

# Processes of birth and growth

A case study of six small-scale organisations in a rural region<sup>1</sup>

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## Introduction

We are living in a world characterised by change. Belief in the capacity of the great international concerns to create new jobs and growth is not as strong as it used to be. In the last decade we could instead see an increasing interest in small and medium sized enterprises and entrepreneurs among researchers<sup>2</sup> and politicians. It is also interesting to note that the ongoing globalisation process seems to be balanced by an increasing interest in local and regional identification. It seems as if local identity becomes more important the more internationalised we become. The emergence of local development groups, micro- and small enterprises where the local origin and character are pronounced confirm this trend.<sup>3</sup> Debate on the size and design of the public sector and spending on the welfare state has in recent years been more intensive than before. Sweden is no exception to this trend. At present we are experiencing quite an animated discussion on the tax burden and on the possibilities (and consequences) of the privatisation of some services within the public sector (school, health, care of the elderly etc.). This debate has contributed to the already immense interest in the social economy, an economy whose supporters claim to be more trustworthy thanks to its “not for profit” profile.

This background makes it interesting to take a closer look at some small-scale, enterprises in, or close to, that sector. Instead of just concentrating on the quantitative outcome; jobs, turnover, profit level etc. the present paper will try to shed some light on the job-creation process from idea to a working enterprise. The important questions to emerge then are consequently what such a process could look like and how the initiators (entrepreneurs) act in it. In this paper we will try

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<sup>1</sup> This paper is mainly based on the report by Lithander J & Möhlnhoff J, [2000], *Framväxt av tillväxt (Development of Growth)*. The report was a collaboration between The Swedish (RALF) and The National Institute for Working Life (ALI).

<sup>2</sup> One can say that the subject was put on the agenda mainly by Bolton J E, [1971], *Report of the Committee of Inquiry on Small firms*; Birch D L, [1979], *The Job Generation Process*; Storey D, [1994], *Understanding the small business sector*. An early Swedish contribution of major importance is: Ramström D (ed), [1971], *Mindre företag – Problem och villkor*. Among new Swedish contribution e. g. Davidsson P & Delmar F, [2002], “Tillväxt i små och nya – och något större och mognare- företag”.

<sup>3</sup> There are about 4,260 active local development groups spread across Sweden (December 2002), [www.bygde.net](http://www.bygde.net)

to answer these questions by presenting a case study of six job-creating processes in the county of Jämtland, a sparsely populated region in the northern part of Sweden.<sup>4</sup> We will begin by briefly reviewing some theories of relevance for the case studies. We will then introduce a tool, a simple model that helps to structure and describe the development process in a more lucid fashion. This will be followed by a brief presentation of the six cases. Finally, we will reflect on the cases and try to pull some generalized conclusions from them.

## The concept social economy

Many researchers (and politicians) have considerable difficulty both in defining the social economy and in explaining what it is that allows such organisations to develop. However interesting, that discussion is not a part of the goal of this paper and as such we will confine ourselves to some short comments on this subject<sup>5</sup>. By social economy we normally mean activities where individuals work together in activities with aims other than profit. The organisation should be based on democratic values and the “one-member-one-vote” principle. In Sweden we normally include local development groups, sports associations, co-ops for day-care centres or elderly care, relief organisations, consumer and producer co-ops, etc. in this sector.<sup>6</sup> Other countries may however have a slightly different description, probably dependent on divergences in cultural, historical and political issues. In the USA and Britain, the expression “Non-profit Sector” (NPS), is more common than “social economy”.

One way of defining such organisations is to look at the form of the organisation (juridical person) rather than the organisational behaviour. The European Union has chosen this way and thus defines the social economy as “Co-operatives, Mutuals, Associations and Foundations” (CMAF). This alternative makes the delimitation technically quite easy but, unfortunately, poses many more questions than it answers. Suppose for example, that a certain activity takes place in *Voluntaria*, an organisation within the social economy. Now suppose that the representatives of *Voluntaria* however decide to change juridical form and to establish the enterprise *Commercial Ltd*, while keeping their activities totally unchanged. Technically this would suggest that the social economy has decreased in size, but what has happened in reality? One might argue that it is desirable instead to have a definition that actually looks at *how* an organisation

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<sup>4</sup> The interviews took place in 1999, in the offices or in the homes of the initiators. The interviews were taped and later transcribed. For more information of the method, see Lithander J & Möhlhoff J, [2000], *Framväxt av tillväxt*.

<sup>5</sup> For an overview see: Anheier H K & Salamon L M, [1996], *The emerging non-profit sector: an overview*.

<sup>6</sup> Other related expressions in Sweden are “kooperation”, “tredje sektorn”, “ideell sektor”, “folk-rörelsesamhälle” and “civilt samhälle”.

behaves and not what juridical form of organisation it technically belongs to. On the other hand, such a definition presupposes more or less an individual judgement, which necessarily makes the system more difficult to handle.<sup>7</sup>

Several researchers have tried to explain the rise in the level of activity in the social economy.<sup>8</sup> For the purpose of this report the three general hypotheses of Westlund and Westerdahl will be utilised to give a good overview:<sup>9</sup> *The Vacuum Hypothesis*, describing a shrinking public sector and/or private sector gives space for new actors. That vacuum could be filled in part by the social economy. *The Influence Hypothesis*, describes a situation where there is increasing interest in individual choice rather than in just accepting a “standard solution” from the public sector concerning welfare-services. Finally, *the Local-Identity Hypothesis* describes the situation where we see increasing interest in local and regional issues and identity as a “counteraction” to the globalisation trend.

Focussing on the role of the social economy in elderly care, Weisbrod presents an interesting point here.<sup>10</sup> He suggests that every commodity includes some more or less visible information. Thus it makes sense to divide the information into two classes. Type 1-information is easy to observe and evaluate, for example where a nursing home is situated or if there are any emergency exits in it. On the other hand, type 2-information is difficult and costly to observe and evaluate for the customer, e.g. if the nursing home provides “*an atmosphere of love, courtesy and understanding*”.<sup>11</sup> Such a situation, where one party (here the producer of elderly care) in an economic relationship has more information than the other (here the consumer of elderly care) is called *asymmetric information*. A profit-maximising firm may, in such a situation, be tempted to (mis-) use the advantage of information and spend less on the services with type 2-attributes, simply because there is no reward in spending money in such services – even if the customers are actually interested. On the other hand the advocates of the non-profit sector claim that the “non-profit-approach” combined with elements of altruism work like a guarantee against the misuse of such tendencies to “*capitalise on consumers’ lack of information*”.<sup>12</sup>

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<sup>7</sup> For an interesting discussion of how different kinds of organisations can “move” between non-commercial and commercial through their behaviour, see Westlund H, [2001], *Social ekonomi i Sverige*.

<sup>8</sup> For a more detailed discussion see among others an interesting contribution by Salamon and Anheier, [1998], “Social Origins of Civil Society: Explaining the Nonprofit sector Cross-Nationally”.

<sup>9</sup> Westlund H & Westerdahl S, [1996], *Den sociala ekonomins bidrag till lokal sysselsättning*.

<sup>10</sup> Weisbrod B A, [1988], *The Nonprofit Economy*.

<sup>11</sup> Weisbrod B A, [1988], *The Nonprofit Economy*, page: 48.

<sup>12</sup> Weisbrod B A, [1988], *The Non-Profit Economy*, page: 50.

## Entrepreneurs

Together with “small enterprise”, “entrepreneur” is truly one of the most popular expressions when discussing growth and employment. It is therefore appropriate to touch upon it further here. Discussion on this subject is however usually broad (and has been studied in many disciplines) thus we will confine ourselves to a very brief introduction with some relevance to the cases presented below.<sup>13</sup>

Schumpeter is often referred to as the founding father of theories of the entrepreneur. As such, according to Schumpeter economic development is the movement from a state of static equilibrium. These movements are initiated in the supply side of the economy by entrepreneurs themselves. The fundamental aspect of the entrepreneur is his or her ability to find new combinations of the materials and powers that can be used in production, regardless of whether the parts themselves are already known in other combinations. Individuals, who discover such new combinations and attain these changes, are entrepreneurs.<sup>14</sup>

Another view of entrepreneurship originates from the Austrian school of economics (or the so-called human-action school), with Kirzner, Hayek and Mises as the perhaps its most famous representatives. Kirzner views the entrepreneur as being observant “*to the opportunities that exist **already** and are waiting to be noticed*”.<sup>15</sup> As such, the entrepreneur is someone who looks for disequilibria in the economy and has the ability to use that information for a commercial purpose. The presence of such disequilibria suggests that asymmetric information exists in the market and, as a consequence that we will experience the effects of an inefficient allocation of resources.

It is however necessary, within the context of this paper, to define a number of special types of entrepreneur. Brulin and Nilsson discuss a particular variant that they call the *Identipreneur* (Identity Entrepreneur).<sup>16</sup> Identity Entrepreneurs are, according to them, individuals whose entrepreneurial ideas have their foundation within the context of the regional identity and/or in relation to regional uniqueness. A prerequisite for this type of entrepreneurship is the existence of a collective identity. This identity exists in a particular geographical area (regional identity) or within a particular group of people (ethnic identity). The historical heritage (real or mythical) is, according to Brulin and Nilsson, of the utmost importance for the development of a particular collective identity. The authors have forwarded Gotland and Jamtland (two districts in Sweden) as two examples of geographical areas where a particular culture and local uniqueness has

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<sup>13</sup> For further discussion see e. g. the state-of-the-art book by Sexton D & Landström H, [2001], *Blackwell Handbook of Entrepreneurship*.

<sup>14</sup> Schumpeter J A, [1934/1996], *The Theory of Economic Development*.

<sup>15</sup> Kirzner I M, [1973], *Competition and Entrepreneurship*, page: 74. (The word “already” in extra bold type is in italic in the original).

<sup>16</sup> Brulin G & Nilsson M, [1997], *Identiprenörskap- företagande med regionalt ursprung*.

survived through the years and has been the foundation upon which a regional/collective identity has been built. This might be expressed, in relation to enterprises, in design and/or production where exclusive raw materials or special traditions come into focus. In other words, it is the ability to utilise the unique prerequisites of an ethnic group, culture or a region that are the foundation of the identity entrepreneur.

The *Social Entrepreneur* or *Community Entrepreneur* could be seen as a person who stimulates local development without any consideration of personal gain. Johannisson describes him/her as an individual “*who locally creates conditions for the origin of new businesses*”.<sup>17</sup> According to him, their primary driving force is the appreciation of the local community as well as a personal feeling of inner satisfaction.<sup>18</sup>

## Factors influencing the probability of becoming an entrepreneur

The intention here is to present a brief overview of some of the most important factors of relevance to the cases in hand. Firstly we obviously have to take note of the overall economic/political “rules of the game”. By that I mean regulations, the tax-system, interest rates, demand and supply in the market, political stability, the situation on the labour market, infrastructure etc. However, this report concerns organisations that mostly play under the same rules, which should immediately draw our attention to a possible list of other factors as well.

Besides *sex* (80 per cent of the initiators in his study were men), Spilling points to a number of common traits among “new-starters”.<sup>19</sup> The *level of education* was higher among the initiators than for people in common. *Earlier experience and parents*, 45 per cent of those studied had parents who are or were businessmen in some sense. Forty one percent of those studied had previously worked as company leaders.<sup>20</sup> Another important factor was the local or regional attitude towards entrepreneurship and businessmen, something that we may call the *business culture*. If one was brought up in an area with a lot of small-and medium sized enterprises it is, according to Sundin and Holmquist, probable that one would be more likely to start a company than if one had grown up in a so called one-company-town, where industry was dominated by a single large

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<sup>17</sup> Johannisson B, [1992], *Skola för samhällsentreprenörer- rapport från en utbildning av lokala projektledare*, page: 1. My translation. For a further discussion see among others Henton D, Melville J & Walesh K, [1997], *Grassroots Leaders for a new economy*; Selsky J W & Smith A E, [1994], “Community Entrepreneurship: A Framework for Social Change Leadership”.

<sup>18</sup> Johannisson B, [1992], *Skola för samhällsentreprenörer- rapport från en utbildning av lokala projektledare*.

<sup>19</sup> Referring to a study based on a selection of 700 new enterprises in southern Norway, established between 1988-1992.

<sup>20</sup> Spilling O R (ed), [1998], *Entreprenørskap på norsk*.

employer.<sup>21</sup> An additional factor to consider here is the *personal network*. Originating from Granovetter, and his studies on the importance of networks in finding a new job, this view has also been discussed by Aldrich in relation to business foundation.<sup>22</sup> Perhaps in a more tangential way our final factor, namely, *social capital*, is also related to this.

The notion of social capital has received considerable attention in recent years, and particularly since 1993 when Putnam presented his conclusions about the importance of social contexts.<sup>23</sup> He defines social capital as:

...features of social organization, such as trust, norms, and networks, that can improve the efficiency of society by facilitating coordinated actions...<sup>24</sup>

Social capital becomes the necessary platform enabling citizens to act for the common good, not restricting themselves to viewing their own short-sighted benefits alone. According to Putnam more participation in associations and voluntary organisations increases the possibility of a growth in this social capital. Plenty of social capital then gives better conditions for efficiency, a working democracy and economic development.

In the following debate some researchers criticised Putnam for being too unbalanced in his view of the concept. One of the objections to his understanding of the concept centred on the absence in his discussion of the negative aspects of social capital, for example relating to the exclusion of outsiders, and restrictions on individual initiative etc.<sup>25</sup>

Gnosjö, in southern Sweden, is a classic example of a region with many enterprises and a nationally famous “spirit of entrepreneurship”, *Gnosjöanda (the Gnosjö spirit)*. Brulin and Nilsson argue for the importance of social capital when explaining the “success story” of Gnosjö:

It is that [the social capital] rather than some rational calculations that has made the development of the entrepreneurs [in Gnosjö] possible.<sup>26</sup>

## Motives for starting a company

The abovementioned factors probably influence, to a certain degree, the level of the “threshold” that entrepreneurs must climb over, but what are the powers that

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<sup>21</sup> See for example Sundin E & Holmquist C, [1989], *Kvinnor som företagare*.

<sup>22</sup> Granovetter M S, [1970], *Changing Jobs: Channels of Mobility Information in a Suburban Community*. Aldrich H, Rosen B & Woodward W, [1987], *The Impact of Social Networks on Business Foundings and Profit: A Longitudinal Study*.

<sup>23</sup> Putnam R D, [1993], *Making Democracy Work*.

<sup>24</sup> Putnam R D, [1993], *Making Democracy Work*, page: 167.

<sup>25</sup> E. g. Portes A & Landolt P, [1996], ” Unsolved Mysteries: The Tocqueville Files II – The Downside of Social Capital”.

<sup>26</sup> Brulin G & Nilsson M, [1997], *Identiprenörskap- företagande med regionalt ursprung*, page: 6. My translation.

compel a person to start a company? Schumpeter talks about three main factors: business success; to prove that one has the ability to do something that others cannot, and finally creative joy, to get an outlet for one's own energy.<sup>27</sup> As we can see, these are all factors that "pull" the entrepreneur into the business. In the 2002-report of the *Global Entrepreneurship Monitor* (GEM) the entrepreneur's motivation is divided into two groups, the *opportunity entrepreneurs* and the *necessity entrepreneurs*. The former describes individuals who choose to start a business as simply one alternative among other possible career options. Persons from the latter group see no option other than starting an enterprise. The overall balance between the groups shows that there is a majority of so-called "opportunity entrepreneurs". Of those involved in entrepreneurial activities 61 per cent entered into such activity for opportunity reasons as compared to 37 per cent on necessity grounds.<sup>28</sup>

Another way to express this is to talk about pull and push factors as e.g. for example does Spilling. Spilling divides these powers or motives into three groups, the *Self-Realisation Motive* (pull), the *Work Searching Motive* (push) and the *Factors of the Surroundings*. The *Self-Realisation Motive* (pull factors) is a positive power that draws the person into an enterprise. It can be that the person sees the possibility of starting an enterprise within a certain area, and then he or she gets an idea, or develops something new. It can even be the temptation to be able to work independently, to carry out a dream, or simply to earn money. As you can see this is obviously influenced by Schumpeter. The *Work Searching Motive* (push factors) has a little bit of a negative ring to it however. The reasons for starting can be economic problems or other such reasons that make the person in question feel more or less forced into starting an activity of his/her own. The enterprise is consequently started against the background of such problems or through compulsion. The notion of "*the Factors of the Surroundings*" relates to relations to the area, which can appear to be stimulating, or to act as barriers in the circumstances of the pending start. (E.g. support people in close association to the entrepreneur, different subsidies from society, etc).<sup>29</sup>

Spilling's study confirms the result of the GEM-report above, of about 700 newly established businesses it appears to be relatively clear that it is the Self-Realisation Motive that dominates when it pertains to starting a new enterprise. Spilling comments on the results in the following manner:

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<sup>27</sup> Schumpeter J A, [1934/1996], *The Theory of Economic Development*, sid 91-94.

<sup>28</sup> Reynolds P D, Bygrave W D, Autio E, Cox L W & Hay M, [2002], *Global Entrepreneurship Monitor- 2002 Executive report*. (It was not possible to label all the participants into these groups, therefore the sum is lower than 100 per cent).

<sup>29</sup> Spilling O R (ed), [1998], *Entreprenørskap på norsk*.

The establishment of a new enterprise is not just an economic and business-like affair, it is also a social question where among other things support from family and friends is of importance for the realisation of the project.<sup>30</sup>

## From an idea to a reality, six stories about the development process

### Tools for structuring

As a result of hours of interviews with “our” entrepreneurs we saw a pattern in their stories. Out of that pattern we have constructed a simple model in order to describe the development process in a more lucid manner. The ambition is of course not to present a complete model of birth or growth, it should perhaps instead be regarded as an attempt to structure the process.<sup>31</sup> It should be noted that the model describes an enterprise that was actually started.

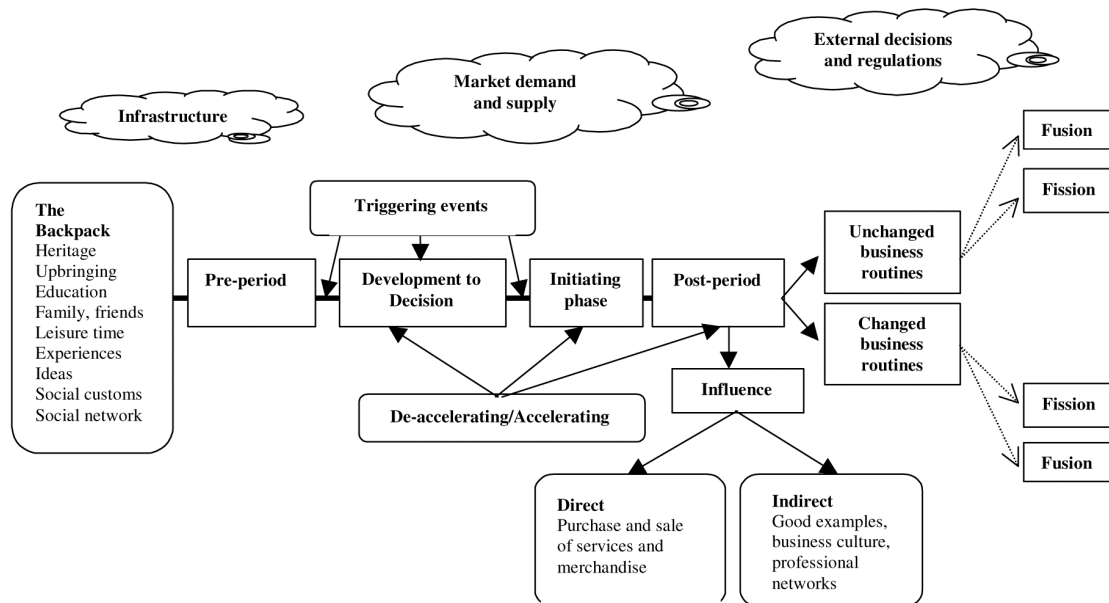


Figure 1. The Growth Model.

### The Growth Model's components

After “living” with these cases for quite a while it has become clear that the model, in a diagrammatic way, describes the development process even if each particular case always have unique details. Disparities in time, in the strength of the influencing factors and in the straightforwardness of the process are some of

<sup>30</sup> Spilling O R (ed), [1998], *Entreprenørskap på norsk*, page: 106. My translation.

<sup>31</sup> The growth model is used to structure the development process in all the six cases, see Lithander J & Möhlnhoff J, [2000], *Framväxt av tillväxt*. Due to space limitations we cannot show the detailed presentation here.



the traits of character found. In what follows we will seek to clarify the meaning of the components in Figure 1.

### *The backpack*

The backpack contains everything that the initiator (entrepreneur) of the enterprise has been previously influenced by. Any “inherited qualities,” and all experiences from birth to the present are relevant. These experiences are among other things: circumstances of upbringing; which schools attended and what training received; professional choices; experiences with family and friends; hobbies; involvement in organisational activities; company traditions; and the culture of the area. All of these factors influence, in differing degrees, the individuals and their actions in life. The backpack is always carried and its contents are added to throughout ones entire life. However, we have chosen to show the backpack as a commencement value in a growth process. Certain individuals have such a “mix” in their backpacks that the threshold to starting an enterprise is likely to be lower than for others.

### *The pre-period*

The heading, pre-period is given to the time just before the individual(s) gets the idea to start the enterprise. During this period he or she can be working, studying, unemployed, etc.

At the end of this period there is something that makes the individual start thinking new thoughts; a triggering event, which makes the individual(s) start weighing the advantages and disadvantages of starting an enterprise.

### *Development to Decision (Decision Maturity)*

After the pre-period the individual(s) enters a stage where thoughts of starting an enterprise begin to gradually mature. During this time the individual(s) is exposed to decelerating and accelerating factors, in other words, counteracting and helping powers. These powers are, of course, present during the pre-period but are not comprehended in the same manner by the individual(s). During the Development to Decision stage they become more concrete and have a more direct effect than any earlier performed action. Potential problems and possibilities can be sketched out by the individual(s), or by others who look over the business idea in question. This is also the period when a decision is made as to whether the idea should survive or be given up. There is often some sort of activity that triggers, at this critical stage, the development of the decision to continue instead of being broken off. Yet another triggering action occurs at the end of this period when the individual(s) makes the final decision to start the enterprise.

### *The initiating phase*

The individual(s) has now made the decision to start the enterprise and is working with it. Even during this time the individual(s) is exposed to decelerating and accelerating factors that can help or counteract the enterprise. This phase is often demanding on physical as well as financial resources.

### *The post-period*

The enterprise is now established and has passed through the first difficult formation period. The company has, through its actions, an influence on its surroundings. This can happen directly through purchases and sales of services and merchandise, but even indirectly through being a good (or bad) example that others see and are influenced by. The attitude towards the entrepreneur and the company can at this point change and thereby even be seen as feedback into the backpack of other individuals. Over a period of time the company can change its business routines or continue in the same manner as before. In both cases a fusion (merger with other companies or organisations) or fission (division or hiving off) can in some form be possible.

### *External influencing factors*

These external factors are often very difficult for the company itself to directly influence. For example, interest rates; the general economic situation; market demand and supply in the specific line of business; the physical and electronic infrastructure; and external decisions and regulations. These factors are, however, highly important to the enterprise and, therefore must be observed.

### *Triggering events*

The identifiable single events that influence growth. Normally, such an event means a transition from one period to another, but it can also ensure the continuance of the process. An example of such an event can be a response about financing or premises; decisions from the local authorities; a decisive meeting; contact with a key person, etc. The triggering events are therefore a mix between serendipity and rationality that can be frustrating for the researcher, but are in effect reality for the entrepreneur.

### *Decelerating/accelerating factors*

Factors that counteract or stimulate development. These can differ from the triggering event by referring to a person or the fundamental attitudes of the authorities. Examples include for example reception by local trade and industry, banks, politicians, etc.

## The Cases

Let us now leave the theories and models and instead turn to the six cases studied. They were:

1. The staff-managed co-operative *Brismarksgården* which runs a nursing home for elderly people (16 employed, a total of about 50 on the payroll).
2. *Prelusion*, a company which creates computer games (17 employed).
3. *Naestie*, a registered co-operative society,<sup>32</sup> which runs a hotel in addition to adventure tourism, concentrating on the Lappish culture. (1.65 employed, a total of about 25 on the payroll).
4. *Kulturleverantörerna* (~The Supplier of Culture), an organisation within the local municipality of Östersund with the purpose of working with cultural issues and unemployed youths (2.75 employed and normally about 15 participants).
5. *Drivknuten*, a registered co-operative society which at present consists of twelve small businesses; primarily micro-businesses (three employed in the association, the member companies employ about 60 people together).
6. *Gäddede Elektronik AB (GELAB)*, a company which works with electronic, cable and antenna mounting (62 employed).

In what follows below we will have a short presentation of each organisation. All the cases and their development processes are presented in detail in our report.<sup>33</sup>

### **Brismarksgården**<sup>34</sup>

*Brismarksgården* is a staff-managed co-operative nursing home with room for 15 elderly people, situated in the northeast part of Jämtland, about 150 km from Östersund.

The four initiators previously worked in the care sector and felt a certain discontent with their personal influence on their work within the community care sector. They started a discussion about local development in 1993. People were moving away from the area, while very few children were being born into it. In the long run they saw threats emerging in terms of the school, day-care, etc. They also saw that there was no nursing home in the area although there was a great need for one. Eventually they decided to try to start a co-operative nursing home, influenced by one in the neighbouring village of Lövvik (the first old-age co-operative in Sweden). After a long and difficult struggle with many political twists and turns the nursing home *Brismarksgården* was finally ready for its first tenants in April 1997. The building itself was constructed with ecological

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<sup>32</sup> Another translation may be economic association. The Swedish word is *ekonomisk förening*.

<sup>33</sup> Lithander J & Möhlnhoff J, [2000], *Framväxt av tillväxt*.

<sup>34</sup> The interview took place 1999-06-16 with Anita Näslund and Ulla-Britt Svensson.

materials, and this environmental thinking has spread to the staff. The goal of the organisation is to create a nice place for elderly people, job opportunities in the area and, in the long run, to attract new inhabitants to the village. Today they have 16 employees but altogether they have about 50 people on the payroll.

### **Prelusion**<sup>35</sup>

*Prelusion* is an enterprise that is constructing adventure games for computers. The whole thing started in January 1996 when two of the initiators were called up for military service. They soon began to look for something to do in their spare time and since they were interested in computers and adventure games they decided to try to construct a computer game on their own. In the beginning they had no intention of starting up an enterprise, it was just a hobby. However, they became increasingly involved in the project, working on the development of the game at nights and during the weekends. In December of 1997, after 1 1/2 years of hobby-development, *Prelusion* signed a contract with Alive Mediasoft Ltd. At that time, there were only two people left who wanted to continue with the development of the game. A third person came into the process at the beginning of 1998. As development continued *Prelusion* realised that they needed to work on their project full-time, which meant they needed financiers. By coincidence, they came into contact with the managing director of a local company, *Vindue*, who became interested in helping *Prelusion* with their project. This person had very good contacts with authorities, banks and other local companies. With his help *Prelusion* received sponsorship from different local and international companies as well as the employment agency. As such, *Prelusion* was then able to work full-time with their project; *Gilbert Goodmate and the Mushroom of Phungoria*. The initiators quickly then realised that they needed more people to become involved in the development process, they thus made a search on the Internet. After an “electronic examination” they selected about ten people from countries like Canada, USA, Great Britain and Japan. At this time they could not pay their prospective employees with money, because they had little or no capital, so instead they offered them options in the company on the condition that *if* the game should be a success the employees would get a share of the profit. And they accepted! Here one may then think in terms of the development of “digital trust” or “digital social capital” created over the Internet. The initiators really stress the importance of the support they have received via e-mails from all over the world.

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<sup>35</sup> The interview took place 1999-06-29 with Mikael Hiltunen.

## **Naestie**<sup>36</sup>

*Naestie* is a registered co-operative society with 14 members who run a tourist resort that concentrates on the Lappish culture. The enterprise generates 1.65 employment opportunities with a total of 26 people on the payroll. The background to the original idea of the enterprise is as follows: the reindeer industry in the area diminished in size, the future needed to be secured with other activities. Young (Lappish) women moved into the area but there were hardly any jobs for them. The chairman of the Lappish Village called a meeting where they discussed what could be done to attain more “legs” to stand on. One suggestion was to do something within Lappish tourism. For this reason a workgroup was formed with the primary goal of increasing employment opportunities for the women of the village. The already existing hotel in the village came up for sale during the spring of 1997. So that no one else would buy the hotel and compete with the Lapp’s tourist idea, they decided to buy it themselves. In the future, *Naestie* hopes to be able to branch out into “adventure” tourism. In the long run the hope is that this will have a dynamic effect and create new companies. These companies would be able to guide tourists to the marking of the reindeer calves, visit reindeer enclosures, riding and the like.

## **Kulturleverantörerna**<sup>37</sup>

*Kulturleverantörerna* ( $\approx$  *the supplier of culture*) is an organisation inside the local municipality of Östersund. The organisation was established in 1996, and it works with cultural issues and unemployed youth. They have three project leaders (275 per cent) and normally about 15 unemployed younger people engaged in their activities. The participators stay in the project for about six months each.

The background to the original idea: Both initiators were studying at college and during a work training period in their education in the fall of 1995 they came in contact with a similar organisation in Denmark. After finishing their social studies they continued with an education for entrepreneurs. One element of this education was to develop a plan for a business- or development project. They decided to develop a proposal based on their Danish experiences. The initiators met with representatives from the employment office and the local authorities of Östersund in July 1996 to discuss the enterprise and its form. During this meeting it was decided that the enterprise would be started.

Several of the youths who have been involved in the enterprise have, after their time with *Kulturleverantörerna*, gone on to training programmes that have

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<sup>36</sup> The interview took place 1999-09-15 with Marianne Persson and Britt Sparrok.

<sup>37</sup> The interview took place 1999-06-22 with Maria Welin.

later led to employment. Certain participants have been accepted as students and have received work with the help of references received from this organisation.

### **Drivknuten**<sup>38</sup>

*Drivknuten* is a co-operative situated in the village Öhn, about 110 km north of Östersund. The village is situated on an island and has about 100 inhabitants. The organisation has twelve micro-enterprises as members. The basic idea is to co-operate on issues such as marketing and administration, and share equipment like computers, printers and copying machines. In addition to the member companies' own employees, the co-operative even has three employees of its own.

The background to the start of this co-operative can be traced back to the spring of 1994 when almost the entire village demonstrated against the inferior state of the public road between the community centre, Strömsund, and the village, Öhn. Later, all the local businesses even made a collective representation to Telia<sup>39</sup> with the goal of securing an ISDN connection to the village. Both of these actions led to the desired result and the inhabitants realised that it was easier to influence their situation if they worked together. A number of businessmen began to speculate on the formation of a mutual association and the coming together for common interests. In November of 1996 they received, after a number of meetings and discussion, the go-ahead to rent a house on the outskirts of the village, which can thus essentially be seen as the start for *Drivknuten*. The location of *Drivknuten* in Öhn can be explained less by factors such as proximity to the market, but rather more in terms of a number of social reasons. The climate for companies is regarded as good in Öhn; everyone helps and supports each other. Furthermore, the closeness of the office to home is considered a great advantage for the initiators. Concretely, the forming of *Drivknuten* means that the member companies can co-operate in issues such as marketing and administration, and share office premises, office equipment, etc. Another consequence of such co-operation is that the individual companies "brought with them" their contact net to *Drivknuten*. When these separate contacts and relations were connected together in a common network it resulted in positive" synergy effects", among other things, in the form of new customers.

### **GELAB**<sup>40</sup>

*GELAB* is an electronic enterprise situated in Gäddede in the northwest part of Jämtland, about 220 km from Östersund. Gäddede is a small village of about 800 inhabitants, close to the mountains. From having five partners and one employee

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<sup>38</sup> The interview took place 1999-06-16 with Maria Rubensson.

<sup>39</sup> The major phone company.

<sup>40</sup> The interview took place 1999-06-15 with Per-Arne Strandberg.

at the start in 1982, the company expanded to having sixty-two employees in 1999.

*GELAB's* main activities are electronic-, cable- and antenna mounting. The enterprise emerged from the liquidation of another electronic enterprise in Gäddede back in 1982. Five of the former workers decided to start up a similar activity. The reason they started was that they did not want to leave the area, and there were almost no other jobs there so the only possibility of economic survival was to create their own jobs. The owners are however in a special situation, at one and the same time they are ordinary workers standing with the others on the shop floor, while five minutes later they are sitting in a board meeting. Despite the potential problems of such role differentiation, they basically believe it to be a positive development, as it helps provide a good overview of the enterprise's activities. There are currently two other small electronic enterprises in the area that have started up under the strong influence of *GELAB*. These three companies now both compete and co-operate like a micro electronic cluster. *GELAB* today has about 70 employees and is still growing. This growth is however, perhaps somewhat paradoxically, going to be a problem in future. They will soon have employed all the available and suitable people in the area. To be able to grow any further they must attract new people to the village. To do so there must be a good supply of schools, houses, shops, spare-time activities and so on. Some of these factors are however very difficult for the company to influence.

The two other electronic companies in the area have most probably been influenced indirectly by *GELAB's* existence. It is doubtful if they, on the whole, would have started their enterprises if *GELAB* were not there as an inspiration and role model.

## From good examples to general knowledge?

### **The six cases**

As can be seen, each of the six cases are different, they all have their own history. It is of course in the very nature of the case study that it is the distinctness and the originality that is illuminated at the cost of generalised knowledge. The purpose of the study was also then to present a number of examples of what a development and growth process would look like, from the initiator's point of view. Every such process is unique and transforms the initiators, the entrepreneurs, into experts in their own experiences. The development process seems far away from what is generally understood as "textbook rationality", emerging rather as a combination of rationality, intuition and serendipity.

With this in mind what follows below is a more orderly process of reflection on the six cases, which then tries to provide some links back into the earlier

discussion.<sup>41</sup> *Brismarksgården* was apparently started by the Self Realisation Motive (Spilling) and is even in agreement with the Influence Hypothesis (Westlund & Westerdahl); that the initiators wanted to have more influence over the tasks in their jobs and wished to gain respect for their own ideas and suggestions. At the same time, one of the driving forces was the lack of a nursing home in Hoting, which is discussed in the so-called Surroundings Factors (Spilling) or the Vacuum Hypothesis (Westlund & Westerdahl). Finally, the initiators had a feeling for the countryside and an uneasiness about its future; they had a desire to create job opportunities for others as well as for being able to influence migration in the right direction. These motives even coincide with Johannisson's definition of Society Entrepreneurs.

In the *Brismarksgården* case we also see the importance of relying on good examples. The fact that a well-functioning nursing home, Ingelsgården, already existed in the nearby village of Lövvik has most likely been of great importance to the forming of *Brismarksgården*. The initiators themselves had an idea that the co-operative form of enterprise, the registered co-operative society, sent out a signal of reliability and quality. These harmonised well with what Weisbrod calls a service with Class 2 attributes. Since their goal was not to make profit *per se*, they have, according to theory less reason to reduce such things as quality of service, which is difficult to judge for the customer, in this case the residents and their relatives.

With reference to the interaction between the company and its surroundings, the largest problem was, in this case, clearly that of attitudes. The co-operative form of the enterprise clearly produced two totally separate reactions. This can possibly be explained with reference to the takeoff from the Three Economic Sectors.<sup>42</sup> On the one hand, individuals and organisations used to working with enterprises from the private sector viewed with certain distrust, a company that in part, was regarded as working in a "soft" branch (nursing home) declaring that profits were not its goal. On the other hand, you find individuals and organisations that were used to the public sectors' obvious task of taking responsibility for the care of the elderly. From their point of view there was distrust at this privatisation within the caring sector. In this manner one can say that the attitude towards the "third sector" was the biggest problem even if the argument came from two sides. Kerstin Nilsson's opinion that society, through excluding certain enterprises from trade and industry, does not take advantage of the development processes which actually exist, is in this case justified.<sup>43</sup> It is especially important that the publicly financed organisations that work with enterprise development

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<sup>41</sup> See my earlier discussion for references.

<sup>42</sup> With the Three Economic Sectors I mean the private-, the public-, and the "third sector"(activities within the social economy).

<sup>43</sup> Nilsson K, *Framtidsbygget*, [1995], page 54-55.



treat all forms of enterprise equally, regardless of branch, size and relation to sector. Can it be that there is a need to see how broad-minded the public “Friends of the Firms”<sup>44</sup> are?

*Prelusion* is a clear example of a company that was begun in the context of the Self-Realisation Motive (Spilling) or, as it has been termed elsewhere, the pull factors. Good ideas and market opportunities, and desires to use skills in the company are clearly the driving forces. The motive of neither the Identity Entrepreneur (Brulin & Nilsson) nor the Social Entrepreneur (Johannisson) fits the initiators in this respect; instead one can see them rather as “normal” enterprising entrepreneurs. On the contrary, their start up history is a good example of the process from a voluntary to a commercial enterprise. An isolated hobby among a few young lads develops into a company with partners in several countries. An important question that can then be asked is, can society make such a process easier? In this case apparently it is the meeting with a specific individual that enables development to shoot forward. This meeting with the “accelerator” more or less took place by serendipitous means because of a sporting practice. Society’s answer to this can be to increase the probability of such meetings through offering some form of a “contact person”, company pilot, mentor or the like. More companies with similar potential to that of *Prelusion* need to have better access to start-up, growth and development opportunities so that economically sound ideas can generate working opportunities and not just remain as hobbies. It is worth noting in this regard that the importance that the initiators themselves place on the importance of contact with like-minded individuals on the Internet. Is it possible to have a support network and mutual trust on the Internet, in other words, can social capital be digital? In this case at least it appears to be the electronic society that has been of significant importance to the company’s development. From “The Net” *Prelusion* has received encouragement and support, partners and a Publisher. This is why *Prelusion* is the only company in our study that can be seen as completely independent of location. The only thing of importance was that the possibility of connecting to the Internet was good.

The initiators of *Naestie* are a good example of both Identity Entrepreneurs (Brulin & Nilsson) and Society Entrepreneurs (Johannisson). They are Lappish women who use the Lappish culture in their business idea to create job opportunities for others. It should be noted that the initiators themselves already had work; it was rather the desire to create the conditions for the survival of their own immediate surroundings that was the driving force. When considering Spilling’s three driving forces, *Naestie* has them all. First, there are clearly personal Self-

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<sup>44</sup> With that expression (Friends of the Firms) I mean all the public or semi-public authorities or organisations that claim their willingness to support such enterprises. Such enterprise-development includes advice, education, loans, subsidies etc.

Realisation Motives/pull factors. For example, the attraction of trying their idea of Lappish tourism and using the special resources that they, without a doubt, had access to. If on the other hand, one disregards the initiators own situation, both having work, job creation for others without work obviously is a clear goal for the enterprise. Here, it is rather some sort of need to react so that migration from the area, which would have left the countryside desolate, was counteracted. From this viewpoint we can discuss Work Searching Motives/push factors. A more difficult connection, although tangible, is found in Spilling's third driving force, namely, that of the Surroundings Factors. The support from the members of the Lappish Village, the desire to stay in the area and the need for a local restaurant and hotel are also a part of the picture. There is also the possibility of finding a trace of the Vacuum Hypothesis (Westlund & Westerdahl) in the actions of *Naestie*. When the already existing hotel in the village liquidated its enterprise a vacuum in the market was created. The hotel was then bought, according to the initiators, not just to get a foot in on the market, but even as a preventative measure to remove the risk of a potential competitor being established. Even here you can trace the importance of the good example, many Lappish groups have contacted *Naestie* to take part in their experience.

*Kulturleverantörerna* is a project within the municipality of Östersund and can therefore be considered an extreme case in the positioning of the sector as shown in Figure 2 below. The driving forces here are clearly the Self-Realisation Motives/pull factors (Spilling). The initiators themselves were given the possibility of carrying through their own project idea. The powerful support the project received from both the authorities and the employment office motivates even certain elements of Surroundings Factors (Spilling). The experience of this organisation is rather that, the above -mentioned authorities (municipality and unemployment office) were flexible when handling the idea that was presented by two private individuals. Again we see the importance of inspiration from other enterprises. In this case, it was two actors within the social economy, Kvinnum<sup>45</sup> and Agendum<sup>46</sup> who through a study trip helped to establish a contact between the two initiators and the model *Frontlöparna* – a similar project in Denmark.

*Drivknuten* is an interesting example of small businesses in co-operation. The driving forces for the start of the company are mainly Self-Realisation Motives/pull factors, but even certain elements of Surroundings Factors can be traced as we reflect upon the inspirational environment for companies. Such co-operation can be seen as being motivated by economics: certain investments, such as the copying machine, printer, computer, etc. can be shared thus reducing individual

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<sup>45</sup> Kvinnum is an organisation for, among other things, females' networks and business development.

<sup>46</sup> Agendum is an information co-operative.

contributions. The same applies to public relations and advertising where considerable profits from co-operation can be made. There is however a more social consequence of working together. Some of the member businesses had their offices at home, which, at times, could be considered less than stimulating. By moving into a common location they received not only a workplace to go to, but also someone else to use as a sounding board. *Drivknuten* has not had any major difficulties in the interaction with their surroundings, possibly because of the knowledge, experience and standing the initiators previously had. It is also worth noting here the large amount of interest that this co-operation of small businesses has generated among the many different groupings such as other small businesses, authorities, etc. Concretely, *Drivknuten* has also influenced a nearby village whose small businesses have also come together in a similar co-operative organisation. Subsequently, contacts and experience exchanges have also been developed between these two organisations.

*GELAB* is the only company in the study that can be clearly defined as starting because of Work Search Motives/push factors (Spilling). To start their own company was seen by the initiators as the only possible way of finding work in Gädde. In addition to this, we can even see the element of two other motive groups. They had, for example, certain ideas about improving production, which they genuinely wanted to try, Self-Realisation Factors (Spilling), and the desire to be able to remain in the area, Surroundings Factors (Spilling). *GELAB* came about mainly as a consequence of another company disappearing from the market through bankruptcy. With regard to this the start-up motive can even be related to the Vacuum Hypothesis (Westlund & Westerdahl). *GELAB* is a company that has seen a period of compelling growth from five colleagues at the companies start to sixty-two at the time of this interview. Also interesting is the transition the company has been through from another viewpoint. In the first phase, all the employees, except one, were also joint-owners. Furthermore they had a common background as ex-employees of the bankrupt company before *GELAB*. In this phase the company was thus, an employee owned company. New employees have, on the contrary, not been offered partnership, which makes *GELAB*, with today, 62 employees a company with a “normal” ownership structure. This development can even be said to be a journey from a company within the social economy to a company within the private sector. Interaction with its surroundings has basically worked well, except in the opening phase when *Utvecklingsfonden*<sup>47</sup> and *Länsstyrelsen*<sup>48</sup> investigated the future possibilities of the “company-to-be” and rejected an application for a subsidy without even contacting the company. *Utvecklingsfonden*’s decision to judge the future company’s

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<sup>47</sup> Utvecklingsfonden = the Development Fund, a governmental company-supporting agency. Still exists, but now under the name ALMI.

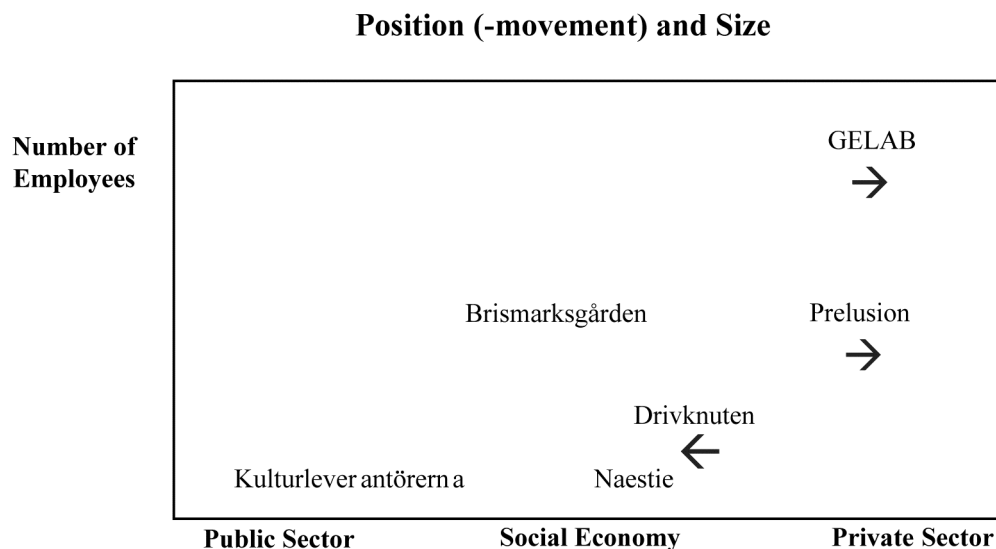
<sup>48</sup> Länsstyrelse = The County Administration.

idea solely on the basis of the old company's bookkeeping almost cost Gädde the 62 job opportunities, comparable to about 41,000 work opportunities in Stockholm, which *GELAB* today employ. This emphasises the importance of such authorities ("Friends of the Firms") to have some form of local roots or at least to be mobile in order to increase the probability that they receive pertinent information.

After the start of *GELAB* two other smaller companies within the electronics branch have also emerged. Both have had contact with *GELAB*, who in turn have contributed with experience and advice. The relationship among these three companies is one of co-operation and competitiveness, or "*coopetition*", which is the mix that is usually emphasised when the successful company regions of northern Italy are described in the literature. Co-operation takes place, for example, in arranging joint education or when one company has a peak in its orders intake and then "transfers" some of its orders to the others instead of declining them. Otherwise they compete in the usual manner. Therefore, it feels right to deem the area as a micro cluster for electronics.

### Positioning

To clarify our opinion of where the participants in the report are situated in the economic sectors (and their size) Figure 2 below is used.



**Figure 2.** An attempt to describe the organisation regarding size and "sector-position".

*Brismarksgården* is a staff-owned co-operative that only sells its services to the public sector. This takes place through bidding in competition with both private and public facilities. This then should be seen as a situation of motivating a position within the social economy with a certain pull to the public sector.

In the beginning *Prelusion* consisted, more or less, of private individuals who in their spare time practised their hobby, which placed them somewhere in the middle of the scale. After that the enterprise was formalised and external capital was invested, without doubt, with a demand for profit, thus they have moved all the more to the right.

*Naestie* is a registered co-operative society which sells its services on the market in a way that makes every transaction chiefly occur in competition with a variety of other privately owned businesses. This makes *Naestie* fall somewhat to the right of *Brismarksgården*.

*Kulturleverantörerna* is a project within the public sector and therefore falls farthest to the left in the figure.

Concerning *Drivknuten*, they have on the other hand, moved to the left on the line. Before the co-operative was formed it consisted of isolated private businesses belonging to the private sector. It is possible that certain executives had social, non-profit maximising goals for the company, but most, probably the majority, did not to any extent. After the forming of the registered co-operative society there was however a significant change in their business profile. *Drivknuten* does not for itself have a profit-maximising goal but rather works for the good of the members: all the members have one vote and are treated equally, and so on. In addition, the spokespersons of *Drivknuten* claim that they have a strong feeling for the vicinity and that they want to contribute to local development. All things considered, this places them a little to the right of *Naestie*.

Finally, *GELAB* is a company that has made a considerable move in its position. Initially, the company was composed almost entirely of employees with joint-ownership, that is to say, an employee owned company. There are even reasons to consider that profit-maximising was not the foremost goal when the company started, rather that the start was seen, as mentioned earlier, as the only possibility to continued employment in the area. In the beginning then, they find themselves somewhere in the border area between the social economy and the private sector. When employing more people, without the possibility of ownership, the company is moved more and more to the right, so that today it is to be seen as more or less a regular, successful, privately owned company.

It should be noted that certain companies stay in the social economy while others move increasingly towards the private (or public) sectors. Normally, no position can be seen as a constant; different decisions and actions can, of course, move the company in different directions.

### **Common Traits**

Despite the differences between the report's different organisations and enterprises, we can discern certain likenesses among them.

- a. *The importance of being many at the start of the company.* Many emphasise that they would never have been able to handle the initiating process on their own. This pertains in part to issues of competence, with the more initiators the greater the competence. Everyone contributes with his/her speciality, which increases the companies' ability to compete successfully. Moreover, another aspect that is often stressed here is that with more initiators there is always someone who can encourage others who has found themselves temporarily out of form. The process of starting a company can sometimes be experienced as fairly laborious, which sometimes causes tempers to rise and self-belief to decline.
- b. *The positive view of co-operation.* There is a pronounced desire from existing enterprises to help others (future or existing enterprises) with advice, tips about useful contacts and other matters from their own experience. The fact is that several of them have already done it and/or are doing it. At the same time, the opposite is true; that is to say, one may ask for help but one is also willing to give help in return. There is, therefore, a desire for a forum where ideas can be exchanged; where one can talk to other companies; make new contacts; etc.
- c. *Feelings for the surroundings.* *Prelusion* claims to be independent of location as long as there is a good connection to the Internet. The others, on the other hand express a strong connection to their immediate surroundings. This is particularly noticeable for those located outside Östersund; among them is even a hope that their own enterprise can contribute to local development. In two of the cases, concern for the immediate vicinity was even a driving force for the company to start in the first place.
- d. *Environmental concerns.* Four of the organisations had pronounced environmental goals, for example, concerning which products they purchased, waste disposal, etc. A few had even gone through special environmental training for small businesses and thus had their own explicit environmental policies.
- e. *The employer role.* Several of the companies experienced a lack in competence when it came to personnel questions, for example, financial control and legislation. Executives in small companies with employees have a variety of tasks to perform; director, administrator, public relations, innovator and normally, even a "regular" employee in the production process. That one person should be good at so many roles is probably not to be expected, especially if that person lacks the relevant training. It is important to understand that the need for information and education looks different at different stages in the process of becoming an established enterprise. There does however seem to be a demand for education within company development and personnel administration among small busi-

nesses, especially if the education is adapted in time and form to their specific needs.

- f. *Good examples.* Constantly, the organisations studied here have either been inspired by a similar enterprise or they themselves have been an inspiration to others. This point is close to that of point b) and can be strengthened similarly.

### **Growth stimulating measures looked upon from the demand-side**

During our interviews with the companies, different proposals for growth stimulating measures were raised. It seems logical to believe that the consumers of economic policy (e.g. entrepreneurs and business executives) would have a pretty good idea of what kind of measures would be positive for their enterprises. It is however uncertain whether the system works that way today. Perhaps it is instead the supply-side (the “Friends of the Firms”), that decide what they *think* are the appropriate methods. In any case, what follows is a presentation of some of the proposals that “our” entrepreneurs have brought up in our discussions. Please remember that it is their proposal and that the starting point for the discussion is very small enterprises, i.e. one-man companies and micro-firms (OMMC).<sup>49</sup>

*Develop-your-own subsidy.* It is conceivable to consider that the individuals who have managed the difficult process that starting-up a company entails have assembled an entire cluster of experiences. Their possibilities of developing an idea should be influenced positively by this knowledge. In certain cases an entrepreneur can see the potential in developing a new idea or enterprise but is hindered in so doing by a complete lack of time as their mainstream enterprise demands all their resources. The risk is then, that good ideas in OMMC cannot be attended to. One measure to counteract this could then be the possibility of, over a limited time, employing a “relief person” whose salary is completely or partially financed by the public sector. This person would then in consultation with the entrepreneur be recruited from among the unemployed and, as a suggestion, receive compensation at the level of their unemployment benefits. This creates the ability for the company to develop its concrete ideas while another individual can exchange his/her unemployment for productive work. The “relief person” would then probably have an increased chance of obtaining employment after the project had ended, not only in the current company, but in general as well. Of course, demands should be put on describing the current idea and on getting an estimate of its feasibility. Experience can be taken from the UPP-project in Norrbotten. The proposal could suitably be tried on a smaller scale in a limited area to later be evaluated.

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<sup>49</sup> We have combined certain similar proposals and made a few language adjustments.

One objection to this could of course be that even larger companies can be faced by a similar situation. This is certainly true, but at the same time large companies also have better opportunities to development capital, specialised support functions, etc. and thus they are generally better disposed to cultivate their good ideas themselves.

*Increased information and more actively searching information* for future and existing enterprises, especially as regards the question of small enterprises. Any additional actors in the group of “Friends of the Firms” are hardly needed, although perhaps better co-operation between those already existing is required. There is also a desire for more active “visiting work”, e.g. by increasing travel out to the districts. Some of the companies<sup>50</sup> felt more or less forgotten by the advisers and company-supporting actors employed by the local government.<sup>51</sup> Another pronounced desire is access to contacts within the authorities (“authority guides”), mentors, etc. To speak in terms of the case studies this applies to increasing the possibility of the meeting between the potential growth company (*Prelusion*) and the person with knowledge of existing financing possibilities, pertinent networks etc.

There seems to be a desire among the small companies to share knowledge and experience and, at the same time, they even express a need to have someone they can themselves check with. So there is both a demand and a supply, but no natural arena where the OMMC can meet. Here, the authorities, together with trade organisations and the like could help each other to create such arenas where both the future and the existing entrepreneurs could meet each other together with different resource people.

*Entrepreneurship* as a mandatory subject in school can be one way, in the long run, to improve attitudes toward small-scale businesses and local development work. To go back to the Growth Model, the contents of the “backpack” can be influenced so that the threshold to starting a company is lowered. The discussions taking place are that the schools, to an much greater extent need to be tied to their surroundings which also speaks to the question of the participation of local companies and organisations in the education process.

## General reflections

If one is looking to trace the role of social capital or networks in these cases one can do so, even if their appearance and size vary between the vastly different companies. In *Prelusion*'s case you may think of social capital as being “digital”

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<sup>50</sup> That is, in addition to the enterprises described in this paper also some other enterprises belonging to their network.

<sup>51</sup> Among “The Friends of the Firms” we mostly have in mind here what we in Sweden call *näringslivssekreterare* or *kommunala utvecklingsbolag*.



and location independent. Even if the co-operation with other companies could have worked better, *Naestie* has had co-operation within the Lappish Village to fall back on. The initiators state that they are almost being “*born into a collective*”. *Brismarksgården* has been able to build its strength through its contact net with other co-operatives and private persons. *GELAB* moreover has chosen a different strategy and started with a common ownership system, working in a very isolated manner during the initial stages. In the next phase they turned into an inspiration/competitor/co-operating partner for other small electronic businesses in the vicinity. *Drivknuten* is a clear example of co-operation and trust between isolated small businesses, which has resulted in lower costs, higher social satisfaction, as well as producing good public relations side-effects. Study visits from Japan, Africa and many other places around Sweden would hardly have taken place without this co-operation. *Kulturleverantörerna* are building up a feeling of trust and an atmosphere of acceptance among their participants, but this is also being extended towards other culture workers.

Could it be so that social capital, that is to say, the co-operation, trust, network, etc. is a factor that can, at least to a minor extent, explain a regions success? If the answer is yes then it raises another question: is there anything that society in general can do to strengthen this social capital? Of course, social capital cannot be introduced through a governmental decision. But, secure conditions for its success and growth could perhaps be improved through measures that support meetings between enterprises, the exchange of experience between them, legislation which eases such co-operation, etc. Of course, decisions that influence society in general, for example, organisational life, culture and the like can indirectly create a better climate for co-operation within the area. The challenge is to initiate processes that, if existing, seem to be self-initiating in their origin!

It is often stated that Swedish small businesses are not interested in growth.<sup>52</sup> Among our six cases five actually say that they have the desire to grow, while the sixth considers itself to be too busy, though they are positive about branching out. The most important issues that render growth problematic among the companies studied are simply a lack time; difficulty in “finding the right individuals”; that is to say competent personnel, and also the lack of suitable housing. The later is prevalent if a competent workforce must be taken in from outside the immediate vicinity.

What can then be done to stimulate a new enterprise? Johannisson argues that a growth process eventually causes larger costs than a company can support, which actually makes the general reticence to grow among Swedish businesses appear wise. Instead of directing economic politics to a vertical growth, horizontal growth politics would therefore be preferable. It is possible that there is a

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<sup>52</sup> Henrekson M, [1999], ”Drivkrafter för entreprenörskap, nyföretagande och företagstillväxt”.

certain level or size for each company that demands a new organisation or leadership style.<sup>53</sup> If many of the companies only want to grow to such a limit, one solution can be to stimulate more new businesses even though they do not wish to be particularly large. Here, the “Friends of the Firms”, together with the political establishment can influence the climate for companies so that more individuals can be encouraged to start-up. The social economy might be *one* way to contribute to such a lowering of the threshold. In “the best of worlds” it can work as a school for entrepreneurs where you can go from an idea *via* different networks, and in some cases from a co-operative to a more traditional enterprise.

Another important question is how the non-profit characteristic affects the organisation? On the one hand it seems reasonable to assume that long-run efficiency could be lower when the profit level is not used as an indicator of success for the activity. On the other hand however, this lack of profit maximising as a goal, might contribute to a higher quality of services where it is difficult and costly for the consumer to observe and evaluate quality, for example, as regards the care of the elderly.<sup>54</sup> Obviously, there is a need for more research in this field.

This paper has tried to describe a development process up to a certain point. An interesting question thus emerges, what happens after that point? How do the different companies develop and what new challenges do they meet? There can be much interesting knowledge to be uncovered in such a continued development. Unfortunately, most studies give only a snapshot of reality. An approach where you follow an object over a period of time, with for example, a check-up every year, is unfortunately unusual. The hope is then to be able to follow one or more of these companies through time. Together with studies of entrepreneurship and growth it is hoped that it will be possible thereafter to answer some of the new questions that arise from this paper.

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<sup>53</sup> Barth H, [1999], *Barriers to Growth in Small Firms*

<sup>54</sup> In this discussion it is interesting to note a contribution to the debate from the Prime Minister of Sweden, Göran Persson. In a speech at the congress of the trade union *Kommunal* (2001-05-28) he said: “...the government will investigate the possibility of stimulating enterprises with activities in education and care. These enterprises are so called non-profit, that is enterprises with no distribution of profits...”. (<http://www.kommunal.se/kongress2001/kongress2001.cfm?artikel=14351>, page 13). My translation.

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- <http://www.kommunal.se/kongress2001/kongress2001.cfm?artikel=14351>. A written speech by Göran Persson, the Prime Minister of Sweden, (2001-05-28). Download 2001-05-31, at 13:25.
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### **Interviews**

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- Anita Näslund and Ulla-Britt Svensson, *Brismarksgården*, Hoting 1999-06-16
- Marianne Persson and Britt Sparrokk, *Naestie*, 1999-09-15
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