

# Entrepreneurship, social capital and rural development in Sweden

Hans Westlund

Professor of the Royal Institute of Technology (KTH), Stockholm, Sweden

## The Swedish countryside

- 1945: Half the population lived on the countryside
- 2017: 12% live on the countryside
- 1945: About 70% of countryside's population were farmers or forestry workers
- 2017: 2.5% of the rural population work in agriculture and forestry

## Industrial structure

- The service sector – mainly run by the municipalities – dominates both cities and countryside in Sweden
- The knowledge economy (high-tech sectors and education and research) is concentrated to metropolitan and university regions

## Not one uniform countryside

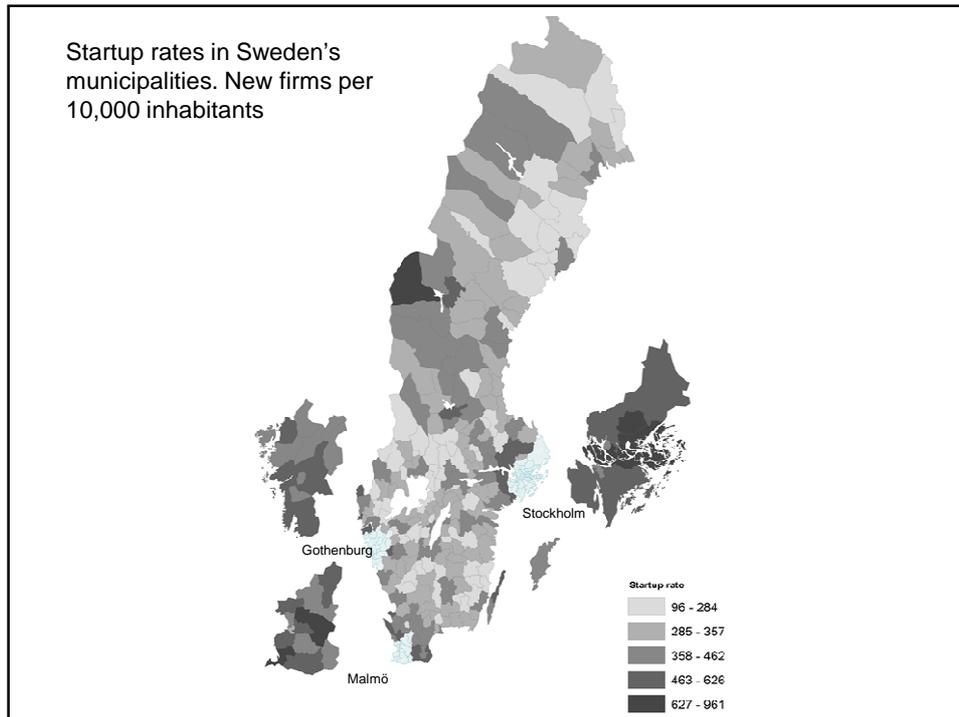
- Metropolitan-close countryside experiences high growth
- Rural areas close to regional centers increase
- The peripheral countryside (most of Sweden) loses population
- The more remote from centers – the larger are the population losses (with some interesting exceptions)

## Entrepreneurship – a popular concept

- "To discover (or create) opportunities, to evaluate them, collect resources, in order to exploit the opportunities"
- Economic e-ship (starting new firms, etc)
- Social e-ship (new solutions for society's welfare)
- Political/policy e-ship (new methods in government, governance, planning, etc)

## Entrepreneurship in the form of startups

- Strong entrepreneurship in metropolitan regions – not least among immigrants
- Low level of entrepreneurship in former manufacturing industry regions
- Strong entrepreneurship in rural tourism regions and certain other rural regions
- E-ship is highest in new, knowledge intense industries (metro regions) and low in traditional manufacturing (small urban places and rural areas)



## Regional Policies in Sweden

- Established 1965
- Mainly directed towards firms for job creation
- The great expansion of the public sector in the 1970s created much more jobs in rural areas
- Today, most jobs in the cities. Rural dwellers commute to the jobs

## Sweden member of European Union 1995

- Partly new systems for regional and rural policies:
  - New possibilities to apply for support
  - More resources for active villages that make applications, no extra resources to passive areas.

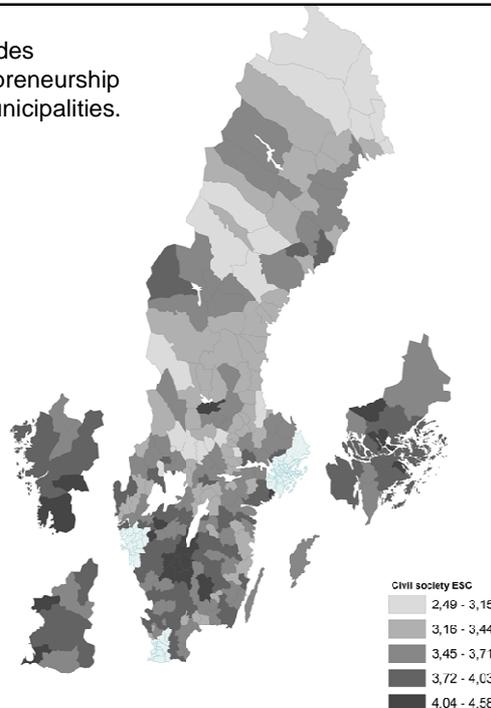
## Social Capital

- Social Capital: Relations and norms necessary to collaborate and accomplish things
- Trust and membership of voluntary associations? (civil society)
- Social capital of companies and government
- The relationships between companies, municipalities and associations

## Important measures of social capital that promote e-ship

- Citizens' *attitudes* towards local entrepreneurship (startups)
- The share of small firms of the total number of firms in the municipality – reflects small firm traditions, a long-term business-related social capital
- These two factors are strongly correlated with startup rates in Sweden

Citizens' attitudes towards entrepreneurship in Swedish municipalities.  
Scale: 1-5



## Three Swedish Examples 1/3

- Gnosjö – a legendary entrepreneurial village
- Unique informal collaboration among small manufacturing companies
- Entrepreneurship is encouraged by existing companies – lending of capital and equipment

## Three Swedish examples 2/3

- Åre: Not only a ski resort
  - A great example of tourism as base for local development
  - Entrepreneurship: Top ranking in new companies per inhabitant
  - Substantial regional policy support – and successful
  - Many entrepreneurs from Stockholm being active in Åre

## Three Swedish examples 3/3

- Trångsviken: The most companies per inhabitant in Sweden
- EU membership gave new opportunities
- The Village House: the village's node
- The Development Company
- Important indigenous actors with extensive networks

## Common features of the three examples

1. Cooperating enterprises
2. Cooperation between firms, municipality and local associations
3. Firms' good customer relations and high quality products
4. Contacts and relations to regional and national politicians and officials, and to big companies

## Why are the good examples just a few?

- Former industry might have counteracted entrepreneurship
- Most people lack knowledge on how to run a company
- The often necessary cooperation between firms, public sector and third sector is missing
- The important external contacts for getting capital, ideas, know-how etc, are missing

## Are enterprises the crucial power in rural development? 1/2

- Yes, but local policy can have an impact too!
- Survey to municipal directors about:
  - Cooperation with local industry
  - Measures for strengthening local business climate
  - Co-financing of development projects with local industry
  - Cooperation with other municipalities
  - Development projects (co-financed by EU and state)
  - Benchmarking, learning and competence development
  - Marketing

## Results

- In the metropolitan regions and regional centers, local policy had no impact. Growth is market-led
- In rural municipalities, those that scored high in benchmarking, learning and competence development had better population and employment development
- Entrepreneurial policy seems to have an impact in rural municipalities!

## Are enterprises the crucial power in rural development? 2/2

Yes, but successful development demands cooperation between three actors:

- The enterprises
- Local associations
- The Municipalities

All experiences point in the direction that the three actors must help each other to achieve local development!

## The traditional view

	<b>Actor</b>		
	Ec. E-ship	Pol. E-ship	Soc. E-ship
<b>Activity</b>	Company	Municipality	Associations
Production and sales	○		
Administration and service		○	
Culture and leisure activities			○

## The necessary cooperation

	<b>Actor</b>		
	Ec. E-ship	Pol. E-ship	Soc. E-ship
<b>Activity</b>	Company	Municipality	Associations
Production and sales	○	(o)	(o)
Administration and service	(o)	○	(o)
Culture and leisure activities	(o)	(o)	○

## The countryside is changing...

- New knowledge and a new way of thinking is necessary
- Those villages where nobody dares to take initiatives will fade away
- The villages that form a new social capital for cooperation, entrepreneurship and renewal will prosper

## Are these results of any relevance for other countries?

- Sweden East European are far from each other and have different histories, but have also much in common – both opportunities and problems
- In all countries, the countryside needs new strategies to survive
- In all countries, collaboration between the leading local actors is decisive for successful entrepreneurship and local development

**Finally...**

I hope that at least something of what I said  
has been of some interest for you

Thank you for your attention!