Entrepreneurship and Innovation Policy in European Countries

Executive Summary
The Case of Norway

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Foreword

This document is the executive summary of the Norwegian report included in the IPREG-report on innovation and entrepreneurship policy among several European countries. The total Norwegian report can be downloaded at www.kpb.no.

IPREG (Innovative Policy Research for Economic Growth) is an established “network of networks” encompassing researchers, policy makers and business people/organisations from fourteen countries: Belgium, Czech Republic, Denmark, Finland, Germany, Greece, Hungary, Ireland, Norway, Poland, Portugal, Spain, Sweden and United Kingdom. The IPREG project was established in 2005 by the Swedish Foundation for Small Business Research. The main purpose of the IPREG research program is to obtain a comparative picture of the current situation with respect to each partner country’s overall approach to entrepreneurship and innovation policy, as well as actions in the individual areas of the policy framework. Based on this information, the purpose is to systematically identify which objectives, targets and measures different governments include within their definition of innovation and entrepreneurship policy, and to further identify policy overlaps and gaps.

One of the major challenges for politicians today is to create sustainable growth. To do so innovation and entrepreneurship policy are more than every crucial parts of an overall strategy to enhance renewal and sustainable economic growth. The purpose of the Norwegian report is to describe the entrepreneurship and innovation policies in Norway and in Nordland County. It gives a general picture of the status of the two policy areas in terms of actors, strategic documents as well as policy objectives, targets and measures. An assessment of the comprehensiveness of measures is also presented.

This IPREG pan-European study builds on previous research carried out by Lundström and Stevenson (2005) and its purpose is to determine the comprehensiveness of policy measures at national and regional level in each country. In order to meet this objective, the study describes the Norwegian policies for entrepreneurship and innovation by examining:

- To what degree the policy areas are integrated
- Relevant stakeholders in each area
- Organisational structures for policy development and implementation
- Range of policy measures in each area
- Comprehensiveness of each policy area, using an entrepreneurship and innovation policy comprehensive index
- Policy area overlaps at national and regional level

Data collection has involved formal and informal interviews with policymakers, researchers and service providing organisations. Thus, the “triangle”-network in Norway has been involved in the completion of the report. Further, a review and content analysis of relevant research and policy reports has been undertaken. Finally, comprehensiveness indexes for innovation and entrepreneurship policies have been produced based on numerous questions.
Definitions of the two policy areas
Entrepreneurship and innovation policy are often seen as important tools for improving the business and innovation climate in society in general, regardless of for example sector, type of business idea or personal attributes of the inventor or entrepreneur. Numerous different types of measures and activities can therefore be incorporated in the two policy areas depending on the definition used. In this report the following two definitions have been used as a starting point.

For entrepreneurship 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.*

(Lundström and Stevenson 2005; Stevenson and Lundström, 2002)\(^1\)

For innovation policy:

*Innovation Policy is primarily concerned with ensuring the generation of new knowledge and making government investment in innovation more effective, improving the interaction between the main actors in the innovation system (e.g. universities, research and firms) to enhance knowledge and technology diffusion; and establishing the right incentives for private sector innovation to transform knowledge into economic values and commercial success.*

(OECD, 2002: 19)\(^2\)

These definitions cover a broad range of measures from business start-ups, research, innovation systems and incentives for innovation and entrepreneurship. All these aspects are fundamental prerequisites for entrepreneurship and innovation as well as for sustainable growth. In this specific context, the focus is primarily on the transforming of knowledge into economic values and commercial success with the amendment of “in start-up and early-stage growth of new firms.”

This delimitation does not imply that entrepreneurship and innovation policy activities in a broader sense are neglected. However, it stresses the commercial outcome of the entrepreneurial and innovation processes with relation to activities in SMEs.

The contextual situation in Norway
In the Norwegian report a description of the country specific context is given, based on variables for outcomes, structure and vitality. These variables are related to innovation and entrepreneurship and they explore factors in the environment, either sociological or economical, that are expected to influence development in regions or countries. Norway has the highest score of all the countries participating in this study when it comes to GDP per capita, and total labour force participation rate. Almost all firms in Norway are SMEs (99.9 % of the total firm population), and the SME share of total employment is 57.7 %. Norway has a relatively high public sector employment share (40.7 %). The business ownership rate is 14.4 %, and the self employment rate is 4.0 %. Norway has the highest TEA score of the involved countries with 9.1.

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The general comprehensiveness of the two policy areas

In order to determine the comprehensiveness of measures taken within the two policy areas, a list of questions, a so-called comprehensiveness index, has been used in this study. The questions included in the comprehensiveness indexes have been divided into three general areas and seven “sub-policy” areas. It is important to note that a comprehensive policy, calculated as the number of measures, is not necessarily the most efficient for the enhancement of entrepreneurship and innovations. The comprehensiveness index does not determine the quality or the effectiveness of the policy instrument, just the presence.

The general policy is counted as comprehensive if there is a specific budget for the policy areas and if there are plans, policy statements and specific guidelines. The policy structure indicates to what extent there are responsible stakeholders and developed delivery systems. Finally the performance tracking is reviewed on the basis of the existing resources devoted to the area. The result from the questionnaire/index is illustrated below.³

Figure 1: Comprehensiveness for General policy, Policy structure and Performance tracking

Innovation policy as a functional policy concern is far from new. It has been an integral part of wider industrial policies, covering areas as policy, educational policy, regional policy, etc.⁴ The overall objective of the government’s innovation policy is to facilitate increased wealth creation across the country. Even though the importance of innovation has been given a lot of interest in recent years, there does not exist a

³ The bars indicate how many questions that have been answered positively (for a complete list of the questions see annex 1 in the Norwegian report). It should be noted that more positive answers do not automatically imply a more effective or efficient policy implementation.
A comprehensive policy document dealing with the topic. Instead, several areas of
innovation have been included as sub topics in papers and strategy plans.

A broad innovation policy was developed as part of the 2003 plan “From Idea to
Value.” In the plan, it is stated that Norway shall be one of the most innovative
countries in the world, where resourceful and creative enterprises and people are
given opportunities for developing profitable businesses. Norway shall be in the lead
internationally in important areas in terms of knowledge, technology and wealth
creation.

This plan is expected to be replaced by a white paper dealing with innovation policy in
the spring of 2008. The objective for this white paper is to improve the ability to
innovate the Norwegian economy in order to secure a continued welfare development.
It is expected that the paper will adopt a “comprehensive approach” addressing,
among other factors, R&D, innovation in services and in public sector, as well as
immateral property rights.

As for innovation, there is not a comprehensive policy document dealing with
entrepreneurship. Instead, several areas of entrepreneurship have been included as
sub topics in papers and strategy plans. For instance, the innovation strategy plan
"From idea to value", has entrepreneurship as one out of five prioritised areas.
Succeeding this innovation strategy plan the Norwegian government therefore
published a strategy plan for entrepreneurship in the educational system. This strategy
document is the most explicit national entrepreneurship policy document in Norway.

The comprehensiveness of the sub-policy areas

In this IPREG-study the different policy actions undertaken within each policy area
have been divided into the following seven sub-policy areas:

1) Promotion
2) Education
3) Administrative burdens
4) Financing
5) Counselling
6) Target group measures
7) Research

The comprehensiveness of the respective sub-policy areas is illustrated in figure 2.¹

¹ The bars indicate how many questions that have been answered positively (for a complete list of the
questions see annex 1 in the Norwegian report). It should be noted that more positive answers do not
automatically imply a more effective or efficient policy implementation.
Entrepreneurship policy is most comprehensive for the education system, promotion and target groups. The Norwegian government aims to be a driving force and partner in the work of entrepreneurship in education, and it follows several of the recommendations from the report “fostering entrepreneurial mindsets” which was written by the European Commission. The Norwegian government has also got a partnership with the organisation Junior Achievement - Young Enterprise. Hence young people are an important target group. The government also takes initiative for entrepreneurship among women, ethnic minorities/aboriginal groups, unemployed, and immigrants/expatriates. Promotion of entrepreneurship is a stated policy objective, and a portion of the central government’s budget is allocated for these kinds of activities. The score indicates that promotion of entrepreneurship is highly emphasised, even though the government does not engage in mass media, or high profile award programmes to promote entrepreneurship.

Innovation policy is less comprehensive than for entrepreneurship. Research and access to start-up financing are the only two sub-topics in the comprehensiveness index that received a higher score for innovation policy than for entrepreneurship policy. Research related to innovation is mostly carried out within the universities, university collages as well as private and public research institutes. Although there has been improvement in recent years, the connection between policy makers and researchers is rather week. There are no regular meeting between researchers and the government to discuss research results in the area of innovation. However, on specific research areas/projects the government cooperates with researchers. The government also support programmes like Centres of Expertise, and Arena, where businesses, R&D institutions and public policy system join forces in research leading to industry development.
The state owned enterprise Innovation Norway is the main actor when it comes to offering financial support to innovative firms. One of their policy instruments is incubator grants. The incubator grant encourages the establishment of competitive, future-oriented and innovative businesses contributing to innovation and business renewal in general. Grants are provided for start-ups located in approved incubators. Another measure is the Commercialisation of R&D results program, which objective is to increase wealth creation by facilitating commercialisation of research-based business concepts or ideas conceived at research institutions, private companies or public enterprises.

Integration between the two policy areas
There are few actors in Norway that solely focus on either entrepreneurship or innovation, see figure 3.

Figure 3: Integration of actors on a national level

All of the three involved ministries are involved in both innovation and entrepreneurship, but they focus on different aspects. The Ministry of Education and Research focuses on entrepreneurship and innovation in the school system, The Ministry of Trade and Industry’s interest in innovation and entrepreneurship is related to business and industry development. Finally, the Ministry of Local Government and Regional Development sees innovation and entrepreneurship as important in their work to maintain and develop the rural parts of Norway.

Three state owned enterprises play a vital role in the implementation of both innovation and entrepreneurship policies. These are the Industrial Development Corporation of Norway, Innovation Norway, and The Norwegian Research Council. The Industrial Development Corporation focuses on developing strong regional and local industry clusters, while Innovation Norway takes a broader approach and promotes
nationwide innovation, internationalisation and promotion. The Norwegian Research Council plays an important role in developing and implementing Norway’s national research strategy.

Junior Achievement - Young Enterprise also plays an important role in the promotion of entrepreneurship in Norway through their nationwide organisation with local divisions in each of Norway’s 19 counties. The Norwegian government supports them through annual budget allocations.

In addition to the aforementioned actors, there are several other organisations who offer services to entrepreneurs and innovating firms (see figure 3). A more in depth description of these can be found in the Norwegian report.

Several of the actors identified at the national level also operate at the regional level. The three state owned enterprises all have regional branches in most counties. In Norway the County Municipalities play an important role in regional development, and the Regional Development Plans for each county is the core document when it comes to innovation and entrepreneurship policy. These four-year plans provide a basis for dialogue at both regional and national levels when it comes to regional development policies.

**Contextual influences of the two policy areas**

Norwegian policy makers rely strongly on studies, indicators and benchmarks from other countries when designing policies, even though this information is not gathered systematically. Important international sources are the European Commission, OECD, Nordic Innovation Centre, as well as national research environments.

Norway is not a member state of the European Union, and the relationship with the Union is therefore based on other means of close contact and co-operation. Guidelines such as the Lisbon Strategy are reflected in strategy documents concerning both entrepreneurship and innovation in Norway, even though Norway is not formally committed to implementing them (as Norway is not an EU member). The EEA-Agreement is by far the single most important agreement regulating the relationship between Norway and the Union. Norway has full participation in the framework programmes.

**Main conclusions and future challenges**

The Norwegian report has been designed to map the current situation with respect to the government’s approach to entrepreneurship policy, innovation policy and sub-policy areas within the embedded framework and context of Norway as a nation and the region of Nordland County. There are six main conclusions that can be drawn:

1) **There is no policy document focusing solely on innovation strategy**

Different aspects of innovation are included in several policy documents, but there is no policy document focusing solely on innovation strategy. The present most important innovation policy document is the innovation plan called ”From idea to values - the government’s plan for a comprehensive innovation policy.” However, this plan does not focus solely on innovation since entrepreneurship is one out of five focus areas in

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this plan. In 2008 the government will publish a white paper on innovation. From what is known at this time, this paper will also include aspects of entrepreneurship. Hence, Norway’s main innovation policies will in the future also include aspects of entrepreneurship.

2) **There is no policy document focusing solely on entrepreneurship strategy**
   As for innovation, there is no policy document focusing on entrepreneurship as such. There is one governmental document focusing on entrepreneurship in the educational system; See the Opportunities and make them work 2004-2008. entrepreneurship is also mentioned in several documents dealing with regional development.

3) **There is no policy document focusing on innovation and entrepreneurship strategy**
   Norway does not have a superior strategy plan for innovation and entrepreneurship. Although the government has targets like “Norway shall be amongst the most innovative countries in the world,” the three first conclusions reveal that we lack a strategy plan for how this can be achieved.

4) **The main ministries are involved in both innovation and entrepreneurship**
   There are three ministries that are actively involved in both innovation and entrepreneurship; The Ministry of Trade and Industry, the Ministry of Education and Research, and the Ministry of Local Government and Regional Development.

5) **The main actors are involved in both innovation and entrepreneurship**
   There are three state owned organisations that are the main organisations for innovation and entrepreneurship at a national level; The Industrial Development Corporation (SIVA), Innovation Norway and the Norwegian Research Council. These national actors are also the key actors for innovation and entrepreneurship at the regional level. In addition, Nordland County Municipality plays an important role for stimulating innovation and entrepreneurship in Nordland. At the regional level, no actor is involved in solely innovation policy or activities.

6) **The sub-policy areas are better developed for entrepreneurship than innovation.**
   For the sub-policy areas promotion, education, target group policies and administrative burdens the comprehensiveness indexes indicate that these areas are better developed for entrepreneurship that innovation. Research and access to start-up financing are the only sub-policy areas in the comprehensiveness index that received a higher score for innovation policy than for entrepreneurship policy.

The consequences of these six main conclusions can be summarised in at least three important challenges:

1) **Innovation and entrepreneurship remain “woolly” concepts**
   As long as the government defines innovation and entrepreneurship differently in the few innovation and entrepreneurship strategy documents (and in other documents including innovation and entrepreneurship) that exist, innovation and entrepreneurship remains “woolly” concepts. These different definitions may be a

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result of different ministries focusing on their main tasks, or that the definitions are associated with the main content of the different documents (e.g. entrepreneurship is defined differently in the education document and the “from ideas to values” document). This might not be a problem if the government presented an overall definition of innovation and entrepreneurship and how these concepts relate to different sub-policy areas. Today, we do not have this overall definition.

2) It is not possible to calculate costs for the different policy areas
It is possible to find out how much money the government spends on important innovation and entrepreneurship actors (like e.g. Innovation Norway, The Research Council of Norway, and The Industrial Development Corporation of Norway). However, since many of the important actors operate in many of the sub-policy areas, it is almost impossible to calculate costs for the different sub-policy areas. Some of the actors, e.g. Innovation Norway, reports how much money they spend on e.g. young entrepreneurs and female entrepreneurs, but it is difficult to get access to the costs related to different programmes aiming at these two groups of entrepreneurs.

3) It is difficult to do meaningful evaluations of programs in the policy areas
The Norwegian report indicates that there are some thorough innovation and entrepreneurship evaluations (e.g. evaluations of entrepreneurship education in the primary school, the Europrise and Alkymisten (entrepreneurial training courses) and the innovation centres supported by SIVA (The Industrial Development Corporation of Norway)). However, for many of the ongoing programmes related to the sub-policy areas, there is not focus on evaluations. This could be due to the lack of concept definitions and the difficulties in calculating costs for the programmes/sub-policy areas.
Europe faces a major economic challenge, outlined in the Lisbon strategy. In many areas Europe has global excellence; in several industries, in advanced research and in regions with a unique European entrepreneurial tradition. Still, those European assets are not fully utilised and new policy initiative must be launched to materialise the assets into competitiveness and growth.

In 2005 the Swedish Foundation for Small Business Research (FSF) launched Innovative Policy Research for Entrepreneurship and Growth (IPREG) in Europe. The vision for IPREG is to facilitate the formation of an efficient entrepreneurship and innovation policy as a basis for economic growth.

IPREG also rests on the assumption of the importance of understanding and appreciating the cultural differences between countries and regions in order to develop efficient and tailor made policies, drawing on knowledge from different European contexts, and information on good practice on a global level.

In this first IPREG research project, a common study on Entrepreneurship and Innovation policy in eleven countries has been done, resulting in eleven country reports and executive summaries and two synthesis reports.

For more information see www.ipreg.org.