Bachelor’s degree thesis

Entrepreneurial ventures

And their impact on economic development

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**Preface**

*The following study is a bachelor’s degree thesis done at Linnaeus university in Växjö, Sweden. It’s done within the faculty of economics with management as main subject. The study was conducted throughout the spring of 2014 and comprises 15 credits. I thank the University for providing good facilities and study areas, and for having a complete library that has provided with a comprehensive amount of the literature and databases used throughout this study.*

*I would also like to thank the examiner Anders Hytter and the tutor Hans Lundberg for guiding and helping me develop this bachelor’s thesis.*

*Linnaeus University, Växjö, 29-05-2014*

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Abstract
The impact that the small business sector has on the economy is well known and has been extensively studied. In 2008, 46% of the Swedish workforce in the private sector were employed by small businesses, the small businesses where also accountable for 42% of GDP, these are just some arguments in behalf of the impact that they have on the Swedish economy. Reviewing theories of entrepreneurship this paper asks if maybe a disproportionate part of the impact dealt by the small business sector comes from the entrepreneurial ventures that operate within that same sector. Because small businesses and entrepreneurial ventures in the small business sector find themselves in an overlap they are often confused with each other. Many studies fail to differentiate between these to organizational structures and therefore the impact on the economy dealt by entrepreneurial ventures is joined with the impact that is dealt by small businesses. With a qualitative approach, the use of two case studies and discussing theories developed by scholars in the field, this paper identifies an entrepreneurial venture that operates within the small business sector and compares it to an ordinary non-entrepreneurial small business that operates within that same sector. With the use of further theories it also identifies which of the two organisations that has the greatest impact on economic development. The results lead to the conclusion that a differentiation between entrepreneurial ventures and ordinary small businesses needs do be done so that political efforts, academic research and literature in the field can be reallocated towards entrepreneurial ventures and the field of entrepreneurship as a whole. The paper also gives suggestions for further research with the use of a quantitative approach and greater sample size so that results can be generalized.
# Table of Contents

Preface .................................................................................................................. 2

Abstract .................................................................................................................. 3

1. Introduction ...................................................................................................... 5
   1.1 Background .................................................................................................. 5
   1.2 Problem discussion ..................................................................................... 7
   1.3 Purpose ....................................................................................................... 10
   1.4 Problem formulation .................................................................................. 10
   1.5 Boundaries ................................................................................................ 10

2. Methodology ..................................................................................................... 11
   2.1 Ontological and epistemological positions .............................................. 11
   2.2 Qualitative approach ............................................................................... 13
   2.3 Research method ...................................................................................... 14
      2.3.1 Case study .......................................................................................... 14
      2.3.2 Primary and secondary data ............................................................... 15
   2.6 Interpretation of empirical material ......................................................... 19
   2.7 Ethical considerations ............................................................................... 20
   2.8 Literary sources ......................................................................................... 21

3. Theory ................................................................................................................ 23
   3.1 Defining entrepreneurship ....................................................................... 23
   3.2 Different types of entrepreneurship .......................................................... 24
      3.2.1 Three types of entrepreneurs ............................................................... 24
      3.2.2 Opportunity and necessity entrepreneurship ...................................... 26
   3.3 The different types of entrepreneurship and economic growth ................ 26
   3.4 Identifying entrepreneurial ventures ......................................................... 28

4. Empirical data .................................................................................................... 31
   4.1 Designlight Scandinavian AB .................................................................. 31
   4.2 Benito Masias Communication systems AB ............................................. 33

5. Analysis .............................................................................................................. 36
   5.1 Identifying the entrepreneurial venture and the non-entrepreneurial, ordinary, small business ......................................................... 36
   5.2 Identifying the type of entrepreneur ......................................................... 37
   5.3 The impact on economic development ...................................................... 38

6. Conclusions ....................................................................................................... 41

Reference list........................................................................................................... 44
   Literature .......................................................................................................... 44
   Articles ............................................................................................................. 44
   Essays .............................................................................................................. 45
   Public, government and corporate reports ...................................................... 45
   Electronic sources ........................................................................................... 45

Appendix ................................................................................................................. 48
   Annual reports – Designlight Scandinavian AB ........................................... 48
   Annual reports – Benito Masias Communication Systems AB ..................... 51
   Interview questions ......................................................................................... 54
      Benito Masias Communication systems AB ................................................. 54
      Designlight Scandinavian AB .................................................................... 54
1. Introduction
Personally I’ve had an interest for new venture creation a long time. During my studies at Linnaeus University this interest has grown and led me into the field of entrepreneurship. At first, my understanding of the term was different from the one that I have now, it has changed incrementally during the three years that I have spent at Linnaeus and hopefully will continue to develop as I now focus my studies into the subject.

1.1 Background
The Swedish conservative party puts great focus on the small businesses and their owners. They state that; in Sweden, four out of five jobs are created in the small business sector (moderat.se, 2014). They state that small businesses create jobs, economic growth and tax revenues that finance the welfare. They even have the importance of small business as a main message in one of their advertisements for their election campaign of 2014 (youtube.com, 2014). W. Carland, Hoy, Boulton and C. Carland (1984) argue for the importance of small businesses and the impact that they have on a nations economy. In 1982, 99.7% of all the businesses in the United States were by the Small Business Administration (SBA) standards defined as small. They accounted for 38% of the gross domestic product (GDP) and 47% of the total business employment, and the small business sector was considered to be behind the vast majority of new jobs created between 1969 and 1976. In an international study conducted by DHL (2013) – a world leading company in logistics (dhl.se, 2014) – it is stated that; small and medium-sized enterprises occupy an important position in any country’s economy. They typically employ 35-45% of the workforce, they stimulate growth and help diversify economic activity, they are flexible and can adapt quickly to market changes, and they drive innovation. In an article published by Forbes.com (2012) they write about how small businesses are the engines of job creation, and how their value to the economy is sometimes underestimated, because they in fact are, small. But they state that there’s nothing small about the impact they have on the economy.

In Sweden, many people think that the corporate landscape is dominated by large firms (ekonomifakta.se, 2010). This thought is actually incorrect. According to
ekonomifakta.se (2010) there are approximately 910 000 private firms in Sweden, 0.1% of these are considered to be large, roughly 0.5% are considered to be medium-sized, and the remaining firms are considered to be small with less than 50 employees. These amount to a number of 99.4% of all the private firms that are considered to be small. The numbers prove that the corporate landscape in Sweden in fact is dominated by small firms and not by large firms. These small firms are the largest employees in the private sector, employing 46% of the workforce (ekonomifakta.se, 2010). I’m not trying to neglect the importance of the large firms which through their size employ 40% of the workforce, and pay a great deal of tax that has a positive impact on the Swedish economy. I’m rather trying to show how the corporate landscape actually looks.

A way of viewing the economic impact of the different business sectors is by looking at their contribution to the gross domestic product (GDP). The GDP is the sum of all the goods and services produced within a country. Statistics form 2008 show that in Sweden, the small firms where accountable for 42% of the GDP, the large firms for 43%, and the remaining 15% where added from the middle-sized firms (see figure 1.1).

![Figure 1.1 (ekonomifakta.se, 2010)](image)

The impact that the small business sector has on the Swedish economy has reached the ears of politicians. The two major political parties, the socialist
(Socialdemokraterna) and the conservatives (Moderaterna) – which have 33,3% and 23,4% of the votes according to an opinion poll dated the 24-04-2014 (svenskopinion.nu, 2014) – have understood the importance of the small businesses and have both put a great emphasis on the small business sector in their politics. For further information on how they have done this please see references (svd.se, 2013; moderat.se, 2014).

1.2 Problem discussion
The economic impact of small businesses has been disclosed by the references mentioned above, and politicians have acquired the knowledge that these and other references provide and started to implement politics that emphasise the importance of the small business sector. Because of its’ significance to the economy, the small businesses sector has received much attention in both the economic and management literature (Carland et.al 1984), it would thus be unnecessary for this paper to study that subject further. However, Carland et.al (1984) make some interesting suggestions. They argue for the positive impact that small businesses have on the economy, but they also suggest that the impact of entrepreneurial ventures might be even greater. Carland et.al (1984) define these two types of firms as follows:

- **Small business venture**: A small business venture is any business that is independently owned and operated, not dominant in its field, and does not engage in any new marketing or innovative practices.

- **Entrepreneurial venture**: An entrepreneurial venture is one that engages in at least one of Schumpeter's four categories of behaviour: that is, the principal goals of an entrepreneurial venture are profitability and growth and the business is characterized by innovative strategic practices.

  (Carland et.al, 1984:5)

Coulter (2010) also differentiates between small businesses and entrepreneurial ventures, she states that:

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1 Schumpeter's four categories of behavior are explained in the theory part of the
“Entrepreneurs create entrepreneurial ventures – organizations that pursue opportunities, are characterised by innovative practices, and have growth and profitability as their main goal. On the other hand, a small business is an independent business having fewer than 500 employees that doesn’t necessarily engage in any new or innovative practices and that have relatively little impact on its industry.”

(Coulter, 2010:232)

These differentiations show that an entrepreneurial venture and a small business aren’t the same thing. Entrepreneurial ventures can be found in all sectors, large, medium-sized, and small firms can all engage in entrepreneurial behaviour. Entrepreneurial behaviour is good because, by having growth and profitability as the main goal; the need for labour and the contribution to the GDP continuously increases, the innovative practices lead to new technologies and better ways of doing things, which in turn lead to higher productivity, and the continuous search and exploitation of opportunities creates change in existing-, destroy old-, and create new markets that work more effectively.

Because many entrepreneurial ventures are small – or start-off as being small – they are wrongly identified as small firms and categorized into the small business sector. This is a problem because of the economic impact that they amount to is calculated together with all the businesses in the small business sector and not in a sector of their own (Carland et.al, 1984). Figure 1.2 shows an illustration of how entrepreneurial ventures are categorized into the small business sector. (Shapes are not proportional to how the sector might actually look).

Figure 1.2: Illustration of the small business sector
Carland et.al (1984) express that the categorization creates an overlap between entrepreneurial ventures and small businesses. Entrepreneurial ventures can be small, but not all small firms are entrepreneurial. A small firm that doesn’t engage in entrepreneurial behaviour is just another small firm that lacks the additional impact that entrepreneurial behaviour might generate through growth, profitability and innovative practices. And although small businesses are a significant segment to almost every economy, the entrepreneurial ventures that exist within the overlap might yield a disproportionate influence behind the impact that the small business sector has on economic development (Carland et.al 1984). Because these types of organizations are overlapped, a great part of the impact dealt by the small business sector might come from the entrepreneurial ventures that exist within the overlap. These organizations might be behind a great deal of the impact to the economy because of their profit and growth goals, innovative practices and opportunity exploitation. It isn’t very hard to think that an organization that has stayed the same as when it started “20” years ago, with little influence on its’ industry, has less impact than it’s entrepreneurial counterpart that is continuously changing, growing, searching for opportunities, and creating innovations. Because many studies of how small businesses contribute to the economy haven’t differentiated between small businesses and entrepreneurial ventures before (Carland et.al, 1984), it seems like an interesting topic to analyse in this bachelor thesis. The problem that this paper thus searches to examine is; which of an entrepreneurial venture and an ordinary small business that has the greater impact on economic development?

By identifying and comparing an entrepreneurial ventures impact on economic development with that of an ordinary small businesses, and using relevant theories in the field of entrepreneurship, I hope to reach an answer. This is interesting to study because if the results were to be on behalf of the entrepreneurial venture and the results encompasses the whole sector, political efforts such as subsidies, tax credits and other aids that help develop the small business sector could be better allocated towards entrepreneurial ventures instead of ordinary small businesses. It’s also interesting because the results might give additional knowledge to the field of entrepreneurship and could lead towards further research that enrich the understanding of entrepreneurial ventures, small businesses and the small business
sector. It might also cause management literature to shift focus from small businesses towards entrepreneurial ventures and entrepreneurship as a whole. And lastly by making a differentiation and removing the overlap, a more accurate representation of the Swedish corporate landscape and the economic impact that it has, could be presented.

1.3 Purpose
The purpose of this paper is to identify and compare an entrepreneurial ventures impact on economic development with that of an ordinary small business.

1.4 Problem formulation
The problem formulated is which of the entrepreneurial venture and the ordinary small business that has the greater impact on economic development?

1.5 Boundaries
The study is narrowed down so that only one entrepreneurial venture and one small business are examined. They both operate within the Swedish private small business sector, and have less than 50 employees.
2. Methodology
Methodology is the research strategy that outlines the way a researcher goes about undertaking a study. A simple definition would be to state that; the methodology part is where the techniques used for acquiring the knowledge necessary to complete the study are explained.

2.1 Ontological and epistemological positions
The ontological and epistemological positions shape a researchers approach to theory and method. They are deeply grounded in the beliefs of researcher and represent the view that he or she has about the world. Beliefs are deeply rooted in past experiences, knowledge, understanding and background, and are very hard to change. (Poetschke, 2003).

Ontology is the science or theory of being. It studies the nature of existence and concerns the question of how the world is built. According to Bryman and Bell (2003) there exist two main views, objectivism and constructionism:

- Objectivists say that the world is built independent from social actors, social interactions and the knowledge that we have of it. There exists social structures but are not made by social actors, they are just external parts to it, without social actors the social structures and the world would still exist.
- Constructionists view the world in the opposite way; as a product from social interactions. The world is a product that comes from the way we, as humans, relate and socialise with each other. Our reality is a structure that is made out of our ideas and beliefs. The social structures that exist are made up by our thoughts and the ways that we look at them. A constructionist would say that these social structures don’t necessarily need to be as they are. Because they are made up by our thoughts, ideas, and are a product from our social interactions, if we change our thoughts and look at the structures with a different view, our reality would change as well.

Epistemology is the study of knowledge and justified belief. What we know about the world and how we have come to acquire this knowledge (Poetschke, 2003). Within
epistemology there exists different branches of philosophy. Two of them are positivism and interpretivism:

- **Positivism** discloses that knowledge is only valid if it’s scientific knowledge. Data that derives from sensory experience, mathematical treatments, and logical is the only source of authoritative knowledge (Bryman and Bell, 2003). Positivistic approaches are founded on a belief that the study of human behaviour should be conducted in the same way as studies conducted in the natural sciences (Neville, 2007). The purpose is to formulate hypothesis that can be tested and generalized by the uses of direct observation. Researchers with a positivistic standpoint often have an (relating back to the ontology) objective position, meaning that everyone observes things in the same way. The most common research approach that positivist use is a quantitative one. (Poetschke, 2003).

- **Interpretivism** states that when doing research a strategy that acknowledges the difference between people is needed. It discards the objectiveness of natural science and underlines the existence of subjectivity. Every participant of a study will give answers due to his or her personal background, experience, and understanding. The task of the researcher is to attempt to understand the phenomena through accessing the subjective meaning of the people who are the subject of the research. (Neville, 2007). For interpretivists it is not possible to make a statement about the real world, because for them there is no such thing as a real world, there are only social structures that are constructed by their actors. Relating back to the ontology, an interpretivist most commonly has a constructionist position because this supports their beliefs, and not that of the objectivists, that have an opposite view of the world and believe that it exists without the subjective meaning of social actors. Interpretivists usually employ qualitative approaches to research (Poetschke, 2003).

As a researcher I have a constructionist view of the world. I understand the objectivist view but do not agree with it. I believe that subjectivity has a strong effect on how the world is constructed and understood. The meaning that this has to the methodology is
that; when I as a researcher present my thesis, it will be a specific view of how I perceive social reality, and isn’t a view that’s definite. Because I have this ontological view, the epistemological position that best supports my beliefs is the interpretivist position, and this leads my research approach to take a qualitative shape.

2.2 Qualitative approach
Lichtman (2006) states the following on qualitative studies:

- The purpose of a qualitative study is to understand and interpret social interactions.
- The groups that are studied are often small and not randomly selected.
- It evaluates a phenomenon as a whole and not the specific variables.
- The form of collecting data is by open-ended responses, interviews, participant observation, field notes, and reflections.
- The objective of the data analysis is to identify patterns, features or themes.
- The objectives that are most common for a qualitative research is to explore, discover and construct a phenomena.
- It allows the researcher to examine the phenomena in more depth because of the specific methods of data collection.

Lichtman (2006) continues and argues that the results of a qualitative study are more specific and less conclusive and can therefore not be used to make generalizations about the population that is examined. A qualitative approach works better to develop an initial understanding of a phenomenon, and is a good base for further studies with the use of quantitative methods so that generalizations can be made, and final course of action suggested. Interpretivists most commonly use qualitative approaches. This because the research methods within a qualitative approach correspond with the view that interpretivists have about the world being socially constructed and subject for subjective interpretation. With qualitative approaches a researcher can take a deeper view of the field, and a richer description of the phenomena can be accomplished because of the methods that are used to acquire date in comparison with the methods used by quantitative researchers.
2.3 Research method
When conducting a research with a qualitative approach there are different methods that can be used to study a phenomenon, e.g. case studies, ethnography (also called participant observation), grounded theory, historiography, phenomenology and participant action research (PAR). This paper will only explain the first of these alternatives because it’s the research method that’s going to be used.

The purpose of this research being to; “identify and compare an entrepreneurial ventures impact on economic development with that of an ordinary small business” can be understood as this paper trying to find out if something is better than something else, reasonably a comparison between the two things would be an alternative to find out which of them that is the better one. Therefore the method that is going to be used to try to find an answer is through the use of case studies. With this method, two organisations can be studied in depth and the findings can hopefully be used to contribute to the understanding of entrepreneurial ventures impact on Swedish economic development.

2.3.1 Case study
According to Bryman and Bell (2003) a case study is a detailed, in-depth study of a particular subject e.g. a group of people, a workplace or an organization. Case studies are often associated with qualitative approaches to research, but can also be used with a quantitative approach. Participant observation and unstructured interviews are the most commonly used techniques to gather data, these techniques seem to work well when an intensive and detailed study of phenomenon needs to be done (Bryman and Bell, 2003). Lichtman (2007) defines three types of case studies: intrinsic, instrumental, and collective. Intrinsic is when the case itself is of interest, instrumental is when a particular case is studied to provide insight into an issue or to refine a theory, and collective is when a number of cases are studied together in order to investigate a particular phenomenon.

Because two organizations are going to be studied – an entrepreneurial venture and a non-entrepreneurial small business – it will be a collective type of case study. The company that qualifies as an entrepreneurial venture meets the criteria of what Carland et.al (1984) define as such a type of organization (explained in the theory part
of the paper) and operates in the small business sector. The entrepreneurial venture is found in the overlap that was discussed in the introduction. The other organization also operates in the small business sector, qualifies as a small business, but is the opposite to an entrepreneurial venture in the way that it doesn’t qualify as that type of organization according to Carland et.al (1984) criteria.

2.3.2 Primary and secondary data
The primary data was collected through in depth qualitative interviews with key people of the two organizations. Bryman and Bell (2003) state that qualitative interviews give flexibility and allow the researcher and subject to reveal their own subjective meaning and understanding of a phenomena. They continue to say that there exist two main types of interviews – unstructured and structured. The unstructured interview allows a very free and flexible way to gather information. It gives the people who are subject of the research the opportunity to associate freely upon the questions asked and results in a deeper dialogue, it also gives the researcher the possibility to ask spontaneous questions and to develop new ones throughout the interview. But its openness makes it harder to draw patterns from the responses given by the interviewees, this in comparison with structured interviews, that allow patterns to be developed more easily, but are however more suited for quantitative approaches to research. Somewhere in between these two types of interviews lies the semi-structured. This type of interview is also very free and flexible. The main difference from the unstructured type of interview is that the researcher has a prepared “list” of points to talk about, but will still allow him-self to ask new questions that build upon the interviewees answers. This method ensures that neither the people that are interviewed nor the researcher gets to far of topic when conducting the interviews. In this study semi-structured types of interviews where used. This because it allowed for a deep discussion with a good amount of freedom, but still ensured that the main subject of the study was highlighted, and that focus wasn’t lost throughout the discussion.

The secondary data was gathered through both internal and external resources to the organizations, there included where the firms websites, economic rapports, and internet sources (articles) concerning the two firms. Some of the advantages of using
secondary data is that someone else has done the research for you and therefore saves time, it is often cheaper than conducting a research method to collect primary data, also governments usually collect data over a long period of time which opens the possibilities to e.g. look at trends. The disadvantages are the control over how the data was collected, that it might be biased, the answers might not fit the research question, and the data may be obsolete. In this case – and probably the majority of other cases – the advantages weighed more than the disadvantages, but that didn’t mean that the disadvantages were taken into consideration.

2.4 Sampling of empirical material
A sample is the amount of the population that is chosen to be part of a study. Neville (2007) suggest two main strategies for sampling: probability sampling and non-probability sampling. Probability sampling is:

“Where the researcher has a significant measure of control over who is selected and on the selection methods for choosing them. Sampling methods allow for representative cross-sections, or particular groups to be identified or targeted.”

(Neville, 2007:32)

Non-probability sampling is:

“Where the researcher has little initial control over the choice of who is presented for selection, or where controlled selection of participants is not a critical factor.”

(Neville, 2007:32)

When searching for interesting firms to study a “probability sampling” method was used where two firms in the small business sector were selected at random. One that qualified as an entrepreneurial venture and one that didn’t. Neville (2007) define this type of sampling as “simple random sampling”, when a choice of subject is selected at random by the researcher. In the other hand the persons who were interviewed where selected through “non-probability sampling” where I contacted the two firms and got steered to people that suggested who might have the answers to my questions. Neville (2007) define this type of sampling as “snowball sampling” where the researcher
builds up a sample through informants by first having a dialogue with one person who then suggests another and so on.

Because qualitative researchers seek to understand a phenomenon and get a deep understanding of it, the mere size of the sample isn’t of such great importance. The importance lies in finding the amount of data that allows for the phenomenon to be understood. The amount varies from case to case and is therefore difficult to quantify in numbers before conducting the study and are easier to quantify when the data collection has been completed. In this case the sample size was two organizations where I interviewed one person in each of the organizations.

2.5 Measure of quality
Some scholars suggest that qualitative studies should be assessed and evaluated as quantitative studies, through their reliability and validity. Because validity involves measurement other scholars suggest different ways of assessing and evaluating qualitative studies by e.g. using the criteria of trustworthiness and authenticity, amongst them are Lincoln and Guba (1985) in Bryman and Bell (2003). Other scholars suggest that adjusting the concepts of reliability and validity so that less emphasis is put on measurement can be enough for the concepts to fit in the assessment and evaluation of a qualitative study (Bryman and Bell, 2003). With a qualitative adjustment reliability and validity are divided into four subcategories, external- and internal reliability, and external- and internal validity. Le-Compte and Goetz in Bryman and Bell (2003) define them as:

- **External reliability**: Is the degree to which the study is possible to be replicated. By having a clear structure and explaining the process of how the research was undertaken it is possible to replicate the study.
- **Internal reliability**: Is the extent to which members of a research team agree on how to interpret findings. This criterion is not a problem because of the fact that the paper is written single-handed.
- **External validity**: Shows the extent to which the results can be generalized into other social environments. This criterion is also found to be quite hard to fulfill because of the research methods used in qualitative studies. The sample sizes are often small which makes it difficult to make generalizations. The
sample size of this study is very small, which constrains it to fulfil the criteria of external validity. Still making generalizations isn’t the intention of this paper, which leads this criterion to be of little importance.

- **Internal validity**: There should be a good degree of consistency between the observations of the study and the theory that is used or developed. This would be a measure of how well I as a researcher have put together the empirical data with theories in the field of entrepreneurship, worked it through in the analysis and presented trustworthy results. This would be for the reader to assess, because if I were to measure it myself I would certainly be biased.

Another method to measure the quality of this study can also be used. Using the criteria of trustworthiness and authenticity proposed by Lincoln and Guba (1985) a better assessment was possible. Within the concept of trustworthiness there are four subcategories:

- **Credibility**: Confidence in the “truth” of the findings.
- **Reliability**: Showing that the findings are consistent and could be repeated.
- **Transferability**: Showing that the findings have applicability in other contexts.
- **Confirmability**: That the research has been conducted without the researcher being biased but by being objective, not allowing personal values, motivation, and interest shape the results of the study.

The concept of authenticity involves the study giving a true view of reality, and that it is possible for the people involved in the study to learn from the results. The study does fulfil the assessment methods proposed by Lincoln and Guba (1985). By conducting the study according to existing rules in the academic world the concept of credibility is fulfilled. Also by using the concept of triangulation, by using multiple data sources to collect information. For instance by comparing the answers of the interviews with annual reports. The concept of reliability is fulfilled through the paper being examined by external audits. All through the process of writing the bachelors thesis, colleagues and tutors have audited the paper, confirming that the findings are reliable. Also by having a clear structure and explaining the different steps of the study it is possible to replicate. The transferability of the results are hard to assess. The results are definitely transferable to the field of entrepreneurship. But by describing
the phenomenon as detailed as possible, readers could evaluate the extent to which the conclusions drawn are transferable to other contexts. To fulfil the criteria of the concept of confirmability I have tried to be as objective as possible. Undoubtedly each study is subjectively affected by the researcher conducting it, but by having the concept of confirmability in mind, I have reduced the risk of being biased and tried not to allow personal values, motivation, and interest shape the results. It is also my opinion that the concept of authenticity is fulfilled. The whole purpose of the study is to compare an entrepreneurial venture with an ordinary small business and show a more “true” view of reality. People involved can learn from the results of the study and qualify their businesses as an entrepreneurial venture and as an ordinary small business. Also in the final part I make suggestion to learn from this study and use that knowledge in further studies.

2.6 Interpretation of empirical material
Data can be acquired in many different formats. It can take the form of structured texts (surveys, stories, writings, articles, books), unstructured texts (transcription, focus groups, interviews and conversations), audio recordings and video recordings. The emphasis lies in interpreting, understanding and explaining the data. In this study the data was gathered in the form of structured- and unstructured texts. And because an interpretative position was taken the intention was to understand the data through accessing the subjective meaning of the people who were subject of the research. This initially lead to the interpretation of empirical material to take an inductive approach which Bryman and Bell (2003) state to be the most commonly used approach when doing a qualitative research. The inductive approach starts with the researcher finding a specific situation of interest, gathering empirical material, analysing it and then moving towards a general understanding of a phenomena or develop new theories. The opposite is a deductive approach, where the researcher goes out into a situation with prejudiced knowledge (theory) and gathers empirical material in order to test that knowledge. Broadly speaking the inductive and deductive approach can be seen as shown in figures (2.1) and (2.2).
Here I developed a problem. Going into the study I already had quite some knowledge in the field of enterprising and entrepreneurship, both by courses taken at Linnaeus university and a personal interest in the field. This meant that I went in to the situations with prejudiced knowledge, which would affect the structure of my paper. Also in the introduction the reader is lead to a problem formulation that could be answered with a yes or no response. This type of questioning is often answered with the use of a deductive approach. So really I was taking a deductive approach without even knowing it. Bryman and Bell (2003) mention that both approaches have features of each other and aren’t always that easy to distinct from one another. Therefore the iterative approach was the most suited to understand and analyse the empirical material gathered throughout this study. The iterative approach is a mix of the inductive and deductive approaches, where the researcher moves back and forwards between theory and data as illustrated in figure (2.3).

2.7 Ethical considerations
In their chapter about ethics Bryman & Bell (2003) describe four important ethical principles that need to be considered when doing societal- and business economic research.

- The first principles to consider is if the research is going to harm the participants in any way, e.g. physical harm, provide an obstacle for personal development, loss of self-esteem, stress, or force them to commit reprehensible acts.
- The second principle to consider is, if there’s any lack of consent from the participants. This principle has been highly debated and the focus of the
debate has been on secret or hidden observations. These are the kind of observations were the participants don’t know that they are being part of a research and are therefore unable to refrain from participating. This kind of research therefore breaks the ethics of the second principle. Following the guidelines of this principle the participants should therefore be informed with the purpose of the research and give their consent to their participation.

- The third principle states that privacy of the participants has to be considered. The right to ones privacy is something that many people find very important and a disturbance of this is insignificant with the purpose of the research. A participant therefore has the right to refrain from research that they feel invade their privacy. Both companies and the people involved in the interviews where asked if they wanted to participate in the study and if the information given was allowed to be published in this paper.

- The fourth principle warns the researchers from withholding significant information, acting with false pretences, and quite frankly lying about the purpose of their research. To do this or something similar would be unethical.

Because a qualitative approach was selected to conduct this study including personal interviews, a fine line between intruding on the participants’ privacy was walked. This ethical principle was taken into extra consideration when conducting the interviews and I tried as much as possible, not to intrude on the participants’ privacy. All other principles were also considered but this one was given additional thought.

### 2.8 Literary sources

Before writing this paper I as a student at Linnaeus University had taken many courses in economics. This gave me a broad understanding of the field as I had been thought skills in accounting, marketing, logistics, management, macro- and microeconomics, and entrepreneurship i.a. The knowledge that has been most useful going into this paper is that acquired by studying courses of entrepreneurship and macroeconomics. There, the importance of innovation, creativity, and enterprising had been brought forward and was the reason behind me doing research in the field of entrepreneurship. Much of the literature that has been used through this paper derives from those courses. Recognizably I have used many other sources for gathering
information. To find additional literature I used the university library, to find academic articles I used the university libraries search engine OneSearch and Google scholar, I also used newspapers, magazines, government and corporate reports as an additional source of information. Here follows a short review of the pros and cons by the use of the different sources:

• **Literature:** It takes longer to publish a book than an article causing the information in it to be less up-to-date, still the literature offers a good starting point from which to find more detailed information.

• **Academic articles:** Offer up-to-date information that is reliable and concise. It’s reliable because all academic articles have to pass an academic assessment before being published, and concise because they give information on a specific and narrow field, in comparison to literature that address problems in a broader sense.

• **Newspapers and magazines:** Are generally intended for the general public and the information they provide has’nt gone trough an academic assessment and are therefore of limited use to a paper. Still, they provide information about recent discoveries, changes, trends and news in a certain field, e.g. politics and government policy.

• **Government and corporate reports:** Many governments and corporations’ carry out research, sometimes over long period of time and the information that they provide can be useful depending on the field of study. In this case the government reports where very useful to show the importance that small businesses have to the Swedish economy. The corporate reports of the two organizations that were studied came to good use when examining their different economic impact.
3. Theory
In this part I will go through some of the basic definitions of entrepreneurship that have developed over the years, then describe some different types entrepreneurship and relate the impact that these different types of entrepreneurship have on economic growth. Finally a framework provided by Carland et.al (1984) – for identifying and differentiating between entrepreneurial ventures and ordinary, non-entrepreneurial small businesses – is presented.

3.1 Defining entrepreneurship
Entrepreneurship has many different definitions across the literature and comes in different shapes, size, and context. The parallels of entrepreneurship theory go as far as viewing it as a process of discovering and utilizing opportunities (Schumpeter, 1934), to viewing it as a process that happens by accident or even dumb luck (Görling and Rehn, 2008). Amongst the earlier definitions of entrepreneurship is the definition of Cantillon (1755), he defines entrepreneurship as; the process of an individual buying a product at a certain price to resell that product at an uncertain price, and thereby taking the risk of profit or loss. Smith (1776) defines entrepreneurship as transforming demand into supply, as an individual with the unusual ability to see the future potential of goods and services, and as someone who creates a new venture with the purpose of earning money. And Baptiste (1803) defines entrepreneurship not only as someone who has the arts and skills of creating new economic enterprises, but also as someone that has an exceptional insight into society’s needs and the ability to fulfil those needs. Amongst the more recent definitions is the one that Schumpeter (1934) purpose, in “The theory of economic development” he defines the entrepreneur as an innovator who implements change within markets, identifying market opportunities and utilizing them with the use of innovative approaches. This whole course of action is the definition of entrepreneurship. In this aspect it is easy to confuse an entrepreneur with an inventor, but Schumpeter suggests that an inventor might only create a new product, whereas an entrepreneur will gather recourses, organize talent, and provide leadership to make that product a commercial success. It is also easy to confuse an entrepreneur with an ordinary business owner. Some scholars suggest that the process of creating a new organization should be considered as entrepreneurship (Drucker, 1985). With this view anybody who starts and owns a business would be an entrepreneur. Carland et.al (1984) argue for this suggestion
being vague. They argue for an individual to be considered as an entrepreneur, the venture that he or she owns has to be entrepreneurial in nature. The characteristic that they propose to distinguish entrepreneurs from non-entrepreneurial small business owners is innovation. The venture that an entrepreneur owns should exploit opportunities by creating new combinations of resources with the purpose of growth and profit. In this sense not all business owners are entrepreneurs and not all businesses are entrepreneurial. Schumpeter (1934) continues to say that entrepreneurship isn’t a lasting condition. Meaning that an entrepreneur might only exhibit his or her entrepreneurship during a certain period of their life. To be considered an entrepreneur the individual would have to keep the entrepreneurial process active. He would have to keep exploiting new opportunities, innovating, and strengthening competition. In this sense the ownership of a business isn’t enough to be considered to be an entrepreneur, the type of venture that is started is what matters and that the entrepreneurial characteristics of that venture continue to be implemented.

It comes natural to make the conclusion that entrepreneurship really involves the actions and behaviour of individuals (Wennekers and Thurik, 1999). In Wennekers and Thurik (1999) Lumpkin and Dess (1996, p.138) argue that small businesses are the vehicle by which individuals can channel their entrepreneurial ambitions. The small firm is an extension of the individual who is in charge. This explains why small businesses and entrepreneurship are so closely connected. But still it is important to mention that entrepreneurship isn’t restricted to occur within the small business sector. Entrepreneurship might occur (and does) within large organizations as well in the form of intrapreneurs.

### 3.2 Different types of entrepreneurship

In this part I present a model proposed by Wennekers and Thurik (1999) for describing different types of entrepreneurship, and a division suggested by Acs (2007) between two types of entrepreneurship.

#### 3.2.1 Three types of entrepreneurs

In their model Wennekers and Thurik (1999) differentiate between three types of entrepreneurs as shown in Table 3.1.
These are the Schumpeterian entrepreneurs, the Intrapreneurs and the Managerial business owners.

Schumpeterian entrepreneurs most often operate within the small business sector. They are the owners and directors of independent organizations which have profit and growth as their main goal, they pursue and exploit opportunities, and are characterized by their creative and innovative practices. When the goals are completed and the opportunities have been exploited, Schumpeterian entrepreneurs often develop into managerial business owners, but not all, some might start new ventures that pursue new opportunities and work innovatively to create new products to sell on new markets or strengthen existing ones.

Intrapreneurs are also categorized as entrepreneurs. Intrapreneurs are employees who implement the essential principles of entrepreneurship, not for themselves and with the use of their own ventures, but within, and for the good of organizations for whom they work for. By risking their time, reputation, and job, they are the embodiment of entrepreneurship within large firms. In some occasions intrapreneurs progress to start new firms on their own or with others. When they do, they go from being intrapreneurs to becoming Schumpeterian entrepreneurs.

Managerial business owners are included in the three types of entrepreneurs only in a formal sense because many people confuse them with real entrepreneurs (Schumpeterian entrepreneurs and Intrapreneurs). They are most often found in the majority of small firms and include many franchisees and shopkeepers. They don’t have growth and profit as their main goal, and aren’t characterized by any innovative practices.
3.2.2 Opportunity and Necessity entrepreneurship

Another interesting division between different types of entrepreneurship is the one that Acs (2007) does in his article “How is entrepreneurship good for economic growth?” Acs suggests a differentiation between opportunity entrepreneurship and necessity entrepreneurship. Opportunity entrepreneurship being “an active choice to start a new enterprise based on the perception that a unexploited, or underexploited business opportunity exists” and necessity entrepreneurship when “having to become an entrepreneur because you have no better option” (Acs, 2007, p.2). A way of seeing opportunity entrepreneurship is to view how it works in actual economy. The opportunity entrepreneur would be the person who starts a business because he sees a gap in the market that nobody else sees and dares to exploit that gap. He is a seizer of opportunities, he dares to take the risk of developing an idea into reality. In the other hand the necessity entrepreneur emerges because no other possibilities for work exist or conditions put by employers aren’t satisfactory with individual expectations. A possible scenario where necessity entrepreneurship might emerge is if the economy of a country faces an economic decrease or negative development. Consumption decreases, companies’ production is decreased, the amount of labour (employees) needed is lessened meaning people get fired and companies might face bankruptcy. As unemployment increases the possibilities to find work are lessened and people find themselves with no other option but to go into business for themselves. Another possibility for necessity entrepreneurship to emerge if is the current employment don’t provide a satisfactory environment for the individual to keep his employment, this could be that the salary isn’t good enough or an individual wish for a greater amount of autonomy.

3.3 The different types of entrepreneurship and economic growth

It can be recognized that different types of entrepreneurship have different impact on economic growth. For instance, the major way that Schumpeterian entrepreneurs and intrapreneurs contribute to economic growth is through a term called “creative destruction”. This is a term developed by Schumpeter (1934) and describes how the entrepreneur has major impact on economic development. Through creativity and innovation Schumpeterian entrepreneurs and Intrapreneurs challenge existing market structures. With creativity and innovation they can change the way things are done,
they can create new technologies and new products that force existing products and ways of doing things to become obsolete. The old is destroyed so that the new can take its’ place, resulting in new markets, existing markets becoming more competitive, and an increase in productivity, which in turn result in positive economic growth.

The impact of managerial business owners is of opposite character. Because managerial business owners constitute a major part of the small business sector it might seem right to relate them with the greater part of economic impact delivered by small businesses (discussed in section 1.2). But as Wennekers and Thurik (1999, p.48) state: “while the managerial business owners fulfill many useful functions in the economy such as the organization and coordination of production and distribution, they can not be viewed as the engine of innovation and creative destruction. This is the major function of Schumpeterian entrepreneurs and intrapreneurs”.

Similarly, in a study of 11 country’s Acs (2007) found that necessity entrepreneurship has no positive impact on economic development. Being forced to start a business because no other possibilities for work exist or conditions put by employers aren’t satisfactory with individual expectations can even lead to underdevelopment of the economy. In the other hand opportunity entrepreneurship is good for economic growth. By exploiting opportunities new markets can be developed, underexploited markets strengthened, new jobs created and productivity can be increased. To strengthen the statements made my Acs (2007) about higher levels of economic development and opportunity entrepreneurship being linked, and lower levels of economic development and necessity entrepreneurship also being linked, a model is presented (see table 3.2) that show the results of Acs research.
The model shows that higher levels of opportunity entrepreneurship are correlated with higher levels of income per capita (income per capita being the scope for measuring economic development) which proves that opportunity entrepreneurship has a positive impact on economic development.

3.4 Identifying entrepreneurial ventures
The problem formulated in this thesis being: “The problem formulated is which of the entrepreneurial venture and the ordinary small business that has the greater impact on economic development?” (Section 1.4). To find an answer to this problem, or at least get closer to one, a purpose had to be formulated: “The purpose of this paper is to identify and compare an entrepreneurial ventures impact on economic development with that of an ordinary small business” (Section 1.3). In order to identify an entrepreneurial venture and an ordinary small business theory rooted in the academic world had to be used. I choose Schumpeter (1934) criteria that Carland et.al (1984) suggest should be used to identify entrepreneurial ventures. A firm that doesn’t meet the criteria would qualify as a non-entrepreneurial small business, an thus a differentiation is possible.
To identify an entrepreneurial venture Schumpeter (1934) in Carland et.al (1984) suggests that we look at the strategic behaviour of the firm. Five characteristics can be observed that strongly distinguish entrepreneurial ventures strategic behaviour:

1. The introduction of new goods
2. The introduction of new methods of production
3. The opening of new markets
4. The opening of new sources of supply
5. Industrial reorganization

(Carland et.al, 1984:4)

Carland et.al (1984) make some adjustments to Schumpeter’s model. They claim criterion 4 to be too vogue to be considered as a criterion for identifying an entrepreneurial venture. Just the start-up of a new business isn’t enough for that business to be entrepreneurial (as was discussed earlier). Only if the start-up is entrepreneurial in nature it can be characterized as an entrepreneurial venture. By representing an original entry to a market, exploit opportunities and create new combinations of resources with the purpose of growth and profit can the venture be characterized as entrepreneurial. The four remaining points all have something in common. They share a type of “newness” that Carland et.al translate into innovation.

The Oxford English dictionary (oed.com) defines innovation as: the introduction of novelties; the alteration of what is established by the introduction of new elements or forms. Carland et.al (1984) claim innovation to be the main characteristic that distinguishes entrepreneurial ventures from ordinary, non-entrepreneurial small businesses. In their article they present the following definitions to distinguish among entrepreneurial ventures and small businesses and suggest that these definitions be used in future studies:

- **Small business venture:** A small business venture is any business that is independently owned and operated, not dominant in its field, and does not engage in any new marketing or innovative practices.

- **Entrepreneurial venture:** An entrepreneurial venture is one that engages in at least one of Schumpeter's four categories of behaviour: that is, the principal
goals of an entrepreneurial venture are profitability and growth and the business is characterized by innovative strategic practices.

(Carland et.al, 1984, p.5)
4. Empirical data
The two firms that I chose to analyse were Designlight Scandinavian AB and Benito Masias Communication Systems AB (AB is the Swedish equivalent to Ltd). Both are firms that operate in the Swedish small business sector, meaning that they have less than 50 employees. Designlight Scandinavian AB is based in “Kronobergs län” which is a county located in the south part of Sweden, Benito Masias Communication Systems AB is based in “Stockholm Län” a county closer to the north of Sweden and is also where the Swedish capital is placed.

4.1 Designlight Scandinavian AB
In 2000 Björn Hultqvist bought the struggling company Lemo AB together with two partners. They renamed the company to Tre’n Design AB and changed the business focus to trading designed electrical products. They ran the business together for a bit more than a year but weren’t able to make it work. In 2002 Björn and his wife Jessica, who had done business together since 1996, bought the two partners share of the company and became sole owners of Tre’n Design AB. In 2003 they changed business focus once again to the one that they have today, which is to operate as a wholesale and manufacturing company providing LED-lighting. They also changed the company name to Designlight Scandinavian AB during that same time. During my interviews with Jessica Hultqvist who isn’t only the co-owner but also the managing director of the firm I asked her why, she and her husband started the business? “Björn was a great designer and I was good at managing and administrating, we experienced that there existed a demand for designed electrical products and believed our selves to have the tools needed to fulfil that demand”.

The business took off quickly. Designlight Scandinavian AB went from having a turnover of 180 000 SEK in 2002/2003 to one of 4,6 million SEK in 2003/2004, that’s a growth in turnover of 2600% in one year.\(^2\) They showed a growth in profit\(^3\) of 24% and where also able to employ three workers during that time. Up until today their growth has continued. In the annual rapport of 2012-09-01 – 2013-08-31 Designlight Scandinavian AB reported a turnover of approximately 52 million SEK, profits of 8,6

\(^2\) All numbers are rounded up.
\(^3\) Profit is after financial items, before tax
million SEK and employed 15 workers. The numbers show a growth in turnover of 1100%, a growth in profit of 4000%, and a five time increase (500%) in employees since the report of 2003/2004.

I also asked Jessica what she thought the reason behind their success was? Her answer was: “We have a very close relation with electricians, which are the main users of our products. We make our own designs so that they are easy to use and keep a high quality. I think that because we design the products according to the feedback given by the electricians gives us a great advantage over our competitors. The process is time consuming but well worth it eventually”.

I also asked her what plan Designlight Scandinavian AB had to keep growing? “We work very hard so that our costumers get the latest products available on the market. We don’t only want our own company to be successful but our costumers companies as well. If they increase their sales so do we.”

Designlight AB puts a great focus on innovation through the creation of new products that not only suit the market but also make it better. Björn Hultqvist, co-owner and product designer, states that: “A big reason behind our large market position lies behind our concept of developing high quality products with the help of skilled employees. We have full control over the manufacturing process through in-house product development in close collaboration with electricians and manufacturers. Our way of doing things is the key behind our success and have attracted widespread attention from the industry.” He also believes that their concept is a stable foundation for future growth. (Company-overview.pdf, found at the company webpage, designlight.nu).

Designlight Scandinavian AB has truly gained attention from the industry. They received an award for their innovative product “led for workers” which is a lamp with optimal adaptation and easy installation that was developed in collaboration with electricians and is widely appreciated by the industry. For the development of the product they received the “Elfack Design Award” which is an award that is given for best product design within electrical engineering, electric power and lightning.
But that’s not all, in 2013 they received another award “DI Gazelle” which is an award given by “Dagens Industri”, one of Sweden’s most influential “business-oriented” newspapers (designlight.nu). The award is given to companies that differentiate themselves from the crowd through successful growth. The criteria for being a gazelle is the following (di.se, 2014):
- An annual turnover exceeding 10 million SEK
- At least ten employees
- At least doubled its turnover, if you compare the first and the last fiscal year
- Increased its turnover every year for the past three years
- Positive results the last for years
- Substantially grown organically, not through acquisitions or mergers
- Sound finances

In 2014 they received yet another award. “Årets företagare i Kronoberg” which is Swedish for “Businessman of the year in Kronoberg”. This is an award given by an organization called “Företagerna” which is a large organization that works to improve the business environment in Sweden by making it easier to start, run, and develop businesses (foretagarna.se). The award is given to businessmen that:
- Own and actively run a company
- Have their business as their main occupation
- Show good leadership and work as a role model and ambassador for other businessmen
- Demonstrate to be extra creative and run the company in a way that should be rewarded
- Have good profitability and lack payment defaults

4.2 Benito Masias Communication systems AB
Benito Masias Communication Systems AB was started in Stockholm 1999 by Benito Masias. He is the sole owner and has been for the last 15 years. When he started the business the idea was to provide consulting services in the IT-field. The activities consisted largely of delivering complete solutions, resale of computer equipment, installation and maintenance. During my interview with Benito I asked him why he decided to open up his business? “I started my business because I felt the need for
autonomy, my employer didn’t provide an environment that maid me feel empowered. Also I thought that I could make a better salary by opening my own business.”

Further into the interview Benito expressed that the first year of business was quite successful “I found that there was a great demand for my services and the company grew faster than what I had expected” (interview with Benito Masias, 2014-05-20). The company truly had a quite successful first year. Benito Masias Communication Systems AB managed to make a turnover of 4 million SEK, employ two workers (Benito included) and show 1.9 million SEK in profits (annual rapport, 1999). In the rapport of 1999 it’s stated that “the goal of the company for the year to come is to maintain the business at the same level as the year that has past”. I asked Benito why he didn’t expand the business, if he experienced a great demand for his services, why didn’t he take the opportunity to grow?

He answered that the business had gone great already, better than expected, and if he was to grow the business he would have to put in more work and most certainly hire more employees to help him. “I was satisfied with the money that I was making and didn’t feel that I needed more. The work that I had put in was already a bit overwhelming, I don’t think that I would have been able to work more. Honestly, I was happy with what I had and didn’t feel that I needed more”.

The year after Benito Masias communication Systems AB had first started the results weren’t as good as the first year, but still positive. The firm suffered a loss of some major costumers but still managed to show a turnover of 3.7 million SEK, profits of 648,000 SEK, but had to cut back on the worker-count so that one of the employees only could work part-time. And since the start of the company, up until today, Benito Masias communication Systems AB hasn’t gone trough any major changes. The business idea is still the same as 15 years ago (reports 1999-2013), the only changes that the company has gone trough are those required by the market e.g. new computers, updated software, and more developed systems etc. The last report (2013) shows a turnover of 2,1 million SEK, profits of 58 000 SEK and Benito Masias as owner and only employee of the firm. The first two years where quite successful, and one might argue that the business showed great potential to grow. But still the
business has stayed very much the same for the last couple of years. I found that interesting and asked Benito how this could be?

“The first two years I was working very hard, and yes I made good money, more than enough. But I was very stressed and it damaged my personal health. I realized that I didn’t need to work that hard. I was getting a very reasonable salary, much better than the employments that I’d had before. And I really didn’t need to make any huge profits, as long as I could keep the business running and keep getting the salary that satisfied me was enough (which has been a salary of about 0.5 million SEK a year in average for the last 15 years).

The IT-industry has grown very much the last couple of years, this must have increased the demand for your services substantially, with this in mind, do you have any plans to grow your business as of today?

“No I don’t, I am quite happy with the size of my business. I feel that I have good relationships with the costumers that I have as of now and I’m very satisfied with the money that the firm is generates. Also many of the relations that I have with my costumers have taken many years and hard work to establish. I don’t think that I would have the time or strength to increase my clientele. I’d rather spend time with my family and friends. My wife and two daughters are always my top priority.”
5. Analysis
Here I discuss and analyse the empirical findings described in part 4 together with the theoretical framework described in part 3 and eventually go towards formulating an answer to the problem formulated in the beginning of the paper.

5.1 Identifying the entrepreneurial venture and the non-entrepreneurial, ordinary, small business
With the use of Carland et.al (1984) model to identify entrepreneurial ventures (presented in part 3.4) it is quite easy to understand which one of the two organizations – Designlight Scandinavian AB and Benito Masias Communication Systems AB – that is entrepreneurial and which one that isn’t.

Designlight Scandinavian AB is clearly the firm that qualifies as an entrepreneurial venture. It has two of the characteristics required to be accepted as such. Those are that it has introduced new goods into the market and that it has received recognition by the industry in which it operates (points 1 and 5 p.28). The “led for workers” lamp that Designlight has developed and introduced to the market verifies the first characteristic, and the awards “DI gazelle”, “Årets Företagare Kronoberg” and “Elfack Design Awards” proves that the firm has received recognition by it’s industry. Not only that, but by studying the firms economics reports it’s clear that it has shown an extraordinary growth over the last couple of years. And with the data gathered from the interviews it can be safe to say that Designlight Scandinavian AB clearly has had growth and profit as an organizational goal. With this said, the definition that Carland et.al (1984:5) use for an entrepreneurial venture clearly fits to define Designlight Scandinavian AB: “An entrepreneurial venture is one that engages in at least one of Schumpeter's four categories of behaviour: that is, the principal goals of an entrepreneurial venture are profitability and growth and the business is characterized by innovative strategic practices”.

In the other hand Benito Masias Communication Systems AB doesn’t fulfil any of Carland et.at (1984:4) characteristics so that the firm can be considered an entrepreneurial venture. If the model, first introduced by Schumpeter (1934) had been used to its entirety without Carland et.al adjustment, Benito Masias Communication Systems AB would have fulfilled one of the characteristics (point 4: introduction of a new source of supply). But because of the vagueness of this characteristic (discussed
in part 3.4) it hasn’t been used in this study and Benito Masias Communication Systems AB cannot be considered to be an entrepreneurial venture. By studying the company’s economic reports it can’t be identified that it has shown any particular development in economic growth, rather an underdevelopment since the start of the business. With the data derived from interviews with Benito Masias it’s clear that the organization doesn’t have profit and growth as a goal, rather a solid and constant economic development is what characterise the firm. The firm doesn’t engage in any innovative practices either. Adjustments are made to follow the development of the market but nothing that indicates towards the creation of new products and ways of doing things that either create a new market or guides the existing one. With stable relationships with customers and not wanting to create new ones, family as a priority, and no plans to develop the business further, Benito Masias Communication Systems is what characterize an ordinary, non-entrepreneurial, small business and fits Carland et.al (1984:5) definition of such a business: “A small business venture is any business that is independently owned and operated, not dominant in its field, and does not engage in any new marketing or innovative practices”.

5.2 Identifying the type of entrepreneur
In part 3.2 different types of entrepreneurship where discussed, a model created by Wennekers and Thurik (1999) describing three types of entrepreneurship and a division between opportunity and necessity entrepreneurship by Acs (2007) were presented. Both Wennekers and Thurik (1999) model and Acs (2007) division of entrepreneurship have different impact on economic development. And because the purpose of this paper is to identify and compare an entrepreneurial ventures impact on economic development with that of an ordinary small business, their models are appropriate in this study. Also because entrepreneurship really comprises the actions and behaviour of individuals and the businesses that these individuals run are the vehicle by which they channel their entrepreneurial ambitions, the economic impact that the different types of entrepreneurship have can be translated into the economic impact that their businesses have. (Wennekers and Thurik, 1999)

In the cases of Designlight Scandinavian AB and Benito Masias Communication Systems AB, their owners and directors characterize as different types of
entrepreneurs. By the actions and behaviour that Björn and Jessica Hultqvist have
done within Designlight Scandinavian AB they both characterize as Schumpeterian
and Opportunity entrepreneurs. Firstly as Schumpeterian entrepreneurs because their
firm is clearly influenced of having growth and profit as main goal as shown in by the
economic reports and by statements made by the owners. They constantly pursue and
exploit new opportunities through their innovative practices of developing new
products with great customer focus, which strengthens competition in the market. And
secondly as Opportunity entrepreneurs because they didn’t go into business because
they felt that they where forced to by external or internal factors, but because they
saw an opportunity in the market, a “gap” that nobody else saw and dared to take the
risk of developing their idea into reality, thus exploiting an
unexploited/underexploited opportunity and strengthening competition in the market.

By his actions and behaviour within Benito Masias Communications Systems AB,
Benito Masias characterizes as a Managerial business owner and a Necessity
entrepreneur. Firstly as a Managerial business owner because he doesn’t have profit
and growth as an organizational goal, the goal is rather to keep the business running at
its’ current conditions. Additionally he doesn’t show any signs of innovative
practices, he buys all software and computer systems from other parts, not creating
anything of his own. He is following change, not creating change. Secondly he
characterizes as a Necessity entrepreneur because of the reason behind Benito starting
his business: “I started my business because I felt the need for autonomy, my
employer didn’t provide an environment that made me feel empowered. Also I thought
that I could make a better salary by opening my own business.” The environment
provided by Benito’s past employer wasn’t satisfactory because of Benito’s internal
needs, which in some level “forced” him to quit his employment and start a business
of his own, thus becoming a Necessity entrepreneur.

5.3 The impact on economic development
As mentioned earlier the different types of entrepreneurship have different impact on
economic development. And as the owners and directors of Designlight Scandinavian
AB are categorized as both Schumpeterian and Opportunity entrepreneurs the major
way that their business impacts on economic development is through creative
destruction. With creativity and innovation they challenge existing market structures, they change the way things are done, they can create new technologies and new products that force existing products and ways of doing things to become obsolete. The old is destroyed so that the new can take its’ place, resulting in new markets, existing markets becoming more competitive, and an increase in productivity, which in turn result in positive economic growth. Also by exploiting opportunities new markets can be developed, underexploited markets strengthened, new jobs created and productivity increased.

The owner of Benito Masias Communication Systems AB is characterized as a Managerial business owner and a Necessity entrepreneur, and according to the theory’s presented by Acs (2007), Wennekers and Thurik (1999) it can be suggested that a company that embodies that type of entrepreneurship has little or no impact on economic development. Necessity entrepreneurship has no impact on economic development, being forced to start a business can in some cases even lead to underdevelopment. And while managerial business owners fulfil many useful functions in the economy they cannot be viewed as the engine of innovation and creative destruction which are factors that impact positively on economic development (Wennekers and Thurik, 1999).

Both definitions of Schumpeterian and Opportunity entrepreneurship position themselves within the organization that is identified as an entrepreneurial venture – Designlight AB. Because these two types of entrepreneurship have very similar definitions “someone” might argue that there exist substantial similarities between Wennekers and Thurik (1999) model describing the Schumpeterian entrepreneur and Acs (2007) definition of the Opportunity entrepreneur. And because Opportunity entrepreneurship and Schumpeterian entrepreneurs can be seen as being similar, it could be suggested that Acs (2007) figure (see figure 3.2) – showing how higher levels of opportunity entrepreneurship being linked to higher levels economic development – also strengthens what has been said by Wennekers and Thurik (1999) about Schumpeterian entrepreneurs being behind a major part of innovation and creative destruction which are factors that have a positive impact on economic development.
Similarly the definitions of *Managerial Business owners* and *Necessity entrepreneurs* position themselves within the ordinary, non-entrepreneurial, small business – Benito Masias Communication Systems AB. They aren’t similar in their definitions, rather in the way that both types of entrepreneurship have no positive or even negative impact on economic development. In part 3.3 it is shown by figure 3.2 that lower levels of economic development and *Necessity entrepreneurship* is linked (Acs, 2007) and by the statements done in Wennekers and Thurik (1999) that *Managerial business owners* can’t be viewed as the engines of economic development.
6. Conclusions
Because of its’ significance to the economy the small business sector has received much attention not only in politics but also in economic and management literature. Much of the literature fails to differentiate between entrepreneurial ventures and ordinary, non-entrepreneurial small businesses. This creates an overlap in which both types of firms find themselves. Because the organizations aren’t differentiated the greater impact on economic development that entrepreneurial ventures might have isn’t identified. The purpose of this paper was “to identify and compare an entrepreneurial ventures impact on economic development with that of an ordinary small business”. By comparing Benito Masias Communication Systems AB and Designlight Scandinavian AB with the use of theories, it is quite evident which one that’s the entrepreneurial venture and which is the ordinary small business, and it is also possible to identify their impact on economic development. Because entrepreneurship really comprises the actions and behaviour of individuals and the businesses that these individuals run are the vehicle by which they channel their entrepreneurial ambitions, the economic impact that the different types of entrepreneurship have can be translated into the economic impact that their businesses have. (Wennekers and Thurik, 1999).

Designlight Scandinavian AB has the characteristics of an entrepreneurial venture, which are: having a principal goal of profitability and growth and the business being characterised by innovative strategic practises. And as the owners and directors of Designlight Scandinavian AB are categorized as both Schumpeterian and Opportunity entrepreneurs the major way that their business impacts on economic development is through creative destruction. With creativity and innovation they challenge existing market structures, they change the way things are done, they can create new technologies and new products that force existing products and ways of doing things to become obsolete. The old is destroyed so that the new can take its’ place, resulting in new markets, existing markets becoming more competitive, and an increase in productivity, which in turn result in positive economic growth. Also by exploiting opportunities new markets can be developed, underexploited markets strengthened, new jobs created and productivity increased.
Benito Masias Communication Systems AB has the characteristics of an ordinary small business. Being independently owned and operated, not dominant in its field, and not engaging in any new marketing or innovative practices. The owner is categorized as a Managerial business owner and a Necessity entrepreneur and therefore it can be suggested that a company that embodies that type of entrepreneurship has little or no impact on economic development. Necessity entrepreneurship has no impact on economic development. Being forced to start a business can in some cases even lead to underdevelopment. And while managerial business owners fulfil many useful functions in the economy they cannot be viewed as the engine of innovation and creative destruction which are factors that impact positively on economic development (Wennekers and Thurik, 1999).

By using Carland et.al (1984) theories I was able to identify which company that is the entrepreneurial venture and which one that is the ordinary small business. By then using the theories proposed by Wennekers and Thurik (1999), and Acs (2007), I was able to identify which type of entrepreneurship the owners embodied. And because entrepreneurship really comprises the actions and behaviour of individuals and the businesses that these individuals run are the vehicle by which they channel their entrepreneurial ambitions, the economic impact that the different types of entrepreneurship have can be translated into the economic impact that their businesses have. Leaning on the theories proposed by Wennekers and Thurik, and Acs, I was able to identify which of the entrepreneurial venture and the ordinary small business that had the greater impact on economic development. And thus were able to answer the problem that was formulated in the beginning of the paper: “which of the entrepreneurial venture and the ordinary small business that has the greater impact on economic development?” Clearly it’s the entrepreneurial venture that has the greater impact on economic development. This would mean that political efforts such as subsidies, tax credits and other aids that help develop the small business sector could be better allocated towards entrepreneurial ventures instead of ordinary small businesses. Also the importance that management literature puts on the small business sector and the small businesses within it, should put more efforts towards the study and understanding of entrepreneurial ventures and entrepreneurship as a whole. The results of this study leads to a reasonable suggestion. That of removing the overlap
between entrepreneurial ventures and small businesses. By differentiating between the two types of organizations and using theories in the field to identify which type of organization a particular business in the sector qualifies as, a more accurate representation of the Swedish corporate landscape could be presented. By doing this a new sector could be created, the “entrepreneurial venture sector”. Giving entrepreneurial ventures an own categorization could lead to calculations of their impact on economic development easier to generate, and the result could show more accurate representation of the drivers behind the economic development in Sweden.

Of course the conclusion made can only be done assuming that the two organizations that have been studied are the only ones that exist within the small business sector, and obviously that isn’t the case. Because the sample size in this case is very small, and a qualitative approach has been used throughout this study, it isn’t possible to make any generalizations about the conclusions done in this paper. A reasonable question would then be “why a large amount of the businesses within the small business sector weren’t studied with the use of a quantitative approach, which is an approach that opens possibilities to make generalizations?” Because of the time limitations, financial resources (equal to none), and ontological and epistemological positions that were taken, that approach wasn’t possible. But because the results of the study of Designlight Scandinavian AB and Benito Masias communication Systems AB indicate towards the conclusions being truthful, my final suggestions would be to undertake further studies with a significantly greater sample size and with the use of a quantitative approach so that results can be generalized and our understanding of entrepreneurial ventures within the small business sector and their impact on economic development can be developed further.
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Acs, Z. (2007), “How is entrepreneurship good for economic growth?” George Mason University, Max-Planck-Institute of Economics, Kauffman Foundation

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Felix Poetschke, 2003; The research project: The University of Liverpool, Department of Social and Environmental Studies, School of Politics and Communication

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http://www.oed.com/view/Entry/96311?redirectedFrom=innovation#eid

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www.designlight.nu/index.php/om-oss


Appendix

Annual reports – Designlight Scandinavian AB
Orgnr: 556274-3061

Toffelvägen 1
34260 MOHEDA

Telefon: 0472-71610

Reg.datum: 1986-04-08
Kommun: Alvesta
Län: Kronobergs län

BOKSLUTSSAMMANFATTNING
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Res. e. fin.netto (tkr): 8655 4171 1931 1690
Summa tillgångar(tkr): 27060 21590 17288 5938
Soliditet (%): 42.00 26.13 18.48 40.26

VERKSAMHET
46470 Partihandel med möbler, mattor och belysningsartiklar

STYRELSE & ANDRA BEFATTNINGAR
Exekutiva befattningar
Jessica Linda Marie Hultqvist (f. 1970), VD

Styrelse och andra övervakande befattningar
Jessica Linda Marie Hultqvist (f. 1970), Ordinarie ledamot
Björn Magnus Tex Hultqvist (f. 1971), Ordinarie ledamot
Björn Magnus Tex Hultqvist (f. 1971), Styrelseordförande
Stig Jerker Christian Bengtsson (f. 1974), Suppleant

Tillsynsbefattningar
Thomas Berndt Magnus Olofsson (f. 1959), Revisor

TIDIGARE NAMN
Tre’n Design AB, Registreringsdatum: 2000-09-11
Kajvägen AB, Registreringsdatum: 2000-05-18
Lemo Aktiebolag, Registreringsdatum: 1986-11-07
Framsteget nr 421 Aktiebolag, Registreringsdatum: 1986-04-08
FIRMATECKNARE
Firman tecknas av styrelsen
Dessutom har verkställande direktören rätt att teckna firman
beträffande löpande förvaltningsåtgärder

BOLAGSORDNING
Bolaget skall bedriva handel med halogenlampor, belysning och
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Verksamhet
70220 Konsultverksamhet avseende företags organisation

Styrelse & andra befattningar

Styrelse och andra övervakande befattningar
Mats Robert Englund (f. 1962), Ordinarie ledamot
Mats Robert Englund (f. 1962), Styrelseordförande
Benito Masias Suarez (f. 1972), Ordinarie ledamot
Olivia Hermelinda Englund (f. 1971), Suppleant

Tillsynsbefattningar
Pernilla Margareta Varverud (f. 1970), Revisor

Tidigare namn
Calico nr 1646 Aktiebolag, Registreringsdatum: 1997-12-18

Firmatecknare
Firman tecknas av styrelsen

Bolagsordning
Bolaget skall bedriva konsultverksamhet förträdvis att leverera helhetslösningar för informationsteknologi samt idka därmed fören-
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<td>-3.01</td>
<td>-1.14</td>
<td>-1.97</td>
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Interview questions

Benito Masias Communication systems AB
Interview with the owner, manager and only employee of Benito Masias Communication systems AB, Benito Masias, dated 2014-05-10.

• What is your position in the company?
• What was the reason behind you opening your business?
• Why didn’t you expand your business, if you experienced that there aroused a demand for your services, why didn’t you take the opportunity to grow?
• The business has stayed very much the same for the last couple of years, how come?
• The IT-industry has grown very much the last couple of years, this must have increased the demand for your services substantially, with this in mind, do you have any plans to grow your business as of today?

Designlight Scandinavian AB
Interview with one of the owners and managing director of Designlight Scandinavian AB Jessica Hultqvist, dated 2014-05-20.

• What is your position in the company?
• Why did you and your husband start the company?
• What do you think the reason behind Designlight Scandinavian AB success is?
• What plans does Designlight Scandinavian AB have to keep growing?