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Preface

This master thesis was written and submitted at the University of Stavanger as part of the Master's degree program in Industrial Economics.

The inspiration to write this thesis came from entrepreneurship studies at Oxford Brookes University in 2015, experiences from attending the business plan competition Venture Cup in 2013, as well as being a part of the entrepreneurial community in Stavanger.

The choice of assignment springs from a curiosity to understand better why some entrepreneurs succeed and why so many fail within the first five years. This report analyses how different aspects such as team, network, business model and the supporting environment, i.e. *–the start-up ecosystem as a whole*, are crucial factors for those entrepreneurs who manage to develop successful businesses.

How can the start-up ecosystem in Stavanger improve to support growth-oriented entrepreneurship? This is the chosen thesis investigated and analysed from different viewpoints, and described with a holistic approach in light of the ongoing readjustment in Norway.

The author wants to thank all organisations, investors and entrepreneurs who have contributed with important perspectives to this report, in addition to valuable inputs from inspiring people at the co-working space Mess&Order in Stavanger East, especially to Alain Fassotte, Lasse Kalheim, Øivind Vesterdal, Petter Berge, Henrik Jesman Sunde, Teit W. Knutsen and Pia Warland.

Last, but not least, the author wants to show her gratitude to the supervisor Helen Kristin Roll, who especially helped me to structure and define this report.

Abstract

This thesis is a study on entrepreneurial financing and the support mechanisms that exist to help founders manage their entrepreneurial journey between the establishment phase and the growth phase. It is an analysis of different funding alternatives and challenges that occur when a start-up enter the growth phase. It is also a feasibility study of how Norway can improve as an entrepreneurial country and, more specifically, Stavanger as an entrepreneurial region.

Throughout a qualitative interview process, the assignment highlights how the start-up ecosystem in Stavanger support growth-oriented entrepreneurs related to the ongoing readjustment that will radically affect the labour market in the Stavanger region. Moreover, the report analyses situations where many Norwegian entrepreneurs struggle to grow further. This period, often referred to as the “valley of death”, do often characterise situations when public development funds are used, and where start-ups involves too high risk in order to receive bank financing. Finding risk capital to finance growth in early growth stages is one of the biggest challenges that entrepreneurs face. An increased amount of private investments to finance early stage growth have proven to have a significant impact on economic growth in many countries.

The results from the interview process indicates that many entrepreneurs needs a better overview of different financial resources available in the early growth phase and that the private investor environment in Stavanger is not visible enough. The results are important for Stavanger in order to build a more progressive investment community with expertise within other fields than the oil and gas industry. Norway needs to continue improving the investment culture in level with Sweden, Finland and Denmark. These countries have succeeded to attract a much higher percent of venture capital investments and hence, developed more internationally successful ventures. There is a need for implementing tax-incentives that can motivate more local investors to invest in start-ups in early stages. An increased amount of governmental pre-seed funding will be one solution in order to co-finance and share technological risk with private investors, and at the same time motivate them to contribute to the readjustment process.

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1. Introduction

“Innovation and new ideas do not generate value by themselves. Inventors and entrepreneurs also need financial management, reliable financial support, coaching and insights from professionals who specialize in the innovation and commercialization process” (Gompers and Lerner, 2001).

Many new business ideas and projects requires external financing, but many entrepreneurs will fail, just because they do not have a good overview of the different financial channels and types of resources that may be available for them (Gompers and Lerner, 2001).

For that reason, knowledge about financial support are highly important for entrepreneurs. Having the right information about the public support system, banks and other private investors will give those entrepreneurs competitive advantages. Both public and private institutions and other private forces in a community need to be involved to make the support system as robust as possible, and better provide financial advisory to start-ups in early stages. When analysing entrepreneurial funding in Norway, it is crucial to understand how the public support system is organized and how different forces are affecting financial institutions and private-networks to take entrepreneurial risk.

The objective of the report is to provide ideas for answering the chosen thesis:
How can the start-up ecosystem improve to support growth-oriented entrepreneurship?

The target is to provide a comparison analysis of the selected groups of stakeholders connected to the start-up ecosystem, and relate their views with the selected entrepreneurs' own experiences of their entrepreneurial journey and financial challenges.

1.1 Entrepreneurship as a Driver for Growth

Seen in the light of modern economic history, we cannot ignore the value and impact of entrepreneurs in the wealthiest countries. Many entrepreneurs are pioneers trying new paths, tests and experiments with new products and services. The most successful of them have proven to change the way the society works (The Swedish Entrepreneurship Forum, 2014). Some of the most famous entrepreneur profiles from the last century in the U.S. are Dale Carnegie, Henry Ford, Thomas Edison, Alexander Graham Bell, and from this century Bill Gates (Microsoft) and Steve Jobs (Apple). Similarly, the most impactful entrepreneurs in Sweden are, for example Ingvar Kamprad (IKEA), Lars Magnus Ericsson (Ericsson) and Erling Person (H&M). All of them have succeeded to accumulate an extensive growth from their business concepts and created jobs for thousands of people (The Swedish Entrepreneurship Forum, 2014).

Entrepreneurship, innovation and readjustment are themes receiving a lot of attention today in the Norwegian media. Primarily, the reason for this is related to the downturn in the oil and gas sector. The Norwegian oil adventure has provided the country a lot of wealth and prosperity and has been the superior industry during the last 40 years. A strong reliability in the oil industry has also made the Norwegian economy vulnerable and one-sided compared to the other Nordic countries.

Since the downturn started in the summer 2014, it has been a radical decline in the oil price. In July 2014, the price was over \$115/barrel compared to \$40/barrel in December 2015 (NRK, 2016). The following consequences with increased unemployment has mostly been concentrated to the west coast of Norway, where most of the oil-related jobs are located. Norway is now in a position where the ability to restructure the employment is highly important for the economic development as a whole.

The capacity of establishing new businesses are a crucial driver for economic growth in a country. New enterprises will put pressure on existing companies, forcing them to innovate and be more productive. This will over time accelerate the productivity in society and be an important influence to employment and value creation (Nordic Innovation, 2012). Most democratic government's today encouraging entrepreneurship as an effective means of creating new jobs, increase productiveness and

competitiveness (OECD, 2004). For that reason, supporting entrepreneurship in the Stavanger region, will be an important step in the transformation process of creating new working spaces and develop new industries.

1.2 Readjustment Focus and R&D Expenditures

There is broad agreement among politicians and industry leaders in Norway about the need for a new industry focus. It is necessary in order to meet new global challenges and to keep its position as a prominent knowledge society (Innovasjon Norge, “Drømmeløftet”, 2015).

The central bank governor Øystein Olsen stated in the yearly speech in 2015: *The country goes from a special position towards a need for readjustment (NHO, 2015). “We need to be more innovative and prepare Norway for the future. The need for readjustment gives us an opportunity to create a better and greener society”*, continued Erna Solberg in her New Year’s speech in 2015 (Regjeringen, 2015). Also the finance minister Siv Jensen have stated: *“The petroleum industry will continue to be very important for Norway, but will not be the same growth engine anymore. A lower demand in the petroleum industry and a fast technological development will require a readjustment for other industries and for the Norwegian workers” (Regjeringen, 2016).*

The increasing rate of change around us requires both small and large companies to be adaptive. Today, many industries around the world experience a re-location of jobs, a high focus on implementing efficiency measures with the purpose of replacing jobs by machines or cutting costs. This is also a fact in the west coast of Norway, where about 36.000 jobs have disappeared during 2 years (Stavanger Aftenblad, 2016). Engineers and suppliers to the oil industry are the most affected, but spillover effects have begun to appear in other inland-industries, for example the construction sector. The unemployment in Rogaland was recorded to 4.9% in January 2016, representing an increase of 5556 persons more than the same time last year, as illustrated in Figure 1 (Greater Stavanger, 2016).

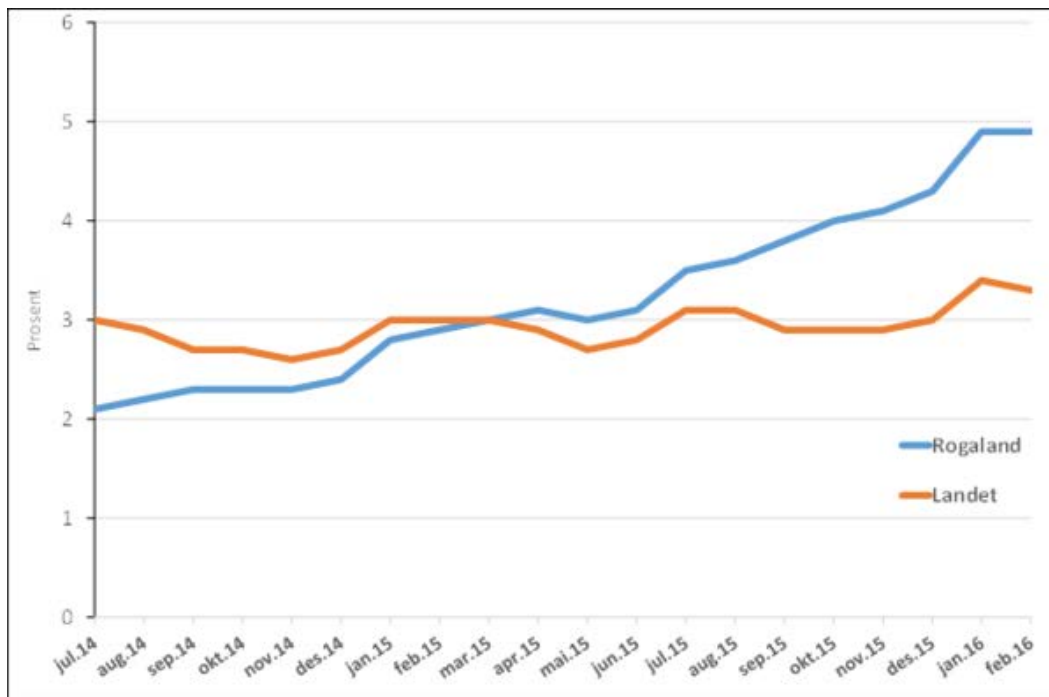


Figure 1: Development of Unemployment in Rogaland compared to the whole country, July 2014- februar 2016 (Greater Stavanger, 2016)

In 2015, the Stavanger region had the highest degree of new applications for establishment grants to Innovation Norway and a large increase in the amount of funding. This reflects a high motivation for producing new business in this region. Illustrated in Table 1 are the numbers for establishes grants in Rogaland in 2015, reflecting a 127% increase in one year. Kilde: Innovasjon Norge, 2016.

Table 1: Increase in establishment grants between 2014-2015 (Innovation Norway, 2016)

Amount of funding 2014	Amount of applicants 2014	Amount of funding 2015	Amount of applicants 2015
31,8 million NOK	97	59 million NOK	220

Large businesses still employs the majority of people but new jobs are mostly generated by surviving, young growth-enterprises (Nordic Innovation, 2012). It is important to remember that innovation has its origin both in existing businesses and in new industries (Regjeringen, 2016). In order to cope with these changes and facilitate a readjustment, we need to change the old way of doing things. In that ultimate sense,

innovation will also mean deconstruction from the existing culture and established patterns (Innovasjon Norge, 2015c). In that sense, policymakers need to “prepare” for potential job losses and inform people about their plans for the readjustment. Hence, the government has delivered a new entrepreneurial plan, a productivity report and a state budget with more focus on innovation than before. “*There is a need to create jobs in other industries, which also contribute to maintain a high welfare level*” and “*Renewal is a prerequisite for continuous welfare and growth*” are statements in the new entrepreneurial plan (Nærings- og fiskeridepartementet, 2015).

CEO in Innovation Norway, Anita Krohn Traaseth characterises Norway as a “*passive innovation nation*”, meaning that many innovative enterprises exist and work with complex engineering processes, but work relatively isolated and invisible. Similar processes used in the oil and gas industry can be used to develop renewable energy sources. It is especially important to help small enterprises with a need to switch their production to new areas (Shifter, 2016).

The increased focus on innovation in Norway are reflected in the amount of funding allocated to industrial research and R&D, which corresponds to an increase of 1.5 billion NOK in 2016 compared to 2013 (including treasure trove financing and strengthening of the environmental tech program and the program *Brakerstyrt innovasjonsarena* (BIA)) (Nærings- og fiskeridepartementet, 2015). The question is if these financial resources will be spent efficiently and if it will create new growth enterprises the coming years in Norway?

In a report from Swedish Entrepreneurship Forum, some conclusions are made why the total amount of R&D expenditures in different countries do not necessarily increase the total growth in a country. The first reason is that a large part of new knowledge do not generate potential economic value. The second is that many entrepreneurs are not good enough to distinguish the activities that generate value in order to deliver valuable goods and services. The third reason is that it is too time consuming to convert new knowledge into growth. The given solution is that entrepreneurs need to work together with other key actors with complementary competencies in order to generate, identify, select, expand and exploit their ideas more efficiently (Swedish Entrepreneurship

Forum, 2014). Developing strong innovation environments between entrepreneurs and financial sources are important aspects for all start-up ecosystems (Abelia, 2016).

1.3 Entrepreneurial Wave in Norway

The credibility of being an entrepreneur has increased in Norway the last two years. In the report “*1 Million Ideas*” by Menon Business Economics, it was investigated that 500.000 people in Norway had an idea they would like to realize and 500.000 Norwegian people do already work as entrepreneurs (DNB, 2015). Being an entrepreneur was more of a lonesome travel a couple of years ago. The stereotype in Norway was a middle-aged male person with a second income from another job and a more careful behaviour towards risk. The most usual was to use own savings to “bootstrap”¹ the enterprise before finding the right opportunity to leave the old job.

This picture is about to change according to the governments entrepreneurial plan; In 2014, 83% of Norwegians thought that entrepreneurship as a career choice gave high status, compared to 59% in 2003 (Nærings- of fiskeridepartementet, 2015).

One reason for the increased popularity is that the government and other public agencies such as SIVA, Innovation Norway and The Research Council play an important part in promoting entrepreneurship and the need for new enterprises the coming years.

Another reason for the increased interest is a stronger focus on lean start-up principles. Lean start-up originates from the Japanese concept of lean manufacturing, which seeks to meet demand instantaneously, minimize wasteful activities and further strive to create a flow of items in such a way that one perfectly match the customer requirements (Slack, N., Brandon-Jones, A., Johnston, R, 2013). Lean start-up is a more agile form of lean manufacturing, especially adapted to manage web-based technologies (Ries, 2016).

The lean start-up approach is a shift from before when entrepreneurs usually spent a lot of time developing prototypes to perfection and launched products without a defined target market or developed new technologies that nobody was using. According to Ries,

¹ Bootstrapping in business is to start without external financial help or stretching the own resources as much as possible (Entrepreneur, 2016)

the author of the bestseller *The Lean Startup*: “The biggest problem is to build things too efficiently, things that nobody wants” (Ries, 2016). Therefore, lean start-up is concerned with simplifying the whole process of creating and managing start-up activities and launching products faster to the market. Furthermore, focusing on constantly validating the idea or the hypothesis and involve the customers in the development process as early as possible. One objective with lean start-up is to have some established customers before distributing the product widely (Leanstartup, 2016).

Lean start-up is today an established scientific practice among entrepreneurs in order to test out new ideas more efficient, and in order to measure how to create, deliver and capture value (Leanstartup, 2016). The practice is also the reason for the increased focus on finding new business models, and to use the business model as an active tool to reveal different unknown elements along the way (Rooyen, 2016).

1.4 Defining the Start-up Ecosystem

A start-up ecosystem as a concept is relatively new among academics and policy makers. According to an OECD report from a workshop in the Netherlands, it is characterised by:

1. A set of interconnected entrepreneurial actors (both potential and existing)
2. Organisations (larger firms, venture capitalists, business angels and banks)
3. Institutions (universities, public sector agencies and financial bodies)
4. Processes (business birth rate, rate of high growth firms, number of serial entrepreneurs and levels of entrepreneurial ambition and sell-out mentality in the society) (OECD, 2013)

Hence, a start-up ecosystem is holistic and interactive in its nature and the different stakeholders involved contribute to shape the local economic development policies (OECD, 2013). The concept behind a start-up ecosystem is that entrepreneurial performance depends on the quantity and quality of interactions with entrepreneurs and the external stakeholders, i.e. universities, funding organizations, support organizations (incubators, accelerators, co-working spaces etc.), research organisations,

service provider organizations, investors, and large corporations (Startup Common, 2016). These groups are illustrated in Figure 2.

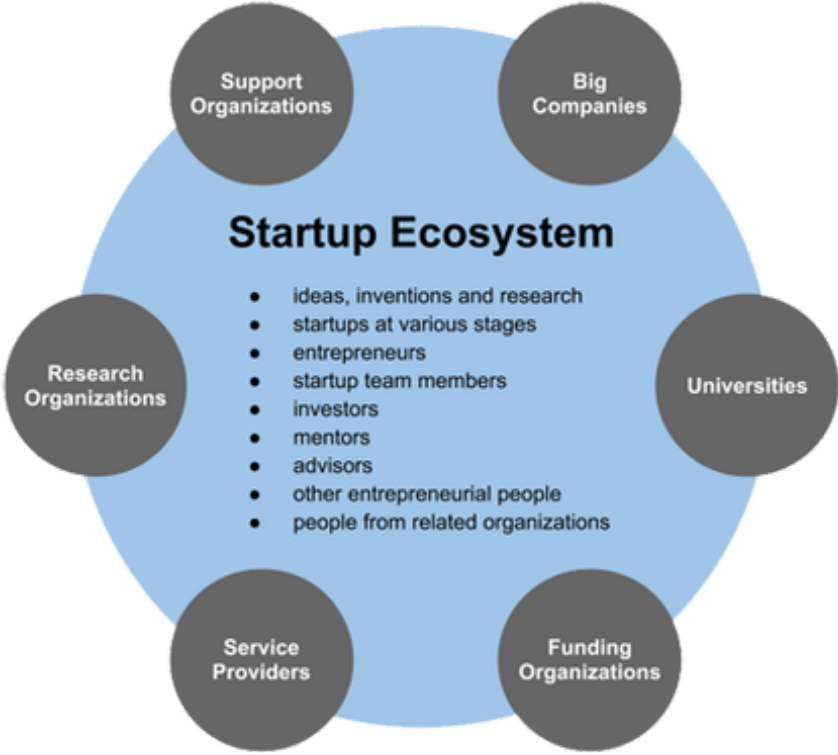


Figure 2: Groups of stakeholders in a Start-up Ecosystem (Startup Common, 2016)

Figure 3 represents the most influential external stakeholders and communities operating in the start-up ecosystem in Stavanger:

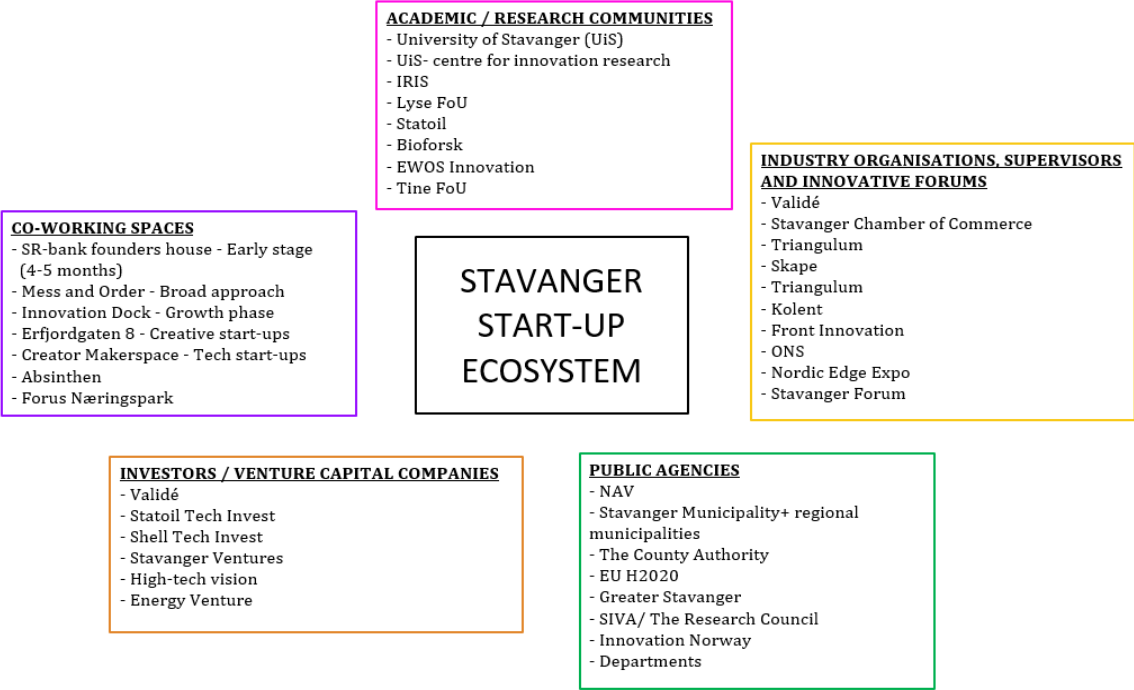


Figure 3: Stavanger Start-up Ecosystem

2. Entrepreneurship Theory

“Entrepreneurship exists everywhere; it is a way of management, measured by validated learning” (Ries, 2016).

Another definition explains entrepreneurship as the ability and willingness of individuals, on their own, or in teams to perceive and create new economic opportunities in form of new products, new production methods, new organizational schemes and new product-market combinations. Entrepreneurs operate within and outside existing organisations and introduce their business ideas in the market, in the face of uncertainty. The development process involves decisions such as location, business strategy, use of resources and institutions (Wennekers and Thurik, 1999). This means that entrepreneurship is not by definition similar to start a small business, but the small business are *“a vehicle for individuals to channel their entrepreneurial ambitions”* (Lumpkin and Dess, 1996). The focus in this report will be on those entrepreneurs who have started a small business (AS), representing new concepts in the market and have growth-oriented mind-sets.

Before launching a new business project, an entrepreneur should perform a marketing process and define a target market, define a business strategy and identify possible risks and challenges involved in the execution (Burns, 2014). According to the famous business theorist Alexander Osterwalder (the man behind Business Model Canvas), one should always be aiming to achieve three kinds of fit before executing a new business idea; *Problem-Solution Fit, Product-Market Fit, and Business Model Fit*. Achieving these three kinds of fit will help to minimize the risk of failure.

1. *Problem-Solution Fit* - occurs when there is evidence that customers care about certain jobs, pains and gains, which means that a market opportunity is found and a value proposition is designed that addresses customer's needs.
2. *Product-Market Fit* -occurs when the value proposition is actually creating value and there are customers who care enough about the value proposition and are willing to buy the product or service.

3. *Business Model Fit* - occurs when there is evidence that the value proposition is embedded in a profitable and scalable business model. This happens when the value proposition creates value for the target group of customers and the business model creates value for the organization (Amarsy, 2014).

The theory in this chapter will focus on the entrepreneurial growth process, challenges that often occur in this phase the importance of growth enterprises for the society. The last section of this chapter presents the selected entrepreneurs, categorized as growth-oriented. The term “*growth-oriented*” is chosen because all of the interviewed entrepreneurs have received funding from Innovation Norway and, they must therefore have a vision about growth, combined with having a growth-oriented mind-set. In addition, all entrepreneurs have theoretically been going through the *three types of fit* before launching their products to target customers, illustrated in Figure 4.

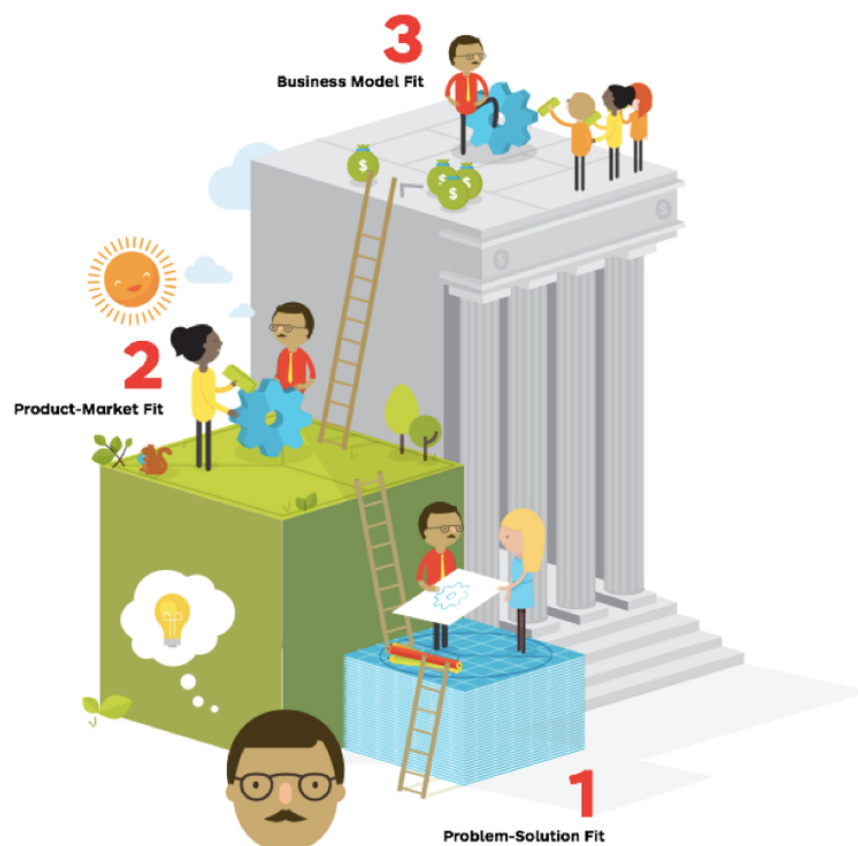


Figure 4: Three types of fit (Amarsy, 2014)

2.1 The Entrepreneurial Growth Process

There are many different types of entrepreneurs in a society who implement a variety of entrepreneurial processes depending on, for example, the characteristics of the enterprise, the financial needs and private income. Even though most of these processes are highly dynamic and practical, some central driving forces in a successful entrepreneurial process are:

1. *It is opportunity driven*
2. *It is driven by a lead entrepreneur and an entrepreneurial team*
3. *It is creativity driven to use limited development resources*
4. *It depends on the fit and the balance between the opportunity, the team and resources*
5. *It is integrated and holistic*
6. *It is sustainable*

Both founders and investors focus on these driving forces in order to analyse the risk involved with the venture and how to improve the venture's chances of success (Spinelli, S, Jr, Adams, R, 2012).

As mentioned in 1 above, an entrepreneurial processes start with an opportunity. The shape, size and debt of the opportunity, decides the shape, size and debt of the resources and the team. This is illustrated in Figure 5, called Timmons model of the entrepreneurial process.

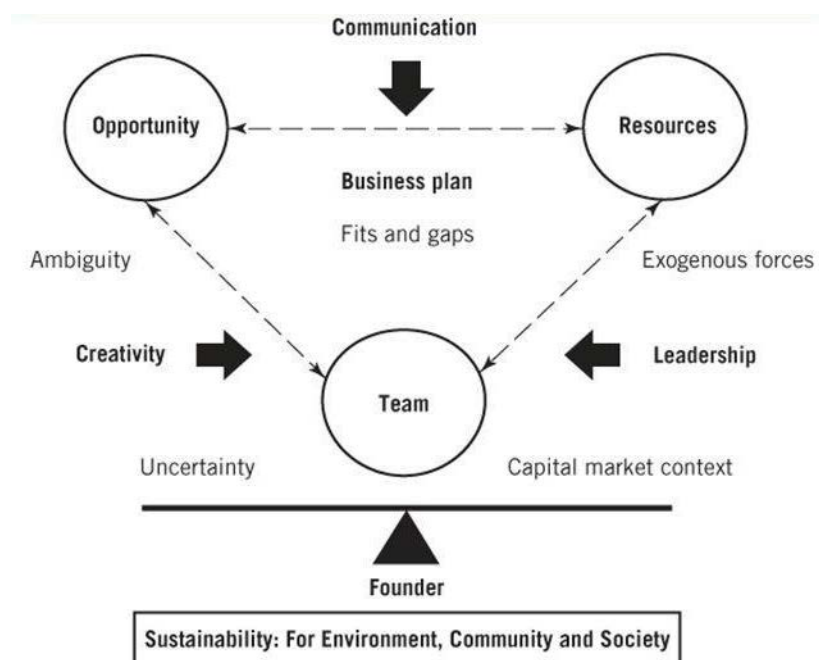


Figure 5: Timmons Model of the Entrepreneurial Process (Spinelli, S, Jr, Adams, R, 2012)

As mentioned in 2, the lead entrepreneur has the responsibility to manage the risks and ambiguity with creative problem solving and cost effective strategies.

Moreover in 3, the process involves constant analyses of the fits and gaps that exist in the venture in order to constantly improving the value proposition, the business model and gaining control over the limited resources.

Developing a strong team is the most critical aspect of the entrepreneurial process and a prerequisite in order to balance the fits and gaps between the opportunity and resources available, mentioned in 4.

Statement 5 emphasises on a holistic and integrated process and highlights the importance of holistic thinking when recruiting people to the team; a high potential venture requires interpersonal and complementary skills in the team. The collective ability and skills in the team is one of the most valued capabilities an investor looks for.

Finally, statement 6 emphasises on the importance of achieving economic, environmental and social sustainability goals. These three forms of sustainability are

decisive for continuous growth and are fundamental for any business in the long run (Spinelli, S, Jr, Adams, R, 2012).

In terms of financing strategies, it exists different ways to go forward with a business idea, described in the article: *optimal financing strategies for two types of financial constrained entrepreneurs*; it is either the “wait and see” or the “just do it” strategy. The article states that the “just do it” strategy is better if the start-up is likely to be profitable, the process requires speed, and the goal is to reach out to a large market.

When the entrepreneur do not have enough money and adopt the “just do it” strategy, the alternative will be to raise external money in an early stage (Schwienbacher, 2006).

The “wait and see” strategy is about raising sufficient private capital required in the establishment phase and eventually in the early growth phase. This strategy emphasises on minimizing the use of financial resources, often defined as “bootstrapping”.

“Entrepreneurs should ask themselves at every step how they can accomplish a little more with a little less in order to pursue the opportunity” (Spinelli, S, Jr, Adams, R, 2012). The “wait and see” strategy is to be preferred in order to retain ownership of the company in the establishment phase. Later on, almost all growth-enterprises need to find external capital in order to secure financial sustainability (Schwienbacher, 2006).

The entrepreneurial growth process is no longer an isolated process going on in the brain to a single scientist or person working with a technical invention in the garage.

“Innovation is the result of integrated learning processes with different participants, humans and institutions” (Innovation Norway, 2015c). The use of external resources in form of consultancy can be especially important for a start-up in an early growth phase in order to save costs. Technical consultants, programmers and design engineers are examples of professionals who may be used on an as-needed basis. Strategic advisory in form of board members will also be valuable in a growth phase. If the start-up is organised as a corporation (AS), it must have a board of directors elected by shareholder. It is also important to consider if involvement of outside business professionals can provide missing experience to the board, as well as expanding the network (Spinelli, S, Jr, Adams, R, 2012).

2.2 Surviving the Establishment Phase

The journey to become a successful entrepreneur is not straightforward. According to figures from Statistics Norway, only 30 % of all enterprises established in 2007 were still active after five years. More precisely, 44.4 % of all corporations (AS) established in 2007 were still active in 2012, and 22.5 % of all sole proprietorships were still active in 2012 (SSB, 2014).

The analysis shows further that the surviving 30 % of all enterprises established in 2007 had four times more employees in 2012. Moreover, the surviving rate increased to 55 % for all established companies with more than one employee in 2007 (SSB, 2014). These numbers highlight the value of starting as team and that surviving growth companies generate most value back to the society.

Menon Business Economics states that experiences from previous entrepreneurial activities increase the probability of success, as well as having access to a relatively large private fortune. On the other hand, a great fortune can also have a negative impact on the motivation and leadership aspirations to a founder (DNB ,2015).

The government's entrepreneurial plan highlights some of the most common challenges for Norwegian entrepreneurs (Nærings- og fiskeridepartementet, 2015):

- Lack of business knowledge
- Entrepreneurial leadership
- Network
- Reporting
- Obtaining private capital

These challenges will be discussed further in Section 7.1 and 7.2.

2.3 Political Priorities Influence on Entrepreneurial Performance

Entrepreneurship performance usually refer to the creation and growth of new firms. In order to support economic growth in a country, it is important to have firms with the capacity to expand their products and services to foreign markets. Not all growth enterprises become global players, but still contribute to the value creation in society through their business activities (Nordic Innovation, 2012).

Nordic Innovation is a Nordic Institution working with cross-border innovation and trade. They have studied entrepreneurial activity in the Nordic countries for many years in order to develop a framework for value creation through entrepreneurship.

Nordic Innovation concludes that “*there is a good level of start-up activity across the Nordic region and a relatively good share of young fast-growing gazelle firms*”. They further emphasise on the importance of providing favourable framework conditions for starting and growing businesses. Good frameworks are crucial in order to drive the economic growth in the Nordic region in the following years (Nordic Innovation, 2012).

Figure 6 illustrates that companies’ entrepreneurship performance is a driver of wealth creation. According to *Nordic Innovation, 2012*, working strategically with entrepreneurship targets will enable governments to meet their macroeconomic goals.



Figure 6: Relation between framework conditions and entrepreneurship performance (Nordic Innoation, 2012)

High-tech innovations have proven to be the most important for regional growth and industrial renewal. At the same time, these groups of start-ups involve the highest degree of risk, and are the reason for the development of specialized disciplines, i.e. venture capitalists, in order to make more informed investment decisions (Berglund, 2011).

Countries have different entrepreneurial targets. The U.S. has succeeded to develop a culture where growth-seeking is in the centre of attention, and has been more successful than Europe when it comes to scaling young firms to become global players. Having a global focus and a global demand will increase the probability of creating jobs. This also reflects the entrepreneurial mind-set in the U.S, where over 20 % of entrepreneurs believe they will employ more than 20 people within five years (Global Entrepreneurship Monitor, 2015). This growth-oriented mind-set is generally different in the Nordic countries, even though Sweden has a long tradition of being export-oriented (Technologist, 2016). Accelerating growth in young firms and realising their global potential are mentioned as the biggest challenges for start-ups in the Nordic countries, according to *Nordic Innovation, 2012*.

2.4 Presentation of the Interviewed Entrepreneurs

This section will present nine different entrepreneur profiles connected to Stavanger start-up ecosystem. All of them have ambitions of business growth, and they have been through the critical activities associated with the establishment phase. At the moment, they are all facing different financial and strategic challenges. Their inputs about the start-up ecosystem in Stavanger will be analysed in section 7.2.

1. Øystein Stray – CEO of VISCO

Øystein Stray has been the CEO of VISCO for 13 years. Before that, he has been working within the maritime sector, as a project control manager in National Oilwell Varco with operational responsibility for many years.

VISCO is already established five places in Norway. The choice of interviewing them was that they know the entrepreneurial journey well, and they work with an ongoing innovation processes within the oil and gas industry.

VISCO's main business areas are 3D- illustrations, animations, film, and printing. Their profession is to visualize complex industry processes and new technical concepts. They have traditionally been focusing on the oil and gas industry, but are now focusing on

other industries as well, such as hospitals, the defence and smart city solutions (Stray, 2016).

2. Petter Berge- CEO of Reemsys

Reemsys is a safety tech company within the maritime sector. Petter Berge founded the company in 2013, together with the co-founders Murshid M. Ali and Geir Ueland. The concept is a rescue pod, with the purpose of protecting small kids from drowning in case of evacuation, when they travel with ferries and cruise ships. The product is specially adapted to infants, which have much thinner skin and will refrigerate quicker than adults will when they fall in the cold water.

The team developed a prototype in 2014 in “Hard Shell” but realised after conversation with the end customers that it took too much space. They have changed the concept with respect to functionality and the new rescue pod has been tested and approved according to certification requirements from the maritime sector.

3. Jone Sæbbø- CEO of Windmaster technologies

With a background from the sensor technology company Triad AS, Sæbbø saw the market potential using the knowledge from sensor technology in the offshore-wind industry. He founded Windmaster Technologies in 2010 with the goal to provide remote sensing solutions in flight safety and in the field of wind technology. Sensor technology makes it possible to extract real time information on turbulence and wind flow in a wind farm and optimize the operation of the turbines (Sæbbø, 2016).

The company received funding from The Research Council of Norway’s program for renewable energy (Renergi) in order to test out the technology. They further received establishment grants and design research funding in order to continue with further development. In addition, they managed to stick out in a fierce competition and received 50.000 euro in EU-funding from the research program H2020. They have been working at IPARK since the establishment in 2010.

4. Morten Kjeldsen- CEO of Flow Design Bureau

Morten Kjeldsen established the business in 2001 and have since then delivered different types of flow dynamic software solutions to established energy companies. The company developed a software that became industry standard, with the main function to make dynamic calculations for pressure and currents. In 2004, they expanded their operational areas and sold the solutions to larger power companies, combined with consultancy hours. Statkraft and Troms Kraft saw the potential early and was interested in buying the MVP (minimum viable product). The power companies sponsored the development and payed for the working hours.

5. Teit W Knutsen- CEO of Fuuzo

Teit W Knutsen has been an entrepreneur since 1998 and has been involved in ten different companies/projects in Denmark, Middle East, Brazil and Norway. He is now focusing on the project Fuuzo – a parcel service platform that connects people who need something delivered with a person or a company that can perform the delivery. The company vision is to create a new way of seeing and doing logistics and deliveries, and at the same time give people in developing countries an opportunity to become self-sustaining through a crowdsourcing logistics service. The target market is Africa and in a later stage, launch the product in developing countries with growth-potential.

6. Henrik Jesman Sunde – CEO of Zoaring

Henrik Jesman Sunde is a young entrepreneur talent. He got educated as a pilot at 21, have now turned 27. Together with his co-founder Simen Ytre Arne, he considered the situation of when it was the best time to start the entrepreneurial life. They decided that there was no point in waiting and established Zoaring in 2011. In order to survive as a young entrepreneur, Jesman Sunde also worked part-time at Sola air-port during the establishment phase.

Zoaring is a communication enterprise, focusing on video scribbling and uses illustration techniques to simplify and target communication messages. The company has experienced an extensive growth during the last years and had a turnover on 3,4 million in 2015. They have succeeded to reach out to important customers such as DNB, Altinn,

Lærdal Medical and Hydro. They are now seven employees in the team will soon expand the team further.

7. Alain Fassotte- CEO of Dappd

Alain Fassotte is a serial entrepreneur with a background as a performing arts producer. He started the production company Cult Productions AS in 2003, with focus on producing performing art (dance and theatre) outside the established institutions. Then, he saw an opportunity to improve the existing market for ticket sale. This was the same year Norwegian Airlines launched their new ticketing system and made it possible to print out your own flight tickets. Fassotte wanted to bring the ticket distribution idea further. Because of a lecture, he held at the entrepreneurship program at the University of Stavanger, he received valuable inputs from 7 students in their student assignments. After that, Fassotte and two co-founders established Cult Distributions AS and created the first ticketing system in the world where customers booked tickets online, paid with credit card and received the ticket on a pdf to be scanned at the venue. Cult Distributions AS was sold with a good profit in 2006 to an American company.

Cult production AS failed in 2006, and Fassotte decided to put aside the entrepreneurial life for a while. He has been working as sales and marketing director for TV Vest , Lyse and Creuna until 2015 when he found the entrepreneurial spirit back again. Now, he is the founder of Dappd – a digital ecosystem for digital marketing. The service is still under development and enter the beta-testing phase soon. The aim with the service is to make advertising relevant for the end user. The product is also an add-server and a digital exchange.

8. Murshid M. Ali – CEO of Huddlestock

Murshid M. Ali has been an entrepreneur since 2010. Before that, he worked two years in Aker Solutions in Oslo as a stockbroker and at the Norwegian embassy in Riyadh- Saudi Arabia. In Riyadh, he had the opportunity to work with implementation of Norwegian technology in the Middle East. This mission led to the establishment of Norsaco - a consulting company working with internationalisation and export development, focusing on oil- related technology. In this job, he had the opportunity to work close to

the management in many companies in Middle East and Norway, which was very valuable for him with respect to building a strong network.

The development of Huddlestock started in 2008, with inputs from a mix of projects, ideas, financial interests and experiences from the three founders.

The main objectives for Huddlestock is to provide new investment opportunities, take a position for a more open society and affect the established financial markets. Today, fund managers are in superior positions to manage financial markets around the world. The main reason is that they acquire exclusive information not available for the most investors, and because they have acquired their competence and power through their wealth. Most trading systems will also put hidden fees on investments that increase the costs for smaller investors. Huddlestock is a scalable business platform, built on the concept of crowd financing and investing in ideas. The goal is to open up financial markets in such that more people can invest on the same premises as the professional investors. Huddlestock will be much more transparent than all existing investment platforms and only charge fees if the investors make money.

They received a working desk at the incubator Prekubator TTO in 2014. It was an important step in order to be more confident in the product. From them, they also received valuable advice about how to organise the enterprise and to secure the IPR-rights. After receiving a lot of attention in 2015, they were offered a membership and office-space in Europe`s largest technology accelerator -Level39 in London.

9. Sigbjørn Groven- CFO of Future Home

The success story of Future Home started about 5 years ago when the CEO Erik Stokkeland used to connect things in his home, for example Playstation, video equipment and home cinema, and thought of how this can be done in a simpler way, instead of having ten remote controls. Together with two friends from the University, Bjarne Handeland (CTO) and Odd Eivind Evensen (co-founder and COO), they found motivation to develop an app with capacity to control and connect different electronic functions. In 2012, they had created an MVP (minimum viable product), in form of an app with some management functions. In order to form a team with complementary skills they needed a business-minded person. Sigbjørn Groven was an old friend who

had recently finished his MSc in Business Administration at NHH. The four-man team attended the business plan competition Venture Cup in 2013 and came all the way to the final. *“Venture Cup was a good experience to try the idea out, receive feedback in an early stage, and continue working with a more structured approach”*, said Groven (2016).

After the competition, they received an office at IPARK and funding from Innovation Norway. Innovation Norway also sponsored them to do a pilot launch in 2013 together with electricians who tested the product. A short time after that, they delivered their first package to electricians.

In the start of year 2014, they all decided to work full time with the company and had the opportunity to find their first angel investor. In the beginning of 2015, they completed a crowdfunding campaign and managed to collect \$200 000 and at the same time, publicity increased around the company. In March 2015, they found two new angel investors; Erik Ålgård and Christian Rokkseth, and decided to create a non-profit professional board with people with different business development experience. Later on, GET (one of Scandinavia’s biggest broadband and digital television company), made a bid for the company. They contemplated with the board and decided to reject the bid, because GET had other ambitions with the company. *“They wanted us to deliver an extra product to their portfolio and had high expectations of future earnings”*, Groven (2016). Instead, the team found a better tone with IKM- invest, and secured an investment of 10 million NOK in July 2016.

3. Bank Financing

Financial institutions and the government are both responsible for entrepreneurial development in a country. One objective in this part is to investigate why banks are so risk averse when it comes to financing entrepreneurial projects and what position do banks take when supporting the start-up ecosystem?

Furthermore, which superior strategies affect and underlie banks' decisions?

Four banks have participated in the interview process; DNB, Sparebank-1, Sandnes Sparebank and Nordea, introduced in Section 3.4. The results from these interviews are presented in the analysis and results, Section 7.1.

The theory in this part describes the superior guidelines and claims from Bank of Norway (central bank) and The Financial Supervisory Authority of Norway. These two organisations have the primary responsibility for monitoring the financial system in Norway and facilitate that financial markets and payment systems are efficient.

3.1 Financial Status in Norway

Stated in the financial outlook report, *Finanstilsynet, 2015*; The Norwegian economy is characterised by market uncertainty. There are varieties of reasons for that, for example, an expansive monetary policy, a negative policy rate and bond purchases in Europe. Other contributing factors are the low inflation level in the Euro area with a risk for deflation and an increase in the real debt burden for households, firms and states (Finanstilsynes, 2015).

The oil price fall has affected the employment for specific groups of employees, but not yet a comprehensive effect seen to the total domestic production level. A sustained low oil price may, on the other hand have a much larger impact on the overall Norwegian economy (Finanstilsynet, 2015). The accelerating wage rise in the oil industry (also transferred to other industries), is one of the reasons for the high cost level in the country. In January 2013, the import-weighted exchange index reached its highest level ever. Last year's depreciation of the Norwegian krone (NOK) has moderated the high cost level in the country, which is valuable for all export-oriented companies selling

products to an internationalised market or companies who compete with foreign customers in Norway (Takla, 2016). A weaker krone can contribute to improve competitiveness in the country and be a favour for other industries besides the oil and gas sector.

The total debt level (compared to disposable income) in Norway is at its highest level ever, and for that reason, there is a risk for financial instability. An uncertain economic outlook can contribute to a decrease in the household borrowing, but at the same time, a prolonged low interest rate will tempt to increase borrowing. This in turn will contribute to sustain demand for products and services, which can stimulate the economy in a short perspective. The Financial Supervisory Authority of Norway notes that this kind of development is not sustainable and stresses the importance of bank-solidity for all the Norwegian banks. This means that banks should hold their profits to keep the economy in balance (Finanstilsynet, 2015).

To sum this section up, the financial status in Norway will have an impact on the entrepreneurial mind-set. Increased unemployment has proven to encourage innovation entrepreneurial activity (Harvard Business Review, 2012). The depreciation of the krone gives new opportunities for internationalisation and export activities. Export-oriented entrepreneurs in Norway will have better opportunities to sell their products and services to a global market if the krone stays low. Banks, on the other hand, are obliged to have larger liquidity reserves and a more robust solidity policy, which make banks better prepared for losses² (Finanstilsynet, 2015).

3.2 Banks' Role in Society

Banks are responsible for the majority of lending activities, involving a transformation of short-term savings into long-term investments, so called maturity transformations. The most important tasks for banks are accepting deposits from many customers, provide payment services and lend out money for public and private purposes, for example mortgages to households and loans to companies. When doing so, banks carries

² Norwegian authorities implemented these new capital requirement in 2013 (based on EU requirements)(Finanstilsynet, 2015).

the risk of lending out money with a longer perspective than the time they hold the deposits from their borrowers (Norges Bank, 2011),(Finanstilsynet, 2015).

Banks are responsible for the balance in the financial system. Therefore, regulatory authorities govern and monitor them with regulations and supervisions, for example with requirements for buffers, insurance policies and liability management. After the financial crisis in 2008, new international liquidity and solidity requirement has also affected the Norwegian bank system (Norges Bank, 2011).

Understanding banks liquidity positions are important in order to understand banks' risk-taking, and why liquidity and solidity so important for banks. Bank instability can undermine banks' vital functions as a result of having insufficient financial resources - capital or liquidity (Bank of England, 2013). Banks make profit by charging a higher interest rate on their loans than the rate they pay out on the deposits, and in addition, charge fees for arranging the loan (Bank of England, 2013). Further, banks fund their activities by having a portfolio with a mixture of borrowed funds, including retail deposits, savings accounts and wholesale funding³. In addition to the borrowed funds, banks also have their own funds with a mixture of assets, known as common equity (Bank of England, 2013).

When lending out money, banks carry both credit risks and liquidity risks. Credit risk is the risk of a borrower not being able to repay the loan. In those cases, it is a loss for the bank with respect to both capital and assets. If such losses happens frequently, the banks' liabilities will be greater than its assets, which means that the bank is balance sheet insolvent (Bank of England, 2013). Liquidity risk represents the risk that a large number of depositors and investors may withdraw their savings (the banks short term funding). This is a risk for the bank to default and become cash-flow insolvent, meaning unable to repay its depositors and creditors (Bank of England, 2013).

³ Funds from institutional investors such as pension funds or other bonds with a strong credit rating.

If banks hold more risky assets (unsecured loans to households and firms), it will be necessary to have a stronger capital buffer to mitigate against possible losses, causing events such as “loan default” (Bank of England, 2013).

Liquidity and solvency problems are the most important reasons why banks need to be risk averse when considering borrowing money to entrepreneurial projects with uncertain future earnings. Most entrepreneurial projects are categorised as high-risk projects and the only possibilities for entrepreneurs are if they are able to secure the loan with some of their private assets (house, car etc.) as a collateral, in case the project fails.

3.3 Banks Represented in this Assignment

Having the opportunity to interview four banks was an informative contribution to this assignment in order to understand the banks’ role in society and especially their business loan policy. The inputs from these interviews also changed the direction of this report. Their viewpoints towards entrepreneurial risk and their support of the start-up ecosystem are presented in the analysis and results Section 7.1.

Two of the chosen banks, SR-bank and Sandnes Sparebank are savings banks and two are commercial banks, DNB and Nordea. The reason for that was to differentiate between different banks with different strategies. DNB as a commercial bank has, for example, more international investors and a different risk-profile compared to the two savings banks. There are also some different requirements for establishing a commercial bank compared to a savings bank. Commercial banks are organised as private corporations and are in general required to have at least 5 million Euro in share capital (Altinn, 2016).

DNB- Den Norske Bank

DNB is an international financial group, and today the largest in Norway with respect to market value. DNB states that they have a great responsibility of the society and development in Norway, and wants to take part in the ongoing readjustment to be a driving force for supporting innovation (DNB, 2016a). Innovation and entrepreneurship is two prioritized areas that goes hand-in-hand. Ohm Heskja, 2016 describes: *“Having a*

profile as an innovation bank is about the way of managing the whole bank, as for example constantly developing and simplifying the bank's digital solutions and surfaces".

DNB started their entrepreneurial initiative in 2013, with the target to become Norway's most entrepreneurial friendly bank, and to continue working with an open innovation approach. DNB has sponsored the co-working spaces Mess&Order, Innovation Dock and IPARK, as well as the event Stavanger Startup Weekend in addition to relationships with other relevant stakeholders in the start-up ecosystem (Ohm Heskja, 2016). DNB has also seen the need for communicating more about growth-activities and has arranged a seminar series about growth and international expansion this spring at Innovation Dock.

Interviewed representatives: Karen Elisabeth Ohm Heskja and Terje Fanebust

SpareBank 1- SR-Bank

SR-Bank has been the main savings bank in Rogaland since 1976, after a merge of 13 local savings banks. The first bank that today is a part of the SR-Bank group opened in Egersund in 1839. After the economic downturn in the 90's, bank managers decided to create an alliance consisting of 16 independent savings banks in Norway, the Sparebank 1-alliance. (Sparebank 1, 2016a)

SR-Bank is today a leading savings bank in Southern and western Norway in with 54 offices in 34 councils and about 1200 employees. Creating values and secure capital needs for the region has been their primary mission since then. Working alongside with the region in upturn and take social responsibility in downturns (Sparebank-1, 2016a) is the main sponsor of Youth entrepreneurship (Ungt entreprenørskap, 2015).

They transformed to a stock bank (ASA) in 2012 with the goal to strengthen its position in the market with respect to equity and debt.

Johannessen, 2016 describes SR-banks entrepreneurial focus as *"being an active part of the regional development and be open to support ambitious innovative projects"*. It is important to take part in the readjustment work and contribute to growth within other areas than oil and gas. In 2015 they bought the old Swedbank building and announced their entrepreneurial initiative, "The Founder's House", a new co-working space for entrepreneurs in early stages. The ambition with their initiative is providing selected

groups of entrepreneurs a free working desk for 4-5 months and availability of meeting rooms and a facilitator who challenge the teams 1:1 in order to develop the ideas as much as possible. The team should give weekly updates of the progress to the facilitator (Johannessen, 2016). The main business areas within the Founder's House are in line with the prioritisations to Innovation Norway and Validé. The target groups areas food and health, IKT and renewable energy (Johannessen, 2016).

Interview representative: Arild Langberg Johanessen

Sandnes Sparebank

A savings bank with representation in Sandnes, Stavanger and Oslo. Have a strong position in the region and are one of the largest savings banks in Norway with about 42 000 private customers and 5000 business customers. Their mission is to work closer to the customers and offer different services through their different life-phases. This is what they mean by focusing on total customers (Sandnes Sparebank, 2016).

Ånestad, 2016 points out that it is especially important for banks today to keep up with the IT-development, but at the same time be aware of how the finances are spent. For that reason, Sandnes Sparebank have chosen to be a member of the EIKA alliance – an organisation supporting local banks to improve their banking infrastructure, IT and payment systems. Sandnes Sparebank has been forced to downsize the number of employees with 42 persons last year and are now 120 people in the organisation.

Ånestad, 2016 mention that Sandnes Sparebank aims to support ambitious entrepreneurial projects, but that their primary focus are projects in Sandnes, in order to develop the local community. One example is a local electric bicycle business (Ånestad, 2016).

Interview representative: Håvard Ånestad

Nordea

International financial group with headquarters in Stockholm. Nordea is the largest bank in the world when it comes to assemble loan agreements within offshore and shipping⁴. Nordea Finans Norge AS is the department in Norway dealing with financial solutions and provide loans to companies and private persons. The business-banking department in Stavanger works primarily with businesses with a turnover between 15 million and 140 million NOK and their start-up focus is primarily directed towards Kristiansand (Within the south-west area of Norway).

Nordea have recently released an online crowdfunding platform in Finland, with the focus to reach out to start-ups in growth-phases. The service will later on be available in the other Nordic countries (FinExtra, 2016)

Interview representative: Tor Eric Suvatne

⁴ DNB is the second largest bank in the world to assemble loans within offshore and shipping.

4. The Public Support System

Norwegian entrepreneurs are privileged of having a wide range of public support programs to apply for and Innovation Norway as an active partner in the establishment phase. Except from offering grants to innovative projects, Innovation Norway do also have a founder's phone available where it is possible to get feedback from an advisor on the idea. In addition, the Research Council and Altinn.no⁵ are two important resources offering a wide range of different support programs for innovative projects.

One common problem for many founders is that many funding applications are extremely time-consuming, and there is a risk of missing many good ideas because the ideas are not communicated properly through the application scheme. The portal Altinn.no has over 200 different support schemes categorised by industry. National and regional schemes are mixed, which makes it even more difficult for a founder to have a good overview of financial alternatives available in different business phases.

Based on an overview from Innovation Norway, Figure 7 illustrates different financial alternatives, categorised in different development phases from idea to growth.

⁵ Altinn is the main public web portal in Norway for delivery of various forms and information

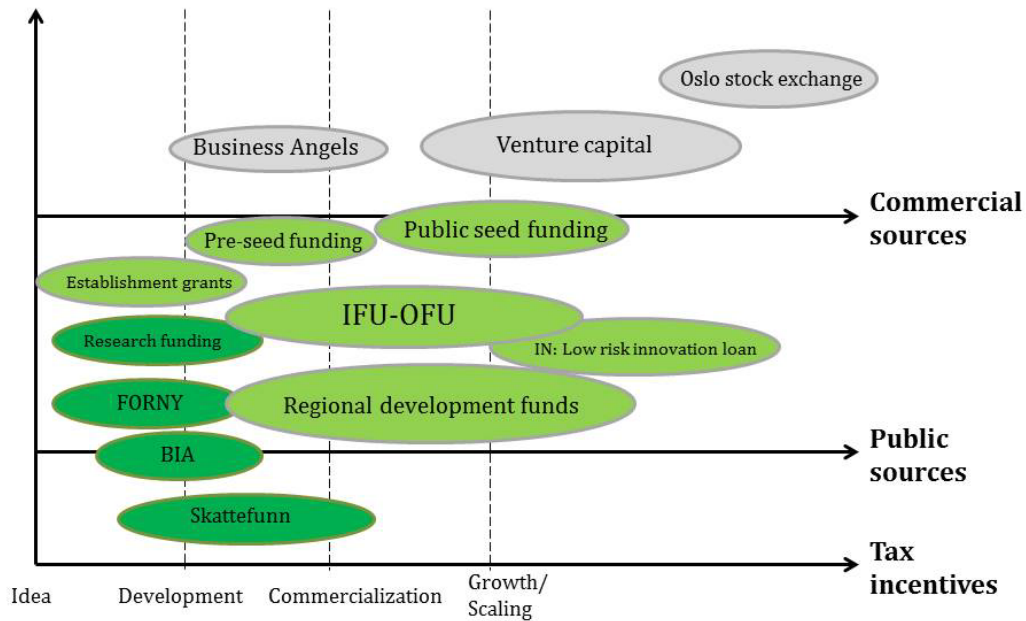


Figure 7: Categorization of funding alternatives (Innovasjon Norge, 2013)

The theory in this part will further focus on the public sources illustrated in the middle of Figure 7 and describe how the government, Innovation Norway and the incubator Validé have the power to influence the entrepreneurial culture in Norway and Stavanger. Moreover, in order to understand the superior strategies affecting regional start-up ecosystems, it is important to analyse how the government's and Innovation Norway's role have changed the last years with respect to support entrepreneurial activities.

4.1 The Government's Role

In the government's latest entrepreneurial plan - "Good ideas- Future Workplaces", highlights the importance of a knowledge society where entrepreneurs play a central role in creating new jobs. The government, as well as financial institutions, will provide financial support for adjusting the oil-dependency in the country with the mission to create new growth industries and build international Norwegian brands. It is also important to stimulate growth in already competitive industries (Nærings- og fiskeridepartementet, 2015).

In the latest state budget for 2016, the government expresses the importance of a long-term perspective when it comes to investing in infrastructure, research and innovation. From a short perspective, it is also important to invest in activities that could create more jobs now (Finansdepartementet, 2015).

One important change implemented in 2012 was the decrease from 100.000 to 30.000 NOK in the minimum required share capital for corporations (AS). The contributed share capital may be used to cover expenses for the foundation of the company (Altinn, 2011). Both finance institutions and auditors can now confirm the foundation of a new AS. This change opened for more freedom to choose the corporate form AS, where an entrepreneur (unlike the corporate form ENK) are not personal responsible if the company goes into bankruptcy, and only risk to lose the original share capital.

Also stated in the state budget, was proposals for tax-reduction with the aim to improve the conditions for start-up investors and small enterprises. The government argued that reductions in the corporate tax, dividend tax and wealth tax would have an impact on investments and stimulate economic growth (Finansdepartementet, 2015).

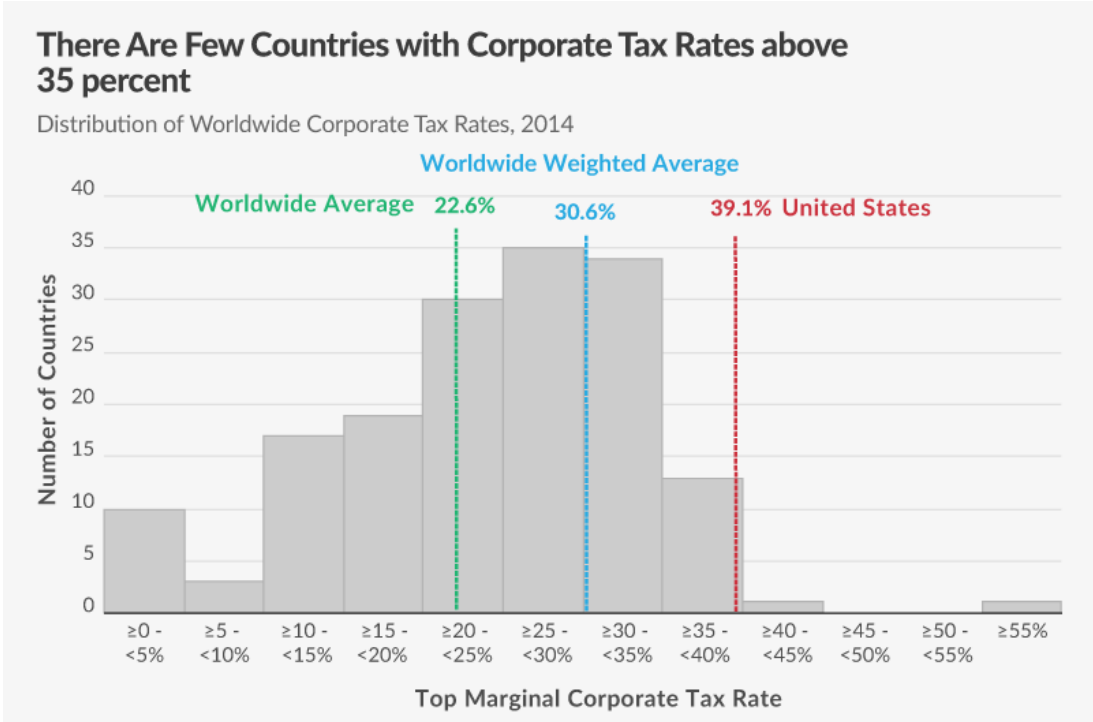


Figure 8: Distribution of Worldwide Corporate Tax Rates, 2014

The **corporate tax** is a tax on the surplus in a company, **directed against** the owners and the investors (Menon Business Economics, 2015). A reduction in the company surplus tax could be helpful for both Norwegian and foreign investors (Finansdepartementet, 2015) Figure 8 shows that the Norwegian corporate tax is higher than the global average 22.6% (Tax Foundation, 2014).

The government's latest proposal is to decrease the corporation tax from 27% to 25%, but a further reduction to 22% may be necessary to discuss. If these changes gets implemented, the effects of this new reforms will be seen in 2017-2018 (Virke, 2015).

Dividend tax is also a tax on the company surplus, more specifically a tax on the dividends in form of shares or assets that an investor or owner pay out or sells. Foreign investors do not need to pay dividend tax to Norway and a change in the dividend tax will not affect foreign investors' willingness to invest in Norway, according to Menon Business economics, 2015.

Another report, *the Scheel-report*⁶ (which is going to be published in October this year), proposes a reduction of the corporate tax down to 20%. The committee highlights the challenges for Norway in the light of the international financial development.

They particularly highlight two important aspects:

- Norway has high tax-rates compared to other countries that is otherwise comparable with Norway.
- The existing tax-rate will give incentives for multinational companies to move the surplus to other countries where the dividend tax is lower (Deloitte, 2016)

The **wealth tax** is also directed to Norwegian investors and are like the dividend tax, a so-called *residence tax*. This means that investors' residence are taxed, independent of the country the investment takes place (Menon Business Economics, 2015).

The wealth tax is one of the reasons why so many wealthy Norwegians invest in property instead of enterprises. Today, the tax-system in Norway is arranged such that property and unlisted companies are taxed and valued lower than other wealth (Menon

⁶ A report prepared by a tax-committee selected by the government and led by Hans Henrik Scheel, CEO of the Central Bureau of Statistics.

Business Economics, 2015). The Scheel report also proposes that the wealth tax should increase for property taxation, and decrease for taxation on wealth related to working capital (Deloitte, 2016).

All taxes can in some way have an impact on investments. Analyses made by Menon Business Economics shows that the corporate tax had the largest effect on investment activities overall, and that it especially affects foreign investors and new investors in Norway (Menon Business Economics, 2015).

Unfortunately, the wealth tax can turn out unfair for many entrepreneurs. The reason is that business owners have to pay wealth tax on the company values, even though the company is making a loss. The government states that companies making a loss should have the opportunity to defer the wealth-tax payment (Gjerstad, Skard, 2016).

Lack of private investment capital to growth-enterprises in early stages is a general problem in Norway. *“The challenge is to find solutions where investors and entrepreneurs can build up an own infrastructure for funding”*, says Anders Mjåset, the CEO of the co-working space Mesh in Oslo. (Aarø, 2016).

The government agrees that there is a need for more private funding alternatives to fill the financial gap, usually called “the valley of death” that often occur in early stages of business growth. In Norway, this usually happens when the public research funding is used and the entrepreneur’s own resources keeps on running out (see Figure 10).

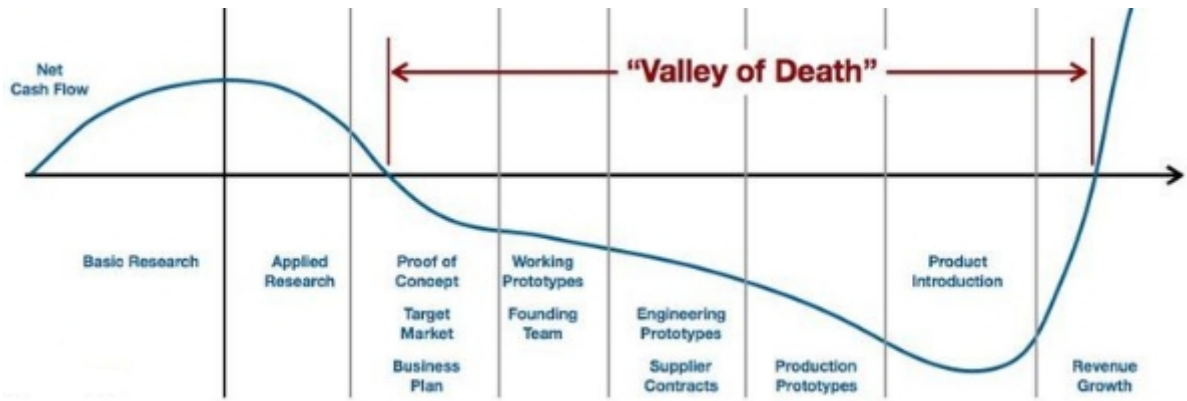


Figure 9: Lifecycle of a Venture (StarNetLLC, 2016)

One of the government's solutions is to establish a new pre-seed scheme in order to co-finance and share the early stage risk with private investors (Tobiassen, 2016). The objective with pre-seed arrangements are to support more investors to invest in early stage companies, and match the amount of private funding with the same amount of governmental funding⁷ (Nærings- og fiskeridepartementet, 2015).

Three areas are especially highlighted in the Government's entrepreneurial plan in order to transform and strengthen Norway as an entrepreneurial country:

1. Better access to capital in the early stages

- A strengthening of pre-seed capital funds with 100 million NOK in 2016 with the main purpose of releasing investment capital to young enterprises with connections to innovative environments, for example incubators. The government's role is to co-finance together with a group of selected private investors and companies.
- Strengthen the establishment grant scheme with 150 million NOK in order to promote more enterprises with growth potential, and also open for expanding the amount of grants for enterprises that match this with capital from private investors (Nærings- og fiskeridepartementet, 2015).

2. Increased access to expertise

- Allocate 30 million NOK to the initiative "Meeting places for growth", with the purpose of promoting the entrepreneurial communities that encourage commercialisation and growth activities. This initiative should also strengthen the mentor programmes in Innovation Norway, as well as organizing new meeting arenas where entrepreneurs can be involved in the learning process of commercializing projects.
- Strengthen the program FORNY2020 with 90 million NOK. 25 million NOK of these will go to develop a scholarship scheme to encourage student entrepreneurship and motivate students to become entrepreneurs.

⁷ The Pre-seed funding scheme is managed by Innovation Norway

- Allocate 10 billion NOK to further development of *Ide Lab*, which is an entrepreneurial initiative in Oslo focusing on systematically transfer of knowledge from different sectors (Nærings og fiskeridepartementet, 2015).

3. Transform Norway to a more attractive entrepreneurial country

- Improve and simplify the connection between entrepreneurs and the public support system. The portal Altinn.no are too complicated today and the goal is that the system should be more intuitive and user friendly.
- As a part of the project, is also the initiative *Vekst*. This initiative should focus on the underrepresented groups (women and people with different ethical backgrounds) with the aim of creating a more including environment for entrepreneurs.
- Digitalisation of all the services connected to Innovation Norway.
- The public support system should be available for everybody, independent of gender, nationality and ethical background.
- 10 million NOK is allocated for education efforts, such that more people can understand the system and proceed to receive financial support in different stages. (Nærings og fiskeridepartementet, 2015)

The entrepreneurial plan has received positive feedback for creating many opportunities for new entrepreneurs. It has further been criticised for not focusing on investor premises enough. This is the weakest point in the entrepreneurial plan according to the Norwegian Venture Capital and Private Equity Association (NVCA). NVCA proposes that there is a need for tax-incentives that simplifies the situation for both entrepreneurs and investors (Havnes, 2015).

4.2 Innovation Norway

“Innovation Norway represents the Norwegian government’s most important instrument for innovation and development of Norwegian enterprises and industry” (Innovasjon Norge, 2016a) The organisation has developed from a multitude of different funds. The first fund was established in 1852 with the purpose of providing favourable loans to farmers, and another fund was meant to re-build northern Norway after the Second World War. Innovation Norway was established in 2004 to unify all the different funds, and continue as an important public facilitator for reconstruction of the society and industry building (Innovasjon Norge, 2016b).

Many entrepreneurs in Norway start with applying for establishment grants. This is an offer for start-ups representing something new in the market, that has potential to become a scalable business. Innovation Norway are clear on their website, regarding establishment grants; they are focusing on growth-oriented enterprises looking for market opportunities outside their own region. They are further prioritizing projects with the highest degree of innovation and with a vision of growth already in the beginning.

The process for establishment grants are divided into two phases:

Phase 1: Market clearance- Emphasise on marketing activities and provide entrepreneurs up to 100 000 NOK based on:

- An investigation if the new product or service will meet a customer needs in a satisfactory manner
- If it is likely that customers are willing to pay for the product or service
- If the team has the right capabilities and skills to develop the product

(Innovation Norway, 2016c)

Phase 2: Commercialisation

In this phase, it is possible to receive up to 500 000 NOK, but it is a requirement to match the funding with an equal amount of private capital. The product or service have received recognition from some customers and the next step is to:

- Clarify if the business model are appropriate for the selected market
- Choose the most relevant activities for further commercialisation
- Find out how to protect intellectual property rights, brand strategy, visual identity and other activities preparing the business for market entrance (Innovation Norway, 2016c).

Low-risk innovation loan is another financial alternative that Innovation Norway offers. The purpose is more on long-term financing of fixed assets, internationalisation and other development activities. This is mostly an alternative for an exclusive group of start-ups with high growth, but also an alternative for middle-sized and bigger companies. This is because it requires that the business is market competitive and has satisfactory economy (Innovation Norway, 2016c).

During the last two years, the organisation has gone through a comprehensive transformation process called “The dream lift”. The strategy change will continue until 2017, involving a new direction for the organisation. One of the most important prioritizations is to implement a more market-oriented profile overall in the organization. They have also implemented a lean start-up approach, reflected in both the application process for establishment grants and the advisory that Innovation Norway gives to many founders. “A founder can save both money and time by implementing a lean approach” (Innovation Norway, 2016d).

The changed requirements for the application process means further that the organisation focuses on more aspects than the innovation in itself. Earlier, it was a widespread focus on structured business plans. Now, it is more focus on the activities a business does and are planning to do in order to realise an idea/project in the market. An entrepreneur need to document that the project is going to focus on market-oriented activities and fulfil all the aspects represented in a Business Model Canvas. The key-activities related to the Business Model Canvas are illustrated in Figure 10

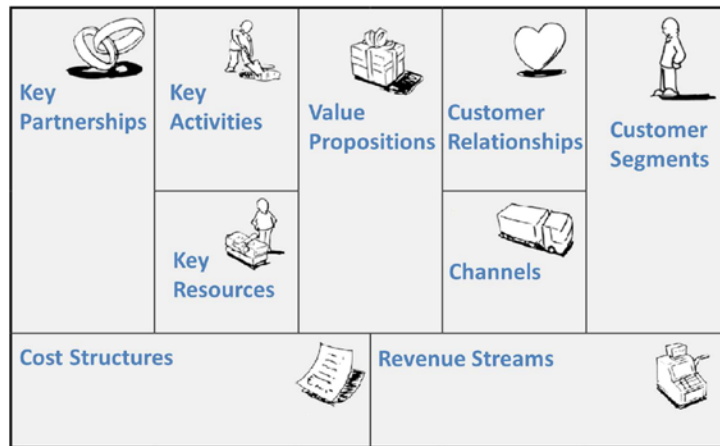


Figure 10: Business Model Canvas (Colin Newlyn, 2016)

One of the reasons for implementing a new strategy is because of the critique Innovation Norway has received for handing out large amounts of public funding to enterprises that go into bankruptcy in a couple of years, because a market demand is not present (E24, 2013). They have furthermore, received a massive critique for prioritizing projects within agriculture and fishing instead of tech-projects with global potential.

It has always been a part of Innovation Norway’s strategy to prioritize projects out in the districts and dedicate about 60% of all the funding to these projects. Professor Peter Inge Furuseth (BI Business School) has criticised Innovation Norway for supporting too many small projects in the districts instead of prioritizing projects with more connections to competence-environments (Midtsjø, L., Gulseth, S., Lunde, L., Utheim, B.E, 2013).

It is important to keep in mind that Innovation Norway is a politically controlled organisation⁸. The number of seats in the board was in 2012 dominated by politicians, and representatives from the fisheries and the agricultural sectors (Utheim, B.E, 2013). After the government change in 2013, Innovasjon Norway was told to streamline the organisation and become more effective. They were also told to give more direct support to start-ups and downsize their own administration. Innovation Norway

⁸ Formed from a merge between The Norwegian Tourist Board, Norway’s export advice, Norwegian Industry and Regional development fund (SND) and the State Consultancy Office for Inventors (SVO) in 2004.

emphasise that it is other components than just the supply of funding that is important, and are now prioritizing more support to start-ups in their learning processes about new business models, digitalisation, marketing and business strategies (Innovasjon Norge, 2015c).

Many countries choose to angle their innovation strategy towards those areas where the country has comparative advantage. Innovation Norway has picked out some specific areas where the pre-conditions for growth is better and where Norway already has an established position. The selected areas are: maritime sector, farming, biotechnology, welfare technology, medicine, finance, education technology and renewable energy (Innovation Norge, 2015c)

In order to meet many of the challenges in the Norwegian society, there is a need for new solutions for making the cooperation more efficient between the public and the private, and between entrepreneurs and the public sector. The “Dream Lift” report highlight the needs for simplifying public procurement processes so that founders to a higher degree can develop products and services that the municipality needs (Innovasjon Norge, 2015c).

4.3 Interviewed Organisations Supporting the Start-up Ecosystem in Stavanger

Innovation Norway

Innovation Norway’s office in Stavanger has 14 employees and is located at Ullandhaug, close to the incubator-environment and the university. Innovation Norway in Rogaland has the ambition is to be present in the whole county and visit companies out in the region frequently. In line with the strategy change (“The dream lift”) in 2014, they also changed the advisors job descriptions. The purpose was to use the whole organisation’s competence more efficient, divide the staff into customer advisors and financial advisors. Customer advisors have a more extroverted role focusing on visiting companies and connect enterprises with mentors (Espeland, 2016)

Interview representative: Senior advisor, Kristin Espeland

Skape

Skape represents a network-alternative for entrepreneurs in Rogaland, providing educational courses to people who plan to establish new businesses. The organisation has been developed through a partnership between the municipality in Stavanger and Rogaland County Council and receives funding from these organisations. The organisation was founded in 2007 with the ambition to be a more practical approach to an otherwise very bureaucratic orientation of resources for entrepreneurs.

Skape has a broad and including approach towards entrepreneurship and are supports many life-style entrepreneurs, as well as growth-oriented entrepreneurs. Skape focuses more on the person behind the idea, to prepare the person for the personal risks involved in the establishment process (Talgø, 2016).

Interview representative: Einar Talgø

Kolent

The background for the establishment of Kolent in 2015 was because of a complicated and time-consuming public support system and 4 founders with the knowledge and ambitions to support entrepreneurs, small- and middle sized companies in their funding- and growth processes. The most important objectives was to be much more transparent than their competitors, work with a trustful business model and receive payment after their customers received their funding.

The business goal is to help companies with growth, innovation and internationalisation that should not have happened otherwise. The founders and board members have variated experiences from business management, finance, engineering and internationalisation. Kolent communicates with a broad group of start-ups and bigger companies in the region and abroad, and have not yet defined specific industry groups.

Interview representative: CEO, Øivind Laugen Vesterdal

Business Association Roselkilden

Business Association Rosenkilden was established in 1836 and is the largest Business Association in Norway. The organisation works for promoting business interests across different industries in the region.

The CEO, Harald Minge has been working for the Chamber of Commerce since 2008. Before that, he was the Chief Editor of Rogalands Avis.

Interview representative: Harald Minge

Greater Stavanger

Greater Stavanger is an inter-municipal organisation constituting of a partnership between 15 municipalities and Rogaland County Council. The organisation coordinates many projects in the region, support the municipalities, and work as an ambassador for the region. The organisation are focusing on small- and middle-sized enterprises (SMEs) with grow-ambitions, most of them are oil-related businesses. They are for example helping foreign SMEs to establish in Rogaland. The overall ambition is to create new working places and stimulate growth in the whole region.

Interview representative: Geir Haug

Validé

Described in Section 4.4

Interview representative: Terje Handeland

StartupLab

StartupLab is a tech-oriented incubator in Oslo located close to the University of Oslo with 58 member companies. The choice of including StartupLab in this report is to compare the co-working spaces in Stavanger with one of the most progressive co-working spaces in Oslo.

The start-up companies within StartupLab have access to an internal fund, The Founder's Fund. A group of successful entrepreneurs established this fund in 2013. The

fund owners have a broad network with partners the Nordic investment community, access to international venture capital firms, as well as a network of key people in some of the world leading technology companies such as Google, Amazon, Netflix, Facebook and LinkedIn (StartupLab, 2016)

Interview representative: Kjetil Holmefjord

4.4 Incubators

Commercialisation of scientific research is often challenging, risky, and requires competent people involved in the process (SIVA, 2013).

The main functions of the national incubators are providing business development expertise, a strong network and an entrepreneurial environment with the aim of increasing the amount of growth companies through competence, capital, network and ownership. SIVA is a state-owned financial organisation providing funding to national incubators. They are a facilitating partner for new programs and set the requirements for the investments (SIVA, 2013).

In 2003, the government decided to give the universities the right to exploit Intellectual Property (IP) developed by their employees for commercial purposes. Precubator TTO was established in 2002 to become a technology transfer office in Rogaland county, located with close connection to the University of Stavanger. The goal was to find the best ideas in the region with the most highest potential for the society, and become an active partner involved in the commercialisation process of creating growth and international oriented businesses.

After a political desire from Rogaland County Council and the Municipality, Validé was established in 2015 after a merge between Precubator TTO and IPARK. The ambition was to create a cluster of high-tech knowledge enterprises (Handeland, 2016).

The main difference after the merge is that Validé now has a stronger focus on both business development and the financial management/investment sides of the incubation process, and has now more capacity to make both research and investment activities more impactful and work closer to the selected enterprises in the growth process

(Handeland, 2016). With respect to the location close to the University of Stavanger, International Research Institute of Stavanger and Stavanger University Hospital, Validé has the capacity to maintain strong connections with the research environment.

Validé has received recognition as one of the most valuable incubators in Norway, and are together with StartUp Lab (Oslo) and Kjeller Innovation (Ås), picked out to receive the highest amount of funding, 5 million per year from SIVA. Criteria's for achieving the highest funding amount are achievement, activity and scope, customer satisfaction, economic sustainability, historical development, combined with a subjective judgement from SIVA (SIVA, 2016).

The start-ups selected to take part of the incubator programs are selected based on a holistic judgement of the business idea and factors such as the innovation height and competence of the team (Handeland, 2016). One of the main objectives is to follow the companies through the commercialisation process, from the assessment of the company to the scaling phase. The process is illustrated in Figure 11.

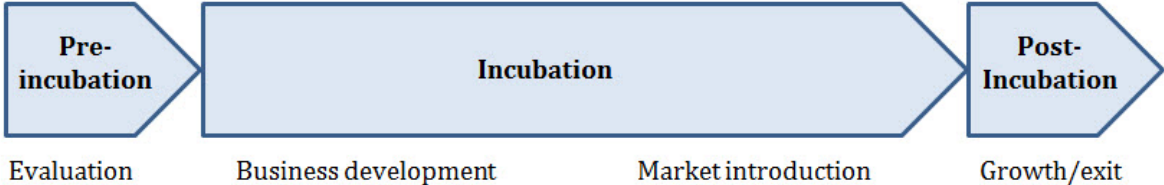


Figure 11: Phases in the incubation process (SIVA, 2013)

Experience from the incubator programs between 2002 and 2012, showed that incubation is an effective method to increase the value of small enterprises, and the probability for them to survive. About 1500 growth-enterprises were involved in the programs, and generated a value creation of 8 billion NOK and a tax generation of 2,9 billion NOK. Due to the good results, SIVA decided to undertake a new national incubator initiative within 2012-2022; and during this period professionalise the programs even more (SIVA, 2013).

SIVA’s primary focus areas in the programme description for 2012-2022 are:

- Increased focus on pre-incubation and idea generation
- Developing strong networks (regionally, national, internationally)
- Increased focus on internationalisation for small and middle size enterprises.
- Developing the national public support systems.
- Certification scheme for SIVA-incubators

4.5 Seed-funding and Pre-seed Funding

“Seed funding is the money required by growth companies to either begin operations or to fund the production of the item or items the company plans to sell” (Angel Investment network, 2016).

Innovation Norway has established 17 seed-funds between 1998 and 2014. All of these funds are corporations (AS) with private investors as owners and a 50-70% financial contribution from the government. Innovation Norway has the responsibility to manage the funds on behalf of the government. The intention with these funds is to take technological risk in early stages, contribute to the realisation of a profitable growth, and thereby create profit back to the fund (Innovasjon Norge, 2016e). The funds were established in three periods, and two funds will be established in 2016 (see Table 2).

Table 2: Classification of Innovation Norway’s seed-funds

	PERIOD	Nation-wide funds	Regional-wide funds
1.	1998-2000	6 (liquidated)	
2.	2006-2008	4	5 (focus on SMB:s)
3.	2014-	2	
4.	2016-	2 (will be established)	

Figure 12 shows the portfolio growth from 2006-2014. It shows that the funds has totally invested in 122 companies between 2006-2014 and that 85% of the investments was done between 2006-2010 ⁹ (Innovasjon Norge, 2016e).

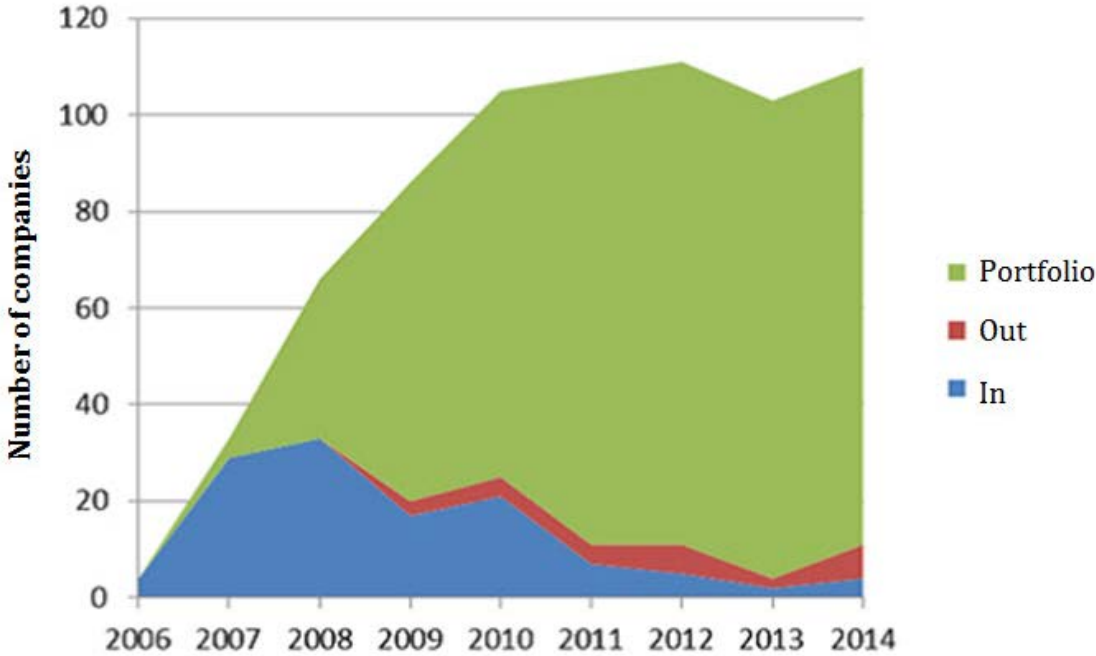


Figure 12: Portfolio Growth between 2006-2014

The funded companies from the second period (2006-2008) have especially been analysed with the purpose of illustrating financial performance. About 68 companies were included in the portfolio, receiving support from nine funds. One requirement was that the trustees of the fund should be a part of the board and provide management competence (Innovasjon Norge, 2016e). Innovation Norway took into account that the regional and nation-wide funds had different premises. Companies receiving money from the nation-wide funds had many years of research and development to do after the investment. The regional funds, established 2006-2008 focused more on SME-companies in earlier stages than the nation-wide funds. Average life expectancy for the nation-wide funds were four years and the regional-wide were six years.

⁹ About 21% has disappeared from Innovation Norway’s financial data. It was 96 companies in the portfolio in 2014 (Innovation Norway, 2016e)

The analysis used the measure EBITDA¹⁰, which indicates a company’s financial performance. The results from the survey shows the average EBITDA from the different funds formed a J-curve, except from the regional fund. The regional fund started to generate profit after five years¹¹. The nation-wide funds took in average between seven and eight years before generating profit.

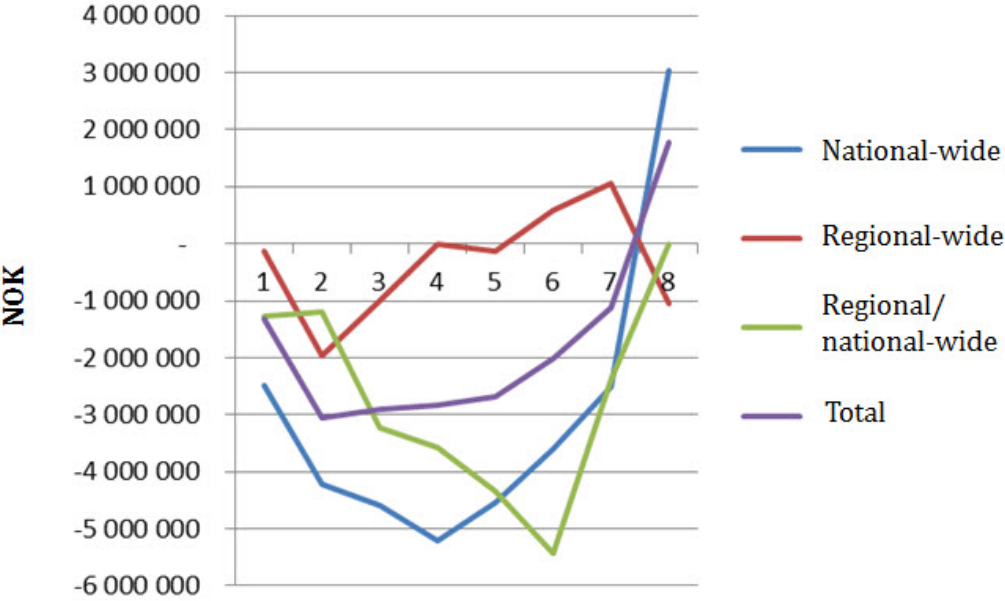


Figure 13: Average EBITDA for the Funds in the Portfolio (Innovasjon Norge, 2016e)

The conclusion from this analysis from Innovation Norway is that seed-investment is a high-risk project and requires many years before generating profit. Even though the companies had received establishment grants from Innovation Norway, this analysis highlights the importance of more investment alternatives earlier in the growth process.

For that reason are 100 million NOK are allocated from the state budget for 2016 to a national pre-seed scheme. The aim with this initiative is to motivate more investors to take early stage risk, and to support more start-ups with competent capital in an earlier stage (IPARK, 2015).

¹⁰ EBITDA= Revenue – Expenses (excluding interest, taxes, depreciation and amortization) (Investopedia, 2016)
¹¹ The decrease after 8 years was because of one company.

Innovation Norway will allocate pre-seed funding to selected groups of National incubators/TTO:s and Norwegian business angel networks. These companies will further invest in start-ups, and the amount invested will be equally matched between private investors and incubators/TTO:s. In that way, will start-ups receive funding from both private investors and from the public, sharing the investment-risk 50/50. (see Figure 14) (Innovasjon Norge, 2016f).

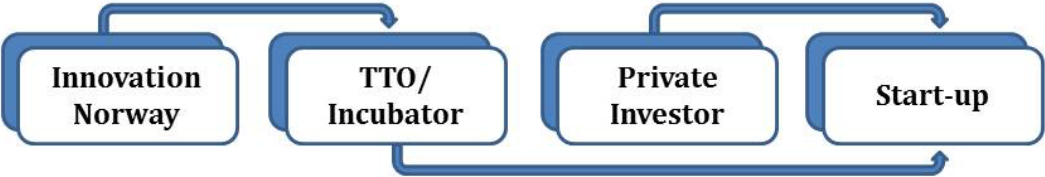


Figure 14 Model of pre-seed investments

5. Private Investments

Private funding to start-ups from individual- or corporate investors are different to bank financing though it most often consists of equity in exchange for financing, which allows the investor to have a partial ownership of the shares in the financed company. Venture Capital funding comes from investment companies or private persons and can be remarkably valuable for start-ups with no access to capital markets and an important strategic option. If an investor uses his/her own private equity, the person is usually called a “business angel” or an “angel investor” If an investor persuades other people’s money in a private- or corporate fund, the investor is usually a Venture Capitalist.

The definitions for the different roles are not so strict in reality. It depends on the company’s strategy and the type of companies they are targeting. Venture capital companies are not always fund-based; they can also invest with private equity. The most well-known and professional Venture Capitalists raise funds based on large institutions, such as pension funds, University endowments or insurance companies (Harvard Business review, 1998).

Many investors in Norway prioritize investments where they have more expertise in the field. Property investments and investments in the oil-and gas sector have been the dominating fields the last decades. About 30-40% of the values to a Norwegian family company invests in property, due to more favourable tax conditions for property investments (described in section 4.1) (Shifter, 2016).

Until now, it has not been an established investment culture in Norway focusing on start-ups in early business stages (Innovasjon Norge, 2015c). Sweden, Finland and Denmark have been more progressive, and especially Sweden attracted 42% of all risk-investments in the Nordics in 2015, representing 59% of the total amount invested, according to the Nordic Web¹². The bright spot for Norway was the increased number of investments from 2014 to 2015 was the highest increase of all the Nordic countries,

¹² The Nordic Web- an important start-up resource and website analysing investment trends in the Nordic countries.

which indicates that Norway starts to be a more attractive investment country (The Nordic Web, 2015).

Sweden has especially shown progress when it comes to develop successful tech start-ups during the last 10 years. Five Swedish start-ups (Spotify, Skype, Mojang, King and Klarna) have reached the admirable “unicorn level”, which means that they are valued to more than one billion dollar. This level of success and recognition will create a certain energy to inspire a new generation of entrepreneurs who dream of achieving worldwide success (Technologist, 2016).

The theory in this part will further focus on the development of venture capital funding in the U.S. and the value it can have for start-ups. This chapter will also focus on the characteristics of business angels and the general differences of receiving equity from a business angel compared to a venture capital company.

5.1 Background of Venture Capital Funding

The stock market crash in 1929 and the following Great Depression in the U.S. was a starting point for Venture Capital funding. Back then, it was a group of business leaders, who felt a duty to contribute to the recovering of the financial system after the New Deal reforms. These reforms increased income taxes and had a retaining impact on risk investments overall.

The business leaders saw potential in the small growing firms that could contribute to the employment growth in New England and the U.S. They had the ability to foresee the industry development and the value of providing money and advice to ventures in early stages (Hsu,D.H, Kenney, M, 2005)..

They formed the first independent venture capital organization, American Research and Development Corporation (ARD), incorporated in 1946. The organization was the first to raise funds from institutions and the public.

The organization primary goals was to:

- Assist firms in how to upgrade their technology
- Encourage commercialization
- Contribute to economic growth in New England
- Build an institution out of privately funded venture capital companies (Hsu,D.H, Kenney, M, 2005).

The overall attitude was to be patient and tolerate a high number of failures that could happen to small firms in early stages. Also, be prepared for a “birth”-period where the firms had higher expenses than earnings. ARD was early out to see the importance of private entrepreneurial funding, and a pioneer of innovation funding in the US.

There is a broad consensus today that a strong venture capital culture is a cornerstone for commercialisation of new ideas in the modern economy (Groh, Liechtenstein, 2011) Venture capital has been an important element of value creation the last decades in the U.S., and are now implemented all around the world. Despite the fact, that just a small percentage of the total amount of start-up firms will attract venture capital funding, some of the most successful firms have received it, such as Yahoo!, Amazon, Intel and Microsoft (Gompers and Lerner, 2001). On the other hand, venture capital has traditionally been restricted to some specific high-tech industries (software, telecom, and biotech). It is important to have this historical background in mind when discussing the opportunities and restrictions of venture capital today.

5.3 Characteristics of Venture Capital Companies

Venture capitalists take high risks when investing in new technology and unproven businesses. They provide financial support to start-ups on the belief that the business idea is unique, the start-up has growth potential and the team or the single entrepreneur has exceptional skills. In addition, they look for industries where they can contribute with expertise, and in a later stage have a strategic influence in the firm (Guillaume, A, Groh, P.A, 2012).

Venture capital can in addition to financial support provide start-ups strategic advisory, monitor their investments and help them to recruit new employees etc. (Guillaume, A, Groh, P.A, 2012). There are many examples of successful firms that has been given venture capitalist support and advisory in their formative stages. Nearly 90% of all jobs created within software and computer industries in the U.S. comes from venture backed companies (Spinelli and Adams, s 88, 2012).

There are also situations when venture capital funding will be challenging for start-ups and where different implications of uncertainty will occur. Information gaps between the investor and the entrepreneur may occur if the two partners have different perceptions of the market. In some cases, this is because the entrepreneur is a specialist in the field and has inside information about the market dynamics. On the flipside, investors do often have more business knowledge and abilities to add value to the start-up. They are also often more concerned with quantifying the size of potential markets Information gaps between can also lead to problems, for example if the entrepreneur wants to undertake a riskier strategy than suggested or do not work as hard as the investor expects (Gompers and Lerner, 2001)

The entrepreneur and the investor are therefore mutually dependent of each other. For that reason, it is important to find supporters with the appropriate trade knowledge and with the right understanding of the entrepreneur's goals and ambitions (Guillaume, A, Groh, P.A, 2012). It is further recommended that high-tech start-ups, which usually involves higher risk, should preferably be supported by a venture capital company with competence within the same field in order to receive the highest benefits from the partnership (Guillaume, A, Groh, P.A, 2012).

5.4 Business Angels

The concept "business angel" comes originally from Broadway, where it described wealthy people who financed the production of theatre and film.

According to the European Business Angel Network- EBAN, a business angel can be defined as a private person who invests his/her own money in growth companies (Menon Business Economics, 2010) or, according to *Gompers and Lerner, 2001*, people

who are willing to take an equity risk in an early stage and in return provide capital and mentoring.

Business angels do often provide capital in exchange for equity in the company or in form of convertible debt. Convertible debt is a form of “middle way” between equity- and debt financing. Convertible debt is a loan that can transform to equity when future earnings occur. In case the future revenue never occurs, the investment will be paid back as a loan (Advani, 2006).

Menon Business Economics has decided some general criteria's for Business Angels. According to this definition, a business angel represents a more “sophisticated” form of investor, which separates them from the other groups of investors, often called FFF- (friends, fools and family).

The criteria's are:

- Having a minimum ownership of two enterprises their portfolio.
- Labour cost in the enterprises exceeds 100 000 NOK
- The investor are director in at least one of the enterprises
- Exclude enterprises where the investor also are CEO.
- At least one company in the portfolio not related to property (Menon Business Economics, 2010).

Table 3 categorizes different Investor types according to some characteristics that is almost similar to a business angel:

Table 3: Categorisation of investor types

Type	Characteristics	Type	Characteristics
Entrepreneur Angel	The most active and experienced angel	Wealth maximizing	Private individuals with several investments in new ventures
Corporate Angel	Companies (or directors) making angel-type investments	Latent	Inactive for the past three years, but having made at least one investment before that
Income seeking angel	Active individual investors, but with lower level of investments	Virgin	Not yet made an investment in an unquoted venture

Kilde: EBAN (European Business Angel Network) Toolkit

According to MENON, it is a challenge to give objective criteria's to different types of investors. The different types are in reality difficult to distinguish (Menon Business Economics, 2010).

Business angels in the USA have traditionally focused on technology intensive investments in early stages (before growth/expansion), but the table shows that the investments are spread between early-stage and growth-phase. Especially in Sweden and Denmark, where about 50% of the investments done in an early stage.

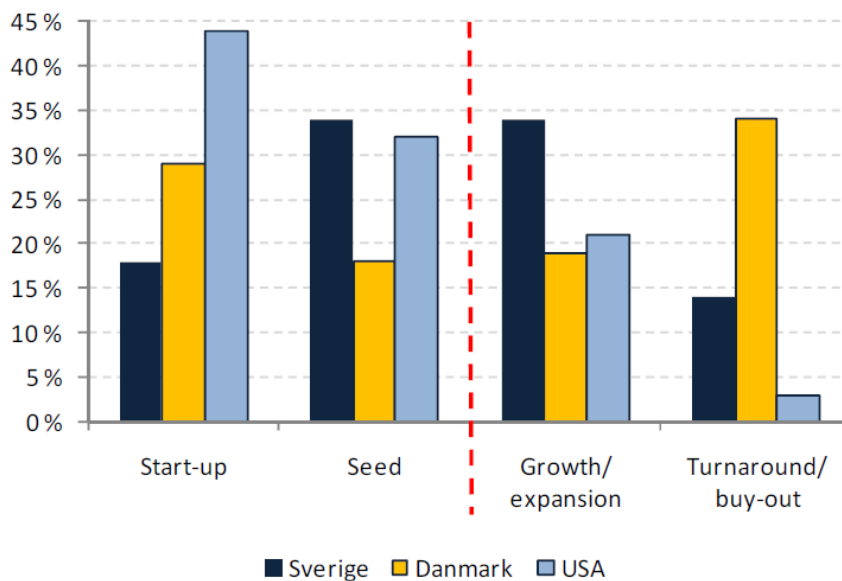


Figure 15: Distribution of Business Angel Investments in different life phases (MENON, 2010)

Figur: Distribution of Business Angel Investments in different life phases (MENON, 2010)

Business angels will probably have their most important function in early stages of growth, because of lack of other funding alternatives and risk capital.

It is important to distinguish between the “elite” of the business angels and the other. Among the defined “elite” are many serial entrepreneurs or top leaders of technology companies. The other defined group of business angels come from smaller firms with 3-15 employees. This group do most often invest in technologies they understand (Gompers and Lerner, 2001). Personal relations, interests and local belonging will also have a strong impact on their investments (Menon Business Economics, 2010).

5.5 Presentation of Informants Connected to the Investor Environment

The stakeholders representing the investor environment in this report contribute in various ways to support entrepreneurs in an early growth stage, either as facilitators or as a local investor.

Connect Vest-Norge

Connect is an international non-profit organisation and the biggest membership network for investors in Norway. Connect is present in all Norwegian counties and have altogether 17 employees. Connect works on the entrepreneurs’ premises in order to connect entrepreneurs and investors, highlighting unique start-up projects with growth potential and promoting them for potential investors with the right field knowledge. Connect are mainly focusing on start-ups in a prototype phase or in a sales phase. Connect Vest-Norge has about 60 financial supporters and membership companies in Rogaland, contributing with approximately 2000 NOK each. Most members are experienced business people, contributing voluntarily to the organisation.

If Innovation Norway suggests that a start-up needs coaching from mentors, they can provide this service from Connect. Connect will then provide entrepreneurs between 30 or 100 hours of mentorship, in form of 1-1 meetings. The mentor service in Connect help entrepreneurs improve their business strategy

Interview representative: Andreas Lien

Statoil Technology Invest

In the late 90's, Statoil made a decision to start supporting small enterprises developing oil-related technology with the purpose of making the industry more efficient. Statoil provides seed-funding to promising enterprises and support projects with unique value for improving the industry. Statoil Tehnology Invest also invest in renewables, mainly with a focus on wind, geothermal and marine biofuels. A specialist team in Statoil's New Energy group handles this function. Statoil also offer financial support to some of the start-up projects against royalty from future income. In these cases, start-ups do not need to repay the loan, but share a part of future revenues instead.

Statoil Tech Invest is reviewing 300-400 ideas every year (Paulsen, 2016)

Interview representative: Sigurd Paulsen, Investment Director

Stavanger Venture AS

Stavanger Venture AS is a private owned venture investment company, established in 2010 without a fund structure. The three owners in the company are the main providers of private equity to the company. Stavanger Venture are focusing on early stage tech companies, with a certain degree of uniqueness and disruptiveness. Many of them requires many years of research and need funding several times.

Kjell Skappel himself has a background as a regional director in Tandberg ASA, an electronic manufacturer and videoconference company established in 1988 and with headquarters in Oslo and New York and with Statoil as its biggest customer.

Interview representative: Kjell Skappel, Managing Director

Thomas Berglund - Chairman of Angel Challenge

Thomas Berglund is representative in this assignment as a Chairman of the venture Angel Challenge. He is Swedish investor and serial entrepreneur, with over 10 years' experience of investing in start-ups in Norway and has been a business angel for two years. He is the founder of Ocular, a venture consulting and Investment Company.

The competition Angel Challenge is mainly an education for investors, but at the same time work as an accelerator program for start-ups.

Eric Ålgård- Local investor in Stavanger

Overtook the family business Ålgård holdings from his father in 2014, who has traditionally been investing in car-rental and residential projects. Erik Ålgård are now focusing on running the business and look for interesting start-up projects to invest in, which also makes an impact in the society.

6. Method

6.1 The Choice of Method

This report has developed throughout a qualitative interview method. The process of interviewing stakeholders and entrepreneurs with different roles within the start-up community have contributed to an ongoing learning process. The premises for the different interviews has been set along the way.

The thesis changed after the first interview with DNB, based on the interview representatives' engagement in the start-up community. Furthermore, input from experienced entrepreneurs contributed to the changed focus. Hence, capturing a broader approach by focusing on various stakeholders within the start-up ecosystem was necessary in order to deliver a more interesting report.

This report focuses on the understanding of how the selected entrepreneurs and stakeholders interact in a start-up ecosystem. It analyses the qualitative aspects of their experiences in order to capture a holistic picture of the situation in Stavanger at the moment.

“Qualitative methods is built on theory about interpretations and human experiences and consists of a systematic collection, processing and analyse of material from a conversation, observation or tekst” (Det nasjonale forskningsetiske komité, 2010).

The focus in a qualitative research can vary from a particular behaviour to the function of a complex situation. The approach takes processes, change and social dynamics into account and put interest in the different actor's perspective, viewpoints and practices. The method highlights individual cases in the context of the theory and opens up new perspectives. Information from qualitative interviews will involve an epistemological aspect, which means that it is that information and values are linked (Vasilachis de Gialdiano, 2009).

6.2 Interview Structure

As described in Section 1.4- *“A start-up ecosystem consists of interactions between entrepreneurs and different types of support organisations; funding organizations, research organisations, service provider organizations and large corporations”*.

In order to evaluate how these organisations works and interacts in the Stavanger region, the choice of interview persons should represent each of these different groups.

The interviews are semi structured in their character, meaning that they are more flexible than a structured survey. A standardised interview schedule has been used for all the entrepreneur interviews, respectively for all the bank interviews.

Different interview schedules have been used for the different support organisations, due to their different roles and orientation.

6.3 Implementation of Method and Literature Sources

Working with this report at the co-working space Mess and Order was a conscious choice, and has been of great importance in order to receive valuable inputs from other entrepreneurs. It was further important in terms of network and suggestions about potential interview persons. Mess and Order is also a place where many seminars and events take place, and it has been valuable for the report to attend some of these.

The theoretical framework consists of a variation of sources; articles, books, reports and media articles. It was important from the beginning to prioritise the most recent reports, for example, the government’s entrepreneurial plan from 2015 and Innovation Norway report *“The Dream Lift”* from 2015. Contributions from many recent media articles have also been highly important for this report.

The highlighted topics in part 4: Analyse and results, are written with respect to the most relevant interview questions and with respect to the chosen thesis.

6.4 Quality of the Results

As described above, the results in this report reflects individual viewpoints, perspectives and statements. This means that the informants own perspectives and values are linked and goes beyond the organisations own policy. The author's subjective interpretations and the ongoing learning process have also affected the quality between the different interviews.

Choosing a qualitative approach makes it difficult to generalise this study with other contexts, for example with other countries where the policies for growth-oriented entrepreneurs are different.

All the interviews are performed with entrepreneurs operating within a central area of Stavanger. Most of these people are connected to different co-working spaces. Hence, this report do not reflect the total productivity of growth-enterprises within the Stavanger region. Moreover, 25 interviews is a relatively small sample with respect to all forms of growth-oriented entrepreneurs that exist in the whole region.

In order to refine this task within the given project period, it was not possible to focus on the development of all the co-working spaces in Stavanger, for example Innovation Dock and Creator Makerspace.

7. Analysis and Results

The following chapter presents the viewpoints from the qualitative interviews, divided into different analyse topics. The selected topics are discussed in relation to the ongoing media debate about entrepreneurship and entrepreneurial funding. The questions posed to the various organisations has been adapted to their specific situation in the start-up ecosystem. All the financial organisations and industry organisations introduced in Chapter 3-5, represents the analysis Part 1. Part 2 analyses the entrepreneurs' views, related to the companies presented in Section 2.4. In that way, the analysis part is twofold and illustrates to sides of the entrepreneurial ecosystem; from the organisations' and the entrepreneurs' point of view.

Part 1: The selected financial- and industry organisations presents their views on different topics related to supporting the start-up ecosystem in Stavanger. Some of the interview questions are more specific, and targeted towards one specific organisation. Other questions are more general and comparative between the different organisations.

The topics especially highlighted are:

1. The role of the entrepreneur
2. Banks' risk-taking
3. Supporting the start-up ecosystem
4. The entrepreneurial environment
5. Summery Part 1

In part 2: The interviewed entrepreneurs, presented in Section 2.4 will share their experiences and views about their financial challenges and relate it to how the start-up ecosystem are supporting them and other entrepreneurs in a growth phase.

The highlighted topics are:

1. Entrepreneurial challenges
2. Funding alternatives
3. Improving the start-up ecosystem
4. Summery Part 2

7.1 Part 1: The Organisations' Views

1. The role of the entrepreneur

This topic relates to Section 1.3, describing the changed role of the entrepreneur and the most important characteristics and skills that entrepreneurs should strive to achieve.

Fanebust, 2016 (DNB) describes the entrepreneurial journey as “*a leap of faith*”, meaning that you need to take a risk and sacrifice something when you decide to become an entrepreneur. Endurance and planning are the most important skills. A couple of years ago, access to information was a problem, which further hindered many people to become entrepreneurs. This situation has changed today with respect to the increased media focus and availability of different networks in the cities. He further states that one of the most important tasks for banks in a community is to go out and meet the entrepreneurs.

According to *Lien, 2016* (Connect); -Many entrepreneurs still meet closed doors. He means that the picture of entrepreneurs reflected in the media is stereotypical, and that it produces an image of “*young, dynamic people working in an exciting environment together with exciting people*”. He further agrees with *Fanebust, 2016* that many entrepreneurs need to either choose the safe career path or go all in if they believe that the idea has potential to become a growth enterprise. *Lien, 2016* (Connect) and *Handeland, 2016* (Validé) especially emphasise on the importance of building a team with both market oriented and product oriented people. In most cases, founders know the product too well and market knowledge is often the weak tie (Lien, 2016)(Connect). Connecting with a partner in an early stage is a success factor, as well as building and using the network. *Paulsen, 2016* (Statoil Tech Invest) states that entrepreneurs need to reach out as early as possible to the specified market, identify customers and users and find out what they are willing and able to pay for the product. Statoil Tech Invest is reviewing 300-400 ideas every year and prioritize projects with the most convincing value propositions and a robust business model. These two things are the most attractive aspects according to Paulsen, 2016

According to *Espeland, 2016* (Innovation Norway). It is important for entrepreneurs in the beginning to think smart about different expenses, such as financing office rent and other equipment. One of the biggest mistakes entrepreneurs do is to organise themselves such as they were an established firm and taking on unnecessary costs (for example buying a company car). The other thing is that many entrepreneurs work too much with a product when, in some cases a customer should have bought it in an earlier stage. All the interview persons agrees upon the importance of connecting with a partner in an early stage. *Espeland, 2016* (Innovation Norway) agrees that this is one of the most important tasks for support organisations. *Talgø, 2016 (Skape)*, sees a conflict between the product-oriented entrepreneur and market-oriented. Many people who asks for advice from Skape are afraid that other people should steal their ideas. Even though, a market oriented mind-set is more important today, some ideas requires a higher degree of protection.

Some start-ups will struggle more than other to find customers and partners. For example, delivering services to a big company requires other strategies than developing products for the consumer market. According to Professor Jan Frick, University of Stavanger, the difference between these two types of entrepreneurs are in reality noticeable (Frick, 2016). The first of the two types, who deliver a service to a big company, do often find customers and income quicker, and with a positive cash flow, they have a better security towards banks and other investors. The second type is often going through a more difficult process, where prototyping activities often requires a lot of effort and money. The amount of funding often depends on how successful the prototype is and if the prototype is adapted to commercial use (Frick, 2016).

2. Banks' risk-taking

The ambition with the bank-interviews was not to come to a conclusion about which is the most entrepreneurial-friendly bank. The main purpose was to get a better overall understanding of banks behaviour and the obstacles preventing banks from taking more entrepreneurial risk. All the interviewed banks have some claims in common when it comes to take risk in start-up projects. All of them emphasize on the repayment ability and that they primarily fund entrepreneurial projects with a positive turnover.

It is only DNB that has allocated a special loan to entrepreneurs up to 500 000, without a strict need of having a positive turnover, but requires a personal security.

Fanebust, 2016 (DNB). It is required to have a personal guarantee in mortgage, guarantee the loan by a third party and being able to document the debt guarantee in other ways. All banks concludes that entrepreneurs need to have a certain degree of personal guarantee and that they need to have a strong motivation for the idea.

Johannesen, 2016(SR-bank) and *Suvatne, 2016* (Nordea) emphasises particular a positive turnover, solidity, private equity and leadership. *Ånestad, 2016* (Sandnes sparebank) points out, *“As a local savings bank, we emphasise to have a local impact when considering cases for funding”*. In that sense, they consider every case for itself, depending on the person behind the idea and the idea potential. It generally requires about 20% private equity as a guarantee for the loan but if there is a project with social impact and growth potential, there may be some exceptions (*Ånestad, 2016*).

3. Supporting the start-up ecosystem

As explained in Section 3.3, DNB supports several co-working spaces in Stavanger East. When DNB decided to support more than one co-working space, the ambition was co-existence between the different communities instead of competition. DNB’s mission is to act as a forward lending bank and continuously search for solutions that simplifies the work for entrepreneurs (*Ohm Heskja, 2016*) (DNB).

SR-Bank has their primary focus to improve their early stage Founder’s house in addition to sponsoring the organisation Youth entrepreneurship. *“Before establishing the Founder’s House, we had a conversation with different stakeholders, for example Validé and Innovation Norway about the positioning of the new initiative”* (*Johannssen, 2016*) (SR-bank). *Johannessen, 2016* further explains that the project’s long-term strategy is to provide support to start-ups in the idea stage and, hopefully win some successful customers back to the bank (*Johannessen, 2016*) (SR-bank). (see Figure 17).

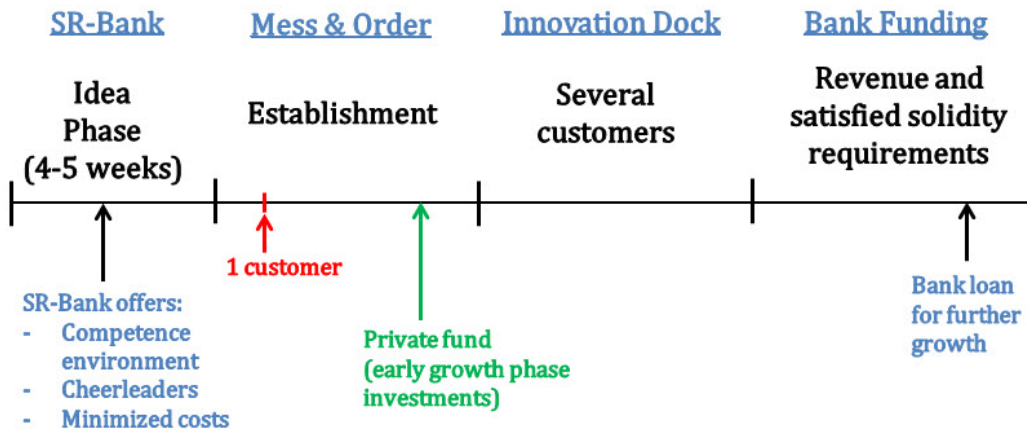


Figure 16: SR-Bank's idea for entrepreneurial development in Stavanger start-up ecosystem

Furthermore, during the interview, *Johannessen, 2016* (SR-bank) expressed the idea of establishing a private fund with the aim of supporting entrepreneurs in the most critical stage. The idea is related to Figure 17 and 18. The point is that, if SR-Bank creates a fund and invests in other local funds, the early-stage risk will be shared between many investors.

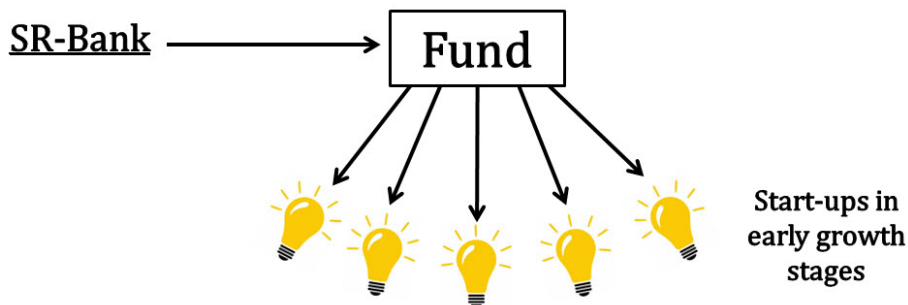


Figure 17: SR-bank's idea of establishing a new Venture Fund

Innovation Norway contributes to the start-up ecosystem mostly with funding and involvement. The ambition is to be an active discussion partner in the start-up communities, as well as in the whole region. *The entrepreneurial life is not for everyone, but Innvotion Norway's aims to give many entrepreneurs an opportunity to try*". This motto is one of our most important ambitions in our strategy change and the reason for the high increase in establishment grants in 2015. *"We asked about 100 entrepreneurs in 2014 how Innovation Norway could change as an organisation"*. The aim with the change is to of be more extrovert, receive constant feedback from customers/clients (mostly

entrepreneurs) and continuously be updated on what the region needs (Espeland, 2016)(Innovation Norway).

The incubator Validé, as well as Innovation Norway work for an increased interest in entrepreneurship in the whole region and for a culture-shift when it comes to invest in start-ups. As an incubator, Validé has a more focused role to follow a selected group of start-ups through different development stages and constantly look for opportunities to invest in early stages. *“We search mostly for new ideas within the research-based areas: tech, health- and welfare, energy, food and culture. We consider 350-400 ideas every year and invests in about 25 of them”* (Handeland, 2016)(Validé). Furthermore, Validé strives for a regular replacement of all the companies in the portfolio. It is important to have capacity to take in new promising companies in the portfolio when they appear. Validé usually invests in companies that has spent most of their research funding and has developed a prototype. Validé search especially for teams who manage to be both tech-oriented and customer-oriented (Handeland, 2016)(Validé).

The figure below illustrates how Validé invests in promising start-ups before they fall into the valley of death, and supports them with financing and expertise until they show a positive growth-trend and before they have a positive turnover.

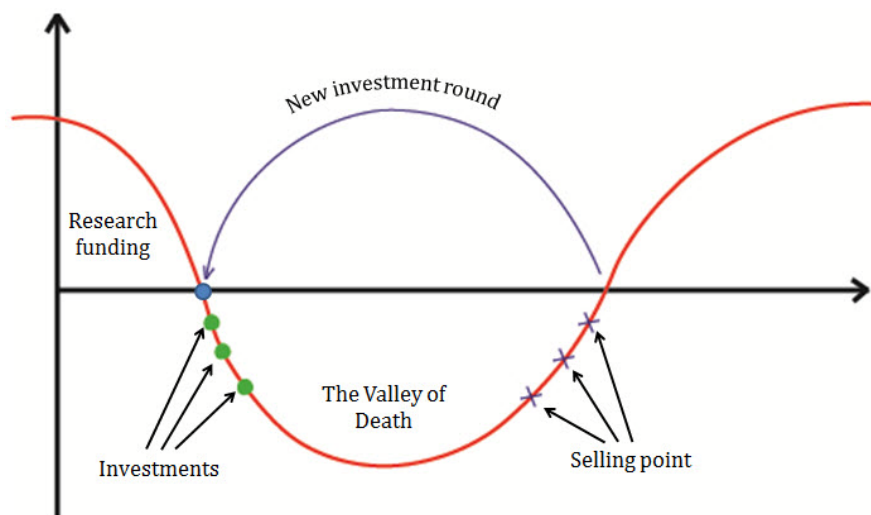


Figure 18: Replacement of funded start-ups in the portfolio

The CEO of Startup Lab, Kjetil Holmefjord states that the most important aspect for a co-working space or an incubator is to attract experienced people as supporters. Most of StartupLab's supporters are former IT-founders. The most important focus at StartupLab is to organize the community such as entrepreneurs can work time-efficient (Holmefjord, 2016).

4. The entrepreneurial environment

The start-up environment in Norway has been going through a dramatic development the last years. The increased media focus is one main reason and Innovation Norway's strategy-change did the preparations for building a stronger entrepreneurial culture (Berglund, 2016) (Angel Challenge). Information about the establishment process are much more available today compared to a couple of years ago (Talgø, 2016) (Skape).

Haug, 2016 (Greater Stavanger), points out that intrapreneurship¹³ has been dominating in Stavanger until the downturn started in the oil and gas sector. *"The most successful of them has been super-specialists within specific areas and have not necessarily obtained higher education"*. These entrepreneurs' have improved existing technology, and has been backed up by an innovation department. Some of them have decided to create a spin-off business out of the innovation. Most of these people have survived by themselves without external financing. Moreover, Haug, 2016 (Greater Stavanger) says that it will be more important for Stavanger in the future to have *"two thoughts at the same time"*; mobilising innovation in existing industries at the same time as supporting start-ups. Minge, 2016 (Stavanger Chamber of Commerce) states: *"The region has lacked a purposeful plan for entrepreneurial performance. It has been too much focus on the major drivers"*.

Vesterdal, 2016 (Kolent) highlights that the application-processes to Innovation Norway can be complicated for many entrepreneurs. Structurizing all the funding schemes listed on the portal Altinn.no, would improve the orientation of funding resources significantly. It is further important to provide founders a good overview of the most important financial arrangement, divided into more relevant categories than Altinn has.

¹³ An intrapreneur is a person within a large corporation who takes direct responsibility for turning an idea into a profitable innovation (The American Heritage dictionary, 2016)

Also banks and the municipality should make more information available that can be relevant for founders in various stages.

Moreover, all the informants agree that the private investor environment is a challenge in Stavanger. It is both a challenge to encourage local investors to invest in start-ups and it is a challenge to attract international investors. Oslo has more benefits when it comes to create a vibrant entrepreneurial environment, with respect to the amount of inhabitants and the amount of research institutions, which give power to attract intelligent people and international investors (Berglund, 2016) (Angel Challenge).

Berglund, 2016 (angel Challenge) describes the readjustment process in Stavanger as “It is difficult to turn a huge tanker”, meaning that the economic capacity in Stavanger has been so much focused on the oil-and gas industry, and a culture for investing in start-ups outside this area has not existed. It is necessary for Stavanger to find out where the competence can be used in other areas (Berglund, 2016). He also compares with Sweden and the U.S., as two countries with more established entrepreneurial traditions. Sweden has a more established culture of building international companies and another tradition of industrialisation than Norway. The U.S. has been best in the world when it comes to scaling businesses and has another tradition when it comes to take technological risk and invest in growth. American investors invest \$ 5 million when Norwegian investors invest 5 mill NOK (Berglund, 2016) (Angel Challenge).

Haug, 2016 (Greater Stavanger) also highlights the challenges with scaling.

“The fact that many promising innovations in Norway are sold to foreign investors too early are a disadvantage for Norway in order to maintain successful companies in the country”(Haug, 2016)

5. Summary part 1

- All interviewed banks prioritize economic safety when considering loan-funding to start-ups, and relate their averse perception to risk to the changed safety requirements-, regulations in the financial sector.

- SR-bank and Sandnes Sparebank sees their entrepreneurial initiative more as corporate social responsibility and emphasize more on having a local impact when funding start-up projects. Sandnes Sparebank are the most forward-lending bank when it comes to provide loan to local projects in Sandnes. They are, on the other hand, risk averse towards projects that involves technological risk.
- DNB are the most active bank supporting the start-up ecosystem in Stavanger. This with respect of being visible and actively involved in different start-up events. DNB approaches different groups within the start-up ecosystem and has a strong focus to build a stronger entrepreneurial culture in Stavanger.
- All representatives are positive to the development of the entrepreneurial community in Stavanger the last years. The biggest challenges for companies in a early growth-stage are scaling and attract outside investors
- Most representatives agreed that implementing tax-incentives for investing in start-ups would be favourable in order to motivate more investors

7.2 Part 2: Analysis of the Entrepreneur Interviews

Entrepreneurial challenges

VISCO experiences a situation where the selling process is fragmented and where they need to approach different customers. *“Reaching out with a new idea in the market requires that you have the drive to sell the solution to an end customer”*. In our case, it is a challenge that the users of the service and the buying customers do not communicate enough. VISCO are working with larger oil companies, such as Statoil and Shell. Working with these companies involves many decision makers. A platform where the different customer groups can communicate about the solution and possible investments would make the process easier (Stray, 2016).

Berge, 2016, would say that the process of develop the best functional and visible prototype; adapted to commercial use is the biggest challenge when operating in an industry with very high safety requirements.

Ali, 2016 and Fassotte, 2016 mean that the biggest challenge in the entrepreneurial process is to find the most competent people to the team and establish important network resources, as well as availability of capital sources in the growth phase. Moreover, *Fassotte, 2016* states that the most challenging of being an entrepreneur within digital media in Stavanger is to find skilled cooperation partners and build a strong network. *Ali, 2016* mean that entrepreneurs need to be open-minded, constantly take risks and be prepared to search for a new ecosystem where the right network and competence exists.

The most challenging aspects as an entrepreneur according to *Sæbbø, 2016, Jesman Sunde, 2016* and *Groven, 2016* is having control over cash-flows and liquidity. It is difficult to prepare for the growth phase and hire people too early is especially a risk for liquidity problems. *Groven, 2016* especially emphasise on the importance to survive on limited resources in a growth phase.

Another challenge according to *Sæbbø, 2016* is the feeling of being short of staff, when you at the same time know the magnitude of what needs to be done to reach your goal. It can sometimes be demanding working with key-partners that agree to partly self-finance. One example is when Windmaster Technologies cooperated with a company delivering electronic components. In the first place, the partner accepted 50% payment before the project was developed, with expectance to be a supplier for the product. When the execution required more time, they started to put pressure on the company, but then the partner resources were allocated to better-paid projects.

According to *Kjeldsen, 2016*, delivering a service to established customers is mostly positive, but it can also be challenging because a big company have a stronger influence of the direction the company takes.

Funding alternatives

Most of the interviewed entrepreneurs who has received establishment's grants from Innovation Norway sees a positive development in how Innovation Norway has changed their strategy. All the interviewed entrepreneurs have adopted a market-oriented mind-

set and do not think that application process for establishment grants are too demanding. According to Stray, 2016 *“Writing applications is a helpful way of structuring the work and a good exercise before approaching investors”* (Stray, 2016).

On the other hand, most of the interviewed entrepreneurs think that their focus on funding and financial activities are too time consuming.

The perception towards venture capital investments varied between the informants. The sceptical informants stated that venture capital often has a negative impact on small businesses, arguing that most venture capitalists aspire to control the business, be impatient on the goal and want to change the firm’s original characteristics.

Ali, 2016 states, *“It is important to be wary of the intentions to Venture Capitalists”*, meaning that they operate with a short perspective and expect a high return. This will often lead to conflicting interests and lead to losses for the entrepreneur in the end. *Groven, 2016* says that many founders make the mistake of giving away equity too early. *“It destroys the ownership structure in different ways. In many cases, there is only 10% equity left to the founders in the end”*. Groven should not recommend other founders to accept Venture Capital involvement in a too early stage.

The positive informants stated that; venture capital can be positive if it provides more funding alternatives, strengthens the network and are helpful in order to communicate clearer with your customers.

Most informant were more positive to business angels than venture capitalists, have different perceptions to risk compared to Venture Capitalists. *“Business anges are usually more laid-back and invest in ideas they believe will make an impact”* states *Ali, 2016*

A couple of informants stated that the investor environment in Stavanger is the biggest challenge for the start-up ecosystem, mostly because investors in Stavanger have a local mentality. All entrepreneurs’ generally agreed with the organisations’ views in Part 1.

Improving the start-up ecosystem

Berge, 2016 is very positive to the development of the start-up ecosystem the last years.

Many partners are actively involved and the willingness to help the entrepreneurs is good among the partners. This behaviour is rooted in the Stavanger-culture.

In order to improve, he thinks that established businesses should set a good example and be more open to develop more services together with entrepreneurs.

Stray, 2016 emphasise on a more “collective creativity” approach encouraging entrepreneurs and established companies to go together when developing new solutions. This is also advantageous for the region in order to be able to innovate around existing industries and connect a new idea to existing businesses having an established market.

5. Summary Part 2

Table 4: Summary of Entrepreneur Interviews

Overview of the selected entrepreneurs	Øystein Stray-VISCO	Petter Berge-Reemsys	Jone Sæbbø-Windmaster technologies	Morten Kjeldsen-Flow design burau	Teit W Knutsen-Fuuzo	Henrik Jesman Sunde - Zoaring	Alain Fassotte-Dappd	Murshid M. Ali Huddlestock	Sigbjørn Groven, Future Home
Biggest challenge as an entrepreneur in Stavanger	Fragmented selling process	The commercialisation process	Liquidity+ Being short of staff	Remain a strong business identity	Building a strong network in Stavanger	Liquidity	Finding the right team-members and investors	Find the right team-members and investors	Growth-funding
Customers	Mostly oil-companies	Ferries and cruiseships	Wind-power companies	Larger power companies: Statkraft, Troms kraft	Not very specified	A broad variation, for ex: DNB, Altinn,	Media companies, advertisers	Investors	House-owners
Office-space	Own office	Mess& Order	Validé	Validé	Mess&Order	Own office+ Mess & Order	Startup Lab - Oslo	Mess & Order + Level39 in London	Own office
Governmental financial support	, IN: phase 1 and 2 +IFU	IN: Phase 1, 2* and Vri-funding*	IN: phase 1 and 2, Renergi-funding* EU funding H2020	No , only sponsoring from their customers	IN: Phase 1 and 2*	IN: phase 1 and 2	IN: phase 1 and 2	Declined application to Innovation Norway	IN: phase 1 and 2 + IFU
Venture Capital Financing	Sceptical	Neutral	Positive	Positive	Positive	Neutral	Positive	Sceptical	Sceptical

*Innovation Norway- Establishment grants phase 1- market clearance, phase 2 – commercialisation

*VRI – “Innovation through collaboration” funding from The Research Council

*Reenergi- The Research Councils program for renewable energy

8. Discussion

Based on the research and the output from the interview process, the discussion part will reflect my own thoughts about the different themes affecting growth-oriented entrepreneurship and the start-up ecosystem in Stavanger. Furthermore, it will discuss how the public support system has a strong impact on both entrepreneurs and investors in Norway.

8.1 Entrepreneurial Success Criteria

The traditional picture of the entrepreneur has changed during the last years in Norway, mainly due to increased availability of information. Despite that change, it is still “*a leap of faith*” to choose the entrepreneurial pathway compared to safer career options. It is especially a challenge for many entrepreneurs to have an overview over external financial resources available from the public support system and from the community. The entrepreneur’s own private capital will be a crucial success factor in the establishment phase, regardless of what kind of external financing the entrepreneur is looking for, like governmental grants, loans or equity financing. An entrepreneur will always be in a safer situation with more private capital, combined with expertise and an established reputation. Depending on the amount of private equity, the chances to succeed increases if a start-up manage to find an investor in an early stage or a strategic partner who can contribute with connections to an appropriate investor.

An increased focus on speed, especially for tech-entrepreneurs, in order to be an early adapter in a competitive market, is another reason that it is more difficult to succeed as a part-time entrepreneur today. Furthermore, a goal-oriented mentality, combined with the right expertise around the invention is crucial aspects if a start-up manage to survive the growth process. Growth funding will only generate increased value to the society if the start-up team are productive, progressive and skilled to survive the growth process.

8.2 Stavanger Start-up Ecosystem

It is important for growth-oriented entrepreneurs to search for a start-up community that possesses the right competence to develop the start-up further, but it is also important that the start-up environment is responsive and search for specialisations according to the entrepreneur's interests. Now, when Stavanger East has gained the reputation of a vibrant and creative area with four different start-up communities, it is the right time to change the focus towards more qualitative aspects of growth-entrepreneurship in this area.

Today, the incubator Validé has a stronger capacity to develop growth-enterprises than the other co-working spaces in Stavanger East. Validé can provide entrepreneurs early-stage financing through their own investment fund, as well as providing connections to investor partners. Experienced business developers support the start-ups working in an incubator with how to find a logical order of activities and to choose financial strategies.

Even though, successful tech start-ups have proven to be the most important for job creation, it is important to support a variation of entrepreneurs. Adopting a broad approach is the strength of the co-working space Mess and Order, as an important networking arena for established businesses, organisations and entrepreneurs.

SR-bank have not been so much involved in Stavanger East as DNB. They have chosen to focus on their own initiative -The Founder's house. The most positive aspect with the Founder's house is the weekly feedback meetings with a facilitator. If facilitators were available at the other co-working spaces, it would probably have increased the motivation and ambitions to more entrepreneurs. Moreover, if the model to Startup Lab in Oslo can inspire the co-working spaces in Stavanger East, it would probably increase the focus on growth. The start-ups within StartupLab have access to an internal fund, managed by former IT-founders and business professionals. Establishing a similar fund in Stavanger, would have increased the opportunities of accelerating growth.

Many stakeholders in the start-up ecosystem want to make a positive change, which is positive for the start-up community and creates an increased interest for entrepreneurship in the region. The negative side of it may be that many stakeholders are focusing too broad and facilitates the same kind of seminars and communities, focusing on the establishment phase and not enough on the growth phase.

Another issue is that most industry organisations do not have awareness of the challenges in the investor-community. Cooperation between different stakeholders and co-working spaces will be especially important in order to highlight entrepreneurs with the most growth-potential and connect them with the right partners. Pay-it-forward culture will be important in a relatively small community as Stavanger, meaning that people with more experience helps entrepreneurs with less experience and in the most favourable cases, that experienced entrepreneurs choose to invest in early stage start-ups and contribute as board members.

8.3 Innovation Norway

The majority of entrepreneurs in Norway think that grants from Innovation Norway are the best funding alternative in the establishment stage. The organisation has an important task to carry early stage risk for many start-ups. With respect to answers from the entrepreneur interviews, Innovation Norway has succeeded so far with their strategy change and operates now closer to entrepreneurs' reality compared to a couple of years ago. They are now more market-oriented and direct in their communication with entrepreneurs. The change was a prerequisite in order to transform Norway to a more entrepreneurial-friendly country.

Most of the interviewed organisations and entrepreneurs mean that Innovation Norway should continue to take early stage risk for a broad group of start-up projects, even though the statistics are saying that almost 30% of all established businesses in Norway fails within five years. In order to improve further, Innovation Norway should build stronger relationships with the most successful entrepreneurs who have received establishment grants in order to accelerate their growth process. In order to do that, they should cooperate with local investors and inform them about potential start-ups, and to a higher extent, motivate established companies in the region to invest in start-ups.

8.4 The Government's Role

One of the government's important tasks is to set the overall financial premises in order to develop new industries. The increased amount of funding allocated to innovation in the recent state budget is important with respect to the ongoing readjustment focus in Norway. It further requires that the representatives for the government, Innovation Norway and Incubators supporting the start-up ecosystem are professional and allocate financial support to the most promising businesses and most important development purposes.

Entrepreneurs in Norway have the privilege to have robust public support system taking early stage risk and provides a wide range of financial services to entrepreneurs. Norway has the capacity to encourage everyone to try the entrepreneurial pathway. In addition, Norway has a much more secure social system compared to many other countries, in case the start-up fails.

Entrepreneurs in Norway are strongly influenced by the public support system. Some entrepreneurs and politicians argue that too much support arrangements from the government can be contra-productive and that it is more preferable to give tax-incentives to private companies or private funds instead of putting more money into the public support system in order to accelerate growth in a start-up ecosystem.

8.5 The Investor Environment in Stavanger

Understanding the funding framework for investors are important in order to find a way to improve it. Both the investment culture, the tax system and the established funding framework are factors affecting the investor environment in Norway.

Therefore, it will be important to simplify the terms for investors, in form of tax-incentives. This will be the clue in order to create a noticeable change in the start-up community. Private angel investors with a strong interest in the start-up community represents one of the most valuable capital sources in the growth-phase for many entrepreneurs. The earlier in the process, the more important it will be to find an investor with the same ambitions in an early stage. Angel investors have reputation to maintain stronger relationship with start-ups than venture capital firms, and are more recommended as a partner in an early stage.

Founders will have different perceptions towards the degree of investor involvement in their business; some will mean that competence is more important than the investor's mind-set and others will mean the opposite. The impression from the interviews shows that mind-set combined with understanding in the actual field is necessary for a successful relationship with investor and founder.

A general challenge in Stavanger is that the majority of private investors have a narrow specialization and competence within areas connected to the oil-and gas industry. Many entrepreneurs within other areas struggle to match with investors who have the right competence and abilities to strengthen the entrepreneur's network. Creating new meeting places where investors with more experience can communicate with newer investors can possibly contribute to change the situation.

The historical background of Venture Capital funding from the U.S. tells that it is possible to build a stronger investment culture from the willingness of a group of business leaders with ambitions to change the society. This may also be an inspiration for the investor community in Stavanger.

9. Concluding Remarks

This report focuses on entrepreneurial financing in Norway, including the most important financial channels – the public support system, banks and private investments. All these channels are essential for founders to be aware of in order to know what type of financing that are appropriate in different stages of growth.

Furthermore, this report emphasises on how the availability of funding and expertise influence the entrepreneurial culture and performance in different ways. For example, how the governments' superior policies for supporting innovation has an impact on the availability of financial support within regional start-up ecosystems. Moreover, the availability of private and public funding connected to a co-working space or an incubator reflects the level of expertise, attractiveness, value creation and orientation of a start-up ecosystem.

Based on the total research process and input from all the performed interviews, the following concluding remarks are made on how the start-up ecosystem in Stavanger be can improve:

- In order to sustain as a competitive knowledge-society, Stavanger should especially focus on supporting growth-enterprises and build strong expert-communities around them. The capacity to create new growth enterprises would increase if the co-working spaces in Stavanger East had access to an internal investment fund, managed by former successful entrepreneurs and professional business people, who then could contribute with strategic advisory and network-resources.
- The Government`s entrepreneurial plan shows that the present government has put forward proposals with the objective to increase the involvement of private investors in early growth stages through: 1. An increase in the pre-seed funding scheme and 2. Providing an increased amount of capital to those entrepreneurs who manage to match the establishment grants with private investments. These type of co-financing initiatives have proven to be effective in order to motivate more investors. The government should further consider implementing tax-incentives for

investing in early stage start-ups, as well as removing the wealth tax on working capital and lower the corporate tax to 22%, as proposed in the revised state budget. These suggestions could contribute to change the existing investment culture in Norway, motivate more people to invest in start-ups instead of property, and compensate for the high level of technological risk.

- Innovation Norway should continue to support a broad group of entrepreneurs in the establishment phase with focus on start-ups that aims to build a sustainable growth enterprise. They should further increase their focus on the most promising start-ups after they have received establishment grants to avoid that promising ideas with strong teams end up in “the valley of death”. They should primarily do so by connecting start-ups with expertise and through an increased amount of pre-seed investments. Innovation Norway should therefore encourage private investors and established innovative businesses in the region to co-finance in this critical stage.
- In order for Stavanger to improve as a start-up ecosystem, it is necessary to increase the attractiveness to higher education. The level of higher education and availability of expertise are crucial for the development of high-tech start-ups. An improved education quality and more educated people within important “future areas” will increase the capacity of the research environments and thereby, create more innovative knowledge-based start-ups, which in turn will attract attention from experienced investors.
- Banks should preferably be more involved in the process of creating meeting places for selected groups of entrepreneurs and investors, as well as having an assertive attitude when contributing to the start-up community, in terms of sponsoring seminars, events and workshops with relevant and educating content. Moreover, banks should be visible in the start-up community. Banks should not take more entrepreneurial risk in form of loans in early stages, but take the position as problem-solvers and provide financial advice to a broad group of entrepreneurs.

10. Suggestions for Further Research

For further research, this report recommends looking in to the following questions:

1. How the implementation of tax-incentives for start-up investors combined with increased pre-seed investments can contribute to a more progressive investment culture in Norway?
2. What other forms of financing have potential to influence the entrepreneurial culture in Norway? For example, the potential of crowdfunding platforms or crowdlending.
3. How an increased amount of pre-seed investments, combined with mentor programmes between experienced angel investors and less experienced entrepreneurs can contribute to more growth enterprises?
4. How a simplification of the municipality's procurement processes can be favourable for many start-up companies in their scaling process?
5. Can a digital platform be effective for the interaction between entrepreneurs and investors, or in order to create a better overview of different public support schemes?

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Attachment

Compilation of Interviews

Compilation of interviews

Interview schedule Banks:

- Bankend innstilling til innovasjon? Hvor viktig er det å profilere seg som en innovasjonsbank?
- Har den nåværende regjeringen bidratt til å forenkle mulighetene for etablering og utvikling av nye selskap?
- Hvordan vurderes investeringsrisiko for entreprenørskaps-prosjekt?.
- Hvilke krav stilles til gründere som søker om lån?
- Har disse lånekrav blitt endret med tanke på nedgangstider?
- Instilling til private investor-nettverk?
Kan private-investor nettverk bli en fremtidig utfordring for bankvirksomheter, og ev. en bedre løsning for gründere enn å øke bankers muligheter for å støtte gründere?
- Hva ser dere for ulike løsninger for å kunne forenkle mulighetene for gründere i en tidlig oppstartsfasen?
- Hvordan skal Stavanger start-up økosystem kunne utvikles?

1. Karen Elisabeth Ohm Heskja, Relations manager, startups and growth companies, DNB 15/2.

Instilling til å støtte gründere er veldig forskjellig fra bank til bank. DNB, og andre storbanker (danske bank, Nordea) har andre krav enn sparebanker (savings bank).

DNB have more international investors than savings banks.

According to market changes. The formal risk-profiles haven't changed... DNB was the first bank in Norway to take a supportive position for start-ups.

Earlier, banks didn't see start-ups as a prioritized group of customers. Requires a lot of time and patients.

DNB has a tradition to focus on young people and it was the inspiration to start supporting the early-stage firms.

DNB has a holistic perspective on creating an eco-system of start-up activities in the Stavanger area. Has been involved in Mess&Order since the start and is also involved in Innovation Dock and Erdsfjordgaten, Valide, Creator (Forus) (cooperation contracts)

In order to receive debt-funding a start-up need to have:

- Positive turnover
- Good planning
- Relevant network
- Financing

Also focusing on the idea potential

It is not the banks job to have suggestions about the business model.
DNB contributes with more superior assistance and guidance, sponsoring activities (start-up weekend).

Ohm Haskja describes:

It is a difference between how DNB works with innovation and how they support entrepreneurs. Having a profile as an innovation bank is about the way of managing the whole bank. Customer orientation is very important. Focus on digital surfaces. They want to be recognized more as an IT-organisation. This profile is an advantage for most of the entrepreneurs.

DNB search actively for feedback about how they can develop and be a more innovative bank. Organizing workshop for concept development.

The last years...The financial Supervisory Authority of Norway has more stringent claims when it comes to equity capital.
These claims has not have an impact on our efforts towards entrepreneurs.

DNB is very positive to support alternatives to bank financing and we coach entrepreneurs how to fins different alternatives.
In 2015, Crowdfunding passed VC in Europe. (Nordic crowdfunding alliance)

Its also very important that the government supports.
(23% of all applications from IN came from the Stavanger region)

How to stimulate the investment culture?
One idea is to give tax inentives for investing in start-ups in an early phase.
That exists already in United Kingdom and Sweden.

For DNB it is important to create more meeting places for investors. They already cooperate with Validé.
Difference with angel investors and VC:s. Angel Investors invest in earlier stage (about 100000) VC:s invests later and are more focused on High-tech.
It is important to have a perspective of how long time it takes for developing different ideas. Feks a oil-related idea 3-5 years compared to a tech-app 6 month-1 year.

The faster entrepreneurs can find capital the faster they will become good customers in the bank. Heskja Ohm, doesn't see a point in competing with the entrepreneurs.

The co-working spaces need to specify their different profiles.

What DNB are categorising investment risks, they are looking for:
Market risks, risks connected to the idea, personal risk."

Relevant network, relevant info about funding.
Guidance about funding ü

2. Terje Fanebust, Bank Manager SME-market, DNB 16/2

Establish a start-up is often a lonely travel “a leap of faith”

Access to information was demanding before.

One of the most important tasks for the bank is to be out and meet the entrepreneurs.

Endurance is one of the most important skills for entrepreneurs.

Norway is currently in a new situation...

Before, it was mostly people with a stable income and economic safety.

People combining work with working with their side project until the right time comes.

Especially the news saw the interest from young people to read about entrepreneurship.
“entrepreneurial wave”

The change has been happening fast. Started 2 years ago in Stavanger.

8 houses in Oslo within 1 year

For DNB, customer orientation is very important and to have a “mutual innovation process”

For example that DNB creates a “minimum variable product” and after that, release it in the market and get feedback from customers.

The Minister of Industry recently presented new info about the access to capital..more difficult now.

Interest rates are going down. Opportunity or risk for the overall economy?

DNB need to focus on profitability, risk-spreading. A certain percent in abroad and in Norway.

Debt services (gjeldsbetjeningsevnen) is important for DNB.

The foundation to a bank is to control peoples savings

The bank needs to be trustworthy...

New claims on bank (IRB-godkjenning)

It is important to highlight other financial alternatives and meeting places.

Many organisations today sees the problem of not developing but choose to stay where they are.

A changed situation:

10 years ago, abundance (overflod) av ideer.

Today, it is a lack of ideas.

The probability to be market leading is much lower today compared to 10 years ago.

Ex kodak

Norway havnt got any international unicorn yet.

Claims to receive an entrepreneurial loan from DNB:
Ex 500 000 with mortgage guarantee or that the loan are guaranteed by a third party.
The borrower need to document their debt capacity.

3. Arild Langberg Johannesssen, Senior Vice President SME SR-bank 22/2

Position: Leader of sme-market, call senter, strategy and entrepreneurship

SR-bank has been involved in the Stavanger region for 175 years and has been working alongside the economic development.

Area of interest is Agder, Rogaland and Hordaland.

Contribute to growth and take risks within other areas than oil and gas

When SR-bank was converted to a commercial bank (ASA), SR-bank and need to abide by other requirements according to capital regulations from Bank of Norway and The Financial Supervisory Authority of Norway, affecting f exs turnover, solidity equity and leadership

Perception to innovation:

Want to "be where it happens" /following the trends

Participate to growth in the whole region

Invest in projects where they see high potential

Tooke their entrepreneurial initiative in 2015.

SR-bank Founder`s house was developed through a conversation with important stakeholders, such as Validé and Innovation Norway.

The aim is to create a learning platform for the first 4-5 months for early stage start-ups.

Selected start-ups receive a working desk, availability of meeting room, offering a facilitator who challenge the team 1:1. The team need to give weekly updates to the facilitator of how they can improve, what they need and pitch training.

Target groups are for example food and health, IKT, renewable energy.

(in line with the prioritisations to Validé and Innovation Norway)

How the bank better can facilitate the start-up ecosystem?

(One proposal is to create a fund that invests in other funds..)

Meeting places, competence, learning, capital to different forums for entrepreneurs, and facilitate for new opportunities for investor-forum

4. Håvard Ånestad Sandnes Sparebank- Bank Manager- business banking:

Sammenstilling av intervju 4/3-2016

Se Sandnes Sparebank.no IR presentasjoner

Begynte i bank, tidligere jobber 12-13 år i SR bank og tidligere SG finans.

Siden 2001 i Sandnes Sparebank

Ønsker total kunder

Har vært ut gjennom en nedbemanning på 42 personer senest året og er nå 120 mann

Risk taking: Values the potential of the idea and the person behind the idea. Considering each case for itself. Generally 20% private equity, but some exceptions if the project are highly profitable or has an important social impact.

Are aware of that some industries requires more risk-taking, f eks oil-technology aquaculture and seafaring.

Calculated risk is for Sandnes Sparebank to have a strong belief that the project will succeed.

They have recently reduced their lending portfolio. This is affecting the real estate industry more.

5. Intervju Tor Erik Suvatne Nordea 6/5

Telephone interview: Tor Eric Suvatne, Bank Manager- business banking (SME), 6/5

(Same questions as DNB ans SR-Bank)

Business banking, supporting companies with a turnover between 15 million to 140 million

Have also a couple of property companies as customers

Perception to innovation: Ambition to be visible (on many surfaces) Development of a Nordic app-system. Important to be visible on many surfaces.

Mapping out where the customers are and if the development cost are worth it related to the customers

Contributing mostly to the start-up community in Agder county. Are a member of Connect-South, contributes with a couple of mentors for entrepreneurs

Nordea also contributes to the established pre-incubator in Kristiansand, owned by Skeie group.

They do not focus so much on the start-up environment in Stavanger yet.

All project need to have a stable cash flow and, positive turnover and customer (total ability to repay)

Known business areas are easier to put a value on and understand the risk picture

Reasonable assurance for a young person: About 300 000 in savings and parents taking the bail

Have ambitions to be more involved in the start-up community in Stavanger in a long-term perspective, and develop the same type of cooperation as in Kristiansand

Suvatne, 2016 thinks that in many cases it is better to give away 20-30% of a company if the growth potential are big.

Continue to increase the interest for the entrepreneurial communities, meeting places etc..

6. Intervjuspørsmål Innovasjon Norge, Ragnhild Kristin Espeland 26/2:

About your position in Innovation Norway?

How Innovation Norway works for regional development i Rogaland?

What is the objective with the initiative?

Cooperating with banks and other private investor network?

Hva ligger til grunn for denne satsingen? Hva er målsettingen?

Hvordan har utviklingen vært de seneste årene med tanke på offentlige støttemidler?

(Leser om en 7 dobling i midlene til etabler tilskudd i forhold til IN sine sider).

Har kravene blitt endret?

Er det den offentlige virkemiddelapparatets oppgave og legge til rette for at bedrifter vokser?

Er det for vanskelig i dag å finne frem i jungelen av offentlige støtteordninger?

(altinn.no)

Hvordan skulle dette kunne forbedres?

Lav tilgang til risikovillig kapital er et problem for et land som skal satse på flere vekstkraftige bedrifter?

Hvordan søke om såkornfond? Hvem kan gjøre det?

Hvilke andre indikatorer enn å skape profit er viktige for å skape verdier?

Visjon om Stavanger regionen, Hvordan ser de regionen om 10 år?

Hvordan ser de byutviklingen med tanke på hvor man bør satse på å skape arb plasser?

Interview with Ragnhild Kristin Espeland, Senior Advisor at Innovasjon Norge 26/2:

About her position in IN:

Changed job descriptions in 2014 with the purpose of use the whole organisations competence more efficient, divide the staff into customer advisor and financial advisor
Customer advisors have a more extroverted role focusing on connect guidance and mentors.

They asked about 100 entrepreneurs in 2014 how they could change as an organisation.

The aim with the change of being more extrovert is to get constant feedback from customers/clients (mostly entrepreneurs) and to easier get an overview of what the region needs. Innovation Norway should be an active partner in the start-up communities, as well as in the whole region

Another change was about changed requirements for the application process. Earlier it was more emphasise on the plans in itself. Now it is more focus on what activities a business does to realise an idea/project in the market.

It is important to pick those products that offer something completely new in the market

Also important to maintain a regular contact with the established businesses in the whole County. Overview of what the region needs.

I Thursday each month, half of the staff is out among customers in the region.

The objective with the initiative is to highlight promising entrepreneurs with a vision to grow and help them realise their ideas into a commercial companies.

Good that the threshold was lowered so more people have the opportunity to apply

Its important for entrepreneurs in the beginning to think smart about expenses such as financing office rent and other equipment. The biggest mistake many entrepreneurs do is that they organise themselves such as they were an established firm and taking on unnecessary costs, for example buying a company car.

The other thing is that they work too much with the product/ technology before they launch when a customer should have bought it in an earlier stage to a lower price.

Strategy now? Finance growth and value added business development in the whole County.

Seed-funding 100 000 are available.

Espeland agrees that some companies could grow faster with early stage capital and mentorship that Innovation Norway together with industry organisations should find this out

Innovation Norway wants to know about a company's ambition here in Rogaland.

Do also want to create synergies in the rest of the County.

If Innovation Norway give out grants to others than SMB:s, the requirements is that the the company contribute to develop other small growth businesses.

Innovation Norway has a responsibility for facilitating innovation in the whole county.

The vision in 10 years is to continue develop forward leaning an open environments.

The communities that exists today can be changed.

Hoping that also established sectors also will contribute to involve the entrepreneurs better in their innovation-departments.

Spørsmål til Terje Handeland, Valide

Hvordan Valide jobber?

Grunnen til sammenslåing?

Forskjell mot andre inkubatorer?

Hvordan skal innovasjon og entreprenørskap redde Stavanger ur nedgangstider?
Viktigste satsingsområdene?

Tilgjengelighet på tidlig fase investorer i Stavanger?

Incubatorers rolle i forhold til staten? eksempelvis forvaltning av pre såkorn-ordning.

Har inkubatorer de rette kvalifikasjonene til å forvalte en pre-såkorn ordning?

Syns dere at IN er gode til å følge opp de midler som de gir ut? Bør de bli bedre?

Potensialet i det norske markedet for å investere i oppstart selskap?
Høy risiko?

Finnes det mekanismer i det norske skattesystemet som gjør det mindre attraktivt å investere i oppstarts bedrifter?

What they see in companies?

Considering 400 companies every year and work with 25 of them, hard competition

7. Interview with Terje Handeland, Managing Director at Validé 10.03.2016

The background of the incubator Valide was a political request from Rogaland County Council and the Municipality to create a stronger cluster of high-tech companies, as well as offer office services, network, competence and capital to promising companies.

Valide works in the whole County and receive funding from SIVA and The County Council

I PARK Became an incubator in 2000

Professionalised the property development side in 2001

IPARK AS 2003 The innovative part of the org

Terje Handeland was recruited as a project leader in 1995

Investment strategy:

Receive funding from IN, in form of an interest-only loan (EK)

Validé uses it as share capital and establish a company

Manage innovation Norways pre-seed scheme.

Development goals for Valide:

Strengthen the capital base more for early stage investments, capacity to take more risk in early stages.

Contribute as an organisation to an increasing interest in entrepreneurship and a culture-shift when it comes to invest in start-ups

Valide takes a higher degree of risk with pre-seed investments, explaining that pre-seed requires a higher degree of risk compared to seed-investments, where the government takes more responsibility.

Considering 350-400 ideas every year and picks out 25 companies, it is a hard competition! Look especially for those entrepreneurs who manage to talk with customers
Many of them are also tech-oriented

Many tech-entrepreneurs want to protect their idea as early as possible, IPR-rights are important to a varying degree. Within oil-and gas and IKT-solutions, it is more important to protect the idea early

Talent and timing in the market is the most important aspects for success

When supporting companies with pre-seed funding from a portfolio, it is important to take into account that some companies will succeed, some will manage to survive and some of them will go into bankruptcy.

They strive for a regular replacement of all the companies in the portfolio. It is important to have capacity to take in new promising companies in the portfolio when they appear.

8. Interview: Einar Talgø, CEO at Skape 11/3

Skape is a partnership between all the Municipalities in Stavanger (Sola, Randaberg, Stavanger, Kvitsøy). The organisation receives funding from the County Authority to conduct courses and guidance about the establishment process.

Skape has a broad and including approach towards entrepreneurship and supports many life-style entrepreneurs, as well as growth-oriented entrepreneurs.

Providing information in the establishment phase has been more important before. Focusing on the person behind the idea, to prepare the person for the personal risk involved in an establishment process.

Important challenge is to balance the personal risks in the establishment process.

The organisation was founded in 2007 with the ambition to be a more practical approach to an otherwise very bureaucratic orientation of resources for entrepreneurs.

Talgø can see a conflict of being too focused on the market. Many people who come to Skape are afraid that other people should steal the idea.

About 70% start a company after have finished a course. 1/3 manage to live of it.

9. Interview with Andreas Lien, Business Developer at Connect Vest-Norge 18/4

Hvordan arbeidet i Connect Vest-Norge fungerer?

Hvordan fungerer mentorprogrammene som dere forvalter av Innovasjon Norge?

Hvordan Connect støtter bedrifter i deres læringsprosesser (foretningsutvikling, strategi, nettverksbygging og markedsanalyse) ?

Springbrett programmet: Om programmet? Målsetting? Hvordan fungerer utvalgsprosessen?

Hvordan kan entreprenører bedre bli matchet med potensielle investorer?

Hvilke elementer ser dere i en skalerbar bedrift?

Hvordan du som investor ser potensialet i regionen? Hva kan forbedres?

Sammenstilling intervju Andreas Lien, Connect Vest 18/4

About:

Connect is the biggest business network in Norway. Working on the entrepreneurs premises

Have 50-60 members in Rogaland. The member companies pay about 2000 kr each. The main idea is to connect investors with potential start-ups

Membership are based on voluntary efforts.

You meet many closed doors as an entrepreneur, and you need to face the fact if you want to go all out on the idea or prioritizing safety.

“The picture of many entrepreneurs that they are young, dynamic people working in an exciting environment together with exciting people”

A new idea is not an innovation before it comes to practical use. It is often other people than the idea creator self who stand for the innovation.

Many entrepreneurs do not have enough knowledge about how to analyse the market or about business development.

“Many of them we meet have an introvert perception towards the world”

When investors that reviews projects in Connect, they will first look at the team.

It is important to connect with a partner early. Build a strong network and use it.

Connect are working with a broad perspective and encouraging all entrepreneurs to have a extrovert perspective towards the market

Important for an entrepreneurs to look for the smart money. This is even more important if an investor wants equity. An entrepreneur look for grants mentor+competence

If Innovation Norway suggests that a start-up needs coaching from mentors, they can provide this service from Connect. Connect will then provide entrepreneurs between 30 or 100 hours of mentorship, in form of 1-1 meetings.

The entrepreneur chooses one of the suggested mentors that he/she has the best chemistry with. The mentor are helping the entrepreneur improving the business plan and business strategy. There are also cases when the entrepreneur don't think about important things such as the first impression, or how to shake hand properly.

In some cases when Innovation Norway suggests a mentor-service, the entrepreneur would prefer to only receive funding. In these cases, Connect tries to change those entrepreneurs perceptions and find a coach they feel comfortable with.

Entrepreneurs do also ask Connect for mentor services and then they need to have a conversation with IN to finance it.

Local Norwegian investors do often invest locally and have a local perception. This can be both positive and negative.

10. Compilation of interview with Sigurd Paulsen, Investment Director at Statoil Tech Invest 19/4.

In the late 90's, Statoil made a decision to start supporting small enterprises developing oil-related technology with the purpose of making the industry more efficient. They provide seed-funding to promising enterprises and support projects with unique value for improving the industry. Statoil Tehnology Invest also invested in renewables, mainly with a focus on wind, geothermal and marine biofuels. Today this function is handled by a specialist team in Statoil's New Energy group.

In some cases all the partners in a field need to agree before a new technology can be implemented on a platform. Security challenges offshore may also make it costly to to implement new product. Today, all oil-companies have an overall focus on cost-cutting and on cheaper solutions to increase production.

Statoil also offer financial support to some of the start-up projects against royalty from future income. In these cases, start-ups do not need to repay the loan, but share a part of future revenues instead.

Statoil Tech Invest is reviewing 300-400 ideas every year. In the review process, they are prioritizing projects with a convincing value propositions and a robust business model. These two things are the most attractive aspects for investors. An investor will see things from the side-line, based on experience acquired based on many years of experience..

In most of the investment opportunities Statoil Tech Invest considers, the founders have many years of technical experience and in many cases new ideas will come from offshore experience and from working in the field as a technical expert.

When considering potential entrepreneurial projects, the most important is to focus on economically sustainable businesses and consider projects according to if they are likely to be profitable in a long-term perspective.

This is also the reason why Statoil have to reject many ideas.

Furthermore, Paulsen emphasise the importance of planning. Entrepreneurs need to establish a relation with both the customers and the users as early as possible, and decide if the solution is attractive for the customer. It is also crucial to understand the competitors.

Moreover, Paulsen see the potential of innovating within the company. Statoil has developed a high-tech research department with high capacity and awareness of future industry challenges leading to new technology ideas. Some of which have been spun off into separate companies run by the inventors and later sold to oil service companies resulting in attractive returns on these investments.

11. Thomas Berglund- Chairman of Angel Challenge (telefonintervju ons 20/4)

Bakgrunn...

Hvordan opplever du start-up miljøet i Norge?

Hva er progressivt med Oslo som start-up scene?

Forskjellen med Sverige? Med USA?

Hvordan kan Norge utvikles som entreprenørskapsland?

Hva du mener med et aktivt å synlig investerings community?

Hvilke typer grundere har blitt valgt ut til Angel challenge?

Ser angel-investorer ulikt på ulike typer grundere? Tekniske vs. Mindre tekniske. Trender?

Kriterier for investorer, erfaringer?

Ulike kriterier for angel investorer og venture capital selskaper?

Rangering av ulike beslutnings kriterier som er av betydning når prosjekter blir utvalgt?

Hvordan ser du angel challenge som en arena for å skape internasjonale vekstselskaper?

Hvilke erfaringer gjorde dere etter den første runden av angel challenge?

Sammenstilling intervju Thomas Berglund 20/4

10 years experience from IT and telecom industry. Have also been the co-founder for the e-learning company Edvantage group, sold to Lumesse in 2012, as well as two med-tech companies. He is currently the founder of Ocular, a venture consulting and investment company.

Thomas Berglund is representative in this assignment as a Chairman of the venture Angel Challenge. He is a swede with over 10 years' experience of investing in start-ups in Norway and has been a business angel for two years.

The start-up environment in Norway has been going through a dramatic development the last years. The increased media focus is a main reason for that Innovation Norway's strategy-change did the preparations.

Oslo has the most benefits when it comes to create a vibrant entrepreneurial environment, with respect to both the amount of inhabitants and the amount of research institutions, which give power to attract Power to attract more intelligent people and international investors.

Berglund describes the readjustment process in Stavanger as " It is difficult to turn a huge tanker", meaning that the capacity in Stavanger has been so much focused on the oil-and gas industry.

It is necessary for Stavanger to go through a readjustment and find out where the competence can be used in other areas.

Most important challenge for entrepreneurs: The problem with scaling. The norweigan market are not big enough.

Comparring with Sweden, which have a different tradition of building international companies. Sweden has a more established culture of building international big companies and another tradition of industrialisation.

Comparring with USA, which have been best in the world when it comes to scaling. Have another tradition when it comes to invest for growth and focus in scalable businesses.

American investors invest 5 mill \$ when Norweigan investors invest 5 mill kr.

About the competition Angel Challenge. The goal is to deliver a good product. The competition is mainly education for investors, but at the same time work as an accelerator for start-ups.

Investors in Angel challenge look at:

- Team
- Product/message
- Income
- Customers

Different requirements for angel investors and venture capital
Angel investors expects an absolute return
VC expects a higher return but takes a much bigger risk.

The first round of Angel Challenge was kind of a test-round (MVP)
They received good feedback and decided to continue

Entrepreneurs cannot adapt to the existing community if they have an excellent idea. If they want to go all in for that idea, they need to look for opportunities other places.

12. Stavanger Chamber of Commerce- CEO Harald Minge 22/4

Worked for the Chamber of Commerce since 2008.

Important to have two thoughts at the same time:

1. Mobilise innovation in existing industries
2. New innovation- start-ups

Minge, 2016 perception to the start-up community
Important development in East Stavanger

The region has not have a purposeful plan for entrepreneurship development before.
Have been too much focus on the major drivers.

Stranghten the interactions between the University and other areas
See potential with a student incubator at the University area, including a test-centre

Believe that inivtiatives as the new fund: Fornyfondet AS can be helpful in the readjustment process.

13. Stavanger Ventures, Kjell Skappel intervju 6/4

Bakgrunn, Hvordan dere jobber. Målgrupper? Investeringsstørrelse? Konkurrenter i Stavanger?

Hvordan opplever du start-up miljøet i Norge, Stavanger? Utvikling seneste to årene?

Hva er mer progressivt med start-up scenen i Oslo? Forskjellen med Sverige? Med USA?

Hvordan kan Norge utvikles som entreprenørskapsland?

Mange entreprenørers største utfordringer?

Hva skal til for å skape et aktivt investerings community/ finne frem gode prosjekter?

Hvordan kan entreprenører bedre bli matchet med potensielle investorer?

Hvilke elementer ser dere i en skalerbar bedrift?

Hvordan du som investor ser potensialet i regionen? va kan forbedres?

Hvem burde ta mer ansvar for at grundere har tidligere tilgang til finansiering i tidlig fase? F eks kommunen, banker, Innovasjon Norge. (relatere til debatten).

Øremerker Innovasjon Norge sine penger for mye?

Er det viktig å skape innovasjon i nærliggende områder til der man har kompetanse fra foran?

Sammenstilling av intervju Kjell Skappel-Managing Director at Stavanger Ventures

Private owned company, without a fund structure.

Established in 2010, 3 owners, providing private capital

Background as regional Director in Tandberg ASA, electronic manufacturer and videoconference company established in 1988 and with headquarters in Oslo and New York and with Statoil as its biggest customer.

Early-stage investments

Of 10 investments, 4 of them was newly established according to Brønnøysundregisteret
Only one had a customer

Look for projects with a certain degree of uniqueness and disruptiveness, many of them requires many years of research and need funding several times

For example Stem cell research in Canada

When other venture companies are proud of how many companies they have the possibility to evaluate, for example evaluate 1000 and invest in 10 of them.

Stavanger Ventures has more of a qualitative approach.

They use inquires and references when choosing projects

Spend a lot of time considering if a start-up has the right core values, ambitions and if it is the right chemistry between the entrepreneurs and investors

Look for scalable business with global potential

Look for technology that is difficult to develop and has impact for a whole industry, not just a mechanical innovation.

F eks PEXIP- videoconference, success in US. Stavanger Ventures supported have supported them from the establishment stadium

No entrances are similar, it is situation based. They can think of working together

Their ambition is to care about the entrepreneurs, and thinks that is the most important tasks for investors

Har tjent 440 millioner totalt på 5 år

Are not a member of the venture capital association

Stavanger Ventures wants to keep a silent profile. Stavanger Ventures are Chairman in many companies

Combining competence and money should often be the best receipt in theory, but in many cases, "this is a mismatch". Entrepreneurs will rely on their own expertise and do often not want so much expertise.

Innovation Norway and the media expresses that many people are meant to be entrepreneurs and are supporting many people in the starting phase. Skappel is basically not against that, but he means that Innovation Norway also should prioritize activities that connects entrepreneurs better with investors.

Today will 7 of 10 start-ups go bankrupt within the 5 first years. Innovation Norway should have in mind that many of them will not employ more than 3-5 people and will not generate so much value back to society. Innovation Norway need either to help them more in the growth phase and try to link them with investors or pre-seed capital, or they should emphasize on helping companies with 10 employees to grow to 20.

Sees a problem with many of the established start-up environments, that they are more of gathering places and not always the right forums for developing successful projects.

Creative businesses which not able to create sustainable growth

There is a different attitude in Sweden with respect to take early stage risks and start all over again if the business goes bad.

Have a long-term understanding of building international brands, Volvo, IKEA.

Norway has many innovations within big companies, f eks search engine Microsoft.

The problem with Norway is that they need to have more trust in themselves.

Many Norwegian entrepreneurs sell their products too early.

Investors in Norway are not willing to invest to that degree when it comes to

Bigger investments gives more power to build global brands

Investors have begun to use preference shares, which is preferential to other shares, and gives the right to a dividend.

Skappel means that many investors do not respect the entrepreneurs and misuse their position.

Want to work on the entrepreneur's premises and the stake holders fall gradually if they are successful.

States that it is important to find the right dynamics between the two partners. It is crucial to agree.

Skappel means that the wealth tax has an impact, because the entrepreneurs has a fortune on the paper and need to pay tax for it

Banks should not be so much involved in entrepreneurial activities.

Have been informed about situations when the loan is guaranteed by a third party, when for example family members has signed on bails.
In those cases, the entrepreneurs risk-taking affect a third party.

Mean that a decrease in the wealth-tax impacts the entrepreneurs negatively...

The government provides 5 million in seed-capital

13. Interview with, Geir Haug- Communication Director at Greater Stavanger 19/5

Bakgrunn, organisasjonens interesser..

Hvordan bidrar dere til næringsutvikling og vekst i Stavanger?

Hvordan bidrar dere sammen med andre organisasjoner å legge til rette for vekstmuligheter for gründere?

Hvordan bidrar dere til innovasjonsmiljøene? (påvirker kommunen å satse på innovasjon etc)..

Hva kan ev kommune og banker gjøre mer?

Start-up miljøet i Stavanger så som det er organisert i dag? Hvordan kan det bli bedre?
Utvikling av grundermiljøene? (mer fokus på tech)

Investorkultur i Stavanger? Hvordan øke kompetansen i disse miljøene?
Hvordan kan gründere enklere bli matchet med potensielle investorer?

Tilbakemeld fra gründere: det trengs nye resurser i vekstfasen, møtesplasser, tilrettelegging, investorer bli mer synlige

Sammenstilling Intervju Geir Haug, Greater Stavanger 19/5

Intermunicipal organisation, constituting of a partnership between 15 municipalities and Rogaland County Council. The organisation coordinates many projects in the region, support the municipalities and work as an ambassador for the region.

Focus on SMB:s with ambition to grow. Mainly helping SMB:s within oil-related business to establish in Rogaland.

Ambition to create new working places

Stavanger will not find "the new oil" It is impossible to substitute oil-industry with other industries and natural resources.

The oil-industry has contributed with competence within geology, geophysics and petroleum, but also general administrative competences.

It is also important to look at the side expertise with more general resources.

Stavanger has attracted many people with side-competences, for example within finance. These people will be useful in the development of new innovations.

Most entrepreneurs are super-specialists within a specific area, not necessarily higher education. They are backed up by an innovation department and are improving existing technology. Many other entrepreneurs within oil-and gas have survived by themselves

Innovations have been bought of existing companies. It is a disadvantage for Norway that many companies are sold to business abroad, instead of building industries in the country.

Haug, sees especially that the biggest challenge for start-ups and SMB:s is to scale up the production.

Mean that the municipality should contribute to allocate more funding to these purposes.

Aslo Zaptec, as on of the most prominent businesses lack capital sources to scale up their production

Mean that there is a lack of governmental mechanisms

Development of financial competences in Stavanger. Establishment of renewal-fund in Stavanger could contribute to make that possible.

14. Telefonintervju med Angel Investor Erik Ålgård 27/5

Bakgrunn, Hvordan du jobber. Målgrupper? Investeringsstørrelse?

Hvordan opplever du start-up miljøet i Stavanger? Utvikling seneste to årene?

Hvordan kan Norge utvikles som entreprenørskapsland?

Hva skal til for å skape et aktivt investerings community/ finne frem gode prosjekter?

Hvordan kan entreprenører bedre bli matchet med potensielle investorer?

Trengs det flere incentiver for tidlig fase investorer i Norge?

Hvilke elementer ser dere i en skalerbar bedrift?

Hvordan du som investor ser potensialet i regionen? va kan forbedres?

Hvem burde ta mer ansvar for at grundere har tidligere tilgang til finansiering i tidlig fase? F eks kommunen, banker, Innovasjon Norge. (relatere til debatten).

Er det viktig å skape innovasjon i nærliggende områder til der man har kompetanse fra foran?

+Er det viktig for lokale investorer å være synlige? Vil investor miljøet bidra til omstilling?

Hvilke krav setter dere til entreprenører? Hvor langt har dem kommet i prosessen? Skal dem vise frem at dem har oppnådd noen milepæler?

VC firms, vanligvis innenfor tech- business? Hvordan kan de bli tilpasset flere bransjer?

Sammenstilling intervju: Erik Ålgård lokal investor 27/5

-Overtok the family business Ålgård holdings from his father in 2014, who has traditionally been investing in car-rental and residential projects
Erik Ålgård are now focusing on running the business and look for interesting start-up projects to invest in, which also makes an impact in the society.

Invests in ideas and businesses he found interesting and beneficial for the society.
Projects that simplify the daily life for people, for example Future home.

Prioritize projects with dynamic people and, lean-focused and aims to reach out to a big market.

States that reporting and application processes are time-consuming for many entrepreneurs

Are positive to tax-incentives for investors and increased pre-seed funding
Many Norwegian investors think that it is difficult to understand start-ups and invests in property instead

15. Kolent, CEO Øyvind Laugen Vesterdal 25/5:

Bakgrunn for Kolent, målsetting?

Ressurser tilgjengelig i ulike utviklingsfaser? Hvordan er dette tilfredsstillt?

Hvordan skal grundere bedre kunne bli fulgt opp i vekstfasen?

Har norske grundere for stort fokus på finansieringsmuligheter hos Innovasjon Norge og for passive til å søke opp investorer?

Fokuserer Innovasjon Norge for lokalt? Kommentar til satsingsområder?

Hvilke områder burde Innovasjon Norge prioritere enda mer?

Hva er bra med start-up økosystemet i Stavanger?

Hvordan kan det forbedres? Hvordan kan man styrke at start-up miljøene i øst har mer kapasitet å hjelpe grundere i vekstfasen?

Hvordan kan private investorer bli mer involvert i å forbedre start-up økosystemet motivert?

Finnes for mange «hjelpere» som «utnytter gründerene»?

Hva kunne banker og kommune gjort mer for gründerne?

Sammenstilling av intervju Øyvind Laugen Vesterdal, CEO Kolent

The background for the establishment of Kolent in 2015 was because of a complicated and time-consuming public support system and 4 founders with the knowledge and ambitions to support entrepreneurs, small- and middle sized companies in their funding- and growth processes. The most important objectives was to be much more transparent than their competitors, work with a trustful business model and receive payment after their customers received their funding.

The business goal is to help companies with growth, innovation and internationalisation that should not have happened otherwise. The founders and board members have varied experiences from business management, finance, engineering and internationalisation. Kolent communicates with a broad group of start-ups and bigger companies in the region and abroad, and have not yet defined specific industry groups.

Vesterdal highlights that Innovation Norway's founder's phone and the establishment grants, fase 1 and 2 are specifically helpful support measures.

“Not many countries have these benefits in the establishment phase”

Innovation Norway is clear in their communication about fase 1 and 2.

The application-process for establishment grants can be complicated if you not understand lean-startup and the mind-set behind business model canvas. Innovation Norway uses it as a quality assurance to see if the entrepreneur is market-oriented. At the same time, they will risk missing some ideas with much potential.

An improvement for Innovation Norway could be to better monitor the start-ups receiving phase 2 in the growth phase, for example with more guidance about further financial arrangements or give recommendations to investors.

Innovation Norway eliminate much of the need for business angels in the establishment phase in Norway. The situation is completely different in the US, where VC:s are a central part in the development process and sets a crucial mark on the culture. For that reason, Norwegian founders need to be more active to build network as early as possible.

It is reasonable that Innovation Norway choose to angle its innovation strategy towards the areas where Norway has comparative advantages and build innovative clusters around these areas. It will take too long time to develop a completely new industry infrastructure.

Stavanger start-up ecosystem:

Positive: Stavanger has rapidly been able to create an active entrepreneurial community, representing different types of creativity and different environments.

Improvements: Create a better overview and orientation over the different co-working spaces.

Guide the entrepreneurs in their scaling phase. Make information about other financial arrangement more available for entrepreneurs. Also banks and the municipality should make more information available that can be relevant for entrepreneurs.

16. Telefonintervju Kjetil Holmefjord 2/6 CEO Startup Lab

Kort intervju: 5 min intervju

1. Hva er successoppskriften til Startup lab?
2. Hva er særlig viktig ved et gründer-community?

Start-up lab accepts about 10% of all applicants. Focuses on tech-oriented businesses.

1. "It takes many years and endurance in order to create successful businesses, and especially to be listed on the stock exchange

The most important aspect for a Start-up community is to attract experienced people as supporters. The most supporters to Startup lab are former IT-founders.

The most important focus is to know how to organize the community such as entrepreneurs can work time-efficient. Facilitating meeting-places among the right people

Mail conversation with Jan Frick, Professor at University of Stavanger Business School 13/4 2016

Skulle du si, ut i fra dine erfaringer at det er stor forskjell mellom disse to typene i forhold til finansieringsmuligheter fra virkemiddelapparatet og muligheter til investorkapital?

1. Entreprenør som leverer teknologi til andre større bedrifter
2. Entreprenør som utvikler produkter

Svar: Fra Jan Frick 13/4 2016

Ja, jeg tror forskjellen i realiteten er nokså stor.

1. Kan gå ut og finne kunder tidlig, og dermed få inntekter raskere og slik sett ha bedre sikkerhet i forhold til banker og andre investorer. (Også noen ganger i versjon av «Lean Startup ??»)

2. Er en ofte lengre prosess gjennom prototyper der finansieringen ikke uten videre er tilgjengelig før en kan vise at prototypen fungerer, og kundene vil kanskje komme etter at prototypen gjennom en kostbar prosess er videretilpasset til en kommersiell versjon

Forskningsrådets programmer liker som oftest best nr 2. Selv om de normalt ikke finansierer det etter prototypen.

Ang nr 1 så er det som regel en blandet sak der bedriftene leverer en mix av produkter og tjenester. Og teknologien kan være like mye knowhow som en gjenstand

Dybde intervjuer av grundere (se innovasjonskart for innspill til gründerintervjuer):

Bakgrunn, fortell litt generelt om gründerreisen

Største utfordringen generelt som gründer?
I etableringsfasen? I vekst fasen?

Har ditt selskap søkt om eksterne midler i etableringsfasen?
Hva ligger til grunn for den beslutningen?

Finansielle (valg) muligheter og alternativer i Norge for start-ups?

Er det norske skattesystemet komplisert? Burde det blir mer skattelette for bedrifter eller for investorer?
Innovasjon Norge komplisert?

Hvordan opplever du oversikten (orienteringen) over finansielle ressurser?

Hvordan stiller du deg til venture-kapitalfinansiering, som også innebærer en viss involvering i selskapet? Forskjellig innstilling til VC eller Angel Investors?
Har selskapet deltatt på noen arrangementer for å finne eksterne investorer (angel challenge etc)?
Hva er særlig viktig ved valg av investor?

Har dere merket av «dødens dal»?

Hva er bra med start-up økosystemet i Stavanger?
Hvordan kan start-up økosystemet bli bedre organisert? (burde regionen gjøre mer?)
Hva skal til for å forbedre gründermiljøet?
Hvordan øke attraktiviteten for investorer utenfor oljebransjen?

Trengs det flere private alternativer som kan søke mulighetene for start-ups å få tilgang til privat kapital? (Er bedrifter opptatt i inkubator i en bedre posisjon?)

Interviews with entrepreneurs:

17. Øystein Stray- CEO Visco 21/4

Øystein Stray has been the CEO of Visco for 13 years. Before that, he has been working within the maritime- and the oil- and gas sector and has been a project control manager in National Orwell Varco with operational responsibility for many years.

VISCO is not a new start-up since the company already are established in 5 places in Norway. The reason I choose to interview them, is that they know the entrepreneurial journey and that they work with ongoing innovation processes.

VISCOs main business areas are 3D- illustrations, animations, film, and printing. Their profession is to visualize complex industry processes and new technical concepts. They have traditionally been focusing on the oil-and gas industry, but are now focusing on other industries as well, such as hospitals, the defence and smart city solutions. The visualisation industry is changing and in an early development stage with many possible opportunities.

Stray (2016) describes the entrepreneurial journey demanding in many ways. Reaching out with a new idea in the market requires that you have the drive to sell the solution to an end customer.

The situation that VISCO experiences is that the selling process is fragmented. They need to approach different customers differently requires a lot of effort. It is also a challenge that the users of the service (the platform workers) and the buying customers do not communicate enough. VISCO are working with larger oil companies, such as Statoil and Shell. Working with these companies involves many decision makers. A platform where the different customer groups can communicate about the solution and possible investments would make the process easier.

Have received financial support from the government and Innovation Norway (fase 1 and 2).

Sees a positive change in Innovation Norway's new focus and strategy.

Entrepreneurs who are aware of the importance of market activities and aware of how to document their planned activities do not perceive the application process to be so difficult, just time consuming. According to Stray, 2016 it is also a value in writing applications, it helps to structure the work and set words on things. This is also helpful to do when approaching investors

Stavanger needs a pitching arena where entrepreneurs and investors can meet.

Decided to not look for VC-capital because of the risk that the investor should be impatient on the goal or change the firms characteristics.

Stray emphasise on a more "collective creativity" approach encouraging entrepreneurs and established companies to go together when developing new solutions.

This is also advantageous for the region in order to be able to innovate around existing industries and connect a new idea to existing businesses having an established market.

"connectivity" instead of individualism

18. Petter Berge- CEO Reemsys 26/4

Reemsys are a safety tech company within the maritime sector. Together with the co-founders Murshid M. Ali and Geir Ueland ,they started their entrepreneurial journey in 2013. The concept is a "rescue pod", helping small kids from drowning when they travel

with ferries and cruise ships. Infants have much thinner skin and will be refrigerated quicker than adults when they falling in the cold water.

They developed a prototype in 2014 in "Hard Shell" but realised after conversation with the end customers that it took to much space. They are now changing that concept with respect to functionality.

Have developed a more functional concept now and tested it according to certification requirements.

One of the biggest challenges is to customize the prototype for commercial use and at the same time meet the certification requirements. It is a risk to spend a lot of money on wrong concept.

Have received Innovation Norway funding: Phase 1 and 2, and also Vri-midler

Berge would say that the application process is not so difficult, but it depends on your background.

The tax- system:

Positive to tax reduction for investors and a decrease in payroll tax. A start-up who employs a new person need to make sure that it can secure social benefits. ??

Very positive to the development of the start-up ecosystem the last years. Many partners are actively involved and the willingness to help the entrepreneurs is good among the partners. This behaviour is rooted in the Stavanger-culture.

In order to improve, he thinks that established businesses should set a good example and be more open to develop more services together with entrepreneurs.

(Both Petter and Murshid M. Ali are both serial entrepreneurs).

19. Jone Sæbbø- CEO Windmaster technologies 26/4

Background from sensor-technology company Triad AS.

Saw the potential using the knowledge from sensor-technology in the offshore-wind industry.

Windmaster technologies, founded in 2010, with the goal to provide remote sensing solutions in flight safety and in the field of wind-technology. Sensor-technology makes it possible to extract real time information on turbulence and wind flow in a wind farm and optimize the operation of the turbines.

The company received funding from The research Council of Norway's program for renewable energy (Renergi) in order to test out the technology. They also received establishment's grants and design research funding in order to continue with further development. EU.-funding from the H2020 program

process: According to Sæbbø, the application process for EU-funding was not so difficult, but a very competitive process to get ahead.

They were offered a working space at IPARK.

One of the most challenging aspects as an entrepreneur according to Sæbbø is having control over cash-flows and liquidity.

Another challenge is the feeling to be understaffed, when you at the same time know the magnitude of what needs to be done to reach your goal.

It can sometimes be demanding working with key-partners that agree to partly self-finance. Windmaster technologies cooperated with a company delivering electronic components. In the first place, the partner accepted 50% payment before the project was developed, with expectance to be a supplier for the end product. When the execution required more time, they started to put pressure on the company, but then the partner resources were allocated to better paid projects.

Sæbbø see the positive aspect of working together with VC investors, if the process is transparent and the investor can provide some valuable insights for the business in addition to just money.

When attracting investors, its important to communicate the business case right. In most cases the investors do not have sufficient technical insight and understanding to judge the technical part of a technology based start-up. The communication towards the investors must be tailored to a more marked/strategic form, where the technological risk aspect of the system is reduced to a box/or process in the business plan.

About the entrepreneurial ecosystem: Sæbbø mean that it is positive with a diversified start-up ecosystem, but it could be even more positive if the different co-working spaces were more specified and targeted towards different groups of entrepreneurs.

Meeting places: There is a need for more meeting places where investors can follow what entrepreneurs do, and potentially match the right project and investor.

20.Morten Kjeldsen- CEO Flow design burau AS 26/4

Established the business in 2001

Developed a software that became industry standard, with the main function to make dynamic calculations for pressure and currents.

In 2004, they wanted to expand their operational areas and sell the solutions to larger power companies, combined with consultancy hours, who also sponsored the development and payed for the working hours. Statkraft and Troms Kraft saw the potential early and was interested in buying the MVP- (minimum viable product).

Deliver a service to an established customer can have many positive aspects, for example with respect to revenue stream.

It can also be a challenge because a big company have more power to influence the direction a company takes.

In 2015, they started cooperating with a new power company to whom they delivered a new type of hardware control solution.

Having support from a VC Company can be positive if it strengthens your network and can be helpful in order to communicate clearer with your customers.

It is important that the start-up ecosystem is open and can provide new opportunities for entrepreneurs to expand their network.

21. Teit W. Knutsen- CEO Fuuzo 21/4

Entrepreneur since 1998.

Have been involved in 10 different companies/projects in Denmark, Middle East, Brazil and Norway.

Are now focusing on the platform Fuuzo that gives opportunities to connect companies with a transportation demand that persons and other companies can attend.

For Knutsen, who plan to launch the product in Africa and other developing countries, it is a challenge that most investors in Stavanger has a local mentality- Lacking availability of competence and international outlook.

Many leave Stavanger in the growth phase to other places where there is more competence

Fuuzo have received funding from Innovation Norway phase 1 and 2

Tax relief for investors- positive

The problem for many entrepreneurs is that many organisations helps in the establishment phase. After that, there is lacking support in the growth phase with scaling and sales.

Stavanger has limited number of people and not as broad research environment as Trondheim and Oslo. This gives limited capacity to build-up a broad focus in the investor environment.

Knutsen means that there is relatively easy in Stavanger for find information about the alternatives in the start-up community.

Establish more meeting places with a broad focus, like the conference "Me kan I Rogaland"

22. Henrik Jesman Sunde- Zoaring 22/4

Educated pilot at 21, are now 27.

Established Zoaring in 2011. Considered the situation together with co-founder Simen Ytre Arne, and decided that it was the best alternative to go for the entrepreneur life now instead of after they had established family.

Worked part-time at the air-port during the establishment phase

Zoaring is a communication enterprise, focusing on video scribbling and uses illustration techniques to simplify and target communication messages. The company has grown a lot the last four years and has now 7 employees.

Greatest challenge is liquidity problems- being prepared that growth costs
It is risky to hire people too early?

Jesman Sunde, sees himself as a person with a large network and do not have so much trouble with financial alternatives in the establishment phase, but it is harder in the growth phase. Not so easy to recoup 200 000- 70 mill

Positive to tax reduction for investors

Positive to VC capital, but it is important to consider if the enterprises goal match the investors.

Many VC investors have high demands on gains, which can lead to conflicting interests already in the beginning.

Important to have the same ambitions as the investor

It is equally important to have demands on angel investors because they usually take higher amount of equity in the company. Makes it even more important to have a common goal.

23. Alain Fassotte- Dappd 10/5

With a background as a performing arts producer, Fassotte started Cult Productions AS in 2003. Cult Productions was a production company focusing on producing performing art (dance and theatre) outside the established institutions.

He saw a challenge with the existing market for ticket sale. If a production company didn't own a ticket office, the distributor needed to pay a certain fee to the ticket sale, (for example to Narvesen).

This was the same year Norwegian airlines launched their new ticketing system and made it possible to print out your own flight tickets.

Fassotte wanted to bring the ticket distribution idea further. Because of a lecture, he held at the entrepreneurship program at the University of Stavanger, he received valuable inputs from 7 students in their student assignments.

After that, Fassotte and two co-founders established Cult Distributions AS and created the first ticketing system in the world where customers booked tickets online, paid with credit card and received the ticket on a pdf to be scanned at the venue.

Cult distributions AS was sold for two digit mill NOK in 2006 to an American company. Fassotte admits that it was difficult to agree whether to sell the whole company to a competitor when they at the same time had an offer from an external investor.

The other co-founders meant that they didn't need external capital in dividends from shareholdings to develop the company further.

Cult production AS gone failed in 2006 and Fassotte decided to put aside the entrepreneurial life for a while. He has been working as sales and marketing director for

TV Vest, Lyse and Creuna until 2015 when he found the entrepreneurial spirit back again.

Now, he is the founder of Dappd – a digital ecosystem for digital marketing. The service is still under development and enter the beta-testing phase soon. The aim with the service is to make advertising relevant for the end user. The product is also an add-server and a digital exchange. Dappd has received funding from Innovation Norway (fase 1 and 2). Fassotte would say that the application process is not very demanding if you know how to satisfy the requirements from Innovation Norway. Innovation Norway is clear in their communication about what projects they prioritize.

Fassotte mean that the only tax in the Norwegian tax-system that is unjust to many entrepreneurs is the wealth tax.

-It is illogical that a person who succeeds to realise values have to pay extra taxes.

Dappd's business model will include primarily three main customer groups; Surfaces – (media companies), advertisers (DNB, SR-bank), and users. Media agencies will also be involved in-between the different segments. Before launching Dappd, it is important to take into account how the different customer segments will experience the service.

Most challenging of being an entrepreneur within digital media in Stavanger is to find skilled cooperation partners and build a strong network. There is not sufficient competence within adtech and mediatech in Stavanger. Large advertising groups are all located in Oslo or abroad.

The ambition with Dappd is to build a scalable business. Fassotte hoped that the structure for scaling a business were more developed in Stavanger and is a bit disappointed that the investment environment still has so narrowly focus on oil-and gas investments.

Many entrepreneur “helpers” exists in the start-up ecosystem and all of the industry organisations will defend their positions. Organisations providing information and coaching to start-ups are visible, but the private investor environment in Stavanger is almost invisible according to Fassotte, 2016.

It is many investors in Stavanger that do not dare to take technological risk and many investors portrait themselves as angel investors, when they in fact only are interested to build up their reputation. Many investors in Stavanger do also want a reference from a third part before deciding to invest. He gives positive feedback to many customers and companies in the region. They are good at giving feedback and support start-ups.

He is now in a dialogue with different investors and has an agreement on 2,5 mill NOK and are going to collect 20 mill NOK more. He will soon move all business activity with Dappd to Oslo because of the insufficient investor environment, lack of mediapartners and network in Stavanger.

Fassotte mean that the co-working spaces in Stavanger have a too broad focus and they will struggle to create a growth- culture.

In Oslo, there are different types of entrepreneurial communities, sharpened into various types of industries. In Stavanger, all of them has the same business model, where entrepreneurs rent a desk space and the co-working space is dependent on rentals. He relates to StartUp Lab in Oslo where the situation is different.

Startup Lab is specialised in tech start-ups and the business model to Startup Lab is different. It is an ecosystem in itself where the founders have access to a specific fund- Founders Fund. Industry experts are constantly following the progress and the start-ups have close access to expertise. Only 10% of the applicants to StartUp Lab are accepted and the start-ups do usually work there for 3-6 months.

Fassotte has also experienced being a part of an incubator. With Cult Productions, he had office space at Rogaland Science Park (10 years ago) (today Validé). He will overall say that most start-ups, that is a part of an incubator, will receive more feedback and have access to advisory than other start-ups located at the other co-working spaces in Stavanger.

He has a positive perspective towards Venture Capital.

“It is better to have a shared ownership in an idea with good potential than 100% ownership in an idea with no potential”

In order to improve the start-up ecosystem in Stavanger for growth-oriented entrepreneurs, his suggestion is to create a private fund allocated to early phase investments. Local industry experts and ex founders should manage the fund with competence within different fields and provide mentor-services. The fund should be politically independent and choose the best project with growth potential, and not angle the innovation aspects after the municipality’s priority areas.

Matching appropriate expertise to different projects should also be a prioritized activity. Another suggestion is to build one co-working space with a similar type of model as StartUp Lab.

24. Murshid M. Ali- CEO Huddlestock 19/5

Has been an entrepreneur since 2010. Before that, he worked two years in Aker Solutions in Oslo as a stockbroker and at the Norwegian embassy in Riyad- Saudi Arabia. In Riyad, he had the opportunity to work with implementation of Norwegian technology in the Middle East. This mission led to the establishment of Norsaco - a consulting company working with internationalisation and export development, focusing on oil-related technology. In this job, he had the opportunity to work close to the management in many companies in Middle East and Norway, which was very valuable for him with respect to building a strong network.

The development of Huddlestock started in 2008, with inputs from a mix of projects, ideas, financial interests and experiences from the three founders.

The main objectives for Huddlestock is to provide new investment opportunities, take a position for a more open society and affect the established financial markets. Today, fund managers are in superior positions to manage financial markets around the world. The main reason is that they acquire exclusive information not available for the most investors, and because they have acquired their competence and power through their

wealth. Most trading systems will also put hidden fees on investments that increase the costs for smaller investors.

Huddlestock is a scalable business platform, built on the concept of crowd financing and investing in ideas. The goal is to open up financial markets in such that more people can invest on the same premises as the professional investors. Huddlestock will be much more transparent than all existing investment platforms and only charge fees if the investors make money.

They received a working desk at the incubator Prekubator TTO in 2014. It was an important step in order to be more confident in the product. From them, they also received valuable advice about how to organise the enterprise and to secure the IPR-rights. After receiving a lot of attention in 2015, they were offered a membership and office-space in Europe's largest technology accelerator -Level39 in London.

The biggest challenge in the entrepreneurial process is to find the most competent people to work in the team. The other challenges are capital sources in the growth process, and resources in form of network.

"The start-up ecosystem where you live has a lot to say about your chances for success". Entrepreneurs need to be open-minded, constantly take risks and be prepared to search for a new ecosystem where the right network and competence exists.

When it comes to private investment alternatives, it is important to be wary of the intentions to Venture Capitalists. They operate with a short perspective and expect a high return. This will often lead to conflicting interests and lead to losses for the entrepreneur in the end.

Most angel investors have a completely different perception to risk compared to Venture Capitalists. They are more laid-back and invest in ideas they believe will make an impact. For Huddlestock, it is preferable to find an investor that is not too much involved in the daily operations.

Investor community in Stavanger- "play the game right" Know whom you should have a reference from.

Thinks that pre-seed capital from the government, matched with private capital is a good financial alternative to accelerate growth.

25. Sigbjørn Groven CFO- Future Home (Telephone interview 31/5)

The CEO Erik Stokkeland used to connect different things in his home, for example playstation, video equipment, home cinema and thought of how this can be done in a simpler way. Together with the two study friends Bjarne Handeland (CTO) and Odd Eivind Evensen (co-founder and COO) they found the motivation to develop an app connecting different equipment in the home. In 2012, they had created an MVP, in form of an app with management functions. In order to form a team with complementary

skills they needed a business-minded person. Sigbjørn Groven was a good friend who had recently finished his MSc in Business Administration at NHH.

The four-man team attended the business plan competition Venture Cup in 2013 and came all the way to the final.

Groven says that this was a good experience to try the idea out and receive good feedback in an early stage, in order to implement a more qualitative thinking.

After the competition, they received an office at IPARK and funding from Innovation Norway.

Innovation Norway also sponsored them to do a pilot launch in 2013 together with electricians who tested the product.

A short time after that, they delivered their first package to electricians.

Around the New Year of 2014, they all decided to work full time with the company and they had the opportunity to find an angel investor.

They realised that they needed to save these money in the best possible way.

They employed 2 more people and gave them salary, but they did not take out salary to themselves.

They completed a crowdfunding campaign and managed to collect \$200 000 and at the same time increase the publicity about the start-up

In 2015, 3 years after they started with their business, no one of the initial team members took out salary.

March 2015, they found two new angel investors Erik Ålgård and Christian Rokkseth and decided to create a non-profit professional board with people with different expertise and with business development experience.

They got a bid on the company from GET, one of Scandinavia's biggest broadband- and digital television company, owned by the Danish company TDC.

The bid was based on a large equity stake and future income

They contemplated with the board and decided to reject the bid, because GET had other ambitions with the company. "They wanted them to deliver an extra product to their portfolio"

The team agreed that they wanted to continue on their own...

Instead, they found a better tone with IKM- investments. Their agreement was more in line with their own ambitions and lifestyle as founders.

Biggest challenge – liquidity. Commenting that a founders need to be used to live with limited resources

Groven explains that the company have made many right decisions, for example put in place a professional board early. There is not so many who choose to do that

Have received establishment grants from Innovation Norway, phase 1 and 2, totally 600 000 and later on a IFU-project in cooperation with Bravida and GET to develop a smart home portal.

It is important to find the right twist when writing applications. The unique aspects with the product or service can be about something unique in the business model, how the product is delivered etc.

Investor environment

Groven mean that tax-incentives will be the most effectfull way to encourage investors to invest in start-ups, for example in form of a tax deduction.

Today, the system in Norway are facilitated to invest in property.

Other measures could be business angel school and more meeting places for investors.

When it comes to Venture Capital investments, Groven says that many founders make the mistake of giving away equity too early. It destroys the ownership structure in different ways, in many cases, there is only 10% left to the founders in the end. Groven should not recommend other founders to accept Venture Capital involvement in a too early stage.

There are two main types of angel investors: involvement or not involvement in the board. It is more important to have the right competence if an investor take part in the board.

Satisfied with the start-up ecosystem is, small enough to know the most people involved. In order to improve it, with respect to the growth phase he thinks that the municipality should take more responsibility to buy services from founders.

For example having a budget of 5 million to buy services from founders.

In that way, they will contribute to the innovative shift and contribute to industry development.

(The municipality should also think of simplifying their procurement processes?)..

The Norweigian tax-system:

Comment: If Norway wants to compete on equal terms as other countries when it comes to develop successful companies (unicorns as Facebook, Apple and Spotify).

Earnings will be transferred to other countries where it is possible to take other decisions on a management level.

