



INTERNATIONAL BUSINESS

# What Sweden's Success Reveals About European Competitiveness

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The Draghi and Letta reports brought European competitiveness to the forefront of the EU strategic agenda. Among the gaps identified: slow economic growth, persistent underinvestment, and limited business value creation. Consider, for instance, that over the past 30 years, US output per worker has nearly doubled, while Europe's has risen by only around 20%. But performance varies sharply at both country and sector levels, revealing how much success can be achieved

through national reforms—rather than by waiting for the worthwhile yet unrealized ambition of deeper, EU-wide economic integration to occur.

Sweden is a standout example. We analyzed a decade of total shareholder return (TSR) among Swedish public companies and found that over the past ten years, Swedish listed companies delivered close to 9% median annualized TSR, placing Sweden at the top—along with the Netherlands—among EU nations. While TSR is an imperfect proxy for national competitiveness, it is a useful metric for gauging how effectively an economy helps its firms scale, invest, and create value. Moreover, the outperformance that we tracked is broad based. Swedish champions show up not only in technology, but also in industrials and health care—sectors that matter for European productivity, exports, and strategic capabilities.

To understand what Sweden has done differently from its European peers, we explored some core factors that underpin its successful business environment. The key takeaway of our study is that Sweden has made practical policy and market design choices that systematically improve its odds of producing corporate champions. Those lessons can inform a potent agenda for national reforms addressing labor, innovation, and capital throughout Europe and beyond.

## Why Sweden Is an Outlier in Value Creation

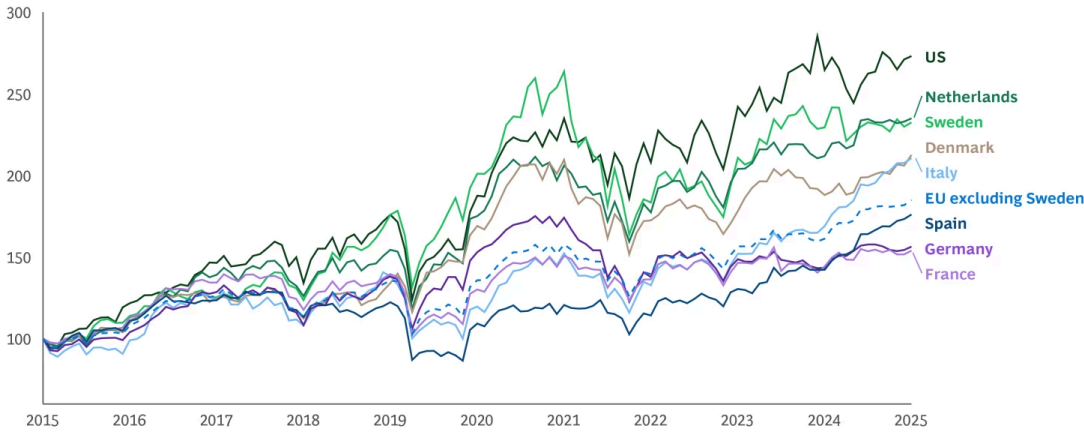
Our TSR analysis revealed some important exceptions to the narrative of European underperformance.<sup>1</sup> Smaller IT companies in Europe, for example, have performed as well as or better than their US peers in shareholder value creation over the past decade. The median annualized ten-year TSR for EU small-cap IT firms was approximately 10%, versus about 6% for comparable US companies.

A disproportionate share of these winners are Swedish companies. And this degree of outperformance is not limited to the small-cap IT sector. Sweden's public companies have delivered exceptional performance, making the country a core case study for EU competitiveness. Over the past ten years, Sweden has been a top value creator among EU economies, scoring only slightly below the Netherlands: Swedish firms achieved a median TSR of around 8.8% per year compared to around 8.9% for Dutch companies. (See Exhibit 1.)

**EXHIBIT 1**

Over the Past Decade, Sweden Has Been a Top Value Creator in the EU

TSR index: December 2015 = 100



Sources: S&P Capital IQ; BCG ValueScience Center; BCG analysis.  
 Note: Data based on median return by firm within each nation over the past ten years, from December 31, 2015, to December 31, 2025, using firms in the S&P 1500 and EU-27 firms with a market cap exceeding \$0.3 billion as of March 2025; indexed to December 2015.

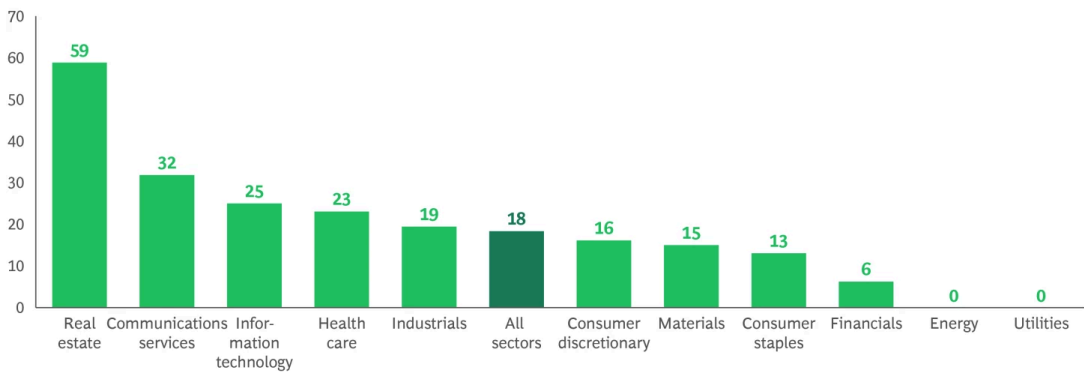
What distinguishes Sweden from the Netherlands, however, is the much higher rate of outperformance among Swedish business. Whereas only 16% of Dutch companies in our analysis ranked in the top quartile of performance for their sectors, this was true of 30% of Swedish firms.

In fact, despite having only around 2% of the EU’s population and approximately 3% of its GDP, Sweden accounts for almost one-fifth of the top-quartile value-creating firms in the EU across all sectors. In other words, roughly 18% of Europe’s best-performing companies are Swedish, an impressive level of overrepresentation. (See Exhibit 2.)

**EXHIBIT 2**

Swedish Outperformers Tend to Operate in High-Value-Producing Sectors—Notably IT

Sweden’s share of top-quartile EU firms (% of all firms in each sector)



Sources: S&P Capital IQ; BCG ValueScience Center; BCG analysis.  
 Note: Data based on median return by firm within each nation over the past ten years from December 31, 2015, to December 31, 2025, using firms in the S&P 1500 and EU-27 firms with a market cap exceeding \$0.3 billion as of March 2025; indexed to December 2015.

Sweden’s outperformance spans multiple sectors. In technology, a sector often seen as Europe’s Achilles’ heel, Swedish companies have excelled: 25% of the top quartile of IT businesses in the EU over the past decade have been Swedish firms, with an average ten-year TSR of 28%. Industrials and health care are other areas where Sweden has produced world-class innovators and global exporters.

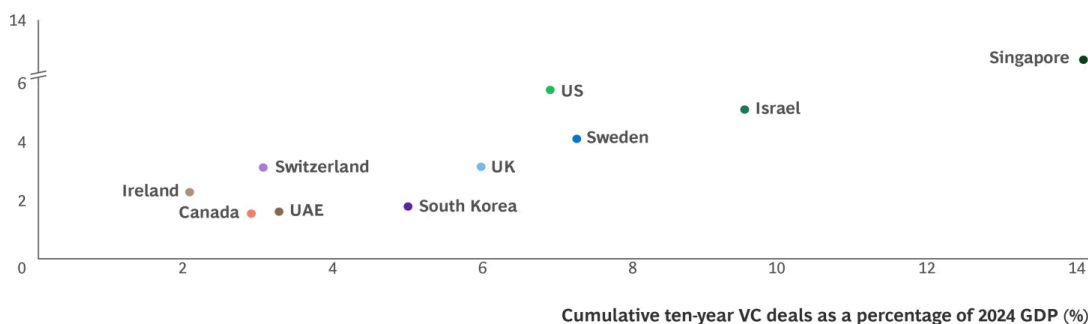
This level of strong performance is not unique to public markets. From 2007 to 2024, private equity (PE) investors injected about €60 billion into 4,183 Swedish companies, with total financing (including co-investors and bank leverage) reaching around €121 billion. The Swedish Private Equity and Venture Capital Association estimates that this economic engine has increased Sweden’s total GDP by up to 4.7%. Today, roughly 322,000 people—around 6.3% of all employees in Sweden versus 5% in Europe as a whole—work in portfolio companies backed by PE and venture capital (VC), underscoring the depth of such markets in the real economy. In 2024 alone, €16 billion of PE capital was invested in 370 Swedish companies, giving Sweden the largest PE investment intensity as a share of GDP in the EU.

On the venture side, Swedish startups attracted €2.4 billion of VC funding in 2024, sitting on a combined ecosystem valuation of €319 billion. With 46 unicorns created as of 2025, Sweden remains number 1 in Europe for both VC and unicorns per capita, a position it has held since 2020. (See Exhibit 3.)

### EXHIBIT 3

## Sweden Has an Outsized Role as a Global Leader in the Venture Capital Space

Cumulative ten-year VC deals value per capita (\$thousands)



Sources: Preqin; World Bank; BCG analysis.

Note: The data for the countries shown in this exhibit is based on taking 30 largest economies in the world and identifying the top 10 per capita ranking in terms of cumulative ten-year VC deals. VC = venture capital.

Sweden’s private capital depth is matched by its globally significant asset managers. Swedish PE firms hold close to 2.5% of total global assets under management (AUM), about five times the country’s share of global GDP. For example, EQT, one of the world’s largest alternative asset managers, holds about €267 billion in AUM. From 2020 to 2024 alone, EQT raised €98 billion in funding, the second-largest amount raised by any private equity firm globally during that time period and equivalent to about 20% of Sweden’s GDP. This magnitude of fundraising tops global

firms such as Apollo and The Carlyle Group in the US, as well as EQT’s closest European rival, CVC Capital Partners.

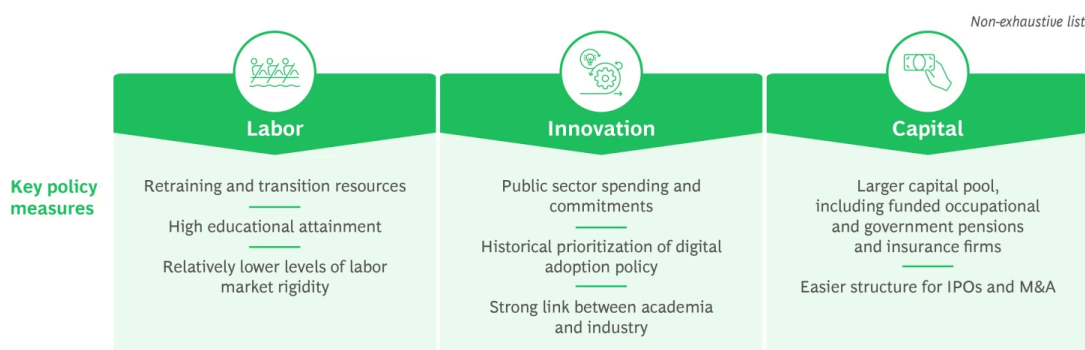
Together, Sweden’s public- and private-market performance points to something more important than a handful of standout firms: economy-wide conditions that repeatedly turn new ventures into scaled, value-creating companies. In other words, Sweden is not a single-sector bet; it produces winners across the board.

# Structural Drivers of Success

Our research reveals several domestic policy and market factors that help create a nurturing ecosystem for business success. We have grouped these into three broad categories: labor market and skills, R&D and innovation pipeline, and capital markets and investment policy. (See Exhibit 4.)

## EXHIBIT 4

Three Key Areas of Policy Have Enabled Value Creation and Success



Source: BCG analysis.

Note: IPO = initial public offering; M&A = mergers and acquisitions.

Together, these drivers form a virtuous cycle: worker mobility, coupled with employment security, encourages risk-taking by prospective new business owners; sustained R&D and early adoption turn ideas into products; and deep capital markets provide the financing ladder from seed to IPO to global expansion.

## Labor

Sweden’s labor market is built to move people, not protect specific jobs. The labor force participation rate reached 84% in 2024, the second highest in the EU and approximately 9 percentage points above the EU average, reflecting both high participation and strong reemployment. The likelihood that a worker chosen at random will change employers is around or above 2% per month, among the highest in Europe and on a par with the figure in the US.

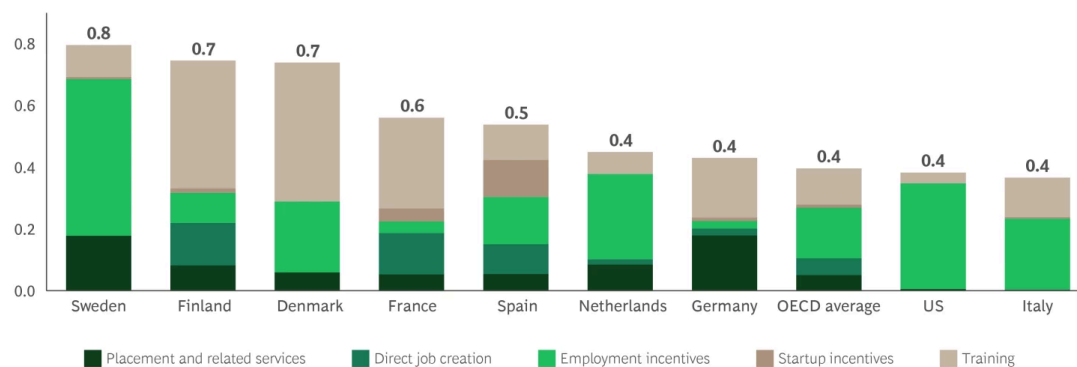
Sweden has changed its policies in recent decades to reduce friction in the labor market and make it easier for businesses to scale up or down than in other major EU economies. For example, the nation introduced reforms in 2022 that relaxed “last-in, first-out” dismissal rules.

Sweden has also long been an outlier among Organisation for Economic Co-operation and Development nations with regard to active labor market policies, dedicating a high level of spending to training and transition support for unemployed workers. (See Exhibit 5.) This “activation” model underpins a labor market that is flexible for firms yet secure for workers.

### EXHIBIT 5

## Sweden and Other Nordics Invest Heavily in Policies to Enable Workers to Make Job Transitions

Ten-year average public spending on active labor market policies (% of GDP)



Sources: OECD; BCG analysis.

Note: OECD = Organisation for Economic Co-operation and Development.

These investments pay off. Sweden’s job security councils (such as TRR and TSL), jointly run by employers and unions, report that roughly nine in ten clients move into new roles after receiving support. When Saab Automobile collapsed in the city of Trollhättan, unemployment spiked to 21% in 2012, the highest in Sweden, but it returned to its precrisis level of around 14% by the end of 2014 as workers rapidly obtained retraining and redeployment into new roles.

Sweden’s labor policies also encourage risk-taking: analyses of Sweden’s startup “unicorns” repeatedly identify the country’s generous safety net and retraining infrastructure as reasons why founders at firms such as Klarna and Vaam were willing to leave salaried jobs to build new companies.

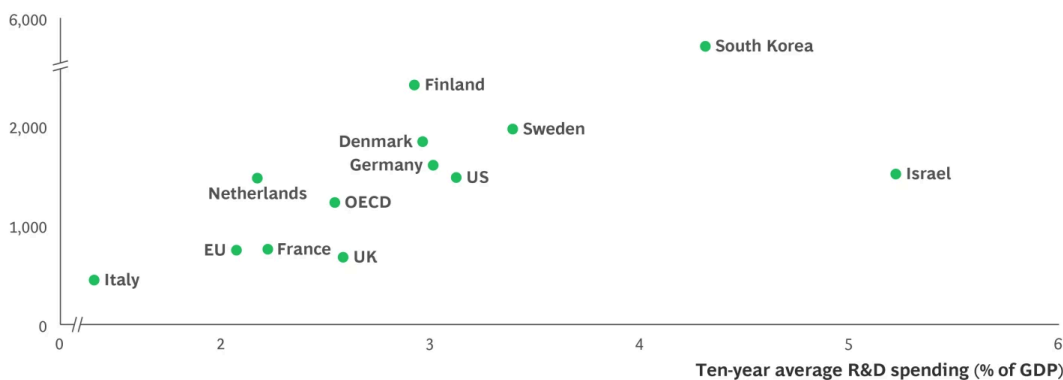
# Innovation

Sweden has created one of Europe's strongest innovation ecosystems. National R&D intensity reached 3.57% of GDP in 2024, far above the EU average (2.24%) and even the figure for the US (3.45%). (See Exhibit 6.) Sweden ranks second worldwide in WIPO's Global Innovation Index, reflecting both strong research inputs and voluminous commercialization capacity.

## EXHIBIT 6

Sweden's R&D Spending Intensity Has Helped Foster a Comparatively High Rate of Innovation

Filed patents per million people (2024)



Sources: WIPO IP; Eurostat; Census Bureau; BCG analysis.

Note: OECD = Organisation for Economic Co-operation and Development; R&D = research and development.

Sweden is home to various research foundations founded in the 1990s, as well as the innovation agency Vinnova, which co-finances industry-university projects and early-stage tech ventures. These institutions have supported continuous innovation at large firms such as Ericsson, Saab, and Volvo, while also underwriting newer bets in batteries, health care, and climate tech, for example. Innovative, high-TSR firms such as BioArctic have benefited from this system, using funds from Vinnova and collaboration with Uppsala University to pursue ground-breaking pharmaceutical discoveries.

Purposeful policy also helped expand the consumer base for digital products early on, showcasing the nation's forward-looking approach to enabling tech development. In the late 1990s, the Home PC reform enabled employees to use employer-provided computer equipment at home tax-free. During the period from 1998 to 2001, some 850,000 home computers were purchased through this program, reaching roughly a fifth of all Swedish households and sharply increasing digital literacy. These advance, combined with early broadband rollout, helped Sweden achieve digitization much faster than the rest of the EU. In 2006, almost 80% of Swedish households had internet access, compared to only 52% in the EU as a whole.

Such factors ultimately created the test market on which Skype, Spotify, King, and other technology firms grew. The country's high degree of digitization continues to nurture software

development by firms such as Fortnox and Lime Technologies, two IT companies that have seen phenomenal TSR levels of over 25% since their IPOs in 2016 and 2018, respectively.

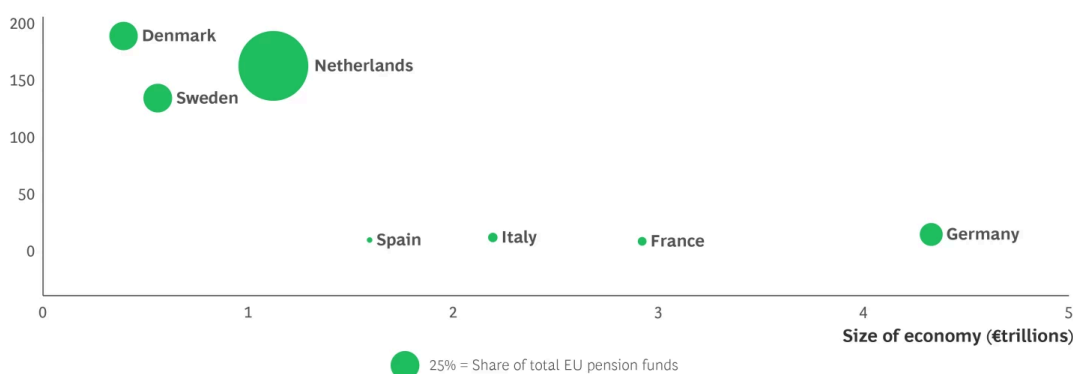
# Capital

Finally, Sweden’s capital-market reforms have ensured that promising firms can finance growth and tap global markets. (See Exhibit 7.) Pension and savings reforms from the 1990s built large, funded pools, with total pension fund assets now worth well over 130% of GDP, making Sweden one of Europe’s most capital-rich markets. In addition to allowing these funds, the country’s liberal investment rules permit insurance companies to invest heavily in public and private equities.

## EXHIBIT 7

Reforms in Sweden Have Contributed to Pension Assets That Are Worth More Than 100% of GDP

Size of existing pension funds across all pillars in 2024 (% of domestic GDP)



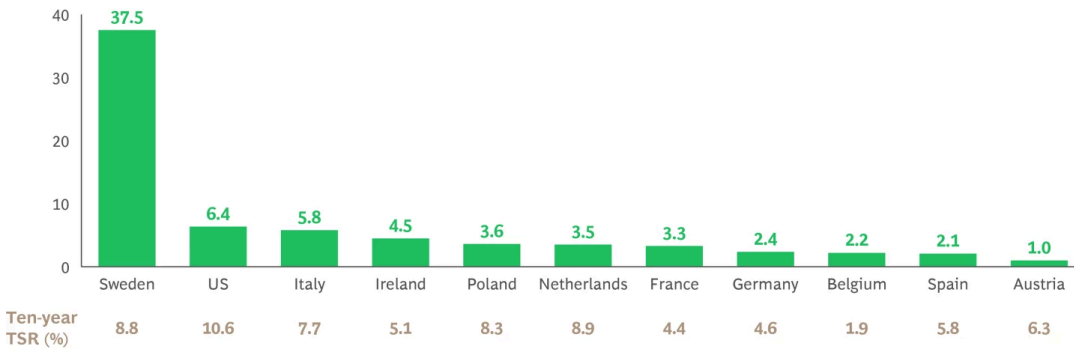
Sources: ECB; Deutsche Rentenversicherung Finnish Centre for Pensions; French Ministry of Economy & Finance; INVERCO; COVIP; OECD; L’Agirc-Arrco April 2025 Report; SVB; BCG analysis.  
 Note: Data is as of 2024. Total EU pension funds are estimated at approximately €5.1 trillion: about €3.6 trillion from euro-area countries, €750 billion from Sweden, and €750 billion from Denmark. Estimate does not include figures for Bulgaria, Czechia, Hungary, Poland, or Romania.

This depth is mirrored on the listed side. Sweden has embraced dual-class share structures, enabling founders to retain control while raising public equity, and it has fostered growth exchanges such as Nasdaq First North. (See Exhibit 8.) First North is now home to more than 450 growth companies, giving Swedish small and medium-size enterprises (SMEs) unusually easy access to public markets. A striking metric shows the impact of such policies: in the past decade, close to 400 IPOs—around 38 per 1 million people—have been listed in Sweden. That ratio is more than ten times as high as the ones in Germany, France, Spain, and the Netherlands.

## EXHIBIT 8

# Equity Markets in Sweden Are Dynamic in Value Creation and in Firm Creation and Expansion

IPOs since 2015 of ten largest EU economies and the US (IPOs per million people)



Sources: Eurostat; S&P Capital IQ; BCG ValueScience Center; BCG analysis.

Note: Data includes only live IPOs from December 2015 to December 2025 (excluding SPACs); TSR data is based on median return by firms within each nation over the past ten years from December 31, 2015, to December 31, 2025, using firms in the S&P 1500 and EU-27 firms with a market cap exceeding \$0.3 billion as of March 2025; indexed to December 2015. IPO = initial public offering; SPAC = special-purpose acquisition company; TSR = total shareholder return.

Ease of access to public capital via IPOs has been a key driver of growth for many outperforming Swedish companies. For example, NCAB, an electronics manufacturer, and Swedencare, a pet-health innovator, went public in 2018 and 2016, respectively. Since then, NCAB has seen TSR growth in excess of 30%, with over 20 acquisitions, and Swedencare has acquired 17 firms in the past five years alone, while maintaining an annualized TSR of around 30%.

Economy-wide business investment in Sweden is the highest in the EU at 17% of GDP, near the level of the US and almost 5 percentage points higher than the EU average. This reflects a comparatively low-friction environment for business investment. Two C-suite executives we interviewed emphasized how the country’s regulatory and policy environment has enabled M&A growth, with one of them noting, “M&A deals in Sweden are just easier than the rest of the EU and even the UK... We were astonished when expanding into other countries at just how much more expensive and complicated the process was.”

Collectively, deep pension-fund assets, founder-friendly listing rules, liquid SME exchanges, and flexible investment rules mean that Swedish companies rarely hit a “capital wall” as they grow. This is one reason why so many of the EU’s top value creators come from a country that accounts for only a small share of the continent’s population and GDP.

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Sweden’s path doesn’t deliver all the answers, nor should every other country treat it as a template. Still, its experience carries a simple but urgent message for Europe: value creation is not a US anomaly, and it is not incompatible with a strong social model. In practical terms, the country’s success also implies that Europe does not have to wait for the next grand bargain in Brussels to reignite growth. It is possible to create national policy environments to start closing the gaps in transatlantic competitiveness and productivity in the coming years on the basis of three key principles:

- **Protect workers, not jobs.** Shift from rigid job protection to strong transition support (reskilling, job matching, and portable benefits) so firms can reallocate talent quickly without eroding overall employment security.
- **Make innovation an end-to-end pipeline.** Pair high R&D intensity with mechanisms that move ideas from research centers to industry, and use public policy to accelerate early adoption—particularly in the case of emerging technologies.
- **Build a financing ladder for scale.** Deepen long-term savings pools, enable growth-friendly listing and ownership structures, and reduce friction in IPOs and M&A so firms can finance expansion and avoid stalling at midscale.

Europe does not lack skills or ideas; it lacks consistent pathways for talent, technology, and capital to meet at scale. Expanding enabling conditions like the ones we observe in Sweden would not just improve valuations; it would also strengthen Europe’s capacity to innovate, adapt, and grow.



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<sup>1</sup> We analyzed TSR for all publicly traded EU companies with a market capitalization of at least \$300 million as of March 2025 (approximately 1,300 companies).