FRAMEWORK CONDITIONS FOR ENTREPRENEURSHIP IN NORWAY: ARE THEY ADEQUATE?

Kurskode BE307E

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ABSTRACT

This research investigates how four framework conditions for entrepreneurship in Norway can be improved. From interviews with the expert panel for framework conditions in the Global Entrepreneurship Monitor research project the framework conditions: Financial support, government policy, government programs and education and training are investigated.

Using both a questionnaire and interviews with Norwegian experts on entrepreneurship, assessment of current status and areas for improvement are identified. The theoretical frame is based on published articles, GEM reports, theory on entrepreneurship and theories on entrepreneurship environments.

The results indicate that several elements within the financial support system need to improve in addition the government's priorities when it comes to entrepreneurship and entrepreneurial competence is inadequate in terms of fostering entrepreneurial activities in Norway. The government, who is the main stakeholder of entrepreneurship in our country, has many challenges before the Entrepreneurial Framework Conditions can qualify as being adequate.

PREFACE

This master thesis is the final part of Master of Science in Business at Bodø Graduate School of Business. The thesis is written for the specialization entrepreneurship and innovations and counts for 30 credits. The focus in this thesis is how certain important framework conditions relate to entrepreneurship in Norway. The framework conditions investigated in this thesis are: Financial support, Government Policy, Government Programs and Education and Training.

First and foremost I would like to thank my mom, who came all the way to Texas to take care of our kids and house. Without you I would not have been able to finish this in time. I would also like to thank my kids and husband who has put up with me in the last couple of months. My American/Norwegian friend, who has helped with translation, also deserves to be thanked. A special thanks to the people who work at Bodø Graduate School of business and who made it possible for me to take this masters degree living in Texas. I would also like to thank the GEM Norway project at Bodø Graduate School of Business for giving access to the expert material. A special thanks also to my supervisor Erlend Bullvåg for his advice and guidance. Thanks for being available on Skype that has been a tremendous help. At last I want to thank my sister and her, in the future to become, husband for turning in all my exam papers on time, including this thesis.

Texas 18. Mai 2009

Vibeke H. Tuft

SUMMARY

The purpose of this thesis has been to investigate how framework conditions affect entrepreneurship in Norway. The four framework conditions that were relevant were: Financial support, Government Policy, Government Programs and Education and Training. By studying and analyzing data on these four conditions I was able to answer my research question:

"Are there adequately good framework conditions for entrepreneurship in Norway?"

The theoretical framework that was necessary to answer this question was theory on entrepreneurship and theory on relationship between framework conditions and entrepreneurship. Data was collected from experts on entrepreneurship as part of the Norwegian Global Entrepreneurship Monitor Project at Bodø Graduate School of Business. In this research data from 36 experts collected in 2005 and 2008 are analyzed. Both empirical data and more than 200 statements about framework conditions from the Norwegian GEM expert panel on entrepreneurship lie behind the results.

Entrepreneurial Framework Conditions are the starting point when fostering more entrepreneurial activity within a country. In an innovation-driven economy like Norway, conditions like infrastructure, social and cultural norms and market openness are usually adequate. However, this research discovered that several areas within access to financial support, current government policy, government programs for entrepreneurship and education and training in entrepreneurship were not adequate as seen by the GEM expert panel. Hence better framework conditions can help fostering more entrepreneurial activities in Norway. One of the most interesting findings was that about 90% of the expert panel thought that entrepreneurs in general needed external assistance with their plans prior to startup. Norway being a complex environment creates extra challenges for entrepreneurs. A complex environment increases the need for a broad and professional competence among Norwegian entrepreneurs. The expert panel argues that lack of competence was not only a problem for entrepreneurs, but also within most of their support system. Competence within all levels of government and also within public agencies was found to be inadequate. The analysis also revealed that there is a lack of cooperation between all involved parts within the entrepreneurs' support system.

Other interesting findings are that early stage financing remains inadequate. Since 2005 there have been some great improvements, but because of the finance crisis, the access to early stage financing has been set back. What worsens this situation is that the government is not prioritizing entrepreneurship enough so there is also a lack of funding through the governments public agencies. Through the tax-system the government could potentially stimulate more investments from private and informal investors, but so far, some of the adjustments within the tax-system have made the situation even worse. Instead of removing tax on savings and working capital, it was increased this year and a couple of years ago, tax on yield were introduced.

Norway is a country with a widespread population and one of the goals for the present government is that the Norwegian people should be able to settle down where ever they like, including rural areas. A lot of efforts, including government subsidies, are put into these areas in order to create or maintain businesses and avoid depopulation. The analysis revealed that several of the experts questioned the usefulness of regional politics and pointed out that there was a lack of early stage capital especially in the cities and for high potential entrepreneurship.

Through government policy the government is able to affect all the other framework conditions. The government's goal is to increase the number of business startups and particularly those with growth ambitions. The analysis in this thesis shows, that for this to happen, all four framework condition investigated needs to be improved. By not having an overall entrepreneurial policy and that three different ministries share the responsibility for entrepreneurship in Norway it is hard to pull in the same direction. So as for now, all four of the framework conditions are considered to be inadequate compared to what experts recommend.

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1. INTRODUCTION

1.1 Background

Business creation and entrepreneurship are increasingly recognized for their contribution to economic regeneration, regional economic development and employment generation. Even though experts have been talking about this for years, it seems that the Norwegian government has not been putting enough emphasize to it. Norway does not have an overall policy on entrepreneurship and there are several actors within government who are responsible for entrepreneurial activities. When minister of trade and industry made a speech about the federal budget for 2009 she said that by prioritizing innovation, our country will be better equipped to handle challenges in the future. Another goal for the present government is that the Norwegian people should be able to settle down where ever they like, including rural areas. Rural areas of Norway have been struggling with depopulation for years, and for that reason, municipalities has been, and is still working hard on making themselves attractive to investors and entrepreneurs. As a result of this, an increasing number of programs and initiative aiming to promote small businesses and entrepreneurship has been carried out.

The entrepreneur is often portrayed as an engine for economic development, and recent research confirms that entrepreneurs have an effect on local development (Spilling, 2006). It seems that financing new businesses has been a problem for years and that many aspiring entrepreneurs give up because of lack of finance. Regional politic is often used as an argument for allocating more money into the districts of Norway to increase entrepreneurial activity. There are some indicators that public finances are especially lacking for new business startups in the cities and that that it is harder for high growth businesses to obtain the necessary financing. On the other side, venture capital and labor are more accessible in growing cities and this is one of several important reasons why the Government needs to create favorable conditions for entrepreneurship both in general and specific rural areas.

In 1999 and 2000, researchers participating in Global entrepreneurship Monitor (GEM) found that entrepreneurship can explain about 1/3 of a country's economical growth. However, Kolvereid et al. (2001) says that this coherence is lower when a country is in a downward business cycle. However, going through a downward business cycle, makes entrepreneurship especially important. Economic crisis like the one we are experiencing now supposedly stimulates the ability to exploit new opportunities and makes innovations the

foundation for prosperity and new economic growth. But innovations and entrepreneurship do not just happen on its own; it demands a lot of resources in addition to risk-taking for the entrepreneur. Entrepreneurs have an economic importance for a country and Zoltan et al. (2008) suggests that because of this, public policy needs to be informed by the dynamics of entrepreneurship, economic development, relevant local institutional conditions and context-specific variables.

Global Entrepreneurship Monitor (GEM), who has been conducting surveys on entrepreneurship around the world for ten years, has defined a set of conditions that have an effect on the level of new business activity within a country. These conditions are called Entrepreneurial Framework Conditions (EFCs) and represent the previous mentioned context-specific variables. The conditions will however vary depending on a country's' economic development. If a country is to have a sufficient supply of entrepreneurs and new business creations it is important that these EFCs are adequate. Norway is a wealthy innovation-driven country but it seems to be a low policy structure for entrepreneurship. It would be interesting to see if the conditions for entrepreneurial activities are adequate in our country or are there weaknesses that need to be addressed.

1.2 Purpose

The purpose with my thesis is to create a theory on how certain framework conditions have an effect on entrepreneurship in Norway. We know that entrepreneurship is important for a country's economic growth and for employment generation. But which conditions needs to be present to stimulate an increase in entrepreneurial activity? Which conditions are adequate in Norway and which are not? If some conditions are inadequate what can be done in order to create better conditions? I hope to be able to generate some new perspectives and theories concerning these questions. By studying pre defined framework conditions for entrepreneurship and by analyzing what Norwegian experts on entrepreneurship have to say about different subjects, I will be able to answer my research question.

1.3 Research question

There are factors that affect business activity in general and there are factors that are more specific to the context of entrepreneurial activity. In my thesis my focus is on the specific factors, called framework conditions. The GEM model maps specific conditions in which productive entrepreneurship can flourish. There is a presumption that if the EFCs are changed, the rate and nature of entrepreneurial activity will change. It is therefore interesting to study some of the EFCs in the GEM model and find what possible effects they have on entrepreneurial activity in Norway. By doing so, I will be able to answer my research question:

"Are there adequately good framework conditions for entrepreneurship in Norway?"

Since the purpose of my thesis is to develop a theory on how certain framework conditions have an effect on entrepreneurship in Norway I have defined three additional questions. These questions will contribute to answer my main research question. These part-questions are:

1. *"As an entrepreneurial nation, what are our strengths?"*
2. *"What are our weaknesses?"*
3. *"What can we do to improve our weak areas?"*

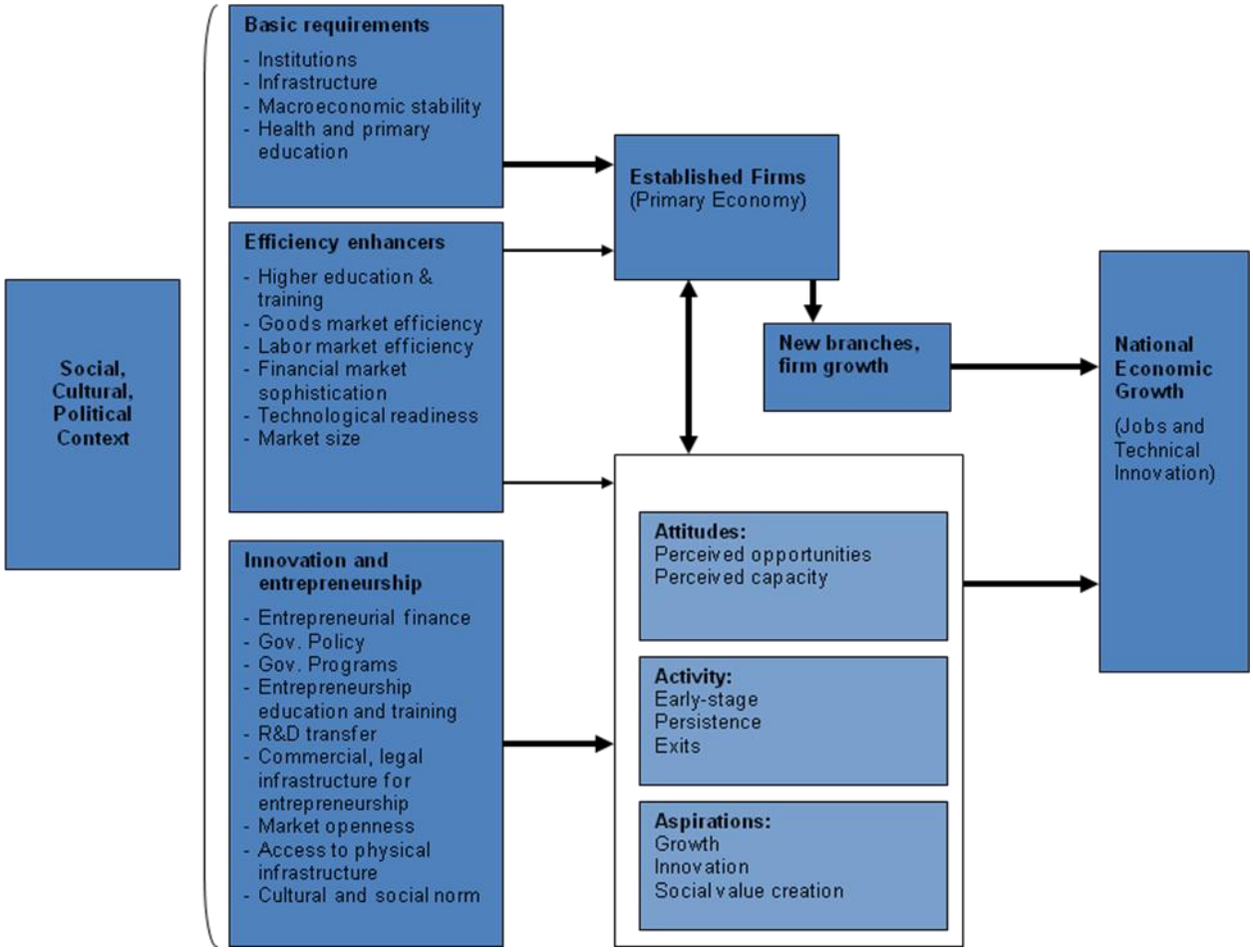

Figure 1.1 The revised GEM model

This revised GEM model describes the formative ideas and connections necessary to answer my research question. The focus on my research will be on the lower part on this model which focuses on innovations and entrepreneurship and new business start ups. The revised GEM model is somewhat simplified in regards of the EFCs specific to innovations and entrepreneurship. The EFCs I have included in my thesis are the ones that the expert panel has considered as being the most important ones for our nation. The difference between this model and the conceptual model is that this model relates the framework conditions to a country's phase of economic development. Its starting point is the underlying variables that affect the way EFCs are constructed in a country. These are the social, cultural and political constraints. The EFCs, as the model shows, affects the perception of opportunity and the availability of entrepreneurial skills in the population. Further, the GEM model proposes that new business activity occurs when entrepreneurs who believe they have skills, knowledge and

motivation to start a new business perceives an opportunity to do so (Levie, J. and Autio, E., 2008). As the model also shows, in the last phase, entrepreneurship and innovations will lead to national economic growth.

1.4 Structure of the thesis

In chapter two I will present the literature which this thesis is based upon. This will compose a framework for my research and analysis. In chapter three I present a description of the methods used in this study. Chapter four contains the study's empirical part and the analysis of the data. This will be structured in accordance to the theoretical framework from chapter two. Chapter five will be my conclusions, implications and suggestions for further studies. This last chapter will specify the research problem and all findings in this study.

My research question is quite specific and therefore delimits this study in its self. As my research question says, I am only going to look at the framework conditions in Norway relative to entrepreneurship. But there is a time constraint and not all of the nine EFCs where equally interesting to study. For me to be able to analyze the EFCs more thoroughly I had to choose the ones that were the most interesting, which also was a result of the experts responds.

I have chosen to focus on the environmental conditions that the expert panel has considered being the most important conditions for our country. Norway is an Innovation driven country and even though the EFCs relate differently to countries that are factor-driven or efficiency-driven, this will not be a part of my study.

2. LITERATURE REVIEW

This chapter provides an overview of relevant theory in relation to the research problem. Theories I have implemented in this chapter will be used when I analyze data later in this thesis. This chapter contains a discussion of Framework Conditions for entrepreneurs in Norway. It is assumed that adequate Entrepreneurial Framework Conditions (EFC) needs to be present in a country to foster more entrepreneurs and more entrepreneurial activities. Relevant theory for this research problem will be general entrepreneurship theories and entrepreneurial environment theories which include theories on financial support, government policies, government programs and education and training. Part one focus on entrepreneurship in general, part two discuss how entrepreneurial activities relate to entrepreneurial environments. In the last part there is a thorough discussion of each EFC included in this study.

2.1 Entrepreneurship

There is not one unified definition of entrepreneurship but there is some kind of agreement within all the different definitions that we are talking about a specific kind of behavior. This behavior includes initiative talking, organizing or reorganizing social and economic mechanisms to turn resources and situations into practical account and the acceptance of risk or failure. Since entrepreneurs are found in all professions, there will be slightly different perspectives on what entrepreneurship is and on what an entrepreneur is. The definition I have chosen to use, I feel include all types of entrepreneurial activity and is defined by Hisrich and Peters (2002:10).

”*Entrepreneurship is the process of creating something new with value by devoting the necessary time and effort, assuming the accompanying financial, psychic, and social risks, and receiving the resulting rewards of monetary and personal satisfaction and independence”.*

As the definition states entrepreneurship is based upon certain conditions and also involves several resources to be happening. The entrepreneur must be willing to take some risk and also put in the necessary time and effort. Sternberg and Wennekers (2005) distinguish between behavioral entrepreneurship and occupational entrepreneurship and that

in the crossroads in-between these two, a new discipline has arisen. This new discipline considers new venture creation as the hallmark of entrepreneurship. It is this nascent type of entrepreneurship that will be focus in my thesis. This type of entrepreneurship is particularly related to innovation, competition and restructuring. These new start ups enhance competition and together with innovation it leads to a continuous restructuring of the economy (Sternberg and Wennekers, 2005). How much this type of entrepreneurship will affect the economy of a nation depends on the nation's stage of economic development, the innovativeness of the new business and its products.

Entrepreneurship represents a chain of events that leads to the formation of a new venture. There are different types and phases of entrepreneurship which is closely related to a nation's economic development. In GEM's global report (2008) a distinction is made between necessity-driven entrepreneurship and opportunity-driven entrepreneurship. When a country's economic development is low, there tend to be a high level of necessity-driven self employment activity. The opposite is the case in a country like Norway, where we have a high level of economic development. Most of the entrepreneurial activity in our country is opportunity driven. Since the relationship between entrepreneurship and nation's economic development differs along phases of economic development, GEM also introduces a second distinction. GEM distinguishes between factor-driven countries, efficiency-driven countries and innovation-driven countries. Even though all three principal types are present in all national economies, the relative prevalent is that Norway is an innovation-driven country.

An innovation-driven country is recognized by its mature economy and its increased wealth. In countries like this the industrial sector experiences improvements in variety and sophistication and is typically associated with increased research and development and knowledge intensity (Bosma et al., 2008). A development like this leads to the development of innovative and opportunity seeking entrepreneurial activity that is not afraid to challenge established incumbents in the economy (Bosma et al., 2008). When a country reaches the innovation-driven stage all determinants for national advantage is in place (Porter, 1990). These determinants are according to Porter (1990), factor conditions, demand conditions, related and supporting industries and firm strategy, structure and rivalry. No nation fits a stage exactly and this is the reason for the selection of framework conditions I have made in this study. GEM has included nine different EFCs in their study, which in different ways are related to innovation-driven countries, factor-driven and efficiency-driven countries. These

EFCs are: Financial support, Government policy, Government programs, Education and Training, R&D transfers, Commercial and Professional Infrastructure, Market openness, Access to physical infrastructure and Cultural and Social norms. With Norway being an innovation-driven country, the physical infrastructure, commercial and professional infrastructure, cultural and social norms are in place and are therefore less interesting to study. The EFCs included in this study are: Financial support, government policy, government programs and education and training. Both market openness and R&D transfer were considered less important, since there have been few experts prioritizing these factors as most important for entrepreneurship.

Entrepreneurship is one of the mechanisms that can help turn around recession by reallocating resources (Acs et al., 2008). These days when the finance crisis is taking its toll on the world economy it is important that different institutions within a country's government are conductive to particular entrepreneurship mechanisms. This can be done through the EFCs by letting new activities replace obsolete economic activities. Established businesses are important for preserving economic stability within a nation but early stage entrepreneurship is equally important for dynamism within the economy. Through favorable EFCs the Norwegian government can stimulate entrepreneurship and new economic growth.

2.2 Entrepreneurial environment

By entrepreneurial environment I mean all of those environmental attributes that have an impact on entrepreneurial behavior and which interacts with the entrepreneurial process. While opportunities, motivation and skills may drive individuals to engage in the behavior necessary to start a business, there are certain resource requirements that are important determinants for entrepreneurial longevity and success. The entrepreneurial environment consists of a combination of factors that play a role in the development of entrepreneurship. Examples of factors include government policy and –politics, barriers to entry and venture capital funds, and education. Berg and Foss (2002) calls it the economic geography. Here they include infrastructure, accessible raw materials, labor and competence, marked and capital. Individuals seem to be more likely to be encouraged to start a business when the social environment values entrepreneurship, opportunities are available, and entrepreneurs have sufficient knowledge and skills to start a business (Fogel, 2001). Acs et al. (2008) says that the environment that shapes a nations economy affects the dynamics of entrepreneurship.

There is interdependency between economic development and institutions which have an effect on characteristics like the quality of governance, access to capital and other resources and the perceptions of entrepreneurs.

2.2.1 Entrepreneurial activity

Many economists have recognized the role of entrepreneurship in a country's economic development. The first one to do this was Schumpeter (1934) followed by a numerous of economists. Schumpeter (1934), described an entrepreneur as an innovator who constantly disturbs status quo, which is preferred by the established firms. He calls this a creative destruction which leads to greater productivity and in the end greater economic growth. While Schumpeter's entrepreneur contribute to economic growth through innovating and by doing so is disturbing economic equilibrium, Kirzners (1997b) entrepreneurs seeks to restore equilibrium. Kirzner (1997b) sees the entrepreneur as someone who discovers an arbitrage in the marked which gives the entrepreneur an opportunity for economic benefits and hence generates economic growth. The GEM model accommodates both views.

Entrepreneurial activity has both a static component and a dynamic component. The static component is related to the economic activity in an established business while the dynamic component is related to early stage entrepreneurship. In addition, new economic activity conducted by established businesses, can be considered a dynamic component (Acs et al., 2008).Van Praag (1996) says that the opportunity to start up your own business will depend on starting capital, entrepreneurial ability and the economic environment. Opportunity perception is often the first event of an entrepreneurial process, and in its most elemental form it may appear as a marked need or unemployed or under employed resources or capabilities (Kirzner, 1997b).

Enlarging the amount of innovative entrepreneurship has for many years been the aim of the Norwegian government policy. But sometimes the institutional arrangements or other social phenomena within a country affect the quantity of the entrepreneurial effort (Baumol, 1990). The legal framework and economic institutions is of highly relevance for entrepreneurship and hence economic growth (Wennekers and Thurik, 1999). And the most vital concepts seem to be the incentives and the competition rules. Legal incentives for entrepreneurship are primarily rooted in the tax regime within a country and in the laws concerning bankruptcies. The competition rules concerns regulations and deregulations, anti-

trust policy, removal of trade barriers, market in transparencies and union power in the labor market. From an economic growth perspective, policy should focus primarily on potentially fast growing new firms and not on new enterprises in general. However, identifying these kinds of "gazelles" will always be a challenge for governments. But it is important to establish favorable conditions like knowledge transfer possibilities, intellectual property protection and a well functioning venture capital market (Sternberg and Wennekers, 2005).

Wennekers and Thurik, (1999) says that all the individual entrepreneurial actions compose a variety of new experiments which causes a continuously competition. This process of competition leads to the selection of the most viable firms and industries and expands or transforms the productive potential of a regional or national economy. International competitiveness composes a crucial linkage between entrepreneurship and economic growth (Porter, 1990). Porter (1990, p. 125) also say that *"Invention and entrepreneurship is at the heart of national advantage"*. Domestic rivalry is however an essential precondition for international competitiveness and creates a good incubation environment for entrepreneurs. National factor creation mechanisms are important in terms of creating favorable entrepreneurial environments within a nation. These mechanisms affect the pool of knowledge and talent. In addition the feedback mechanisms compose a very important part of the process. Since starting a business is a learning process, feedback can enhance the quality of the factor conditions for entrepreneurship.

In times of recession and downwards business cycles, both the early stage entrepreneurial activity and new business activity carried out by established businesses are important for the change in economic activity. Even though there has been no significant change in early stage entrepreneurial activity (TEA) for innovation-driven countries this last year, a thorough selection of new business activities is being carried out by banks and other investor's cautiousness (Acs et al., 2008). Porter (1990) also says that the governments' role is somewhat different for innovation-driven countries than for other types. He says that determinants like capital, protection, licensing controls, export subsidies and other forms of direct interventions lose relevance or effectiveness in innovation-driven countries and that the signals that guide its direction must come from the private sector. Government efforts should be spent in indirect ways like stimulating the creation of more advanced factors, improving quality of domestic demand, encouraging new business formation and preserving domestic rivalry. By this he means that the businesses must take a leading role in factor creation

themselves. It seems that some of the factors or conditions that Porter (1990) is talking about are already in place in Norway, but during this study it also seems that some of the direct interventions performed by the government are still needed. The EFCs I have studied also seem to support this.

2.3 GEM and the Entrepreneurial Framework Conditions

Global Entrepreneurship Monitor (GEM) is a research consortium that has been collecting data on entrepreneurial behavior since 1999. Its focus has been to get an understanding of the relationship between entrepreneurship and national development. In 2008, 43 countries participated in the GEM project by collecting data on entrepreneurial attitudes, activity and aspirations within their own country. Since previous GEM research has shown that the relationship between entrepreneurship and economic development differs along phases of a country's economic development, the 2008 report is based on a distinction between factor-driven countries, efficiency-driven countries and innovation-driven countries. The GEM project consists of two different surveys. The first one is the adult population survey which focuses on the role played by the individuals in the entrepreneurial process. The second one is the National expert survey which focus is on how conditions for entrepreneurship differ across countries. GEM calls these conditions Entrepreneurial Framework Conditions (EFC). The general idea of the GEM model is that various EFCs affects entrepreneurial activity by enhancing opportunity recognition and skills perceptions. Throughout the years as knowledge on the topics grew, these EFCs have changed and in the last years report these conditions was somewhat simplified. The five EFCs included in my study will be presented in the following.

2.3.1 Financial support

Finance is the most widely recognized regulator of allocation of effort to entrepreneurship (Levi and Autio, 2008). Schumpeter (1943) also recognized financing as a very important external regulator in relations to entrepreneurship. He said that new business start-ups and entrepreneurship was more dependent on credit to fund access to recourses than routine business activities. Since new business start-ups has no track record to present to potential investors and lenders, raising dept financing can be very hard.

Porter (1990) says that in order to upgrade an economy, ample capital needs to be available at low real cost and be efficiently allocated through the banking system and other

capital markets. He further says that low costs of capital not only encourage high levels of investments, but also supports sustained investments by lowering the time discount rate. Government has an important role in affecting both, the supply and cost of capital as well as the markets through which it is allocated. However, direct government subsidies may not be the best way for a nation to gain prosperity and economic growth. Since direct subsidies often come with explicit or implicit strings attached, they will limit both flexibility and innovation. Porter (1990) explains this with saying that it creates an attitude of dependence, where it becomes difficult to get industries to invest and take risks without it. He describes tax incentives as a much better alternative to subsidies.

Financial support related to entrepreneurial activity includes: Access to bank loans, use of public subsidies, and access to micro credit and access to start-up capital in general. The four main sources of financing new business start-ups are: personal savings, debt financing, soft loans or grants supported by the government and equity funding from venture (Borch et al. 2002).

2.3.1.1 Access to bank loans

In Norway, the banks have been a crucial source of financial capital, but when it comes to high technology innovations and other complex innovations, the banks have been very cautious. It is only the high potential projects that have been able to obtain this kind of funding through banks. There are probably many reasons for this but more centralized bank systems, increased demands of guaranties and a need for more specialized knowledge could be some of them (Borch, 2005). In the Financial report by Bygrave and Quill (2006) an interesting finding was that the entrepreneurs expected to get a substantial amount of their start-up financing from banks and other financial institutions. The explanation for this may be that the respondents included nascent entrepreneurs, who still were in a process of trying to start their businesses, and that they were still naïve about the chances of getting this kind of funding (Bygrave and Quill, 2006). In addition the entrepreneurs were probably too optimistic about the chances of getting financial support from government programs. The GEM financial report (2006) reports that most new businesses around the world raise their startup capital from personal savings and informal investors like family, friends, neighbors, work colleagues or strangers.

Still, OECD (2007) concludes that compared to the rest of Europe the Norwegian banking system is efficient and have plenty available bank loans, including without collateral. In recent years, several of the major banks have also established investment funds and seed-capital funds, which have contributed to a highly needed type of financing.

2.3.1.2 Use of public subsidies

The biggest contributors to financial recourses for new business start-ups in Norway are Innovation Norway, SIVA and The Research Council of Norway (Rotefoss and Nyvold, 2008). Through these organizations a numerous of loans, grants, subsidies and guarantees are available. In the report by Rotefoss and Nyvold (2008), "access to start-up financing" has a low score both on the entrepreneurship comprehensiveness index and on the innovation comprehensiveness index. There is a concrete policy objective in Norway to increase the amount of financing available to new and early-stage companies, but the report from 2008 shows several financing gaps in the supply of capital to new firms.

For years guarantees have been available through, amongst other, Innovation Norway to reduce the risk factor in connection with loans and operating credits from other financing sources (OECD-report, 2007). However, in recent years the government has removed several of these guarantee schemes. The guarantee covers losses up to 50% on loans granted by private banks. The problem with these guarantees is that they are rarely used. In 2006 and 2007 only six guarantees were put into effect. The main problem according to OECD is the stringent conditionality. Private banks must sell all assets serving as collateral for guaranteed loan before the guarantees will be in effect. OECD recommends to phase-out these guarantee schemes and instead government funds should be more productively used to further increase the availability of risk capital to entrepreneurs.

In 2006, 51374 new entities were registered in Norway. Of course not all of them applied for grants through Innovation Norway, but when considering that each year between 1100-1200 entrepreneurs receive a grant from Innovation Norway it indicates how few that actually get these grants (Holm and Ljunggren, 2007). Of the four public subsidies Innovation Norway controls, the entrepreneur grant, the BU-grant and partly the incubator grant, prioritize business start-ups in rural parts of each region. This means that it is hard for entrepreneurs in larger cities to get these grants.

2.3.1.3 Access to micro credit

The two main micro credit organizations in Norway are; Network Credit Norway (NCN) and Innovation Norway (Holm &Ljunggren, 2007). There are however several banks and organizations that offer these kind of funding. Micro credit is an arrangement for small entrepreneurs or groups of entrepreneurs that give access to loans, competence and network. It is suppose to be gender neutral, but up until now it has been applied mostly by women and immigrants. This type of loan is not extensively used in Norway and two of the reasons for this are that they are small and expensive loans. They do however target new business startups and for that reason they contribute as an important source of early stage financing.

2.3.1.4 Access to start up capital in general

This includes equity funding from venture, informal investors like family and friends, business angels and seed-capital funds both private and public. In 2006 the percentage of adults who were active informal investors in Norway was a little more than 4%. Compared to other countries that participated in GEM that year the number was not bad. But when looking at total informal investment as a percentage of GDP, Norway scored less than 0.4% which was amongst the lowest scores (Bygrave and Quill, 2006). When it comes to access to equity capital in Norway it seems that there are very few professional investors and that most of them are concentrated in the bigger cities, like Oslo (Borch, 2005). The average amount invested by business angels has remained low by international comparison for years. The OECD report (2007) finds that the private equity market in Norway is small and fragmented by European standards. OECD defines the equity market as one of the weakest capital offerings available to SMEs. One of two major problems according to OECD (2007) is that the borrowing conditionality for obtaining seed-capital from Innovation Norway is too restrictive and they recommend lightening these conditions. The other problem is the restriction on the class assets that can be invested in by insurance companies and pension funds and they recommend that these restrictions become more relaxed. In the survey conducted by OECD some investors indicated that there is no lack of capital but lack of good ideas and they mention problems with business plans. In the same survey the entrepreneurs do not agree and say that there is a lack of capital. Through this study I hope that the experts are able to shed some light and maybe clarify if this EFC still is considered a weakness or obstacle for entrepreneurial activity in Norway or maybe it has become strength.

2.3.2 Government policy

Entrepreneurship policy is primarily concerned with creating an environment and support system that will foster the emergence of new entrepreneurs and the start-up and early-stage growth of new firms (Stevenson and Lundstrøm, 2005). Government policy is also considered to be an explicit regulator of entrepreneurship in the GEM model. It appears to be a consensus amongst economists that entrepreneurship is a phenomenon that can be addressed by policy makers, and that increased awareness and attention by policy makers is positively associated with the allocation of effort into entrepreneurship (Audretsch et al. 2007 a, b; Leibenstein, 1968). All levels of governments should have a strong interest in promoting entrepreneurship directly. In addition they should also consider the impact their decisions are likely to have on entrepreneurial activity (Acs and Szerb, 2007). Levie and Autio (2008) says that the optimal levels of entrepreneurship may vary for different economies depending on the stage of economic development, but that governments need to take entrepreneurs into account when designing and implementing policies.

A government can shape or influence the context and institutional structure surrounding businesses as well as the inputs they draw upon. Through their policies they can create new opportunities and pressure for new or continued innovations (Porter, 1990). Porter (1990) says that one of the most common mistakes governments make is that they are too preoccupied with short term economic fluctuations. Governments are prone to choose policies with easily perceived short term effects like subsidies, protection and arranged mergers. This Porter (1990) says will suppress innovations. The most beneficial policies for national growth are slow and patient ones, like factor creation, competition policies and upgrading demand quality. All of these are captured within the EFCs I am studying: financial support, government policy, government programs and education and training.

Norway does not have an overall innovation and/or entrepreneurship policy, but these topics are important focus areas in several strategy documents and policies for different sectors in society (Rotefoss and Nyvold (2008). The main responsibility for developing national innovation and entrepreneurship policies in Norway lies with three different ministries. These three are the Ministry of Trade and Industry, the Ministry of Education and Research and the Ministry of Local Government and Regional Development. In addition, three state owned enterprises play a vital role in the implementation of innovation and entrepreneurship policies. These are The Industrial Development Corporation of Norway

(SIVA), Innovation Norway and The Research Council of Norway (RCN) (Rotefoss and Nyvold (2008). This is shown in the figure 1.2 underneath.

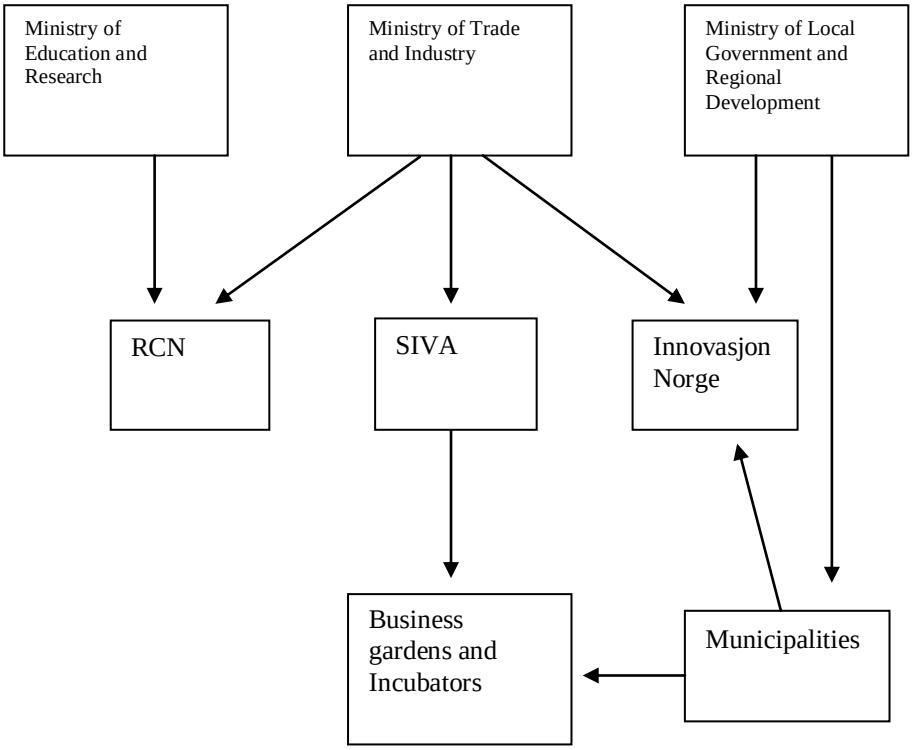

Figure 2.1 Major stakeholders of Entrepreneurship and SME policy

The report made by Rotefoss and Nyvold (2008), found that the general policy in Norway concerning entrepreneurship is favorable. This means that the Government has set specific targets and policy objectives for entrepreneurship including a national development plan. However when it comes to the policy structure the score is relatively low. Part of the explanation for this is that there is no official politician responsible for entrepreneurship or enterprise development and there is also a lack of plans that cope with identifying and removing obstacles to entrepreneurial activities.

Government regulations can directly affect entrepreneurial firms (Kirzner, 1997a). Complex regulations and delays in obtaining the necessary permits and licenses may increase the duration of the start-up process, which again can reduce entry because the window of opportunity may have passed by the time all regulations are compiled (Klapper et al., 2006). In addition unpredictable and demanding regulations pushes up compliance costs which

negatively impacts the profitability, and the firms' ability to use their retained earnings to fuel growth (Levie and Autio, 2008). However, if a country wants to promote high growth startups, reducing entry regulations will in most cases not achieve this. Acs and Szerb (2007) say that in these cases both labor market reforms and financial market reforms are needed. They also say that it is important that all levels of government are committed to analyzing the costs and benefits of new regulations before adopting them and where possible, create appropriate allowances for streamlined procedures for new businesses.

Taxes impose a direct financial cost on firms which affect their profitability and growth (Baumol, 1990). Glodfarb and Henrekson (2003) say that there are evidence that correctly applied tax policies may provide incentives for innovation and growth of firms. In Norway the government offers no concessional or favorable tax rates to new business start-ups. Neither is there any tax incentives used to encourage venture capital investments in early stage ventures. There is however tax incentives used to encourage informal investment and R&D activities in firms (Rotefoss and Nyvold (2008). This model or effort is called "Skattefunn". This scheme is neutral between qualifying projects, regions, sectors and the tax-position of qualifying businesses. "Skattefunn" provides a 20% deduction on R&D costs up to NOK 8 million, per firm, per year for internal projects. This scheme was introduced in 2002 to encourage private R&D and innovations within businesses and has received strong support from the business sector in Norway.

2.3.3 Government programs

Government programs is concerning the presence of direct programs to assist new and growing firms at all levels of government. Through specific support programs, governments can facilitate the operation of entrepreneurial firms by addressing gaps in their resource and competence needs. This includes both subsidies and correcting failure of the market to cater such needs (Levie and Autio, 2008). As with all the EFCs in the GEM model, government programs have a direct effect on attitudes, activities and aspirations amongst aspiring entrepreneurs. Government programs support entrepreneurial firms through different programs which provide subsidies, material and informational support and by doing so, reduce transaction costs for the firms and enhance the human capital of entrepreneurs (Shane, 2002). Enlarging the amount of innovative entrepreneurship has for a long time been the aim of the Norwegian government and both Schumpeter (1934) and Baumol (1990) finds that

institutional arrangements or other social phenomena affect the quantity of entrepreneurial efforts. Several programs have been launched through the three ministries responsible for entrepreneurship and through the public agencies and organizations that answer to one or more of these ministries in Norway. In the following I will briefly present important institutions and programs that promote entrepreneurship in Norway.

2.3.3.1 Innovation Norway

In promoting entrepreneurship outside the school system Innovation Norway plays an important role. Innovation Norway is the main actor when it comes to counseling, information and financial support to entrepreneurs in Norway. The enterprise has a wide range of programs aiming to promote entrepreneurship. However, only a few of them are directly aimed towards new business start-ups and/or nascent entrepreneurs. Innovation Norway has four different public subsidies for early stage entrepreneurs (Holme and Ljunggren, 2007):

1. The Entrepreneur grant
2. The BU-entrepreneur grant
3. The Incubator grant
4. The Innovator grant

But as for all seed- capital funds, funding at an early stage of a new business start-up involves higher risks and therefore the funding mostly applies for the projects that have a high potential of value creation (Innovation Norway.no, 2009). In addition most of these grant programs are regional policy means, which prioritize business start-ups in rural parts and regions. In promoting entrepreneurship outside the school system, Innovation Norway also contribute with financial support in programs aimed towards entrepreneurs with more practical experiences. These programs are mostly initiated through private organizations and consultants.

2.3.3.2 The Industrial Development Corporation of Norway (SIVA)

SIVA is a state owned enterprise whose focus is on developing strong local environments by providing investment capital, competence and networks for SMEs. Institutions included in their enterprise are science parks, innovation centers, incubators and business gardens. Even though SIVA also promotes entrepreneurship outside of the school system most of these

institutions are closely related to educational institutions. The Junior Achievement – Young enterprise Norway is also an organization that teaches business skills to students through different programs and is composed of local managers, school leaders and representatives from public sectors (Rotefoss and Nyvold (2008).

2.3.3.3 Start Norway, Europrise Norway, The Norwegian School of Entrepreneurship and Bedin.

These enterprises are also closely related to educational institutions in Norway. Their common goal is to provide knowledge, information and also simplify the process of establishing and running business enterprises in Norway (Rotefoss and Nyvold (2008).

2.3.3.4 The Research Council of Norway

The Research Council of Norway also has several support programs to enhance innovation activities within clusters and in different regions of Norway. These programs involve several types of actors and long term development processes.

The quantity and quality of perceived opportunities may be enhanced by national conditions such as economic growth, population growth and cultural and national entrepreneurship policies (Bosma et al. 2008). In addition demographic differences in perceived entrepreneurial capabilities should not be ignored. Policy programs may explicitly target groups exhibiting low shares of perceived capabilities as well as low shares of actual capabilities. The perceived capabilities for starting a business in an innovation-driven country is on an average lower than what's found in efficiency-driven countries. This can be explained by the perception on an "average". In Norway the average business is associated with higher required skills than what is in efficiency-driven countries (Bosma et al. 2008). Enhancing the perception of capabilities and skills is something in which government programs can contribute to in a positively way.

2.3.4 Education and training

Education and training is one of the most used means to encourage entrepreneurial activity within a nation. For new entrepreneurship the entrepreneur's human capital, as expressed in his or her education, experience and skills, constitutes the most important initial resource endowment (Wright et al., 2007). Training and educating entrepreneurs is according to Levie

and Autio (2008) expected to enhance the supply of entrepreneurship through three different mechanisms:

1. Through providing instrumental skills required to start up and grow a new business.
2. Through the enhanced cognitive ability of individuals to manage the complexities involved in opportunity recognition and assessment and also in the creation and growth of new organizations.
3. Through the cultural effect on students attitudes and behavioral dispositions.

Research has shown that highly specialized education programs on entrepreneurship is not suited to provide the broad based and practical training required to teach entrepreneurial skills. The best results of enhanced entrepreneurial potential is obtained through highly practice-oriented training, by addressing a broad set of management, leadership and organizing skills and by emphasizing discovery-driven and contingency approaches to business planning (Levi and Autio, 2008). Norway was one of the first countries that developed a national strategy plan for entrepreneurship in the school system. The governments' goal has for many years been to increase the number of business start-ups and particularly those having growth ambitions and potential. One of the main agents in obtaining this has been through the education system. In 2004 the government launched a strategy plan for entrepreneurship in education and training including teacher training. The vision for the government is:

"Entrepreneurship in the education system shall renew education and create quality and multiplicity in order to foster creativity and innovation" (Rotefoss and Nyvoll, 2008).

This strategy document is the most explicit national entrepreneurship policy document in Norway. In the global GEM report from 2000 a strong coherence was detected between higher education and the level of entrepreneurial activity within a country. Perceived barriers to entrepreneurship like financial support and legal formalities also seem easier to overcome; the higher education and training aspiring entrepreneurs have (OECD, 2007). By placing entrepreneurial education at the center of its entrepreneurship policy, Norway experienced a significant increase in the early stage entrepreneurial activity rate in 2006. Even though direct effects of policy initiatives are hard to detect, most likely some of it can be related to this effort (OECD, 2008). However, the OECD report (2008) finds that some of the programs

targeted towards specific professions are not sufficiently developed, and recommends that entrepreneurial education on university level is strengthened by better targeted programs.

Porter (1990) describes education and training as the single greatest long term leverage point available to all levels of government in upgrading industry. Research has shown that many of the most successful industries have strong ties to universities and technical schools. In Porters (1990) study of nations competitive advantage, he found that nations that had invested heavily in education, had advantages in many industries that could be traced to human resources. World standards for businesses and human resources are high, and achieving these standards demands involvement from the government. There seem to be an agreement that attaining a high level of education, positively influences the probability of becoming involved in a business start up process (Reynolds et al., 1999).

Norway has several state owned enterprises whose main objective is to encourage commercial activities and develop links between educational institutions, research centers and the industry. The SIVA network is the biggest one. In promoting entrepreneurship outside of the school system both SIVA and Innovation Norway plays an important role. There are several initiative and courses in entrepreneurship in adult education. The OECD report (2008) suggests that these programs could be better integrated with existing active labor market policies. The number of social assistance beneficiaries in Norway is relatively high for a low unemployment country and by addressing these beneficiaries it could enlarge the pool of potential entrepreneurs. Entrepreneurship in education is perceived as an important tool in fostering a culture for entrepreneurship and positive attitudes towards entrepreneurs. Since Norway started participating in GEM the Norwegian experts has for several years pointed out lack of entrepreneurial education as being one of the problem in increasing the number of new business start-ups. In light of the reviewed litterateur and the results from both 2005 and 2008 the analysis will show if there has been improvements and if so, are they adequate?

Based on the literature review, the importance of adequate Entrepreneurial Framework Conditions have been demonstrated. Financial support is the most widely recognized regulator of allocation of effort to entrepreneurship. Through government policies, the government has the ability to affect all the conditions necessary to foster more entrepreneurs and more entrepreneurial activities. This can be done both through government programs and through a numerous of other efforts like education and training. Education and training is one of the most used means when governments try to encourage more entrepreneurial activity

within a nation. It is therefore reason to believe that the Norwegian expert panel will have both knowledge and opinions about these conditions.

3. METODOLOGY

3.1 What is methodology?

Methodology is a tool or a procedure to solve problems so that you are able to obtain new cognition (Holme and Solvang, 1996). All the means that contribute to this goal is considered a method or methodology. The starting point for the choice of methodology should be the research problem so that all the data that needs to be collected is collected in a way that clarifies the research problem (Falkenberg, 1985). Recent years decline in early stage entrepreneurial activity in Norway can possibly be related to weaknesses within the framework conditions. Some of these framework conditions have been under investigation during my research. Underneath I present the methodology I have chosen for my thesis.

3.2 Research design

Research design is like a superior strategy and will vary according to the underlying philosophical position of the researcher. It is about organizing research activity, including the collection of data, to achieve all of the research aims (Easterby-Smith et. al., 2008). The research design is also a discussion about the challenges in the research and how the researcher intends to solve them. The choice you make may have an effect on the validity and the reliability of your research. Saunders et al. (2007) says that a researcher should always have valid reasons for all of his or her research design decisions and that the justification needs to be based on the research question. Choosing a research design will depend on how much information you have about your topic and what ambitions you have in terms of analyzing and explaining contexts (Gripsrud, et. al., 2004). When deciding what research design to use in my thesis, I had to review what kind of information I needed in order to answer my research question. To get a theoretical understanding on how framework conditions relate to entrepreneurship I had to explore secondary data on framework conditions, for businesses in general and specifically for new business start-ups.

Johannessen et al. (2004), say that when choosing a research design there are two main directions to choose from; quantitative and qualitative designs. Quantitative designs are recognized through their focus on finding the extension of a phenomenon and often include questionnaires and experiments. They are used to generalize from a sample group to a larger population. Criticism of quantitative designs is that these designs do not dig deep enough into

a phenomenon to understand why the phenomenon is happening. Qualitative designs digs deeper into a phenomenon and generates rich detailed data that leave participants perspectives intact. Three types of main qualitative methods can be mentioned: Interview, observation, and diary method. There is also a third alternative as far as methodology is concerned. Saunders et al. (2007) says that using multiple methods for collecting and analyzing data is increasingly advocated within business and management research. He further says that there are two major advantages in using multiple methods within the same research project. The first on is that if there are different purposes, one can use different methods. The second one is that it enables triangulation to take place. This just means that the researcher can, as an example, use both group interviews and data from a questionnaire that may have been collected by other means.

The research design I have chosen for this thesis is a multiple method. I have used data from both a questionnaire and interviews of entrepreneurial experts in Norway. However, even though the questionnaire data were collected using quantitative methods, they were used for a qualitative purpose. Since the purpose of my thesis was to generate new theory on how certain EFCs relate to entrepreneurship, both type of data were used from two different years. By using data from 2005 and 2008 I was able to compare all of the data and at the same time map changes in the framework conditions that applied for those two years.

3.3 Research strategy

General research strategies can be classified into three groups of approaches, explorative, descriptive, and explanatory (Hellevik, 2002). The descriptive approach is primarily used when the researcher want to show the facts and/or the characteristics of a specific phenomenon. The explorative approach is used when the researcher knows little about the phenomenon. The explanatory approach is used when the researcher wants to establish causal relationships between a number of variables in order to show connections and influences between these variables.

A descriptive design can be used whether you choose to do a qualitative or a quantitative research. Usually the qualitative method is used in an explorative phase to identify critical factors and variables (Nyeng, 2004). These identified factors and variables can then be operationalized and used in quantitative studies that have more of an explanatory purpose. Mixed data collection techniques and analysis procedures are used either at the same

time or one after the other, but they are never combined. This means that quantitative data are analyzed quantitatively and qualitative data are analyzed qualitatively (Saunders et al., 2007).

In order to describe the framework conditions for entrepreneurship in Norway and how they relate to entrepreneurial activity, my design is a combination of explorative and descriptive. Saunders et al. (2007) says that an exploratory study is a valuable means of finding out "what is happening", and that it is a useful strategy when the researcher is unsure of the precise nature of the problem. Further, Saunders et al. (2007) says that the object of a descriptive research is to portray an accurate profile. This thesis is trying to combine these two by both creating a profile for the four EFCs under investigation and finding out what happens with entrepreneurial activity when certain conditions apply.

When working on a research strategy you also have to consider how and why you are reading your literature. In some projects literature is red to help with identifying theories and ideas that can be tested with help of data. This is known as a deductive approach (Saunders et al., 2007). The other alternative is to explore the data and to make theories from them that will be related to the literature. This is known as the inductive approach. The inductive approach is the most common way to collect and present data if your philosophical stand is on the constructionist side. We often divide our choice when it comes to research method, into quantitative and qualitative methods, but these methods are secondary to questions of paradigm, which is the basic belief system or world view that guides the investigation (Saunders et al., 2007). Usually if the researcher prefers to work with an observable social reality and that the end product of a research can be law-like generalizations the researcher will adopt the philosophical stance of the natural scientist. This is also a reflection of the principles of positivism (Saunders et al., 2007). Researchers who are critical to the principles of positivism argue that rich insights into a complex world are lost if the complexity is reduced to a series of law-like generalizations.

3.3.1 Secondary data

When choosing a research design or strategy you also choose how different type of data helps you answer your research question. Data can be in many forms of primary data or secondary data. Primary data means collecting new data specifically for that purpose whereas secondary data means reanalyzing data that have already been collected for some other purpose (Saunders et al., 2007). Secondary data includes both raw data and published summaries and it can be both quantitative and qualitative data. These data are principally used in both descriptive and in explanatory researches (Saunders et al., 2007). The main advantage by using secondary data is that it saves resources like time and money (Ghauri and Grønhaug, 2005). As a consequence of this you may be able to analyze much larger datasets and you could spend more time and effort analyzing and interpreting the data (Saunders et al., 2007). Using secondary data are also likely to be higher quality data than what could be obtained by collecting your own. It also provides a source of data that is both permanent and available by others, which means that the data and your research are more open to public scrutiny (Saunders et al., 2007).

In my thesis I have had access to several data sets, both qualitative and quantitative with most of it being secondary data. I will later argue how some of my data can be considered primary data. The disadvantages that are important to be aware of are that secondary data might be inappropriate for your research question. This is for the simple reason that the data was initially collected for a different purpose. Another disadvantage is that if much of the secondary data you use is in published reports, the processed data will have been aggregated in some way. The definitions of data variables may not be appropriate for your research question or objectives (Saunders et al., 2007). All of the data used in my thesis is based upon raw data that has not been aggregated in any way. And even though the data initially were collected for a different purpose, they fit the purpose of this thesis perfectly.

The secondary data that GEM has collected through surveys and expert interviews has been very useful in the exploring phase, to get an understanding of the relationship between framework conditions and entrepreneurship in Norway. But most importantly these data are the foundation for the theory development and being able to answer my research question.

3.3.2 Primary data

The higher quality of the data is the more reliable the research is. There are a lot of different ways of collecting primary data. It can be done by different types of observation, several types of interviews, or by using questionnaires. The main advantage by collecting one's own data is that it gives control over both the structure of the sample and the data obtained from the respondents (Easterby-Smith et. al., 2008). Even though collecting your own data gives control over the sample and the collecting process there are still a lot of pitfalls. One of the important decisions a researcher has to make is how to design a sample so that it will be high in both representativeness and precision (Easterby-Smith et. al., 2008). The representativeness can be decided by whether the accuracy of conclusions drawn from the sample has the same characteristics as the population from which it was drawn. Precision has to do with how credible a sample is and small samples will always be less precise than large samples (Easterby-Smith et. al., 2008).

The group of researchers, who collects all the Norwegian data for GEM, uses a form of sampling called snowball sampling to identify the panel of experts. Three central persons were initially identified and asked to name other potential experts. These were contacted and in turn asked to nominate other experts. The interviews took various forms: In some cases they were face-to-face or telephone interviews that were taped and in other cases questions were posted and the respondent returned a written reply. The identified experts are experts on one or more of the nine EFCs identified by GEM. They are listed in the appendix at the end of this thesis. The expert panel has supplied this research with almost 200 comments on the four EFCs under investigation. This is in addition to scoring 6 or more allegations within each EFC for each year. Even though I did not have any control over how these data were collected, these data are raw data that comes straight from the primary source. The data from the expert interviews has the same focus on the 9 framework conditions as I have had in my research, however in this thesis I focus on five of them. Since the data has not been aggregated in any way I argue that the raw data can be considered primary data.

3.4 Grounded Theory

A research strategy, that seemed appropriate for my research, was Grounded Theory. Grounded theory is an approach where the researcher systematically can develop theories from data (Widding, 2006). Even if this is an inductive strategy it is important that the

researcher is aware that this is a very systematic approach (Mehmetoglu, 2003). One of its main features is that collecting the data and analyzing the data should be done at the same time. Development of theories are not the starting point this kind of research, but a process assumed to be happening in the research process (Widding, 2006).

From a Grounded theory perspective, theory development is a process were social processes it closely related to specific phenomenon and not social entities (Widding, 2006). Through my research process, the understanding of how framework conditions are related to entrepreneurship grew, and while analyzing expert data, theory on the subject started to develop. The data I had access to, was longitudinal data that had been collected since the year of 2000. These data gave me the opportunity to study change and development in entrepreneurial activity in Norway and when studying how emphasis on EFCs has changed and developed during these years, it gave me a theoretical understanding of the phenomenon. Based on these data and recent expert interviews from 2008 the purpose of my study was to generate a theory on how certain EFCs affect entrepreneurship in Norway, and thereby answer my research question. In the following I will present how I used grounded theory as the methodology model for my thesis. In its most stringent form Grounded theory can be described as:

1. Data collection and analyzes takes place at the same time.
2. Based on the data, theory is conducted.
3. A traditional quantitative verification is not conducted, but the researcher compare his ideas with the new observations and conducts systematically comparisons between the observations.

Figure 3.1 below describes the process of theory development by using grounded theory.

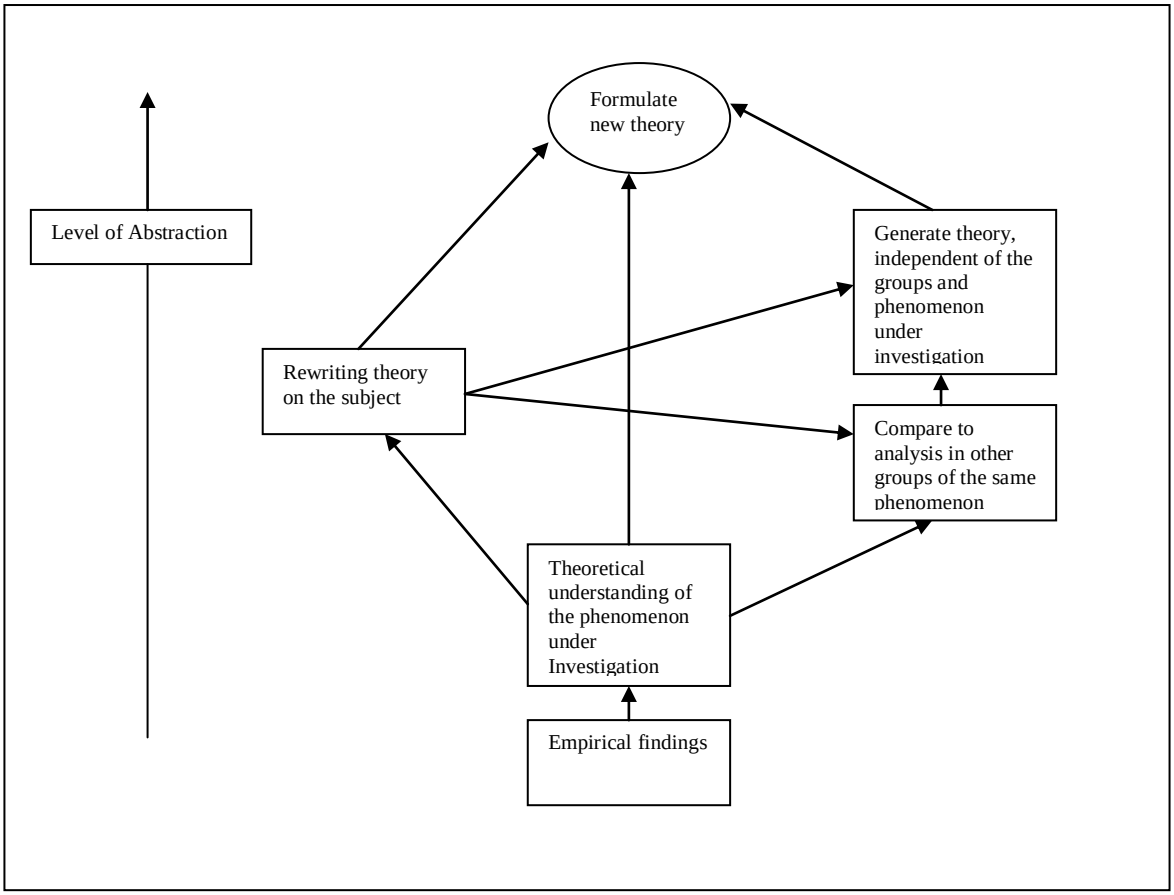

Figure 3.1 Theory development as an inductive phenomenon by Glaser and Strauss

The empirical findings form a foundation for a theoretical understanding of the phenomenon under investigation. From this understanding a researcher could either do a discussion and rewriting of the already established theory, or he could compare analysis of the same phenomenon in other groups, to get a more thorough foundation for the theoretical understanding. The next step will then either be to develop a formalized and general theory on the subject, or build parallel models or theories (Widding, 2006). The ideal method of theoretical sampling is according to Glaser and Strauss (1967) to collect data, analyze and do literature reviews at the same time. This is usually hard to accomplish so depending on where in the process the researcher is he or she will do some of it separately and some of it overlapping or parallel. Another characteristic of this process is that it is often found to be cyclic where the researcher returns to literature review after collecting data (Widding, 2006). This is often based on a required need for more structure on the literature, which again leads to a better guidance for the empirical structure and analyzes.

The research process I have been through can be characterized as cyclic. My understanding of how different EFCs relate to entrepreneurship has increased throughout this process especially because of the cyclic nature of it. Since the data this thesis is based upon was already collected, I jumped a few steps in the grounded theory process. Grounded theory has detailed guidelines on how to prepare for the data collection and how the gathering should be obtained. Going through the methodological steps taken by GEM in collecting these data I feel certain of its quality. I had access to all raw data collected including literal comments made by all the individual experts.

When using grounded theory the process of analyzing data can be divided into three categories: Open coding, axial coding and selective coding (Widding, 2006). The purpose of open coding is to reveal characters and dimensions of the phenomenon and develop a foundation for development and specifications of categories and conceptions. With open coding the researcher tries to reveal phenomenon that can be compared in terms of similarities and differences. According to the Grounded theory model, the researcher at this point, is at the lowest level of abstraction. Working with the expert data I found it necessary to categorize the different experts into categories according to their field of expertise. This enabled me to compare the opinions of experts from one category to all the other experts and look for similarities and differences. The expert comments from 2005 were categorized into A-categories. In my next step I moved on to what grounded theory calls axial coding. In this phase I categorized the 2008 data into B-categories. In this step the connection to valid theory of the phenomenon becomes more important (Widding, 2006). Here I compared 2005 data with 2008 data and also was also able to relate my findings to theory on EFCs. At the last level of coding called selective coding, I categorized findings from both years into C-categories. I did a systematical analysis of the expert comments and was able to relate this to the rest of the analysis and the valid theory on EFCs.

3.5 Analyzing the data

Researchers are still debating whether or not it is acceptable to use number information in a qualitative study. Mehmetoglu (2003) says that the researcher may use quantitative information in his or her research if it contributes to the understanding of phenomenon being studied. In my thesis, number information has been very informative in terms of rating the

importance of issues, considered by the experts, to improve or reduce entrepreneurship in Norway.

Since quantitative data in raw form convey very little meaning to most people it needs to be processed into information. The responses from the questionnaires were summarized and average numbers was used to give an understanding about how the experts scored different areas that were related to different EFCs. The experts were asked to score several allegations concerning EFCs. The alternatives were: Totally disagree, disagree somewhat, neither one, agree somewhat or totally agree. These statements were in turn coded with values 1-5. Further, I used a diffusion index where 1 and 2, and 4 and 5 responses were separated and the average number was calculated. The value 3was together with the experts choice of ”no respond” put in a separate category and can be interpreted as either the expert does not have an opinion or the expert find it hard to answer. The scores resulting from this survey allowed me to study strengths and weaknesses concerning EFCs in Norway.

In the second part of the survey in 2005, the experts were asked to suggest improvements within each specific area. In 2008 however, the questionnaire was somewhat changed and instead of making comments within each area the experts were asked to make all their comments on a separate paper at the end of the survey. Here the experts were asked to state the three most important weaknesses in relation to entrepreneurship that Norway has compared to other nations. These were considered factors that would represent a limitation in entrepreneurship in Norway. Next, they were asked to mention the three most important strengths of entrepreneurship in Norway. Finally, they were asked to state three different factors in rank order that could improve the situation, and increase the level of entrepreneurship in the country. Of the nine framework conditions the experts were asked about, I analyzed four of them. These were:

1. Financial support
2. Government policies
3. Government programs
4. Education and training

When collecting and analyzing data you want to make sure that you produce the best quality research possible. To obtain this there are certain things that needs to be considered and be

paid attention to. By ensuring a high level of validity and reliability, the researcher is also ensuring the quality of the research.

3.6 Validity and reliability

The main purpose of my research has been generate a theory on the framework conditions for entrepreneurship in Norway and thereby be able to answer my research question. Reliability and validity are expressions used within quantitative research as an expression for quality of the research (Johannesen et al., 2004). To be able to achieve a high level of credibility for the conclusions presented in a thesis, it is important to demonstrate that the research was designed and conducted in a way so that the phenomenon investigated is accurately identified and described. It is therefore important to be conscious about problems and insufficiencies connected to the chosen research method in order to be able to minimize the errors and increase the quality of the study.

"*The reliability and validity you ascribe to secondary data are functions of the method by which the data were collected and the source"* (Saunders et al., 2007).

Survey data from large well known research organizations are likely to be reliable and trustworthy because their existence is dependent on the credibility of their data. When using secondary data it is very important to do a detailed assessment of the validity and reliability, which means an assessment of the method or methods used to collect the data (Dale et al., 1988). The methods used to collect the data I have been using in my thesis, are both valid and reliable. The surveys and interviews have been conducted by highly educated researchers who have preformed several research projects. This strengthens both the reliability and the validity of the data.

3.6.1 Validity

Validity is an expression of whether or not the chosen measurement tools measures what it aims to measure. Validity can be divided in three different kinds of validity: Internal validity, external validity and construct validity. Internal validity is the extent to which the findings can be attributed to the interventions rather than any flaws in the research design. External validity refers to the generalisability of the research results and construct validity refers to if

the theoretical constructs of cause and effect accurately represents the real world situations they are intended to represent (Johannesen et al., 2004).

When collecting primary data, there are several ways of assuring the validity of the data. The validity of the data will depend on how you choose to collect your data and it all comes down to how well the data collection process is prepared whether you use questionnaires, interviews or the observer methods. The validity of secondary data is judged by its relevance in comparison of the information needed. Secondary data that does not provide the information needed will result in invalid answers.
The datasets that I have had access to, are probably a much higher quality than I would be able to collect myself. I have had access to all of the raw data, both the questionnaires and expert comments. I have also been able to go through thoroughly descriptions of the methods used to collect the data and I have had access to the researchers who collected the data in Norway. My main challenge was to assure high construct validity since the original data collection was not collected for the research question in my thesis. One of the original purposes with the surveys was to be able to make generalizations about entrepreneurial activity in Norway. My goal will has not been to make generalizations, but as mentioned before, to create a theory on the framework conditions for entrepreneurship in Norway.

3.6.2 Reliability

Reliability refers to whether or not your data collections techniques or analysis procedures will yield consistent findings on other similar occasions by other observers and if there is transparency in how sense was made from the raw data (Saunders et al., 2007). There are several threats to reliability which are important to be aware of. Saunders et al. (2007) describes four threats which are, participant error, participant bias, observer error and observer bias. All of these threats can be minimized by designing the research properly and introducing a high degree of structure to the interview or questionnaire. The reliability of the dataset I have been using is very high. However, the data collection was conducted in Norwegian. Since my thesis is written in English it was a challenge to translate the data without losing important information. I solved this by consulting my American-Norwegian friend constantly and by using our American network of friends. Another methodological challenge I had was that the second part of the survey was designed differently in 2008 than in 2005. Since the expert comments in 2008 was not assigned to each subject, I had to go through all the comments and assign them to each framework condition. These challenges

could potentially be a threat to the reliability of the thesis, but I am confident that they are solved in the best way possible.

Reliable measures can be assumed to be objective, in the sense that anybody using the measurement procedure will arrive at the same results. In order to have confidence in the reliability of a measure, a determination of the correspondence between two similar procedures for measuring the same event can be done (GEM, 2006). With the GEM research program there have been several cases where a national survey was replicated for the same period of time. In all of these cases there was no statistically significantly difference. It is also possible to compare the results of the GEM procedures within the same country from year to year (Reynolds et al., 2005). I think the transparency in how I made sense from the raw data is very high and in addition every technique and method I used is described in detail. This makes the data highly reliable.

4. Analysis of data

This thesis has until now presented a review of the literature on EFCs related to entrepreneurship in general and EFCs specifically related to new business start ups. I have also presented the methodology chosen for this purpose. Our country is mainly driven by innovations so for the most part the basic requirements and efficiency enhancers are already in place. All four of the EFCs I will be presenting are placed the innovation and entrepreneurship box in the GEM model. All four of these EFCs are according to the GEM model closely related to attitudes, activities and aspirations. In the following I will present the analyzed data collected in relation to the literature on the phenomenon. For the structural purpose, the analysis will follow the structure of the literature review. I will compare empirical data with valid theories on the subject and answer my research question:

"Are there adequately good framework conditions for entrepreneurship in Norway?"

4.1 Financial support

Norway has for many years been one of the most entrepreneurial countries in Europe. The years 2005 and 2006 had the highest levels of entrepreneurial activity ever measured in Norway. However, in 2007 this rate fell drastically with 6.5 %, and became the lowest score Norway has ever reported since the country started to participate in the GEM project in the year of 2000. According to the GEM model, financial support is one of the important mechanisms that affect entrepreneurial activity within a country. It has an effect on early stage activity, persistence and exits. The importance of financial support for both new business start-ups and growing firms is clearly stated in the literature. Levi and Autio said that:"*Finance is the most widely recognized regulator of allocation of effort to entrepreneurship".* Two of the part questions in this study relate to the questioners which the experts answered. This also applies for the analyzing in all the other EFCs. These questions are:

1. *"As an entrepreneurial nation, what are our strengths?"*

2. *"What are our weaknesses?"*

According to the Norwegian experts in this survey, financing entrepreneurial projects like new business start-ups and also growing firms was a major problem back in 2005. The problem was not only recognized by the financial experts but also by the experts of other categories. Funding from all available sources defined in the questioner got a low score except in the case where the company went public (IPO). In table 1.1 below, the results of the questionnaire is presented in rank order, with the Framework condition the experts' rate as most problematic on top.

			2005				2008	
Rank	A	Financial support	Disagree	Agree			Disagree	Agree
1	A4	In my country, there is sufficient funding available from private individuals (other than founders) for new and growing firms	83,0%	0,9%	A3 (5)	In my country, there are sufficient government subsidies available for new and growing firms	58,3%	36,1%
2	A1	In my country, there is sufficient equity funding available for new and growing firms	76,7%	18,6%	A1 (2)	In my country, there is sufficient equity funding available for new and growing firms	47,2%	41,7%
3	A2	In my country, there is sufficient debt funding available for new and growing firms	65,1%	25,0%	A4 (1)	In my country, there is sufficient funding available from private individuals (other than founders) for new and growing firms	44,4%	33,3%
4	A5	In my country, there is sufficient venture capitalist funding available for new and growing firms	60,0%	16,3%	A2 (3)	In my country, there is sufficient debt funding available for new and growing firms	41,7%	38,9%
5	A3	In my country, there are sufficient government subsidies available for new and growing firms	58,1%	27,9%	A5 (4)	In my country, there is sufficient venture capitalist funding available for new and growing firms	27,8%	52,8%
6	A6	In my country, there is sufficient funding available through initial public offerings (IPOs) for new and growing firms	14,0%	53,5%	A6 (6)	In my country, there is sufficient funding available through initial public offerings (IPOs) for new and growing firms	5,6%	61,1%

Table 4.1 Financial support

The source of funding that got the lowest score in 2005 was private individuals followed by sources of equity funding, debt funding, and venture capitalist funding and government

subsidies. Funding through IPOs for new and growing firms was considered to be a strength defined by the high score the experts gave this allegation.

On the allegation: *" in Norway there is sufficient funding available from private individuals (other than founders) for new and growing firms"*, 83% of the experts disagreed. 76, 7 % of the experts disagreed with the allegation: *"In Norway there is a sufficient equity funding for new and growing firms"*. These two represent the lowest score in 2005, but as Table 1.1 shows, the rank order has changed in 2008. This is due to perceived improvements in several areas. The source of funding that got the lowest score in 2008 was government subsidies, followed by equity funding, private individuals and debt funding. Funding from private individuals was in 2005 ranked as the weakest source of funding but has according to the experts improved significantly in 2008. Now it is ranked as the third weakest source of funding with an improvement of almost 40%. Equity funding is still ranked as the second weakest source of funding, but has improved with almost 30%. The only source of funding which has not improved at all is government subsidies, which is now ranked as the weakest source of funding.

Funding through IPOs for new and growing firms is still considered to be a strength and has even improved somewhat. The questionnaire score shows that venture capitalist funding has improved and can now be considered strength. This is based on that more than 50% of the experts agree that the funding from this source is sufficient. Compared to 2005 when 60% of the experts said that this source of funding was not sufficient. The group of experts representing the lowest score on financial support all in all for both 2005 and 2008 are the experts on commercial and professional infrastructure. The financial expert group represents the second lowest score for both years. Based on the questionnaire it seems that today there are two strengths within the financial support system: Funding through IPOs for new and growing firms and venture capitalist funding. The weaknesses in the financial support system today are: Government subsidies, equity funding, private individuals and debt funding.

The third part-question in this study relates to the experts suggestions on how to improve the situation. This question is also related to the weaknesses defined by the experts and applies for the analysis of the other EFCs as well. This question is:

"What can we do to improve our weak areas?"

Comments made by the experts from both the 2005 data and the 2008 data are used to explain the weaknesses that the questionnaire revealed. Interesting categories that emerged from analyzing the comments from 2005 can according to grounded theory be called A-categories. These are:

1. Early stage financing
2. Tax incentives/reductions
3. Reduction of risk for private investors
4. Government subsidies
5. Regional politics

The categories are ranked based on how many comments each category was given, with seed- and venture capital being the most commented category. When studying the comments from the experts, there seem to be a reoccurring comment that venture capital and seed capital must become more accessible to entrepreneurs, government need to increase subsidies and that the tax system need to be more friendly towards new business start-ups and growing firms. The experts also suggests risk reducing incentives for private investors and banks as an effort in order to increase investments in new and growing firms. Some of the experts also say that regional politics cause an unfair distribution of seed capital. Instead of being too occupied with regional politics the politicians should allocate the money where the good and high potential businesses are.

From 2005 towards the end of 2007 there was a downward trend on the interest rate in Norway. This had a positive effect on the investors' willingness to invest in new business start-ups and other alternative investments. In addition financial support to entrepreneurship had an increasingly priority by the government. Through the years of 2000 up until 2008, banks and big investment firms were able to build their equity reserves. The expert questionnaire from 2008 also shows that equity funding, funding from private individuals and debt funding has improved a lot for new businesses and growing firms. B-categories that emerged from the comments made by the experts in 2008, also to some extent seem to support this. These B-categories are:

1. Seed- capital
2. Tax-incentives
3. Government subsidies
4. Regional politics

In 2008 the experts still mention early phase finance as a lacking financial source but has left out venture capital in their comments. The experts do not mention risk reducing efforts this year but they still address government subsidies as being a problem. They have also made a lot of comments on regional politics related to seed-capital and especially in the cities.

By analyzing the A-categories and B-categories, there are certain similarities that emerge. The C-categories are the summarized A and B categories that the experts say needs to be addressed within the financial support EFC. Table 2.1 on next page summarizes the comments on the C-categories:

1. Early stage financing
2. Tax- incentives
3. Government subsidies
4. Regional politics

These categories are arranged according to what the experts have mentioned the most in both years, with early phase financing being the most mentioned.

Comments on Financial support:	2005	2008
1. Early stage financing	"Establish seed-capital funds like the Ryan-billion". "There is a need for public funding of both venture and equity" "The government needs to fund the start-up phase, since other sources of funding is hard to get in this phase" "Improve the access to public loans and grants" " More seed-capital in the cities"	"Seed-capital is still lacking from public sources". "Seed-capital, venture capital and capital from other private investors is still lacking". "More equity funds". "requirements are too high for both private and public funding" "A more cooperated financial support system" "Funding from public sources is just "pocket money"".
2. Tax-incentives	"Tax-incentives to increase investments in new business start-ups" "Tax-incentives like the English model" "Give investors tax-reductions" "I strongly disagree with the double taxation of share holders" "Risk reduction for investors through the tax-system" "More models like " skattefunn""	"Today's tax-system is an obstruction to entrepreneurship" "Establish tax-incentives for investors" "Reduce taxes for new business start-ups" "Drop fortune tax on working capital" "Give new businesses tax-reductions for three years after startup" "Reduce the taxes!" "More models like " skattefunn"" "Remove tax on working capital"
3. Government subsidies	"Establish systems for shared risk between the entrepreneur, private investor and public funding e.g. guarantees" "Cover the seed-companies administrative costs" "Improve financing of high potential growth businesses through public loans and grants" "Grants need to improve"	"Seed-capital investors should be given public funding and connected to incubators which have to be accessible all over the country". "Better social arrangements for entrepreneurs" " More Government subsidies, grants and seed-capital are needed in the early stage to find out if the business idea is worthwhile"
4. Regional Politics	"Increase the access to seed-capital, independently of regional restrictions. The need is significant in the cities" "Remove the geography limit on public seed-capital" "Increased access to seed-capital in the university cities, that's where the potential is"	"Seed-capital is too sector dependent, from both private and public funding" "There is a lack of seed-capital especially in the cities" "Public capital exists but need to be focused on good projects not regional politics."

Table 4.2 Comments on financial support

The experts have made many suggestions for improvements and the C-categories are the areas in which most of their comments and suggestions were focused. The C-categories represent each subject within financial support that the experts in both years found to be weak. Each C-category is further discussed below.

4.1.1 Early stage financing

Finance is the most widely recognized regulator of the participation in entrepreneurship, which make seed capital a very important regulator (Levi and Autio, 2008). In Norway there are several equity- and seed-capital funds through both public and private sources. Innovation Norway, which is the main actor when it comes to offering financial support, controls several of them. In addition banks and other private investment funds have established several new seed- and venture funds in the resent years. However, the OECD report (2007) concludes that even though the government has set up several funds in the last years there is still a small amount of seed-capital and equity funding available for new business start-ups. This is supported by the experts: *"Funding from public sources is just "pocket money"".*

While venture capital in 2008 can be defined a strength based on the experts questionnaire, the experts are approximately divided in two when it comes to seed-capital. Half of the expert panel defines it as a strength while the other half still considers it to be a problem. A legitimate question at this point is: How much more will it take for it to be considered a strength? Some of the experts say that there is enough capital but the distribution of it is unfair and does not favor the ones with the highest potential. Instead the district- and regional politics seem to be of more importance. One of the comments on this area was: *"Public capital exists but need to be focused on good projects not regional politics."* OECD also recommends that Innovation Norway needs to relax the requirements for seed-capital borrowing. This recommendation supports what the experts from both 2005 and 2008 said. Another comment was: *"requirements are too high for both private and public funding".* On the other hand, the banking system in Norway is considered one of the most efficient in Europe. Access to bank loans without collateral appears easier in Norway than in many of the other OECD countries. So to some extent there has to be a natural selection of the "birth right" of new business. But if what the experts say is right, it seems that regional politics, in some cases excludes high potential new businesses by allocating most of the seed-capital to regional and rural areas.

OECD recommends that government funds are used more productively to further increase the availability of risk capital to entrepreneurs. *"Seed-capital is still lacking from public sources",* is another comment that supports the OECD recommendation. This recommendation will probably be even more important in the years to come. The business cycle that we are in right now has made equity- and seed-capital funding even harder to get.

So in order to increase entrepreneurial activity in our country in the years to come, government funding will play a vital role.

4.1.2 Tax-incentives

Porter (1990) describes tax incentives as a much better alternative to government subsidies. There are elements in the Norwegian tax-system which have contributed to an increase in the number of new business start-ups in recent years (OECD, 2007). The dividends exceeding the normal rate of return are not taxed if they are given to another company. Dividends from companies to private persons are however taxed. In addition the tax-system provides incentives for persons to own property through companies. However these tax-incentives do not apply so much for new business start-ups. Is unknown to what extent the dividends of Norwegian companies are used to invest in new business start-ups. This is however not the main focus from the experts either. The tax-incentives proposed are tax-incentives for private and informal investors to invest more in new business start-ups. This could be done implementing removal or reduction of some of the fortune taxes and allow tax deduction of costs in the critical start-up phase.

Tax-incentives are the second most suggested improvement by the experts in both 2005 and 2008. Comments like: *"Establish tax-incentives for investors"* and *"Today's tax-system is an obstruction to entrepreneurship"* and *"Give new businesses tax-reductions for three years after startup"* are suggestions made by the experts. *"More models like "skattefunn""* is mentioned by several of the experts in both years. This scheme is neutral between qualifying projects, regions, sectors and the tax-position of qualifying businesses. One of the experts from 2005 suggests: *"Tax-incentives like the English model"*." The English Model", basically gives 20 % tax-reductions for informal private investors and has had great success in terms of increasing this type of funding. When looking at the success of this model it is evident to think that this could work in Norway as well.

4.1.3. Government subsidies

Since 2005 there have been no improvements in government subsidies. While this is not the main focus from the experts in 2005, more seem to request this in 2008. Porter (1990) says that direct government subsidies may not be the best way for a nation to gain prosperity and

economic growth. Since direct subsidies often come with explicit or implicit strings attached, they will limit both flexibility and innovation. He explains this with saying that it creates an attitude of dependence, where it becomes difficult to get industries to invest and take risks without it.

Porter (1990) says that: "The *impetus to innovate, the skills to do so, and the signals that guide its direction must come largely from the private sector."* And also that: *"Businesses must increasingly take a leading role in factor creation themselves"*.

A business has to be able to survive without government subsidies, if not it will not grow and contribute to the country's renewed prosperity and growth. This can explain the decline in use of government guarantee schemes in recent years. The purpose of these guarantees has been to reduce the risk for investors like banks and other financial institutions, but these days they are rarely used and they are not very effective because of the stringent requirements. Another problem with government subsidies and guarantees is that it may affect the rivalry and competition which is very important for new entrepreneurial activities. EU has a strict policy when it comes to subsidies and the Norwegian government has to follow these rules. This may also be the reason why there have been no improvements in the government subsidies. In 2005 one of the experts said: *"Establish systems for shared risk between the entrepreneur, private investor and public funding e.g. guarantees"*

However, funding the start-up phase of a new business involves a high risk for investors which are why it is so difficult to get the funding. One of the comments on this was: *"More Government subsidies, grants and seed-capital are needed in the early stage to find out if the business idea is worthwhile"*. So even though Porter (1990) does not support the use of subsidies, in some cases they are vital to the start-up phase of a business. One of the experts also suggests another way that public subsidies could be beneficial to entrepreneurial activities and that is to give some sort of subsidies to investors. Even though I think tax-incentives for investors is a better way of stimulating more investments in the early phase of a business start-up, one of the experts said: *"Seed-capital investors should be given public funding and connected to incubators which have to be accessible all over the country"*. This expert is also saying that incubators are not accessible all over the country which brings us over to the next category, regional politics.

4.1.4 Regional Politics

Entrepreneurship has for many years been an important part of regional politics. In recent years a depopulation of districts and rural areas has increased. In light of this, OECD has recommended the Norwegian government to make a strong commitment to entrepreneurship in rural parts of Norway (st.prp.nr.1, 2008-2009). The main responsibility for entrepreneurship in Norway lies with three different ministries: The ministry of trade and industry, the ministry of Education and Research and the ministry of Local Government and Regional Development. Innovation Norway, which is the main actor when it comes to offering financial support to entrepreneurs, gets their grants from all of these ministries. However, these grants comes with different guidelines on how they should be spent depending on which ministry that grants them. Innovation Norway also has defined different prioritized areas in which they canalize the money. Both in 2005 and in 2008 the experts question the distribution of these grants. In 2005 two of the comments were: *"Remove the geography limit on public seed-capital"* and *"Increase the access to seed-capital, independently of regional restrictions. The need is significant in the cities".*

Innovation Norway has four different grant programs for new business start-ups. But three of these are regional policy means which makes it harder for entrepreneurs in larger cities to get these grants. This is also one of the problems that the experts made comments about. The experts both in 2005 and in 2008 said that regional politics seemed to control most of the subsidies and that the distribution of it did not favor the businesses where the highest potential was. Two of the comments in 2008 were: *"There is a lack of seed-capital especially in the cities"* and *"Public capital exists but need to be focused on good projects not regional politics."* As described above, Innovation Norway has defined prioritized areas for their financial support and the ministries also gives guidelines on how the money should be prioritized. This seem to be captured in one of the comments from the experts: *"Seed-capital is too sector dependent, from both private and public funding".*

The comments from the experts lives no doubt that in certain entrepreneurial areas and in certain parts of Norway, especially the cities, there is still a lack of seed-capital. But maybe the problem is not so much that the public funding are canalized to specific sectors and used as policy means, but more that they need to be more differentiated and target broader areas of interest. Maybe there needs to be a thorough investigation of all the means, more coordinated

means and that financial support needs to target a broader entrepreneurial area than it does today.

4.1.5. Summary on Financing

Financial support is an important framework condition for entrepreneurs. There are a lot of costs associated with new business startups and the income is both uncertain and usually comes later in the process. The access to financial support will always be affected by business cycles. When the interest rate is low, investors will seek alternative investments and capital will be more available. The opposite happens when the interest rate is high. In addition, when there is much insecurity in the money markets, investors tend to be more cautious. The finance crises have caused this to happen in all markets right now, and most likely this will show on next year's Norwegian GEM report. With banks and other private investors being more cautious than ever, public funding options will be even more important in order to create new businesses. Statistics Norway reports that the number of new business startups in Norway has decreased for the past two years and with the experts ranking public subsidies as the weakest areas of financial support this should be alarming to the government. If the government does not supply the necessary funding, the number of new business startups is going to keep decreasing.

What the experts consider to be a strength in the financial support system today is:

1. Funding through IPOs for new and growing firms.
2. Venture capitalist funding available for new and growing firms.

With the current financial situation in mind, the venture capitalist funding might not be currently adequate or adequate in the years to come. But this can be addressed through the governments' policies and programs.

What the experts consider to be a weakness in the financial support system today is:

1. Early stage financing
2. Tax- incentives
3. Government subsidies

4. Regional politics

The experts' suggestions on how to improve these areas are many and I want to summarize some of them.

1. Increase seed-capital funds that fund independently of regions.
2. Tax incentives for both private and informal investors and entrepreneurs
3. Improve access to public loans and grants

Even though experts in 2008 consider most of the financing possibilities as a weak in promoting entrepreneurship in Norway, there have been some extremely important improvements in this EFC. However, due to the finance crisis the level of financial support is most likely back to the 2005 level (GEM report, 2008). The good thing is that since 2005 the government has established several more capital seed funds both national and regional. The bad thing is that too few entrepreneurs have access to them. When funding also have become less available through banks and other private investors it is evident that this EFC today, is not adequate and will have a negative effect on entrepreneurial attitude, entrepreneurial activities and entrepreneurial aspirations.

The Confederation of Norwegian Enterprise (NHO) has in cooperation with several other organizations been working on a proposal for removing fortune-tax on working capital. This proposal was presented the government in 2008, but the governments "answer" were to increase the fortune-tax even more in 2009. Several years ago, NHO has also suggested tax-incentives as a solution to lack of seed-capital for entrepreneurs. Many of the OECD countries have these schemes and it seems that they have served their purpose e.g. the "English model". Even though our country currently is experiencing a downward trend in the interest rate, it tends to fluctuate with business cycles and it does not fix the problem. In order to improve the weaknesses within financial support, the government will have to address the problem areas pointed out by the experts and start to accommodate some of the suggestions.

4.2 Government policy

Government policy is considered to be an explicit regulator of entrepreneurship in the GEM model. Through government policy the politicians are able to affect and make changes in all the other framework conditions. In addition, government policy is in the GEM model closely

related to all three effects of The EFCs; attitudes, activities and aspirations. If the government policies are adequate they will positively influence the three effects, but when they are inadequate they can also have a negative influence on the effects.

Entrepreneurship has been a topic for the different government parties throughout the nineties and the years of two thousand. Different projects have been carried out and one of them was "from idea to value". This was an effort to try to make an overall innovation policy for Norway. According to Rotefoss and Nyvold (2008) the government did not succeed. EU also created a program called "Multiannual program for enterprise and entrepreneurship", MAP, that lasted from 2001-2005. Norway participated in this project with the purpose of promoting entrepreneurship and trade especially for SME. This program was prolonged with one year, but the evaluation of this program showed that the results were not what they had hoped for in all areas. The ministry of Trade and Industry who was responsible for this project said that since Norway has very effective regulations and bureaucracy is not a problem for new and growing firms, and the money could have been better invested elsewhere (Regjeringen, 2006).

In 2007 the Norwegian government decided to participate in EUs "competitiveness and innovation program", called CIP-program which was a continuation of the MAP. This is a program is supposed to last throughout 2013 and its purpose is to promote innovation and better the competitiveness for SME in Europe. For Norwegian SMEs this project means better access to funding innovations, networking and cooperative projects across borders. The CIP project will also be working on removing administrative and regulative barriers for innovations. The commitment and effort the Norwegian government puts towards entrepreneurship and innovations is extremely important, because when I look at the expert survey from 2005, the experts are not pleased with the entrepreneurial policy in Norway. The experts do not agree that Norway has very effective regulations and bureaucracy for new and growing firms.

Below in table 1.2 are the results of the questionnaire concerning government policy presented.

			2005				2008	
Rank	B	Political priorities, taxes and bureaucracy	Disagree	Agree	B	Political priorities, taxes and bureaucracy	Disagree	Agree
1	B7	In my country, coping with government bureaucracy, regulations, and licensing requirements it is not unduly difficult for new and growing firms	74,4%	16,3%	B1 (2)	In my country, government policies (e g , public procurement) consistently favor new firms	77,8%	8,3%
2	B1	In my country, government policies (e g , public procurement) consistently favor new firms	72,1%	7,0%	B2 (3)	In my country, the support for new and growing firms is a high priority for policy at the national government level	63,9%	27,8%
3	B2	In my country, the support for new and growing firms is a high priority for policy at the national government level	55,8%	34,9%	B3 (4)	In my country, the support for new and growing firms is a high priority for policy at the local government level	52,8%	38,9%
4	B3	In my country, the support for new and growing firms is a high priority for policy at the local government level	55,8%	23,3%	B4 (7)	In my country, new firms can get most of the required permits and licenses in about a week	52,8%	19,4%
5	B5	In my country, the amount of taxes is NOT a burden for new and growing firms	51,2%	44,2%	B6 (6)	In my country, taxes and other government regulations are applied to new and growing firms in a predictable and consistent way	52,8%	36,1%
6	B6	In my country, taxes and other government regulations are applied to new and growing firms in a predictable and consistent way	51,2%	20,9%	B5 (5)	In my country, the amount of taxes is NOT a burden for new and growing firms	44,4%	47,2%
7	B4	In my country, new firms can get most of the required permits and licenses in about a week	20,9%	30,2%	B7 (1)	In my country, coping with government bureaucracy, regulations, and licensing requirements it is not unduly difficult for new and growing firms	30,6%	38,9%

Table 4.3 Government Policy

The allegation that got the lowest score in 2005 was “coping with bureaucracy, regulations and licensing requirements”. 74, 4% of the experts found this to be difficult. In rank order this was followed by “government policy consistently favor new firms”, “support for new and growing firms has a high political priority on national government level”, “support for new and growing firms has a high political priority on local government level” and “taxes and

other government regulations are applied to new and growing firms in a predictable and consistent way". On all of these allegations more than 50% of the experts disagreed.
The only area that can be considered a strength based on the questionnaire is that required permits and licenses can be obtained within a week. It has to be mentioned however that 34% of the experts chose not to score this question.

By studying the questionnaire from 2008 I discover that there have been some significant changes in the rank order. Instead of making it easier to become an entrepreneur, it seem like the government policy is making it harder. Bureaucracy, regulations and licensing which got the lowest score in 2005 got the highest score in 2008. However, I cannot define it as strengths. This is based on that several of the experts are mentioning bureaucracy as being a problem. Another interesting find is that required permits and licenses which were considered strengths in 2005 got a significant lower score in 2008 and based on the score it can no longer be considered a strength. There are small decreases in the other areas as well, but none significant ones. When I summarize the scores from the questionnaire, I find that 30% or more of the experts disagrees on all of the allegations. Compared to the financial support score, the scores on government policy is much lower for 2008. Comments made by the experts from both the 2005 data and the 2008 data are used to explain the weaknesses defined by the experts. Interesting A-categories that emerged from analyzing the comments, supports the scores from the questionnaire in 2005. These are:

1. Bureaucracy/coordination
2. Competence
3. Tax-Incentives
4. Regional politics
5. Long term commitment
6. Political Priorities

Since tax-incentives and Regional politics are already discussed under financial support and will not be discussed any further here. But a lot of the comments made by the experts on government policy are concerning these two. Even though Bureaucracy had improved significantly in 2008 compared to 2005, several of the experts still found this to be a problem. Competence within government on all levels, including public agencies was also something the experts criticized. When establishing a new business it may take several years before it

starts making money. The experts do not feel that the entrepreneurial conditions reflect this; so long term commitment is mentioned by several of them. Last in the A-categories are priorities. Regional politics include entrepreneurship, but the experts are here talking more specifically about businesses with high growth potential.

In recent years it seems like the government has prioritized entrepreneurship more through the educational system but there are still areas that need to be improved. The comments from the experts yield this. B-categories are:

1. Stabile conditions
2. Competence
3. Bureaucracy
4. Politicians attitude
5. Political Priorities
6. Social arrangements

Several of the categories that emerged based on the 2005 data, are present in the 2008 data as well. These are competence, bureaucracy and priorities. New categories that emerged are stabile conditions, Politicians attitude and social arrangements. However, based on the comments, some of these categories cover the same weaknesses defined by the experts.
The C-categories are the summarized A and B categories that the experts say needs to be addressed within the Government Policy EFC:

1. Bureaucracy/ Coordination
2. Competence/attitude
3. Political Priorities
4. Stabile conditions

In these new categories long term commitment is included in stabile conditions along with social arrangements. Politicians' attitude is included with competence and social arrangements are included. In table 2.2 below are some of the comments concerning government policies summarized.

Comments on Government Policy:	2005	2008
1. Bureaucracy/Coordination	" coordinate the "jungle" of incentives, even experienced businesses don't know about their possibilities" " it is difficult for entrepreneurs to orient through all the rules and laws" "liquidate all bureaucracy, give them social security, without an office" "More efficient processing of applications" " More electronically registration and application systems"	"Reduce the number of schemes and registrations" "Coordinate incentives, establish a coordinated central for entrepreneurs" "Ineffective and bureaucratic public sector" "Too much bureaucracy and complicated rules"
2. Competence/Attitude	" The government need to realize the difficulties entrepreneurs are experiencing" "Put the "party speeches" into actions" "Competence in government," time-thieves are of no use" "For the most part politicians have limited knowledge about entrepreneurship" " The Government who creates the framework conditions, needs to listen to the entrepreneurs more"	"We needs politicians that are positive through words and actions" "Those who grant the capital and those who gives advice to the businesses needs to be separated! Ethics! " "Too little competence on entrepreneurship within government, especially local and regional" " The government's attitude towards privatization is too negative" " A lot of incompetence among public agents, especially within Innovation Norway"
3. Priorities	"Not all entrepreneurship should be prioritized, focus on businesses with a high growth potential" "The more radical businesses with global potential are not prioritized, and do not have the same access to capital as similar businesses in other countries". "Politicians prioritize businesses in trouble in the districts, too much. There has to be a natural restructuring of the industry structure"	"Emphasize value creation more than regional distributions" "Norway is not putting enough emphasis on businesses with high growth potentials" "Businesses with a high growth potential is not prioritized, especially in the export market" "Prioritize businesses with high innovation- and growth potential" "create conditions that will allow more high growth businesses to emerge"
4. Stabile conditions	"Talking needs to be turned into action and long term commitments" "Make framework conditions predictable, it takes 7-10 years to get a stabile business and this has to be reflected in the conditions" "More political stability, long term commitment, and politicians who has real business experience" "Tax-reforms need to promote entrepreneurial activity, not prevent it"	"Better social security arrangements for entrepreneurs" "Create stabile framework conditions for entrepreneurs" "There is a discrimination of self employed people in terms of social rights" "Trustworthy and stabile framework conditions promotes entrepreneurship"

Table 4.4 Comments on government policy

In table 4.4 there are four areas that the experts have defined as weaknesses within Government Policy; these are the C-categories. They represent the areas were the experts have commented both in 2005 and in 2008. They are further discussed below.

4.2.1 Bureaucracy/Coordination

Government regulations can directly affect entrepreneurial firms (Kirzner, 1997a). Complex regulations and delays in obtaining the necessary permits and licenses may increase the duration of the start-up process, which again can reduce entry because the window of opportunity may have passed by the time all regulations are compiled (Klapper et al., 2006). Even though a few of the experts say that this is not a problem in Norway, the majority of them think that it is. A lack of coordination can also be interpreted as bureaucracy. Two of the comments from 2005 include both weaknesses: *"Coordinate the "jungle" of incentives, even experienced businesses don't know about their possibilities"* and *"More efficient processing of applications".*

Unpredictable and demanding regulations pushes up compliance costs which negatively impacts the profitability, and firms ability to use their retained earnings to fuel growth (Levie and Autio, 2008). It seems several of the experts find the regulations demanding: *"It is difficult for entrepreneurs to orient through all the rules and laws"* and "*Too much bureaucracy and complicated rules".* When going through the requirements for registration of businesses it seems that the criticism from the experts is legitimate. Depending whether or not the entrepreneur has employees in his or her new business, there are up to seven different registries in which the businesses by law has to be registered in. One of the comments from 2008 was: *"Reduce the number of forms and registrations".*

Getting an overview of all the financial incentives is hard even when you study this in particular. In addition the different incentives are controlled through a numerous of programs and by several actors. I have not been able to locate one unit that has an overview of all information, possibilities and incentives concerning entrepreneurs and new business start-ups. This greatly increase complexity and increase the chance of reduced efficiency in the incentives. The closest I came to this was the web-page: www. bedriftshjelp.no. This web-page contains an overview with links to all public funding possibilities. However maneuvering through all of these links is extremely time-consuming. In addition it seems like

many of the funding possibilities prioritize certain regional districts, sectors or type of businesses. *"Coordinate incentives; establish a coordinated central for entrepreneurs."* This indicates that entrepreneurs are requesting a place where they can get all information and consultancy needed to start a business. In addition to supplying financial capital to new and established businesses this expert's statement is also a description of what Innovation Norway is suppose to be. However, several of the experts do not seem to agree with this, which brings us over to the next category.

4.2.2 Competence/Attitude

Increased awareness and attention by policy makers is positively associated with the allocation of effort into entrepreneurship (Audretsch et al. 2007 a, b; Leibenstein, 1968).). Levie and Autio (2008) say that governments need to take entrepreneurs into account when designing and implementing policies. The experts agree with this and say*: "The Government who creates the framework conditions, needs to listen to the entrepreneurs more"* and *"The government need to realize the difficulties entrepreneurs are experiencing"*
There seem to be a reoccurring comment that the politicians have to turn their talking into actions. Several of the experts acknowledge what the politicians say as positive, but criticize that it is not put into actions. *"Put the "party speeches" into actions"*. Negative attitudes towards entrepreneurship are found to be a barrier to entrepreneurial activity. Through their actions the governments at all levels, to some extent, are able to affect the attitudes in the general population towards entrepreneurship. *"We need politicians that are positive through words and actions"* and *"The government's attitude towards privatization is too negative"* are some of the comments made on this topic.

However, several of the experts are questioning the competence of those who grant capital and those who forms the conditions for entrepreneurs. The ministry of Trade and Industry acknowledge this problem and says that there is a lack of knowledge on financial sources within local government, Innovation Norway and the banking system (regjeringen.no, 2002). *"Too little competence on entrepreneurship within government, especially local and regional"* and *"A lot of incompetence among public agents, especially within Innovation Norway"* was two of the comments made by the experts. I cannot explain for sure why the experts have this opinion, but it seems to be related to the coordination of incentives. The ministry of Trade and Industry suggested that more business angel networks needed to be

formed to compensate for the lack of knowledge, but these are still not widespread in Norway. Innovation Norway is the main actor when it comes to offering financial support, counseling and information. They cover a wide specter of incentives and most likely when entrepreneurs are making inquiries to them; they expect to get all the information they need here. Another possible explanation is that Innovation Norway has certain areas of priorities and some of the inquiries may not be within their target. Potentially high growth businesses are being one of them as mentioned under financial support. This brings us over to the next category which is focus areas and priorities.

4.2.3 Focus areas/Political Priorities

The governments' goal has for many years been to increase the number of business start-ups and particularly those having growth ambitions and potential. But it looks like this is not carried out through the government policies. Innovation Norway acknowledge this problem and says that businesses with high growth potential are having much more difficulties than other businesses in obtaining capital from both private investor and public funding (Innovasjon Norge.no, 2009). The comments on this area are many, some of them are: *"Not all entrepreneurship should be prioritized, focus on businesses with a high growth potential". "The more radical businesses with global potential are not prioritized, and do not have the same access to capital as similar businesses in other countries".*

Sternberg and Wennekers (2005) say that from an economic growth perspective, policy should focus primarily on potentially fast growing new firms and not on new enterprises in general. However, identifying these kinds of "gazelles" will always be a challenge for governments. But it is important to establish favorable conditions like knowledge transfer possibilities, intellectual property protection and a well functioning venture capital market. According to the experts this have not been prioritized enough*: "Norway is not putting enough emphasis on businesses with high growth potentials* "and *"Businesses with a high growth potential is not prioritized, especially in the export market"* and *"create conditions that will allow more high growth businesses to emerge".*
The experts seem to be right on target compared to what theory says will create economic growth for our country. Most of the experts focus is on broadening the priorities and not so much on changing the priorities and this is also in accommodation with what the government wants to achieve. The government says that their politic is that there should be room for both

"livelihood" businesses and high growth businesses (st.prp.nr.1, 2008-2009).Innovation Norway has made a proposal for new priorities in 2010 and presented this to the ministries they answer to. The proposal addresses several of the areas pointed out in this thesis. Their main target in this strategy includes SMEs with growth ambitions and growth potential. However, since Innovation Norway answer to the three ministries it has to be a political priority as well in order to carry out this intention. The last category the experts found to be an important condition for entrepreneurship was stabile conditions.

4.2.4 Stabile conditions

Porter (1990) says that one of the most common mistakes governments make is that they are too preoccupied with short term economic fluctuations. Governments are prone to choose policies with easily perceived short term effects like subsidies, protection and arranged mergers. This Porter (1990) says will suppress innovations. Two of the comments from the experts was: *"Make framework conditions predictable, it takes 7-10 years to get a stabile business and this has to be reflected in the conditions"* and *"Trustworthy and stabile framework conditions promotes entrepreneurship".* Another area that seems to concern the experts is the social rights that self-employed business owners have. Both Schumpeter (1934) and Baumol (1990) find that institutional arrangements or other social phenomena affect the quantity of entrepreneurial efforts. The comments made by the experts on this topic are: *"Better social security arrangements for entrepreneurs"* and *"There is a discrimination of self employed people in terms of social rights".*
As government changes after elections there are prone to be some changes in conditions that affect entrepreneurs. However, an overall entrepreneurship and innovation policy may have been able to ensure more stability in the conditions that affects entrepreneurs over time.

4.2.5 Summary on Government Policy

Entrepreneurship policy is primarily concerned with creating an environment and support system that will foster the emergence of new entrepreneurs and the start-up and early-stage growth of new firms (Stevenson and Lundstrøm, 2005). Government policy is also considered to be an explicit regulator of entrepreneurship in the GEM model. The experts have questioned the competence on all levels of government and the Ministry of Trade and Industry have acknowledged the lack of competence within governments specifically in relation to financial sources. With industries and the society becoming more and more

educated and specialized, it is important that government on all levels have a level of competence that corresponds with this. When considering the feedback from the experts it may seem like entrepreneurs are ahead of the government on several areas. By making an overall entrepreneurship policy the government will start validating their intentions and making it easier for all levels of government to pull in the same direction. At this point there does not seem to be any areas within government policy that can be considered a strength. But based on the scores of the questionnaire and the experts comments, there are two potential areas that with some effort could be turned into strengths. These two are:

1. The tax-system
2. Bureaucracy, regulations and licenses

The ministry of Trade and Industry seem to be of the opinion that Bureaucracy is not a problem in Norway, but maybe they need to listen more to the entrepreneurs. In addition to those two above, the areas the experts consider being weaknesses within government policy are:

1. Political Priorities
2. Competence
3. Stability

In order to stimulate more entrepreneurial activity the experts have suggested several ways of improving these weaknesses:

1. Coordinate the “jungle” of incentives
2. More electronically registration and application systems
3. Increase the official agents competence
4. Prioritize potentially high growth businesses
5. Equal social rights for self-employed and employed
6. More stability

It is not a coincidence that government policy got a low score on the questionnaire and that the experts had a lot of suggestions on improvements. Through government policy the politicians are able to affect and make changes in all the other framework conditions. So with

that being said, government policy can be considered the basic framework condition which controls all the other EFCs. Rotefoss and Nyvold (2008) say in the conclusion of their report:

" As long as the government defines innovation and entrepreneurship differently in the few innovation and strategy documents that exists, Innovation and entrepreneurship will remain a "woolly concept". "

After analyzing this EFC I have to agree on this conclusion. It is evident that entrepreneurship needs to be placed higher on the political agenda. I also agree with the experts, that the government is not making entrepreneurship a high enough priority. One of the comments from the experts summarizes this chapter:
"More political stability, long term commitment, and politicians who have real business experience".
By giving entrepreneurship a higher political priority it will also affect the programs that are aimed at promoting entrepreneurial activities within our country.

4.3 Government programs

Government programs are concerning the presence of direct programs, both financial programs and competence programs, to assist new and growing firms at all levels of government. This chapter will reveal if the government programs are adequate in supporting and promoting entrepreneurial activities. Through specific support programs, governments can facilitate the operation of entrepreneurial firms by addressing gaps in their resource and competence needs. This includes both subsidies and correcting failure of the market to cater such needs (Levie and Autio, 2008). In the GEM model government programs also has a role in effecting attitudes, activities and aspirations and perhaps especially the first two.
Innovation Norway has several programs that targets groups of potential entrepreneurs who are poorly represented with women being one of them. However, the Norwegian GEM report (2008) shows that the share of female entrepreneurs has not increased in recent years. The questionnaire from 2005 and 2008 on government programs have the highest score of the four EFCs I have investigated, but again competence amongst people working for government agencies seem to be a problem. Below in table 1.3 are the results concerning government programs presented.

			2005				2008	
Rank	C	Government programs	Disagree	Agree	C		Disagree	Agree
1	C4	In my country, the people working for government agencies are competent and effective in supporting new and growing firms	65,1%	18,6%	C4 (1)	In my country, the people working for government agencies are competent and effective in supporting new and growing firms	50,0%	27,8%
2	C6	In my country, government programs aimed at supporting new and growing firms are effective	55,8%	18,6%	C1 (6)	In my country, a wide range of government assistance for new and growing firms can be obtained through contact with a single agency	44,4%	50,0%
3	C5	In my country, almost anyone who needs help from a government program for a new or growing business can find what they need	41,9%	41,9%	C5 (3)	In my country, almost anyone who needs help from a government program for a new or growing business can find what they need	44,4%	41,7%
4	C3	In my country, there are an adequate number of government programs for new and growing businesses	37,2%	44,2%	C6 (2)	In my country, government programs aimed at supporting new and growing firms are effective	38,9%	36,1%
5	C2	In my country, science parks and business incubators provide effective support for new and growing firms	32,6%	53,5%	C3 (4)	In my country, there are an adequate number of government programs for new and growing businesses	25,0%	58,3%
6	C1	In my country, a wide range of government assistance for new and growing firms can be obtained through contact with a single agency	32,6%	53,5%	C2 (5)	In my country, science parks and business incubators provide effective support for new and growing firms	19,4%	69,4%

Table 4.5 Government programs

For both 2005 and 2008 the competence of people working for government agencies gets the lowest score. In addition the 2005 rank order, from lowest to highest, was: effective government programs, those who needs help can find it, adequate number of programs, science parks and incubators that provide effective support and government assistance through a single agency. Except for competence, the only allegation where more than 50% of the experts were dissatisfied, were that the government programs are effective for new and growing firms. The scores are higher in 2008 with the exception of the one that got the highest score in 2005. "A wide range of government assistance for new and growing firms

can be obtained through contact with a single agency". This allegation has gone from the highest score to the second lowest score. This supports the earlier findings that there is a need for coordination on information and incentives. However it has to be mentioned that 50% of the experts agreed on this allegation. This means that there is a higher number of experts that finds this to be adequate than not. In 2008 almost 60% of the experts agreed with there being an adequate number of programs for new and growing firms. The experts are also pleased with how science parks and incubators provide effective support for new and growing firms. Based on the experts score on these two, they represent a strength for entrepreneurial activity.

Comments made by the experts from both the 2005 data and the 2008 data are used to explain the weaknesses defined by the experts. Interesting A-categories that emerged from analyzing the comments, supports the scores from the questionnaire in 2005. These are:

1. Competence
2. Coordination
3. Regional Focus
4. Number of programs

As the categories indicate, the experts focus is consistent. This is concurrent with the previous findings and it contributes to the obvious need for improvements. Especially since the government's goal is to increase entrepreneurial activities in Norway. The comments from the experts in 2008 are the foundation for the B-categories and these are:

1. Competence
2. Number of programs
3. Targeted programs

In 2008 there were not so many comments concerning Government Programs. This shows in the number of categories that emerged and can be explained by the relatively high score of this EFC from the questionnaire.

The C-categories are the summarized A and B categories that the experts say needs to be addressed within the Government Program EFC:

1. Competence
2. Coordination
3. Targeted programs

These three categories represent all the areas the experts made comments about for both years. The Coordination category also covers number of programs and targeted programs covers regional focus. In table 2.3 below, are some of the comments concerning government programs summarized.

Comments on Government Programs:	2005	2008
1. Competence	" The government programs often consists of people with little or no experience in starting a business, this means that you don't get the help you need" " Use people that are taught more than just looking at the account balance" "Public agents need to get the competence necessary to contribute to success". "Attitude and Competence" "Public agents with no practical insight are a pain in the butt"	" Better guidance in the process of starting a new business" "More competence in public sector" " Better guidance for entrepreneurs" "Educate public agents" "Entrepreneurs do not have enough experience and knowledge" "Entrepreneurs competence on how to start a new business is too low"
2. Coordination	"Simplify the programs" "The coordination between the government and the public agencies have to improve" "What programs? I only know about The Entrepreneur grant and The Incubator grant" "Increase the corporation between the public agencies"	
3. Targeted programs	"Every 5th year all programs needs to be renewed" "supply the programs that has been successful with more money from those that have not" "Enough programs, but focus the resources" "Focus on high growth businesses" "Expand the business areas which the programs are suppose to target"	"More targeted programs like Junior Achievement-Young Enterprise." "Target kids and young people more" "Target high-growth businesses with global markets" "Target the incentives more towards education" " Focus more on new business start-ups" "More programs that focus on knowledge on innovations and entrepreneurship"

Table 4.6 Comments on government programs

The experts have defined several weaknesses within the government programs and the C-categories are the areas in which most of their comments were focused. The C-categories are

the summarized areas for both 2005 and 2008 that were found to be weak within this framework condition. Each C-category is further discussed below.

4.3.1 Competence

In Hedemark county the regional government has developed an educational program for government employees within their county that teach local industry development. This is a project that recently started and will continue throughout 2009 and 2010. One of the purposes with this program is to give the local government employees knowledge and understanding on today's situation from an entrepreneur's point of view. There may be other counties and communities that have done the same, but I was only able to identify one. Many of the problem areas defined by the experts are addressed in this program but first and foremost it will increase the general competence on entrepreneurship amongst government employees. Some of the experts comments from 2005 on the lack of competence was: *"The government programs often consists of people with little or no experience in starting a business, this means that you don't get the help you need"* and *"Public agents need to get the competence necessary to contribute to success"* and *"Public agents with no practical insight are a pain in the butt".* In 2008 the experts are still finding this to be a problem and there were several comments on this subject: "*Better guidance in the process of starting a new business", "More competence in public sector", "Better guidance for entrepreneurs"* and *"Educate public agents"*.

However in 2008 several of the experts also questioned the entrepreneur's skills and knowledge. Levi and Autio (2008) says that highly specialized education programs on entrepreneurship are not suited to provide the broad based and practical training required to teach entrepreneurial skills. Many entrepreneurs or becoming entrepreneurs have skills from other areas than business and economics and few have specialization within innovation and entrepreneurship. I will get back to this in relation to the educational system in the next chapter were education and training is analyzed. However, my point here is that entrepreneurs that are out of the educational system and who does not have this required skills would probably benefit greatly from educational government programs. They would also be in a position where the practical training would be within reach. *"Entrepreneurs do not have enough experience and knowledge"* and *"Entrepreneurs competence on how to start a new business is too low".* There seem to be several possibilities for enhancing the entrepreneur's

competence, like Etablerer.no, Alkymisten and others. Some of them targets specific regions but according to Innovation Norway's homepage these are accessible all over the country. Some of the expert's comments may indicate that information on this is not accessible enough, which brings us over to the next category; coordination.

4.3.2 Coordination

Coordination seems to be a reoccurring element in all the EFCs that the experts have commented on. In 2008 there were no comments from the experts on this subject which is strange. The allegation, *"a wide range of government assistance for new and growing firms can be obtained through contact with a single agency"* got the highest score in 2005 but had a regression with more than 10% in 2008. Even though 50% of the experts agreed with the allegation, 44, 4% disagreed. But if we look at comments on the subject from the Government Policy EFC one of the expert's comments was: *"Coordinate incentives; establish a coordinated central for entrepreneurs"*. This indicates that the problem is still there and that the information and incentives are too wide spread for the entrepreneurs to not miss any possibilities. In 2005 however, there was several comments: *"The coordination between the government and the public agencies has to improve"* and *"What programs? I only know about The Entrepreneur grant and The Incubator grant"* and *"Increase the corporation between the public agencies"*. Some experts request more programs and some experts says that there are enough programs, but they all want the programs to more targeted or target a broader audience. This leads to the next category which is Targeted Programs.

4.3.3 Targeted Programs

Policy programs may explicitly target groups exhibiting low shares of perceived capabilities as well as low shares of actual capabilities (Bosma et al. 2008). Enhancing the perception of capabilities and skills is something in which government programs can contribute to in order to enhance entrepreneurial activity. This includes both financial incentives and knowledge and education on entrepreneurship. Previously I have discussed regional politics and high growth businesses connected to the financial incentives. In many ways that corresponds with this category, but the experts have given more specific comments related to government programs also. Like I mentioned before there is a combination of experts who thinks that there are enough programs but want them to be more targeted and experts who wants to

expand the number of programs to target specific areas. In 2005 there were comments like: *"Supply the programs that has been successful with more money from those that have not"*, *"Enough programs, but focus the resources"* and *"expand the business areas which the programs are suppose to target"*. In 2008 there are even more comments than in 2005 on this topic and it seem like the experts main focus is that the programs needs to target young people more. One of the experts said: *"More targeted programs like Junior Achievement-Young Enterprise"* and another one said: *"Target kids and young people more"*. The government has been accused of not putting enough emphasis on entrepreneurship and new business startups and that it has to but placed higher on the political agenda. One of the experts expressed that the government programs did not specifically target new business start ups. This expert said: *"Focus more on new business start-ups"*.

4.3.4 Summary on Government Programs

Through specific support programs, governments can facilitate the operation of entrepreneurial firms by addressing gaps in their resource and competence needs.
There are government programs that cover financial support to entrepreneurs and there are government programs that cover knowledge and education to entrepreneurs. Some experts are more concerned with financial support while others are concerned about knowledge and education. Even though Government Programs in total got the highest score of the four EFCs I have studied, there are important areas which need to be addressed by the government. Based on the score and comments the experts have given government programs, two strengths can be defined for this EFC. These two are:

1. The number of programs
2. Science parks and business incubators provide effective support for new and growing firms

Several programs have been launched through the three ministries responsible for entrepreneurship and through the public agencies and organizations that answer to one or more of these ministries in Norway. This is also acknowledged by the experts, which have defined the number of programs as strengths. However they have also defined some weaknesses and these are:

1. Competence
2. Coordination
3. Lack of targeted programs

In the survey the experts were asked to suggest improvement for the weaknesses that would promote more entrepreneurial activity. The summarized suggestions are:

1. Educate public agents
2. Increase cooperation between government and public agencies
3. More cooperated information
4. Evaluate and renew all programs every 5th year
5. Expand the business areas the programs are suppose to target
6. Target young people more

The number of government programs that target entrepreneurs in Norway is by the experts defined to be sufficient. What they request is however more competence, coordination and information within and about these programs. In addition they want the programs to target a broader audience. Compared to other Innovation-driven countries the experts evaluation on assessment and information scores lower than most of the other countries (GEM-report, 2008). The fact that three different ministries share the responsibility for entrepreneurship in Norway seems to be a handicap for entrepreneurs and in promoting entrepreneurial activity. The experts keep pointing at coordination within the system of incentives and again, the idea of having an overall policy for innovation and entrepreneurship seem evident.

4.4 Education and training.

Education and training is one of the most used means to encourage entrepreneurial activity within a nation. In the GEM model education is a basic requirement, an efficiency enhancer and an important condition for innovations and entrepreneurship to happen. Education and training is expected to have a positive effect on attitudes towards entrepreneurship, entrepreneurial activities and entrepreneurial aspirations. In order to supply the adequate skills, perceived skills and knowledge, this EFC is a major contributor in fostering more entrepreneurs. For new entrepreneurship the entrepreneur's human capital, as expressed in his or her education, experience and skills, constitutes the most important initial resource

endowment (Wright et al., 2007). Attaining a high level of education positively influences the probability of becoming involved in a business start up process (Reynolds et al., 1999).
In 2004 the government launched a strategy plan for incorporating entrepreneurship in all levels of education. The government's vision was and still is that by educating students early on entrepreneurship this will create quality and diversity which in turn would foster creativity and innovations. The strategy plan addresses the entire educational system from primary school to college and university and also includes teacher training. The strategy plan can be considered a success but OECD concludes that there are several areas that can be improved. Judging by the scores in the expert questionnaire, the experts seem to agree on this.

Table 1.4 below presents the results of the questionnaire concerning education and training.

			2005				2008	
Rank	D	Education and training	Disagree	Agree	D	Education and training	Disagree	Agree
1	D2	In my country, teaching in primary and secondary education provides adequate instruction in market economic principles	62,8%	18,6%	D3 (2)	In my country, teaching in primary and secondary education provides adequate attention to entrepreneurship and new firm creation	52,8%	25,0%
2	D3	In my country, teaching in primary and secondary education provides adequate attention to entrepreneurship and new firm creation	53,5%	30,2%	D4 (3)	In my country, colleges and universities provide good and adequate preparation for starting up and growing new firms	50,0%	22,2%
3	D4	In my country, colleges and universities provide good and adequate preparation for starting up and growing new firms	51,2%	30,2%	D2 (1)	In my country, teaching in primary and secondary education provides adequate instruction in market economic principles	50,0%	16,7%
4	D1	In my country, teaching in primary and secondary education encourages creativity, self-sufficiency, and personal initiative	39,5%	44,2%	D8 (0)	In my country, there are enough public and/or private centers or agencies that can provide persons with adequate education and training on entrepreneurship independently of the educational formal system	44,4%	33,3%
5	D5	In my country, the level of business and management education provide good and adequate preparation for starting up and growing new firms	37,2%	23,3%	D1 (4)	In my country, teaching in primary and secondary education encourages creativity, self-sufficiency, and personal initiative	36,1%	36,1%
6	D6	In my country, the vocational, professional, and continuing education systems provide good and adequate preparation for starting up and growing new firms	37,2%	11,6%	D6 (6)	In my country, the vocational, professional, and continuing education systems provide good and adequate preparation for starting up and growing new firms	30,6%	16,7%
7	D7	Did not apply this year			D5 (5)	In my country, the level of business and management education provide good and adequate preparation for starting up and growing new firms	27,8%	50,0%
8	D8	Did not apply this year			D7 (0)	In my country, entrepreneurs in general need external assistance of their plans prior to start-up	2,8%	88,9%

Table 4.7 Education and training

The survey on this subject shows that there have been small improvements from 2005 to 2008 on all areas addressed through the allegations. There have also been very small changes in the rank order of the allegations. The score in total is not bad but the questionnaire reveals that the experts are not satisfied with the attention towards entrepreneurship and instruction in

market economic principles on primary and secondary educational level. In addition they also find that the preparation for starting up and growing new firms in the college and university system is not adequate. More than 50% of the experts find all three areas to be inadequate. These were also the three that got the lowest score in 2005. At the bottom of table 1.4 with the highest score is "Entrepreneurs in general need external assistance of their plans prior to start up". This includes forming their business plans, finding location, inquiries about financial support and getting the proper permits and licenses. Since the allegation is reversed compared to the other allegations, it means that almost 90% of the experts say that entrepreneurs needs this kind of assistance. The score on this allegation does not tell anything about whether or not the entrepreneurs have access to this kind of help, but the results from government programs indicate that this is an area that needs to improve.

The only area the experts define as adequate is the business and management educations ability to provide good and adequate preparation for starting up new and growing firms. Business and management educations are therefore considered a strength. Vocational, professional and continuing education also gets a relatively high score but about 27% chose not to score this allegation and 25% did not find it either strong or weak. Based on this I am not able to draw any conclusions on this area. However the comments made by the experts from both the 2005 data and the 2008 data are used to explain the weaknesses in which the questionnaire revealed. Interesting A-categories that emerged from analyzing the comments, supports the scores from the questionnaire in 2005. These are:

1. Practical Training
2. Teachers competence
3. Youth businesses
4. Formalize entrepreneurship

The comments from the experts in 2008 are the foundation for the B-categories and these are:

1. Focus on Youth
2. Practical Training
3. Competence

Several of the experts find the educational system to be good but point out certain areas that could be improved. When I organize the A and B categories into C categories, “Formalize entrepreneurship”, disappears. The reason for this is that innovation and entrepreneurship became part of the syllabus for the Norwegian educational system after this survey was conducted and most of the comments were that it needed to become part of the syllabus.
The C-categories that the experts say needs to be addressed within the Education and Training EFC are:

1. Practical training
2. Competence
3. Focus on Youth

Below in table 4.8 are some of the comments that contributed to the C-categories within Education and Training.

Comments on Education and Training:	2005	2008
1. Practical Training	"Better connection between businesses and education systems, let students work with real business issues" "Focus more on businesses in primary and secondary schools, work together with the businesses" " The schools do not take business creation seriously enough" " People with real experience needs to be included in teaching" " Make students take one or two years of internship during their education"	"Real experience and network is important also in educational situation" " specific Innovation and entrepreneurship courses needs to be mandatory on all levels of education" "Connections and network towards business environments are important for students" " vocational education for adults is underestimated as a source for more entrepreneurs" "Supply more resources into education"
2. Competence	"The quality of the education on this area is a challenge" "Competence on entrepreneurship is very important for the ability to compete globally" "Start with the teachers. It takes time to get results from these kind of efforts" "Teachers competence! Few has actual business experience" "The teaching on the subject is better approached by people who has real experience than by those that only have theoretical experience" " The missing link in schools are that teachers don't have practical experience"	" More education and competence on entrepreneurship on all levels of education and within all systems related to entrepreneurship" " Follow up the students that has gone through JA-YE, program" "The attitude towards entrepreneurship within educational systems needs to change"
3. Focus on Youth	" Junior Achievement-young enterprise is a great idea" " All schools on all levels should have student businesses" " All schools on all levels should have the possibility of participating in student businesses"	"JA-YE is a great effort" "The government's commitment to teaching entrepreneurship in schools is too low" "Focus more on teaching kids and young people entrepreneurship". " Increasing entrepreneurial activity is a long term commitment and work, which should start in the schools"

Table 4.8 Comments on education and training

The following discussion gives a deeper understanding of each C-category, which represents weaknesses within education and training from both 2005 and 2008. They are further discussed below.

4.4.1 Practical Training

The best results of enhanced entrepreneurial potential is obtained through highly practice-oriented training, by addressing a broad set of management, leadership and organizing skills and by emphasizing discovery-driven and contingency approaches to business planning (Levi and Autio, 2008). The experts agree with this and some of the comments from both years were: *"Better connection between businesses and education systems, let students work with real business issues"* and *"Real experience and network is important also in educational situation".* The first introduction to practical business training starts at secondary level. This is often a follow-up from a school project where each student or group of students present an occupation they find interesting. When the students get to high school level, the only type of education that has some sort of practical training are some of the vocational educations. The students that choose regular high school have no such practical training. As the students continue at college and university level some of the directions have practical training, like nursing school, teacher's education and medical school.

However, when students choose to study business and/or management related studies, there are no practical training included in their education. There are a few exceptions like the specialized studies in Innovation and entrepreneurship. It is not an internship but they do get to participate in workshops where they work with entrepreneurs and makes actual business plans. *"Make students take one or two years of internship during their education"*, was one of the comments from the experts.

The strategy plan for incorporating entrepreneurship in all levels of education, strongly recommends educational institutions, municipalities and regional governments to establish training in entrepreneurship in close collaboration with trade and industry and other stakeholders of the local environment. Levi and Autio (2008) have pointed out highly practice-oriented training as very important for enhanced entrepreneurial potential. In addition the experts have said that students need more practical training during their studies. Entrepreneurial skills can be obtained both through both practical training and theoretical studies. But it seems to be an agreement that a combination of the two is best. This brings us over to the next subject, which is competence.

4.4.2 Competence

Teaching entrepreneurship is expected not only to strengthen confidence in the ability to succeed as an entrepreneur, but also to improve the ability to assess the profitability of different projects. The questionnaire revealed that almost 90 % of the experts thought that entrepreneurs in general needed external assistance of their plans prior to start-up. This means that there is a lack of knowledge, both practical and theoretical, amongst entrepreneurs in general on how to start a business. The OECD report (2008) finds that some of the programs targeted towards specific professions are not sufficiently developed, and recommends that entrepreneurial education on university level is strengthened by better targeted programs. Most specific professions do not have courses that address management, leadership and organizing skills in addition to other entrepreneurial related topics. One of the experts said*: "More education and competence on entrepreneurship on all levels of education and within all systems related to entrepreneurship"*

A lack of knowledge on Entrepreneurship has been identified as a problem by both the experts and the rest of the population for years. The motivation for starting a business in Norway has the lowest score compared to all the countries participating in GEM (GEM report, 2007).

"Specific Innovation and entrepreneurship courses need to be mandatory on all levels of education" and *"Competence on entrepreneurship is very important for the ability to compete globally".*

Some of the experts are questioning the schools ability to supply the necessary skills needed in order to foster more entrepreneurial activity. The GEM expert surveys in every country demonstrate a general perception that the provision of entrepreneurship education and training at school is inadequate (Global GEM-report, 2008). This is applies for Norway too. 50% or more of the experts says that on all levels of education there are not an adequately introduction to entrepreneurship, starting up a new business and market economic principles. Based on both years, the expert's opinion on the educational system is that parts of it are good, but that the focus could be even stronger and that more resources are needed to make the necessary improvements. This brings up the next category.

4.4.3 Focus on Youth

Junior Achievement- Young Enterprise Norway (JA-YE) is a private nation vide association and a cooperation between schools, representatives from public sector, local businesses and the organization. The Ministry of Trade and Industry and The ministry of Local Government and Regional Development are their main financers. This program offers a wide range of efforts to help schools on all levels give their students an understanding of businesses and hence, entrepreneurship. The experts acknowledge this effort and say that they want to see more programs like this. Here are some of the comments on the subject: *"More targeted programs like Junior Achievement-Young Enterprise."*, *"Junior Achievement-young enterprise is a great idea"* and *"JA-YE is a great effort".*

At primary, lower and upper secondary level, entrepreneurship education is emphasized differently in schools and its extent in different counties varies a lot (OECD, 2008). The experts express that it is important that all students have equal opportunities in obtaining education on the subject. *"All schools on all levels should have the possibility of participating in student businesses".*

The strategy document that was implemented in 2004 is the most explicit national entrepreneurship policy document in Norway. It aims to incorporate entrepreneurship in all levels of education. However one of the experts still feels that the governments' commitment is not sufficient. This expert says: *"The governments' commitment to teaching entrepreneurship in schools is too low"* Other comments that are not in the table also seem to support this. Again the political priority of entrepreneurship is questioned. Even though there are some parts of the educational system that seem to contribute in enhancing entrepreneurial activities other parts may appear as obstacles.

4.4.4 Summary on Education and Learning

Porter (1990) says that Education and training is perhaps the single greatest long term leverage point available to all levels of government in upgrading industry. Students and other people who receive some sort of education or training in entrepreneurship are perceived as an important tool in fostering a culture for entrepreneurship and positive attitudes towards entrepreneurs.

Norway was one of the first countries that developed a national strategy plan for entrepreneurship and implemented it in the school system in 2004. However any new strategy within the school system will take several years before the full effects are revealed.
One of the experts acknowledged this and said: *"Increasing entrepreneurial activity is a long term commitment and work, which should start in the schools"*.

Based on the score and comments the experts have given Education and Training, I have identified at least one area that can be considered a strength within this EFC. This is:

1. Business and management education provide good and adequate preparation for starting up and growing new firms

Another potential strength is the vocational, professional, and continuing education system. Since more than 50% of the experts either did not have an opinion or chose not to score this I cannot define it as a strength or a weakness. The weaknesses I have identified specifically lies within the upper levels of education but some of it also in primary and secondary level:

1. Practical training is too little
2. Entrepreneurial competence is too low
3. Not enough focus on entrepreneurship on all levels

In the survey the experts were asked to suggest improvement for the weaknesses that would promote more entrepreneurial activity. The summarized suggestions are:

1. More programs like JA-YE
2. Improved networks between schools and businesses
3. Internship for students
4. Use people with real business experience more in teaching
5. Government must commit more

There is no doubt that education and training is an important EFC for stimulating entrepreneurial activity. Both theory and the experts agree on this. The government strategy, in which incorporates entrepreneurship on all levels of education is an important step in the right direction. However identifying direct effects of government policies are always difficult.

In addition, as within the school system it takes time. Teaching entrepreneurship is expected not only to strengthen confidence in the ability to succeed as an entrepreneur, but also to improve the ability to assess the profitability of different projects. Since 90 % of the experts thought that entrepreneurs in general needed external assistance of their plans prior to start-up, it is evident that the competence on this area is not good enough.

5. Conclusion

The purpose of this study has been to create theories on how certain Entrepreneurial Framework Conditions relate to entrepreneurial activities in Norway. The four framework conditions I have been focusing on in this study are: Financial support, Government Policy, Government Programs and Education and Training. Through these four conditions I have intended to answer my research question which is:

"Are there adequately good framework conditions for entrepreneurship in Norway?"

5.1 Conclusions from the study

To be able to answer my research question I defined three part-questions. The first one is:

"As an entrepreneurial nation, what are our strengths?"

- Funding through IPOs for new and growing firms.
- Venture capitalist funding available for new and growing firms.
- Number of Government programs.
- Science parks and business incubators provide effective support for new and growing firms.
- Business and management education provide good and adequate preparation for starting up and growing new firms.

Venture capital markets increased substantially from early 2000 up until 2007. With the interest rate being low most of the years in 2000 private investors' willingness to invest in new and growing firms increased. Even though this type of funding carries a high risk for investors, it also carries a potentially high return. It is however a coherence between risk and investments. The lower risk, the more capital will be available. When a business decides to go public, funding is not a problem in Norway. This is due to the thorough investigation of the businesses financial situation, the perception of the risk involved and the expanded access to investors through IPO networks. However the downwards business cycle we are experiencing right now is limiting access to all sources of private investments. In order for our country to

increase or maintain its prosperity and increase national growth, efforts will have to be directed towards these investors to maintain them as an adequate source of funding.
The number of programs available for new and growing businesses is also adequate in Norway, but as indicated in the weaknesses below, they need to target parts of entrepreneurial activities better. Science parks and incubators provide important networks for new and growing businesses and in terms of being an effective support they are adequate. However, they are not adequate in numbers and this especially applies for incubator environments. Incubators provide physical premises, technical infrastructure, advice and guidance and also important links to other networks such as research and financial institutions. If the government or public agencies are able to expand the number of incubators available for new and growing firms, most likely, many of the weaknesses as described below, could be turned into strengths. This will again lead to more adequate framework conditions for entrepreneurs.

Business and management education is for now the only type of education that provides good and adequate preparation for starting up and growing new firms. This type of education addresses a wide range of subject's important for business startups like market economic principles, business plans, management and organizational related subjects. Entrepreneurs, who have not gone through this type of education, will most likely need much more guidance and help in their process of starting a new business. This could be addressed either through the educational system and/or by increasing the number of incubators available to serve this purpose. My next part-questions were:

"As an entrepreneurial nation, what are our weaknesses?" and *"What can we do to improve our weak areas?"*

- Early stage financing
- Tax- system
- Government subsidies
- Regional politics
- Bureaucracy, regulations and licenses
- Competence
- Coordination
- Practical training is too little
- Lack of entrepreneurship focus on all levels of education

The number of new business startups in Norway has decreased for the past two years. There are probably several reasons for this but it seems eligible to address parts of this to framework conditions that are failing to support new business startups. Early stage financing for new businesses is still a problem in Norway. In this phase, funding involves a higher risk than later in the process and in addition the domestic markets are small and fragmented. This contributes to increase the risk even more. Even though there have been improvements in both equity funding and seed-capital funding since 2005, the problem remains. One of the effects of the finance crisis has been that all sorts of private funding has decreased and especially funding in the early phase.

The tax-system has not been working in favor of this type of funding either. Tax-incentives have been suggested for years as a means for stimulating private investors to invest more in the early phase. Other OECD countries have implemented incentives like this with great success and at this point it seems like an evident effort the government could do to try to encourage more private investments. Fortune tax on working capital like assets is also a problem in Norway. Several organizations are currently working to remove this tax and also tax on yield. This capital could potentially be used to strengthen the liquidity in businesses and/or grow the businesses. With high growth businesses being the greatest contributor to national growth the government needs to create conditions that will allow this to happen.

Government subsidies, including loans and grants, are currently a vital source of funding since private funding has become even less available. In this context it seems eligible to have a thorough investigation of the regional politics and priorities of the government funding and programs. This is based on several of the findings in this thesis that a lot of the public funding is allocated into districts and regions of Norway for policy means.

Bureaucracy, regulations and licenses are difficult in our country. A better coordination between governmental departments is necessary to make sure that the window of opportunity has not passed by the time formal arrangements are ok. Coordination seems to be an issue in other areas as well. This includes information in general and also information on all programs and incentives available for entrepreneurs. One of the most interesting findings in this thesis is that entrepreneurs in general need external assistance of their plans prior to start-up. This is due to a combination of things like bureaucracy and regulations but also a lack of competence amongst entrepreneurs. The aspect of competence in relation to

entrepreneurship being such a widespread problem in Norway was surprising to me. The analyses revealed that competence seem to be a problem not only for entrepreneurs but within most of the support system surrounding entrepreneurs. Norway was one of the first countries that in 2004 developed a national strategy plan for entrepreneurship in the school system, but this cannot be expected to have immediate effects on entrepreneurial competence. In the meantime local governments and schools needs to take responsibility for implementing more practical entrepreneurial training into all levels of the school system. Increasing the competence within public agencies in addition to more coordination between government and public agencies is necessary to ease the process of starting a new business. Another suggestion on how to improve this problem is to increase incubator environments. These environments are important in terms of catering needs that entrepreneurs have. As for now, there are several areas within the entrepreneurial framework conditions that are inadequate in terms of stimulating entrepreneurial activities. But like suggested above there are several efforts of improvements that can be implemented in order to increase entrepreneurial activities in Norway.

5.2 Limitation of the research

All research has its limitations. One of the limitations concerning this thesis is that the experts are a selected group of all the experts on entrepreneurship in Norway. Different experts will have different opinions and none of the experts have been asked about the findings in this specific thesis. Between the two years I have been investigating some of the experts have changed their opinions one certain areas. If I had been able to ask the experts personally what made them change their opinion it possibly could have affected some of the outcomes. In addition not all of the experts are currently working as entrepreneurs. A similar study with a sample composed of active entrepreneurs could also have brought a different perspective on the subject.

5.3 Proposal for further research

There are many subjects which relates to entrepreneurial environments. The most obvious one after writing this thesis would be to study the other Framework Conditions. In different ways, they are all important in stimulating entrepreneurial activities. Performing a similar study amongst active entrepreneurs who either are trying to start a business or have already started a

business would also make an interesting research. If the findings in a study like that where similar to the finding in this, it would certainly strengthen the theory about how certain EFCs relate to entrepreneurship in Norway. Many of the weaknesses, discovered in this study, would also make interesting subjects for further investigation. Businesses with a potential of high growth are especially considered to contribute to national growth. However, this study indicated that some of the EFCs were even more inadequate for them than for other new business startups. Another interesting study would be a study on how to increase the "pool" of entrepreneurs in Norway. This could be studies on immigrants, women or people over fifty. None of these groups of people are highly represented amongst entrepreneurs in our country and they could be a valuable source for increasing entrepreneurial activities.

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THE NORWEGIAN GEM-EXPERTS 2005

I 2005 the questionnaire was answered by 44, 2 chose to be anonymous. The experts are:

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THE NORWEGIAN GEM-EXPERTS 2008

I 2008 the questionnaire was answered by 36 experts, 8 chose to be anonymous. The experts are:

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