



JÖNKÖPING INTERNATIONAL BUSINESS SCHOOL  
JÖNKÖPING UNIVERSITY

## **Financing rapid, organic growth in Sweden**

**-A study of manufacturing gazelle companies**

Bachelor Thesis within Business Administration

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**Background:** In Sweden, only 652 companies have managed to reach the criteria stated by Dagens Industri in their ranking of the Swedish gazelle companies. Rapidly growing companies are very important for the creation of job opportunities and economic wealth. Growth is associated with significant costs, especially for a manufacturing company, and capital is therefore vital for a company's prosperity. Capital can be either internally generated or externally provided. Previous research has shown that companies firstly prefer internally generated funds, then debt and last new equity.

**Purpose:** The purpose of this thesis is to describe, analyze and provide examples on how Swedish gazelle companies have financed their growth, what financing options they have and for what purposes they needed finance. The thesis will also examine the importance of external financier's contribution with financial and human capital for the growth of the gazelles.

**Method:** A qualitative approach has been used to meet the purpose of the thesis. 12 in-depth, unstructured phone interviews have been conducted with some of the fastest growing gazelle companies in Sweden.

**Conclusions:** A company can finance its growth using owner's equity, retained earnings, leasing, factoring, public subsidies and loans, bank loans, venture capital and business angels. All these sources of finance are represented in the empirical findings except for factoring. Internally generated capital has mainly been used to cover working capital and to some extent smaller investments. The externally provided capital has mainly been invested in larger investments like machines, property and product development. The financial capital has been the main contribution by external financiers except for business angels, where the human capital was most important.



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# 1 Introduction

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*This chapter gives an introduction to the thesis. First a general background to the subject is presented, followed by a problem discussion that leads to the problem statement. The problem statement is followed by the purpose of the thesis and definitions of key concepts*

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## 1.1 Background

According to Svenskt Näringsliv (2004), approximately 500 000 active companies are registered in Sweden. Of those, 350 000 companies have the ambition to grow while only less than 250 000 actually manage to grow. Among the growing companies, few companies show rapid growth. These firms are mainly young small and medium sized enterprises (SMEs). Research done by Davidsson and Delmar (2002), confirms that large and mature companies grow significantly less than young SMEs. Larger companies most often tend to grow inorganically using mergers and acquisitions as a tool to grow. The focus is on rationalizing the company and making present business more effective, which leads to reduction of jobs rather than job creation. On the other hand, SMEs grow mainly organically and are therefore essential for Sweden both when it comes to creation of job opportunities and economic wealth.

A fast-growing company is exposed to several problematic issues such as structural, managerial and financial problems. The structural problems can be found in the use of technology, production capacity, innovativeness and marketing/distribution channels among others. The managerial issues are related to the know-how amongst existing employees, managers' experiences, leadership and so forth. The financing problems include the difficulties to raise capital in the expansion and growth phase.

This thesis will focus on the financing issues fast growing companies face. Companies need finance in all of their development phases. In the early stages, the owners often finance the start up with own assets and borrowed money from friends and family. In addition, government funding and business angels are used to support the start up. After this initial funding, firms can seek finance from for example venture capitalists.

## 1.2 Problem discussion

Company growth and expansion are associated with significant cost, e.g. labor costs, new machines, product development, new technology and buildings. These costs are impossible for growing companies to carry without sufficient capital (Johansson & Runsten, 2005). There are various sources of financing available, both internally generated and externally provided (Damodaran, 2001).

Research shows that firms first, if possible, choose internally generated funds such as retained earnings and bootstrapping techniques, then debt or a mix of debt and equity and last new equity. This theory is called pecking order theory and was introduced by Myers (1984). An investigation done by Cressy and Olofsson (1996, cited in Berggren, 2002) concludes that this theory is valid for

Swedish SMEs as well. Other studies show that using only internally generated funds will hinder growth (Berggren, 2002).

This thesis has its focus on the financing of rapidly, organically growing companies, called gazelles (U.S. Small Business Administration, 2005). These companies are increasing their sales rapidly and need capital to finance for example expansion, working capital and product development. The financing issues are of vital importance for the firms since it often is the lack of finance that hinders companies to make use of the potential it has. By which means these rapidly growing enterprises manage to finance growth is an extremely interesting subject since they represent a very small share of the total number of growing companies. In Sweden almost 250 000 companies are growing but still there are only 652 companies that manage to reach the criterion for a gazelle stated by Dagens Industri (Svenskt Näringsliv, 2004; Dagens Industri, 2006a).

The research will be limited to manufacturing companies, since the costs involved are more extensive for a manufacturing firm compared to non-manufacturing firms. Non-manufacturing companies focus more on increasing staff and develop their service while manufacturing companies may need to invest in new plants, buildings and machinery.

### **1.3 Problem statement**

Based on the problem discussion we have reached the following research questions;

- What financing options do manufacturing gazelles in Sweden have?
- Which options have the gazelles used to raise capital to finance their fast growth?
- For which purposes have the different financing options been used?
- How important have the external financiers contribution been, both financial and non-financial, to the companies?

### **1.4 Purpose**

The purpose of this thesis is to describe, analyze and provide examples on how Swedish gazelle companies have financed their growth, what financing options they have and for which purposes they need finance. The thesis will also examine the importance of the external financier's contribution, both financial and non-financial, for the growth of the gazelles.

### **1.5 Definitions of key concepts**

This section provides definitions of well-used concepts in the thesis. Definitions are used to avoid misunderstandings of important concepts.

#### **1.5.1 Gazelle company**

Gazelle companies are fast growing companies that meet certain attributes. The term was first coined by David Birch, an American economist and president of the research firm Cognetics Inc., in the 1970s (U.S. Small Business Administration,

2005). According to his theory, companies can be divided into three categories; the elephants, the mice and the gazelles. The elephants are the large and mature companies that do not grow. The mice are the small companies that just provide for the owner and perhaps her family. The fast growing companies were called gazelles (Nutek, 2006). Birch and others have concluded in their research that that the gazelle companies are extremely important when creating new job opportunities (Nutek, 2006; Davidsson & Delmar, 2002)

The Swedish gazelles are once a year ranked and published in Dagens Industri. The ranking used in this thesis is from 2005 and is based on the years 2001-2004 performance. There are certain criterions that a company needs to fulfill in order to qualify for Dagens Industri's (2006a) ranking. It needs to have:

- four annual reports
- an annual turnover of at least SEK 10 millions
- at least 10 employees
- increased its turnover continuously over the last three years
- doubled its turnover over the last three years
- over the four accounting years, total positive profit.
- grown organically
- sound finances

The ranking of the gazelle companies for 2005 consists of 652 companies all over Sweden. These companies have fulfilled the criterion and managed to grow substantially during the last four years (Dagens Industri, 2006b)

### **1.5.2 Organic growth**

Organic growth means that the company grows from the inside as oppose to inorganic growth that refers to growth by acquisitions, mergers and takeovers of other enterprises. Organic growth is the most important type of growth when it comes to creating new jobs and for general economic prosperity (Davidsson & Delmar, 2002).

## 2 Frame of reference

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*This chapter gives the reader a deeper understanding of companies' financing options. First, it describes the pecking order theory. Further, it presents the different sources of both internal and external capital.*

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### 2.1 Pecking order theory

The pecking order theory was developed by Myers and Majluf (1984). It states that firms prefer internal sources of finance to external sources.

The theory is based upon the idea that managers know more about their company's risks and value than outside investors do, this phenomena is called asymmetric information. That managers know more than the investors can be observed by looking at stock price changes when new information is relayed to the public. When a company for instance increase regular dividend, stock price typically rises because investors see this as a sign of confidence in the future by the managers. This would only happen if managers knew more in the first place (Myers & Majluf, 1984).

The asymmetric information in turn affects the choice between internal and external financing. This leads to the pecking order, in which investment is financed first with internal funds, followed by new issues of debt and finally with new issues of equity (Myers, 1984).

The cited pecking order from Myers and Majluf (1984) reads as follows;

1. Firms prefer internal finance.
2. They adapt their target dividend payout ratios to their investment opportunities.
3. Internally generated cash flow may be more or less than investment outlay. If it is less, the firm first draws down its cash balance or marketable securities portfolio.
4. If external finance is required, firms issue the safe security first. That is, they start with debt, then possibly hybrid securities such as convertible bonds, then perhaps equity as a last resort.

No well defined target debt-equity mix is seen in this theory since there are two kinds of equity, internal and external, one of them at the top of the pecking order and one at the bottom (Myers, 1984).

The pecking order theory explains why the most profitable firms in general borrow less than firms with lower profit. It is not because they have a low target debt ratio but because they do not need outside funding. The firms that are less profitable issue new debt because they do not have sufficient internal funds (Myers, 1984).

This theory was hardly new when Myers (1984) put it in print. Already in the 1960's Donaldson observed;

*"Management strongly favored internal generation as a source of new funds even to the exclusion of external funds except for occasional unavoidable 'bulges' in the need for funds."* (Myers, 1984, p 581).

The pecking order theory was developed after studying large listed US companies but later studies showed that the theory is also valid for SMEs (Reid, 1996, cited in Berggren, 2002). Research done by Cressy and Olofsson (1996) suggests that Swedish SMEs also tend to follow the pecking order theory (cited in Berggren, 2002). Smaller firms in their growth phase do not have the same access to the capital market as large companies do. Small companies tend to rely on internally generated funds since it is easier to access that money (Osteryoung, Newman, & Davies, 2001).

## **2.2 Internal financing**

Internal financing refers to capital raised from within the existing company (Damodaran, 2001). Internally raised capital consists of owner's equity, retained earnings and bootstrapping techniques to reduce capital expenditures.

### **2.2.1 Owner's equity**

Owner's equity refers the investments made by the owners of the company and the accumulated net profits not paid out to the owners. The term owner's equity here refers to the capital invested in the company by its initial owner or owners and not to capital supplied by external equity financiers such as business angels or venture capitalists (Carter and Jones-Evans, 2000).

When starting a company, the founders generally need to invest a certain amount of their own money in the company. The amount of equity provided by the initial owner depends on the owner's wealth and his or her willingness to invest personal assets in the business. Advantages with using owners own capital is that no transaction cost exists and no loss of flexibility occurs (Damodaran, 2001).

#### **2.2.1.1 Parent company**

A company can be a part of a group where the ownership lies with a parent company. The relationship is seen as a parent-daughter relation. The structure of a group is very hierarchical and the parent company can have firm or soft influence on the daughter company, depending on the reasons for the investment (Holmberg, 1990).

The advantages with a parent company are that it can provide financial strength for the daughter company. Instead of searching for external capital, the capital can be borrowed or invested as owner's equity from the parent company. This source of finance is cheaper and less demanding than external capital. The repayment period also tends to be longer than for external capital. The parent company can also provide knowledge within the field of its industry and use its contacts to increase the customer base for the daughter. It can also handle financial and managerial issues for the daughter company, leaving the daughter to focus on its core competence (Holmberg, 1990).

There may be disadvantages with a parent company if it exercises too hard control. The people working in the daughter company have full focus and knowledge about the business while the mother company has its own and in many cases several different daughter companies to manage (Holmberg, 1990). In addition, there has to be a value creation between the two companies to have a use for the relationship (Kippenberger, 1998).

### 2.2.2 Retained earnings

Retained earnings are net earnings that are not paid out as dividend. The retained earnings can be used to pay off debt or be reinvested in the company. In manufacturing companies the retained earnings are often needed to maintain the existing business but are often not sufficient to finance growth. A large proportion of the retained earnings are often used to replace machines and equipment needed to operate the firm (Smith & Smith, 2004).

Using retained earnings to finance growth is a relatively cheap source of finance since no transaction costs exist. Obvious problems are that the company must generate a profit in order to have any retained earnings to reinvest. For new growing businesses the profit is most often non-existent or at least insufficient to finance the fast growth (Damodaran, 2001).

### 2.2.3 Financial bootstrapping

Winborg (2000, p. 18) defines financial bootstrapping as “*methods used for minimizing and/or eliminating the need for financial means for securing the needed resources*”. This means that access to needed assets can be gained with no or very limited financial costs, preferably through good connections, networks and relations. The entire concept of financial bootstrapping is about reducing cash outflow and securing cash inflow. According to Sherman (2005, p. 87), it is “*the art of learning to do more with less.*”. It is about maximizing the use of external sources with minimized expenses (Winborg, 2000).

There are several methods of bootstrapping that a company can use to reduce expenses. It is the creativity and resourcefulness of the manager that is the key to bootstrapping. According to Sherman (2005) bootstrapping is about going beyond the traditional ways of obtaining assets. Focus should be on only acquiring the assets that are of vital importance for the business today, to differentiate wants from needs. Expenditures should either bring cash into the company or help in expanding the market (Sherman, 2005).

The most common methods of bootstrapping are to purchase second-hand equipment instead of new, negotiate favorable conditions with suppliers, hold back manager’s wages, delay payments to suppliers, decrease time for invoicing and borrow equipment from other firms for shorter periods. Other well-used methods are to share office space, use the manager and employees for multiple tasks to reduce staff, make the customers pay in advance and employ at below market salaries (Winborg, 2000).

Can there be drawbacks or risks with bootstrapping? There might be two types. Firstly, if the manager does not manage to stay within the ethical boundaries in the hunt for cost reduction it can lead to mistreatment of customers, suppliers or employees. This will most definitely have a negative effect on the business in the long-run. Secondly, when a company has achieved certain goals and reached a more secure status it is important to ease the focus on bootstrapping. It is of course important to remain in control over cash in- and outflows but without sacrificing the relations with the company’s stakeholders (Sherman, 2005).

## **2.3 External financing**

External capital refers to capital originating from parties outside the business. Research done by Chittenden, Hall & Hutchinson (1996) shows that depending extensively on internally generated funds inhibits company growth. For fast growing companies external finance is often essential for the firm's ability to grow (cited in Berggren, 2002).

Externally raised capital consists of factoring, leasing, public subsidies and loans, bank loans, business angels, venture capital and common equity. These ways of raising external capital is described in 2.3 except for common equity since none of the companies we have analyzed has gone public and is therefore excluded in this paper.

### **2.3.1 Factoring**

For a firm to get quick access to capital, outstanding account receivables need to be brought in as soon as possible. Many entrepreneurs tend to focus more on increasing sales than collecting receivables from customers (Sherman, 2005). Factoring is a way for firms to sell their receivables at a discount to a third-party financier. The factoring company then gives a percentage of the value of the receivables, ranging typically between 50-95%, immediately to the firm and in turn demands the receivables on maturity from the debtor (Burk & Lehmann, 2004). When the receivables are finally collected, the factoring company returns the rest of the receivables minus a commission fee ranging from two to seven% of the value (Burk & Lehmann, 2004; Sherman, 2005).

The immediate cash the firm gets depends on the creditworthiness of the debtor and the firms' own collection history (Burk & Lehmann, 2004). If the factoring company suspects that the debtor has a liquidity problem, it will pay a smaller amount immediately. On the other hand, if the debtor shows a good record of debt payments, the firms will receive more money straight away (Sherman, 2005).

An advantage with factoring is that it provides the company with quick cash without leveraging the firm with long-term debt (Burk & Lehmann, 2004). The factoring companies are quick in the handling of transactions and do not need information about your business plan, financial statements and future projections in the same way as banks need when processing a loan. Secondly, the administrative costs and time spent on collecting receivables is reduced for the firm and the focus can instead be on the core business. Thirdly, by receiving money faster, the firm is able to pay off its own debt on time and create good creditworthiness with its suppliers (Sherman, 2005).

The main disadvantage is that factoring costs are more expensive than for example bank loans (Burk & Lehmann, 2004). The fee paid by the firm to the factoring company eats away the profit for the firm and if the costs are not carefully monitored it can lead to that factoring is used only to pay off current operations (Sherman, 2005).

### **2.3.2 Leasing**

A small fast-growing company may not have the financial strength or need to purchase plant, property and equipment (Ross, Westerfield & Jordan, 2003). An

alternative to borrow money to purchase these assets is leasing, also referred to as hire-purchase. Leasing is when the company just acquires the right to use the asset in exchange for a fixed payment, mainly monthly or semi-annual (Damodaran, 2001).

A lease agreement consists of two parties: the lessor and the lessee (Ross et al, 2003). The lessor is the owner of the asset, the part that provides the property, plant or equipment. The user of the asset, the lessee, has no ownership of the asset but the right to use it (Damodaran, 2001).

The greatest advantage with leasing is that a company only needs a small or no initial payment to get hold of the asset (Sherman, 2005). For the rapidly growing companies to keep up with the pace there is often an urgent need for assets, but not necessarily need for ownership of the assets. It also demands no security in the same way as a commercial loan from a bank (Ross et al, 2003).

Possible drawbacks with leasing are that it is more expensive in most cases compared to a direct purchase and the ownership of the asset often goes back to the lessor at the end of the lease period (Sherman, 2005).

### **2.3.3 Public subsidies and loans**

There are no general subsidies for firms to apply for. The main goal with governmental subsidies is to develop entire regions and support projects that improve the environment, develop competence for employees and support for example transportation in deserted areas (NUTEK Företagsguiden, 2006).

For young, growing companies with technically oriented ideas it is tough to receive funding from the commercial lenders because of the high risk involved. The public organizations and authorities may see this as a hinder for innovations and future economic growth and thereby support the firms either with subsidies or with loans. The loans provided have less demand on securities and allow a more flexible repayment of the loan. Instead of a fixed repayment, the public organizations and authorities can demand for example a part of future profits (NUTEK Företagsguiden, 2006).

ALMI Företagspartner is a government owned organization that gives loans to companies that is in the start-up or development phase. It can be seen as an option to bank loans. ALMI's main purpose is to contribute to economic growth. The organization currently has 12 000 loans and outstanding loans of SEK 3.1 billions (ALMI Företagspartner, 2006)

A company can receive funding from the European Union (EU) but it is very rare. One of the mainstays of the EU is that competition not shall be distorted (European Union, 2002). That is the main reason why financial support directly to companies is very rare. What the EU does is to support local and regional projects and undertakings that will stimulate growth in the entire area. It might be an area with weak productivity, many new and small companies or investments in environmental projects. To get access to funding a company should be in cooperation with public organizations and authorities and the project should involve at least two of the member countries of the union. The available funding is intended for very specific projects and not obtainable by all companies (NUTEK Företagsguiden, 2006).

For a company to receive funding from these public options the firm needs to adapt to certain standards, demands and conditions. This can be a disadvantage if the company needs to sacrifice the ongoing business procedures in turn to get funding (NUTEK Företagarguiden, 2006).

### **2.3.4 Bank finance**

Bank loans are the most common source of finance for SMEs. In Europe as much as 79% of the SMEs use bank finance. The use of bank finance varies between industries. Manufacturing companies use bank finance most often with 86% (SME finance: Investing in SME lending, 2005).

Banks traditionally provide companies with term loans as well as lines of credit. Banks are generally low risk lenders that do not accept significant risk; therefore the loans are relatively cheap. Banks contribution is usually limited to capital and to some extent sound financial organization. Generally the banks do not have the time or expertise to give professional advice (Berggren, 2002).

The information used in the credit decision can be classified in terms of 5 C's; character, capacity, capital, collateral and conditions. Character refers to the management's character. The bank evaluates the management's willingness to repay the loan and share important information with the lender. In this category the manager's experience and track record are judged. The capacity of a company is evaluated through the firm's cash flow that is assessed through financial reports. In addition, the lender looks at the firms existing capital and if it has enough capital to operate the business. Collateral are seen as a secondary source of repayment and should not validate a loan by itself. If the loan defaults the collateral is liquidated and used to repay the lender. The use of collateral increases as the risk of the loan increases. Finally, the last C, conditions, refers to the state of the general economic environment including conditions such as recession, industry trends and competitive pressure (Bruns, 2001).

According to Bruns (2004), historical performance and the financial standing of the firm are the two main factors influencing the company's possibility to obtain a loan. Companies with weak track records need to provide strong collateral that is independent to the success of the business. This is of course a problem for owners that do not have sufficient personal assets and for owners that do not wish to risk his or her personal assets (Bruns, 2004).

From the growing companies perspective it is important to receive bank loans so that the company can finance its growth as well as new projects. For banks, the company's ability to repay its debt is of main importance. Both the bank and the company want to be able to single out the profitable projects from those that will most likely not be successful. However, this evaluation is based on different criteria's when looked upon from the company's perspective and the banks perspective (Bruns, 2001).

At the end of 2005, 124 banks were established in Sweden. Together the four largest banks; Föreningsparbanken, Handelsbanken, Nordea and SEB constitute 80% of the banks total assets (Sveriges Riksbank, 2005).

### **2.3.5 Venture capital**

There is no general definition for the term venture capital but Sherman (2002, p. 204) refers to it as “*high-risk, early-stage financing of young emerging-growth companies.*” It is provided by professional venture capitalists, either public/private institutional venture capital firms or corporate venture capital divisions.

The risk for venture capitalists is high, but the upside is unlimited (Ross et al. 2003). The venture capitalist becomes a partner in the company and works actively close to the firm’s management in order to approve its cash flow and result. The relationship between the company and the venture capitalists carry mutual benefits for both parties. The entrepreneur gets necessary funding and corporate expertise/know-how from the venture capitalist and the venture capitalist gets part ownership in a business idea with potentially high return on investment (Damodaran, 2001).

Research shows though, that entrepreneurs are often control averse and unwilling to accept new owners. Even though venture capital is needed, it might be hard for the entrepreneur to give away part of the control of the company to the venture capitalists (Berggren, 2002). According to Cressy and Olofsson (1996, cited in Berggren, 2002), entrepreneurs with lower control aversion have higher growth ambition. According to their research an entrepreneur that has growth as a main objective the matter of control is not a problem.

To get the support needed, both financially and managerially, from the experienced venture capitalist to run the business in a fast growing phase is a great advantage for the firm. Venture capitalists tend to go in with a substantial amount of money, building a good ground to start from (Ross et al, 2003). The venture capitalists are also keen to invest in young, fast growing companies that have problems to receive traditional funding like bank loans (Damodaran, 2001).

The disadvantage with venture capital is that the firm has to give away part ownership to the venture capitalist. This is often a problem for the firms since they do not want to accept new owners that can influence the daily routines of the firm (Ross et al, 2003).

In Sweden the first venture capital firms established in the late 1980s. Today 115 venture capitalist firms, with access to a total of SEK 220 billions, operate in Sweden. The three largest of these; EQT, Industri Kapital and Nordic Capital, manages approximately 50% of the Swedish venture capitalists money (Sveriges Riksbank, 2005). Venture capital actually invested in Swedish businesses was in 2001 SEK 18.9 billions (Bruns, 2004).

#### **2.3.5.1 Business angels**

Business angels are private investors who invest their own money in companies usually in the start-up phase. In exchange for capital the angel investor receives equity stake (Marks, 2005). The difference between angel investors and venture capitalists is that the angel investors do not pool money in a professionally managed fund. However, the investors sometimes find angel networks to share research and pool investment capital. These networks are also used in order to facilitate the process of matching entrepreneurs with appropriate angel investors (European Commission, 2002).

The angel investors are wealthy persons with different background and investment reasons. Many angel investors have backgrounds as entrepreneurs and can in addition to financial capital contribute to the company with expertise and experience. However, the angel investor can also be a so called hands-off angel who does not have the time, interest or expertise to help the company (Marks, 2005).

Companies, in most cases, turn to angel investors after having extinguished the possibility of funding from family and friends. Angel investors fill the gap between the early capital provided from personal relationships, and capital provided by formal venture capitalists (Prowse, 1998). The search process for capital from business angels is often difficult and costly (Bruns, 2004).

## 3 Method

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*This chapter will describe how we have approached the field of interest to gather the needed information to fulfill our purpose.*

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In order to obtain the information needed in a study two types of methods can be used, a qualitative approach and a quantitative approach (Svenning, 2003). Both of them strive towards the same purpose; to create a better understanding of a phenomenon and how it affects us (Holme & Solvang, 1997). Which method to choose depend on if you need a total perspective, quantitative, or a deep understanding of the field of interest, qualitative. Some fields of study may be more appropriate to approach with the qualitative method and some with the quantitative method. Sometimes, both methods can be useful. Method chosen should be based on the theory used, the problem the researcher wants to approach and the purpose of the investigation (Trost, 2005).

### 3.1 Qualitative vs. quantitative approach

According to Holme & Solvang (1997), the *quantitative* approach is based on the transformation of information into numbers in order to make an explanation of the studied field. The numbers are then used to provide the researcher with hard data to make a statistical analysis. The researcher approaches the phenomenon from the outside and the data is collected from a large sample with very brief information about the subject analyzed. The quantitative method goes more wide than deep (Holme & Solvang, 1997). The hard data does only answer questions like “how many” and not the question “why” it is in a certain way depending on the analyzed subject (Svenning, 2003; Trost, 2005). The research is carried out in a very systematic way with the use of e.g. structured surveys and questionnaires with fixed questions and answers to make it easier to transform the numbers into data (Holme & Solvang, 1997). The analyzed phenomenon is also highly affected by the researchers own ideas about which variables to use and how to interpret the data (Alvesson & Sköldbberg, 1994).

The *qualitative* approach, according to Trost (2005), puts more focus on transforming the information received into different patterns and to get a deeper understanding about the field of interest. The patterns are then analyzed and reported (Holme & Solvang, 1997). The goal is to find unique and peculiar details about the analyzed subject, not to generalize as in quantitative research. It is more about providing examples and through them make more or less far-going conclusions (Svenning, 2003). The collected data is very soft and sensible and answer the question “why” it is in a certain way. Since the information collection is very time-consuming, information is gathered from a very limited and carefully picked sample and aims for a deep knowledge about the studied phenomenon (Holme & Solvang, 1997). The method puts focus on going deep rather than wide (Svenning, 2003).

A qualitative study is conducted through different methods but mainly through in-depth interviews and observations (Svenning, 2003). Research is made very flexible, unsystematic and unstructured and no fixed questions and answers are given to the analyzed subject (Holme & Solvang, 1997). The researcher is very present in the investigation and approaches the studied field from the inside and can influence the result more than in a quantitative approach.

The advantage with a qualitative approach is that it gives a complete picture of the field of interest and provides the researcher with full understanding about coherences among the studied subjects. It provides a better view of the single individual subject since the interview gives in-depth knowledge about the company (Holme & Solvang, 1997).

When conducting a qualitative study it also is easier to correct mistakes during the process compared to a quantitative study. If information is missing, if there is doubt regarding the collected information or if a question does not give a satisfying answer, the respondent can be contacted again. This is not the case in a quantitative study where a survey with fixed questions and answers is used and where the respondent in most cases is unknown (Holme & Solvang, 1997).

There are also disadvantages with a qualitative method. Since the information gathered is not put into numbers and quantified, the analysis of the information will be biased by the writer's own knowledge, experience and emotions. Knowledge and experience will also increase during the process that leads to that the first interview may be more basic and provide less information than the last interview (Holme & Solvang, 1997).

There is also an interpretation problem since words are more difficult to analyze to be able to understand the exact meaning of the information that the interviewed provides (Svenning, 2003). It is easier to conduct a quantitative analysis since it provides you with numbers to draw conclusions and make generalizations from (Holme & Solvang, 1997).

The generalizations made in a quantitative analysis can be used as a measure of the population if it is made correctly. This is not the way with a qualitative analysis since the focus is more on the individual than on the entire sample. We cannot use our result and conclusion as a measure of all Swedish SMEs since the sample size is too small (Holme & Solvang, 1997).

### **3.2 Method chosen**

As stated, the choice of method depends on the purpose of the thesis (Trost, 2005). The purpose of this thesis is to find different approaches used to finance rapid growth, not to come up with a general conclusion. Also, the problems faced by the companies and the external financiers' contribution will most probably differ from company to company. We assume that the analyzed companies will have differences amongst them in their way to show a rapid growth. A quantitative study may give us answers on how many of the companies that have used different financing alternatives but it will not give us answers on why the company has chosen this type of finance. To get the answers we need to analyze the companies on a deeper level. A survey will not give us sufficient information to meet our purpose but if we use a qualitative approach with interviews and interact with the companies personally, the information we can get is more appropriate. We will use personal interviews with the respondents to find out proper information. These are the main reasons why we have chosen to use a qualitative approach in this thesis.

### **3.3 Sample selection**

This thesis delimits its research to the financing of the manufacturing companies in Sweden, that are included in the Swedish business paper Dagens Industri's list of gazelles. Dagens Industri is considered to be a reliable source since it is the leading business paper in Sweden. The 30 fastest growing manufacturing companies were selected and then contact was made with 20 of them. Almost all the companies were interested and only two decided not to participate. The limited time and problems to find proper interview times with the selected companies are the reasons why twelve companies have finally been interviewed in the report.

### **3.4 Collection of primary and secondary data**

For a thesis such as this, two types of data can be collected and used; primary and secondary data. The primary data is the data collected by the researchers specifically for the problem at hand. Secondary data, on the other hand, might not fit the specific problem. Collecting primary data can be done in various ways such as interviews, questionnaires and surveys. The secondary data is data that already exists for other purposes than the specific thesis. The secondary data is collected through a numerous of sources such as academic reports, books, statistics and so forth.

The collection of primary data was made by in-depth phone interviews with the selected respondents. Each interview took between 15-40 minutes to conduct depending on the company's financing decisions and the time available for the respondents. Complementary interviews have been made in the cases where sufficient information was not collected in the first interview. All the interviews have been recorded and printed out afterwards to easier see patterns, not miss out on any information and avoid mistakes.

The secondary data is found mainly in the theoretical framework. This thesis has used academic reports, books and Internet sources to find proper information regarding theories and concepts described. We have used search engines such as Google Scholar, Emerald Fulltext, Jstor and databases like AffärsData and Ebrary. Books and academic reports used are listed in the reference list and throughout the report.

When using internet sources, the search words have been e.g. financing growth, rapid growth, gazelle, sources of financing, financing of rapid growth, organic growth etc. The search engines have been used for key concepts and theories and AffärsData for annual reports. The Jönköping University Library has been to a great help when finding books and academic reports related to the topic and also Ebrary has helped us to find books not available at the library.

#### **3.4.1 Interview techniques**

For the gathering of the primary data we have used interviews. There are many different ways of conducting an interview. There are two different types of interviews that are most common. It is either a structured or unstructured interview (Lantz, 1993).

A completely structured interview refers to a situation in which the interviewer asks a set of questions decided upon beforehand and the respondent answers according to predetermined answer alternatives. The person conducting the interview could be seen as a living questionnaire. An advantage with this type of structured interviews is that it is easy to compare the answers from different respondents (Lantz, 1993).

The opposite of a structured interview is the unstructured. In the unstructured interview the interviewing person poses more open questions rather than leading questions as in a structured interview. In this kind of interview, the respondent can describe his or her thoughts around the topic in question. This makes it more difficult comparing the results but it also gives a wider perspective around the core subject and it reflects reality better than the structured interview (Lantz, 1993).

To meet our purpose we have chosen to work with an unstructured interview since all companies have different conditions. The main thing they have in common is that all match the criterion for the gazelle companies stated by Dagens Industri. We also want to get a deeper understanding about how they have managed to receive finance and for what purposes they have used it and problems faced when attracting capital. Therefore, the unstructured interview provides us with deeper knowledge about the researched companies.

### **3.5 Analysis of the collected data**

In analyzing the collected data the authors have tried to compare the information in the theoretical framework with the empirical findings. The focus is on what type of financing that has been used and how the financing has affected the gazelle companies.

The analysis part is structured in the same way as the theory part to make it easier to follow. Each section analyze the use of each financing within the companies to see if there is a relation between the companies use of each financing, if it differs and to show examples of different courses of action to build a successful company. The research questions and the purpose stated in the background will be covered under each section in the analysis and then compiled in the conclusion to get an overall view of the thesis.

### **3.6 Validity and reliability**

There are two major problems within the field of empirical research, the validity and reliability of the research. The validity problem is the same no matter if you do a qualitative or quantitative approach while the reliability differs between the two approaches (Svenning, 2003).

Validity is to measure what you are expected to measure, the connection between the theory and the empirical findings. It is very hard to transform the theories and the problem into concrete interview forms. Svenning (2003, p.63) further states that it is easier to get validity in qualitative research since you “*stay close to the empirical world*”. The data collected must be in line with the purpose of the research and match the real world, so that the researcher can make the right interpretations of the collected data (Svenning, 2003).

The reliability of the research is about the trustworthiness of the empirical findings and the interpretation of the same. It means that a repeated research with same purpose and same method shall give the same result. This is more important for the quantitative analysis than the qualitative analysis since the quantitative is trying to generalize while the qualitative provides examples. Many factors can affect the interview such as the interviewer, the respondent, the environment and misunderstandings. All these factors affect the reliability of the research (Svenning, 2003).

To be able to make our research with as much validity as possible, extensive readings have been made to get extensive knowledge about the theories used the researched companies and the chosen method. This knowledge has then been used to form the interviews with the respondents to avoid misunderstandings, misinterpretations and collection of unimportant information. To get the coupling between the empirical findings and the theories used, not all of the information from the interviews will be used. Only the information that helps us to fulfill the purpose of this thesis will be used.

To improve the reliability in this thesis, the authors have followed the structure described in the method. Since we are dealing with a qualitative analysis on rare gazelle companies, the result would most probably not be the same if another study were made with the same problems and purpose. The goal of this report is to provide examples of how rapid growth can be financed rather than to make a generalization.

## 4 Empirical Study

*This chapter presents the results from the empirical study. Each company's answers derive from an interview done with the respective company. The information provided comes from personal communication from interviews with a representative from each company if nothing else is stated. Each representative is presented in the beginning of each company section.*

### 4.1 Svensk Rökgasenergi AB

Interview with Per Egerberg, CEO, 2006-04-24

Svensk Rökgasenergi AB (Svensk Rökgasenergi) manufactures and develops products, such as condensers and electrostatic precipitators, for the bio-energy market. The company was founded in 1992 and it initially focused on deliveries of fuel gas condensing systems for oil-fired boilers. In 2005, 17 systems were delivered to customers within the business areas of district heating, process industry and sawmill and pellet manufacturing. Svensk Rökgasenergi has 30 employees and an annual turnover slightly above SEK 50 millions.

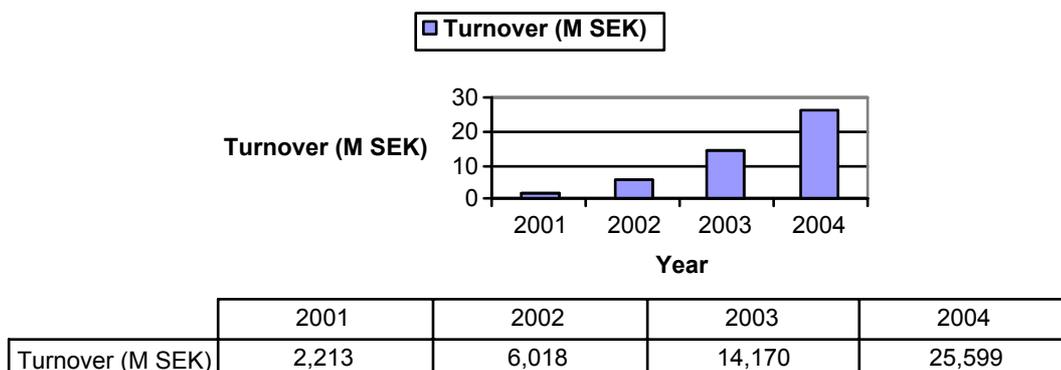


Figure 4-1 Turnover Svensk Rökgasenergi AB (Affärsdata, 2006)

The company has been self-sufficient from the start except a line of credit from SEB. The two owners, Per Egerberg and Lennart Granstrand, invested their own capital when starting the company. In addition, the earnings have been reinvested in Svensk Rökgasenergi and this capital has been sufficient to finance the growth.

Since the company was founded it has not needed capital for any large investments. Capital has been needed to cover working capital such as accounts receivables and work-in-progress. Product development has been invested in with averagely 10% of the invoiced amounts. The company has grown in small steps and the owners have planned and controlled the growth. Owners' equity and retained earnings have therefore been sufficient to finance the growth of the company.

Svensk Rökgasenergi's customers pay 30% when they order a product and the rest 30 days after delivery. Every deal is worth around two million.

Svensk Rökgasenergi is positive about the future since the bio energy market is young and prospering. Sales are expected to continue to grow and the turnover

in 2006 is estimated to sharply increase to between SEK 70-90 millions. When asked if the internal capital will be sufficient to finance future growth Per Egerberg says;

*“That will be the limit. Then you do not have to grow more than that. It will get difficult if we get other partners involved and life gets messier. If it gets too big you do not have control.”* (personal communication, 2006-04-24)

## 4.2 Emsize AB

Interview with Mikael Boström, Vice President, 2006-04-26

Emsize AB (Emsize) was founded in the beginning of 1998 by Mikael Boström and Niklas Pettersson and is today established in both Europe and North America. Emsize offers a robotic packaging machine that manufactures corrugated cardboard packages, tailor-made to meet the customers different needs. The machine is installed in the customers’ facilities and the customers can use it to produce infinity of different packages. The company also offers its customers additional services.

Emsize has customers in industries such as the furniture industry as well as different mail-order firms. The company constantly works with product development and now feels that it has to cut down on research and development and instead focus on marketing in order to increase sales. Historically, product development has been very costly for the company.

Emsize exports 95% of its sales. This number varies between 80-100% from year to year. In 2005 the company had an annual turnover of SEK 27 millions and it has approximately 15 employees.

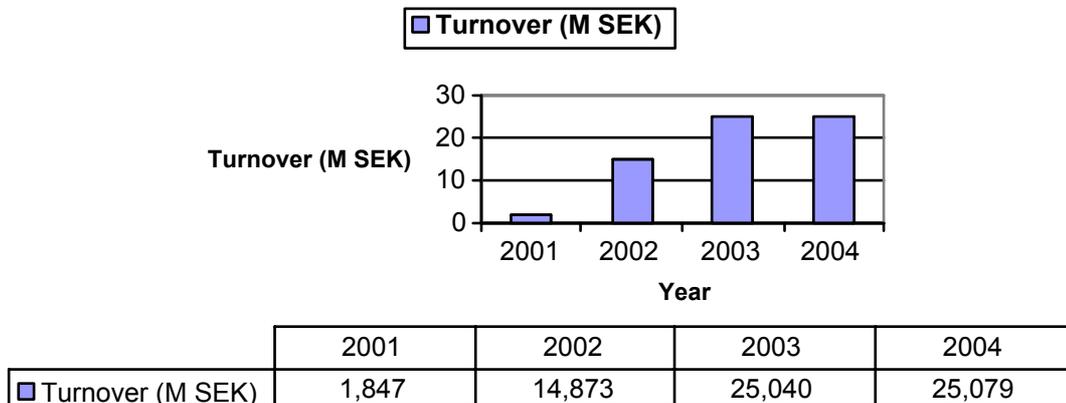


Figure 4-2 Turnover Emsize AB (Affärsdata, 2006)

In the start-up, both the founders contributed with initial cash and a bank loan was also needed when starting the firm to finance product development. Emsize had discussions with several banks before it managed to get a loan. The problems with obtaining a loan were mainly because the banks thought it was too much risk involved. Mikael Boström thinks that the banks were positive about the product but the vital part was the sales and that positive cash flow was to be shown in the near future. The key to obtaining a loan for Emsize was to secure customers. In addition, personal collateral was required, although not to a great

extent. A part of this bank loan still exists even though most of it has been repaid. Emsize has borrowed more money from the bank during the years, but in relatively small amounts to finance product development which is the highest cost for the company. It has not been any problem for Emsize to borrow money since the future prospects of the company are very positive.

The company has worked hard with keeping costs down and has used personal contacts in consultations regarding areas where their expertise was not sufficient instead of hiring consultants.

Emsize uses no form of factoring. Leasing is used on the machines but it is included in the costs for the machine and transferred to the customers.

In the start-up, the firm was in need of additional capital. The founders searched for venture capital and found the venture capitalists KML Invest (KML) to assist Emsize in the start-up of the company. In return for capital, KML required ownership of 50% in the firm. The only other constraints KML put on Emsize was to follow the budget set up in the business plan. Mikael Boström believes the business plan is of vital importance when trying to attract capital. The business plan has to be almost unrealistically good for it to attract venture capitalists.

The problems faced with KML were that it mainly invested in consumer goods and since Emsize works with very advanced industrial products, no new knowledge or know-how could be gained. During 2001-2002, Emsize bought back the KML-shares.

In 2001 another search for venture capital started. Mikael Boström got in contact with the organization CONNECT which he thinks is a great help for entrepreneurs (M. Boström, personal communication, 2006-04-26). CONNECT is an organization that helps entrepreneurs to find both appropriate capital and competence (CONNECT Sverige, 2006). Mikael Boström and his partner met two new partners in Germany, Hanko Kiessner and Horst Reinkensmeyer. The two new partners were mainly taken in as operating co-workers with their expertise in the furniture and packaging industry. They contributed a small amount as well, but not to the same extent as a venture capitalist. The knowledge they brought in has been really important for the company's fast growth. With their knowledge, no venture capital was needed.

Obtaining venture capital was vital for the success of Emsize. Mikael Boström states that personal chemistry was the most important factor when deciding which venture capitalist to work with. He further believes that having access to capital is an important factor for a company's ability to grow. But with more capital invested the risk involved increases. It is also harder to be cost aware when having excess cash.

Emsize reinvest all its profit in the company to be prepared for the rapid growth.

### **4.3 Djäkneböle Emballagefabrik AB**

Interview with Jan Grundberg, owner, 2006-04-24

Djäkneböle Emballagefabrik (Djäkneböle) manufactures customized packages in plywood. The company was founded 40 years ago and bought by its current owner, Jan Grundberg, in 1996. When bought by Jan Grundberg in 1996, the

company had an annual turnover of SEK 4.5 millions. Today Djäkneböle has 25 employees and a turnover of SEK 36 millions. Djäkneböle is highly dependent on the export industry and its biggest customer is Volvo. Because of its dependence on its customers in the export industry it is important that the company listens to its customers and that its workforce is flexible.

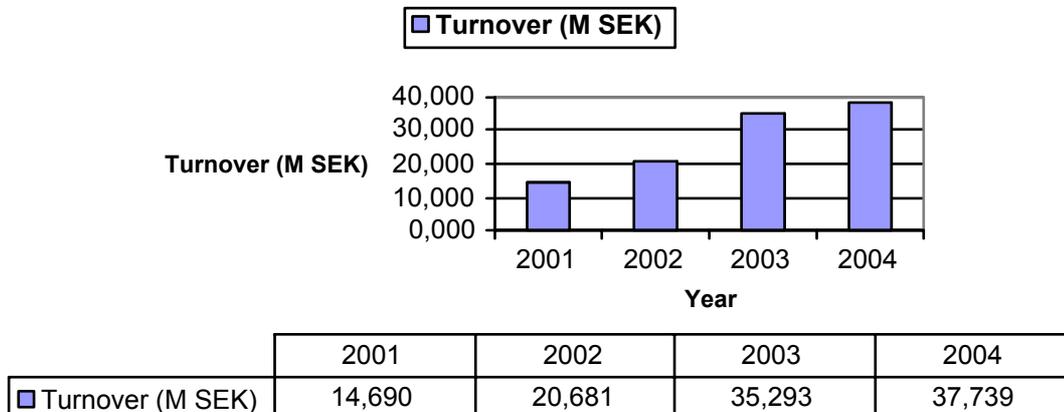


Figure 4-3 Turnover Djäkneböle Emballagefabrik AB (Affärsdata, 2006)

In 1996 Djäkneböle took a bank loan from Föreningssparbanken. This bank loan was very important for the firm and was used to finance machines. Djäkneböle had no problem obtaining a loan, since Jan Grundberg is a well-known entrepreneur who had a long relationship with the bank. Djäkneböle turned to Föreningssparbanken for pure capital and did not ask for any additional help.

As mentioned, the bank loan was invested in machines. In addition to this loan, Jan Grundberg invested his own capital in the company that was used to finance working capital with the main cost being the personnel.

Today the company has high liquidity and no debt. Several venture capitalists have been in contact with Djäkneböle over the years but the company generates enough cash to finance its growth. Jan Grundberg has a positive view on both bank loans and venture capital but he does not see any need for external capital or any other external help at the moment. If the firm would need any additional capital Jan Grundberg says he would turn to the bank again since the knowledge needed to run and develop the company already exists within it. With current resources Djäkneböle could manage an increase in sales of approximately 20%. They do believe though, that the growth rate will level out in the future.

#### 4.4 Smidesbolaget Oxelösund AB

Interview with Susanne Falkmar, Financial Controller, 2006-04-27

Smidesbolaget Oxelösund (Smidesbolaget) specializes in cutting metal. The company was founded in 2000 when the company Proplate owned by Anders Persson bought a small company called HPJ Stål and turned it in to Smidesbolaget. The company delivers cut metal to companies that manufacture machines. Its largest customers are Volvo, Dynapac, SSAB and Manitowoc. Today the company has 60 employees and an annual turnover of SEK 115 millions.

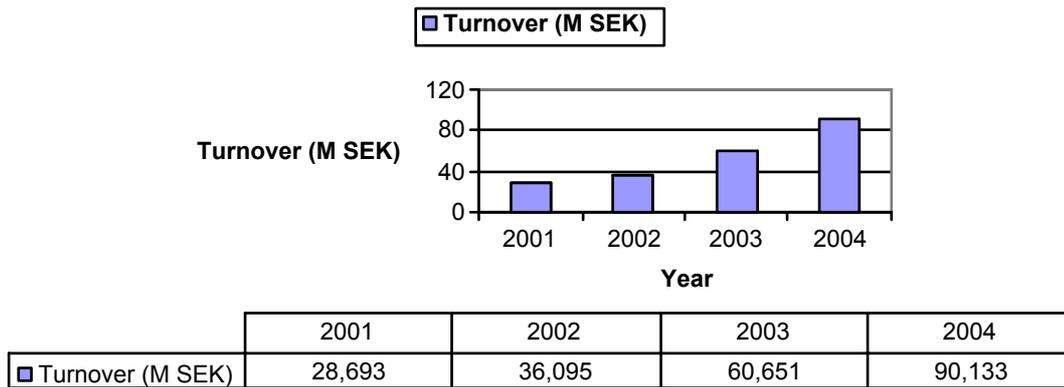


Figure 4-4 Turnover Smidesbolaget Oxelösund AB (Affärsdata, 2006)

In 2000 Smidesbolaget started its production in a new production facility located next door to its supplier, the steel manufacturer SSAB. The new production plant was large and a requirement for being able to grow as fast as the company has. The largest cost the business has is material and storage costs. The buildings are rented from the municipality and approximately 80% of the machines are leased. The cooperation with the municipality gave the company advantageous rents the first five years.

The owner, Anders Persson, supplied the initial capital. The first years were very profitable and these earnings were to some extent reinvested in the firm. The last couple of years the metal prices have increased rapidly and Smidesbolaget have therefore needed a line of credit that it has obtained from Sörmlands Provinsbank. The relationship between the company and the bank are very good and the company has never had any problems. If the company would need additional capital in the future it would not turn to a bank or a venture capitalist but to the owner Proplate.

Smidesbolaget is positive about the future and believes that the growth will continue. Demand is constantly increasing and the production facilities can easily be expanded to meet the expected increases in sales.

#### 4.5 Wattenskärteknik i Skillingaryd AB

Interview with Victoria Wiss, Financial Controller, 2006-04-28.

Wattenskärteknik i Skillingaryd AB (Wattenskärteknik) specializes in water and laser cutting. The company was founded in 1997 and has grown significantly since 2000. In 2005, the company merged with another company and had an annual turnover of SEK 47 millions. Today the company has approximately 30 employees.

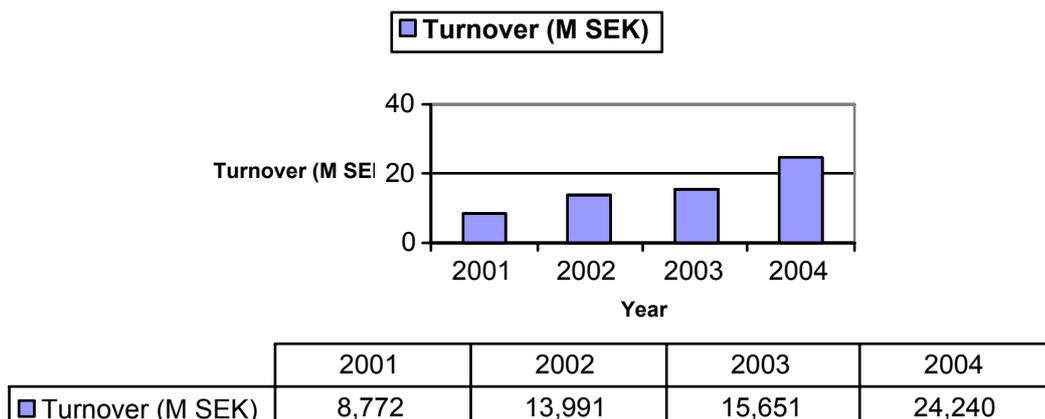


Figure 4-5 Turnover Wattenskärt teknik i Skillingaryd AB (Affärsdata, 2006)

Wattenskärt teknik has three owners, one owns 50% and the other two owns 25% each. There were three owners from the start but one sold his part of 25% to a new owner in 1999. The new owner paid the same amount as the previous owner, so no additional capital in that sense was brought in.

In the beginning, Wattenskärt teknik financed its growth with the initial owners' equity. In recent years bank loans at Nordea has been needed to finance the rapid growth. The factory is built by Wattenskärt teknik using money borrowed from Nordea. Wattenskärt teknik did not have any problems obtaining a loan. Victoria Wiss believes it is because the company is located in a small community and therefore the bank knew about the company and its owners. Wattenskärt teknik only obtained capital from the bank and not any additional help. The new machines needed in the business are purchased through a combination of leasing and loans from Nordea Finans and used machines are paid in cash.

The company has not searched for any additional external capital since the capital provided by Nordea was sufficient. Wattenskärt teknik chose a bank loan since it felt that the bank had good terms and it did not think it was in need of any other help. Its owners already supplied the knowledge and contacts needed. One of the owners had owned a similar business before so he contributed with his expertise.

Victoria Wiss believes that the company could grow faster if it had access to venture capital, but further adds that she thinks it would be hard to keep the fast growth rate the company has had so far. In addition, she says that Wattenskärt teknik does not work at attracting new customers since they would not manage more customers at the moment. Victoria Wiss says regarding venture capital that:

*“The owners want to keep their closeness to the company and are a reluctant to venture capital since they wish to keep the ownership and control over the company.”* (personal communication, 2006-04-28).

The future for Wattenskärt teknik will most probably see a slowdown in growth but the future prospect in the industry looks good. Since it does not want to attract external capital from venture capitalists, expansion of the company will be steady and under control of the owners.

## 4.6 LK Pex AB

Interview with Dan Söderman, CFO, 2006-04-27.

LK Pex AB (LK Pex) manufactures plastic pipes that are used in under floor heating and in domestic water systems. The company has 25 employees and an estimated annual turnover of SEK 75-80 millions. The company was founded in 1998 as a secret project by the CEO, the owner and an employee from the parent company LK Lagerstedt & Krantz AB. The company was founded to meet the needs of LK Lagerstedt & Krantz AB, but today it has customers in both Europe and in the USA. Five% of LK Pex is owned by the inventors, five% is owned by the initial founders and the remaining 90% is owned by the parent company.

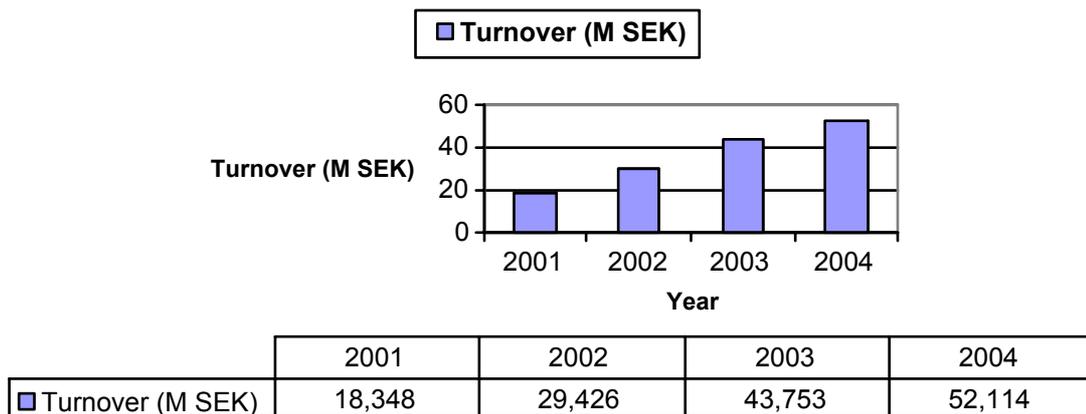


Figure 4-6 Turnover LK Pex AB (Affärsdata, 2006)

LK Pex has great help from the LK Lagerstedt & Krantz group that has provided LK Pex with customers as well as initial capital. The parent company initially spent SEK 15- 20 millions before the company started to generate a profit. The parent company manages personnel and financial issues for all companies in the group. Besides that, LK Pex has total control over its operations.

LK Pex does not have any external capital since it is very profitable. Its main investments are new machines that cost SEK 4-5 millions each to purchase. The LK group has been in contact with venture capitalists but chose to finance the project with own capital. The reason for this was that the risk capitalists demanded too much ownership in comparison to the amount of money they wanted to contribute with. Dan Söderman does not believe that the company would have been able to grow faster if it had access to venture capital.

LK Pex customers usually have 30 days credit but it depends on where in the world the customer is located. It always runs a credit check on its customers to decide whether the customers should pay upfront or be given credit.

In its production plant, LK Pex has five production lines. The current plant has the capacity to contain an additional two production lines. If the company manages to grow more than that, it has to move to a new production plant. Most probably, LK Pex will obtain an additional production plant in another country.

## 4.7 Habo Träfo AB

Interview with Thomas Karlsson, part-owner, 2006-04-28

Habo Träfo was established in 1983 by Thomas Karlsson and is today owned together with Jan Gärln. Ever since the start in 1983, Habo Träfo has shown growth and it has never shown a loss. Today the company has an annual turnover of SEK 21 millions and has 18 employees.

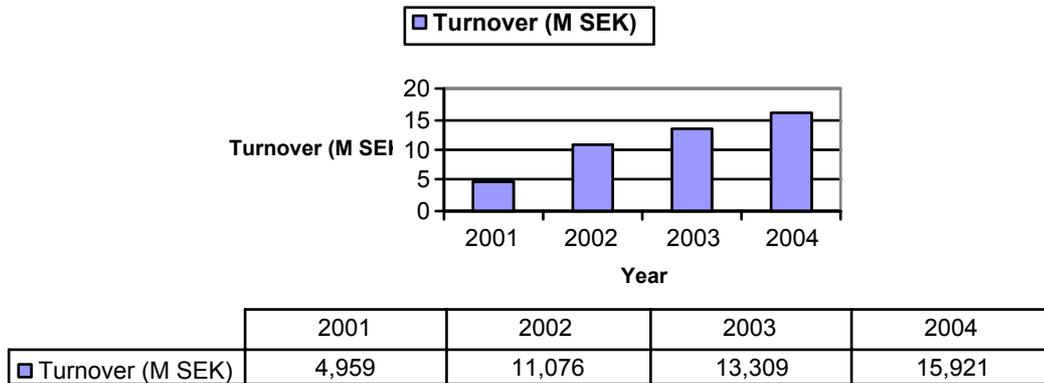


Figure 4-7 Turnover Habo Träfo AB (Affärsdata, 2006)

During the year 2001, the company took out a line of credit but so far it has not needed to use it. The same year Habo Träfo acquired Gula Rehab, a company that sell and develop workout gear for both the private market and the municipalities. To finance this purchase, Habo Träfo contacted ALMI but decided not to use them and instead turned to a bank for a loan. The company chose to use the bank since this loan was cheaper and Habo Träfo felt that they had a better relationship with them. The company did not have trouble obtaining a loan since both Habo Träfo and Gula Rehab had sound finances. Today Habo Träfo only has a very small part left on the loan.

Up till 2003, Habo Träfo had no property on its own. In 2003, it bought its first real estate from the municipality of Habo. The company took out another loan to finance this purchase and in 2005 they had outgrown their premises and had to loan more to expand their production plant. Last year the company also bought new machines for a significant amount but it paid the machines in cash. Habo Träfo has made a decision to finance the day-to-day operation with cash and real estate with loans.

Thomas Karlsson also ads that the company would not consider to bring in external finance such as venture capitalists in order to grow faster. He wants to *“keep the feeling of a small company intact”* and would probably divide the company into smaller units if it grew too big. This way the company would easier adapt to changing market conditions. Another reason why he does not want to bring in venture capital is that he does not want to lose control over the company.

In the company today, the area that cost the most money is the machinery. It is a huge investment every time the firm needs to buy a new machine but as Thomas Karlsson puts it:

*“We want to finance our day-to-day operations with cash and the machines are included in that.”* (personal communication, 2006-04-28).

At current growth rate, the company can only stay in its production plant for approximately two more years. After that, it needs additional space to meet the market demand.

Payment from customers is today with 30 days credit and so far the company has not had any problems at all with the cash flow. Factoring or other methods for releasing capital are not used and leasing on machines is not used either.

## 4.8 Outokumpu Wenmec AB

Interview with Carola Falk, Vice President & Financial Control, 2006-04-27.

Outokumpu Wenmec AB (Outokumpu) is situated in Kil and in Smedjebacken. The factory in Smedjebacken manufactures huge mills for grinding of large boulders to smaller parts to extract ore and has 7 employees. The mills take around six months to produce and cost between SEK 10-15 millions. In Kil, with 24 employees, the main activity is manufacturing specialized machines for the copper industry and the machines are used in the process of refining copper. The specialized machines take around 10-12 months to manufacture and cost between SEK 20-25 millions. Outokumpu also sells spare parts that contribute 17% to the company’s turnover. The company is owned by a parent company in Finland, Outokumpu Technology OY.

The recent years rapid growth has been very dependent on the rapid increase in metal prices. It started in 2002, when Outokumpu managed to more than double its turnover to SEK 94.3 millions and has continued with a rapid pace to SEK 233.3 millions in 2005.

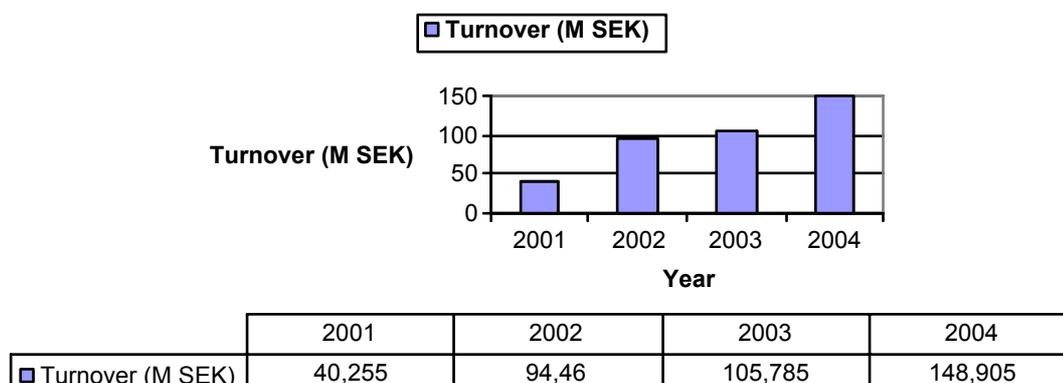


Figure 4-8 Turnover Outokumpu Wenmec AB (Affärsdata, 2006)

The main reason for the rapid growth as earlier mentioned is the fluctuations in metal prices. The metal industry is in a boom right now so the customers want to produce as much as possible as long as the metal prices rise. This is not a normal turnover for Outokumpu and it is quite unstable due to the metal prices fluctuations. If prices should fall, Outokumpu will see diminished turnover since customers will avoid new investments and instead focus on existing machines.

The rapid expansion has not been that costly for the company. Since their machines only constitute a small part in major deals that the mother company makes, the company does not need to focus on sales in the same way. To avoid heavy outlays, Outokumpu uses payment in advance for their heavy and costly machines and mills, with payments on four different occasions. Since the machines and mills are so expensive it is not possible for the company to manufacture unless an order is placed which in turn reduce inventory costs. Since the turnover is increasing so fast, with many machines and mills in manufacturing, the costs are increasing but the company has managed to build up a strong cash balance during the years to be prepared.

The main costs for the company are the costs for labor and material. Most of the manufacturing is taken care of by suppliers so there are no huge costs for machinery and buildings. Everything is paid for with existing cash and advance payments.

The strength with having a parent company is described by Carola Falk as:

*“If we would face problems as to meet our costs, we always have our parent backing us up and providing us with internal loans”* (personal communication, 2006-04-27).

Neither venture capital nor bank loans are options for Outokumpu since it has a strong balance sheet and also the parent company backing it up if necessary. But it would have managed the strong growth even without help from the parent company.

The parent company does not interfere with the daily business since the company is doing so well. If hard times come, most probably the parent will become more involved but so far the results have been positive and Outokumpu independent.

The future looks bright and Outokumpu is in the process of developing a new, faster producing machine with lower operating costs.

## **4.9 MSA Sordin AB**

Interview with Joakim Birgersson, Managing Director, 2006-05-03

Sordin AB (Sordin) was established in Falun, Sweden, in 1989. From the start, it was focusing on designing hearing & face protection for the forestry industry. Over the recent years, it has shown a positive growth and in 2005 it had a turnover of SEK 154 millions with a profit before taxes of SEK 32 millions. Sordin has 28 employees.

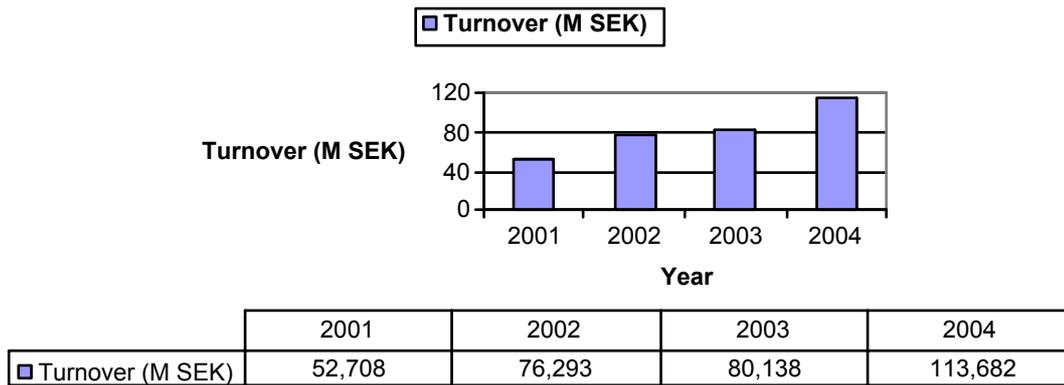


Figure 4-9 Turnover MSA Sordin AB (Affärsdata, 2006)

In 2004, Mine Safety Appliances Company (MSA) acquired Sordin AB and became MSA Sordin. This way, the company not only gained a strong parent company but also easier access to new customers in the form of 28 new sister companies.

The product range consists of hearing protection, with and without electronics. The target groups are both professional users and private customers exposed to unwanted noise levels. Sordin manage all research and development and its aim is to maintain a high level of technology and innovation. The actual production is done in the Baltic countries and Sordin does the final assembly as well as research and development and marketing. This way, the company does not need to have as many employees.

In 1998 Sordin ventured into its new product area. Money from the old organization was used to start this new branch that would concentrate on hearing protection with electronics involved. In addition, capital from shareholders, both old and new, was put in the business. The sum ranged to about SEK 1.5 million and Sordin also applied for a loan of SEK 1.5 million from ALMI that it received. For Sordin to obtain a loan from ALMI the company had to invest as much as the loan it applied for and be able to show future invoices. Besides these conditions, ALMI did not have any demands on the company for its loan. The loan was used to finance development of a new product that later turned out to be a flop. The loan was repaid with help from the owners and the previous business.

Sordin has used capital from the previous business together with capital from the owners to finance product development. The company has made a decision not to purchase property but to rent it to avoid heavy cash outlays or loans. Product development has been, and still are the most costly part in the company.

In addition to the money from shareholders, the company also looked into alternatives such as subsidies from European FUSE and it was granted these both from the European part of the organization and later on from the Swedish counterpart. It is a subsidy to support the use of new technology within electronics, optics and software. The demand put on Sordin to receive the subsidy was to contribute with the same amount as the subsidy. Additional capital was provided yet again from the owners. Any other forms of finance were not researched since Sordin had what it needed.

Joakim Birgersson (personal communication, 2006-05-03) says that:

*“Capital is an important tool in building a company but capital does not build companies, it is business ideas and entrepreneurial spirit that does.”*

Joakim Birgersson does not believe that the company could have grown even faster than it has even if it had been given a larger sum of money, since he sees it difficult to grow more than 50% each year when being a manufacturing company. He also adds that the company currently has no loans and that it will not have that in a foreseeable future either since there is no need for extra capital.

In the beginning of 2000, the company was struggling a bit but it did not resort to measures such as factoring since Joakim Birgersson considers that to be far too expensive and a company that has sound finances should not have to use this costly measure to stay in business.

Even though MSA bought Sordin in 2004, they have not interfered in the daily operations of the company more than the work with the board. When the company is successful, it is no need for MSA to change a very well run and profit making company.

The future looks bright for Sordin and the most important thing is to improve the integration with MSA. Focus will also be on developing the company to be prepared for future expansion.

#### 4.10 Pemectra Lasertech AB

Interview with Per-Axel Sundström, financial and quality manager, 2006-05-05

Pemectra Lasertech AB (PLT) is a small company within the manufacturing industry that specializes in lego parts made of metal and cut mainly using laser. All its products have the QS 9000 quality mark and that is an important part since the majority of its customers are within the auto industry. The company is based in Trollhättan that means that it is close to its customers. In 2005, PLT had a turnover of SEK 60 millions and 30 employees. The company was registered in 1992 and from 1979 it had been a branch of EKA Chemicals AB under the name Permascand Laser AB. Ever since the company started it has had a positive cash flow.

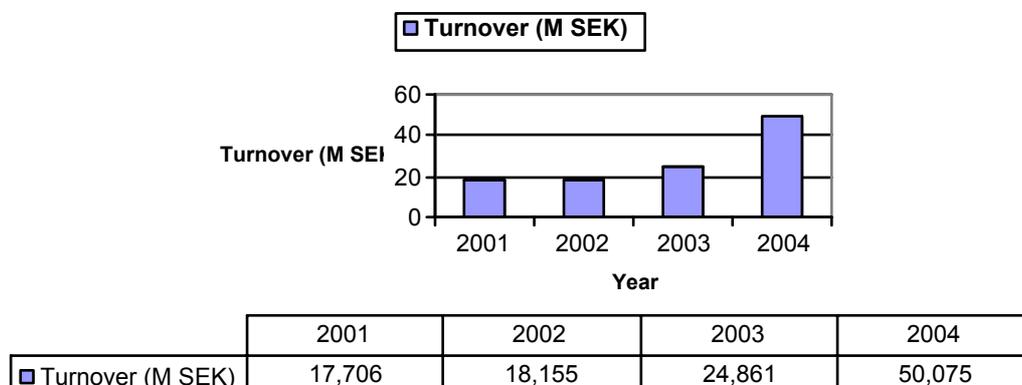


Figure 4-10 Turnover Pemectra Lasertech AB (Affärsdata, 2006)

PLT is today owned by Pemectra Holding AB, which in turn is owned by Pemectra AB 34%, EKA Chemicals 33% and Industrifonden 33%.

In 2003 PLT took a relatively large investment decision and it was at this time EKA Chemicals AB decided to no longer own the company in full since manufacturing lego parts for the manufacturing industry with laser technology was not its core business. PLT was therefore sold off to other investors and this is where Industrifonden and Pemectra AB came into the picture. Industrifonden saw it as an interesting company with promising technology and the owner of Pemectra AB had a past in the business so he contributed with both know-how and capital. In connection with this change of ownership and investment decisions, the company did in 2004 a sale and lease buyback of the machine park to get cash for future expansion. It is mainly the machinery that costs a lot of money in the company and the last four years PLT has invested over SEK 70 millions.

If PLT had not gotten new owners in 2003 Per-Axel Sundström says that:

*“The company would not have been able to grow at the rate we enjoy today and if we had been given more capital we could have grown even faster.”* (personal communication, 2005-05-05).

The new owners have not put any specific demands on the company. Industrifonden and Pemectra Holding have contributed with more than just capital since they sit on the board and Industrifonden’s huge network can be accessed when needed.

In addition to the capital provided by the new owners PLT has a bank loan that is used to finance machines. They had no problems obtaining this bank loan since they could show very positive future prospects. In 2005 bank regulations changed and the bank demanded additional securities for existing loans. This was difficult for the company since the machines were not sufficient as collateral since there is no secondary market for them.

Payment from customers is generally between 45-60 days. These accounts receivables are also used as security for PLT’s bank loan.

Per-Axel Sundström also says that PLT could have grown even faster over the last years. He says:

*“Instead of working with two legs, the company has had to choose one leg at a time to use.”* (personal communication, 2006-05-05).

Even though the company could have enjoyed a higher growth if it had gotten more capital, the future still looks bright. Current year the turnover is projected to increase and hopefully the profit as well.

#### **4.11 AB A.K. Rör & Mekaniska**

Interview with Joacim Dahlberg, CEO, 2006-05-04.

AB A.K. Rör & Mekaniska (ABAK) manufacture metal parts for the manufacturing industry in Sweden. The company started in 1981 as a family owned business. In 2005 ABAK had a turnover of SEK 23 millions and made a profit of SEK 6.7 millions before taxes. Today the company employs 21 workers. In 2005, the brothers Joacim and Ove Dahlberg bought the company through their holding company

Casaotto AB. Both brothers have a past in the manufacturing industry and they have big plans for the company in Trollhättan.

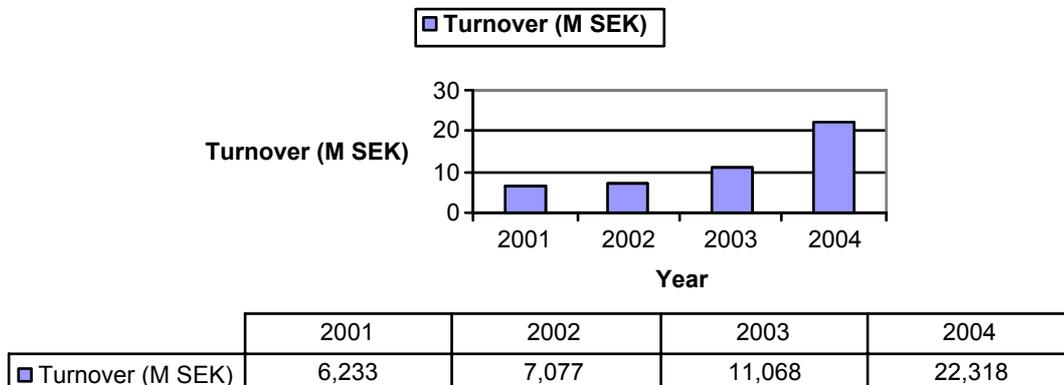


Figure 4-11 Turnover AB A.K. Rör & Mekaniska (Affärsdata, 2006)

Over the years that the business was family owned the company did not have any external capital. The company has grown mainly using retained earnings and has not used any external capital. The family that ran the business did not want to increase the risk for the company by taking in external finance and also keep the control over the company. Also investments have been very limited to keep the costs down.

A lot will change in the company now when the brothers have taken control. It will change from being a family business into a more risk willing company that can cope in a tough corporate climate. ABAK will be run in a considerably more expansive way. Joacim Dahlberg says:

*“If one is to run a company only on owner’s equity the growth is inhibited considerably”* (personal communication, 2006-05-04).

Joacim Dahlberg also claims that the difference between many family-owned businesses and professionally run companies is how they deal with their finances. Family businesses tend to be more careful in the management of their business and they do not dare to take that extra risk. He also adds that this is a very common phenomena in Swedish businesses. Even the large corporations in Sweden today sit on their money instead of investing it.

In ABAK, it has been the machinery and property that has drained most of the capital. In order to keep the working capital in a suitable level in the future they will mortgage the real estate and lease the machinery to release capital.

ABAK’s customers are large Swedish corporations in the manufacturing industry, which have 60 days credit. Further, ABAK does not use any special techniques to keep costs at a minimum.

Expanding the business will be done through bank loans, using the current business as collateral and with that money finance new acquisitions, mainly smaller family businesses. ABAK will not involve venture capitalists or any other means of finance except bank loans since they see no need for it. Joacim Dahlberg says

that they are trading carefully since they are dealing with family owned businesses and in the takeover of such companies you have to be extra careful since there is not only money involved, there is also a lot of history and feelings to consider.

The bank loans have not been a problem for ABAK since both brothers have experience with budget work and planning in their previous careers. They have a very good relationship with their bank, which has made the cooperation easier.

The future looks bright for ABAK, its estimated turnover for 2006 are SEK 28-30 millions and the parent company hopefully has tripled its turnover. Joacim Dahlberg is currently in negotiations with some companies and hopes to do numerous acquisitions over the next few years and to introduce the company sphere on the stock market.

## 4.12 KungSängen Produktion AB

Interview with Eva Stankiewicz, CFO, 2006-05-04.

KungSängen Produktion AB (KungSängen) manufactures well-built beds and sells them at a reasonable price. The beds are both manufactured and sold by KungSängen. The product range also includes bed accessories such as pillows and covers, which also are sold in their own stores. Today they have 10 stores, mainly in Stockholm. The beds are customized and manufactured on demand, which keeps the inventory costs down.

The company was founded in 1998 by Michael Viberg. In 2005 it had 30 employees and an annual turnover of SEK 102 millions.

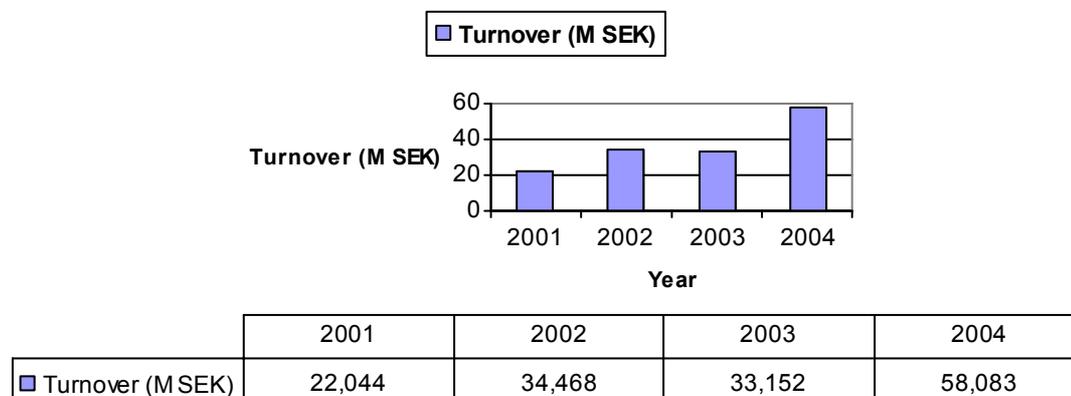


Figure 4-12 Turnover KungSängen Produktion AB (Affärsdata, 2006)

The first three years the company grew slowly and it had to generate profit in order for it to have the ability to grow. The company tried to obtain bank loan in the beginning but could not get it due to the fact that the future prospects did not look convincing enough for the bank. The trend changed and KungSängen could show more positive future estimations that helped them to borrow money. In 2001, KungSängen obtained a line of credit from a bank and in the same year the company obtained a development loan from ALMI. This loan was very important for the company and a major contributing factor for the rapid expansion. The loan was not attached to any conditions and was seen as a loan from an or-

dinary bank. ALMI did not contribute with any additional help such as consultation or other expertise. Today the loan has been repaid and the company is completely debt free and finances its growth only with retained earnings.

KungSängen has not searched for any other external sources of capital such as capital from venture capitalists. Eva Stankiewicz believes that the owner, Michael Viberg, wants to keep the control over the company. KungSängen uses no form of leasing or factoring either, since it has the ability to run the business on their own.

KungSängen's main costs are personnel and material costs that today are financed purely through retained earnings.

In the future, the company's focus is on expanding and to open new stores, particularly in the south of Sweden. International expansion is not a priority at the moment since the market in Sweden still has a lot to offer. The company opens stores when it has generated enough capital to afford it.

## 5 Analysis

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*This chapter will analyze the use of internal and external sources of finance. Focus is put on the research questions in order to answer the purpose of the thesis.*

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### 5.1 Analysis of internal financing

All the twelve companies have used internally generated funds to finance its fast growth. For three of the companies internally generated funds have been sufficient to finance the firm's fast growth. According to research done by Chittenden et al. (1996) the use of only internally generated funds may hinder the growth of the company. This is hard to judge since it is impossible to know how much these three companies could have grown if they had used external capital. However, these three companies show that it is possible to grow fast using only internal finance.

#### 5.1.1 Analysis of owner's equity

All companies have used its owner's equity to finance their growth. It is interesting to see that the five companies owned by parent companies have the highest turnover. It is only KungSängen that can match these companies. In our opinion this is because they all have had easier access to larger sums of money from their parent companies, both through owner's equity and internal loans. Networks and know-how contributed through the parent companies have also been important factors that have helped these companies immensely. It is hard to say if they would have grown as fast without help.

#### 5.1.2 Analysis of retained earnings

All the interviewed companies have been successful and generated excess cash. The retained earnings have been invested in the companies. The retained earnings are mainly used to finance working capital and day-to-day business expenses. It is interesting that some companies have managed to finance their expansion mainly using retained earnings. This shows that external finance not always is necessary for financing of rapid growth. Three out of the twelve companies have managed to grow rapidly only using retained earnings during the whole expansion phase.

Even though all companies have been profitable over the last years the profit has sometimes not been sufficient to cover the large investments needed to expand or develop the company. Some of the companies have chosen to grow at a slower rate in order to finance their growth using only internal funds.

Retained earnings are mainly used for covering working capital expenses. For larger investments like factories and machines most companies have needed to use external finance.

#### 5.1.3 Analysis of financial bootstrapping

The use of financial bootstrapping is extremely hard to measure. Most companies claim to be cost aware but do not use any specific methods to reduce costs or

secure cash inflow. The emphasis on cost reduction varies significantly between the companies.

Emsize is one of the companies that have needed to be extremely cost aware since it always have had a shortage of cash. As Emsize says:

*“It is easier to buy an extra beer in the pub if you have money, and it is the same thing in a company.”* (M. Boström, personal communication, 2006-04-26).

Especially in the start up phase, the founders of Emsize took advantage of their personal relationships instead of turning to professionals for help. All these small steps have helped Emsize in the development of the successful company it is today.

Securing cash inflow is also a part of financial bootstrapping and is used to decrease the need for external capital. The industry in which the company is in seems to be the most important factor for the company’s ability to get advanced payments from customers. Most companies have to adjust to the industry standard and do not have the ability to affect it. Obtaining advance payments are important for the companies cash balance and to reduce the risk of shortages of cash.

Financial bootstrapping seems to be more important for companies that have had shortages of cash during some periods. For other companies liquidity has not been an issue. Even though these companies are cost aware it is not to the same extent e.g. Emsize.

None of the companies have shown signs of over-using financial bootstrapping. They all have a sound view of expenses, but not to the extent that it would sacrifice the relations with external stakeholders. Also, all the interviewed companies have managed to create very profitable companies, which has lead to decreased focus on expenses and more focus on the growth of the firms.

## **5.2 Analysis of external financing**

External finance has been used in nine out of the twelve companies. It appears that external finance often is vital for the companies’ ability to grow fast. The companies that have used external sources of finance would probably not be on the gazelle list without the capital supplied.

### **5.2.1 Analysis of factoring**

None of the respondents have used factoring since it is considered to be too expensive or too complicated. For example, Sordin’s Managing Director even said when asked if the company uses factoring;

*“No! Absolutely not, it is way too expensive.”* (J. Birgersson, personal communication, 2006-05-03).

Sordin also states that the company frowns upon other companies that use factoring and that it is seen as a sign of financial weakness if a supplier or customer uses factoring.

None of the interviewed companies have had serious problems with shortage of cash and have managed to prosper without releasing capital using factoring. The other available sources of finance have been sufficient to manage the rapid growth.

### **5.2.2 Analysis of leasing**

Leasing is a part of many companies' day-to-day operations since it is important to spread out the costs. What we have chosen to analyze is whether the companies have leasing on their machinery, not leasing for such things as company cars or coffee machines.

Out of the twelve companies, seven have the option to use leasing to a larger extent but only three have chosen to lease its machinery. The companies that use leasing have seen it as a possibility to make more capital available in the company for other purposes. In addition, ABAK has not used leasing in the past but are planning to use leasing in the future since it wants to use the available money to grow even faster. The other three companies have found other ways to finance their machinery. There are several reasons why leasing might not be needed or used. It is possible that the companies that are not leasing machinery have good finances and they see no need to lease. In addition, the machinery might not be that expensive or it could also be that there are no possibilities for leasing in their respective areas of business.

### **5.2.3 Analysis of public subsidies and loans**

Subsidies from Swedish and European organizations are very rare among the interviewed companies. The only company that has managed to obtain subsidies is Sordin, both the Swedish and the European FUSE for promoting use of new technology in software, optics and electronics. Attaining a subsidy is obviously very beneficial for the company, unfortunately subsidies are hard to obtain and therefore very unusual. In many cases, the subsidies are so specific which makes it very hard to fit into the requirements. To acquire a subsidy extensive paper work is needed. Since the chances are so slim the companies might think it is not worth the effort.

ALMI has only been involved in two companies. Both the companies have paid off the loans and do not have loans with ALMI today. For one company the loan was very important since this company could not obtain a bank loan. The main advantage with public loans is that it should help companies in similar situations. It seems, as these kinds of loans are easier for new companies to attain.

### **5.2.4 Analysis of bank finance**

In nine of the twelve cases bank finance have been used, either in the form of a term loan or a line of credit. This makes bank finance the most common source of external finance. Three of the respondents have a line of credit with their banks and no term loans. The line of credit has been used to finance temporary shortages of cash. The remaining six companies are using or have used bank loans as a source of external finance. The bank loans have mainly been used to finance machinery and property.

Two companies have had difficulties obtaining a loan. These problems were due to the large risks involved for the banks. Both the companies have later managed to obtain external finance since they were able to show future orders.

Many factors influence the company's ability to obtain a loan. Personal relationships have been an important factor for several of the interviewed companies. When the entrepreneur is well known to the bank, the trust for the firm seems to be greater. Aspects such as competence and previous experience affect the banks judgment. In addition, the reputation of the company also affects the ability to obtain a loan.

Existing companies appear to have easier access to bank finance since they have a track record. These companies already have assets and customers that make the loan less risky for the bank.

None of the companies have used the bank for any other resource than financial capital. If a company has needed any help besides financial capital it has chose to turn elsewhere.

### **5.2.5 Analysis of venture capital**

In our empirical findings, two companies have used venture capital as a mean of financing. Emsize attracted capital from KML in exchange of 50% ownership in the company. Emsize saw venture capital as an opportunity to develop the company. Unfortunately, KML were a disappointment to Emsize since the contribution was limited to access to KML's network and capital. The founders were not afraid to give up control over the company since they saw it as the only way to expand their company. It was not the capital per se that was the most important factor for Emsize, rather knowledge about the furniture and packaging industry.

The other respondent that used venture capital was PLT. PLT was in need of both capital and contacts that Industrifonden could provide. The venture capital was a very important factor and PLT even believes that it could have grown even faster if new capital was obtained.

The venture capital has mainly been used for investments in the production and product development where traditional bank finance is difficult to obtain. Since the product was not completely developed in the case of Emsize, the risk was too high for a bank to provide enough capital.

The companies that have not used venture capital to finance growth were all of different opinions regarding venture capital. Five out of the twelve companies are totally against venture capital since they want to keep the control over the company. Control is a word that has been repeated throughout the interviews regarding venture capital. Habo Träfo's part owner says:

*"If you bring in venture capital, you will lose control over the company and that is something that we are not interested in!"* (T. Karlsson, personal communication, 2006-04-28).

A few companies even prefer slow and controlled growth rather than bringing in venture capital that in turn may increase the growth rate.

Djäkneböle and Sordin are open to the use of venture capital but they see no need for it. These companies believe that no improvements can be made with

venture capital or additional know-how. When no extra knowledge can be gained, venture capital is seen as too expensive and bank finance is preferred. However, sometimes the amount of capital needed is too large or the risk is too high for banks. Venture capital might then be the only option available.

#### **5.2.5.1 Analysis of business angels**

As a sub-category to venture capital we find the business angels. The only company that has used capital from business angels as a source of finance is Emsize.

Emsize found its angels in Germany, one of its largest markets. This was a perfect way for it to gain access to both knowledge about the industry and how to do business in Germany. Of course it had drawbacks such as giving up ownership but without the business angels it would not have grown as fast as it has done over the last years. In this case, it was not the capital per se but rather the technical know-how and expertise that they brought into the company.

Business angels are not as common as venture capitalist firms but in many cases they are more appealing for companies. They are often more involved in the day-to-day operation as in the case of Emsize. A business angel is an attractive alternative compared to clean-cut venture capitalist firms with many undertakings. However, business angels might not be as large or have the well-built networks that a large venture capitalist firms have.

The main advantage with using business angels is the gained access to new knowledge. This seems to be the general belief among the companies as well. If no new expertise is needed, a business angel might not be the most suitable source of finance.

## 6 Conclusions

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*This section will summarize the results in the analysis and answer the research questions and the purpose of the thesis.*

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*What financing options do manufacturing gazelles in Sweden have?*

A company can finance its operations and growth using internal and/or external finance. Internally generated funds consist of owner's equity and retained earnings. In addition the company can use different bootstrapping techniques to reduce capital expenditures. External sources of capital available to the gazelles are leasing, factoring, public subsidies and loans, bank finance, venture capital and business angels. Out of these sources of capital all except factoring are represented as a source of financing used by the interviewed companies.

*Which options have the gazelles used to raise capital to finance their fast growth?*

All the companies have obviously used owner's equity as an initial source of finance. In addition, all the companies have reinvested their retained earnings into the growing firm. If the company needs external finance depends on the access to internal loans from a parent company, the need of capital for larger investments and the company's profitability. Leasing has been used by three companies to make capital available for other investment opportunities.

Bank finance, in the form of a term loan or a line of credit, is the most common source of finance and used in nine out of twelve cases. Bank finance is used because it is relatively easy to obtain and cheap compared to other alternatives. Further, bank finance is used when the company does not see any need for additional know-how or expertise since the banks do not provide this.

Venture capitalists have been used by two of the interviewed companies. Venture capital is often considered to be too expensive. Several companies do not wish to obtain venture capital since they wish to keep control over the company.

Business angels have been used in one of the interviewed companies. For this company the business angels have been very important for the development and growth of the firm. In this case the additional know-how gained from the business angels was more important than the capital supplied by them.

*For which purposes have the different financing options been used?*

The internal sources of finance have mainly been used to cover working capital expenditures, the expenses needed to take care of the daily operations. The daughter companies have used infusions of internal loans to finance machines and buildings since they, in most cases, have not used any external financing. Capital from bank and public loans has been used to purchase machines and other heavy investments where the internal capital has not been sufficient. Venture capitalists have been used mainly for product and production development where bank loans have been hard to achieve, due to the risk involved. The business angels contributed mainly with expertise within critical fields. Public subsidies have been used for product development. Leasing has also been a way to reduce capital expenditures and to avoid purchasing buildings.

*How important have the external financiers contribution been, both financially and managerially, to the companies?*

Banks only contribution to the companies has been capital. No know-how or other help have been offered. On the other hand, none of the companies have turned to a bank for anything other than capital. It seems to be a general belief that if the company needs expertise the bank is not the right partner. This seems to be true when it comes to public subsidies and loans as well. The financial contributions made by the banks have been very important for the companies' prosperity and in many cases even vital for the survival of the firm.

Venture capitalists have contributed to the companies with both network and capital. Capital has been the most important contribution and managerial help have been limited.

Business angel has contributed to the firm with both capital and know-how. In this case, as oppose to the other external sources of finance, the capital contributed have been of secondary significance. The knowledge gained was the most important factor for choosing to use a business angel.

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## Appendix A – Interview questions

Below are the questions that the interviews were based on;

- Skulle ni kunna berätta lite fakta om företaget: Verksamhet, omsättning, antal anställda, framtidsplaner, kort historik, ägarförhållande.
- Hur har ni skaffat kapital för att finansiera den snabba tillväxten?
- Vilka olika finansieringsalternativ har ni undersökt och vilka har ni slutligen använt er av?
- Varför har ni valt de alternativen som ni gjort?
- Var de det bästa, enda, billigaste alternativen?
- Vilken betydelse har finansieringen haft för er strålande tillväxt?
- Vilket alternativ anser ni vara det absolut viktigaste för er tillväxt?
- Hur har ni skaffat externt kapital?
- Vilka problem har ni stött på vid anskaffning av extern finansiering?
- Tror ni att ni kunnat växa snabbare om ni hade använt externt kapital?
- Vad har ni behövt finansiera? Rörelsekapital, byggnader, maskiner, produktutveckling
- Vad har finansierats med vilken finansieringsalternativ?
- Vilket område har behövt störst kapitalresurser? Vilket minst?
- Om ni har eller har haft externa finansiärer, vad har de haft för betydelse för utvecklingen? (Både finansiellt och ledarskapsmässigt/kunskapsmässigt.)
- Har de bidragit med mer än bara kapital?
- Vilka olika krav har de olika externa finansiärerna ställt på er?
- Har de externa finansiärerna ägande i ert företag? I så fall, hur stor del?
- Har ni varit tvungna att förändra verksamheten för att uppnå de externa finansiärernas krav?
- Varför har just ni lyckats o inte konkurrenterna?
- Varför tror ni själva att ni lyckats växa så snabbt?