

THE CONDITIONS OF SMALL ENTERPRISES
- A NEW TYPE OF SURVEY & A NEW FINANCING MODEL

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1. Background

In many countries the situation has become harder for the statistical offices. The government funding are being cut down and there is an increased pressure to lower the costs or/and to get more of the statistical production at a cost recovery base.

The situation of Statistics Sweden is even worse as from 1994 half of the government funding and the responsibility for a large part of the statistics were moved from Statistics Sweden to other government agencies. So far we have managed to get about 95 % of these funding back as production at a cost recovery base. For our own government grants we have to calculate for further cut downs. So do the other government agencies responsible for statistics with direct influence on our cost recovery production.

The leadership of Statistics Sweden has the policy to avoid dismissing the staff. One of the actions to keep that policy is to increase the cost recovery production.

The cut downs of the funding do not harmonise with a cut down of the demand for statistics. Instead there is an increased demand. An area with a strong demand for new statistics is "small enterprises and entrepreneurs". Even if a strong need of information is expressed it is difficult to get financiers of the production.

As Statistics Sweden works in open competition with other statistical agencies, it is important to make investments and to develop new products. As "small enterprises and entrepreneurs" is an area where we know there is a demand for new information and as it is very close to services enterprises, we decided at the "programme" for service statistics to try to do something new.

2. A new form of survey

2.1 The concept of the survey

We started to develop the concept of a survey. From our annual survey of new firms and the following-up surveys of new firms we had a lot of ideas. There were many questions to be answered by statistical data. These ideas came from the respondents themselves, from researchers, from journalists, from employees within the ministries, from different organisations and agencies that worked to support and subsidise new firms and small firms. We contacted several of the persons that had stressed demand for new statistics of small firms. We discussed different questions and topics and we also asked them about their interest in paying for the information if we could supply it. We got many positive responses but we just asked about their interest. It was not binding for them.

After these discussions we had the following concept of the survey:

- A survey for the whole country with possibility to break down the result at the 24 county regions

- Coverage of firms with less than 20 employees
- Split up of the economic activity according to manufacturing and services
- Split up of the entrepreneurs to male and female
- Growth and belief in the future
- Obstacles for growth
- Different kind of support and/or subsidies to the firm
- Use of computer equipment

2.2 Financing of the survey

Usually we have three types of cost recovery projects at Statistics Sweden: a) one customer asks for something and we give an offer of the costs b) we sell information from registers and c) we refine or improve information from a government based survey. None of these three forms of financing was relevant for our survey.

With the concept of the survey in hand we started to plan for the funding. We had two ways in mind; first to get a binding contract for at least one comprehensive order, second to get some venture capital from the internal investment funding of the SCB Department of Economic Statistics. The venture capital should be paid back within one year. We calculated with total costs of 1 000 000 SEK.

We came to an agreement with the head of the department to get venture capital of 600 000 SEK if we could get a binding contract of 400 000 SEK and if we could present revenue estimates of 600 000 SEK in a period of one year.

We succeeded to get a binding contract of 400 000 SEK with the Swedish National Board for Industrial and Technical Development. We also got enough interested customers - one customer was interested in data from the whole survey and several were interested in regional (county) specific data - to present a reliable calculation of estimated revenues of 600 000 SEK. In that way we were provided with enough capital to run the survey.

2.3 The organisation of the survey

The survey covered firms, both companies and sole proprietorships, with 0 to 19 employees. A sample of 12 500 firms was drawn. The sample was stratified according to 1) activity classification a) manufacturing, b) services c) no classification 2) size class a) 0 employee b) 1-9 employees c) 10-19 employees 3) sex of entrepreneur 4) region = county.

The survey was on a voluntary base and it was performed by a mail questionnaire. The questionnaire had 40 questions with different alternatives, in all the survey included about 300 variables.

We sent out the questionnaires in January 1996 and finalised the survey in May. We reached a response rate of 72 % or 9000 complete answers.

3. The result of the survey

As soon as the first result was ready in May we went out with a press release containing some of the data. We got a very strong response from the media. The day after the release the survey was mentioned on every news broadcast from early morning to midnight and it was also taken up in a couple of specialised programmes. It was also mentioned on the television news and it got large space in the newspapers. A couple of weeks later, one of the two nation-wide covering newspapers bought the result of a few variables which they presented at the first page. The attention from the media helped us to get in contact with several new customers.

Some of the results that we presented in the press release:

“A small part of the firms, 21 per cent, have stated that they plan to expand and to employ more persons. About every tenth employer plans to expand without more employees.

The most important obstacle for growth is strong competition 24 per cent of the entrepreneurs say, but 19 per cent have mentioned weak demand as the most important obstacle. Another 9 per cent have mentioned lack of venture capital as the greatest obstacle.

Only a few of the entrepreneurs know of the different kinds of support that agencies and organisations offer to small firms. For example only 17 per cent of the entrepreneurs have heard of the County Governments occasional subsidies to small firms. Special subsidies for new employees are known by 23 per cent and decrease of social security fees by 15 per cent of the entrepreneurs.

Seven per cent of the firms are exporting firms and 22 per cent are dependent on imported goods and services for their activity.”

Some of the tables are enclosed with this paper as an appendix.

4. Contact with the customers

Before the summer vacation started in July we were in contact with about 10 interested customers of whom three are interested to buy a considerable amount of data.

We have used the months of July and August to create standard tables at the regional level (county) and at the country level. We have also prepared for personal contacts, by telephone and/or visits with 30 customers in September.

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When writing this paper we do not know the economic results of this venture but we have a positive feeling that we will end up with a good profit!