the government took in 2017 and the first quarter of 2018. The national SME policy expert that PwC (DG GROW's lead contractor for the 2018 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>17</sup> [http://valtioneuvosto.fi/artikkeli/-/asset\\_publisher/1410869/startup-oleskelulupa-helpottaa-yrittajien-ja-huippuosaajien-maahanmuuttoa-suomeen?\\_101\\_INSTANCE\\_3wyslLo1Z0ni\\_languageId=en\\_US](http://valtioneuvosto.fi/artikkeli/-/asset_publisher/1410869/startup-oleskelulupa-helpottaa-yrittajien-ja-huippuosaajien-maahanmuuttoa-suomeen?_101_INSTANCE_3wyslLo1Z0ni_languageId=en_US)

<sup>18</sup> [http://valtioneuvosto.fi/artikkeli/-/asset\\_publisher/1410877/jarventaus-ja-kekalainen-yrittajyysstrategian-selvityshenkiloiksi?\\_101\\_INSTANCE\\_3wyslLo1Z0ni\\_languageId=en\\_US](http://valtioneuvosto.fi/artikkeli/-/asset_publisher/1410877/jarventaus-ja-kekalainen-yrittajyysstrategian-selvityshenkiloiksi?_101_INSTANCE_3wyslLo1Z0ni_languageId=en_US)

<sup>19</sup> <http://tietokayttoon.fi/julkaisu?pubid=14201>; <https://www.fiban.org/news/investments-into-finnish-startups-hit-a-new-record-high-at-349-meur-foreign-investors-increasingly-attracted-to-the-maturing-startup-ecosystem>

<sup>20</sup> Although Business Finland has instruments for growth SMEs, Finland does not have any dedicated policy for scale-ups, such as in the Netherlands.

<sup>21</sup> <http://oikeusministerio.fi/hanke?tunnus=OM017:00/2015>

<sup>22</sup> <http://www.procurementcompetence.fi/>

<sup>23</sup> <http://tem.fi/documents/1410877/2132296/Yritystukityöryhmän+loppuraportti+5.4.2018/6aebaa5f-7dd1-4c39-9789-06ee3505df82/Yritystukityöryhmän+loppuraportti+5.4.2018.pdf>

<sup>24</sup> <http://www.finlex.fi/en/laki/kaannokset/2016/en20160734>

<sup>25</sup> <http://www.enterpriseurope.fi/en/introduction-and-services>

<sup>26</sup> Environmental technology has been included in all government programmes since 2007 and in several Tekes programmes, such as Green Growth (2011-2015), Arctic Seas (2013-2017), Green Mining (2011-2016) and Groove — Growth from



Renewables 2010-2014. The government has also supported the introduction of new energy solutions in companies through dedicated funding; <https://www.businessfinland.fi/en/for-finnish-customers/services/funding/sme/energy-aid/>

<sup>27</sup> <https://smartclean.fi/en/helsinki-metropolitan-smart-clean-foundation/>

<sup>28</sup> [http://www.ym.fi/fi/Ymparisto/Lainsaadanto\\_ ja\\_ohjeet/Ymparistonsuojelun\\_valmisteilla\\_oleva\\_lainsaadanto/Yhden\\_luukun\\_ainsaadantohanke/Lakiluonnos\\_ymparistolupien\\_yhden\\_luukun\(45961\)](http://www.ym.fi/fi/Ymparisto/Lainsaadanto_ ja_ohjeet/Ymparistonsuojelun_valmisteilla_oleva_lainsaadanto/Yhden_luukun_ainsaadantohanke/Lakiluonnos_ymparistolupien_yhden_luukun(45961))

<sup>29</sup> Team Finland was originally established in 2012, and operations have gradually developed since then; <http://team.finland.fi/en/frontpage>; [http://tem.fi/artikkeli/-/asset\\_publisher/ministeri-rehn-team-finland-toiminnan-kehittaminen-aloitetaan-kasvuohjelmien-paivittamisella?\\_101\\_INSTANCE\\_KbgSvtizPgSM\\_languageId=en\\_US](http://tem.fi/artikkeli/-/asset_publisher/ministeri-rehn-team-finland-toiminnan-kehittaminen-aloitetaan-kasvuohjelmien-paivittamisella?_101_INSTANCE_KbgSvtizPgSM_languageId=en_US)

<sup>30</sup> <https://kauppakamari.fi/wp-content/uploads/2016/11/team-finland-kaupanesteselvitys-2016.pdf>

<sup>31</sup> [http://tem.fi/en/article/-/asset\\_publisher/team-finland-uudistaa-palveluaan-ja-toimintamallejaan](http://tem.fi/en/article/-/asset_publisher/team-finland-uudistaa-palveluaan-ja-toimintamallejaan)