



# 2019 SBA Fact Sheet

## FINLAND

### Key points

#### **Past & future SME performance<sup>1</sup>:**

SMEs in Finland currently account for 59.6% of value added and 65.2% of employment. In recent years, SMEs have generated steady value added growth, with an increase of 22.1% in 2014-2018. The growth in Finnish SME value added is expected to continue at a moderate rate, with a rise of 4.6% in 2018-2020. However, in the same period the forecast for SME employment is less favourable as it is predicted to fall by 0.1% leading to an estimated loss of 1,000 SME jobs.

#### **Implementing the Small Business Act for Europe (SBA):**

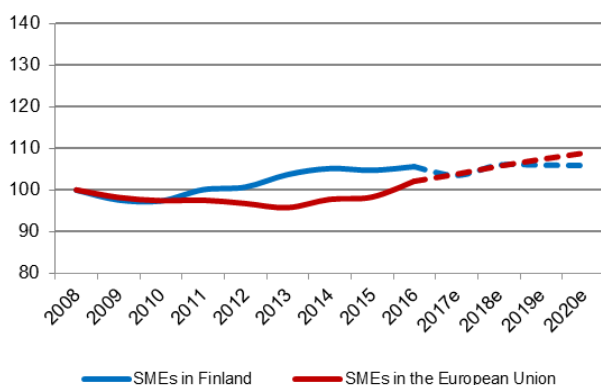
Finland has implemented SME policies that have mostly been in line with the SBA; as a result, most SBA recommendations have been transposed. Finland maintains a strong SBA profile, addressing all the SBA principles. It surpasses the EU average in five areas (entrepreneurship, 'second chance', 'responsive administration', access to finance and skills & innovation). Finland's scores in the 'second chance', access to finance and skills & innovation principles are among the strongest in the EU. In State aid & public procurement, single market, environment and internationalisation the country's scores are in line with the EU average. The trend since 2008 shows an improvement in State aid & public procurement and skills & innovation and a slight deterioration in 'second chance' and access to finance.

#### **SME policy priorities:**

Entrepreneurial activity as a career option seems to be less attractive in Finland than in other EU countries. The government as well as local governments have put considerable effort into supporting entrepreneurship and start-ups. New and revised policy instruments as well as legislation have specifically addressed entrepreneurship and start-up companies, even to some point at the expense of existing companies. On the single market and internationalisation, Finnish SMEs have to some extent lagged behind, especially when looking at their figures for online trade within and beyond the EU. Specific initiatives need to be designed to help them increase their e-commerce business. SMEs also need help in other fields of digitalisation, such as the use of new technologies<sup>2</sup>. Minor points of concern include the time required to transfer property, which has recently increased in the area of '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.

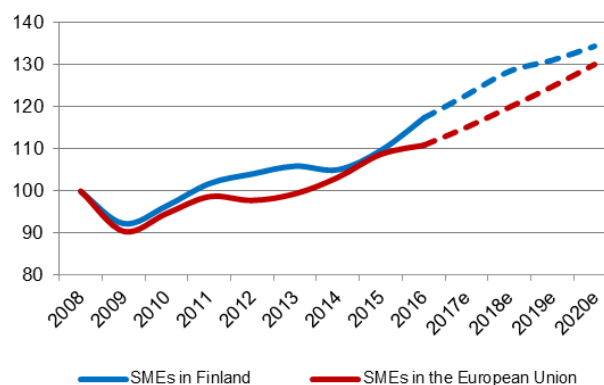
**Number of persons employed in SMEs**

(Index: 2008=100, estimates as from 2017 onwards)



**Value added of SMEs**

(Index: 2008=100, estimates as from 2017 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	208,440	90.9%	93.0%	352,559	23.9%	29.7%	19.7	18.5%	20.8%
Small	17,163	7.5%	5.9%	331,483	22.4%	20.1%	20.7	19.4%	17.6%
Medium-sized	2,959	1.3%	0.9%	278,743	18.9%	16.8%	23.1	21.7%	18.0%
<b>SMEs</b>	<b>228,562</b>	<b>99.7%</b>	<b>99.8%</b>	<b>962,785</b>	<b>65.2%</b>	<b>66.6%</b>	<b>63.5</b>	<b>59.6%</b>	<b>56.4%</b>
Large	625	0.3%	0.2%	514,470	34.8%	33.4%	43.1	40.4%	43.6%
Total	<b>229,187</b>	<b>100.0%</b>	<b>100.0%</b>	<b>1,477,255</b>	<b>100.0%</b>	<b>100.0%</b>	<b>106.7</b>	<b>100.0%</b>	<b>100.0%</b>

*These are estimates for 2018 produced by DIW Econ, based on 2008-2016 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 play an important role in Finland's 'non-financial business economy'. They account for 59.6% of value added and 65.2% of employment, close to the respective EU averages of 56.4% and 66.6%. The productivity of Finnish SMEs, defined as value added per person employed, is approximately €66,000, well above average EU productivity of €44,600. Finnish SMEs employ an average of 4.2 people, against an EU average of 3.9. As is the case throughout the EU, *manufacturing* and *wholesale and retail trade* are the two largest SME sectors, together contributing 35.1% of overall SME value added and 37.4% of employment.

In recent years, SMEs have generated steady value added growth, with an increase of 22.1% in 2014-2018. By contrast, SME employment remained static, with a rise of only 0.8% in the same period. Most recently, in 2017-2018, SME value added and employment increased by 4.5% and 2.4%, respectively.

The recent performance of Finnish SMEs in the *manufacturing* sector has been mixed. In 2014-2018, SME value added rose steadily by 12.3%, whereas employment fell by 2.4%. Although large firms clearly outperformed SMEs in terms of value added, with a rise of 30.3%, employment in large firms fell more steeply, dropping by 5.4% in the same period. The drop in

employment in both SMEs and large firms was partly due to high labour costs as well as falling productivity<sup>3</sup>. According to the Finnish Ministry of Finance, the electronics industry was largely responsible for this drop in productivity. In order to help Finnish companies become more internationally competitive, in 2016 the Finnish government entered into an agreement (the Competitiveness Pact)<sup>4</sup> with social partners to reform the labour market<sup>5</sup>. The resulting wage freeze and reduction in workers' rights (such as overtime payments) have been a factor in the rise in value added growth<sup>6</sup>.

In 2014-2018, the *information and communication* sector generated strong growth. SME value added rose by 33.1%, and SME employment increased by 14.2%. SMEs notably outperformed large firms whose value added and employment grew by only 5.8% and 1.8%, respectively. In *computer programming and consultancy*, the largest subsector in terms of value added and employment, the fastest growth was generated by medium-sized firms, with increases of 60.7% and 35.4%, respectively. Major growth drivers for this sector in Finland have been *IT services* and the flourishing gaming industry<sup>7</sup>, one of the largest in Europe<sup>8</sup>. In 2016, Finnish gaming firms generated roughly 7% of the total global revenue of €35 billion related to mobile game development<sup>9</sup>. Subsequently, in 2017-2018, 48 new gaming studios were established in Finland<sup>10</sup>.

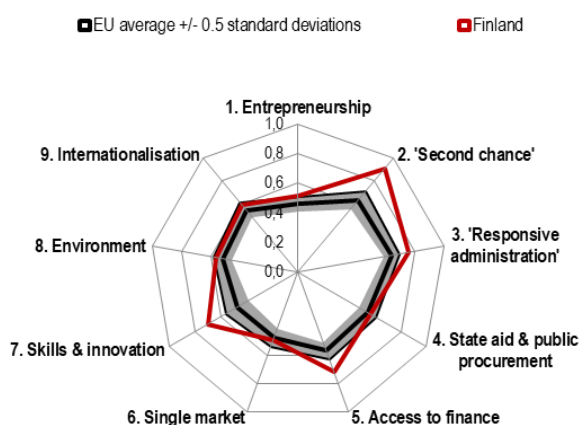
In recent years, business registrations in Finland have consistently risen. In 2016-2018, the number of new business registrations increased by 22.5%, from a total of 28,604 to 35,035<sup>11</sup>. According to the latest available figures, deregistrations totalled 23,976 in 2016.

Many firms in Finland have scaled up their operations in recent years. In 2016, 1,903 firms (9.5% of all firms in the 'business economy'<sup>12</sup> with at least 10 employees) were high-growth firms<sup>13</sup>. This is lower than the EU average of 10.7%. High-growth firms are particularly prevalent in the *administrative and support services* sector, with a share of 16.5%, and in *information and communication*, where their share amounted to 15.2%.

In 2018, Finnish SMEs in the specialised *knowledge-intensive services* and *high-tech manufacturing* sectors, both of which are usually R&D-intensive, accounted for 35.6% of SME value added in the manufacturing and services sectors. This is slightly higher than the EU average of 33.0%.

The recent growth in Finnish SME value added is expected to continue at a moderate rate, with a rise of 4.6% in 2018-2020. However, the forecast for SME employment is less favourable, with employment predicted to fall by 0.1% leading to an estimated loss of 1,000 SME jobs.

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



Finland maintains a strong SBA profile, addressing all the SBA principles. The country performs above the EU average in entrepreneurship, 'second chance', 'responsive administration', access to finance and skills & innovation. Its scores in 'second chance', access to finance and skills & innovation principles are among the strongest in the EU. In the remaining areas — State aid & public procurement, single market, environment and

internationalisation — the country performs in line with the EU average.

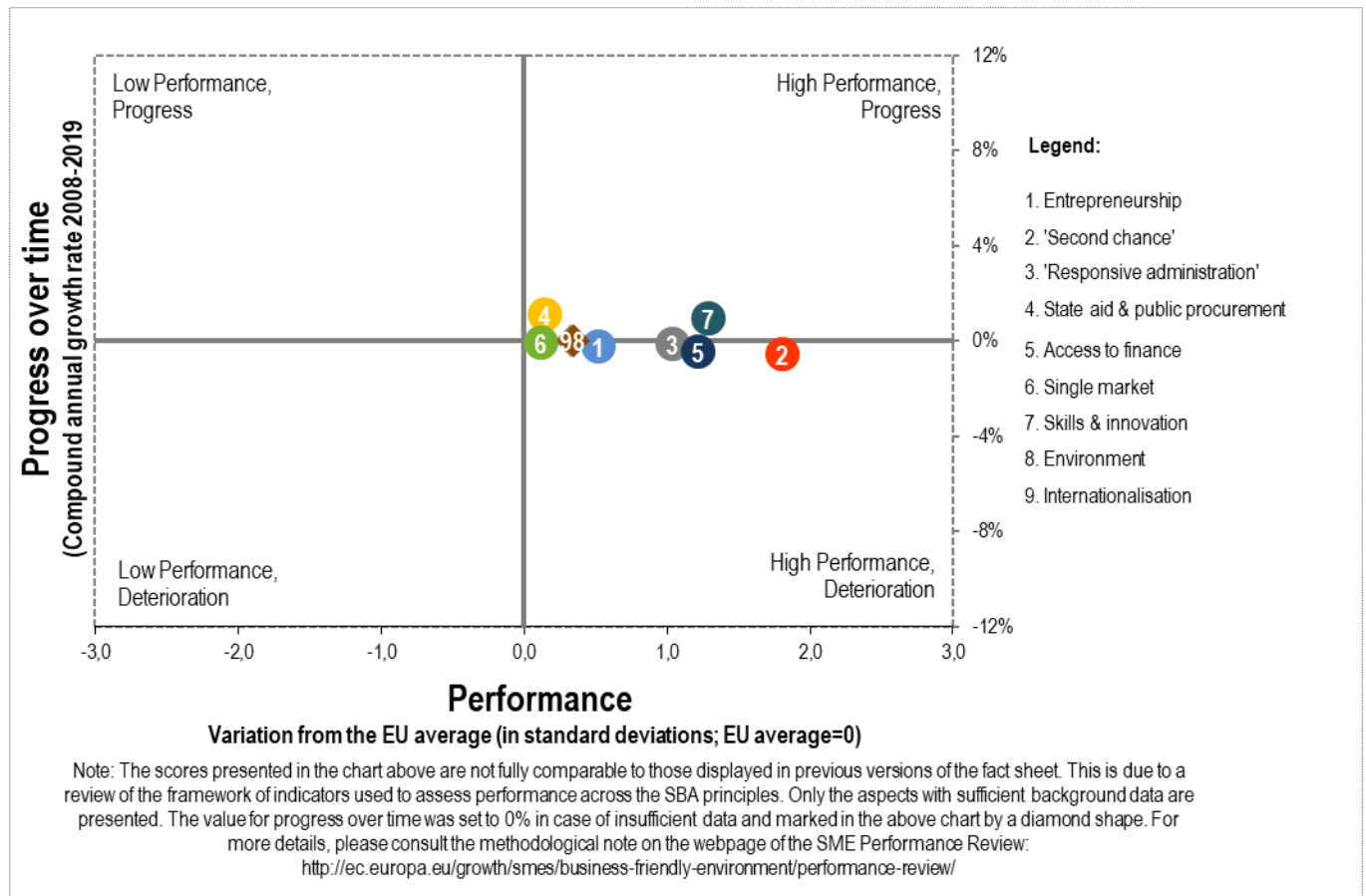
Since 2008, key areas that have benefited from new policy initiatives include internationalisation, access to finance and skills & innovation. Over the past few years, there has been a greater focus on 'think small first' and entrepreneurship. However, less progress has been made in supporting 'second chance' and the single market.

While Finland has not adopted a dedicated strategy for implementing the SBA, policies it has implemented have mostly been compatible with the SBA.

In 2018 and the first quarter of 2019, the reference period for this year's SBA fact sheet, Finland has implemented 7 new policy measures, addressing 4 of the 10 policy areas under the Small Business Act.

The area that saw most progress in 2018 was 'think small first'. Most of the areas did not see any significant changes during the reference period. The national strategy during the reference period was to further implement and fine-tune the measures included in the 2015 government programme. These included some changes in the legislation that may benefit entrepreneurs and SMEs. Much of the effort went in to preparing big reforms of regional government and the health and social services that the government failed to finalise before the 2019 elections.

## SBA performance of Finland: state of play and development from 2008 to 2019<sup>15</sup>



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

### 3.0 ‘Think Small First’

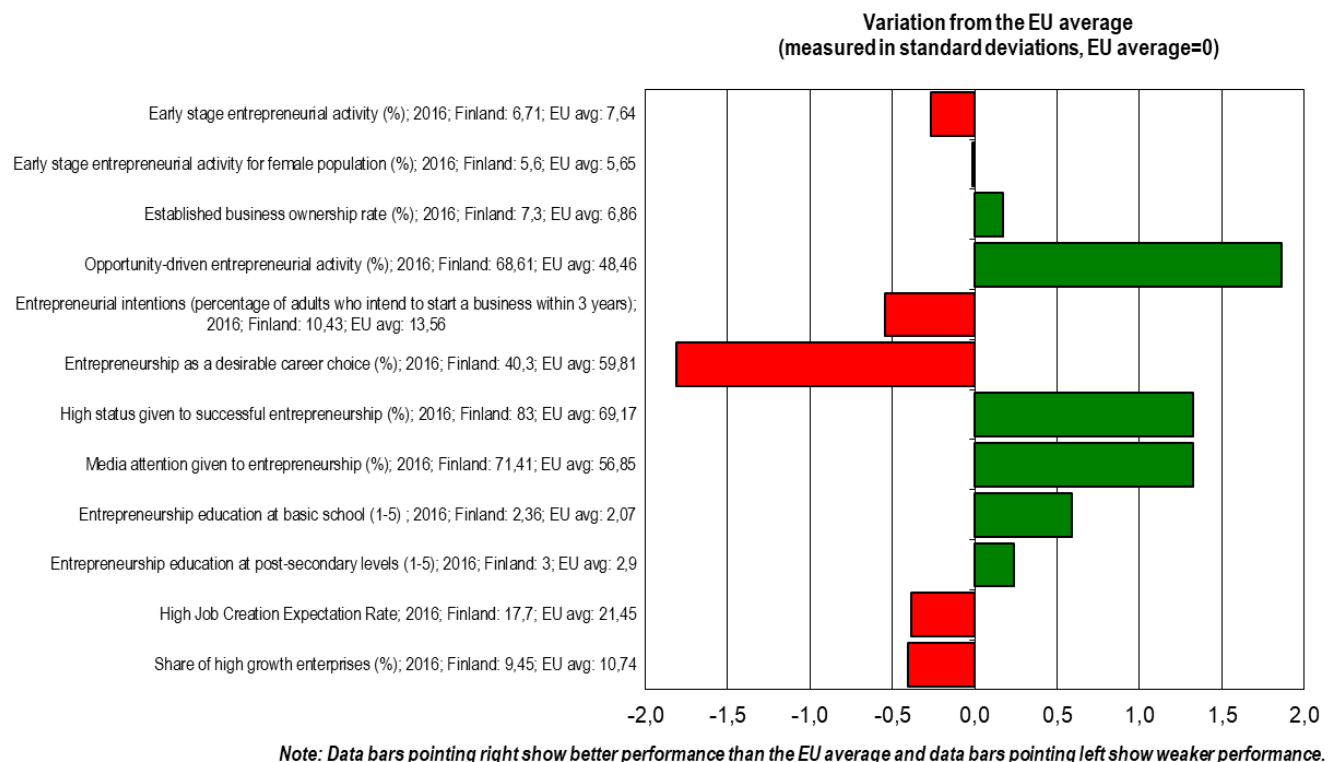
The ‘think small first’ principle is a guiding principle for all policy- and law-making activities. It requires policymakers to take SMEs’ interests into account at the early stages of the policy-making process. The principle also calls for newly designed legislation, administrative rules and procedures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

Since 2008, some progress has been made on implementing the ‘think small first’ principle, though there is still room for improvement. The ‘SME test’ — used to assess the impact of regulation on SMEs — and the assessment of the impact of regulation on the business competitiveness have been integrated into the system. However, the use of the ‘SME test’ is not binding.

The ‘think small first’ principle has been extensively applied to introduce simplified procedures for SMEs, for example, 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 legislation was amended along the lines of the ‘think small first’ principle. For example, the Employment Contracts Act was amended in order to make it easier to terminate contracts ‘on grounds related to the employee’s person’ (e.g. breach of obligations, poor timekeeping, constant absences). Moreover, the minimum share capital requirement for limited liability companies (formerly €2,500) was removed.

### 3.1 Entrepreneurship



Finland performs above the EU average in this area. Due to the lack of available data, all indicators remain unchanged from last year’s fact sheet except the share of high-growth enterprises,

which dropped from 10.1% in 2015 to 9.5% in 2016. A new indicator has been added: the ‘high job creation expectation rate’, which represents the proportion of early or nascent

entrepreneurs who expect to create six or more jobs in 5 years. In this indicator Finland performs in line with the EU average.

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

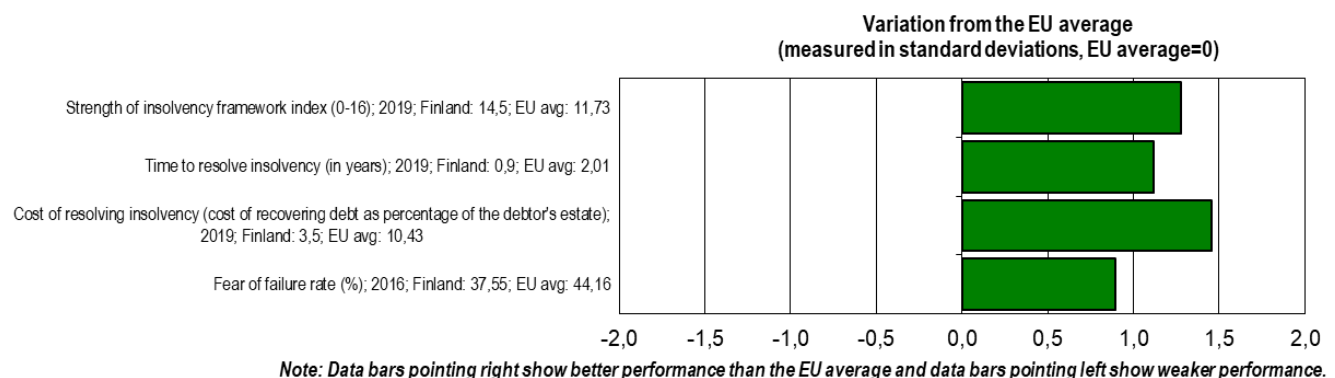
Organisations and measures to support start-ups in Finland are promoted not only by the central government, but also by cities and municipalities. Various matchmaking measures for SMEs have been introduced around the country.. Some big cities also intend to create a viable 'start-up ecosystem' by offering various support services as well as facilities for start-ups. The biggest gaps are in entrepreneurship education and in the transfer of businesses although these are also being addressed.

In general, Finland has an environment that is very friendly towards start-ups, with 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, in addition to forming start-up ecosystems and campuses<sup>17</sup>. Also, start-ups are attracting more and more venture capital funding. The situation for scale-up companies is somewhat more mixed because there is less emphasis on them in the policy instruments compared with start-ups. However, Business Finland has developed its funding instruments to support not only start-ups, but also high-growth companies, including scale-ups.

During the reference period, the government did not introduce any major policy measures. Perhaps the most important initiative has been the work carried out to make entrepreneurship more strategic in the future. As a result, in October 2018 the former government introduced a proposal for Finland's first entrepreneurship strategy<sup>18</sup>. However, it did not implement this or any other such strategy by the end of its term. The new government intends to draw up a comprehensive entrepreneurship strategy.

## 3.2 'Second chance'



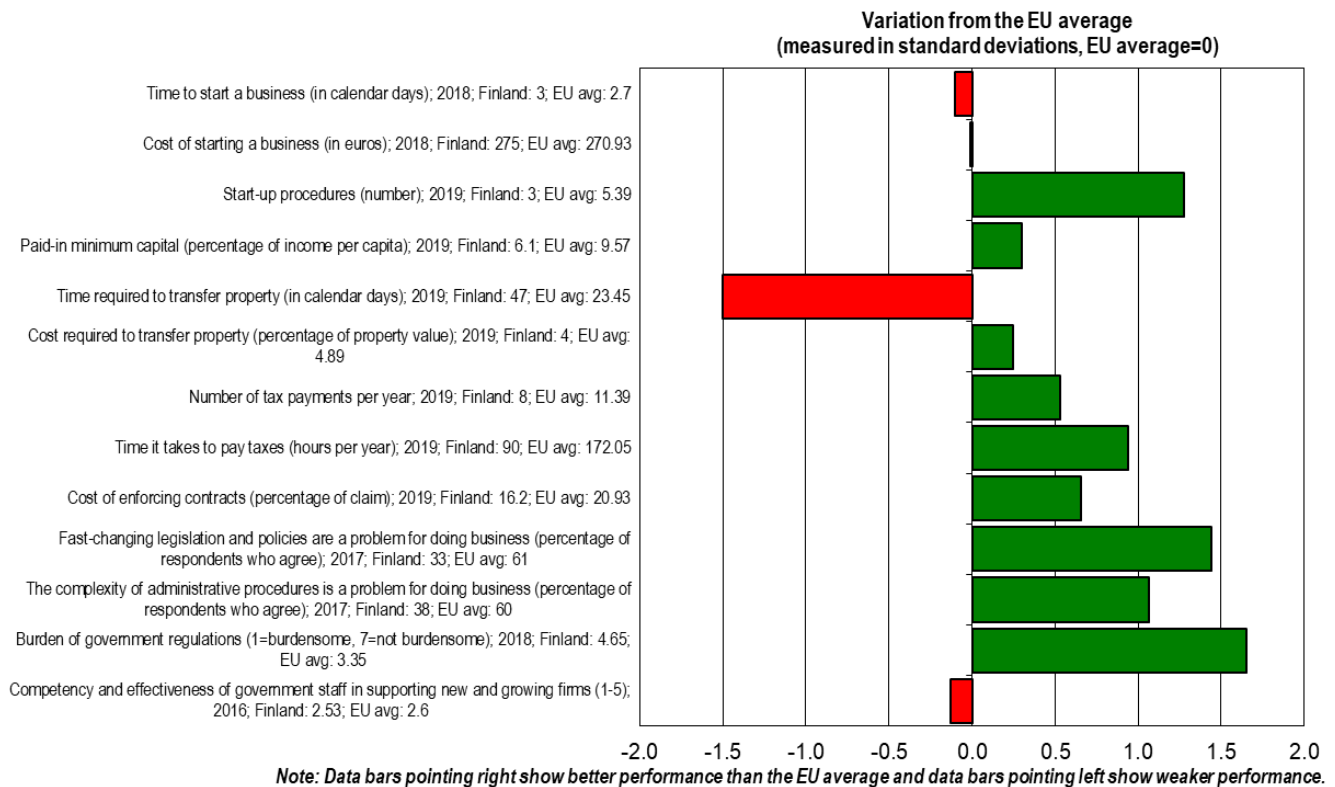
'Second chance' refers to ensuring that honest entrepreneurs who have gone bankrupt get a second chance quickly. Finland performs above the EU average, being the EU's top performer in this area. However, since 2008 the country has been on a slight downward trend. All indicators have remained stable compared to 2018. Finland's scores on the cost of resolving insolvency are the second best in the EU.

Since 2008, policy progress in this area in Finland can be considered moderate. The insolvency framework has been steadily improved. 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 be an issue for entrepreneurs.

During the reference period, progress was made. In March 2019 the Parliament passed an amendment to bankruptcy legislation, which is expected to speed up bankruptcy proceedings considerably. The Ministry of Justice has also carried out an international comparison to examine how bankrupt entrepreneurs can be released from personal liability<sup>19</sup>, but the work on this has still not been completed.

### 3.3 ‘Responsive administration’



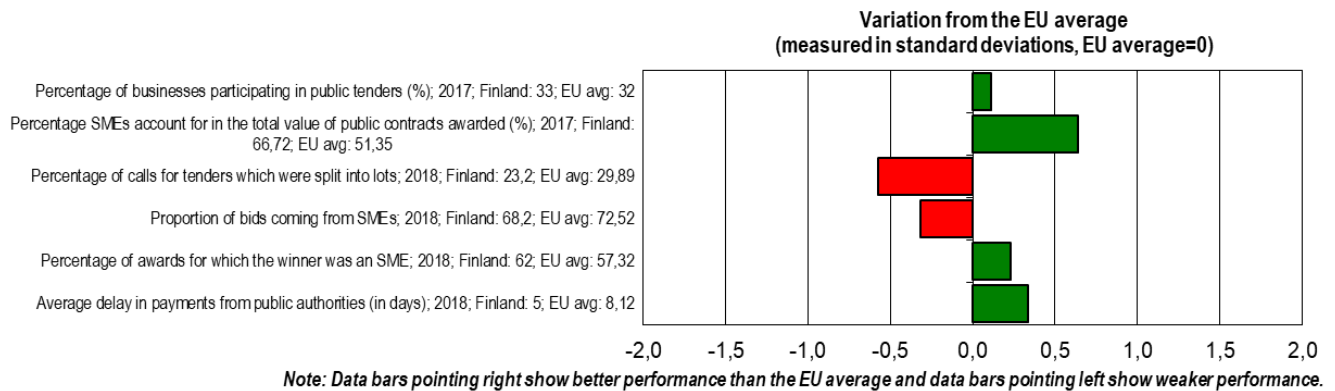
‘Responsive administration’ refers to public administration being responsive to the needs of SMEs. Finland continues to perform in line with the EU average. Since 2008, the trend has remained stable. The time required to start a business has fallen from 4 days in 2017 to 3 days in 2018, thanks to the availability of online registration. Over the same period, the cost of starting a business also fell from €355 to €275. Furthermore, less hours are required to pay taxes (falling from 93 hours in 2018 to 90 hours in 2019). The country showed improvements regarding the burden of government regulations. However, there is still room for improvement in the time required to transfer property.

Since 2008, Finland has made moderate progress on policies in this area, and it has become somewhat easier to set up and run a business there. There has been a noticeable effort to cut red tape. The former government was determined to further reduce the administrative burden for SMEs. Most progress has been made in the digitalisation of services and permit applications.

In the reference period, policy progress was moderate. The government continued its deregulation programme, ‘Norminpurku’<sup>20</sup>, involving several small initiatives on deregulation, especially in streamlining permit and appeal processes.



## 3.4 State aid & public procurement



Important methodological changes have been introduced for this principle in this year's fact sheet. Three new indicators from the Tenders Electronic Daily (TED) database have been added and refer to procurement above EU thresholds:

- percentage of awards for which the winner was an SME;
- proportion of bids by SMEs;
- percentage of calls for tenders which were split into lots.

In addition, the indicator on e-procurement has been removed. Therefore, the overall performance in this area cannot be compared to last year's.

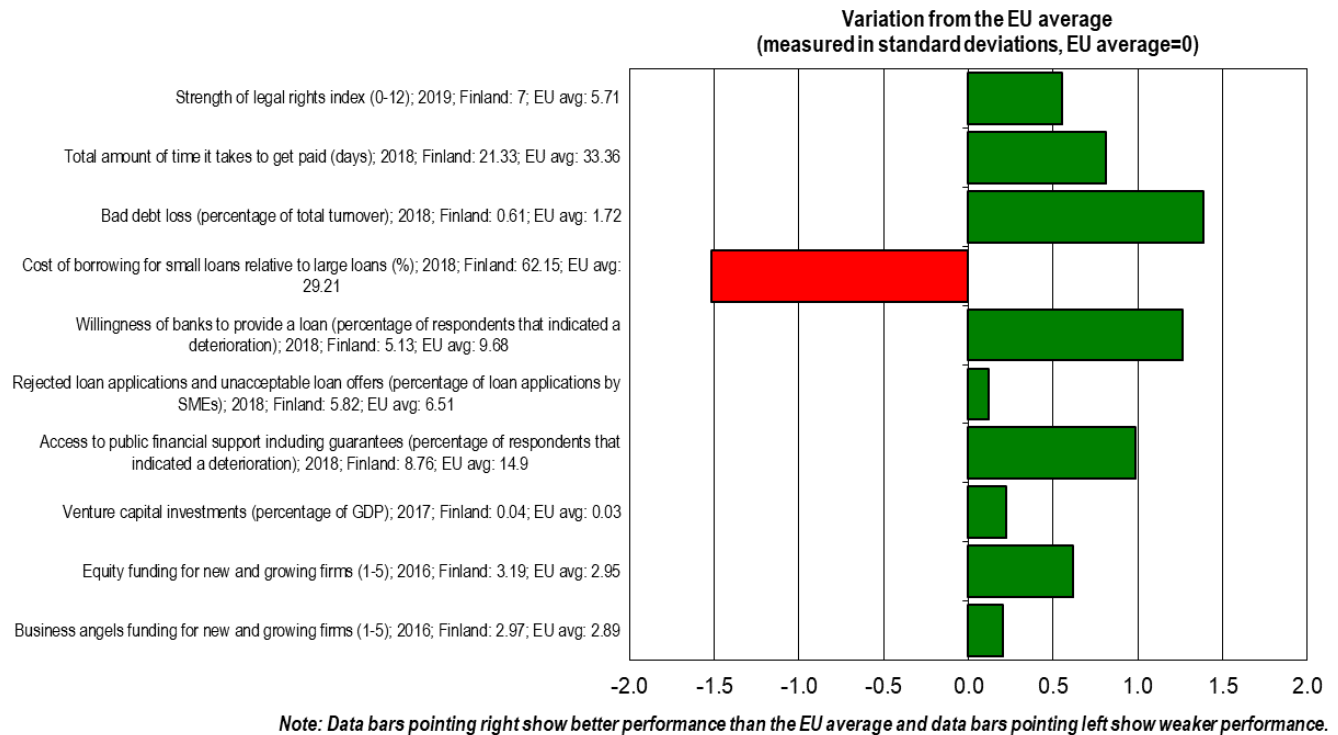
Finland performs in line with the EU average; the country has actually been on an upward trend since 2008. Nevertheless, the results are mixed in this area. The percentage of SMEs accounted for in the total value of public contracts awarded is above the EU average. However, the average delay in payments by public authorities increased from 3 days in 2017 to 5 days in 2018, even though this is still in line with the EU average. There is still room for improvement in the proportion of SMEs that participate in the bidding process and in the percentage of calls for tenders that are split into lots.

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 EU's 2014 public procurement 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 and there is some evidence that the new legislation has not significantly increased SMEs' access to public procurement<sup>21</sup>. Much of the State aid to SMEs has targeted start-ups and growing companies.

Finland introduced one measure during the reference period. The new network competence centre KEINO was set up in March 2018 to support innovative and sustainable procurement, and was further developed throughout 2018<sup>22</sup>. Keino 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 procurement strategies. KEINO is a strategic partnership between eight organisations working towards increasing the number of strategic, sustainable and innovative procurements. The centre is funded by the Ministry of Employment and Economy and is jointly steered by six ministries.



### 3.5 Access to finance



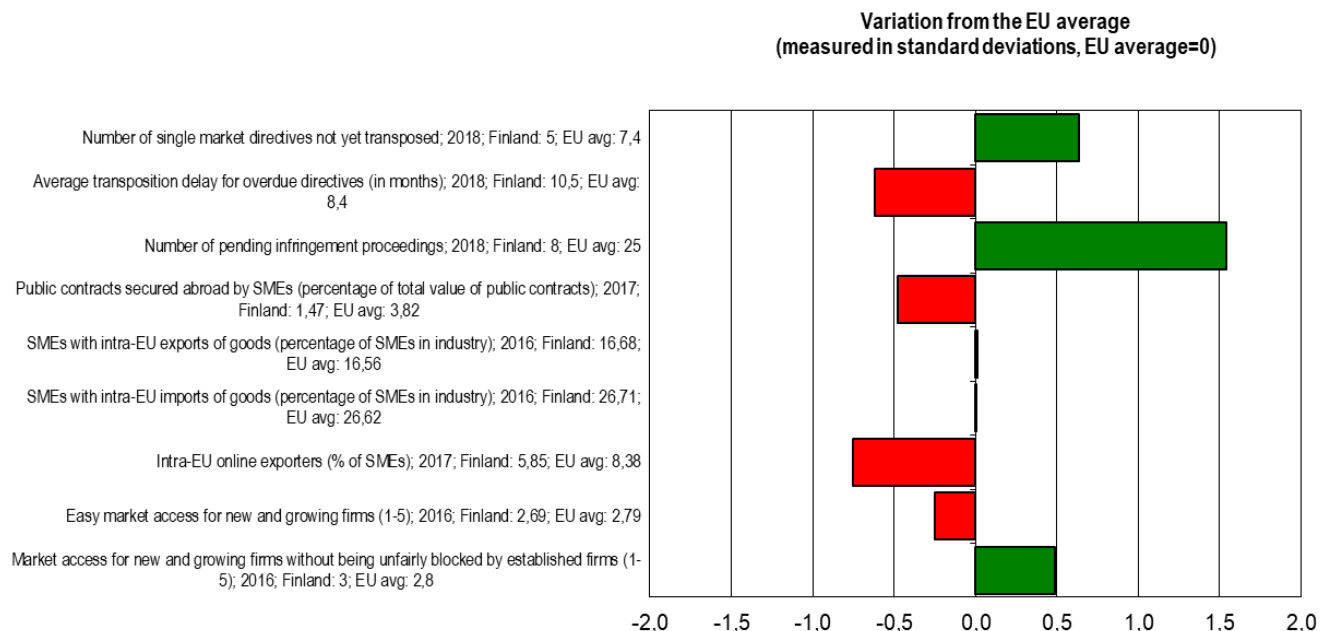
Finland performs above the EU average in access to finance, and is the EU's second best performer in this area. Progress since 2008 has been modest. Only one indicator is worse than the EU average: the cost of borrowing for small loans relative to large loans substantially increased from 51.3% in 2017 to 62.2% in 2018. Furthermore, more respondents indicate a deterioration in banks' willingness to provide a loan (from 4.4% in 2017 to 5.1% in 2018). SME respondents also reported a deterioration in public financial support: 8.8% in 2018 against 7.2% in 2017.

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, , junior loans and the investment programme for industrial renewal. Finland has also adopted the SME initiative co-funded by the EU through COSME and/or Horizon 2020 resources as well as European Investment Bank Group resources with the help of

several banks and Finnvera, a specialised financing company owned by the State which has introduced new financial instruments to assist SMEs. Some legislative changes have also been made, such as the new law on crowdfunding (2016)<sup>23</sup> which may have helped SMEs to increase their use of crowdfunding. The biggest gaps in access to finance appear to be bank loans to SMEs, where the terms of these loans have been tightened over recent years<sup>24</sup>.

One measure was introduced during the reference period — the new financing model of the European Investment Bank and Tesi<sup>25</sup> (Finnish Industry Investment Ltd), introduced in August 2018. This instrument will invest €100 million to growth-oriented SMEs and innovative mid-cap companies in order to boost their growth, help them to do business abroad and improve their ability to make significant investments<sup>26</sup>.

## 3.6 Single market



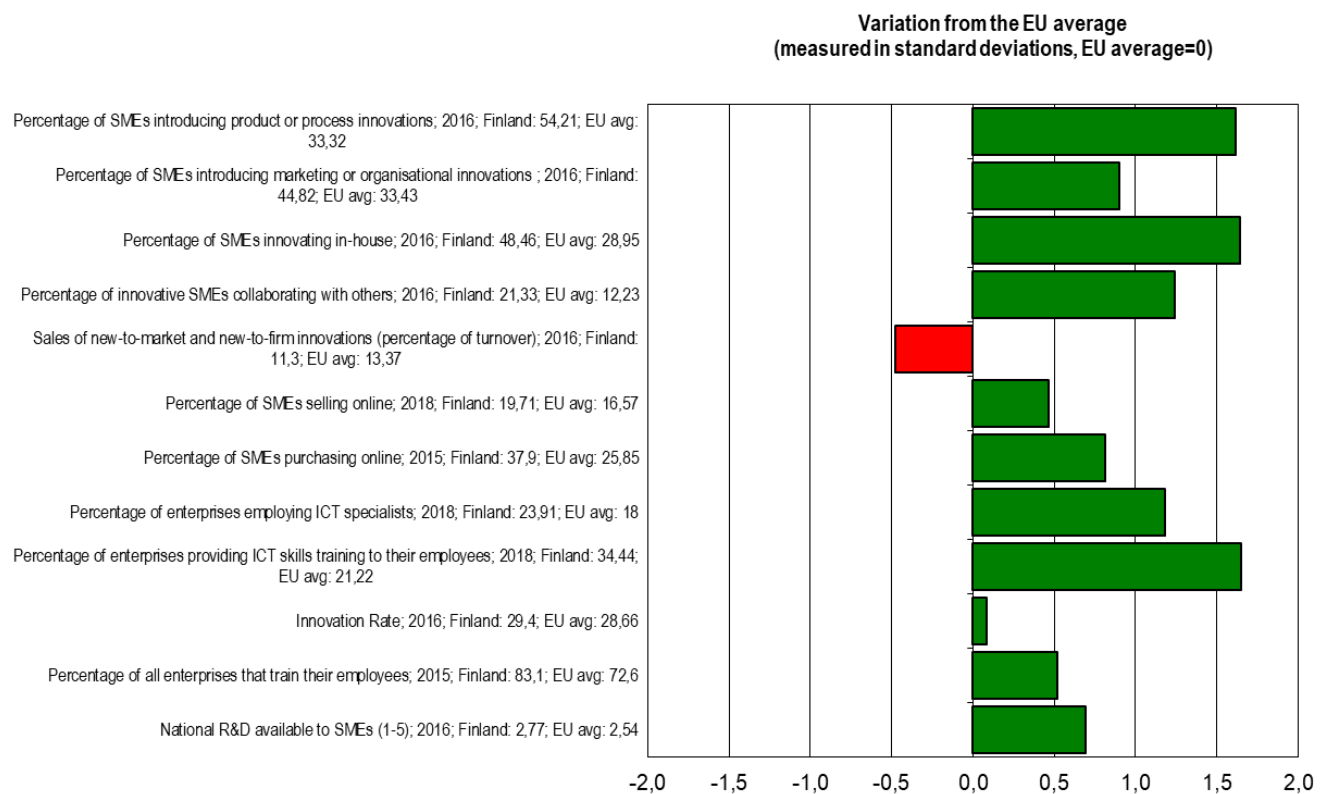
**Note:** Data bars pointing right show better performance than the EU average and data bars pointing left show weaker performance.

Finland performs in line with the EU average in this area. Progress has slowed since 2008. The results are mixed in the single market area, and show some deterioration compared to the previous reference period. Having previously been above the EU average (in 2013), the proportion of public contracts secured abroad by SMEs is in line with the EU average (according to the latest data from 2017). The average transposition delay has more than doubled from 5.1 months in 2017 to 10.5 months in 2018. On a positive note, the number of single market directives not yet transposed has declined from 6 in 2017 to 5 in 2018, as well as the number of pending infringements (from 10 to 8 over the same period).

The single market is indirectly catered for in many services, but it appears not to be a major focus in the policies. Finland has set up contact points for the Enterprise Europe Network to help companies in their internationalisation efforts. It has also established Points of Single Contact (PSCs) which are one-stop shops that help to simplify the establishment and expansion of businesses in the Single Market. However, the single market appears to be underutilised especially in services and the country may need to make progress in this area.

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.*

Finland is one of the best performers in the area of skills & innovation, reflecting positive progress since 2008. Only one indicator is below the EU average: the proportion of sales of new-to-market and new-to-firm innovations (relative to the turnover), despite an improvement, reaching 11.3% in 2016 from 9.3% in 2014. On the skills-related indicators, companies in Finland now employ less ICT specialists (24.1% in 2017 against 23.9% in 2018) and a smaller proportion provides ICT skills training to their staff (down from 36.1% in 2017 to 34.4% in 2018). However, the country ranks as the top performer in the EU in terms of the latter indicator.

Since 2008, policy progress in this area has been moderate. Innovation policy has been a priority for a long time in Finland, but over recent years, there have been quite significant budget cuts in this area. In 2018 this downward trend continued<sup>27</sup>. However, the 2019 budget marks a turn in this trend. From the SME perspective, the focus has recently shifted from pure research, technology development and innovation (RTDI) measures to more broad support for the development and growth of companies and SMEs in particular. For instance, since 2008 the funding provided by the main RTDI financing bodies (formerly Tekes and now Business Finland) has gradually shifted

towards instruments to support SMEs, especially innovative start-ups that are growing. In recent years, new instruments such as TEMPO, KIITO and the Innovation Voucher have been introduced.

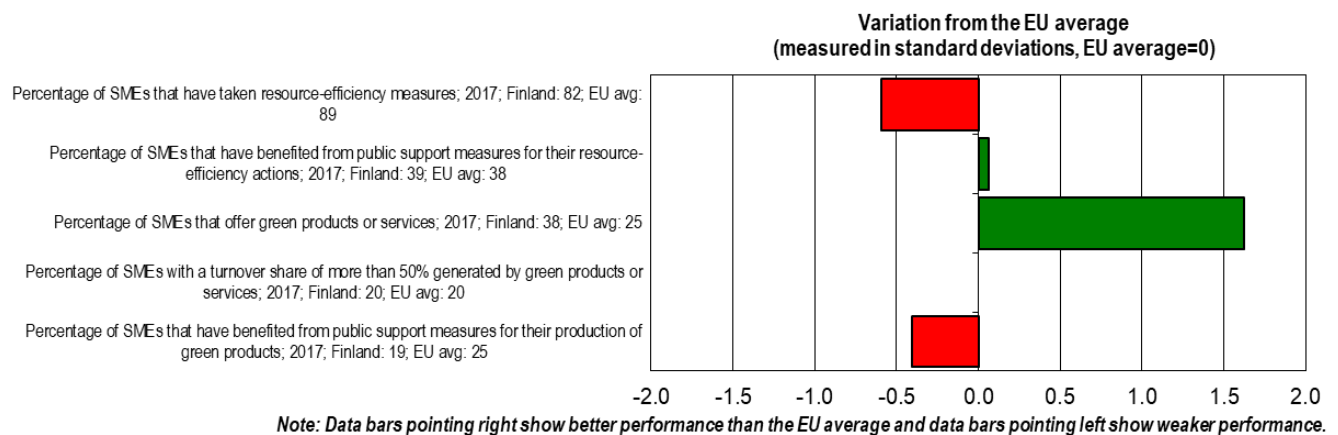
In the reference period, three new measures were introduced.

- Growth engine funding, which aims to not only support single companies and networks but to create larger ecosystems of companies and RTDI organisations in order to create new business areas in Finland with the potential to grow. The first competitive bidding on growth engines started in June 2018.
- The Digital Trust Finland programme was introduced in March 2019<sup>28</sup>, providing a significant amount of funding for innovation and business development in the digital trust business.
- The Smart Life Finland programme, launched in February 2019, aims to grow the business and internationalisation of SMEs in the health and wellbeing sector.

The main weakness in this policy field appears not to be in RTDI but rather skills development in SMEs. Especially in digitalisation, there appears to be a lot of variation between SMEs<sup>29</sup> and more

policy measures might be needed to overcome this, although the Ministry of Employment and the Economy has made some effort in this field<sup>30</sup>.

### 3.8 Environment



Finland performs in line with the EU average. No updates have been made since last year's fact sheet. The results are mixed in this area. The proportion of SMEs offering green products or services is one of highest in the EU. The proportion of SMEs, with turnover of over 50% generated by green products or services increased from 16% to 20% between 2015 and 2017, being in line with EU average. There is still room for improvement in the proportion of SMEs taking resource-efficiency measures, and in the proportion that benefits from public support measures for producing green products.

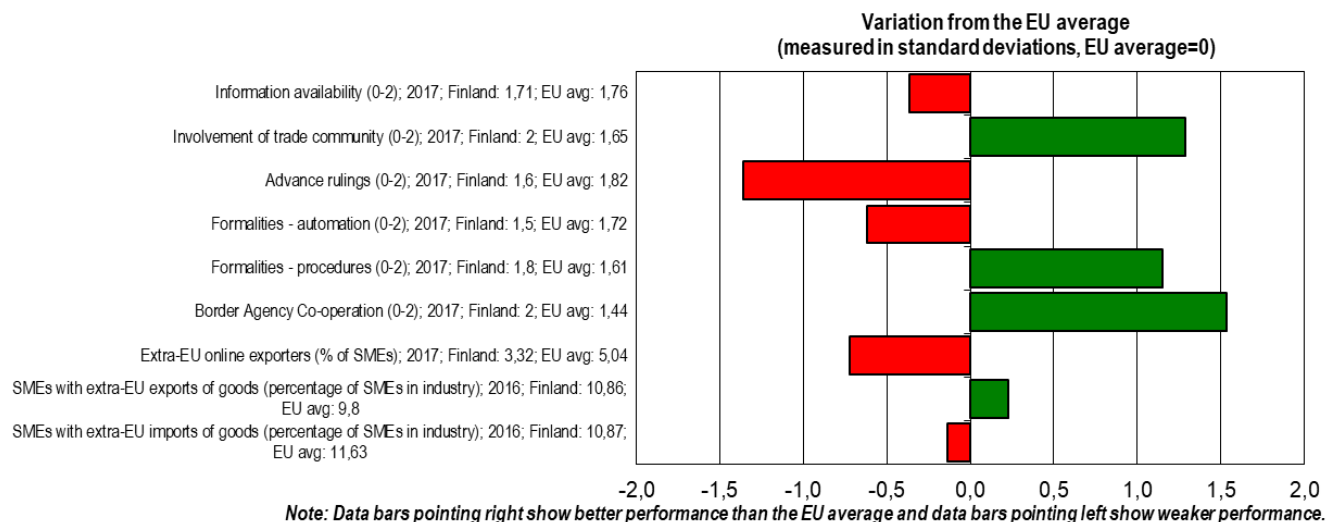
Since 2008, little progress has been made on the environment principle. However, as a business area, environment has been a focus area in Finnish policy with several existing funding instruments and organisations to support developing business activities both at national and local level. These include several Tekes programmes related to environmental technologies<sup>31</sup>. There has been also some financial support like the Business Finland Energy aid for climate- and environment-friendly investment.

On a local scale, Finland has introduced new measures 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. Over recent years, cities and municipalities have become very active in (i) providing environmental companies with possibilities to develop their products and services as a part of their climate policy and (ii) attempting to develop more sustainable city districts<sup>32</sup>.

It appears that the environmental permits are still a bottleneck for investments and development despite improvements in the processes<sup>33</sup>. At the same time, environmental aspects are increasingly focused on various policy fields and in this way support the development of environmental topics both in production as well as in products and services. Finnish policy across the field is especially focused on attaining a low carbon economy and a circular economy<sup>34</sup>.

In the reference period, no new measures were introduced.

### 3.9 Internationalisation



Finland performs in line with the EU average. As from last year's fact sheet, the results are mixed in this area. The proportion of industrial SMEs with extra-EU exports increased from 10.7% in 2015 to 10.9% in 2016. Such was the case for the proportion of those with extra-EU imports, which increased from 10.4% to 10.9% over the same period. Finland is one of the five countries which score the highest in border agency cooperation and involvement of the trade community. There is still room for improvement in the proportion of Finnish SMEs exporting online and in the trade facilitation indicators: advance rulings and formalities – automation.

Since 2008, Finland has made significant policy progress in this area. It has introduced several policy measures to help companies with their internationalisation efforts, although not all activities have so far been as successful as expected. The Finnish SME sector is behind many other countries in internationalisation. The biggest challenges appear to be in sales and marketing as well as the knowledge on markets, regulation and Intellectual Property Rights-issues<sup>35</sup>.

There has been a continuous effort to develop and improve the operations of the Team Finland network (which brings together

all Finnish authorities, publicly funded organisations and other key parties with ties to Finland around the world) and Business Finland (formerly Tekes and Finpro). At the beginning of 2018, Tekes and Finpro (and Visit Finland) were merged to create Business Finland, which aims to strengthen, among other things, the support for the internationalisation of SMEs. There are clear targets to significantly increase SMEs' exports in the coming years and the new measures, such as 'the Growth Engine', target international markets. Support for internationalisation is a key focus area for Business Finland and further policy measures as well as development of existing ones are expected<sup>36</sup>.

The recently launched Talent Boost programme and the start-up permit may also indirectly help Finnish SMEs to attract more international talent. This programme has been evolving and the larger cities have especially been taking a more active role in supporting internationalisation, although their focus is more on attracting skilled workers from abroad to Finland.

In the reference period, no new measures were introduced.

## 4. Interesting initiative

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

### Growth Engine

Business Finland has provided a new instrument 'Growth Engines'. This comprises new cooperation networks aimed at new business activities, exports and investments in Finland amounting to more than €1 billion. This instrument aims to create enterprise-driven partnership models between companies, research organisations and public bodies, which strive to find solutions to global market disruption and create new growth sectors. It aims to create new comprehensive solutions for customers through cooperation, combining different skills as well as increasing the level of skills.

A growth engine consists of (i) an 'orchestrator' that facilitates joint activities and builds a cluster of organisation; and (ii) partners, for example, businesses, RTDI organisations and public bodies. The ecosystem also includes an operator or platform company that accelerates the growth of the ecosystems as it also uses the outputs for developing its own business.

The funding is intended for the goal-oriented and systematic development of cooperation on innovation within an enterprise-driven ecosystem. The funding is provided in the form of a grant that can be used for a maximum of 50% of the overall costs. The funding is intended for a company, association or foundation which enables operators to network around selected business spearheads and drives the ecosystem towards achieving its common goal. Young SMEs are specifically targeted as platform companies. In some specific cases the funding can also be granted to a research organisation or a public body. However, they have to comply with the same funding rules that are applied to businesses.

The first growth engines include several SMEs as 'orchestrators' and partners, and the funding that is provided supports internationalisation, growth and R&D activities. The instrument is a completely new way of bringing together SMEs, larger companies, RTDI organisations and the public sector to form an ecosystem.

References:

<https://www.businessfinland.fi/en/for-finnish-customers/services/funding/growth-engines/funding-for-the-orchestration-of-growth-engines/>

[https://www.businessfinland.fi/globalassets/finnish-customers/01-funding/growth-engines/business\\_finland\\_services\\_for\\_growth\\_engines\\_oct2018.pdf](https://www.businessfinland.fi/globalassets/finnish-customers/01-funding/growth-engines/business_finland_services_for_growth_engines_oct2018.pdf)

## 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 2017, the graphs show estimates of the development over time, produced by DIW Econ on the basis of 2008-2016 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> Pekka Stenholm (2018): Suomalaisilla pk-yrityksillä on matkaa digitalisaation mahdollisuuksiin. [http://www.smartworkresearch.fi/wp-content/uploads/Suomalaiset-pkt-ja-digitalisoituminen\\_valmis.pdf](http://www.smartworkresearch.fi/wp-content/uploads/Suomalaiset-pkt-ja-digitalisoituminen_valmis.pdf)

<sup>3</sup>

[http://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/161454/21\\_19\\_Tuottavuuden%20tila%20Suomessa\\_pdf?sequence=7&isAllowed=y](http://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/161454/21_19_Tuottavuuden%20tila%20Suomessa_pdf?sequence=7&isAllowed=y); last accessed 29.5.2019

<sup>4</sup> <https://www.eurofound.europa.eu/it/publications/article/2016/finland-tripartite-competitiveness-pact-signed>;

<sup>5</sup> [https://yle.fi/uutiset/osasto/news/competitiveness\\_pact\\_signed\\_sealed\\_delivered\\_at\\_pms\\_residence/8957562](https://yle.fi/uutiset/osasto/news/competitiveness_pact_signed_sealed_delivered_at_pms_residence/8957562);

<sup>6</sup> <https://www.sak.fi/en/whats-new/news/competitiveness-pact-brief>; last accessed 29.5.2019

<sup>7</sup> <https://www.euractiv.com/section/eu-elections-2019/news/eu-country-briefing-finland/>; last accessed 29.5.2019

<sup>8</sup> <http://www.helsinkitimes.fi/207-themes/player-one/16289-finland-still-a-gaming-superpower-in-2018.html>;



<sup>9</sup> <https://toolbox.finland.fi/wp-content/uploads/sites/2/2019/05/the-game-industry-of-finland-fgir-2018-report-1.pdf>;

<sup>10</sup> <https://toolbox.finland.fi/wp-content/uploads/sites/2/2019/05/the-game-industry-of-finland-fgir-2018-report-1.pdf>; last accessed 29.5.2019

<sup>11</sup> [http://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin/StatFin\\_yri\\_alv/statfin\\_alv\\_pxt\\_001.px#\\_ga=2.266286607.1210084438.1558941889-1438524969.1558941889](http://pxnet2.stat.fi/PXWeb/pxweb/en/StatFin/StatFin_yri_alv/statfin_alv_pxt_001.px#_ga=2.266286607.1210084438.1558941889-1438524969.1558941889); last accessed 29.5.2019

<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 15.04.2019).

<sup>14</sup> The 2019 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. Secondly, it shows progress over time, i.e. the average annual growth rates from 2008 to 2019. 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 2019. 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 2018 and the first quarter of 2019. The national SME policy expert that PwC (DG GROW's lead contractor for the 2019 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> For example, see city-based ecosystems, such as Maria 01 in Helsinki <https://maria.io/> and Startup Tampere <https://businesstampere.com/entrepreneurs/startup-tampere/> or University-based ecosystems, such as Aalto Startup Center <https://startupcenter.aalto.fi/>

<sup>18</sup> Proposal for Finland's first entrepreneurship strategy. Ministry of Economic Affairs and Employment 3.10.2018. [https://tem.fi/artikkeli/-/asset\\_publisher/esitys-suomen-ensimmäiseksi-yrittäjyysstrategiaksi-valmistunut?\\_101\\_INSTANCE\\_ArnNKA3Xnf7q\\_languageId=en\\_US](https://tem.fi/artikkeli/-/asset_publisher/esitys-suomen-ensimmäiseksi-yrittäjyysstrategiaksi-valmistunut?_101_INSTANCE_ArnNKA3Xnf7q_languageId=en_US)

<sup>19</sup> Yrittäjän uusi mahdollisuus. Kansainvälinen vertailu. 11.5.2018 <http://julkaisut.valtioneuvosto.fi/handle/10024/160836>

<sup>20</sup> <https://www.norminpurku.fi/hankkeet/>

<sup>21</sup> Confederation of Finnish Industries. Uusi hankintalaki ei ole helpottanut pk-yritysten osallistumista kilpailutuksiin. <https://ek.fi/ajankohtaista/uutiset/2018/10/22/uusi-hankintalaki-ei-ole-helpottanut-pk-yritysten-osallistumista-kilpailutuksiin/>

<sup>22</sup> [https://www.hankintakeino.fi/en; https://tem.fi/artikkeli/-/asset\\_publisher/osaamiskeskus-vauhdittamaan-kestavia-ja-innovatiivisia-julkisia-hankintoja?\\_101\\_INSTANCE\\_ArnNKA3Xnf7q\\_languageId=en\\_US](https://www.hankintakeino.fi/en;https://tem.fi/artikkeli/-/asset_publisher/osaamiskeskus-vauhdittamaan-kestavia-ja-innovatiivisia-julkisia-hankintoja?_101_INSTANCE_ArnNKA3Xnf7q_languageId=en_US)

<sup>23</sup> Crowdfunding Act 734/2016 <https://www.finlex.fi/en/laki/kaannokset/2016/en20160734.pdf>

<sup>24</sup> PK-yritysbarometri – kevät 2018 . [https://www.yrittajat.fi/sites/default/files/pk\\_barometri\\_kevat2018.pdf](https://www.yrittajat.fi/sites/default/files/pk_barometri_kevat2018.pdf)

<sup>25</sup> This instrument is guaranteed by the European Fund for Strategic Investments

<sup>26</sup> <http://www.industryinvestment.com/about-us/news/news-archive/eu-funding-for-growth-of-finnish-companies/>

<sup>27</sup> [www.stat.fi/til/tkker/2019/tkker\\_2019-02-21\\_tau\\_001\\_en.html](http://www.stat.fi/til/tkker/2019/tkker_2019-02-21_tau_001_en.html)

<sup>28</sup> <https://www.businessfinland.fi/en/whats-new/news/2019/finland-investing-100-meur-to-become-the-nordic-center-for-digital-trust/>

<sup>29</sup> Pekka Stenholm (2018): Suomalaisilla pk-yrityksillä on matkaa digitalisaation mahdollisuuksiin. [http://www.smartworkresearch.fi/wp-content/uploads/Suomalaiset-pkt-ja-digitalisoituminen\\_valmis.pdf](http://www.smartworkresearch.fi/wp-content/uploads/Suomalaiset-pkt-ja-digitalisoituminen_valmis.pdf)

<sup>30</sup> <https://tem.fi/en/business-digitalisation-for-companies>

<sup>31</sup> Tekes and later Business Finland financed environmental business development and innovation with substantial annual funding. Between 2011 and 2017 the annual funding ranged from €180m to almost €300m, of which a significant amount was granted to SMEs (Source: <https://tem.fi/documents/1410877/7325723/Jarmo+Heinonen+Business+Finland/7ffc4241-4bc2-4ed0-8d33-7984482716dd/Jarmo+Heinonen+Business+Finland.pdf> =

<sup>32</sup> See for example Kera district in Espoo and Hiedanranta in Tampere: <https://www.espooinnovationgarden.fi/en/espoo-innovation-garden/media/news/kera-set-for-sustainable-growth/>; <https://valiaikainenhiedanranta.fi/in-english/hiedanranta-smart-and-sustainable-city-district-of-the-future>

<sup>33</sup> <https://ek.fi/ajankohtaista/tiedotteet/2019/01/31/ekn-yrityskysely-viranomaisprosessit-nopeutuneet-silti-27-miljardin-investoinnit-kesken-lupakasittelyssa/>

<sup>34</sup> For example, see: <https://www.sitra.fi/en/projects/critical-move-finnish-road-map-circular-economy-2-0/>; <https://www.businessfinland.fi/en/whats-new/news/2019/climate-crisis-resolution-requires-new-know-how/>

<sup>35</sup> Samuli Rikama: Pk-yritysten kansainvälistyminen – syksy 2017. Ministry of Economic Affairs and Employment <https://www.elvy-keskus.fi/documents/10191/20645065/Pk-yritysten+kansainvalistyminen+syksy+2017+final.pdf/bf308bcb-bde6-4585-9020-bd7b078c5593>; Team Finland kansainvälistymis- ja kaupanesteselvitys 2016 <https://kauppakamari.fi/wp-content/uploads/2016/11/team-finland-kaupanesteselvitys-2016.pdf>

<sup>36</sup> <https://www.businessfinland.fi/en/whats-new/news/2019/new-services-for-international-growth-from-business-finland/>