

THE EFFECTS OF SND's FINANCIAL SUPPORT FOR BUSINESSES

**Follow-up study in 2004 of companies which received
SND financing in 2000**

by

**Einar Lier Madsen
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Summary This document presents a follow-up study of the participants in the preliminary study in 2001 (the 2000 group) and is based on interviews carried out in 2004 with 807 companies of various types and in various industries throughout Norway. The main emphasis of the follow-up study is on clarifying the following questions: What significance does SND have for the projects, what results do the projects provide and how is the financial performance of the companies affected? The companies participating in the study have made use of the following ten types of support: Secured loans, national and regional venture capital loans or development grants, start-up grants for entrepreneurs, public and industrial research and development contracts, basic financing for fisheries operators, agricultural loans and rural development funds.	Key words Regional policy Innovation Norway (the Norwegian Industrial and Regional Development Fund (SND)) Financial support for businesses	
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PREFACE

The Nordland Research Institute carries out client surveys of companies which have received approval for loans or grants from SND, on behalf of the Norwegian Ministry of Trade and Industry, the Ministry of Local Government and Regional Development, the Ministry of Fisheries, the Ministry of Agriculture and Food and Innovation Norway (formerly the Norwegian Industrial and Regional Development Fund (SND)). These client surveys, which have been carried out since 1995, represent a systematic acquisition of information and an analysis of how SND's financial and professional involvement affects the companies' financial and strategic development. The client surveys are made up of a preliminary study, carried out one year after the approval of financing has been given, followed by a follow-up study 3-4 years later. This document presents a follow-up study of the participants in the preliminary study in 2001 (the 2000 group) and is based on interviews with 807 companies of various types and in various industries throughout Norway. We would like to point out that SND's various programme activities are not considered in connection with this client survey. These programmes constitute a significant part of SND's involvement in competence development. This client survey will therefore not provide a comprehensive picture of SND's activities.

Questionnaires were distributed and the interviews were carried out in January and March 2004. The practical work of interviewing the companies' representatives was carried out on assignment by Polarfakta AS. A reference group was assigned to the project consisting of representatives from the Ministry of Trade and Industry, the Ministry of Local Government and Regional Development, the Ministry of Fisheries, the Ministry of Agriculture and Food and SND.

This group held a meeting and presented its comments and contributions in connection with the analysis and the draft report. However, the authors bear full responsibility for all discussions and conclusions presented herein.

The work was carried out by senior advisor Einar Lier Madsen and researcher Bjørn Brastad. Jan Mønnesland reviewed and provided contributions and comments on the report.

Bodø, August 2004

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SUMMARY

This follow-up study focuses on clarifying the effects of Norwegian Industrial and Regional Development Fund (SND) support experienced by the companies which received funding approval in 2000, as expressed in terms of the results achieved. The table below shows the principal areas focused on in the study. This overview also indicates a number of important objectives which among other things form the basis for determining whether SND's assistance satisfies the objectives of the organisation.

Problem area	Objective	Type of measurement/indicator
How does SND contribute to the realisation of projects?	Counteract imperfections	- Financing of projects - Additionality at outset - Project realisation in retrospect
How does SND's involvement affect important objectives and processes of change in a company?	Promote companies' profitability	- The importance of the project for profitability and survival - The importance of the project for cost reductions and revenue increases - Whether the company has achieved satisfactory performance
	Contribute to increased employment	- Jobs created - Jobs secured
	Contribute to enhanced competence and increased innovation	- Did the company experience enhancement of competence? - The contribution of the project to innovation
	Contribute to increased competitiveness	- The importance of the project for development in various markets - Changes in the characteristics of the companies - SND's influence on the entrepreneurial attitude of the companies - SND's influence on the company's performance
How does the client see SND's role in the project?	Active business partner	- SND's project follow-up

Database

The analysis is based on interviews carried out in the period from January to March 2004 of 807 companies, of which 184 have been closed down or declared bankrupt and 623 are actively operating. The follow-up study comprises ten types of financial support schemes:¹: Secured loans, national venture capital loans, regional venture capital loans, national development grants, regional development grants, start-up grants for entrepreneurs, public and industrial research and development contracts (OFU/IFU), basic financing for fisheries operators, agricultural loans and rural development funds.

The analyses carried out indicate that the data material acquired is reasonably representative, based on the underlying dimensions of financial support composition, company size and regional policy support area. Although the data material is reasonably representative, there are other factors which affect the interpretation of the results and call for a degree of caution.

How does SND contribute to the realisation of projects?

The importance of the SND financing for the realisation of the project

The results show that SND has succeeded in contributing to a reduction in the imperfections in the capital markets. Without SND financing, 53 per cent of the participating companies would not have been able to realise the projects for which they received approval of funding in 2000. 25 per cent state that they would have realised the projects even without public financing, while 16 per cent would have realised the projects on a reduced scale or at a later time. Only 4 per cent of the companies would not have been able to realise their projects. Compared with the results for additionality in the preliminary study, the proportion of companies for which SND has had crucial importance for the realisation of projects has increased by 25 per cent. The results are at approximately the same level as for the previous year.

Successful and misjudged projects considered in retrospect

The projects which have been approved for funding by SND are to a large extent considered successful by the companies. Considered retrospectively, 78 per cent of

¹ SND's various programme activities are not subject to consideration by this study. These programmes constitute a significant part of SND's involvement in competence development. The follow-up study will therefore not provide a comprehensive picture of SND's work on competence development.

the companies state that their projects were successful, 16 per cent consider them partially successful and 4 per cent report failed projects.

However, SND does not have complete information regarding the companies or the projects at the time of approval of the funding. As a result, misjudgements (unsuccessful projects, projects with low additionality, companies going out of business or terminated projects) may take place. These misjudgements represent 22 per cent of the original selection of projects. This is at the same level as for the 1998 group, but slightly higher than last year.

Financing of projects

The financing of projects comes predominantly from three sources: Equity, SND funding and bank loans. On average, 40 per cent of the project financing is by equity, 38 per cent by SND funding and 16 per cent by bank loans. These figures indicate that SND's financing contributions are important to the companies, which is further borne out by the fact that 14 per cent of the companies have received additional financing from the organisation.

How does SND's involvement affect important objectives and processes of change in the companies?

The importance of the projects for the financial development of the companies

Based on an overall assessment, the projects financed by SND are of considerable importance for the companies' survival and profitability development. This is borne out by the fact that 71 per cent of the companies state that the project has considerable importance for their survival today, as well as the fact that 67 per cent of them emphasise that the project is important for the development of their profitability.

The projects also have a certain importance for the companies' market development, although the importance is significantly lower in this field than with regard to survival and profitability development. In the regional and national markets, approximately one third of the companies have experienced increased sales from 2000 to 2003 as a result of the SND-supported projects, while in the international market, this was the case for approximately one sixth of the companies. Practically all the remaining companies state that sales have remained unchanged in the three markets.

In general, the projects which have received SND funding involve only parts of the companies' business activities. When the business activities are considered as a

whole, 37 per cent of the companies report that they have to a large extent achieved satisfactory performance in 2003, while 26 per cent state that they have only done so to a limited extent. Well over half of the companies expect to achieve satisfactory performance in 2004. 15 per cent of the companies which took part in the preliminary study have been declared bankrupt or been closed down.

The importance of the projects for competence enhancement, innovation and collaboration

The completed study shows that the projects have made important contributions with respect to competence enhancement, innovation and increased collaboration with other companies and educational and research institutions. Overall, just over two thirds of the companies have found that their projects have contributed to a large extent to an *increase in competence* in one or more of their areas of expertise. The area in which the projects have been most important is product development, followed by production processes/routines and market development.

The projects have contributed in a significant degree to *innovation* in connection with one or more activities in approximately two thirds of the companies. The contribution to innovation has been greatest for the development of new products and services, as well as changes in existing products and services. In general the projects have led to a considerable degree of increased *collaborative activity* in at least one field in more than 60 per cent of the companies. Increased collaboration has primarily occurred through improved contact with customers and suppliers, as well as other companies in the region.

A common feature of the projects' contributions to competence enhancement, innovation and collaboration is that there are considerable variations in the effects, depending on which type of support is used to finance the projects. These variations are primarily connected with differences in the organisation and objectives of the various support schemes.

Effects on employment and SND's costs per job

One of the objectives of SND is to contribute to increased employment in the companies receiving support. Among the companies examined there has been a net increase in employment of 750 jobs (15 per cent) in the period from 1 January 2000 to 1 January 2004. Of this net increase in employment, 398 jobs have been created in companies in the regional policy support area and 352 outside this area. The percentage increase has been virtually the same inside (15 per cent) and outside (14 per cent) the support area.

Calculations performed for the entire population, in other words all companies receiving approval of funding from SND in 2000 (7,354 projects) provide an estimated total effect on employment of from 6,300 to 7,500 new jobs. This corresponds to 0.9 to 1.0 jobs per project. More than 55 per cent of the created and secured jobs have originated in the regional policy support area. However, these calculations involve a large margin of uncertainty. The accuracy of the estimates will depend both on the uncertainty of selection and on precision problems connected with the subjectively graded response alternatives used.

For the entire population of companies which received approval for SND funding in 2000, SND's cost per job created or secured was from NOK 223,000 to NOK 267,000. This is broadly within the same interval as the previous year's estimate of NOK 215,000 to NOK 276,000 per job.

Changes in the characteristics of the companies

We have investigated whether changes have taken place in the companies' resource and management variables in the period studied. On average the values have decreased somewhat. However, two thirds of the companies consider their entrepreneurial attitude to be at the same or a higher level than at the time of the preliminary study. The corresponding figure for the companies' resources is 50 per cent, while over 40 per cent of them have a higher score on a price strategy.

Factors which influence the companies' performance

Regression analyses have been carried out to explain variations in the development of sales trend, employment trend and company performance compared with the competitors. These analyses provide SND with input with regard to factors of which it is important to be aware with an eye to improving company performance. The results show in particular that a company's entrepreneurial attitude has a significant effect on performance.

Among the recipients of *ordinary support*, it is particularly industry-related changes in the past three years, entrepreneurial attitude and the use of the resources of the Board which have had a positive effect on the companies' *performance* in relation to their competitors. The *sales trend* of the companies is positive with increasing scope of project funding from SND, while the *employment trend* is positive in relation to changes in industry-related conditions and the use of networks. On the other hand, company size has a negative effect on employment trends. This means that large companies develop themselves to a greater extent through rationalisation.

For *start-up businesses* there are many factors which are of significance for the *performance* of the company in relation to the competitors. It would appear to be of particularly positive significance that the start-up businesses have maintained or increased their entrepreneurial attitude. The location of the companies also plays a role, as well as the intensity of competition and the dynamics of the business environment.

For those using *agricultural support* there are three factors which have a significant positive effect on the *performance* of the company in relation to the competitors. These are how dynamic the commercial surroundings are, the entrepreneurial attitude at the initiation of the project and whether or not the entrepreneurial attitude is considered to be higher than or at the same level as during the preliminary study.

Analyses have also been carried out to examine the connection between the companies' results and the type of support received. These analyses show that a large number of the funding schemes are of significance for performance, especially with regard to performance compared with the competitors.

How does the client see SND's role in the project?

SND's following up of the support recipients

One of the elements included in SND's business concept is to follow up projects which have been approved for support. 32 per cent of the companies involved report that they have been followed up by SND following the approval of funding while 6 per cent have not received the follow-up they have wished for. This is approximately the same proportion as was evident from the follow-up study of the 1999 group. For those companies which were followed up, this was primarily with regard to financial guidance. Two thirds of the companies are to a large extent satisfied with SND's follow-up efforts.

PART A: OBJECTIVE AND METHOD

1. BACKGROUND AND OBJECTIVES

1.1 BACKGROUND

Innovation Norway was founded on 1 January 2004 through the amalgamation of the Norwegian Industrial and Regional Development Fund (SND), the Norwegian Trade Council, the Norwegian Tourist Board and the Government Consultative Office for Inventors. Since the subject of this report is the use of funds allocated before the foundation of Innovation Norway, the organisation will be referred to as SND here.

Since 1995, SND has carried out client surveys among firms which have received approval for loans or grants. These surveys consist of a *preliminary study* and a *follow-up study*. The preliminary study is carried out one year after approval for funding is granted, while the follow-up study takes place three to four years after approval. To date, eight preliminary studies have been carried out, for financing approval granted in 1994, 1995, 1996, 1998², 1999, 2000, 2001 and 2002³. and five follow-up studies, for financing approval granted in 1994, 1995, 1996, 1998⁴ and 1999⁵.

The focus of the *preliminary studies* is on the company's expectations of the project, its effects and significance for the company and SND's importance for the realisation of the project. Another focus area is client satisfaction. This concerns the company's knowledge of SND's funding schemes, its expectations of and experience with, among other things, SND's service and competence, what sort of distinguishing characteristics SND should have, and the company's perception of areas of improvement in SND. The annual studies provide material which enables the study of developments over a period of time.

The *follow-up studies* involve a review of the companies' expectations of the projects as specified in the preliminary studies. The emphasis is on revealing information on the realisation and financing of a project, the effects of the project on the company with regard to financial development, employment and competence trends, the project's importance for survival, the development of

² Bræin and Hervik 1996, 1997a, 1997b, 1998b; Bræin, Hervik and Bergem 1999b.

³ Borch, Brastad, Bullvåg and Madsen 2000 and Brastad, Bullvåg and Madsen 2001, Brastad et al. 2002 and Brastad, Bullvåg, Madsen and Øines 2003.

⁴ Bræin and Hervik 1998a, 1998b; Bræin, Hervik and Bergem 1999a, Bræin et al. 2000 and Bræin et al. 2002.

⁵ Brastad, Bullvåg and Madsen 2003

profitability and competitiveness. The effects of the project on the company are studied, based on the company's experience with the project, its accounting figures, and so on. In the same way, the importance of SND's involvement in the project, both financially and technically, is evaluated.

1.2 OBJECTIVES

This follow-up study applies to those loan and grant schemes which constitute the regular financing arrangements for individual companies, including start-up grants, basic financing for fisheries operators, agricultural loans and rural development funds.⁶ The objective of the client surveys is to answer such questions as:

- How does SND contribute to the realisation of projects?
- How does SND's involvement affect important objectives and processes of change in a company?
- How does the client see SND's role in the project?

SND's contribution to the realisation and results of the projects is a question of effects and additionality at *project level*. The objective was to determine whether projects were realised and to what extent the involvement of SND is crucial to the realisation of the projects with regard to their form, scale and timing.

SND's effect on the company's principal objectives and processes of change is a question of the effects at *company level* and the follow-up studies focus especially on this issue. Has the realisation of the project contributed to the company's objectives regarding financial results, growth, employment, competence, competitiveness, market share and creativeness/innovation? The results achieved at company level also depend to a large extent on the company's strategic choices, competence and objectives.

The clients' assessment of SND's role in the project is a question of to what extent SND is an active partner for the company. If SND has contributed by following up the project, in which areas has this taken place and to what extent are the companies satisfied with this?

To address these issues, data from both the preliminary study in 2001 and the follow-up study in 2004 are used. While the data from the preliminary study say

⁶ We would like to point out that SND's various programme activities are not considered in connection with the client survey. These programmes constitute a significant part of SND's involvement in the development of competence and innovation. This follow-up study will not therefore provide a comprehensive picture of SND's work in these areas.

something about expectations and the status of the company at the commencement of the financed project, the data from the follow-up study form the basis for assessing whether the expectations have been fulfilled and to what extent changes have taken place in the company. In addition to the guidance and financing received by the companies, they will also be influenced by a number of other factors, among other things conditions in their surroundings. The model below is a simplified representation of this study.

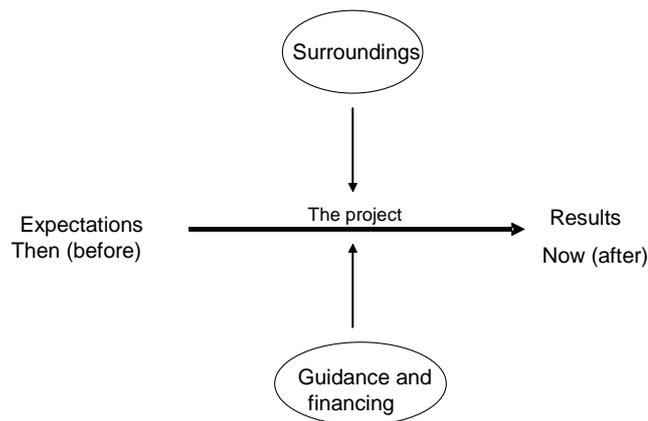


Figure 1-1 Follow-up study model

1.3 CHANGES RELATIVE TO THE PREVIOUS STUDY

All the questions from the previous follow-up study (of the 1999 group) have been retained. However, some new questions have been added to the study for the 2000 group. This results in more complete model of analysis.

In order to obtain better insight into important knowledge resources in the companies, some questions have been added regarding the company's technical and market-related expertise compared with that of the competitors. In order to obtain a picture of the company's framework conditions and surroundings,

questions are asked about how dynamic, heterogeneous and hostile the surroundings are perceived to be.

In addition to the above-mentioned, questions have been included regarding whether the company has a management team or management group and how many of the employees have college or university education. Furthermore, there has been some improvement and adjustment of existing questions.

1.4 THE STRUCTURE OF THE REPORT

The report is divided into five main parts as shown in the figure below. Part A provides an overview of the background and objectives of the study. Parts B, C and D contain analyses of the results in relation to the financing and guidance level, the project level and the company level, while Part E consists of a summary with regard to each individual support type and the results are discussed in relation to selected objectives of SND and its financial support for businesses.

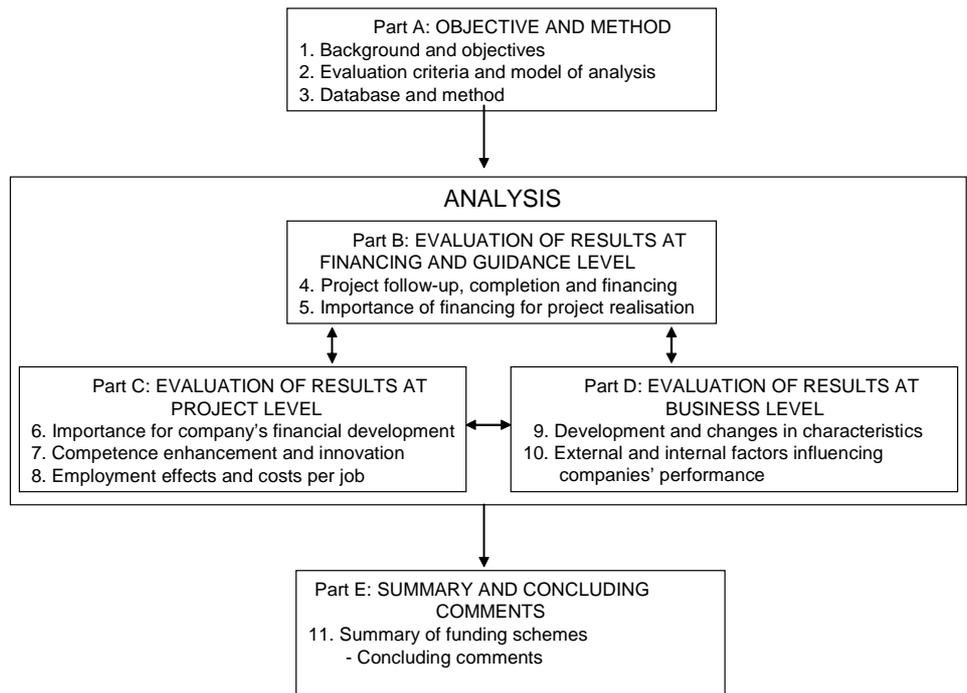


Figure 1-2 The structure of the report

2. EVALUATION CRITERIA AND ANALYSIS MODEL

The purpose of this chapter is primarily to provide a background for later assessments of whether allocations of approvals for funding in 2000 are in line with the objectives and the intentions of the government ministries. In this chapter we outline the objectives and visions of SND, the purposes of the funding schemes and the requirements which are placed by the ministries on SND's result reporting system. Finally a detailed analysis model is created for the follow-up study. We would like to point out that the objectives and guidelines presented here are those which were applicable at the time of approval of funding.

2.1 EVALUATION CRITERIA

2.1.1 SND's objectives and visions

According to SND's mission statement (Act No. 78 of 3 July 1992, relating to the Norwegian Industrial and Regional Development Fund):

“The objective of the Norwegian Industrial and Regional Development Fund is to promote socio-economically profitable industrial development both regionally and nationally by:

- a) contributing to the development, modernisation and adaptation of, as well as product development and business foundation in, Norwegian trade and industry throughout the country and
- b) promoting initiatives to provide permanent and profitable employment in regions with particularly serious employment problems or poorly developed industrial foundation.”

In the evaluation of SND's financial support for businesses⁷ it was also pointed out that the dualism inherent in the mission statement is connected with both national value creation and catering for the needs of disadvantaged regions, and that this results in the need for difficult deliberations regarding both overall operative objectives and daily operations throughout the organisation. The challenges of deliberation are accentuated by a long series of subsidiary objectives of various interested parties and clients connected with themes, sectors, industries and regional, national and international arenas of action.

⁷ Alsos, Bjørnsen, Borch, Brastad, Jenssen and Mønnesland (2000). SND i Distrikts-Norge. Evaluering av de bedriftsrettede distriktpolitiske virkemidlene. [SND in the Norwegian Regions. Evaluation of regional policy support for the financing of businesses.] Nordland Research Institute and the Norwegian Institute for Urban and Regional Research, Bodø

In Norwegian Parliamentary Bill No. 1 (1998-99) relating to the Ministry of Trade and Industry (Page 154), which presents the long-term objectives and strategies of SND, it is underlined that these apply to *all of SND's operations*, irrespective of which ministry is behind the individual grants, and that the objectives and strategies shall form guidelines for all executive work regarding subsidies, loans or other functions connected with SND's clients. With the above in mind, the following objectives have been formulated for SND's operations:

Overall objectives

- SND shall contribute to the promotion of competitive trade and industry, increased value creation and full employment throughout Norway.
- SND shall promote economically profitable industrial development both regionally and throughout Norway.

Principal objectives and strategies:

- *SND shall contribute to the creation of profitable businesses throughout Norway.* Profitable businesses are a prerequisite for increased value creation and employment, which in turn is a prerequisite for increased welfare in the long term. Through the provision of various forms of capital, SND shall reduce risk, stimulate creativity and promote profitable industrial development. Thanks to experience-based competence, specialisation and specialised measures, SND shall be able to assume a higher risk than that which is normal in the capital market. In collaboration with private credit institutions, SND shall contribute to investment in trade and industry and assist in ensuring that companies and projects have the best possible foundation for success.
- *SND shall be an important agent for the realisation of regional policy objectives.* The development of sustainable trade and industry is of great importance for maintaining the principal trends in the geographical settlement pattern in Norway.
- SND shall counteract imperfections in the capital and competence markets. Such imperfections can result in the failure to implement socio-economically profitable projects in the absence of government involvement.
- *SND shall contribute to creativity, adaptation and the establishment of new ventures.* Because project evaluation and information acquisition in connection with this type of project are extremely costly, private financiers may find projects not worthy of consideration. SND plays an important role by identifying and part-financing projects which are expected to be commercially and socio-economically viable but which are not considered by the private capital market.
- *SND shall give priority to small and medium-sized companies.* Small and medium-sized companies represent a high proportion of Norwegian employment and are particularly important for value creation and employment in the regions. Moreover they play an important role with regard to the ability of the economy to show innovation and adaptability.
- *SND shall co-ordinate the support providers.* SND, in collaboration with the Research Council of Norway, is the government's central co-ordinating support provider in connection with the work of promoting innovation and competence enhancement in trade and industry.

- *SND shall be an agent for handling local adaptation and employment problems.* Special problems can arise in one-industry towns, for example when the principal companies scale down or terminate operations. In such cases the social consequences may be so serious that extraordinary adaptation measures must be initiated.
- *Women shall be a high priority target group for SND.* By means of attitude-creating work and special involvement, SND shall promote efforts to create equality of opportunity and shall encourage women to establish and expand businesses.
- *SND shall be a national expertise and power centre* which stimulates the development of trade and industry throughout Norway.
- *SND as an institution shall be a premise former and an agent in the realisation of a national industry policy* based on the efficient utilisation of the country's resources.

The strategy has been re-focused and developed further in the course of 2001, following the Norwegian Parliament's handling of Parliamentary Report No 36 (2000-2001) *SND: Ny giv, ny vekst, nytt næringsliv [SND: new initiatives, new growth, new trade and industry]*. In this, it is established that in all its operations, SND shall focus upon:

- encouraging Norwegian businesses to utilise their international potential
- encouraging women and young people to participate in business development and entrepreneurial activities
- encouraging Norwegian businesses to make use of and develop more environmentally efficient technology.

SND has formulated the following strategy (SND, 2001) for the period 2002-2005:

SND shall contribute to the realisation of the national and regional policy objectives. The operations shall promote value creation based on different considerations from those regulated by the markets themselves. SND shall correct any shortfall in the capital and competence markets, work on the companies' surroundings, and by means of its efforts initiate or stimulate measures which directly or indirectly promote increased value creation for each individual client.

In this situation, SND's most important strategic resources are:

- a decentralised organisation, easily accessible to clients
- broad competence in the fields of commercialisation and business and industrial development
- a broad range of financial arrangements providing risk reduction
- networking with other support providers, competence environments and the private finance market
- close contact with national and regional authorities

SND's business concept is:

To discover, refine, arrange and follow up projects which directly or indirectly provide increased value creation for individual companies

SND's vision is:

SND – active partner from idea to fruition

SND's principal areas of activity are:

Innovation – Increased innovation in Norwegian trade and industry

Competence development – Stronger competence development in Norwegian trade and industry

It is evident here that the mandate points in many directions. To begin with, existing industry shall be supported, while concentrating on local markets in areas with a poor commercial foundation. At the same time, work will be concentrated on structural changes and adaptation in established trade and industry, which often has an effect on established jobs. Areas due for new activity and innovation have been subject to particular attention, and ever more powerful guidelines with respect to competence have been introduced.

2.1.2 Description of the objectives for funding

The budget of the Ministry of Trade and Industry for 2001 (Parliamentary Bill No. 1 (2000-2001)) includes the following statements regarding the objectives of the grant and loan schemes:

- The nationwide and regional *grants* are provided to projects and initiatives which are not sufficiently socio-economically profitable on an individual basis, but which are expected to have positive benefits from a socio-economic point of view. This includes purely commercial development grants, programme activities and support for adaptation in areas with undiversified industrial activity.
- *Loans and guarantees* are used mainly to finance investments in property and production equipment and as operating credit. *Loans* are granted with various conditions, depending on the risk level of the individual project. *Venture capital loans* are provided for more risky projects, rather than secured and basic financing loans, and are intended to have a triggering effect for private co-financing.

A more detailed description of the individual support types can be found in Chapter 11.

2.1.3 Result Reporting System for SND

The above-mentioned four ministries, as well as the Ministry of the Environment, have prepared a *Result Reporting System for SND*⁸. The result measurement system measures activity, effects, productivity and client satisfaction. The client survey is used particularly in connection with the measurement of effects and client satisfaction. SND also has a separate questionnaire for use in measuring clients' satisfaction with SND's service level. The client surveys are also used to provide material in connection with total evaluations and the evaluation of programmes and funding schemes. The structure of the result measurement system is shown in the table below:

Table 2-1 Result Reporting System for SND

Reporting	Type of indicator	Description
Annual	Activity	The objective is to measure to what extent SND follows up the strategies and priorities which Parliament and the Government have provided for its operations
	Effects	The objective is to determine to what extent the support apparatus satisfies the overall objectives
	Productivity	The objective is to determine whether SND as an organisation works efficiently
	Client satisfaction	The objective is to determine to what extent SND provides advice and guidance to its clients
Every fourth year	Total evaluation	Performed by an external evaluator appointed by the ministries
Irregular evaluations	Evaluation of programmes and support schemes	Performed by an external evaluator appointed by the relevant ministry or by SND

The client surveys are not all-inclusive surveys among the support recipients, but involve a selection of them. This means that activity measures which are based on total figures will not be included here. This study therefore focuses on effect indicators and indicators of client satisfaction. In the result measurement system, the following indicators, among others, are mentioned:

- Effect indicators for employment (follow-up study)
 - o Jobs *created* as a result of SND's activity in the three-year period
 - o Jobs *secured* as a result of SND's activity in the three-year period

⁸. The Ministry of Trade and Industry, the Ministry of Local Government and Regional Development, the Ministry of Fisheries, the Ministry of Agriculture and Food and the Ministry of the Environment, 2000

- Effect indicators for profitability
 - o Expectations of the project's importance for the company's profitability development (preliminary study)
 - o SND's importance for the company's profitability (follow-up study)
 - The project's importance for the company's profitability, in conjunction with SND's importance for the survival of the project

- The competence effect
 - o The company's expectations with regard to enhancing competence through the project (preliminary study)
 - o Did the company experience enhancement of competence (follow-up study)?

Relevant background variables for the various indicators are given as: Company size, geography (geographical area of activity, counties, outlying districts), gender considerations and support scheme.

2.1.4 Evaluation criteria and questions to be answered

As we have seen, SND has two main roles: To contribute in the form of financing and guidance of companies and to be an operator on the society level (premise setter in trade and industry policy, co-ordinator of support providers, etc.) The former role is focused upon here. Based on the review above, it will be particularly relevant to consider the effects of the financial support for businesses in relation to the following measurements, in addition to the effect indicators for employment, profitability, competence and client satisfaction as mentioned above:

- *SND shall contribute to the creation of profitable businesses throughout Norway.* This shall include reducing risk (through the provision of various types of capital), stimulating creativity and promoting profitable industrial development.
- *SND shall be an important agent for the realisation of regional policy objectives.* The development of sustainable trade and industry is of great importance for maintaining the principal trends in the geographical settlement pattern in Norway.
- *SND shall counteract imperfections in the capital and competence markets. Such imperfections can result in the failure to implement socio-economically profitable projects in the absence of government involvement.*

In the table below, the different objectives and requirements focused on by this follow-up study (with the qualification that we only consider here the financial support of individual businesses and not the different programmes and other involvement on the part of SND), are tabulated against the questions to which the follow-up study seeks the answers (cf. Section 1.2). The results are presented in the table below.

Table 2-2 The correlation between SND's objectives, measurement indicators and the follow-up study's problem areas.

Problem area	Objective	Type of measurement/indicator
How does SND contribute to the realisation of projects?	Counteract imperfections	- Financing of projects - Additionality at outset - Project realisation in retrospect
How does SND's involvement affect important objectives and processes of change in a company?	Promote companies' profitability	- The importance of the project for profitability and survival - The importance of the project for cost reductions and revenue increases - Whether the company has achieved satisfactory performance
	Contribute to increased employment	- Jobs created - Jobs secured
	Contribute to enhanced competence and increased innovation	- Did the company experience enhancement of competence? - The contribution of the project to innovation
	Contribute to increased competitiveness	- The importance of the project for development in various markets - Changes in the characteristics of the companies - SND's influence on the entrepreneurial attitude of the company - SND's influence on the company's performance
How does the client see SND's role in the project?	Active business partner	- SND's project follow-up

2.2 REGIONAL POLICY SUPPORT AREA

The geographical impact area for the financial support for businesses may be divided into two main categories; inside and outside the regional policy support area⁹. The areas in which regional policy is in effect are Zones A, B, C and D, Zone A having highest priority, B next highest, and so on. For Zone D, which has the lowest priority with regard to the use of regional policy support, only indirect, specially adapted support can be provided. Hence, in this study we will treat Zone D as being outside the regional policy support area.

As regards Zones A, B and C, the defined maximum amount of support is measured relative to the total government involvement as a proportion of the standard cost basis. For Zone A the maximum rate of support for investments is 30 per cent for large companies and approximately 45 per cent for small and medium-sized companies¹⁰. For Zone B the maximum support rates are 25 per cent and 30 per cent, respectively, while for Zone C they are 15 and 25 per cent. In addition, competence-enhancing initiatives not a part of product development may be supported by up to 75 per cent of the cost basis for SMEs, while this type of support is not available for large companies. This applies to all three of the Zones A, B and C. Support can be granted for product development of up to 40 per cent for SMEs and 30 per cent for large companies. If industrial research is involved, the maximum rates are higher. This also applies to Zones A, B and C. In addition, companies in these support areas can receive so-called “trivial” support of up to 100 per cent of the cost basis. This support may be considered trivial if the company does not receive more than EUR 100,000 in the course of a three year period.

2.3 MODEL OF ANALYSIS

The starting-point for the analysis work is a model of the possible factors which can affect the companies. The follow-up study focuses especially on the effect or interaction which has taken place between SND and its funding and the companies (1 and 2 in the models of analysis below), a review of the company’s development (3), internal resources and strategic conditions (3a), the financed project (3b) and an evaluation of the company’s financial performance (6). In addition, internal

⁹ A detailed overview is included as an attachment.

¹⁰ Small and medium-sized companies are defined as those with fewer than 250 employees and which are independent in the sense that they are not more than 25% owned by other companies which are not defined as small or medium sized companies (SMC). Non-independent companies are defined as SMCs if they in addition to having fewer than 250 employees have sales of EUR 40 million or less or a balance of EUR 27 million or less.

control variables connected with the development and history of the company are included in the model (5), as well as the company's perception of its surroundings (4). Factors connected with the surroundings, such as the development of economic conditions, trade and industry policy and similar *external* conditions are however not considered in this study. The main content of the model of analysis is shown below.

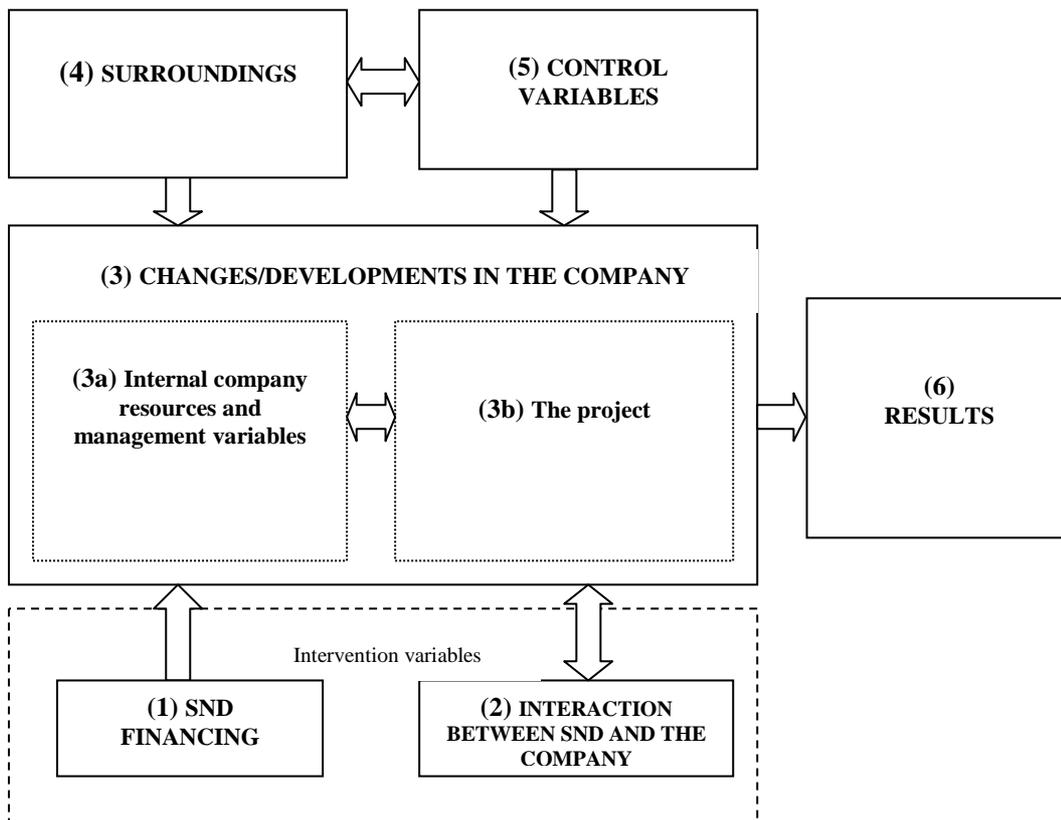


Figure 2-1 Model of analysis

The individual elements of the model are reviewed below:

(1) SND financing

The type of support and the size of SND's project financing are incorporated and used as an explanatory variable in relation to the various economic results achieved

by the company. The financing arrangements and schemes embraced by the follow-up study are: Secured loans, regional and national venture capital loans, regional and national grants, start-up grants for entrepreneurs, public and industrial research and development contracts (OFU/IFU), basic financing for fisheries operators, agricultural loans and rural development funds.

(2) Interaction between SND and the company

This deals with SND's role in the project evaluated in retrospect in relation to the following up of the company and project. Whether SND has contributed in the form of follow-up is also used as an explanatory variable with regard to the various results the company has achieved.

(3) The company's development

In our model, this consists of two factors: (3a) *Internal company resource and management variables* and (3b) *The project* and any relationships between these. The former (3a) are considered very important for a company's development and strategic management, and will be critical for the future development of the business. It is therefore of interest to see to what extent the various funding schemes or project types stimulate such change processes. In particular it is of interest to discover which resources and strategies are affected. As regards (3b) *The project*, consideration will be made of what importance the project has had for the development of the company in terms of survival, profitability, market development, competence enhancement, innovation, revenue increases/cost reductions and employment trends.

(4) Factors in the surroundings

A company's framework conditions/surroundings and any changes in these can provide a good picture of the company's situation. A presentation is included showing the extent to which these are dynamic, heterogeneous and hostile. This can contribute to explaining any differences between the SND financed companies not resulting from their industries, geographical areas and various zones.

(5) Internal control variables

The characteristics of a company may be factors which affect the prerequisites for the company's development. In this study the companies' industry sector, size and age will be investigated.

(6) Result variables

The results of a company's activities are measured in three different ways; (1) by measuring the change in the company's gross sales¹¹. (change in sales from 2000 to

¹¹. Sales measured in terms of current prices.

2003, divided by sales in 2000), (2) by measuring the change in the company's *employment* (change in number of employees from 2000 to 2003, divided by number in 2000), and (3) by using the company's self-reported conception of its own *performance/results* compared with the competitors (six variables). The term *performance* means to what extent the company has a greater market share, a better market position, stronger sales growth, stronger employment growth, a better financial result and better customer loyalty than the competitors.

3. DATABASE AND METHOD

3.1 SELECTION

In the preliminary study carried out in 2001 among companies which received approval for funding in 2000, a total of 2261 companies were selected, of which 1209 responded (Brastad, Bullvåg and Madsen, 2001). For a more detailed description of how the selection and data acquisition were carried out, see the above-mentioned preliminary study.

The 1209 companies which responded to the preliminary study were used as the starting point for the current follow-up study. Of these, we received response from 807 companies, or 67 per cent of the selection. Of these, 52 percentage points were actively operating while 15 percentage points had been closed down or declared bankrupt. 33 per cent of the companies declined to respond or were not available for contact. Relative to the sample involved in the preliminary study (2261 companies), we achieved a response rate of 36 per cent. The number of companies which responded at the various stages of the study is shown in the table below.

Table 3-1 Original selection and number of responses to the preliminary and follow-up studies

Original selection	Responded to preliminary study	Did not respond to follow-up study	Closed down/bankrupt	In active operation
2,261	1,209	402	184	623
100%	53%	18%	8%	28%
	100%	33%	15%	52%

In the tables below, the respondents are shown according to type of support, company size and support zone and are compared with the selection or respondents involved in the preliminary study. The objective of this is to reveal whether the withdrawal of companies between the preliminary study and the follow-up study has been systematic.

When the respondents are sorted according to the type of support received, we find significant changes between the preliminary study and the follow-up study. Compared with the preliminary study, recipients of public and industrial research and development contracts (OFU/IFU) and national venture capital loans are somewhat overrepresented, while recipients of basic financing for fisheries operators are somewhat underrepresented. It is possible that this bias will affect the

results, but probably not to a large extent, since there is a similar rate of withdrawal between the preliminary survey and the follow-up survey among the remaining support recipients. When the recipients of support approval are grouped according to company size and support zone, there are no significant differences from the preliminary study to the follow-up study. This means that the companies included in this study are representative relative to the preliminary study as regards these characteristics.

Based on an overall evaluation, there is reason to conclude that the companies which have responded to the follow-up study are reasonably representative of the selected sample, taking into account the parameters of support composition, company size and regional policy support area. The distribution according to the various parameters is shown in the tables below.

Table 3-2 Selection, respondents and withdrawal rate according to support type

Support type	Response 2001		Declined/ no contact		Response 2004*	
	N	%	N	%	N	%
Secured loan	48	100	17	35	31	65
National venture capital loan	48	100	10	21	38	79
Regional venture capital loan	136	100	44	32	92	68
National development grant	61	100	20	33	41	67
Regional development grant	208	100	63	30	145	70
Start-up grant	265	100	100	38	165	62
OFU/IFU	63	100	11	17	52	83
Basic financing for fisheries	77	100	36	47	43	53
Agricultural loan	117	100	43	37	74	63
Rural development funds	185	100	58	31	127	69
TOTAL	1209	100	402	33	807	67

* Includes companies which have been closed down or declared bankrupt

Table 3-3 Selection, respondents and withdrawal rate according to company size

Company size	Response 2001		Declined/ no contact		Response 2004*	
	N	%	N	%	N	%
0 employees	347	100	137	39	210	61
1 to 10	709	100	221	31	488	69
11 to 20	58	100	20	34	38	66
21 to 50	60	100	13	22	47	78
51 to 100	22	100	7	32	15	38
100+	12	100	3	25	9	75
TOTAL	1208	100	401	33	807	67

* Includes companies which have been closed down or declared bankrupt

Table 3-4 Selection, respondents and withdrawal rate according to regional policy support area

Support area	Response 2001		Declined/ no contact		Response 2004*	
	N	%	N	%	N	%
Zone A	68	100	22	32	46	68
Zone B	315	100	110	35	205	65
Zone C	349	100	117	34	232	66
Not in support zone	476	100	152	32	324	68
TOTAL	1208	100	401	33	807	67

* Includes companies which have been closed down or declared bankrupt

3.2 DATA ACQUISITION METHOD

The interview phase of the follow-up study for the 2000 group was carried out by Polarfakta AS, as was the preliminary study. Polarfakta's experience with this assignment comes in useful both because the interviewers acquire proficiency as a result of earlier experience with the studies, and because the strategy for recruitment of companies is refined with time.

Data acquisition commenced with the distribution of the questionnaires and a covering letter from SND to the companies group by group. In the attached covering letter the companies were informed of the purpose of the study and advised that they would be contacted by Polarfakta AS who would carry out the interview on behalf of the Nordland Research Institute. A telephone number and e-mail address were also provided for respondents to use in case they had queries.

The companies were also informed that the questionnaire was available on the Internet. The companies were subsequently contacted about five days after the questionnaires were distributed to obtain permission to conduct an interview. The date of the interview was also agreed with those companies who were willing to participate in the study, and it was ascertained that the correct person in the company had been contacted. As the companies were contacted, the results of the contact attempts were logged by the interviewer involved. In the case of companies where the correct person was not present or available, or where contact was not achieved, up to three repeat attempts were made. The study was carried out in the period from January to March 2004.

3.3 ASSESSMENT OF THE DATA

Although the data material is reasonably representative based on the underlying variables, there are a number of other factors which affect the interpretation of the results and call for a degree of caution. These can be:

- General uncertainty surrounding relationships and effects
- Weaknesses of self-reported performance measurements
- Possible sampling bias

General uncertainty surrounding correlations and effects. In general it is the case that the internal company effects of public financial support are a very difficult field to study. It is difficult to obtain exact replies to questions regarding the suitability of the support and its overall effects. This means that caution must generally be exercised when drawing conclusions on the basis of the quantified effects of financial support for businesses.

Weaknesses of self-reported performance measurements. The performance measurements used in the client survey are reported by the support-receiving companies themselves. Shortcomings have previously been documented in self-reported results, connected for example with the fact that users of most initiatives are to a large extent satisfied (Nødland and Olsen 1992). It is also possible that the replies do not reflect the real opinions of the businesses, but are the result of strategic response with the aim of maintaining the arrangements and receiving support in the future. However, it is difficult to determine the scale of such strategic response. Another problem connected with the self-reported performance measures is that there is not necessarily a correlation between them and the results actually achieved (Rolfsen 1995).

The results may have been influenced by *sampling biases*, meaning that there may be areas in which there are systematic differences between those who have responded and those who have not. In our case, for example, there is reason to believe that companies find it easier to report a successful project than an unsuccessful one. Consequently it may be assumed that those companies which have responded to the survey will on average have achieved better results than those which have not responded. If this is so, it will result in the results providing a more positive picture of the situation than is actually the case.

At present the companies' participation in the client survey is voluntary. To obtain results giving the most reliable picture of the organisation, it is possible that this should be changed. It would be an advantage that the companies were obliged to provide information for use in evaluations, in other words, that this became a requirement for receiving support. The problems in the data material described above would thereby be avoided, which would enhance the validity of the study.

3.4 DISTRIBUTION ACCORDING TO TYPES OF SUPPORT AND ZONES

In the table below, the respondents which are still in active operation are grouped according to the type of support received and the company's geographical location according to support zone. National venture capital loans, national development grants and OFU/IFU have all generally been awarded to companies outside the regional policy support area, while regional venture capital loans and regional development grants have generally been awarded to companies inside these zones. The reason why a small proportion of the regional policy support has also been awarded to companies outside the regional policy support area is that the company's head office is located outside the area, while the department which has received the support is within the area. As regards basic financing for fisheries operators and agricultural support, from just under two thirds to three quarters of the allocation approvals have gone to companies inside the regional policy area.

Of the general national support schemes, only secured loans are also used inside the regional policy zones to some extent, while national venture capital loans and national development grants are virtually only used outside the zones. In other words, these are not used nationally. This means that the regional policy support schemes which should form additional compensation for market failure are not awarded in addition to the other national schemes, but instead of them. This situation has also been mentioned in earlier evaluations (Hauknes, Broch and Smith, 2000). The national innovation and development support which OFU/IFU

represents is not used to any particular extent in the regional policy support area either. 93 per cent of this support goes to companies in central locations. It is pertinent to ask whether this type of support should not be used to a greater extent also within the regional policy support area. This recommendation, among others, was put forward in the STEP Group's evaluation of SND (Hatling, Herstad and Iaksen 2000).

Table 3-5 Awarded support according to support zone. Actively operating companies. Absolute figures and percentages

Support type	Support area				Total
	A	B	C	Not in support zone	
Secured loan	2 8%	5 21%	2 8%	15 63%	24 100%
National venture capital loan				21 100%	21 100%
Regional venture capital loan	3 5%	26 42%	32 42%	1 2%	62 100%
National development grant			2 8%	22 92%	24 100%
Regional development grant	7 7%	43 40%	57 53%	1 1%	108 100%
Start-up grant	5 4%	21 18%	24 20%	68 58%	118 100%
OFU/IFU		1 2%	2 5%	40 93%	43 100%
Basic financing for fisheries	4 12%	18 53%	4 12%	8 24%	34 100%
Agricultural loan	7 10%	27 38%	19 26%	19 26%	72 100%
Rural development funds	2 2%	30 26%	42 36%	43 37%	117 100%
Total	30 5%	171 27%	184 30%	238 38%	623 100%

PART B: EVALUATION OF RESULTS AT FINANCING AND GUIDANCE LEVEL

4. PROJECT FOLLOW-UP, COMPLETION AND FINANCING

In the first part of this chapter we investigate to what extent support approval is made use of, and whether SND follows up the companies. Then we look more closely at whether the projects are completed. We study the reasons for projects not being realised, when this is the case, and whether the projects are completed according to the original plans. Finally we look more closely at the ways in which the projects are financed. We investigate which financing sources make a contribution in addition to SND, and whether the projects have received additional financing from SND.

4.1 FUNDING USED

The number of support approvals has increased by 4 percentage points since the preliminary study. This means that 97 per cent of the companies have now made use of the approval which was awarded to them in 2000. This is at the same level as was found in the previous follow-up study. Use of the support approvals varies from 100 to 92 per cent for the various types of support. Recipients of basic financing for fisheries operators, national venture capital loans and OFU/IFU are those who to the greatest extent have made use of the support approval, while those who have been awarded national development grants and secured loans have used it least. As regards the other types of support, the proportion used is between 99 and 93 per cent. A full overview of the support approvals made use of is given in the table below.

Table 4-1 Used support according to support type. Per cent

Support type	N	Used	Not used
Basic financing for fisheries	34	100	0
National venture capital loan	21	100	0
OFU/IFU	43	100	0
Start-up grant	118	99	1
Agricultural loan	72	99	1
Rural development funds	117	97	3
Regional development grant	108	94	6
Regional venture capital loan	62	93	7
National development grant	24	92	8
Secured loan	24	92	8
Total	623	97	3

4.2 SND'S FOLLOW-UP OF THE SUPPORT RECIPIENTS

One of the elements included in SND's business concept is to follow up projects which have been approved for support. This chapter investigates how many companies have been followed up by SND and who took the initiative for this. In addition we study in which areas the companies have been followed up and how satisfied they are with this.

4.2.1 How many companies have been followed up?

The companies were asked whether SND had contributed in the form of follow-up after approval of support had been awarded. 32 per cent replied "yes", while 67 per cent replied "no". Of those who replied "no", however, 61 per cent pointed out that such following up was neither necessary nor expected. This means that only 6 per cent of the companies which did not receive follow-up actually wanted it. This is approximately the same proportion as was evident from the follow-up study of the 1999 group.

There are relatively large variations among the different types of support as regards the extent to which SND has contributed in the form of follow-up. These variations result primarily from different preferences among the recipients of support. Recipients of OFU/IFU (47 per cent) and regional venture capital loans (46 per cent) are those who received the greatest degree of follow-up, while recipients of agricultural loans (23 per cent), national venture capital loans (21 per cent) and rural development funds (21 per cent) have received the smallest amount of follow-up. The table below shows the responses of the companies grouped according to type of support.

Table 4-2 Has SND provided any follow-up after the approval of support? Distribution according to type of support. Per cent

Support type	N	Yes	No	Don't know
Secured loan	22	32	68	0
National venture capital loan	19	21	74	5
Regional venture capital loan	59	46	53	2
National development grant	21	43	52	5
Regional development grant	100	28	71	1
Start-up grant	104	38	62	1
OFU/IFU	43	47	54	0
Basic financing for fisheries	33	36	61	1
Agricultural loan	71	23	78	0
Rural development funds	113	21	79	0
Total	585	32	67	1

Those companies which have received follow-up from SND were also asked who took the initiative for the contact between SND and the company. 61 per cent state that the initiative for contact was primarily taken by the company itself. 27 reply that the initiative for the contact sometimes was taken by the company and sometimes by SND, while 11 per cent state that the initiative was taken by SND. This is approximately the same picture as for last year.

4.2.2 Fields in which the companies have been followed up

To form an impression of the fields in which the companies have received follow-up, those which received such follow-up were asked to indicate the extent of follow-up in a number of important fields connected with company development. The results show that the companies have primarily received financial guidance. In this field, 55 per cent have experienced follow-up to some or a large extent (score 3-7). The next two fields are the development of partner relationships and networking (48 per cent) and market development (43 per cent). The proportion which have received follow-up to some or a large extent in the remaining fields is between 34 and 22 per cent. Compared with the previous follow-up study, the occurrence of follow-up to some or a large extent in the various fields has increased by 2 to 13 percentage points. Based on the data available it is not possible to ascertain whether this increase is the result of increased demand for guidance or an improvement in efforts on the part of SND.

Table 4-3 Fields in which the company has received follow-up from SND. Per cent (n=186)

	To a limited extent	To some extent	To a large extent	Don't know
Financial guidance	39	29	26	7
Development of partner relationships/networking	44	26	22	8
Market development	48	26	17	9
Development of organisation and management	57	18	15	10
Product and service development	58	20	14	9
Development of the production process	67	15	9	9
Selection or development of technological solutions	69	15	7	10

The companies which received follow-up from SND were asked to indicate how satisfied they were with the follow-up. Overall the companies appear to be well satisfied. As many as two thirds state that they to a large extent (score 5-7) are satisfied, while only 4 per cent are only satisfied to a limited extent (score 1-2).

This is broadly the same result as for last year's study. A correlation analysis shows that the companies which have received a high degree of follow-up in the first five fields in Table 4-3 are more satisfied with the follow-up than those who have only received a limited degree of follow-up. This indicates that the companies actually feel that the follow-up had a positive influence on the project for which they received support or on the company as a whole.

4.3 COMPLETION OF THE PROJECTS

Compared with last year's study, the completion of the projects is presented in a somewhat different way. This year we have also included projects in companies which have been closed down or declared bankrupt. The reason for this is that it provides a better and more representative picture of how many projects have actually been realised. The presentation is based on the fact that those companies which have been closed down or gone bankrupt have failed to realise their projects. This means that the proportion of projects which are reported as realised represents a conservative estimate. The reason for this is that some of the companies which have been closed down or declared bankrupt have probably completed the projects before they ceased operations.

The figure below shows that 68 per cent of the projects were realised, while a further 4 per cent are expected to be realised. 28 per cent of the projects have not been realised. Disregarding the projects where the company has gone out of business, 88 per cent of the projects have been realised. This is a fall of 4 percentage points from the previous follow-up study.

There is considerable variation between the various types of support as regards the extent to which the projects have been completed, and this variation is primarily the result of differences in the number of companies which have gone out of business. The highest proportion of completed projects is among recipients of agricultural loans (89 per cent), basic financing for fisheries operators (81 per cent) and rural development funds (80 per cent) while the smallest proportion completed is among those who have received national venture capital loans (42 per cent) and national development grants (49 per cent). As illustrated in the figure below, the degree of completion is from 61 to 69 per cent for the remaining recipients of support.

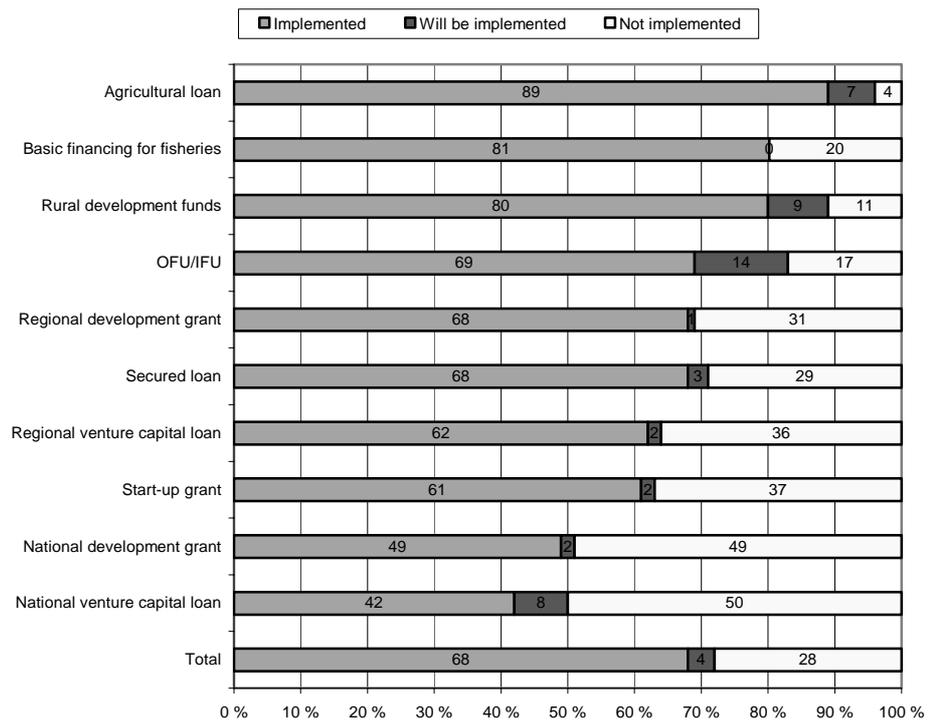


Figure 4-1 Status of realisation of projects (N=807).

The companies were asked to indicate whether their projects were implemented according to the original plans from 2000. In this case too, the companies which have gone out of business are included in the presentation. In all, 63 per cent of the companies state that their projects were implemented according to the plans, while 37 percent state that this was not the case. Disregarding the observations where companies have gone out of business, 87 per cent of the projects have been realised according to the plans. This is a reduction of 3 percentage points from the figures for the 1999 group.

As shown in the table below, there is considerable variation between the various types of support as regards the degree to which the project was realised according to the original plans. The highest proportion of projects realised according to plan is among recipients of agricultural loans (82 per cent) and rural development funds (81 per cent) while the smallest proportion is among those who have received national development grants (39 per cent) and national venture capital loans (42 per cent). As for the realisation of projects, these variations to a large extent result from

differences between the types of support as regards the proportion of companies which have gone out of business.

Table 4-4 Project realisation in accordance with plans from 2000 according to type of support. Per cent

Support type	N	Yes	No	Don't know
Secured loan	31	67	32	0
National venture capital loan	38	42	58	0
Regional venture capital loan	92	52	48	0
National development grant	41	39	61	0
Regional development grant	145	61	39	0
Start-up grant	166	57	42	1
OFU/IFU	52	58	42	0
Basic financing for fisheries	41	71	24	5
Agricultural loan	74	82	18	0
Rural development funds	127	81	18	1
Total	807	63	37	1

4.4 FINANCING OF PROJECTS

The financing of projects comes predominantly from three sources: Equity, SND funding and bank loans. On average, 40 per cent of the project financing is by equity, 38 per cent by SND funding and 16 per cent by bank loans. In addition, some projects have received partial financing from other sources (3 per cent), other public sources (2 per cent), external investors (2 per cent) and the Research Council of Norway (1 per cent). The proportions of the various financing sources are to a large extent unchanged from the previous study.

4.4.1 The projects' financing sources according to type of support

The table below shows the proportion of the various financing sources grouped according to the type of support received. It is evident that there is a relatively large variation in financing among the types of support. Partial financing of a project using equity is most common for recipients of national development grants (58 per cent), and least common among those receiving basic financing for fisheries operators (24 per cent). For the remaining types of support the equity portion lies between 30 and 44 per cent.

As regards the use of bank financing, the proportion varies between 26 and 1 per cent of the project's total financing requirements. This financing source is most

commonly used by recipients of regional venture capital loans and least common among those receiving national development grants. As regards the other types of support, the proportion of bank loan financing is between 5 and 20 per cent. Also as regards SND's share of the project financing, there are certain variations according to the type of support. SND's share of financing (55 percent) is greatest for recipients of basic financing for fisheries operators and least for those receiving national development grants (25 per cent). As regards the other types of support, the proportion of SND financing is between 26 and 49 per cent. The use of other financing and the use of external investors is most common among recipients of OFU/IFU.

Table 4-5 Average project financing shares according to type of support. Per cent (n=585)

Support type	Equity	Bank loan	SND	NFR	Other public	Ext. investor	Others
Secured loan	30	19	48	0	0	2	1
National venture capital loan	42	11	26	3	3	9	2
Regional venture capital loan	38	26	29	0	1	1	1
National development grant	58	1	25	1	7	4	3
Regional development grant	40	20	33	2	3	1	2
Start-up grant	44	14	39	1	3	1	6
OFU/IFU	42	5	31	1	3	9	8
Basic financing for fisheries	24	13	55	1	1	0	3
Agricultural loan	34	14	49	0	0	0	1
Rural development funds	42	18	38	0	0	0	1
Total	40	16	38	1	2	2	3

4.4.2 The projects' financing sources grouped according regional policy support areas

The projects' financing sources have also been grouped according regional policy support areas. It is evident that there are smaller variations as to how the projects are financed based on area of operation than is the case for distribution according to type of support. However, some minor variations still exist. The use of equity for partial financing of a project is most common outside the regional policy support area (42 per cent) and in Zone C (41 per cent), while this source is least commonly used in Zone A (30 per cent). As regards bank loans, the proportion of projects partially financed from this source is greatest in Zone B (18 per cent) and smallest outside the regional policy area (13 per cent). SND's share of project financing is

highest in Zone A (51 per cent) and lowest in Zone C and outside the regional policy support area (36 per cent). This is as expected according to the guidelines with which SND is to operate. As shown in the table below, there are relatively small variations between the support zones as regards the use of the remaining financing sources.

Table 4-6 Average project financing shares according to regional policy support area. Per cent (n=585)

Support type	Equity	Bank loan	SND	NFR	Other public	Ext. investor	Others
Zone A	30	15	51	0	2	0	1
Zone B	37	18	39	0	2	0	3
Zone C	41	17	36	1	1	1	2
Not in support zone	42	13	36	1	2	4	3
Total	40	16	38	1	2	2	3

In addition to the analysis above, a separate analysis was also carried out for recipients of regional venture capital loans and regional development grants. This shows that the share of equity financing is somewhat smaller in Zone A than in Zones B and C, while the use of SND funds is greater in Zone A than in Zones B and C. However, the differences between the zones are not statistically significant. The results for the various financing sources are shown in the table below.

Table 4-7 Average project financing shares according to regional policy support area. Recipients of regional venture capital loans and regional development grants. Per cent (n=150)

Zone	Equity	Bank loan	SND	NFR	Other public	Ext. investor	Others
Zone A	27	28	38	0	7	0	0
Zone B	42	24	31	0	1	1	2
Zone C	40	21	32	1	2	1	2
Not in support zone	48	30	23	0	0	0	0
Total	40	23	32	0	2	1	2

4.4.3 Additional financing from SND

The companies were asked if they had received additional financing from SND. 14 per cent confirm that this was the case, which is 3 percentage points fewer than in the previous follow-up study. However there is some variation in the response, depending on which type of support has been received. First and foremost, those who have received additional financing are recipients of national venture capital loans (32 per cent) and secured loans (27 per cent). The reason for this may be that these are relatively large projects for which it may be difficult to make an accurate estimate of the project costs. This may result in a need for additional financing. Additional financing from SND is least common among those who have been awarded regional development grants (9 per cent) and start-up grants (10 per cent). The figures for the remaining types of support are shown in the table below.

Table 4-8 Additional financing according to type of support. Per cent

Support type	N	Yes	No	Don't know
Secured loan	22	27	73	0
National venture capital loan	19	32	58	10
Regional venture capital loan	59	22	78	0
National development grant	21	14	86	0
Regional development grant	100	9	91	0
Start-up grant	104	10	89	2
OFU/IFU	43	16	84	0
Basic financing for fisheries	33	21	79	0
Agricultural loan	71	13	87	0
Rural development funds	113	12	88	1
Total	585	14	85	1

4.5 SUMMARY

Project follow-up is one of the elements included in SND's business concept. It is evident that 32 per cent of the companies have experienced follow-up by SND following approval of support. 61 per cent do not feel that follow-up is necessary or expected, while 6 per cent have not been given follow-up, although they would have liked it. This is approximately the same proportion as was evident from the follow-up study of the 1999 group. The companies which have experienced the greatest degree of follow-up are those receiving OFU/IFU and regional venture capital loans.

In 61 per cent of cases, the initiative for contact between SND and the company was taken by the company itself. In 27 per cent of cases, the initiative was taken jointly by both the company and SND, while SND took the initiative for contact in 11 per cent of cases. The follow-up received by the companies was primarily in the form of financial guidance. Two thirds of the companies are very satisfied with SND's follow-up, while only 4 per cent are dissatisfied.

68 per cent of the projects have been realised, 4 per cent are expected to be realised and 28 per cent have not been realised. Disregarding the projects where the company has gone out of business, 88 per cent of the projects have been realised. There is considerable variation between the different types of support as regards the degree of completion of the projects. The highest proportion of completed projects is among recipients of agricultural loans (89 per cent), while the lowest proportion is among those receiving national venture capital loans (42 per cent). This variation is primarily the result of differences in the number of companies which have been closed down or declared bankrupt. 63 per cent of the companies state that their projects were realised in accordance with the plans from 2000.

The financing of projects comes predominantly from three sources: Equity, SND funding and bank loans. On average, 40 per cent of the project financing is by equity, 38 per cent by SND funding and 16 per cent by bank loans. In addition, some projects have received partial financing from other sources. There is some variation in the composition of financing based on the type of support for which approval was granted, while variations according to regional policy support area are smaller. 14 per cent of the companies have received additional financing from SND.

5. THE IMPORTANCE OF SND FINANCING FOR THE REALISATION OF THE PROJECT

The preliminary study included an evaluation of SND's importance for the realisation (additionality) of the projects. A corresponding evaluation has now been carried out, four years later. The companies were here asked if they in retrospect would have realised their projects without SND support and how important that support was for the realisation of the projects. In the last part of this chapter, the companies' responses to this and other questions are used to form a picture of what proportion of the projects can in retrospect be considered successful from the points of view of the companies and SND.

5.1 CONSIDERED IN RETROSPECT, WOULD THE COMPANIES HAVE REALISED THE PROJECTS?

The companies were asked if they at the present time would have realised the projects for which they received approval for support in 2000. As shown in the table below, 53 per cent stated that SND financing was necessary for the realisation of the project. 16 per cent state that they would have realised the projects on a smaller scale or at a later time, while 25 per cent would have realised the projects even without public financing. Only 4 per cent of the companies in retrospect would not have realised the projects, and only one of these was of the opinion that SND should have terminated the project.

Table 5-1 Would the company have implemented the project if it were considered today? Responses of the 2000 group and the 1999 group

	2000 group		1999 group	
	N	Per cent	N	Per cent
Yes, but only with SND financing (high)	308	53	338	56
Yes, but on a smaller scale or at a later time (medium)	96	16	75	12
Yes, even without public financing (low)	148	25	134	22
No	23	4	44	7
No, and SND should have terminated the project	1	0	3	1
Don't know	9	2	13	2
Total	585	100	607	100

Compared with the follow-up study for the 1999 group, some minor changes have taken place in the responses of the companies. As seen in the table above, the proportion of companies which would only have realised their projects with SND financing has dropped by 3 percentage points, while the proportion which would have implemented the projects on a smaller scale or at a later date has increased by 4 percentage points. The proportion of companies which would have implemented their project without public financing has increased by 3 percentage points, while the proportion which would not have implemented the project at all has fallen by 4 percentage points.

The figure below compares the companies' assessment of to what extent the projects should have been implemented, considered retrospectively, taking into account the additionality of the preliminary study. In this comparison it should be borne in mind that somewhat different parameters are measured in the preliminary study and the follow-up study. By measuring additionality in the preliminary study it becomes evident what the company would have done if the project had not received approval for support. This decision is made without knowledge of the practical development of the project, which is the actual decision-making situation of the companies. According to our assessment, the preliminary study therefore describes the additionality in a more reliable way. In the follow-up study, the question of additionality is considered rather on the basis hindsight. All in all this becomes largely a question of it would have been preferable or less so for the project to be completed without support. Since by far the majority of projects are found to be more complex than at first assumed, it is reasonable to expect more companies consider the support to be more important after the event than did before.

The assessments made in the section above are to a large extent supported by the actual results. It is evident that the companies consider the importance of SND for the realisation of their projects to be greater now than at the time of the preliminary study. At present, 53 per cent of the companies are of the opinion that SND's involvement has been of crucial importance for the realisation of the projects. This is an increase of 25 percentage points compared with the portion with high additionality in the preliminary study (28 per cent), which probably indicates that the majority of projects are found to be more demanding than was initially believed. The proportion of companies which feel that their projects could have been implemented even so (25 per cent) is somewhat higher than the proportion with low additionality in the preliminary study (20 per cent). The proportion of companies which feel that their projects should have been implemented on a smaller scale or at a later time has fallen by 46 per cent in the preliminary study to 16 per cent in the follow-up study.

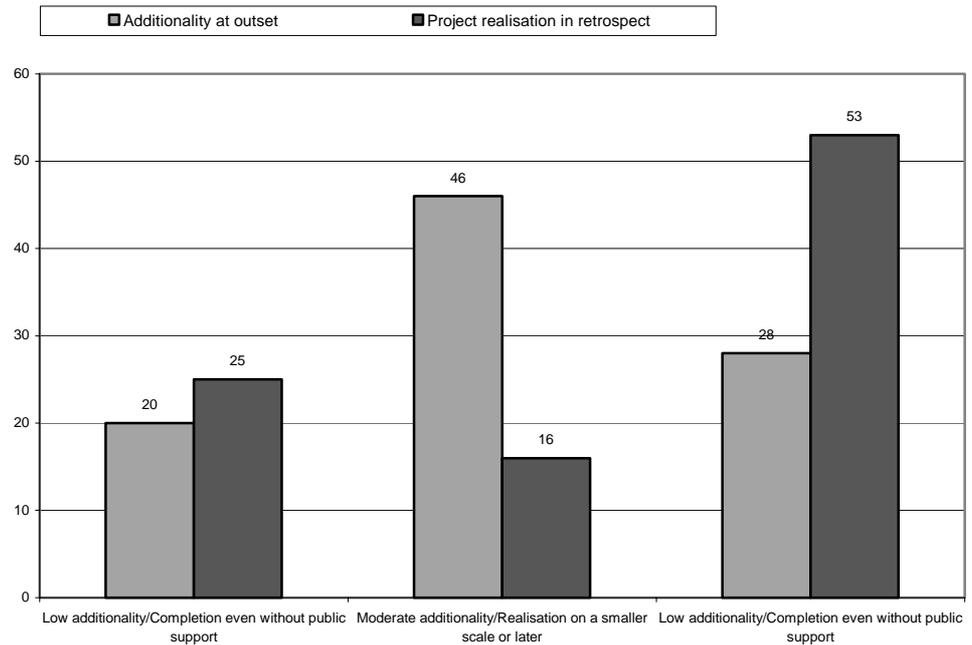


Figure 5-1 SND's importance for the realisation of the project at the outset and in retrospect. Per cent.

5.1.1 Project realisation in retrospect according to type of support

There is relatively large variation between the different support recipients as regards their assessment of SND's importance for the project realisation, seen in retrospect. Those who express the greatest degree of dependence on SND financing are the recipients of national venture capital loans (74 per cent). SND is also of crucial importance for more than 65 per cent of those who have received basic financing for fisheries operators and agricultural loans. The proportion of companies which would have implemented their projects even without SND's involvement is greatest among the recipients of start-up grants (36 per cent) and rural development funds (35 per cent). This is probably because these projects receive the smallest allocations from SND and the possibility of obtaining alternative financing for SND's part of the project will therefore be greater. For the remaining support recipients, this proportion is between 27 per cent and 5 per cent.

The proportion of companies which would have implemented the project on a smaller scale or at a later time is greatest among those receiving OFU/IFU (33 per cent) and national development grants (24 per cent). A possible reason for this is that these are relatively large and complex projects with a large element of research and development. For the other types of support, the proportion is between 23 and 0 per cent.

Table 5-2 Would the company have implemented the project in retrospect? Distribution according to type of support. Per cent (n=585)

Support type	Yes, but only with SND	Yes, even without SND	Later/smaller scale	No	No, should have been stopped	Don't know
Secured loan	55	27	14	5	0	0
National venture capital loan	74	11	11	5	0	0
Regional venture capital loan	54	19	17	5	0	5
National development grant	38	24	24	10	0	5
Regional development grant	51	21	23	2	1	2
Start-up grant	42	36	17	4	0	1
OFU/IFU	58	5	33	5	0	0
Basic financing for fisheries	70	27	0	0	0	3
Agricultural loan	65	21	9	4	0	1
Rural development funds	47	35	13	4	0	0
TOTAL	53	25	16	4	0	2

5.1.2 Project realisation in retrospect according to regional policy support area

The table below shows the proportion of companies in the various regional support areas which depend on SND's contributions to realise their projects. To be as certain as possible that it is the locality itself, and not differences in support composition which are having an effect as regards SND's contribution to the project realisation, the different support zones are also considered in relation to the four principal categories of support types. These are ordinary support schemes, start-up grants, OFU/IFU and agricultural loans.

The results show that based on regional policy support area there are relatively small variations in the companies' assessment of SND's importance for the realisation of projects. Based on an overall assessment, SND's importance for the

realisation of projects is slightly higher outside the area of regional policy than inside it as regards recipients of the ordinary support types, while the opposite is the case for those receiving agricultural loans. However, the variations between the various areas are not statistically significant for any of the four categories of support.

Table 5-3 Proportion of companies which would have implemented projects only with SND's assistance. Distribution according regional policy support area and principal type of support. Per cent (n=585)

Principal type of support	Zone A	Zone B	Zone C	Not in support zone	Total
Ordinary	50	63	46	57	55
Start-up grant	100	33	41	43	42
OFU/IFU	*	*	100	58	58
Agricultural loan	67	53	61	46	54

* No observations

5.1.3 Project realisation in retrospect according to company size

SND's importance for the realisation of projects has also been considered in relation to company size and the principal type of support. There is some variation between the different size groups as regards SND's importance for the realisation of projects, but this variation is not statistically significant for any of the categories of support. The results are shown in the table below.

Table 5-4 Proportion of companies which would have implemented projects only with SND's assistance. Distribution according company size and principal type of support. Per cent (n=585)

Principal type of support	0	1-10	11-20	21-50	51-100	100+	Total
Ordinary	52	60	50	41	50	71	55
Start-up grant	42	43	*	*	*	*	42
OFU/IFU	71	47	100	100	100	*	58
Agricultural loan	63	53	*	*	*	*	54

* No observations

5.2 PROPORTION OF SUCCESSFUL PROJECTS

SND faces several challenges in connection with project selection. The organisation must consider the projects based on the information available at the time of application. However, SND does not have complete information about the projects and/or companies, and this introduces the possibility of errors in deciding whether projects should be financed or not. In this section we look more closely at how successful the projects can be considered to be.

5.2.1 Successful and unsuccessful projects

To arrive at an estimate of how many projects can be considered successful, we use the same basic procedure as Bræin et al. (2002). The starting point for this is that it is reasonable to assume that the companies take into account whether a project has been successful or not when they consider whether they would have implemented it, seen in retrospect. If they still would have implemented the project, this means that it can be said to have been successful from the company's point of view. Using this as a premise, the responses of the companies in Section 5.1 may be interpreted as follows:

- 78 per cent of the projects are *successful*. These are projects which would have been implemented fully either with or without SND financing.
- 16 per cent are *partially successful*. These are projects which ought to have been implemented on a smaller scale or at a later time.
- 4 per cent of the projects are *unsuccessful*. These are projects which in the companies' opinion should not have been implemented.

5.2.2 The project's successfulness and additionality at the outset

Earlier in this chapter we have compared the importance for project realisation in retrospect and the additionality in the preliminary study. However, this comparison does not provide any indication of the connection between successfulness and additionality at the outset for the individual project. To achieve this, the figure below shows the relationship between SND's importance for the realisation of the project and the additionality in the preliminary study. The main results of this comparison can be summarised as follows:

- SND has partially financed 24 unsuccessful projects, that is, projects which in the opinion of the company in retrospect ought not to have been implemented.
- SND has partially financed 148 successful projects which in the opinion of the company in retrospect could have been implemented without SND's involvement. Of these, 58 projects (39 per cent) would have been

implemented even without SND; in other words they have low additionality.

- SND has partially financed 308 successful projects in which SND's contribution has been necessary in the opinion of the company in retrospect. Of these, 35 projects (11 per cent) would have been implemented even without SND; in other words they have low additionality.

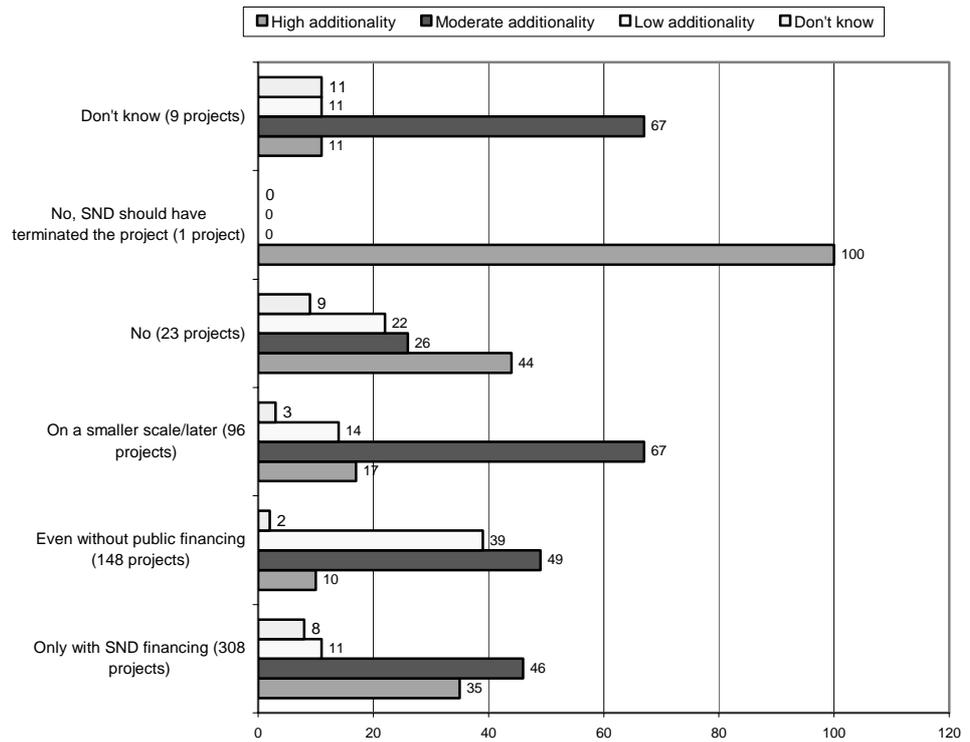


Figure 5-2 Correlation between the companies' perception of additionality at the outset and project realisation in retrospect. Per cent

5.2.3 Misjudged projects seen in retrospect

As a starting point, SND shall contribute to the realisation of good projects which otherwise would not have been implemented (high additionality) and which have relatively high risk. According to Bræin et al. (2002), this means that awarding SND support for the realisation of the following projects could in retrospect be considered misjudgement:

- Projects which the company itself would not have realised in retrospect (unsuccessful projects).
- Successful projects which would have been realised even without SND's support (low additionality) and which the company in retrospect feels could have been realised without SND's involvement.
- Projects where the company has gone out of business or the project has been terminated.

Previously we have seen that SND has partially financed 24 unsuccessful projects as well as 58 projects which would have been realised without SND support, and which in the opinion of the companies in retrospect could have been completed without SND support. In addition, SND has partially financed 184 projects which have been terminated or where the company has been closed down or declared bankrupt. Seen as a whole, this means that in retrospect, 266 projects can be considered misjudgements on the part of SND, as shown in the table below. These misjudgements represent 22 per cent of the original selection of projects. This is an increase of 4 percentage points compared with last year's study, but is at the same level as for the 1998 group. However, there is no consensus as to whether this is a high or low failure rate. Factors which must be taken into consideration are, among other things, that SND is expected to assume risk, as well as the extent to which the projects lead to positive external effects. If the latter is the case, they can nevertheless be considered successful from a socio-economic point of view.

Table 5-5 Misjudged projects considered in retrospect. Per cent

	N	Per cent
Unsuccessful projects	24	9
Company closed down/bankrupt or project terminated	184	69
Successful projects with low additionality, which the company in retrospect feels could have been realised without SND	58	22
Total misjudged projects	266	100
Proportion of misjudged projects in the selection/sum of selection	1209	22

5.3 SUMMARY

The companies were asked if they at the present time would have realised the projects for which they received approval for support in 2000. 53 per cent state that SND financing was necessary for the realisation of the project. 16 per cent state that they would have completed the projects on a smaller scale or at a later time, while 25 per cent would have completed the projects even without public financing. Only 4 per cent of the companies would not have been able to realise their projects. Compared with the results for additionality in the preliminary study, the proportion of companies for which SND has had crucial importance for the realisation of projects has increased by 25 per cent. This increase probably indicates that the majority of projects are found to be more demanding than the companies initially believe.

SND's importance for the realisation of projects varies somewhat according to the type of support involved. Those who express the greatest degree of dependence on SND financing are the recipients of national venture capital loans (74 per cent), basic financing for fisheries operators (70 per cent) and agricultural loans (65 per cent). SND's importance for project realisation is least among those who have been awarded start-up grants (36 per cent) and rural development funds (35 per cent).

78 per cent of the projects are considered by the companies to be successful, in other words they would have been realised with or without SND support. 16 per cent are considered partially successful, meaning that they are completed at a later time or on a smaller scale. 4 per cent of the projects are considered unsuccessful.

SND does not have complete information regarding the companies or the projects at the time of approval of the support. This may lead to misjudgements on the part

of SND, seen in retrospect. These misjudgements can result in SND a) supporting projects which in the opinion of the companies are unsuccessful, b) contributing to the realisation of projects with low additionality and which the companies in retrospect would have realised without SND, or c) providing support to projects where the company has gone out of business or the project has been terminated. Based on a review of these factors, 266 projects can be considered in retrospect to have been misjudgements on the part of SND. Of these, 9 per cent are unsuccessful projects, 69 per cent are projects where the company has gone out of business or terminated the project and 22 per cent are successful projects with low additionality which in the opinion of the company in retrospect could have been realised without SND. These misjudgements represent 22 per cent of the original selection of projects.

PART C: EVALUATION OF RESULTS AT PROJECT LEVEL

6. THE IMPORTANCE OF THE PROJECT FOR THE FINANCIAL DEVELOPMENT OF THE COMPANY

SND's financing assistance is intended to contribute to the development and creation of more robust and profitable companies. In this chapter we will look more closely at how the SND financed projects contribute with regard to the companies' survival and profitability trends. In addition we will consider whether the projects contribute to development in sales in various markets as well as to revenue increases and/or cost reductions. Finally in the chapter we consider the companies' actual financial development.

6.1 THE IMPORTANCE OF THE PROJECT FOR SURVIVAL

The table below shows that in the companies' opinion their project's importance for their survival is greater both today and in two years' time than it was at the time of the preliminary study. 71 per cent now state that the project has considerable importance for the company's survival today, while the corresponding figure for survival in two years' time is 70 per cent. Compared with the figures at the commencement of the project, this is an increase of 16 and 9 percentage points, respectively. These results show that it takes some time before the maximum effect of a project is achieved and that the effect on survivability is greatest after 3-4 years. We emphasise that recipients of start-up grants are not included in the overview because they were not asked in the preliminary study about the project's importance for survival. The figures in this table are therefore not directly comparable with those of last year's study.

Table 6-1 The importance of the project for the company's survival. Companies whose reply was "to a large extent" (score 5-7). Per cent

	Ex ante (before)	Ex post (after)	Change	N
Survival today	55	71	+16	481
Survival in 2 years' time	61	70	+9	481

In the following we will consider the project's importance for survival today in relation to the various types of support and the regional policy support areas. The responses here are based only on the follow-up study, and therefore also include responses from the recipients of start-up grants.

The figure below shows the proportion of companies, according to type of support, which have replied that their project to a high degree (score 5-7) is important for

their survival today. It is evident that there are considerable variations between the different types of support. A distinctive trend of the results is that the largest projects appear to have the greatest importance for companies' survival today. This is illustrated by the fact that it is projects financed by national venture capital loans which have been the most important for survival (80 per cent are of the opinion that the project has had a high degree of importance). After them come projects financed by basic financing loans for fisheries operators (79 per cent), agricultural loans (75 per cent) and secured loans (73 per cent). Of the remaining support recipients, between 68 and 62 per cent are of the opinion that the project is important for their survival today, with the exception of recipients of start-up grants. 41 per cent of these are of the opinion that the project is of considerable importance for the survival of the company. The most important reason why this type of support has the least importance is probably that this involves small contributions from SND. In the figure below the responses are ranked according to the various types of support.

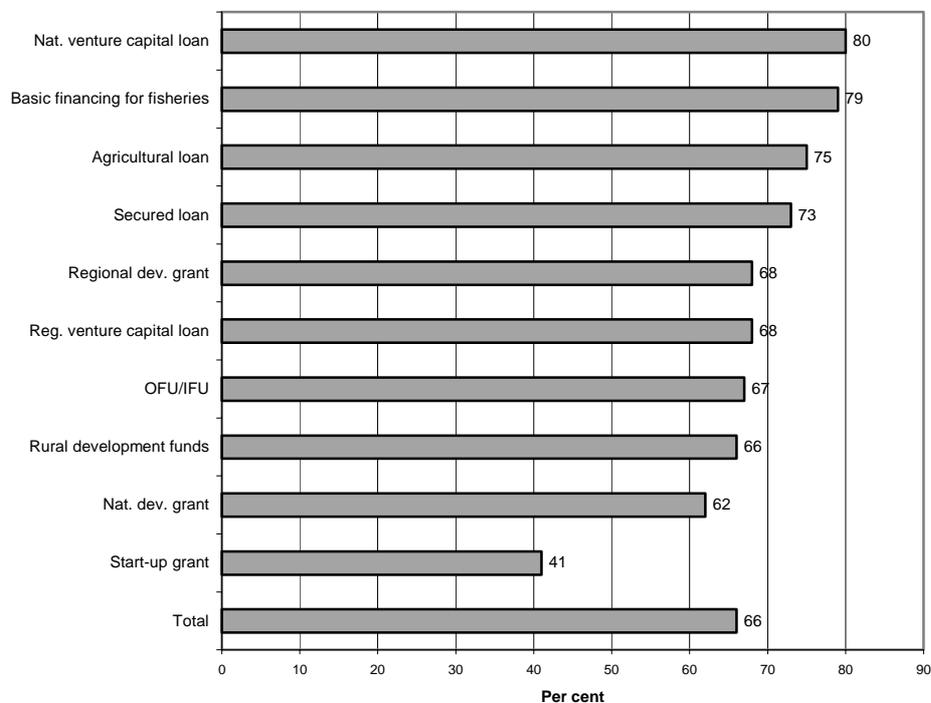


Figure 6-1 The importance of the project for survival today ex post according to type of support. Companies whose reply was “to a large extent” (score 5-7). Per cent (n=585)

The table below shows the project’s importance for survival today according to regional policy support area. To be certain that it is the locality itself, and not differences in support composition which are having an effect as regards survival, the different support zones are also considered in relation to the four principal categories of support types. These are ordinary support schemes, start-up grants, OFU/IFU and agricultural loans. The figure below shows only the results from those companies which have replied that their project to a large extent (score 5-7) is important for their survival today.

Based on an overall consideration it is evident that the projects to a large extent have the same importance for survival inside and outside the regional policy support area. If we consider the effect in relation to the principal category of support, the importance for survival is slightly greater inside the regional policy support area for all categories, but the difference is not statistically significant. The figures for the various categories of support are shown in the table below.

Table 6-2 The importance of the project for survival today ex post according to regional policy support area and principal type of support. Companies whose reply was “to a large extent” (score 5-7). Per cent (n=585)

Principal type of support	Zone A	Zone B	Zone C	Not in support zone	Total
Ordinary	64	77	71	69	72
Start-up grant	*	50	41	40	41
OFU/IFU	*	100	100	65	67
Agricultural loan	89	76	66	64	70

* No observations

6.2 THE IMPORTANCE OF THE PROJECT FOR DEVELOPMENT OF PROFITABILITY

In the preliminary study (ex ante), 78 per cent of the companies pointed out that the project was important for the development of the company’s profitability (score 5-7). In the follow-up study (ex post) this was reduced to 67 per cent. This is an increase of 3 percentage points compared with the figures in the previous follow-up study. In other words, approximately 7 out of 10 companies are of the opinion that the project continues to be important for the development of their profitability. We must point out that recipients of start-up grants are not included in the comparison

because they were not asked about the project's importance for profitability development in the preliminary study.

The figure below shows the proportion of companies, according to type of support, which have replied that their project to a large extent (score 5-7) is important for profitability development. It is evident that there are considerable variations between the different types of support. Projects financed by basic financing for fisheries operators (82 per cent) are of the greatest importance for profitability development. These are followed by projects financed by agricultural loans (80 per cent), regional venture capital loans (80 per cent), rural development funds (79 per cent) and OFU/IFU (79 per cent). Among the remaining recipients of support, between 36 and 73 per cent are of the opinion that the project is important for the development of profitability. Also here it is those companies which have received start-up grants which are of the opinion that the support has the least importance for profitability. This is as expected insofar as these companies are in an early phase of their development and have moreover received the smallest contributions from SND. In the figure below the responses are ranked according to the various types of support.

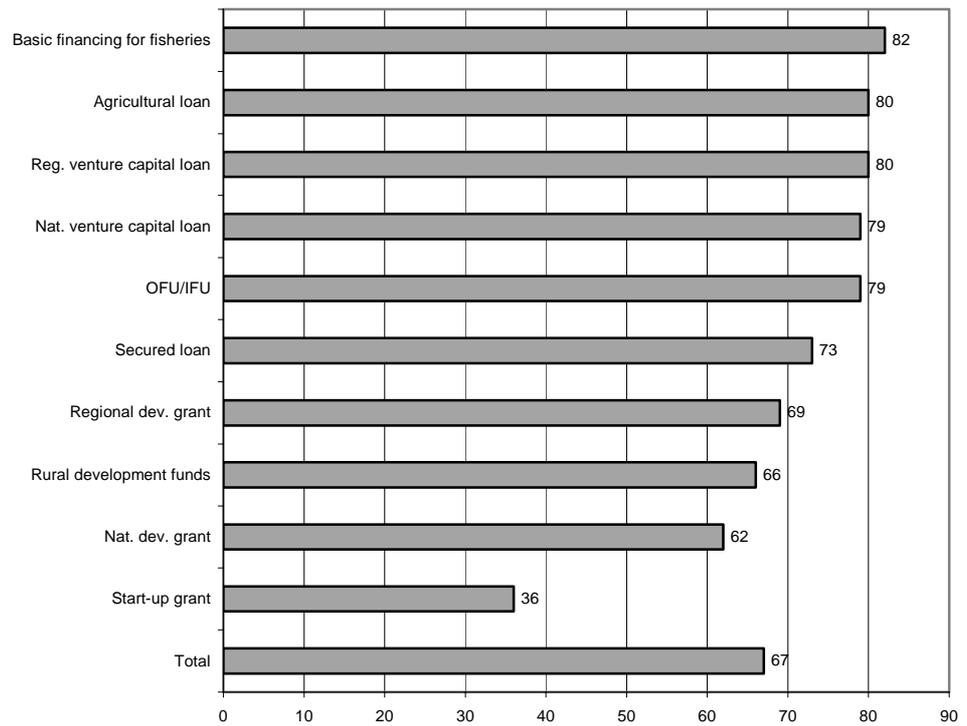


Figure 6-2 The importance of the project for the company’s profitability ex post according to type of support. Companies whose reply was “to a large extent” (score 5-7). Per cent

The table below shows the proportion of the projects which have had great importance (score 5-7) for the companies’ profitability development in the various regional policy support areas. To ensure that the effect is the result of the location and not the distribution of support type, the different regional policy support zones are also arranged according to which type of principal support group they belong to (See Section 6-1 for more detailed treatment).

There is little variation in the importance for profitability development among the projects located inside and outside the regional policy support area. The variation is greatest for the ordinary support types. These are of somewhat greater importance inside the support area than outside, but the difference is no greater than 6 percentage points. On the whole it is therefore reasonable to conclude that the

variations in importance for profitability development are primarily the result of the distribution of support types and not the geographical location of the projects.

Table 6-3 The importance of the project for profitability development ex post according to regional policy support area and principal type of support. Companies whose reply was “to a large extent” (score 5-7). Per cent. (n=585)

Principal type of support	Zone A	Zone B	Zone C	Not in support zone	Total
Ordinary	79	73	76	69	74
Start-up grant	50	44	27	36	36
OFU/IFU	*	100	100	78	79
Agricultural loan	78	75	70	69	71

* No observations

6.2.1 Assessment of profitability in relation to other companies in the same industry

For SND it is important to obtain an impression of how the SND financed companies perform relative to each other. One approach is to ask the companies to assess their own situations relative to others. They were therefore asked the question: “In your opinion, into which category does your company fall as regards profitability, compared with other companies in the industry?”

Based on an overall assessment, the results of this year’s study are fairly similar to those of last year’s. The figure below shows that 13 per cent of the companies were of the opinion that they were among the top 20 per cent of the companies in their industry with regard to profitability. A further 17 per cent of the companies considered themselves among the next highest 20 per cent, while the majority of the companies (41 per cent) put themselves in the middle 20 per cent. 20 per cent of the companies were of the opinion that they were among the lowest or next lowest 20 per cent of companies in their industry with regard to profitability. In other words, the majority of the SND financed companies consider their own profitability to be from good to average, compared with the other companies in the same industry. A possible interpretation of these results is that companies financed by SND are at least as profitable as or more profitable than the other companies in the same industry. However, it must be emphasised that other analyses must be carried out in order to confirm that the companies’ own perception of their profitability is correct. The results are presented in the figure below.

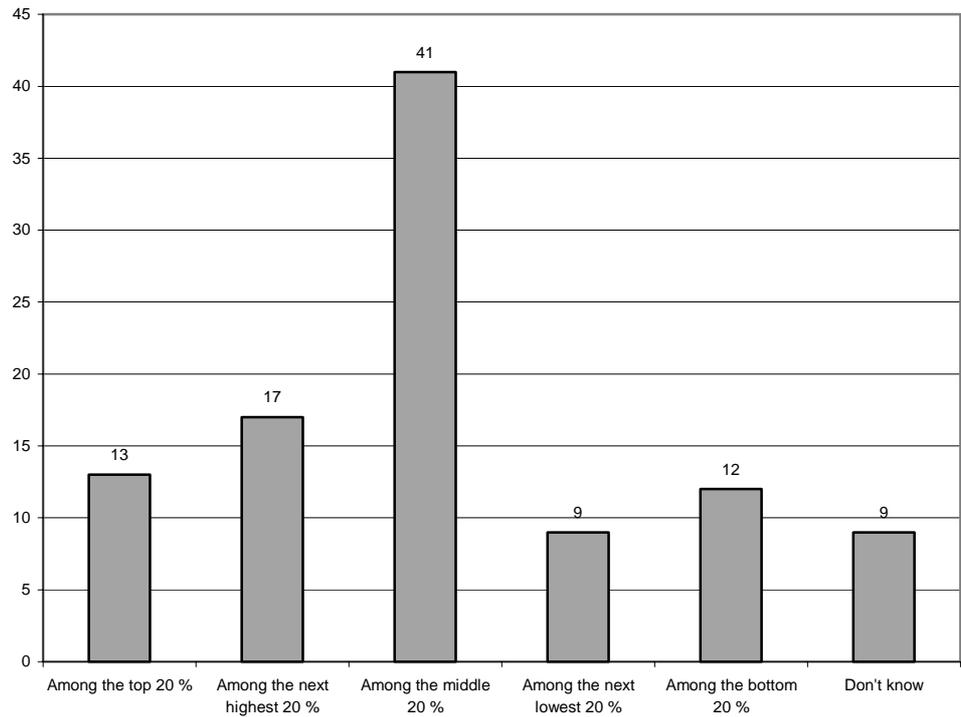


Figure 6-3 Companies' profitability compared with the other companies in the industry. Per cent (n=609)

The figure below shows the distribution of profitability compared with the other companies in the industry according to which type of support they have used. The categories for comparison have now been combined into three; Companies among the top 40 per cent of companies in their industry with regard to profitability, companies which are among the middle 20 per cent (the same category as before) and those among the lowest 40 per cent.

Those companies which have made use of secured loans are to the highest degree of the opinion that they belong to the top 40 per cent of companies in their industry with regard to profitability. 54 per cent of them belong to this category, while 42 per cent of those receiving national development grants are in the same category. The smallest number of companies considering that they are among the most

profitable 40 per cent is among those which have received basic financing for fisheries operators (21 per cent) and start-up grants (22 per cent).

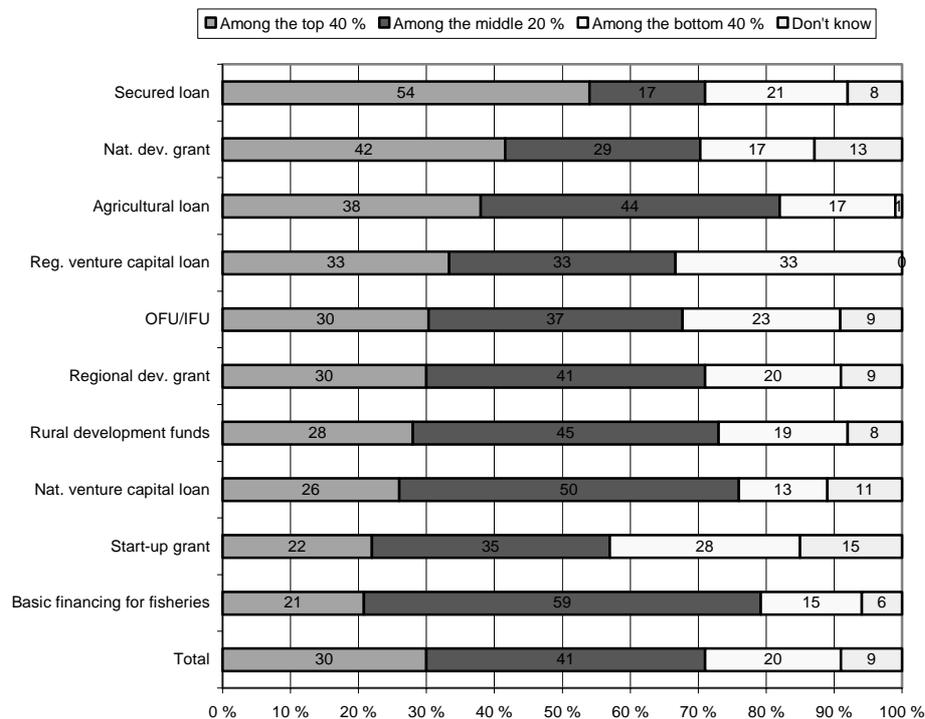


Figure 6-4 Profitability compared with the other companies in the industry, according to type of support. Per cent (n=609)

We have also considered profitability compared with the other companies in the same industry based on the regional policy support areas in which the companies are located. There is comparatively little variation between the companies when the assessment of profitability is considered in relation to the support zones. The zone which to some extent distinguishes itself from the others is Zone A. Compared with the other zones, this is the one containing the largest number of companies which are among the least profitable 40 per cent. This is to be expected, based on the criteria for the establishment of the zones. The variations in profitability among the companies in Zones B and C and outside the regional policy area are small. This is perhaps surprising since some difference in profitability between the zones would normally be expected. On the other hand the comparison is made relative to the other companies in the industry, and it would be natural to compare oneself with

those companies which are geographically closest. It is also possible that there are relatively small variations in profitability among the companies in SND’s client group. The results are shown in the figure below.

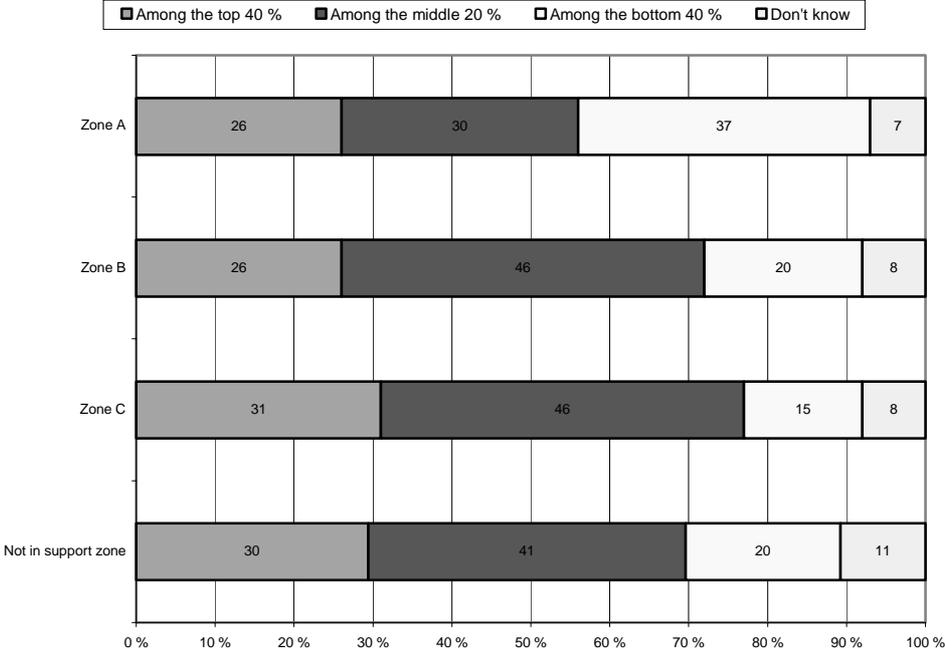


Figure 6-5 Profitability compared with the other companies in the industry, according to regional policy support area. Per cent (n=609)

6.3 THE IMPORTANCE OF THE PROJECT FOR THE COMPANY’S DEVELOPMENT IN VARIOUS MARKETS

The companies were also asked: “Has the project resulted in a change in sales from 2000 to 2003 in the various markets?” The question was asked in relation to development in the regional, national and international markets. As in the previous follow-up study, the response shows that the companies’ sales have increased most in the regional market and least in the international market. As regards the regional market, 36 per cent of the companies reply that sales have increased, while for

about half of the companies sales are unchanged. Only 5 per cent report a fall in sales.

32 per cent of the companies have experienced an increase in sales in the national market and 17 per cent in the international market as a result of the project. Also for these markets very few (3 per cent) report a fall in sales. The bulk of the sales in these markets is therefore unchanged (50 and 61 per cent respectively). The development in sales in the various markets is shown in the figure below.¹²

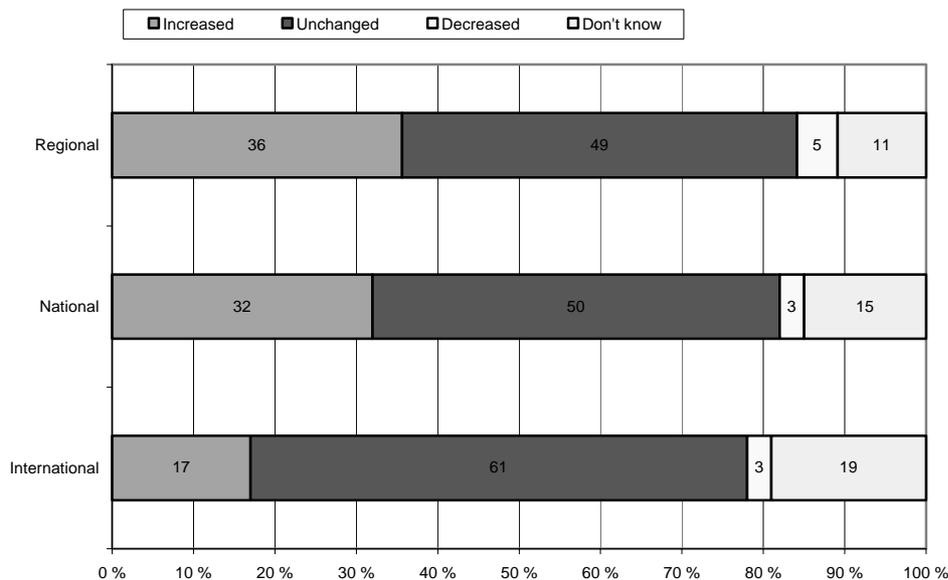


Figure 6-6 The importance of the project for sales trends in various markets 1999-2002. Per cent

The figure below shows the increase in sales in various markets according to the type of support used. Based on an overall consideration there are considerable variations between the types of support. As regards regional markets, recipients of agricultural loans have the highest number of operations which report increased sales (51 per cent). Then follow those receiving rural development funds and regional development grants, where the proportions with increased sales are 48 and 40 per cent, respectively. This is not particularly surprising since there is a relatively high proportion of companies among these whose products are such that

¹². Sales shown in terms of current prices.

it is natural for them to focus on regional markets. As regards national markets, those companies receiving national development grants and OFU/IFU have the highest proportion of operations with increased sales, 43 and 42 per cent, respectively. However, with the exception of basic financing for fisheries operators and rural development funds, the difference from the remaining types of support is relatively small.

Considering international markets, the largest numbers of companies reporting increased sales are among those receiving national venture capital loans (47 per cent) and national development grants (38 per cent). Increased sales in these markets are least widespread for recipients of support intended for the primary industries. This is not surprising in view of the market mechanism and framework conditions with which the primary industries must operate. When all the markets are considered as a whole, the lowest increase in sales is seen among the companies which have received basic financing loans for fisheries operators. This is probably because these have to operate under a quota system, which makes it very difficult to achieve an increase in sales. The scores for the individual types of support are shown in the figure below.

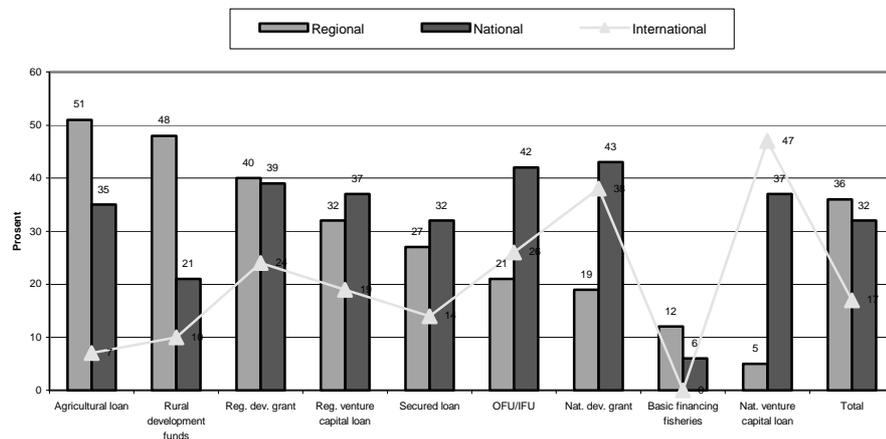


Figure 6-7 The importance of the project for sales trends in various markets 2000-2003 according to type of support. Companies whose sales have increased. Per cent (n=481)

The figure below shows the increased sales in various markets in relation to the regional policy support area in which the companies are located. The greatest increase in regional markets is found among the companies in Zone C, where 45

per cent have experienced an increase in sales, while the increase is smallest among the companies in Zone A (17 per cent). As regards national markets, the increase is greatest in Zone C (38 per cent) and smallest in Zone A (13 per cent). In international markets 21 per cent of the companies in Zone C have increased their sales. The corresponding figure for operations outside the support zones is 20 per cent, while companies in Zones A and B report increases of 9 and 11 per cent. In none of the three markets can the variations in increased sales among the companies in the support area be explained by different support type distribution between the zones.

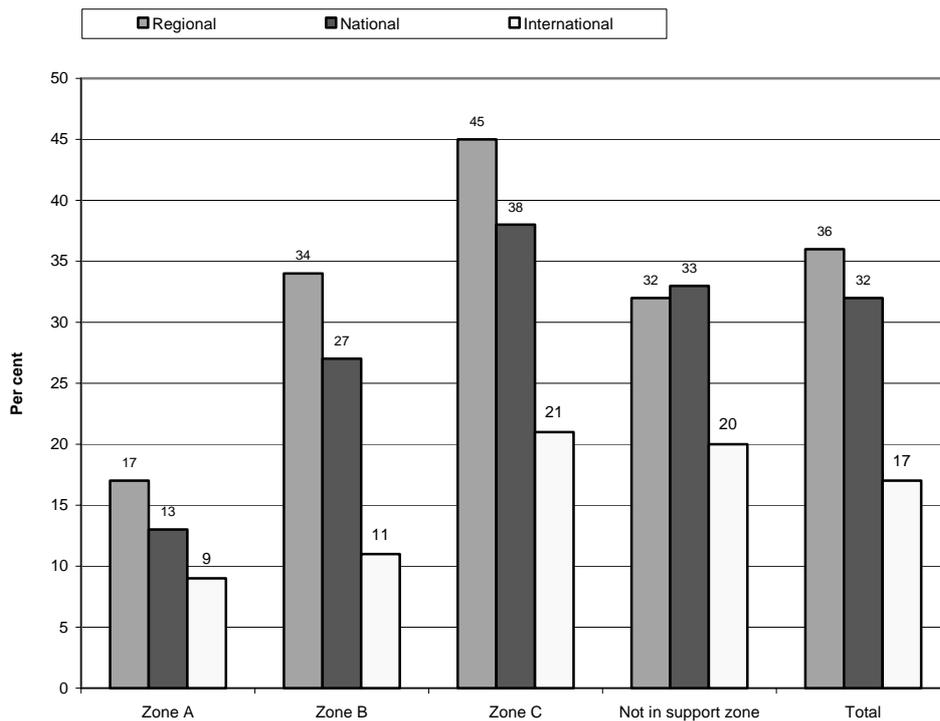


Figure 6-8 The importance of the project for sales trends in various markets 2000-2003 according to regional policy support area. Companies whose sales have increased. Per cent (n=481)

6.4 THE IMPORTANCE OF THE PROJECT FOR REVENUE INCREASES AND COST REDUCTIONS

6.4.1 Contributions from the project

Project contributions to revenue increases and cost reductions are roughly the same as for last year. 47 per cent of the companies are of the opinion that their projects have led to revenue increases and/or cost reductions to a high degree (score 5-7), while 25 per cent believe this to be the case only to a moderate degree (score 3-4). 21 per cent of the companies are of the opinion that their projects have to a limited degree (score 1-2) led to revenue increases and/or cost reductions. From the table below we also see that 52 per cent of the companies state that the revenue increases and/or cost reductions agree well with the expectations of their original plans, while 19 per cent see a small degree of agreement. The latter figure represents an increase of 6 percentage points from last year.

Table 6-4 The project's expectations and contributions to revenue increases/cost reductions

To what extent	Contribution to revenue increases/cost reductions		Agreement with expectations of original plans	
	Per cent	N	Per cent	N
To a large extent (score 5-7)	47	226	50	240
To a moderate extent (score 3-4)	25	122	23	112
To a small extent (score 1-2)	21	101	19	91
Don't know	7	32	8	38
Total	100	481	100	481

The figure below shows how the project's contributions to revenue increases and cost reductions vary according to the type of support used. Of the companies which replied that their projects contributed to a large extent (score 5-7) to revenue increases and cost reductions, the highest proportion is among those receiving regional venture capital loans (56 per cent) and the lowest is among those receiving basic financing for fisheries operators (27 per cent). Among the recipients of national development grants, OFU/IFU and rural development funds, approximately half the companies are of the opinion that their projects have to a large extent led to revenue increases and/or cost reductions. The figures for the various types of support are shown in the figure below.

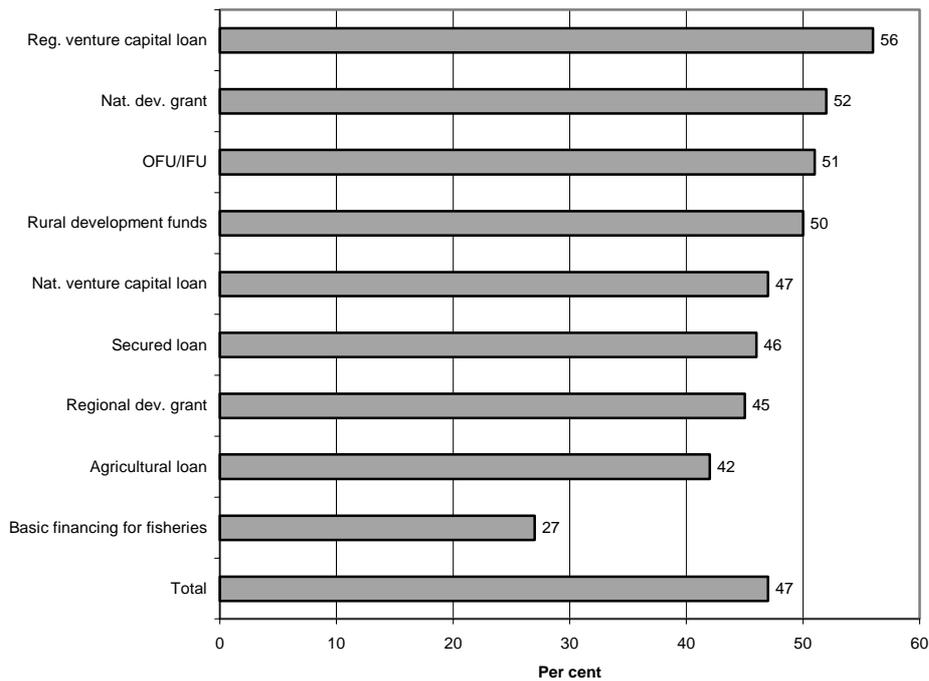


Figure 6-9 Revenue increases/cost reductions according to type of support (n=528)

We have also looked at the projects' contributions to revenue increases and cost reductions in relation to the companies' locations in regional policy support areas. The proportion of companies which state that the project has to a large extent (score 5-7) led to revenue increases and/or cost reductions is relatively uniform among the zones. Zone C has the largest number of companies (approximately 50 per cent) which state that the project has made a contribution, while the smallest number is in Zone A. However, the differences between the zones are not statistically significant. The figures for the various zones are shown in the figure below.

In addition to considering the various support zones as a whole, we have also ranked them according to principal category of support (See Section 6.1). Also with this sort of ranking, there are no significant differences between the zones as regards the contribution of projects to revenue increases and cost reductions.

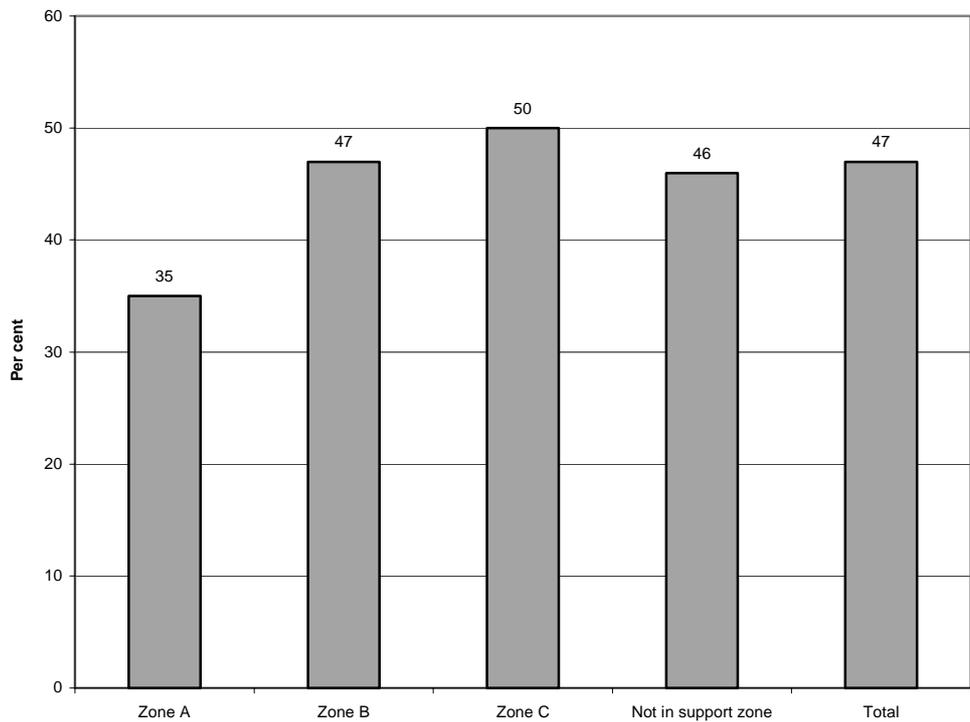


Figure 6-10 The project’s contribution to revenue increases/cost reductions according to regional policy support area. Companies whose reply was “to a large extent” (score 5-7). Per cent

6.4.2 Achieved and expected revenue increases and/or cost reductions

The companies were also asked to indicate what revenue increases and/or cost reductions had been achieved and expected. Approximately one fifth of the companies have responded. The remainder have chosen not to reply either because it is impossible to separate the figures from those for the company as a whole, or because it is not relevant or they do not know. The results in the table below are therefore based on only 104 replies. The table indicates that there is considerable optimism compared with the results actually achieved through the projects. For the coming years the optimistic expectations regarding revenue increases and/or cost reductions are more than double the results achieved in the last year (2003). The

cautious expectations show rather better agreement with the results achieved in earlier years, but even here the expectations are well above what has actually been achieved.

Table 6-5 Revenue increases/cost reductions achieved/expected of projects. NOK millions

Year	Actually achieved	Expected		N
		Optimistic	Cautious	
2002	97	-	-	104
2003	141	-	-	104
2004	-	291	177	104
2005	-	431	250	104

In the table below we have correlated the replies regarding the projects' contributions to revenue increases and/or cost reductions from the preliminary study and the follow-up study. We must point out that here, too, the number of replies is small. Only 59 companies have replied to this question in both studies. However the table below confirms the impression of widespread optimism at the commencement or early stages of a project, and that the further in the future the project is to be completed, the greater the expectations as regards the financial results. The preliminary study carried out in 2001 illustrates this point well. Here we see considerable optimism in the preliminary study looking three years ahead (2004 – NOK 607 million), while the corresponding estimate looking one year ahead in the follow-up study is more than 70 per cent lower (NOK 175 million). The estimate in the preliminary study has also been compared with the actual figures achieved in 2002. The deviation is then between 84 and 68 per cent lower compared with the estimates. The figures are presented in the table below.

Table 6-6 Revenue increases/cost reductions achieved and expected ex ante and ex post. NOK million (N=59)

Expected/achieved	Ex ante (before)		Ex post (after)	Expectation difference 2004	
	2002	2004	2004	NOK mill.	Per cent
Optimistic expectation	301	607	175	-432	-71
Cautious expectation	149	297	111	-186	-63
Actually achieved	47	-	-	-	-
Difference between actual and optimistic	-254 (-84%)				
Difference between actual and cautious	-102 (-68%)				

6.4.3 The probability of objectives being achieved

In order to assess how successful projects are, it is interesting to find out whether the companies believe they will succeed. We investigate this in two ways. First we ask, “What is the probability of not achieving the objectives regarding revenue increases/cost reductions for the project?” Secondly we consider when all the costs of the project are expected to be covered.

The figure below shows how the companies rate the probability of not achieving the objectives with regard to revenue increases and/or cost reductions for the project. 26 per cent of the companies have already achieved their projects’ objectives with regard to revenue increases/cost reductions, while approximately 40 per cent of them are of the opinion that the probability of not achieving the objectives is less than 50 per cent. Only 9 per cent believe there is greater than 50 per cent probability that the objectives will not be achieved. This is the same proportion as was seen in the previous follow-up study.

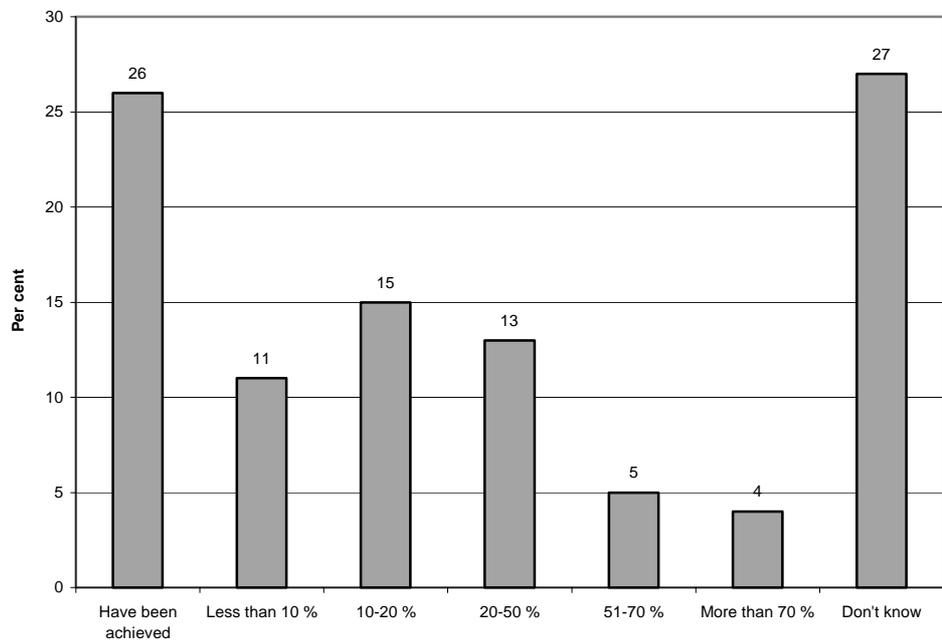


Figure 6-11 Probability of not achieving objectives for revenue increases/cost reductions. Per cent (n=481)

The next figure shows the latest time at which the costs of the projects will be covered. The figures are shown cumulatively and the results are to a large extent in agreement with the follow-up study for the 1999 group. It is evident that the costs for 28 per cent of the projects have already been covered. This figure increases to 44 per cent for the period 2004-2006 and to 63 per cent at the end of the period 2007-2011. In total, 77 per cent of the companies expect that the costs of their projects will be covered. 2 per cent of the companies reply that the costs will never be covered and 21 do not know.

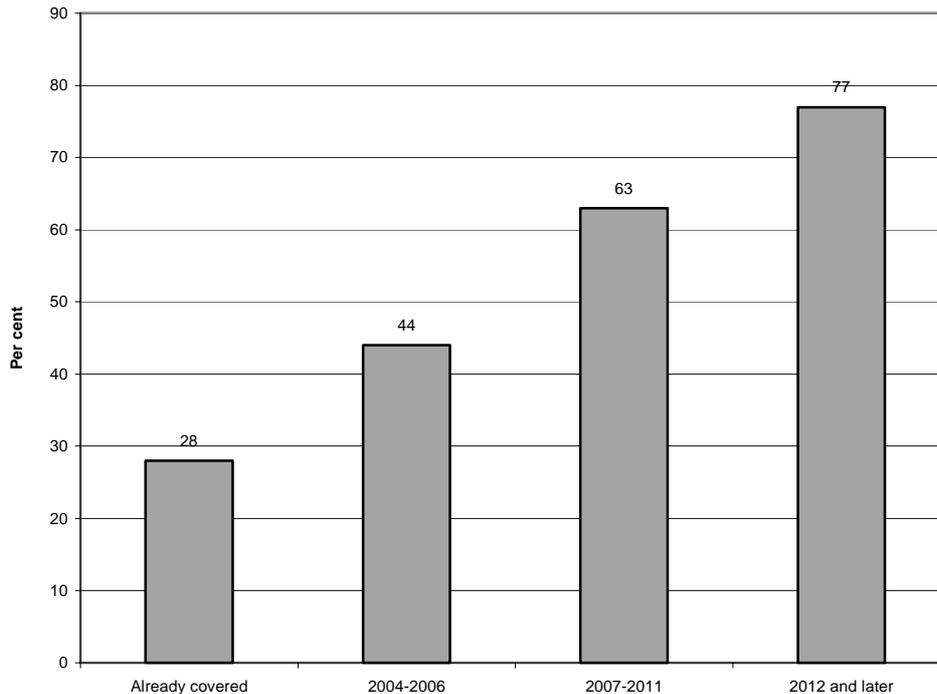


Figure 6-12 The latest time at which the costs of a project will be covered. Cumulative figures. Per cent (n=585)

6.5 THE COMPANIES' ACTUAL FINANCIAL DEVELOPMENT IN THE PERIOD

In order to obtain a picture of the companies' actual financial development, we will consider the degree to which they have achieved satisfactory results in the period

from 2000 to 2003, as well as how they view the prospects for the future. We will also investigate how large a proportion of the companies included in the preliminary study have been closed down or declared bankrupt.

6.5.1 Achieved satisfactory results?

The companies were asked to what extent they had achieved satisfactory results in 2003 and whether they expected satisfactory results in 2004. It is evident from the figure below that 37 per cent of the companies have to a large extent (score 5-7) achieved satisfactory results in 2003, while 26 per cent feel that they have only to a limited extent achieved satisfactory results (score 1-2). These results are virtually the same as for last year. As regards expectations for the future, the companies are relatively optimistic. In 2004 more than half of them (54 per cent) expect a satisfactory result, while the number of companies which only to a limited extent expect satisfactory results is reduced to 9 per cent. The results are presented in the figure below.

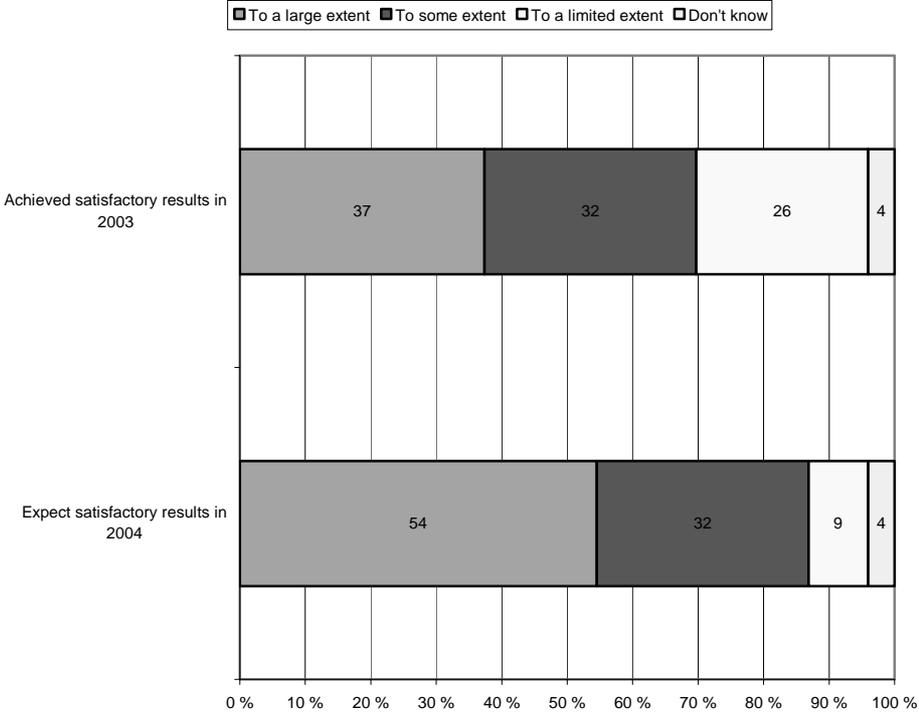


Figure 6-13 The financial position of the companies. Per cent (n=609)

In the following we have considered those companies which to a large extent have achieved satisfactory results in 2003, in relation to the type of support they have received. There is a relatively large variation between the types of support. The largest proportion reporting satisfactory results in 2003 is among those which have received rural development funds and agricultural loans (both with 47 per cent). This is somewhat surprising in view of what is normally heard about the financial situation in the agricultural industry. A possible explanation is that the companies in the agricultural industry have lower expectations of the results at the outset. Another possibility is that they to a larger extent take non-financial factors into account in their assessments.

The smallest proportion of companies with satisfactory results in 2003 is found among the recipients of basic financing for fisheries operators (21 per cent) and national venture capital loans (14 per cent). For the other recipients of support, the proportion is between 42 and 33 per cent. The figures for the various types of support are shown in the figure below.

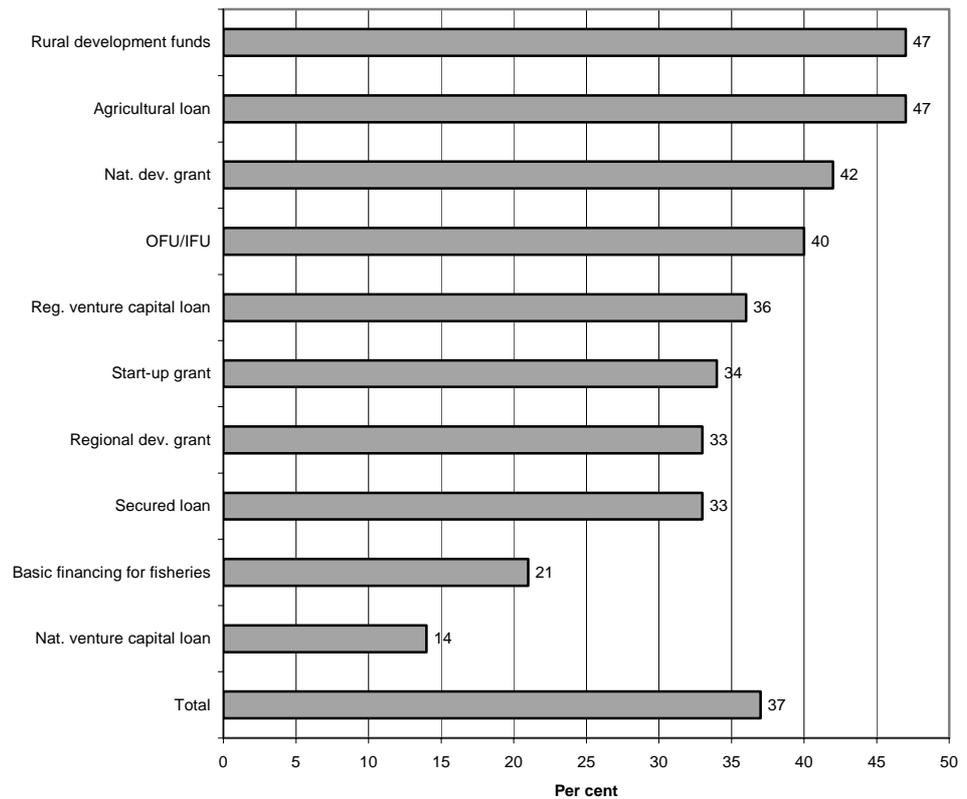


Figure 6-14 Satisfactory achieved results in 2003 according to type of support. Companies whose reply was “to a large extent” (score 5-7). Per cent (n=609)

We have investigated whether there are differences in the proportion of companies which to a large extent achieved satisfactory results in 2003, relative to which regional policy support area they are located in. The analysis shows that there are relatively small variations between the zones. The degree of satisfaction is greatest in Zone C, with a proportion of 45 per cent, while it is lowest in Zones A and B (33 per cent). Outside the regional policy support area, 36 per cent are to a large extent satisfied with the results they have achieved.

6.5.2 Bankruptcies and closures

Not all the companies involved in the preliminary study have survived. Of the original 1209 companies, 184, or 15 per cent, have been closed down or have gone bankrupt. The table below shows the degree of variation between the types of support as regards the number of bankruptcies and closures. The results show that there are relatively large variations between the types of support. The highest proportion of bankruptcies and closures is found among recipients of national venture capital loans (35 per cent) and national development grants (28 per cent), while the lowest proportion is among those receiving agricultural loans (2 per cent) and rural development funds (5 per cent). Based on our data it is difficult to determine the causes of these variations, but one possibility is that the companies which have received the former two types of support are more exposed to competition than is the case for the recipients of the agriculture-related types of support.

Table 6-7 Proportion of bankruptcies and closures among companies which responded to the preliminary study. Per cent (n=1209)

Support type	Proportion of bankruptcy/closure
National venture capital loan	35
National development grant	28
Regional venture capital loan	22
Regional development grant	18
Start-up grant	18
Secured loan	15
OFU/IFU	14
Basic financing for fisheries	9
Rural development funds	5
Agricultural loan	2
Total	15

We have also investigated the variation in the proportion of bankruptcies/closures among companies in the various regional policy support zones. The zone with most bankruptcies and closures is Zone A (24 per cent) and Zone B shows the fewest (11 per cent), but the differences between the zones are not statistically significant.

6.6 SUMMARY

71 per cent of the companies point out that their projects have considerable importance for their survival today, which represents an increase of 16 percentage points compared with the preliminary study. The importance for survival is greatest

among the recipients of national venture capital loans (80 per cent) and basic financing loans for fisheries operators (79 per cent). The importance is to a large extent the same among companies inside and outside the regional policy support area.

67 per cent of the companies are of the opinion that their projects are important for their development of profitability. Considered according to type of support, the importance of the projects for profitability development is greatest among those receiving basic financing loans for fisheries operators (82 per cent), agricultural loans (80 per cent) and regional venture capital loans (80 per cent). There is little variation in the importance for profitability development among the projects located inside and outside the regional policy support area.

In order to form a picture of how the SND financed companies perform compared with others, they were asked to indicate their situations with regard to profitability compared with other companies in their industry. 13 per cent were of the opinion that they were among the top 20 per cent, 17 per cent were among the next highest 20 per cent and 41 per cent were among the middle 20 per cent. Hence it appears that the supported companies are at least as profitable as the other companies in the same industry.

36 per cent of the companies report an increase in sales from 2000 to 2003 as a result of the SND supported project in the regional market, 32 per cent in the national market and 17 per cent in the international market. Practically all the remaining companies state that sales have remained unchanged in the three markets.

47 per cent of the companies are of the opinion that their projects have led to revenue increases and/or cost reductions to a high degree (score 5-7), while 25 per cent believe this to be the case only to a moderate degree. The expectations of revenue increases/cost reductions are seen to be greater than what is actually achieved. 77 per cent expect the project costs to be covered.

37 per cent of the companies point out that they have to a large extent achieved satisfactory performance in 2003, while 26 per cent state that they have only done so to a limited extent. Well over half of the companies expect to achieve satisfactory performance in 2004. 15 per cent of the companies which took part in the preliminary study have been declared bankrupt or been closed down.

7. THE IMPORTANCE OF THE PROJECT FOR COMPETENCE ENHANCEMENT AND INNOVATION

Contributing to competence enhancement and innovation in companies is an important objective for SND. In this chapter, competence enhancement is measured by looking at the companies' expectations in the preliminary study and the actual results achieved as shown by the follow-up study. The projects' effects on innovation are measured in two ways; by considering both the effects the companies believe the projects have had on innovation and the increase in participation in the innovation system (increased collaboration with partners).

7.1 EFFECTS OF THE PROJECTS ON COMPETENCE ENHANCEMENT

The figure below shows an overall summary of the extent to which the projects have resulted in competence enhancement. The questions have been changed somewhat compared with the previous study. In this study more direct questions are asked about whether the project has resulted in increased competence in product and market development, while the questions previously were about training in these fields. The results are therefore not directly comparable. However it may be worthy of note that while they previously obtained relatively low scores with regard to training of marketing personnel and product development personnel, the companies now feel that the projects have had their greatest competence effect in connection with product development and production processes and routines, with market development in third place. The projects have resulted in the lowest degree of competence enhancement with regard to the development of national and international networks.

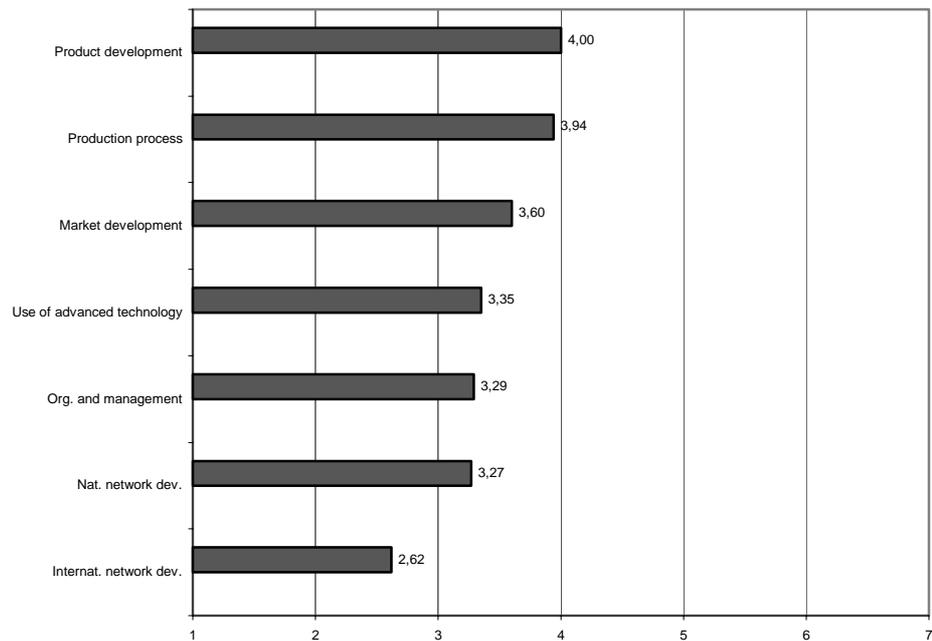


Figure 7-1 The project's contribution to increased competence in the companies. Average figures. Scale 1-7, where 7 is the highest value

However, this kind of overall summary of all the respondents obscures the considerable variations which first and foremost depend on which type of support they have received, and also with regard to industry, company size and support zone. This is considered in detail in the following section.

7.1.1 Contributions to competence enhancement according to type of support and company characteristics

The table below shows the average score for the various fields of competence enhancement according to the type of support used. In general we can say that for the users of national venture capital loans and development grants, OFU/IFU and regional development grants, the projects have provided enhanced competence in the field of *product development* and to some extent *market development*, while for projects financed by agricultural support schemes and regional venture capital loans, competence enhancement has occurred with regard to *production processes* and *production routines*. For recipients of secured loans and basic financing loans for fisheries operators, enhanced competence in the field of *the use of advanced technology* shows the highest scores. The development of networks gets a

relatively low score for all types of support, and the contribution to this field is least in connection with agricultural support and secured loan schemes.

Table 7-1 Contributions to competence enhancement according to type of support

Type of support	Product development	Market development	Production process	Organisation and management	Use of advanced technology	Development of better networks		N
						National	International	
Secured loan	3.67	3.52	3.86	3.95	4.00	3.05	2.85	20-21
Nat. venture capital loan	5.74	5.00	4.22	3.79	4.28	4.58	4.42	18-19
Regional venture capital loan	4.30	4.07	4.75	3.74	3.95	3.85	3.00	55-57
National dev. grant	5.14	4.38	3.67	3.33	4.43	4.19	3.90	21
Regional dev. grant	4.07	3.90	3.86	3.20	3.20	3.36	2.74	94-98
OFU/IFU	5.84	5.21	4.44	4.05	4.88	4.60	4.40	41-43
Basic financing for fisheries	3.31	2.29	3.42	3.07	3.77	2.17	1.61	23-27
Agricultural loan	3.14	2.61	3.86	2.93	2.62	2.44	1.76	70-71
Rural dev. funds	3.31	2.97	3.60	2.90	2.42	2.77	1.73	101-108
TOTAL	4.00	3.60	3.94	3.29	3.35	3.27	2.62	
	460	460	454	457	455	455	447	

As mentioned above, the type of support “controls” to a certain extent the areas in which enhancement of competence is experienced. This spreads among the zones and in the table below we see that *inside* the zones the competence contribution in the field of *production processes and production routines* is greatest, while the greatest contribution to *product development* and to some extent *market development* is found *outside* the support zones. The explanation is to a large extent that the support types with the greatest product and market development orientation (national venture capital loans and development grants, OFU/IFU) are generally used outside the zones, while the results for Zone A, where *production processes and production routines* are the most important competence contribution, are influenced by the fact that approximately one third of the recipients of agricultural

support belong to this zone. A corresponding reasoning can be used for Zone C, where more than half of the regional development grants are used, with the result that product development is most important also here. The contribution to competence according to support zone is shown in the table below.

Table 7-2 Contributions to competence enhancement according to regional policy support area

Support area	Product development	Market development	Production process	Organisation and management	Use of advanced technology	Development of better networks		N
						National	International	
Zone A	2.67	2.57	4.00	3.09	2.73	2.05	1.62	21-22
Zone B	3.58	3.16	4.02	3.22	3.13	3.04	2.11	135-138
Zone C	3.92	3.59	3.83	3.26	3.36	3.19	2.59	135-143
Not in support zone	4.61	4.10	3.95	3.39	3.61	3.68	3.19	153-157
TOTAL	3.99 458	3.59 458	3.94 452	3.29 455	3.34 453	3.26 453	2.61 445	

If we consider the contribution to competence enhancement with regard to project objectives, the impression is that the projects have resulted in enhanced competence primarily in the fields of product development for new ventures (inside and outside existing companies) and spin-off, in production processes and routines where the objective is adaptation/rationalisation and capacity growth/spin-off, while projects aimed at further development obtain the same score with regard to product development, market development and production processes and routines.

Table 7-3 Contributions to competence enhancement according to project objective

Project objective	Produkt-utvikling	Market develop-ment	Product-ion process	Organisat-ion and manage-ment	Use of advanced technol-ogy	Development of better networks		N
						National	Internat-ional	
Business start-up	4.69	4.31	4.05	3.56	4.10	3.78	3.27	75-80
New ventures in existing companies	5.03	4.37	4.09	3.67	4.18	4.06	3.61	89-91
Adaptation and rationalisation	3.77	3.51	4.02	3.11	3.47	3.11	2.61	44-47
Capacity increase, spin-off	3.93	3.87	5.07	3.57	4.50	3.60	2.53	14-15
Further development	4.17	4.17	4.17	3.54	2.70	3.42	2.88	23-24
Capital reinforcement	4.67	4.00	4.00	4.17	4.33	3.17	3.50	6
Others	3.50	3.43	3.91	3.64	3.64	3.14	2.67	21-22
TOTAL	4.47 280	4.09 282	4.11 277	3.54 281	3.89 280	3.66 279	3.16 274	

The contribution to competence enhancement according to company size is shown in the table below. It is particularly the smallest companies (0-10 employees) which have experienced the greatest competence contribution with regard to product development. Companies with 11-50 employees experience the greatest competence contribution in connection with production processes and routines, while for the largest companies (more than 50 employees), the greatest competence contribution is in the field of market development.

Table 7-4 Contributions to competence enhancement according to company size

Company size	Product development	Market development	Production process	Organisation and management	Use of advanced technology	Development of better networks		N
						National	International	
0 employees	4.68	4.34	4.31	3.71	3.83	3.90	3.24	55-61
1-10 employees	3.91	3.41	3.79	3.11	3.15	3.09	2.38	312-320
11-20 employees	4.12	3.92	4.81	3.85	4.26	3.73	3.19	26-27
21-50 employees	3.94	3.79	4.34	3.84	3.85	3.59	3.22	32-33
More than 50 employees	3.59	3.94	3.53	3.65	3.41	3.24	3.29	17
TOTAL	4.01	3.61	3.95	3.30	3.37	3.28	2.63	
	455	455	449	452	451	450	442	

A corresponding review of the competence contribution according to business sector shows that mechanical industry has experienced enhanced competence in the fields of product development and production processes and routines, commodity distribution/hotel/restaurant experienced enhanced competence in the field of market development, service providers in the field of product development and the primary industries in the field of production processes and routines.

7.1.2 Expected versus actual competence enhancement

In the above we have seen in which areas competence enhancement is achieved. In this section we look more closely at whether the companies' expectations of the competence contribution through the financed project are fulfilled¹³. Below we compare competence enhancement ex ante and ex post according to the support type used, company size and project objective. Only companies whose reply was 5 or more for *at least one* of the indicators have been included¹⁴.

Support types and competence enhancement

On the whole, the achieved competence contributions are somewhat lower than were expected by the companies at the commencement of the projects (a reduction

¹³ In the preliminary study (ex ante), questions were asked about expectations of the projects' contributions in the fields of competence, while in the follow-up study (ex post), we asked to what extent the project had resulted in such competence enhancement.

¹⁴ On a scale of 1-7, the average value is four. Values from five and above should therefore give us some indication of competence enhancement.

of 5 percentage points). This cannot be said to be a large difference and this indicates that the companies have realistic expectations of the competence contributions of their projects. However, in the table below we see that there are differences between the ex ante and ex post situations, depending on which support type is used. For four of the support types; OFU/IFU, national and regional venture capital loans, and basic financing for fisheries operators, there is agreement between expectations and achieved competence contributions, while the expectations are fulfilled to a lower degree for projects financed by secured loans, national development grants and regional development grants. For the agricultural support schemes, already low expectations become even lower ex post.

Table 7-5 Support type and the projects' contribution to competence enhancement ex ante and ex post. Respondents scoring 5-7 (n=481)

	Ex ante (before)		Ex post (after)		Change, percentage points
	Per cent	Number	Per cent	Number	
Secured loan	82	18	73	16	-9
National venture capital loan	90	17	90	17	0
Regional venture capital loan	78	46	76	45	-2
National development grant	95	20	86	18	-9
Regional development grant	81	81	71	71	-10
OFU/IFU	93	40	95	41	+2
Basic financing for fisheries	46	15	46	15	0
Agricultural loan	51	36	59	42	-9
Rural development funds	60	68	47	53	-7
Total	71	341	66	318	-5

It is difficult to say what causes these differences, except that it is generally not unnatural to be more optimistic at the commencement of a project than at its completion. Another explanation may be that in the preliminary study the respondents were more inclined to reply according to the application, where high expectations regarding competence are expressed in order to increase the probability of obtaining approval.

Whether the grants or loans are national or regional does not appear to contribute to an explanation. The replies here give widely divergent indications. A possible explanation is that the different objectives of the projects lead to different expectations. We therefore will look more closely at this below.

Project objectives and competence enhancement

Expectations of competence enhancement are particularly high (93 per cent) with regard to innovations in existing companies, but are not entirely fulfilled (a reduction of 13 per cent). The same is the case for projects whose objective is start-up of new business (a reduction of 8 per cent). The expectations are fulfilled for adaptation and rationalisation projects, further development and the “Others” group, while the competence contribution is more than satisfactory for projects whose objective is capacity increase, spin-offs and capital reinforcement. However, as regards the latter, the number of companies is very small, so these figures must be interpreted with caution. A possible interpretation of the results is that it can be more difficult to fulfil the expectations or that companies are more optimistic with regard to the most “risky” projects (business start-ups, new ventures in existing companies) than with regard to projects with other objectives. However it should be borne in mind that the agricultural support schemes and start-up grants are not included here, since no project objectives are registered for these. The results are presented in the table below.

Table 7-6 Project objectives and the project’s contribution to competence enhancement ex ante and ex post. Respondents scoring 5-7 (n=296)

Project objective	Ex ante (before)		Ex post (after)		Change, percent-age points
	Per cent	Number	Per cent	Number	
Business start-up	79	66	71	60	-8
New ventures in existing companies	93	87	80	75	-13
Adaptation and rationalisation	65	31	67	32	+2
Capacity increase and spin-off	69	11	81	13	+12
Further development	83	20	83	20	0
Capital reinforcement	67	4	83	5	+16
Others	71	17	71	17	0
Total	80	236	75	222	-5

Company size and competence enhancement

If we consider company size, the picture is somewhat different. The smallest businesses (0 employees) report that the expectations of competence enhancement are more than fulfilled (an increase of 10 per cent). This is interesting and an interpretation may be that these businesses, whose project objective is usually new ventures, appear to be realistic in their assessments and their expectations are more than satisfied. This is not the case for companies with 1-10 employees, where the competence contribution is 7 percentage points lower than expected, or for companies with 21-50 employees (a reduction of 14 per cent). It is in the former

group that we find the largest proportion of companies in the selection and more than half of these have received agricultural support. As we saw above with regard to support types, the recipients of agricultural support show a considerable variation in the relation between expectations and achieved competence enhancement. The same applies for recipients of development grants. The table below presents the figures according to company size.

Table 7-7 Company size and the project's contribution to competence enhancement ex ante and ex post. Respondents scoring 5-7 (n=476)

Company size	Ex ante (before)		Ex post (after)		Change, percentage points
	Per cent	Number	Per cent	Number	
0 employees	71	44	81	50	+10
1-10 employees	68	228	61	203	-7
11-20 employees	82	22	89	24	+7
21-50 employees	91	32	77	27	-14
More than 50 employees	71	12	71	12	0
Total	71	338	66	316	-5

7.1.3 Combined competence effects

A project may have significance for the competence enhancement of a company in two ways; either through its importance in general or because it has great importance for certain areas of competence. The table below shows how many areas of competence companies experience a high degree¹⁵ of competence enhancement in. Measured in this way, just over two thirds of the companies have found that their projects have contributed to a large extent to an increase in competence in one or more of their areas of expertise. 30 per cent of these in 1-2 areas of expertise, 26 per cent in 3-4 areas of expertise and 16 per cent have increased their competence in 5-7 areas. 29 per cent of the companies have not seen any competence enhancement measured in this way, and among these it is particularly recipients of agricultural support and basic financing for fisheries operators which register the lowest rate of competence enhancement. This also confirms that these types of support are not aimed at competence enhancement from the outset. The largest competence contribution, i.e. the largest number of areas with a high degree of enhancement, is found with regard to national OFU/IFU support (37 per cent with enhanced competence in 5-7 areas), national venture capital loans (32 per cent) and national development grants (24 per cent). The latter also have a very high proportion of companies with enhanced competence in 3-4 areas of expertise (57 per cent). The same applies to secured

¹⁵. In other words a score of 5-7 on a scale of 1-7, with 7 being the highest value.

loans, where 50 per cent of the companies experienced enhanced competence in 3-4 areas of expertise. In other words it is the national support types which in general are used outside the regional policy zones (with the exception of secured loans, which are more evenly distributed), which provide the greatest contribution to enhanced competence. The results for the various types of support are shown in the table below.

Table 7-8 Number of contributions to competence enhancement according to type of support Ex post. Companies whose reply was “to a large extent” (score 5-7). Per cent (n=481)

Support type	Number of contributions to enhanced competence					
	1-2	3-4	5-7	Total contr.	No contr.	N
Secured loan	18	50	14	82	18	22
National venture capital loan	21	37	32	79	11	19
Regional venture capital loan	24	32	22	78	22	59
National development grant	14	57	24	95	5	21
Regional development grant	31	32	18	81	19	100
OFU/IFU	26	30	37	93	7	43
Basic financing for fisheries	27	12	6	45	55	33
Agricultural loan	31	18	1	51	49	71
Rural development funds	39	11	11	60	40	113
Total	30	26	16	71	29	
N	142	123	76	341	140	481

Based on what we saw above regarding the fact that projects financed by the national support schemes show the highest rate of enhanced competence, it would be interesting to examine the effect of this with regard to the support zones. The results are presented in the table below. Here we see that it is Zone A and outside the zones that showed the largest number of cases of enhanced competence in 5 to 7 areas (22 and 21 per cent respectively), but in Zone A we also find the largest proportion of companies where no enhancement of competence occurred (39 per cent). In all, the competence contribution is lowest in Zone A and highest outside the zones. This confirms to some extent what we have found earlier, that different support types contribute differently to competence development not only with regard to the type of competence contribution (cf. Section 7.1.1), but also with regard to in how many different areas there is a high degree of competence enhancement.

Table 7-9 Number of contributions to competence according to regional policy support area Ex post. Companies whose reply was “to a large extent” (score 5-7). Per cent (n=481)

Support zone	Number of contributions to enhanced competence					
	1-2	3-4	5-7	Total contr.	No contr.	N
Zone A	17	22	22	61	39	23
Zone B	31	27	10	68	32	146
Zone C	31	26	14	71	29	148
Not in support zone	28	25	21	74	26	162
Total	29	26	16	71	29	
N	141	123	75	339	140	479

7.2 THE CONTRIBUTION OF THE PROJECT TO INNOVATION

One of SND’s principal objectives is to contribute to an increase in innovation in Norwegian trade and industry. In order to determine to what extent the projects are expected to contribute to achieving this objective, we have included a question about innovation in the follow-up study. The companies were asked *to what extent their projects have contributed to:*

- development of new products or services,
- development of new sales methods or marketing types,
- use of new production processes or routines,
- the company venturing into new markets,
- new use of raw materials, and
- new ways of organising work or the company.

The figure below shows an overall summary of the extent to which the projects have contributed. The respondents consider the contribution of the projects to be greatest as regards the development of new products and services, as well as changes in existing products and services. In second place comes the venturing of the companies into new markets. The projects’ smallest contributions to innovation have been with regard to the use of raw materials and the development of new marketing types and sales methods. The figures are averages and are relatively low, with values between 3.64 and 2.43 on a scale of 1 to 7, with 7 as the highest value. As a whole it can only be said that, based on this method of measurement, the projects make moderate contributions to innovation.

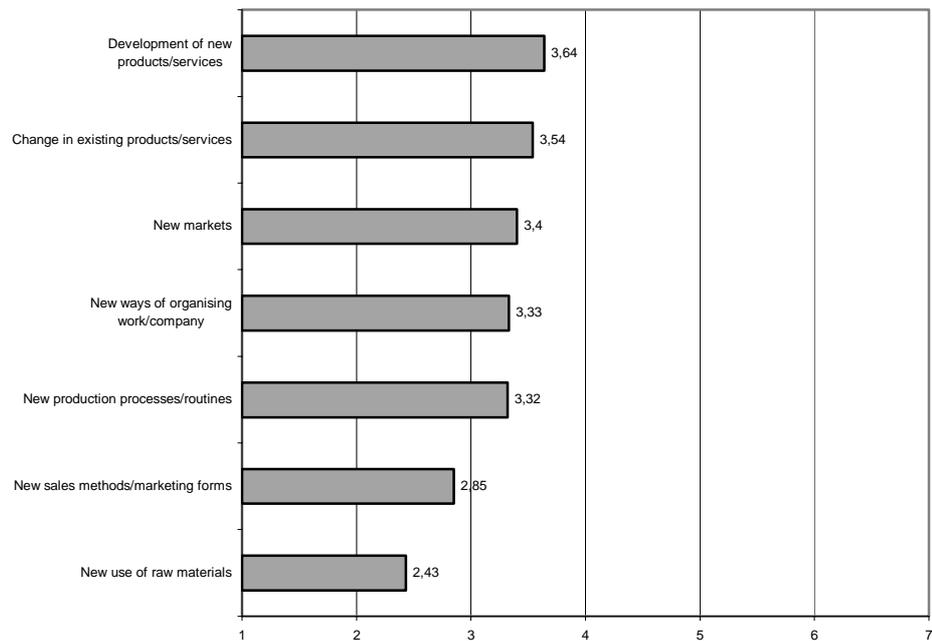


Figure 7-2 The projects' contribution to innovation. Average figures.

However, this kind of overall summary of all the respondents obscures the considerable variations which first and foremost depend on which type of support they have received, and also with regard to other project and company characteristics. This is considered in detail in the following section.

7.2.1 Contributions to innovation according to type of support and project and company characteristics

The table below shows the average score for the various areas of innovation according to the type of support used. The types of support most closely associated with innovation are the national venture capital loans and development grants and OFU/IFU. As regards the area of innovation *development of new products and services*, these have contributed to a considerable degree (score greater than 5.00) to innovation. A characteristic of these types of support is also that they on average achieve higher scores than the other types as regards the other innovation indicators, such as companies venturing into new markets. After these come regional venture capital loans, regional development grants and secured loans. Also among these, the highest values are associated with *development of new products and services* or *changes in existing products and services* (regional development grants). The agricultural support schemes and basic financing are atypical

compared with the other types of support. The measured values are significantly lower than for the other types of support, and the focus is rather on *new ways of organising the work or company* (agricultural loans, basic financing for fisheries operators), while the rural development funds are more orientated towards the *development of new products and services*.

Table 7-10 Innovation contribution according to support type. Average figures. Scale 1-7 with 7 being the highest value

Type of support	Change in existing products/services	Development of new products/services	New sales methods/marketing forms	New production processes/routines	New markets	New use of raw materials	New ways of organising work/the company	N
Secured loan	3.84	3.89	2.95	3.95	3.16	2.68	4.11	19
Nat. venture capital loan	4.16	5.21	3.53	3.47	4.63	2.89	3.37	19
Regional venture capital loan	4.04	4.18	3.28	3.86	4.04	3.04	4.00	56-57
National dev. grant	4.95	5.33	3.24	3.71	4.62	2.76	2.76	21
Regional dev. grant	3.94	3.86	3.08	3.22	3.68	2.46	3.28	93-98
OFU/IFU	4.59	5.41	3.88	3.83	4.93	2.68	3.39	41
Basic financing for fisheries	2.24	2.08	1.92	3.12	1.60	1.84	3.54	24-26
Agricultural loan	2.58	2.07	2.04	3.11	2.35	2.00	3.18	70-71
Rural dev. funds	3.04	3.25	2.54	2.89	2.91	2.23	3.03	105-108
TOTAL	3.54 455	3.64 458	2.85 456	3.32 454	3.40 458	2.43 451	3.33 458	

The table above shows that the type of support to a large extent “controls” which areas of innovation the project contributes in. However we also saw that the types of support directed towards the primary industries – agriculture and fisheries – are different from the other types. Even though the arrangement of the support to a large extent directs what is being financed, it may be of interest to consider how the different branches of industry score with regard to the different innovation indicators. This is also of interest since it is often claimed that industry, for

example, is more innovative than service provision and commodity distribution. The table below illustrates to what extent this is the case for SND financed companies.

The most innovative industries measured in this way are commodity distribution, hotel and restaurant, with the highest score (4.74) for *change in existing products and services*, and the service sector with a score of 4.78 for *development of new products and services*. The industrial companies score 4.33 for the same indicator. The primary industries clearly achieve the lowest values, and their highest score is for new production processes and routines. The commodity distribution, hotel and restaurant businesses are found almost entirely in the support zones, receiving mainly regional loans and grants, while more than half of the service providers are outside and have received national support types. This explains to some extent the higher degree of innovation for these than for industry, and although industry also receives its share of the national and regional policy support, the spread in its use of the support types is greater. The same applies to the number of companies. In spite of this it would appear that actual variations exist in our data between the branches of industry.

Table 7-11 Innovation contribution according to industry. Average figures. Scale 1-7 with 7 being the highest value

Type of Industry	Change in existing products/services	Development of new products/services	New sales methods/marketing forms	New production processes/routines	New markets	New use of raw materials	New ways of organising work/the company	N
Primary industry	2.85	2.79	2.31	3.08	2.61	2.13	3.21	218-222
Mech. industry/mining	4.04	4.33	3.14	3.71	4.14	3.25	3.53	138-139
Com. distr./hotel/restaurant	4.74	4.11	3.68	3.16	4.47	2.79	3.42	19
Service provision	4.38	4.78	3.51	3.25	4.07	1.70	3.36	60-61
Others/not specified	4.24	4.56	4.06	3.59	3.89	1.88	3.17	16-19
TOTAL	3.54 455	3.64 458	2.85 456	3.32 454	3.40 458	2.43 451	3.33 458	451-458

We have also considered innovation with regard to company size, since it would be reasonable to assume that this might be significant. This does not appear to be the case. All sizes of company apart from the largest (more than 50 employees) score highest as regards *development of new products and services*, while the largest companies have the best score for *company ventures into new markets*.

7.2.2 Combined innovation effects

There is considerable variation between the innovation contributions experienced by the different recipients of support as a result of the projects. The recipients who experience the greatest activity in the area of innovation are those companies which have received national venture capital loans and development grants or OFU/IFU support. 85-89 per cent of these companies report that they have experienced one or more innovation contribution. The smallest number of contributions to innovation is found among the recipients of basic financing loans for fisheries operators, agricultural loans and rural development funds, where about half report that they have not achieved results. The innovation activities of the various support recipients are shown in the table below.

Table 7-12 Number of contributions to increased innovation according to type of support Ex post. Companies whose reply was “to a large extent” (score 5-7). Per cent (n= 449)

Support type	Number of contributions to increased innovation					
	1-2	3-4	5-7	Total contr.	No contr.	N
Secured loan	32	21	21	74	26	19
National venture capital loan	42	42	5	89	11	19
Regional venture capital loan	32	20	23	75	25	56
National development grant	14	52	19	86	14	21
Regional development grant	30	24	14	68	32	93
OFU/IFU	24	39	22	85	15	41
Basic financing for fisheries	46			46	54	24
Agricultural loan	37	10	6	52	48	71
Rural development funds	35	7	11	53	47	105
Total	33	19	13	65	35	
N	147	86	60	293	156	449

As regards the size of the companies, it is the smallest (0-10 employees) and the largest (more than 50 employees), which show the least innovation activity. The greatest innovation activity is found among the companies in the group with 11-20 employees. The results are presented in the table below.

Table 7-13 Number of contributions to increased innovation according to company size Ex post. Companies whose reply was “to a large extent” (score 5-7). Per cent (n= 445)

Support type	Number of contributions to increased innovation					
	1-2	3-4	5-7	Total contr.	No contr.	N
0 employees	27	27	15	69	31	55
1-10 employees	33	16	13	62	38	315
11-20 employees	31	35	19	85	15	26
21-50 employees	44	28	6	78	22	32
More than 50 employees	29	18	24	71	29	17
TOTAL	33	19	14	66	34	
N	146	86	60	292	153	445

7.3 THE PROJECTS' CONTRIBUTION TO INCREASED COLLABORATION WITH OTHERS

Innovation is not simply something which occurs within a company; it is also affected by factors in the surroundings. The regional innovation system concept has been developed for the purpose of explaining what creates innovative behaviour among the region's financial operators, managers and employees, and which combination of companies and institutions, as well as structural connections between these, are needed to create the innovative behaviour. The research has revealed a number of operators in this connection. In other words, the system of which a company is part has significance with regard to achieving increased innovation. In the follow-up study the companies are asked *whether the implementation of the project has led to increased collaboration with:*

- customers,
- suppliers,
- other companies in or outside the region,
- universities or colleges in or outside the region and
- investors and financial operators.

The results of the follow-up study cannot be compared with those of the preliminary study, since these questions were not included at the earlier date. In the following we will first consider what the innovation system has contributed to, and then relate this to the types of support which have been awarded.

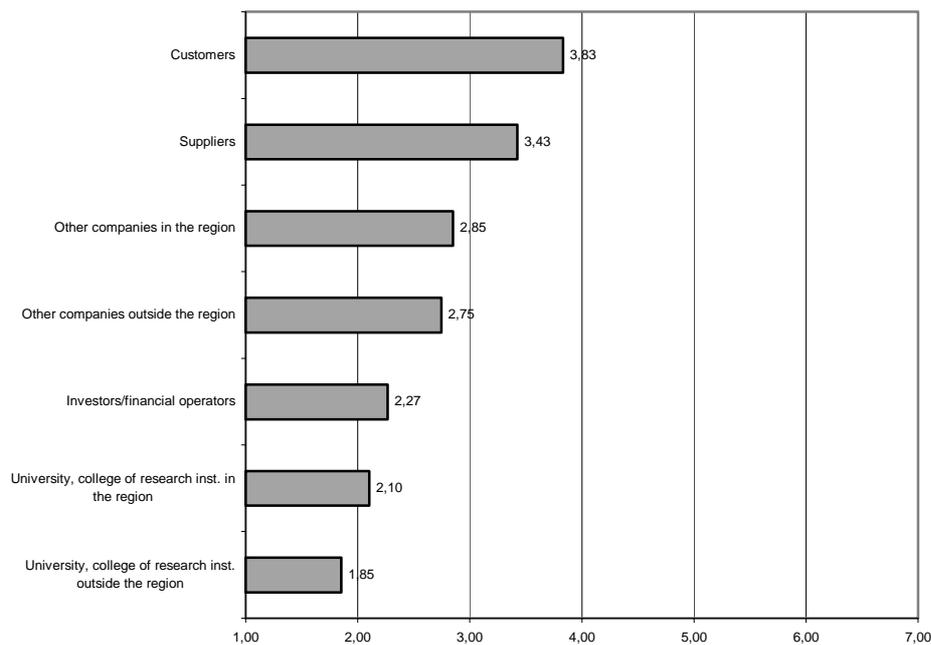


Figure 7-3 The projects' contribution to increased collaboration. Average figures. Scale 1-7, where 7 is highest value. (n= 450-463)

7.3.1 Collaboration effects according to project and company characteristics

The table below shows the average score for the various collaborating partners according to the type of support used. As is the case for the innovation contributions dealt with above, also here the projects financed by the national support types (national venture capital loans, development grants and OFU/IFU), obtain high scores with regard to the largest number of collaborative relationships, compared with the other types of support. It is also here that most contact with universities, colleges and research institutions is found, as well as with companies outside the region. Projects financed by the support schemes for primary industry (agriculture and fisheries) obtain the lowest scores - and generally significantly lower - with regard to the majority of collaborative relationships. As pointed out above, customers and suppliers are the parties most commonly involved in collaboration. The results are not surprising in view of the fact that contributing to increased collaboration is not the objective of any of the support types covered by this study.

Table 7-14 Collaboration contribution according to support type. Average figures. Scale 1-7 with 7 being the highest value

Type of support	Customers	Suppliers	Companies		Universities, colleges or research institutions		Investors /financial operators	N
			in the region	outside the region	in the region	outside the region		
Secured loan	4.22	3.74	3.00	2.74	2.11	2.58	2.53	18-19
Nat. venture capital loan	5.26	4.05	3.53	3.79	3.37	2.26	3.05	19
Regional venture capital loan	4.46	3.91	3.19	3.37	2.57	2.13	2.68	56-57
National dev. grant	5.00	4.10	2.67	3.95	3.40	2.70	3.43	20-21
Regional dev. grant	4.07	3.29	3.14	3.05	2.01	1.86	1.93	93-98
OFU/IFU	5.19	4.47	3.14	3.63	3.09	2.81	3.35	43
Basic financing for fisheries	2.85	3.86	2.46	2.23	1.92	1.74	2.52	23-28
Agricultural loan	2.54	2.58	2.37	1.90	1.68	1.31	1.96	71
Rural dev. funds	3.30	3.03	2.59	2.04	1.40	1.34	1.64	106-109
TOTAL	3.83 462	3.43 463	2.85 462	2.75 459	2.10 453	1.85 450	2.27 456	

7.3.2 Combined collaboration effects

There is considerable variation between the different recipients of support with regard to the way in which they perceive their projects' contributions to increased collaboration. The recipients who experience the greatest activity in the area of collaboration are those companies which have received national venture capital loans or OFU/IFU support. 93-95 per cent of these companies report that they have experienced one or more collaboration contribution. The smallest number of contributions to collaboration is found among the recipients of basic financing loans for fisheries operators, agricultural loans and rural development funds, where about half to two thirds report that they have not achieved results. The collaboration activities of the various support recipients are shown in the table below.

Table 7-15 Number of collaboration contributions according to support type used in the projects. Ex post. Companies whose reply was “to a large extent” (score 5-7). Per cent (n=447)

Support type	Number of contributions to increased collaboration					
	1-2	3-4	5-8	Total contr.	No contr.	N
Secured loan	50	17	6	101	28	18
National venture capital loan	47	37	11	100	5	19
Regional venture capital loan	50	14	9	100	27	56
National development grant	42	32	5	100	21	19
Regional development grant	38	26		100	36	92
OFU/IFU	49	30	14	100	7	43
Basic financing for fisheries	35	9	9	100	48	23
Agricultural loan	24	9	1	100	66	71
Rural development funds	37	10	2	100	51	106
Total	39	18	5	101	39	
N	174	80	20	274	173	447

7.4 SUMMARY

Overall, just over two thirds of the companies have found that their projects have contributed to a large extent to an increase in competence in one or more of their areas of expertise. The companies state that the largest competence effect is connected with product development and production processes and routines, with market development in third place. The projects have resulted in the lowest degree of competence enhancement with regard to the development of national and international networks. However, there are considerable variations depending primarily on which type of support is used to finance the projects, while differences are also evident in relation to the industry, company size and support zone. Generally, it can be said that for recipients of national venture capital loans and development grants, OFU/IFU and regional development grants, the projects have led to enhanced competence in the fields of *product development* and to some extent *market development*. As regards projects financed by agricultural support and regional venture capital loans, enhanced competence has primarily been experienced in the field of *production processes and production routines*. For recipients of secured loans and basic financing loans for fisheries operators, enhanced competence in the field of *the use of advanced technology* shows the highest scores.

On the whole, the achieved competence contributions are somewhat lower than were expected by the companies at the commencement of the projects. However, the variations are not large and indicate that the companies have realistic expectations of their projects' significance in this respect. Here too there are differences between the ex ante and ex post situations, depending on which support type is used. For four of the support types; OFU/IFU, national and regional venture capital loans, and basic financing for fisheries operators, there is agreement between expectations and achieved competence contributions, while the expectations are fulfilled to a lower degree for projects financed by secured loans and grants (regional and national). For the agricultural support schemes, already low expectations become even lower ex post.

The projects have made the greatest degree of contribution to innovation with regard to development of new products and services and changes in existing products and services. The projects' smallest contributions to innovation have been with regard to the use of raw materials and the development of new marketing types and sales methods. Overall, for approximately two thirds of the companies the projects have provided a high degree of contribution to innovation in connection with one or more activities. This contribution has been greatest for the recipients of OFU/IFU and national venture capital loans, and least for those receiving basic financing for fisheries operators or some form of agricultural support.

The contribution of the projects to increased *collaboration* has been greatest with regard to customers and suppliers, and to other companies in the region. Projects financed by the national support types, national venture capital loans and OFU/IFU obtain higher scores with regard to the majority of collaborative relationships than those financed by the other types of support. It is also here that most contact with universities, colleges and research institutions is found, as well as with companies outside the region. Projects financed by the support schemes for primary industry (agriculture and fisheries) obtain the lowest scores with regard to the largest number of collaborative relationships. On the whole, the projects have resulted in a considerable degree of increased collaborative activity in at least one field for more than 60 per cent of the companies. The recipients which experience the greatest activity in the area of collaboration are those companies which have received national venture capital loans or OFU/IFU support. 93-95 per cent of these companies report that they have experienced one or more collaboration contribution. The smallest number of contributions to collaboration is found among the recipients of basic financing for fisheries operators, agricultural loans and rural development funds, where about half to two thirds report that they have not achieved results.

8. EFFECTS ON EMPLOYMENT AND SND'S COSTS PER JOB

Section 8.1 presents calculations of the effects on employment, that is of created and secured jobs, for the companies involved in this follow-up study. In Section 8.2 these figures are converted so as to apply to all companies (i.e. the whole population) which received approval for support from SND in 2000. In Section 8.3 these figures are used to calculate the element of support or the costs per job.

In practice, it is difficult to calculate the effects on employment of public support schemes and initiatives. We know the actual development of employment in the companies, but not how much of it is the result of the projects to which support has been provided, nor what would have happened if the companies had not received support from SND. We must therefore emphasise that there will always be considerable uncertainty connected with such calculations. The accuracy of the estimates will depend both on the uncertainty of selection and on precision problems connected with the subjectively graded response alternatives used in the calculation of the employment effects (cf. the assumptions used in the calculations in Sections 8.1.2 and 8.1.3). In other words, differences in the weighting of figures can lead to different results. These assumptions were also mentioned as being problematical in the evaluation of the regional support schemes in 2000 (Alsos et. al, 2000).

8.1 EMPLOYMENT EFFECTS FOR THE COMPANIES INVOLVED IN THE FOLLOW-UP STUDY

In the introduction, the net increase in employment for the companies which have responded to the study is presented (Section 8.1.1). Then the numbers of jobs created (Section 8.1.2) and secured (Section 8.1.3) with SND's assistance are calculated. Finally a summary of these calculations is presented in Section 8.1.4.

8.1.1 Net increase in employment

In those companies which received approval for SND support in 2000, employment may have increased, stayed at the same level, or fallen. In total, for those companies involved in the follow-up study there has been a net increase in employment of 750 jobs. This is an increase of 15 per cent in the period from 1 January 2000 to 1 January 2004, which is very similar to the trend in the corresponding period in last year's study. Of this net increase in employment, 398 jobs have been created in companies in the regional policy support area and 352 outside this area. The percentage increase has effectively been the same inside (15

per cent) and outside (14 per cent) the support area. However, in the support area there is a certain variation between the zones. The greatest increase has been in Zone C (21 per cent), while the increase has been 10 per cent in Zone B and 9 per cent in Zone A.

8.1.2 Creation of jobs

The number of created jobs may result from SND's involvement, but they may also have been created entirely or partly without SND's contribution. Hence, in order to estimate SND's importance for the number of created jobs, it is necessary to make certain assumptions. The basis of these assumptions is the companies' perception of the importance of their projects for the development of employment and SND's importance for the realisation of the projects (additionality). These assumptions are described in detail below:

- In order for a project to be considered to have *significance for the employment trend*, the company must rate the effect on employment at a score of 4 to 7 or 5 to 7. (On a scale of from 1 to 7, where 1 means that the project has had a very limited effect, while 7 indicates a very large effect.)
- The project must have *moderate or high additionality* in the preliminary study for the 2000 group, that is to say that SND must be of importance for the realisation of the project.
- The calculations are based on the growth in employment from 1 January 2000 to 1 January 2004.

Figure 8-1 shows the relationship between the importance of the projects for employment trends and the number of jobs created in projects where SND has had moderate or high importance for realisation (moderate or high additionality). It is evident that SND has contributed to the realisation of from at least 825 (importance for employment growth rated at 5-7) to 875 (score 4-7) new jobs. This is a proportion of well over 100 per cent of the net employment growth, which results from the fact that there are some companies where the number of jobs has been reduced. The number of jobs created and SND's importance for these is shown in Figure 8-1.

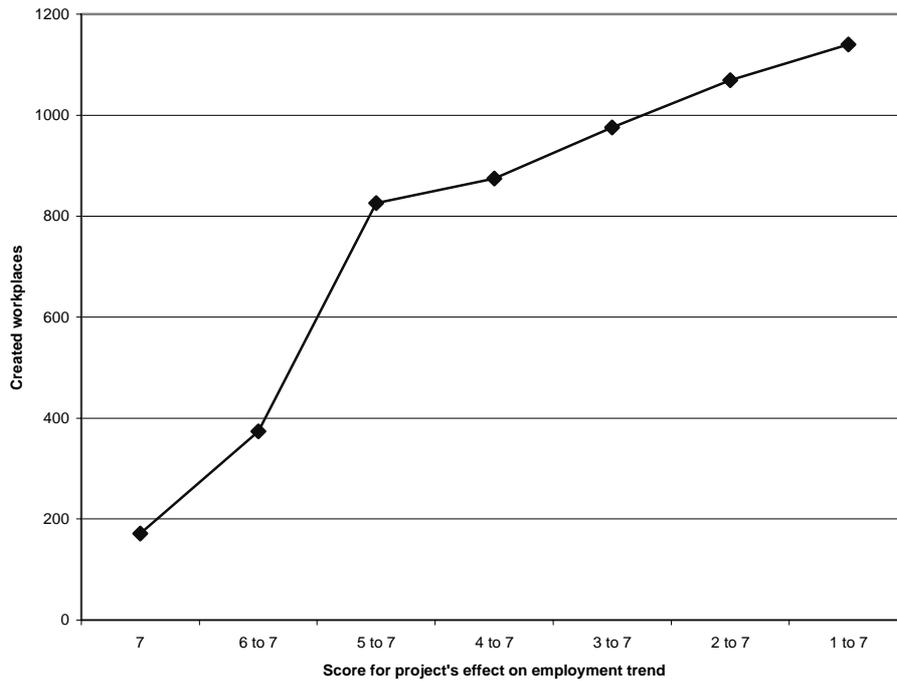


Figure 8-1 The relationship between the effect of the project on the employment trend (score 4-7 or 5-7) and created jobs. Projects with moderate to high additionality in the preliminary study. Cumulative figures

SND is intended especially to contribute to the creation of jobs in the regions. As regards regional policy support area, 525-550 of the jobs have been created outside the zones and 300-325 in the zones. This means that a third of the new jobs have been generated in the regional policy support area, which is approximately 25 per cent less than the proportion of projects in the area. This is a marked reduction from last year, when two thirds of the jobs were created in the support area. The reduction is primarily the result of the creation of a large number of jobs in a small number of companies outside the support area.

8.1.3 Securing of jobs

In addition to the contribution to employment growth, the SND financed projects may also contribute to the securing of already existing jobs. This can take place in several ways: The projects may prevent the necessity of reducing the workforce or they may restrict such reduction. In the extreme instance a project may prevent a company from being closed down or going bankrupt.

We have calculated the extent of securing of jobs based on the companies' perception of their projects' importance for their survival and their assessment of the importance of SND for the realisation of the projects (additionality). The calculation is based on the following assumptions:

- In order for a project to be considered to have *great importance for a company's survival* the company must reply 6 or 7 to this question. (On a scale of from 1 to 7, where 1 means that the project has had no significance, while 7 indicates very large significance.)
- The project must have *high additionality* in 2000, that is, it would have been postponed or not implemented without SND's involvement.
- In order to obtain a representative picture, the five per cent largest companies are not included in the calculation. If these companies are included, there is a risk that the results, when scaled, will not be very representative of the population.
- The level of employment on 1 January 2000 is used as a basis for the calculation.

Figure 8-2 below shows the relationship between the projects' importance for survival and the securing of jobs for projects with high additionality. SND has contributed to the securing of 185 (score 7) to 260 jobs (score 6-7).¹⁶.

¹⁶ The corresponding figure when the five per cent largest companies are included is 300-440 secured jobs.

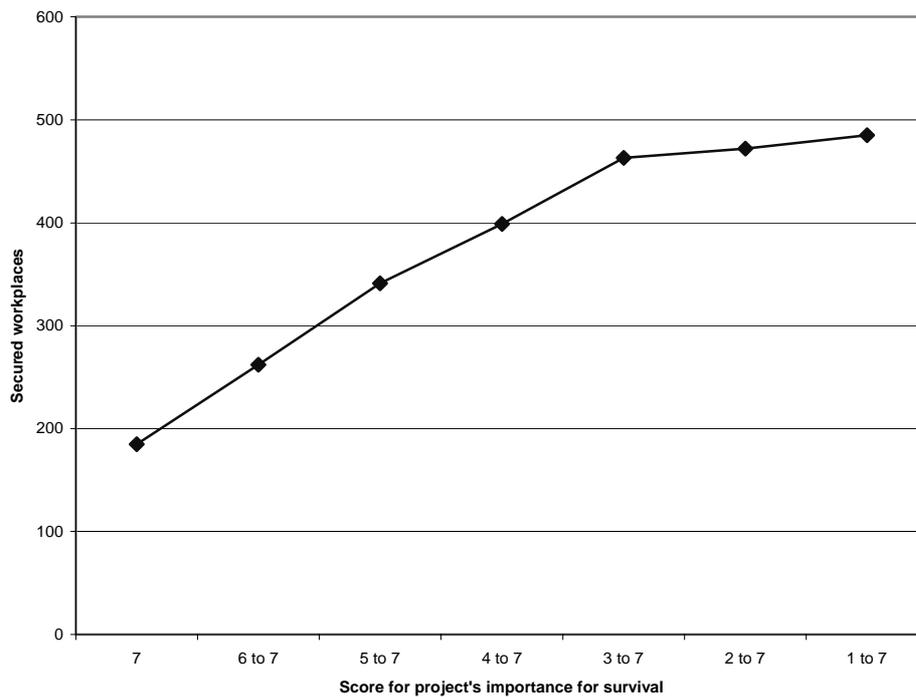


Figure 8-2 The relationship between the importance of the project for survival (score 6-7 or 7) and secured jobs. Projects with high additionality in the preliminary study. Cumulative figures

Sorted according to regional support area, SND has been involved in securing from approximately 50 to 75 jobs outside the support zones and approximately 130 to 190 in the zones. Just over 70 per cent of the secured jobs are therefore found in the regional policy support area. This proportion is the same as in the previous study and 10 percentage points higher than the proportion of projects in the support zone. This means that SND's involvement in the projects is of somewhat greater importance for the securing of jobs in the regional policy support area than outside the area.

8.1.4 Created and secured jobs in the follow-up study

In all, SND has contributed to the creation and securing of from about 1005 to 1135 jobs among those companies which have responded to this study. This represents from 1.6 to 1.8 jobs per project, which is an increase from last year, when 1.2 to 1.5 jobs per project were created. The increase is primarily the result of

the fact that according to this year's study, more jobs have been created in a few larger companies.

When the number of jobs is distributed according to regional support area, it becomes evident that about 430 to 515 jobs have been created in the regional policy support area and 575 to 620 jobs outside the area. This means that about 45 per cent of the jobs have been created in the support area, which is 15 percentage points fewer than would be expected of the number of projects and a drop of around 20 percentage points from last year. As mentioned earlier, the reduction is primarily the result of the creation of a large number of jobs in a small number of companies outside the support area.

8.2 ESTIMATION OF EMPLOYMENT EFFECTS FOR THE ENTIRE POPULATION

By using the calculations carried out for employment effects of the projects included in the 2000 group, it is possible to estimate the employment effects for the entire population of companies which received approval for support from SND in 2000 (7,354 projects). The effects on both the creation and the securing of jobs are estimated. In each of these areas the calculation is based on how the results of the projects in the study are divided between the various types of support. The method of calculation is described in detail in Sections 8.2.1 to 8.2.3.

The method of calculation used to estimate the employment effect for the entire population is the same as that used in the previous follow-up study. However, the method is somewhat different from that used in the follow-up studies for the 1994 to 1998 group. Because there are more projects on which to base the estimates, it is possible to scale the figures more finely. We have therefore based the estimates on the distribution of the type of support, since this parameter most clearly distinguishes the various projects from each other. For the 1994-1998 group the figures were scaled according to industry/other sector and inside/outside the regional support area.

8.2.1 Created jobs in the entire population

The estimate of the number of jobs created for the entire population is based on the proportion of projects for each individual support type for which the companies indicate a score from 4 to 7 or from 5 to 7 for their estimate of the effect of their project on the development of employment. This proportion is then multiplied by the average increase in employment for each individual type of support covered by the follow-up study. Table 8-1 shows the results of these estimates.

Table 8-1 Estimate of created jobs. High and low estimate for the entire population, arranged according to type of support

Support type	Pop.	High estimate				Low estimate			
		Imp. empl. >=4	Average jobs	Jobs per project	Total jobs	Imp. empl. >=5	Average jobs	Jobs per project	Total jobs
Secured loan	146	0.21	5.00	1.05	153	0.21	5.00	1.05	153
Nat. venture capital loan	146	0.19	6.75	1.28	187	0.19	6.75	1.28	187
Regional venture capital loan	414	0.37	6.43	2.38	985	0.34	6.85	2.33	964
Nat. dev. grant	278	0.29	4.14	1.20	334	0.21	4.80	1.00	278
Regional dev. grant	945	0.17	4.89	0.83	784	0.12	5.85	0.70	663
Start-up grant	914	0.23	2.52	0.58	530	0.19	2.54	0.48	441
OFU/IFU	128	0.42	25.3	10.6	1354	0.40	26.2	10.3	1318
Basic financing for fisheries	159	0.09	3.33	0.30	48	0.09	3.33	0.30	48
Agricultural loan	1635	0.10	1.29	0.13	213	0.04	1.33	0.05	87
Rural development funds	2589	0.10	1.33	0.13	337	0.09	1.36	0.12	317
Total/average	7354			0.67	4925			0.61	4456

Pop. = population, all SND projects in 2000

Imp. empl. = proportion of projects which have had an effect on employment development

Average jobs = average number of jobs created in the companies where a project has had an effect on employment

Jobs per project = jobs created per project for the entire population

Total jobs = total number of jobs created.

Total number of jobs created

In the entire population, between 4,500 and 4,900 new jobs has been created. This is somewhat fewer than last year, when the figure was between 5,500 and 6,400. The drop may be attributed to a number of factors, of which we will consider three here. Firstly, a change in the distribution of support types has taken place. Compared with last year two types of support have shown a decrease in projects which have contributed to a relatively high degree to the creation of new jobs, while there is a marked increase in one type of support which has contributed relatively little. More specifically, there has been a reduction in the number of projects which have received regional development grants (at least 600 fewer) and national development grants (at least 100 fewer), while the number of projects receiving agricultural loans has increased by 1,100. The other reason for the reduction can be found in the fact that fewer jobs have been created per project for certain types of support, particularly as regards national development grants and regional development grants. The direct result of this is the creation of fewer new jobs. The fact that the number of projects has fallen by about 300 from the previous study has a similar effect.

Without considering the number of projects, the largest number of jobs has been created through projects which have received approval for OFU/IFU, regional development grants and regional venture capital loans. The smallest number has been created by the recipients of basic financing for fisheries operators and agricultural loans. These results are broadly the same as for the previous follow-up study.

Created jobs per project

There is considerable variation between the types of support as regards how many jobs have been created per project. The largest number of jobs have been created among the recipients of OFU/IFU (10.6 to 10.3 per project) and regional venture capital loans (2.3 to 2.4 per project), while the smallest number created has been among those receiving rural development funds (0.1 per project) and agricultural loans (0.1 per project). The variations between the support types are probably the result of the fact that the former types of projects involve larger amounts of money. On average, for the entire population, approximately 0.6 to 0.7 jobs have been created per project. This is somewhat fewer than in the previous study, when 0.7 to 0.8 jobs were created per project. The observed reduction is primarily the result of a combination of changes in the distribution of support types and a reduction in the number of jobs created in connection with some of the most important types of support (see the section above for more details).

Created jobs according regional policy support areas

Grouped according to regional policy support area, between 2,300 and 2,400 new jobs have been created outside the zones, while 2,200 to 2,500 have been generated in the zones. Hence, approximately half the jobs have appeared in the regional policy support area. This is about 10 percentage points lower than the number of projects, and is a smaller proportion than for last year, when about two thirds of the new jobs were created in the support area.

8.2.2 Secured jobs in the entire population

The estimate of the number of secured jobs is based on the proportion of projects for each type of support for which the companies indicate a score of from 6 to 7 or 7 (on a scale of 1 to 7) for their estimate of the importance of the project for their survival. This proportion is then multiplied by the average number of secured jobs for each individual type of support covered by the follow-up study. The results are shown in Table 8-2.

Table 8-2 Estimate of secured jobs. High and low estimate for the entire population, arranged according to type of support.

Support type	Pop.	High estimate				Low estimate			
		Imp. surv. >=6	Average jobs	Jobs per project	Total jobs	Imp. surv. =7	Average jobs	Jobs per project	Total jobs
Secured loan	146	0.04	12.00	0.48	70	0.04	12.00	0.48	70
Nat. venture capital loan	146	0.10	9.00	0.90	131	0.10	9.00	0.90	131
Regional venture capital loan	414	0.11	7.57	0.83	344	0.08	6.60	0.53	219
Nat. dev. grant	278	0.13	10.33	1.34	373	0.04	25.00	1.00	278
Regional dev. grant	945	0.09	2.80	0.25	189	0.06	2.50	0.15	142
Start-up grant	914	-	-	-	-	-	-	-	-
OFU/IFU	128	0.19	4.13	0.78	100	0.09	3.50	0.32	41
Basic financing for fisheries	159	0.24	3.75	0.90	143	0.21	2.00	0.42	67
Agricultural loan	1635	0.19	1.86	0.35	572	0.14	2.00	0.28	458
Rural development funds	2589	0.17	1.55	0.26	673	0.12	1.43	0.17	440
Total/average	7354			0.35	2595			0.25	1846

Pop. = population, all SND projects in 2000

Imp. surv. = proportion of projects which have been important to survival

Average jobs = average number of secured jobs in the companies where a project has been important to survival

Jobs per project = secured jobs per project for the entire population

Total jobs = total number of secured jobs.

Total number of secured jobs

In the entire population, between just over 1,800 and 2,600 jobs has been secured. The largest number of jobs has been secured through projects which have received approval for rural development funds and agricultural loans¹⁷, while the smallest number secured was for those receiving OFU/IFU and start-up grants. Because start-up grants are awarded for the establishment of companies, the securing of jobs is not relevant.

Secured jobs per project

If one considers how many jobs have been secured per project, the ranking of the support types is very different. The largest number of jobs has been secured among recipients of national development grants (1.0-1.3 per project) and national venture capital loans (0.9 per project), while the smallest number has been secured among those receiving regional development grants (0.2-0.3 per project). On average, for

¹⁷. These figures are strongly influenced by the large number of projects.

the entire population, approximately 0.3 to 0.4 jobs have been secured per project. This is in agreement with the previous study.

Secured jobs according regional policy support areas

Grouped according to regional policy support area, from just under 500 to 800 new jobs have been secured outside the zones, while from just over 1300 to 1800 have been secured in the zones. In all, this means that 70 to 73 per cent of the secured jobs are found in the regional policy support area, which is approximately 10 percentage points higher than would be expected from the number of projects. This implies that the projects in the support area have relatively higher importance for the securing of jobs than for the creation of new jobs. The same situation was evident in the previous follow-up study.

8.2.3 Created and secured jobs in the entire population

Based on the assumptions used, from about 6,300 to 7,500 jobs have been created and secured among the companies which received approval for SND support in 2000. This means that from 0.9 to 1.0 jobs per project have been created and secured. This is somewhat fewer than in the previous study, when 1.0 to 1.2 jobs were created and secured per project. The reduction is primarily the result of a change in the distribution of support types. (see Section 8.2.1 for details). The figures are presented in Table 8-3.

Table 8-3 Estimate of created and secured jobs. High and low estimate for the entire population, arranged according to type of support

Support type	Population (project)	High estimate		Low estimate	
		Per project	Total	Per project	Total
Secured loan	146	1.53	223	1.53	223
National venture capital loan	146	2.18	318	2.18	318
Regional venture capital loan	414	3.21	1329	2.86	1183
National development grant	278	2.54	707	2.00	556
Regional development grant	945	1.08	973	0.85	805
Start-up grant	914	0.58	530	0.48	441
OFU/IFU	128	11.4	1454	10.6	1359
Basic financing for fisheries	159	1.20	191	0.72	115
Agricultural loan	1635	0.48	785	0.33	545
Rural development funds	2589	0.39	1010	0.26	757
Total	7354	1.02	7520	0.86	6302

Created and secured jobs according to type of support

In absolute figures, most jobs were created and secured among the recipients of OFU/IFU, regional venture capital loans, regional development grants and rural development funds. The smallest number of created and secured jobs is among those receiving basic financing for fisheries operators and secured loans. The largest number of jobs created and secured per project is among the recipients of OFU/IFU (11.4 to 10.6 per project) and regional venture capital loans (2.9 to 3.2 per project), while the smallest number is among those receiving agricultural loans (0.3 to 0.5 per project) and rural development funds (0.3 to 0.4 per project). This is among other things because many small projects and/or small companies are found in the last two categories of support.

Created and secured jobs according to regional policy support area

Sorted according to regional policy support area, the number of created and secured jobs is from approximately 2,800 to 3,200 outside the zones and from 3,500 to 4,300 jobs in the zones. This means that more than 55 per cent of the created and secured jobs are found in the regional policy support area. This proportion is approximately 10 percentage points lower than last year, and approximately 5 percentage points lower than the number of projects.

8.3 SND'S COSTS PER JOB

The estimate of the element of support per job created or secured is based on the scaled employment figures as calculated in Section 8.2.3 above, as well as the total element of support for the approvals awarded in 2000. This is the same method as was used to calculate the element of support in the evaluation of SND and of regional policy support for businesses¹⁸. The calculations are based on figures for the entire population. Corresponding calculations, based on the selection (the respondents in the study) can also be used, as they were by Møre Research in the follow-up studies for the 1994 to 1998 group. Based on the same cost estimates, the two procedures provide relatively similar results.

The cost estimates per job are shown in the table below. In these calculations we disregard the administration costs for the schemes, since these are not known. It can also be maintained that the administration costs will largely be the same from year to year and can therefore be disregarded in the type of analysis we are to use here. The table shows calculations for the 2000 group, where all types of support are included. In order to compare the figures with the 1994 to 1998 groups, calculations are also shown without the types of support which were not included

¹⁸. See Hauknes et al. (2000) and Alsos et al. (2000)

for these groups (i.e. start-up grants, basic financing for fisheries operators, agricultural loans and rural development funds). The calculations for the 1995 and 1996 groups have been obtained from the evaluation of the regional policy support for businesses (Alsos et al. 2000).

The estimates of costs per job have been calculated on the basis of the total element of support in the annual allocations to the support types. Here we have considered SND's costs to be equal to the sum of the various support schemes, plus loan loss provisions for the venture capital loan schemes¹⁹. The loan loss provisions have been 25 per cent of the resource framework, but because it takes time before the losses arise, SND has received approval from the EFTA Surveillance Authority for setting the element of support for the venture capital loans at 19 per cent. The total element of support is then divided by the estimate of employment. This method must be considered a simplification since it does not take into account the administration costs connected with the allocation, as mentioned above, nor does it include corrections for actual losses.

Table 8-4 Created and secured jobs – Support cost per job (based on the value of NOK in 2000)

Year group	Created and secured jobs		Costs per job (in 1000 NOK)*	
	Low	High	Low**	High**
2000 (all support types)	6302	7520	267	223
1999 (all support types)	7416	9499	276	215
2000 (same support types as in 1995-98)	4444	5004	264	235
1999 (same support types as in 1995-98)	5608	6837	229	187
1998	5800	7100	209	170
1996***	4522	5730	252	199
1995***	6285	8119	202	160

* All figures expressed as 2000-kroner

** Calculated on the basis of the low/high estimates for created and secured jobs.

*** The figures have been obtained from the evaluation of the regional policy support for businesses (Alsos et al. 2000).

For the 2000 group, SND's costs are NOK 1680 million, which results in total costs per job from NOK 223,000 to NOK 267,000. This is broadly within the same interval as the previous year's estimate of NOK 215,000 to NOK 276,000 per job. Compared with earlier years and for corresponding types of support (secured loans, national and regional venture capital loans, national development grants, regional

¹⁹ Rural development funds consist of grants and interest-free loans. SND has estimated that the element of support of the interest-free loans is 60 per cent of the allocated amount.

development grants and OFU/IFU)²⁰, the total costs per job are from NOK 235,000 to NOK 264,000. These are somewhat higher figures than experienced earlier. Last year, for example, the costs per job for these types of support were from NOK 187,000 to NOK 229,000. The change from the 1999 group to the 2000 group is probably the result of a change in the distribution of support types, as well as the fact that fewer jobs have been created and secured per project in connection with some of the most important support types, in particular regional development grants.

8.4 SUMMARY

For those companies involved in the follow-up study for the 2000 group, there has been a net increase in employment of 750 jobs. This represents an increase of 15 per cent in the period from 1 January 2000 to 1 January 2004. Of this net increase in employment, 398 jobs have been created in companies in the regional policy support area and 352 outside this area. The percentage increase has been virtually the same inside (15 per cent) and outside (14 per cent) the support area.

There is considerable uncertainty attached to the calculations of the employment effects of the SND allocations. The accuracy of the estimates will depend both on the uncertainty of selection and on precision problems connected with the subjectively graded response alternatives used. In other words, differences in the weighting of figures can lead to different results. Calculations performed for all companies receiving approval of support from SND in 2000 (7,354 projects) provide an estimated employment effect of approximately 6,300 to 7,500 jobs. This corresponds to 0.9 to 1.0 jobs per project. More than 55 per cent of the created and secured jobs have originated in the regional policy support area.

For the entire population of companies which received approval for SND funding in 2000, SND's cost per job created or secured was from NOK 223,000 to NOK 267,000. This is broadly within the same interval as the previous year's estimate of NOK 215,000 to NOK 276,000 per job.

²⁰ In other words, not including start-up grants, agricultural loans, rural development funds and basic financing for fisheries operators

PART D: EVALUATION OF RESULTS AT COMPANY LEVEL

9. DEVELOPMENT AND CHANGES IN COMPANY CHARACTERISTICS

In the above we considered factors associated with the projects in the companies. In this chapter we will consider in detail whether developments or changes have taken place in the characteristics of the companies between the preliminary study in 2001 and the follow-up study in 2004. We will go on to consider in detail factors relating to the companies' resources, strategic conditions and entrepreneurial attitude. This last characteristic can provide some indication of the companies' attitude to innovation, readiness to assume risk and proactiveness.

9.1 CHANGES IN THE COMPANIES' RESOURCES

Resources are often grouped in five main categories. These are financial, physical, human, organisational and technological resources. Of the abovementioned it must be assumed that those with the greatest potential for development and change (innovation and entrepreneurial behaviour) are the human and technological resources. At the same time, the financial resources must be considered fundamental for success. In this study we have considered indicators which can provide a picture of the various resources of the companies. These are presented below, and are:

- Human resources: Managers' and employees' networks (Network)
- Organisational resources: Formal structure/board and strategy (Board)
- Technological resources: Patents and non-duplicable competence (Technology)
- Physical resources: Geographical location factors and business environment (Location)
- Financial resources: Financial position compared with the competitors (Finance)

9.1.1 Comparison between average values of the resources

The table below shows the average changes for the individual resource groups. All the resource groups show a reduced average value since the time of the preliminary study. This was also evident in last year's follow-up study. However, the reductions compared with the assessment of the same resources in the preliminary study are not large (between 0.50 and 0.20 on a scale of 1-7).

The resources which are rated highest are Network resources, with average values of 4.66 and 4.99. The remaining resources achieve average values of between 2.6 and 4.8 when both studies are considered together, with the Technology resources achieving the lowest score. All changes from the preliminary study to the follow-up study are significant at the 10 per cent level or higher. The figures are presented in the table below.

Table 9-1 Average values of the resources in the preliminary and follow-up studies

Resource	Average	Standard deviation (average)	N
- Network 2004	4.56	0.073	386
- Network 2001	4.99	0.073	
Change 2004-2001	- 0.43***		
- Board 2004	3.44	0.092	392
- Board 2001	3.64	0.101	
Change 2004-2001	- 0.20**		
- Technology 2004	2.59	0.083	357
- Technology 2001	2.79	0.089	
Change 2004-2001	- 0.20**		
- Location 2004	3.51	0.066	495
- Location 2001	4.09	0.068	
Change 2004-2001	- 0.58***		
- Finance 2004	3.32	0.086	406
- Finance 2001	3.75	0.092	
Change 2004-2001	- 0.43***		

Significance (2-tailed): * < 0.10; ** < 0.01; *** < 0.001

9.1.2 Type of changes

Another way to study the change in a resource is to consider how many companies estimate the resources to be lower, higher or at the same level as previously. This is shown in the figure below. As shown here, between 28 and 35 per cent of the companies consider the value of the various resources to be greater today than in 2001, while the majority consider their value to be lower (46-57 per cent of the companies, depending on which resource is considered). Between 26 and 8 per cent of the resources are considered to be unchanged in value. Hence it can be said in general that approximately half the companies place the same or a higher value on their resources compared with 2001. The results for the various resource groups is shown in the figure below

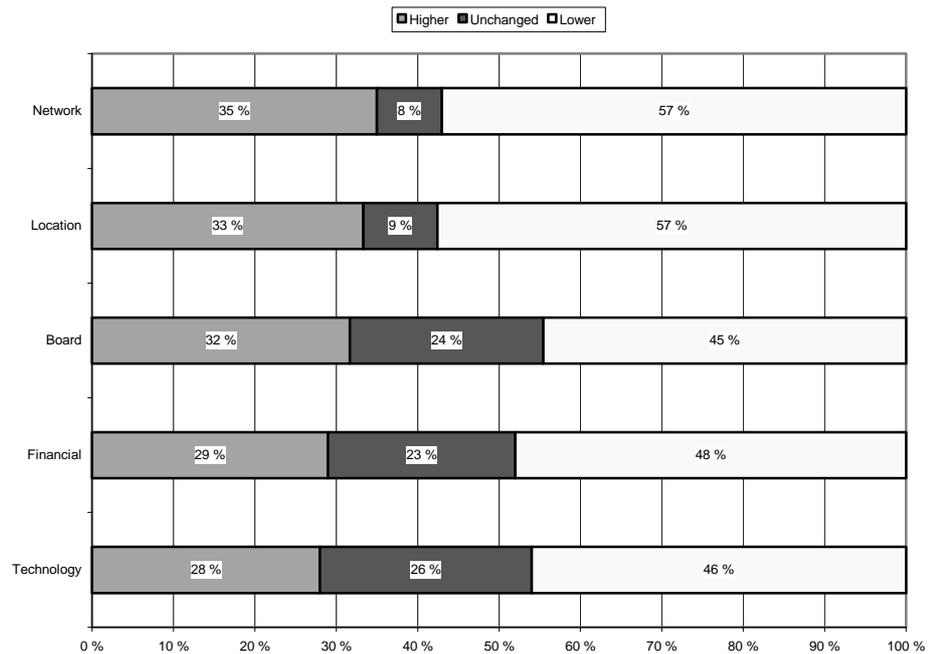


Figure 9-1 The companies' evaluation of the importance of resources today, compared with the preliminary study in 2001

All the different resource indicators mentioned above must be assumed to be important to the companies, but why have the values fallen relative to the preliminary study? It is difficult to form a clear opinion regarding this. One possible explanation is that at the commencement of a project there is a tendency to respond more optimistically to questions than after the project has been completed. Another possibility is that there have actually been real changes in the companies' assessment of the resources in recent years, and in this connection the project in question may influence the companies' focus and appraisals. In other words, after the completion of a project, the focus changes and other factors may assume greater importance.

Consideration of the resource indicators in the light of which type of support the companies have received may provide a somewhat more nuanced picture. Companies which score higher than previously on the *network resource* are those which have received one of the agricultural support types, basic financing for fisheries operators or OFU/IFU. Between 42 and 48 per cent of these have raised their rating of this resource. Correspondingly, recipients of national venture capital loans, national development grants and agricultural loans rate the importance of

their *financial position* compared with the competitors higher than previously (41-42 of the companies have a higher rating). Board resources are primarily rated somewhat higher among the recipients of basic financing for fisheries operators and rural development funds (38 and 36 per cent, respectively). The results are presented in the figure below.

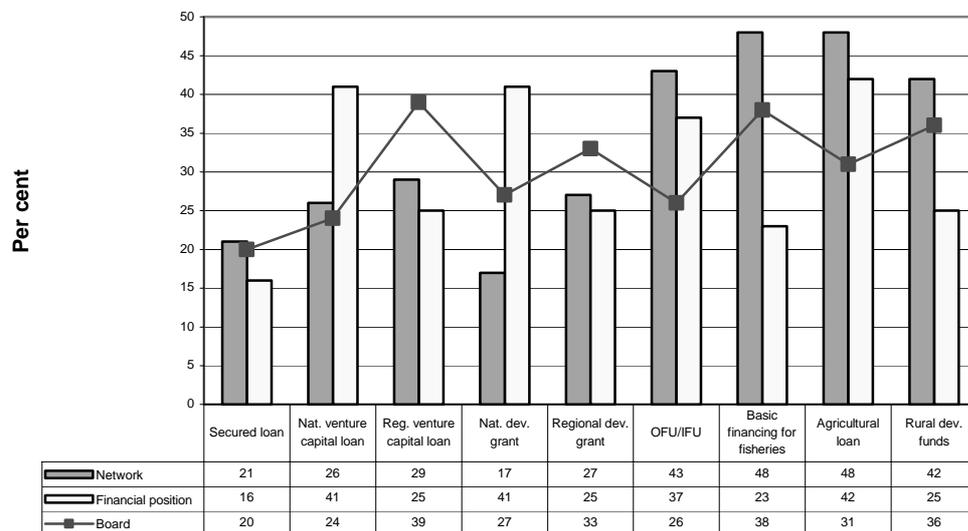


Figure 9-2 Companies with higher resource ratings in 2004 than in 2001 according to type of support. Selected resources. Per cent

The results shown above are perhaps somewhat surprising, in particular the fact that Network resources have become more important for recipients of support for agriculture and fisheries, while this is not the case for the traditional types of support for businesses. There may be various reasons for this. One explanation is that companies which use the latter type of support (the traditional types of support for businesses) already gave the Network resources high scores, while the others rated them lower. This means that the potential for a higher rating becomes greater for the recipients of agricultural and fisheries support, and vice versa. The exception, however, is users of OFU/IFU, many of whom have raised their rating, despite a high level from the beginning. An explanation may be that the arrangement of the support type and the project make the importance of this more evident. Some of the same reasoning, that low initial rating leads to potentially higher rating later, can also generally be used in connection with the other

resources. It is also interesting to note that the *financial position* is reinforced for the users of national venture capital loans, national development grants and agricultural loans. Here it may be speculated as to whether this can be the result of the completed project. The number of companies connected with the first two schemes is however low (21 and 24 companies), so small changes will lead to large changes expressed as a percentage.

Changes in the rating of resources have also been considered in relation to company size, but no systematic variations are evident on this basis.

9.2 CHANGES IN THE COMPETITIVE STRATEGIES OF THE COMPANIES

Strategy is about a company's adaptation to its surroundings and can be defined as *the organisation's adaptation of its internal resources and skills to the potential and risks created by the company's external surroundings*.²¹ In other words, a company's strategy determines which surroundings it will operate in and which resources the company will use in order to achieve its objectives. The choice of competitive strategy is often considered one of the most important decisions for the success of a company, and a crucial objective in the fields of strategy and management is to develop know-how regarding different sources of sustainable competitiveness. Competitive strategies are often grouped into three main categories depending on the focus of the strategy. Traditionally they can be grouped according to whether the focus is on product, market or price. In this study we have considered indicators which can provide a picture of the strategy orientation of the companies, using the abovementioned grouping.

9.2.1 Comparison between average values for the strategy groups

The table below shows the average changes for the individual strategy groups. Also here, all the groups show reduced average value compared with the figures from the preliminary study (between 0.23 and 0.50). The reduction is least for price strategy, while the other two strategy groups show a reduction of 0.50. The highest-rated strategy group is product strategy, with average values of 5.26 and 4.76. The lowest value is for market strategy, with values of 3.78/3.28. The comparisons between the preliminary and follow-up studies are significant at the 10 per cent level or better. The figures are presented in the table below.

²¹. See Grant, 1991

Table 9-2 Average values of the strategy orientation in the preliminary and follow-up studies

Strategy orientation	Average	Standard deviation (average)	N
- Product 2004	4.76	0.066	404
- Product 2001	5.26	0.061	
Change 2004-2001	- 0.50***		
- Market 2004	3.28	0.064	435
- Market 2001	3.78	0.061	
Change 2004-2001	- 0.50***		
- Price 2004	3.43	0.073	489
- Price 2001	3.66	0.076	
Change 2004-2001	- 0.23***		

Significance (2-tailed): * < 0.10; ** < 0.01; *** < 0.001

9.2.2 Type of changes

The figure below shows how many companies rate the strategy areas lower, higher or unchanged. In particular, the companies have increased their rating of the importance of the price strategy. 44 per cent give this a higher rating than in the preliminary study, while 36 per cent rate it lower. The corresponding figures for market strategy and product strategy are 31 per cent with higher rating and 60 per cent with lower. In other words it would appear that a relatively large change in strategy focus has occurred in the period, particularly with regard to the importance of price strategy. The values are shown in the figure below.

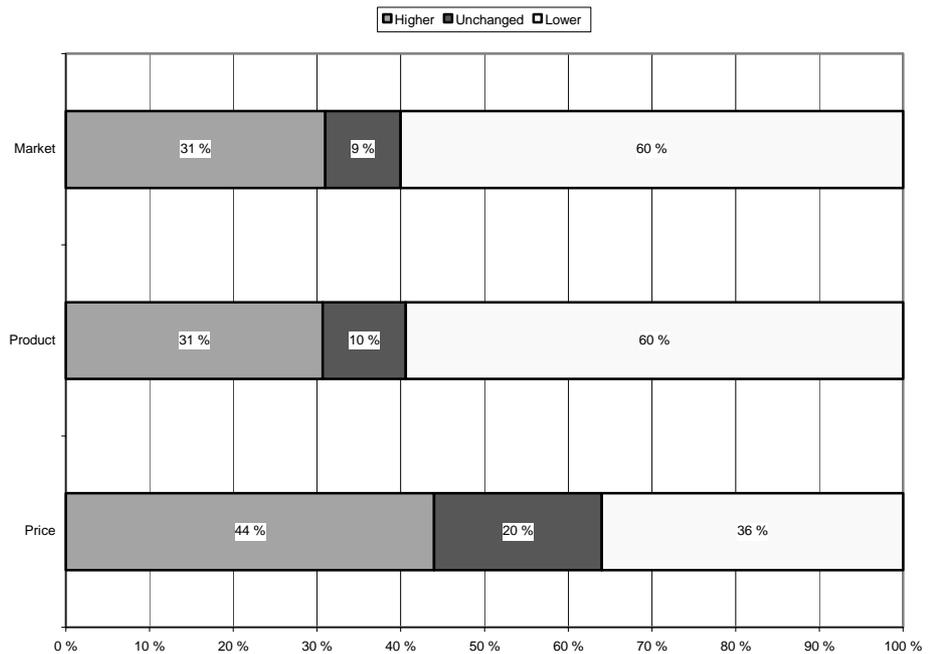


Figure 9-3 The companies' evaluation of strategy focus today, compared with the preliminary study in 2001

In the following we will consider to what extent the strategies have been rated higher in 2004 than in 2001, according to the type of support used. Virtually all recipients of secured loans, regional development grants and agricultural support rate *price strategy* far higher than previously (between 40 and 45 per cent of the companies), while the recipients of rural development funds and secured loans have to a greater extent shifted their focus towards *market strategy* (43 and 38 per cent of the companies with higher rating, respectively). The changes with regard to *product strategy* are smaller, but here we also found the highest ratings in the preliminary study (cf. the table above). In other words we find much the same picture as for the resources. Strategies obtaining relatively low scores in the preliminary study increase their importance in the follow-up study, and vice versa. The results are shown in the figure below.

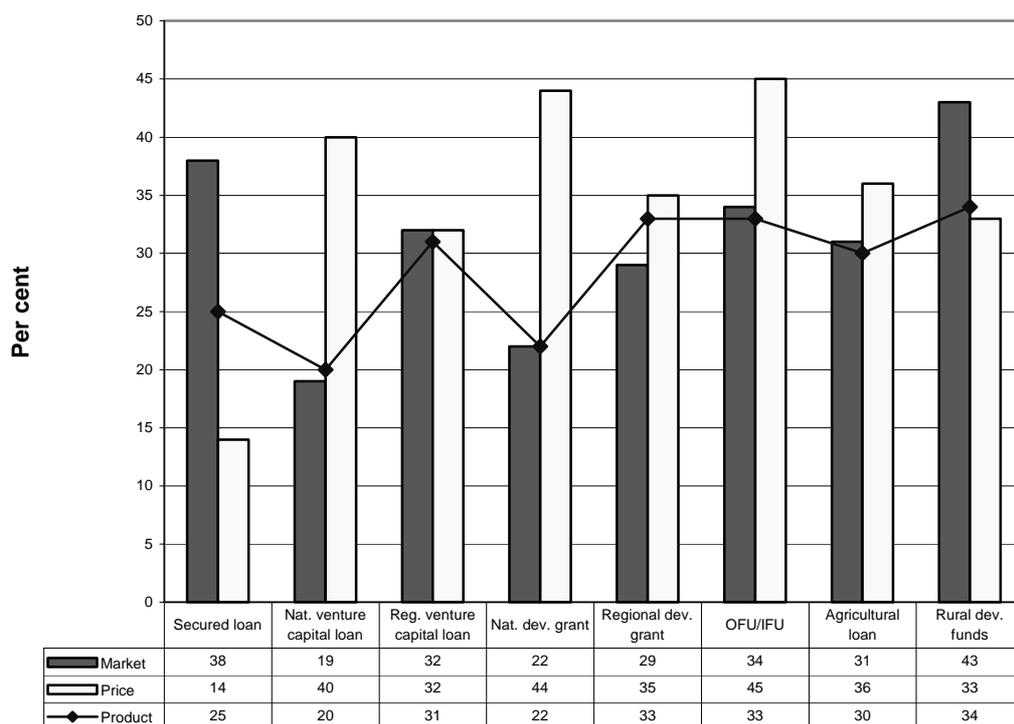


Figure 9-4 Companies with higher strategy ratings in 2004 than in 2001 according to type of support. Per cent

Here too we can say that the results can initially appear somewhat surprising, for example the fact that recipients of OFU/IFU now consider price strategy more important than previously. However, these initially gave high ratings primarily to production strategy and also market strategy. Hence on this basis it appears that the focus shifts to fields which have previously been given a lower rating. Some of this variation can possibly also be ascribed to the arrangement of the support type. For example, it is not unlikely that recipients of rural development funds and the projects which are financed by these make it entirely natural for these to consider market strategy to be more important now than at the outset. On the other hand, such changes in focus/rating of importance may be connected with the nature of the project from the outset, as it may appear for the recipients of OFU/IFU. In connection with strategy, however, such “smoothing out” among several strategies is not necessarily positive, but may result in an unclear strategy focus and weaker

results. The observed changes in the rating of importance may however also be interpreted as indications that the companies are continuously learning and developing themselves.

Changes in the rating of strategies have also been considered in relation to company size, but no systematic variations are evident on this basis.

9.3 CHANGES IN THE ENTREPRENEURIAL ATTITUDE OF THE COMPANIES

Entrepreneurship and innovation are considered important to value creation, growth and employment. In addition it is expected that social development will increasingly be marked by processes of adjustment, which to an increasing degree means that entrepreneurial capability will be important. Entrepreneurial attitude can be defined as: “The manager’s strategic orientation which reflects a company’s willingness to involve itself in entrepreneurial activity”²², and is seen as a company’s actions in respect to innovation, readiness to assume risk and proactiveness²³. One of the objectives of SND and several of the types of support available is precisely to contribute to development, innovation and creativity. For our purposes it is therefore interesting to discover the nature of this factor and the way in which it develops.

The table below shows the average changes in entrepreneurial attitude. Here too the average value is lower than in the preliminary study (0.48). The difference between the preliminary and follow-up studies is significant. The figures are presented in the table below.

Table 9-3 Average values of entrepreneurial attitude in the preliminary and follow-up studies

Entrepreneurial attitude (EA)	Average	Standard deviation (average)	N
- Entrepreneurial attitude 2004	3.90	0.072	488
- Entrepreneurial attitude 2001	4.38	0.072	
Change 2004-2001	- 0.48***		

Significance (2-tailed): * < 0.10; ** < 0.01; *** < 0.001

²² Wiklund, 1998

²³ Miller, 1983

9.3.1 Type of changes

The six indicators comprising entrepreneurial attitude are here grouped according to indications for innovation, proactiveness and readiness to assume risk, and the results are shown below.

- Innovation:	- The company is engaged in the development of new products/services. - We aim to be first with regard to technological development in our industry.
- Proactiveness:	- We make efforts to find new potential in the market - We emphasise the importance of the continual development of our business concept - The company emphasises the importance of being the first to venture into new markets
- Readiness to assume risk:	- We accept high risk in our market adaptation

The figure below shows how many companies rate the entrepreneurial indicators lower, higher or unchanged. It can be seen that between 28 and 22 per cent of the companies rate their entrepreneurial attitude higher than previously, while between 36 and 49 per cent rate it lower than at the time of the preliminary study. For between 36 and 26 of the companies, the rating of the entrepreneurial factors is considered to be unchanged. It should be noted that the companies tend to rate the entrepreneurial factors the same as in 2001 to a larger extent than they do resources and strategy. Generally it can be said that the rating of between half and two thirds of the companies is the same as or higher than in the preliminary study. The figure below shows the variations for the various entrepreneurial indicators.

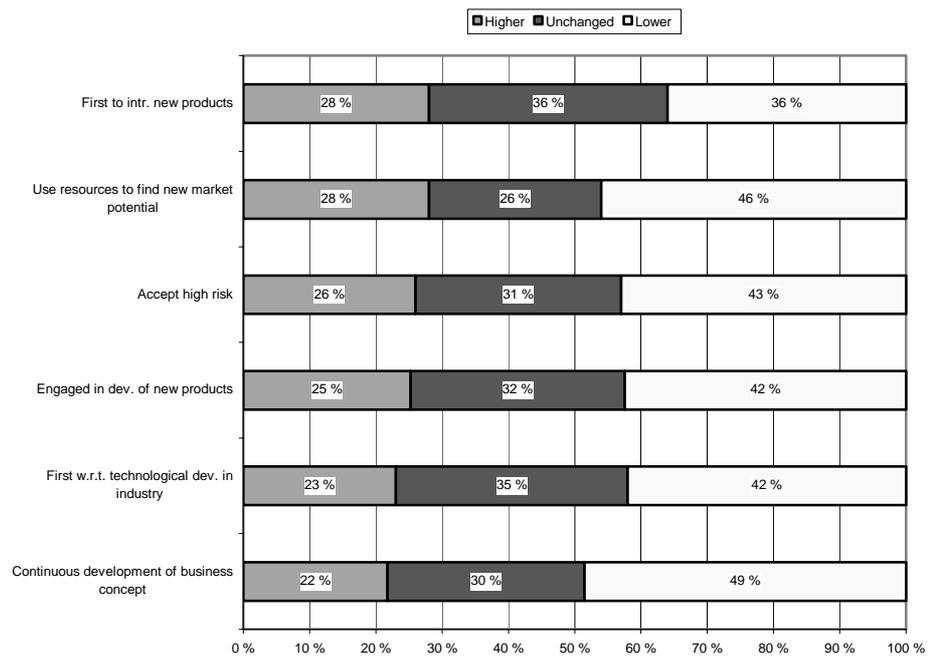


Figure 9-5 The companies' rating of entrepreneurial attitude today, compared with the preliminary study in 2001.

Also the entrepreneurial indicators vary somewhat according to the type of support in use. In the following, entrepreneurial attitude is divided into three groups; innovation, proactiveness and readiness to assume risk. Of these, the innovation factors²⁴ are rated highest for all the support recipients except those receiving regional venture capital loans and national development grants Here it is the readiness to assume risk which is considered to be more important than previously. The largest change in rating of the importance of innovation is seen among those who have received OFU/IFU and agricultural support, of whom approximately 40 per cent rate this higher today than in 2001. Again the explanation appears to be that the potential for increase is greatest among those who have received agricultural support, while the effects of OFU/IFU support, the project and/or the company are such that innovation as measured here continues to be important. The readiness to assume risk is rated highest by the recipients of regional or national venture capital loans (33-31 per cent), compared with the others, but proactiveness

²⁴ The company is engaged in the development of new products/services. We aim to be first with regard to technological development in our industry.

is rated highest among the recipients of regional development grants and rural development funds (32 per cent). The results are presented in the figure below.

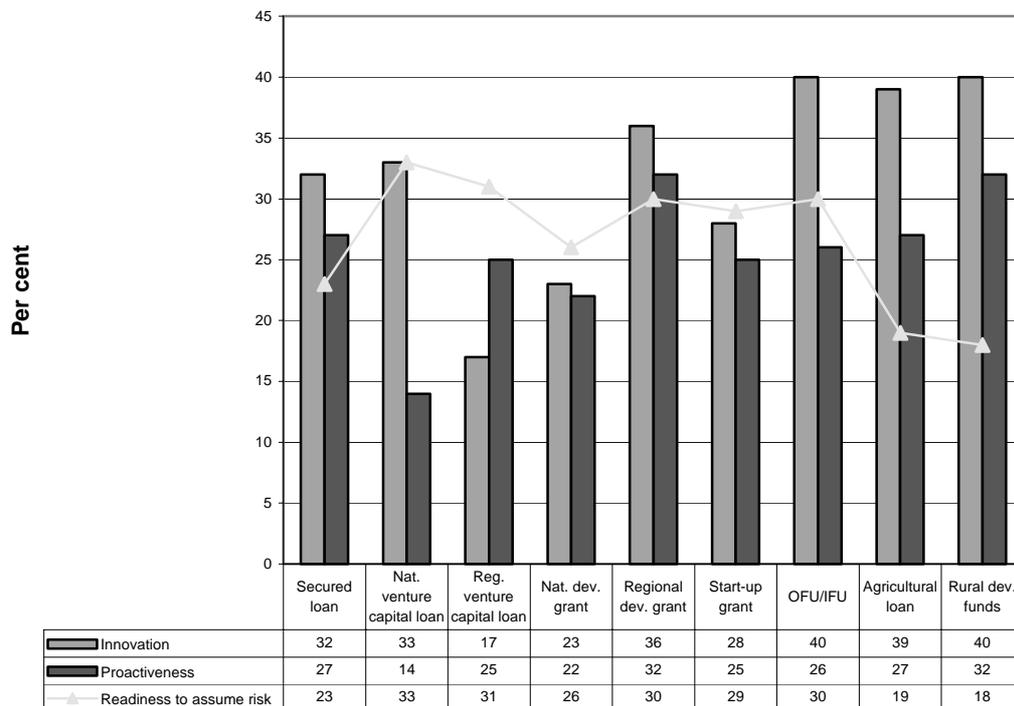


Figure 9-6 Companies with greater entrepreneurial attitude in 2004 than in 2001 according to type of support. Per cent

9.3.2 What effect does SND have on the companies' entrepreneurial attitude?

Since entrepreneurial attitude can be important for a company's development and performance and for SND's work and a number of the support types, we will here consider more closely the possible connections between SND's involvement and the companies' entrepreneurial attitude.

The dependent variable of the analysis is the companies' entrepreneurial attitude in 2004. Company size and changes in the companies' surroundings in the last three years form the background variables. Independent variables used are the support types, the size of the project allocations compared with the companies' sales figures, the importance of guidance to the project and whether SND has

contributed in the form of follow-up after the approval of support. Of the types of support, start-up grants were omitted from the analysis. In order to retain the regional development grants, which are the largest group, and in order to avoid multicollinearity, agricultural loans were omitted. The analysis was then performed as shown below.

It is interesting to note that the support types which can be characterised as the most development-orientated, that is OFU/IFU and the national and regional development grants and venture capital loans, also appear to be the ones which influence the entrepreneurial attitude of the companies. Moreover there is a correlation between the SND's contribution in the form of follow-up and the entrepreneurial attitude. Changes experienced by a company in its surroundings in the last three years are also clearly related to the entrepreneurial attitude. The model explains 35 per cent of the variation in entrepreneurial attitude (adjusted R² = 0.35).

Table 9-4 SNDs influence on the companies' entrepreneurial attitude. Regression analysis

Variables	Entrepreneurial attitude 2004
Background variables	
Company size	
Changes in the industry in the last three years	0.395***
Types of support	
Secured loan	
National venture capital loan	0.208***
Regional venture capital loan	0.109*
National development grant	0.176**
Regional development grant	0.155**
OFU/IFU	0.296***
Basic financing for fisheries	
Rural development funds	
Other SND contributions	
Importance of guidance for the project	
Follow-up of the company	0.103**
Project allocation compared with sales in 2000	
Constant (B value)	-0.219
Adjusted R ²	0.35
F-value	14.75***
N	326

9.4 SUMMARY

In this chapter we have considered changes in the companies' resources, strategies and entrepreneurial attitude. All the resource groups, strategies and entrepreneurial indicators show a reduced average value since the time of the preliminary study. This was also evident in last year's follow-up study. However, the reduction is not large. It is difficult to form a clear explanation for this. One possible explanation is that at the commencement of a project there is a tendency to respond more optimistically to questions than after the project has been completed. Another possibility is that there have actually been real changes in the companies' assessment of the resources, strategies and entrepreneurial attitude in recent years, and in this connection the project in question may influence the companies' focus and appraisals. In other words, after the completion of a project, the focus changes and other factors may assume greater importance.

The variations have also been considered in relation to whether the companies rate resources, strategies and entrepreneurial attitude lower, higher or at the same level as in 2001. As regards resources, it can be said in general that approximately half the companies put the same or a higher value on their resources compared with 2001. As regards strategies, the companies have increased their rating of the importance of the price strategy. 44 per cent consider this to be higher today than at the time of the preliminary study. As regards entrepreneurial attitude (innovation, proactiveness, readiness to assume risk) the companies tend to rate these the same as in 2001 to a larger extent than for resources and strategy. Generally it can be said that the rating of between half and two thirds of the companies of their entrepreneurial attitude is the same or greater than in the preliminary study.

There are considerable differences, depending on the type of support used, but it is difficult to ascribe changed attitudes or rating of resources, strategies and entrepreneurial attitude to these differences. Instead the relationship would appear to be more indirect insofar as factors which were given a low rating in the preliminary study have greater potential for obtaining a higher rating in the follow-up study, and vice versa. The exception, however, is users of OFU/IFU, of whom there are still many who have raised their rating, despite a high rating with regard to Network resources and innovation *ex ante*. An explanation may be that the arrangement of the support type and/or the project makes the importance of this more evident. Moreover the company as such may function in such a way that networks and innovation continue to be important.

10. EXTERNAL AND INTERNAL FACTORS WHICH INFLUENCE COMPANIES' PERFORMANCE

The various company characteristics were presented in the previous chapter. The results achieved at company level also depend to a large extent on the company's various resources, strategic choices and objectives. At the same time, external and internal factors such as support type, the size of the project allocation, SND's follow-up and the company's size, industry sector and surroundings will also be of importance. In this chapter we will consider whether there are any effects at company level. This concerns the way in which the realisation of the project can have contributed to the company's objectives with regard to different projects and achievements.

10.1 FACTORS WHICH INFLUENCE THE RESULTS

In the following we will attempt to isolate a number of influencing factors which can be of importance to a company's various performance measurements. The three performance measurements; *performance*²⁵ in relation to the competitors, *sales trend*²⁶ and *employment trend*²⁷, will be used as the dependent variables for the analysis. The analysis model described in Chapter 1 is used as a starting point to reveal what can affect these variables. In the model it is assumed that there are a number of factors, such as the surroundings, SND's financing, resources/strategies and other commercial factors (industry sector, company size) which influence the results of the company's business activities. The results of the study will be presented in the form of regression analyses. For practical reasons, the analysis results for the three performance measurements will be presented together, but it must be pointed out that the three analyses are independent of each other. First we will look in detail at SND's contribution in relation to these performance measurements before we analyse the entire model in context.

10.1.1 SND's contribution to the companies' performance

In the model presented below we have only considered SND's contributions in the form of support type, SND's guidance in 2000, whether SND has contributed in the

²⁵ Measured in terms of whether the companies have reported that they perform better than the competitors with regard to financial results, growth and market conditions. Consists of six variables which appear as one factor when using factor analysis (the procedure is described in an attachment).

²⁶ Change in sales from 2000 to 2003, divided by sales in 2000.

Change in employment from 2000 to 2003, divided by employment in 2000.

form of follow-up after the approval of support and the project allocation's size in relation to the company's sales in 2000.

In the first regression analysis of the data we omitted regional development grants because of multicollinearity. However, because this is the largest support group, it was subsequently included, but agricultural loans were omitted. After these adjustments the model functioned satisfactorily with regard to multicollinearity. The results are presented in the table below.

For four of the support types (regional venture capital loans, national and regional development grants and OFU/IFU), there are significant positive correlations between the results and the way in which the companies perceive their performance compared with the competitors. In other words the companies which have used these types of support are of the opinion that they perform better than other operators in the same trade sector. However, there is a significant negative correlation between the size of the project allocations (compared with sales figures) and how the companies perceive their situation or performance compared with the competitors. This means that the larger the project allocation is in relation to a company's sales, the more likely the company is to perceive its own situation to be weaker than that of the competitors. The model explains 7 per cent of the total variation in performance (adjusted $R^2 = 0.07$).

If we consider the companies' relative changes in sales, the picture is somewhat different. Now only the OFU/IFU support has a significant positive effect, while the effect of national development grants is negative. In other words, there appears to be a tendency for a reduction in sales for these companies in the period. However, there is a positive correlation between the size of the project allocation (compared with sales figures) and the change in sales. In this respect, the model explains 17 per cent of the total variation in performance (adjusted $R^2 = 0.17$).

As regards the relative measurement of employment, only one type of support, regional venture capital loans, shows any significance. However, the model provides little explanation in this respect (adjusted $R^2 = 0.02$).

However, in combination, the regression models show that the SND support is of significance for the companies' results, especially with regard to performance as compared with the competitors.

Table 10-1 Regression analysis: The importance of SND's contribution to the companies' performance, sales trend and employment trend

Variables	Performance compared with competitors	Change in sales (relative)	Change in employment (relative)
Types of support			
Secured loan			
National venture capital loan			
Regional venture capital loan	0.184**		0.154**
National development grant	0.179**	-0.101*	
Regional development grant	0.218**		
Start-up grant			
OFU/IFU	0.224***	0.167**	
Basic financing for fisheries			
Rural development funds			
Other contributions			
Importance of guidance for the project			
Follow-up of the company			
Project allocation compared with sales in 2000	-0.127**	0.411***	
Constant (B value)	-0.235	63.61	0.156
Adjusted R ²	0.07	0.17	0.02
F-value	3.34***	6.94***	1.71*
N	380	359	332

Significance: * < 0.10; ** < 0.05; *** < 0.001

10.1.2 Factors which influence the results according to support group

The following groups of possible factors influencing the performance measurements will be used in the model:

- Control variables (industry sector and company size)
- Company characteristics (resources and entrepreneurial attitude)
- SND's contribution (financing amount, guidance and follow-up)
- Surroundings (dynamics, intensity of competition and changes in surroundings in the last 3 years)

The types of support were placed in three main groups (ordinary support, agricultural support and start-up grants). This was done primarily because these groups can have different characteristics and the recipients also answer different questions in the survey. The division into three analysis groups also facilitates the interpretation of the results while contributing to a lower drop-out rate in the regression analyses. Three separate regression analyses have therefore been carried out with somewhat varying use of independent variables. As a result of the testing

of factors and consideration of relevance, and in order to reduce “noise” in the model, the following adjustments were also carried out:

- Of the resources, technology, financial position and the education and experience of management were omitted.
- The competitive strategies were omitted, while entrepreneurial attitude (EA) was used instead as an indicator of the companies’ attitudes to innovation, proactiveness and readiness to assume risk. EA is also a factor which in any case could be of importance to a company’s performance.
- The various types of support were not used in the models where this would be more likely to lead to “noise” than to clarify.

The tables below show the results of the regression analyses. The ordinary support types are presented first, followed by agricultural support and start-up grants. The regression coefficients are shown only for the variables which achieved significant values.

Factors which influence the results – ordinary support types

In the analysis below “Other industry sectors” have been omitted from the regression analyses for all three result areas. In general we see from the table below that affiliation with a sector of trade has no significance. The same applies to the importance of guidance to the project, SND’s follow-up of the company and the surroundings-related variables, dynamics and intensity of competition. The latter is perhaps somewhat unexpected since one would assume that this would be important for various commercial results. The importance of the factors to the three result areas is discussed below.

Changes in the sector of industry/trade in the last three years do not appear to have any importance for a company’s *performance compared with the competitors*. The same applies to a company’s networks and entrepreneurial attitude at the commencement of a project. The latter is interesting since it indicates that such an attitude may lead to better performance for the company. If the Board resource is unchanged or is considered more important today than in the preliminary study, this has an effect on a company’s performance (significant correlation). The same applies if the entrepreneurial attitude is maintained or has improved in the period. However there is a significant negative correlation between the size of the project allocation (compared with sales figures) and performance. In other words, the larger the project allocation compared with sales figures, the more probable it is that the company considers its performance to be weaker than the competitors. The model explains 26 per cent of the total variation in performance (adjusted $R^2 = 0.26$).

However, the importance of the size of the project allocation changes completely when we consider change in sales. The primary factor which can explain *change in sales* is the scope of the project allocation from SND. This shows a clearly significant correlation. The location of the company is also important. It must be said to be somewhat surprising that there is a significant negative correlation between the Board resource and the relative change in sales. This applies both to the Board resource at the commencement of the project and to whether it is rated at the same or a higher level in the follow-up study. While this resource appears to be of importance for how a company perceives itself compared with the competitors, as we saw above, it actually has the opposite effect on sales. However, the reason for this is difficult to determine. The model explains 18 per cent of the total variation in sales (adjusted $R^2 = 0.18$).

The *employment trend* is primarily explained by changes in industry sector conditions. There is also a significant positive correlation between the importance of networks and this performance measurement. It is also interesting to note that company size has a negative effect on employment (negative significant beta value). This is in agreement with what is often observed, that the largest companies develop through rationalisation (reduced employment), while for the smaller companies, development involves increasing employment. The model explains 11 per cent of the total variation in employment (adjusted $R^2 = 0.11$). The results are shown in the table below.

Table 10-2 Regression analysis: Factors of significance for the companies' performance, sales trend and employment trend. Users of ordinary support types²⁸

Variables	Performance compared with competitors	Change in sales (relative)	Change in employment (relative)
Control variables			
Company size (Person-years on 1 January 2001)			-0.149*
Industry			
Commodities/hotel/restaurant			
Service provision			
Surroundings-related variables			
Dynamics			
Intensity of competition			
Changes in the industry in the last three years	0.193**		0.285**
Company characteristics (at project commencement)			
Network (2000)	0.180*		
Board (2000)		-0.176*	
Location (2000)		0.218**	
Entrepreneurial attitude (2000)	0.217**		
Changes in company characteristics			
Network (higher and unchanged)			0.162*
Board (higher and unchanged)	0.175**	-0.186**	
Location (higher and unchanged)			
EA (higher and unchanged)	0.218**		
SND's contribution			
Importance of guidance for the project			
Follow-up of the company			
Project allocation compared with sales in 2000	-0.178**	0.392***	
Constant (B value)	-2.19	92.77	-2.38
Adjusted R ²	0.27	0.18	0.09
F-value	4.13***	2.84***	1.77**
N	153	152	148

Significance: * < 0.10; ** < 0.05; *** < 0.001

²⁸ Secured loans, national and regional venture capital loans, national and regional development grants and OFU/IFU

Factors which affect the results of recipients of agricultural support²⁹

In the analysis presented in this section, the model has been simplified somewhat by omitting industry sector (for natural reasons) and company size. When performing the analyses it was apparent that neither the model for change in sales nor that for change in employment was significant. Hence it is only the regression model where performance is the dependent variable which is discussed here.

There are three factors which are of significance for the *performance* of the company in relation to the competitors. These are how dynamic the business environment is, entrepreneurial attitude at the initiation of the project and whether or not the entrepreneurial attitude is now considered to be higher than or at the same level as during the preliminary study. It is interesting to note that those experiencing the surroundings as dynamic are so clearly of the opinion that their performance is better than that of the competitors. Perhaps one would have expected the opposite – that dynamic surroundings would cause a company to consider its situation to be worse than that of the competitors. However, the result is in keeping with the fact that entrepreneurial attitude, which is primarily to do with being proactive and innovative, is also of importance here. The model explains more than one third of the total variation in performance (adjusted $R^2 = 0.33$).

²⁹ Agricultural loans and rural development funds

Table 10-3 Regression analysis: Factors of significance for the company's performance. Recipients of agricultural support

Variables	Performance compared with competitors
Surroundings-related variables	
Dynamics	0.363***
Intensity of competition	
Changes in the industry in the last three years	
Company characteristics (at project commencement)	
Network (2000)	
Board (2000)	
Location (2000)	
Entrepreneurial attitude (2000)	0.342**
Changes in company characteristics	
Network (higher and unchanged)	
Board (higher and unchanged)	
Location (higher and unchanged)	
EA (higher and unchanged)	0.177*
SND's contribution	
Importance of guidance for the project	
Follow-up of the company	
Project allocation compared with sales in 2000	
Constant (B value)	-1.03
Adjusted R ²	0.33
F-value	5.26**
N	88

Significance: * < 0.10; ** < 0.05; *** < 0.001

Factors which affect the results of recipients of start-up grants

As in the section above, the model in this section has been simplified somewhat by omitting company size from the analysis and by not showing in the table the factors which are not recorded (industry sector) and variables which are omitted from the questionnaire sent to the company founders. Here too, only the results relating to the performance measurement are shown.

For start-up businesses there are very many factors which are of significance for the *performance* of the companies in relation to the competitors. It would appear to be of particularly positive significance that the start-up business has maintained or increased its entrepreneurial attitude. The location of the company is also of significant importance. The size of the project allocation has a significant negative effect on performance. It is possible that performance will also be affected by the intensity of competition. Start-up businesses which experience this are in other

words of the opinion that their performance is better than that of their competitors, even though the competition is felt to be intense or threatening, while those which find that the surroundings are dynamic feel that their performance is weaker. The model explains 37 per cent of the total variation in performance (adjusted $R^2 = 0.37$).

Table 10-4 Regression analysis: Factors of significance for the company's performance. Recipients of start-up grants

Variables	Performance compared with competitors
Surroundings-related variables	
Dynamics	-0.364*
Intensity of competition	0.302*
Changes in the industry in the last three years	
Company characteristics (at project commencement)	
Location (2000)	0.429**
Entrepreneurial attitude (2000)	0.594**
Changes in company characteristics	
Location (higher and unchanged)	0.308*
EA (higher and unchanged)	0.602***
SND's contribution	
Importance of guidance for the project	
Follow-up of the company	
Project allocation compared with sales in 2000	-0.251*
Constant (B value)	-2.98
Adjusted R^2	0.37
F-value	3.29**
N	39

Significance: * < 0.10; ** < 0.05; *** < 0.001

10.2 THE IMPORTANCE OF CHANGES IN A COMPANY'S ENTREPRENEURIAL ATTITUDE FOR THE COMPANY'S RESULTS

In Chapter 9 we saw that the entrepreneurial attitude (innovation, proactiveness, readiness to assume risk) had changed from the preliminary study in 2001 to the follow-up study in 2004. It is normal to assume that being entrepreneurial will in the long term lead to gains or added value for a company. What is interesting is to see whether these changes in the companies' entrepreneurial attitude can be significant for the results achieved by the companies. Do those who rate entrepreneurial attitude higher today than in 2001 achieve better results? In the table below, this is analysed in relation to whether a company rated entrepreneurial

attitude lower or at the same level in 2004, as compared with the preliminary study in 2001. Here too the results have been grouped according to support group.

It is interesting to note that an increase in EA appears to be important for a company's results. We see this most clearly with regard to a company's *performance* compared with that of the competitors, where the analyses show significant correlations and where all the average values are highest for the group with higher EA. It is interesting to note that this also applies to the *employment trend* for recipients of agricultural support. Here the average figures can be interpreted as indicating that those with higher EA have increased their employment by 33 per cent, while the corresponding figure for those with lower or unchanged EA is only 8 per cent. The initial level is presumably very low here, so the total number is hardly very large, but it is nevertheless interesting that we find such variations, depending on the rating of EA over a period. As regards *sales trend*, no significant differences are found, and it is therefore impossible to interpret these with any confidence.

Table 10-5 The importance of change in a company's entrepreneurial attitude (EA) for the company's results, according to support group. ANOVA analysis

Rating of EA	Performance compared with competitors		Change in sales (relative)		Change in employment (relative)	
	N	Average	N	Average	N	Average
<i>Ordinary support</i>						
Lower/unchanged EA	163	0.21	127	116.55	145	0.38
Higher EA	75	0.50	64	0.98	74	0.38
ANOVA (F)		4.29**		0.63		0.00
<i>Agric. support</i>						
Lower/unchanged EA	83	-0.36	48	0.63	78	0.08
Higher EA	58	0.00	32	0.68	55	0.33
ANOVA (F)		5.51**		0.04		11.69**
<i>Start-up grant</i>						
Lower/unchanged EA	60	-0.43	34	24.55		
Higher EA	21	0.76	14	11.76		
ANOVA (F)		26.76***		0.14		

Significance: * < 0.10; ** < 0.05, *** < 0.01

10.3 SUMMARY

Regression analyses have been carried out to explain variations in the development of sales trend, employment trend and company performance compared with the competitors. The groups of independent variables which are included in the analyses are control variables, variables describing company characteristics and changes in these, and SND's contribution.

Among the recipients of *ordinary support*, it is particularly the industry-related changes in the past three years, entrepreneurial attitude and the resources of the Board which have had positive influence on the companies' *performance* in relation to their competitors, while the size of the project allocation shows a negative correlation. In other words, the size of the allocation does not result in the companies perceiving their situation as being better than that of their competitors. However, the importance of the size of the project allocation changes completely when we consider the *sales trend*. The primary factor which can explain the *sales trend* is the scope of the allocation. The location of the company is also important. It must be said to be somewhat surprising that there is a significant negative correlation between the Board resource and the relative change in sales. The *employment trend* is primarily explained by changes in industry sector conditions. There is also a significant positive correlation between the importance of networks and this performance measurement. It is also interesting to note that company size has a negative effect on employment (negative significant beta value). This is in agreement with what is often observed, that the largest companies develop through rationalisation (reduced employment), while for the smaller companies, development involves increasing employment.

For those using *agricultural funding* there are three factors which are significant importance for the *performance* of the company in relation to the competitors. These are how dynamic the business environment is, entrepreneurial attitude at the initiation of the project and whether or not the entrepreneurial attitude is now considered to be higher than or at the same level as during the preliminary study. It is interesting to note that those experiencing the surroundings as dynamic are so clearly of the opinion that their performance is better than that of the competitors.

For *start-up businesses* there are very many factors which are of significance for the *performance* of the company in relation to the competitors. It would appear to be of particularly positive significance that the start-up business has maintained or increased its entrepreneurial attitude. The location of the company is also of significant importance. The intensity of competition and dynamics in the

surroundings also appear to play a role for the start-up businesses. Here too, the size of the project allocation has a significant negative effect on performance.

We have investigated whether there are variations in results depending on whether the companies have increased their rating of entrepreneurial attitude from the time of the preliminary study in 2001 to the follow-up study in 2004. EA appears to be of significance for the companies' results, especially with regard to the companies' *performance* as compared with that of the competitors. This also applies to the *employment trend* for recipients of agricultural support. As regards *sales trend*, no significant differences are found, and it is therefore impossible to interpret these with any confidence.

PART E: SUMMARY AND CONCLUDING DISCUSSION

11. SUMMARY OF THE EFFECTS OF THE SUPPORT TYPES – CONCLUDING COMMENTS

In the chapters above we have looked into a number of factors connected with the various types of support. In this chapter we will summarise the results achieved by the recipients of support in certain fields which in our opinion are especially important with regard to SND's objectives, as presented in Chapter 2. The result indicators we will consider in this connection are:

- Project financing (share of financing)
- SND's importance for the projects (additionality)
- Importance for profitability and survival
- Contribution to innovation, competence and collaboration
- Employment effects

The results for each type of support will be compared with the average for the whole selection. The results of last year's follow-up study will also be shown. The order of the review is based on which government ministry provides funding of the support scheme.

11.1 SCHEMES ADMINISTERED BY THE MINISTRY OF TRADE AND INDUSTRY

The Ministry of Trade and Industry provides funding of the following schemes:

- Secured loans
- National venture capital loan
- National development grants
- OFU/IFU

11.1.1 Secured loans

The *secured loan scheme* is used to partially finance commercially profitable innovation, development, business start-up and reorganisation. Loans are granted on commercial terms, normally with property as security at some level of priority. What distinguishes SND's secured loans from loans of the same type provided by other financial institutions is the long-term nature and flexibility of the repayment terms.

Results and comments

The secured loan scheme appears increasingly to fulfil SND's objectives with regard to counteracting the imperfections in the capital and competence markets. The additionality has increased significantly and projects financed by this scheme contribute to an increasing extent to competence enhancement and innovation. The importance of the financed project for profitability and survival continues to be at an acceptable level, while the proportion of financed projects which have been of importance for employment is above average.

The table below shows the scores of the recipients of secured loans with regard to the various result indicators. It is evident that SND's share of the financing is above the average for the different types of support and has increased since the previous study. A marked change has taken place in the secured loans' importance for projects. The proportion of companies which would only have realised their projects with SND's financing has doubled since the previous study, while the proportion which would have implemented the project even without public funding has been halved and is approximately at the average level for all support types. In other words, this type of funding is perceived to be far more important for the companies than in the past. However, the reason for this is difficult to determine. A possible explanation is that the projects have become more orientated towards competence and innovation, and competence-orientated projects in particular can have lower collateral value and therefore be more difficult to finance. In that case, the importance of this scheme is likely to increase, in view of its somewhat different terms from those of private financiers. This type of support is also important with an eye to the survival and profitability of the companies, and with regard to competence enhancement and innovation the importance of the scheme has increased over time and compared with the average for all the types of support. There is also an increasing proportion of companies which can be categorised as entrepreneurial, and here too the proportion is higher than the average for the types of support. As regards employment, this type of support is primarily of importance for the creation of new jobs. However, in connection with the interpretation of the results, it must be borne in mind that this support scheme applies to relatively few companies (24), which mean that individual replies can give relatively large effects.

Table 11-1 Result indicators for the secured loan scheme. Percentages and absolute figures

Result indicators	2003	2004	Ave. 2004
Project financing			
SND's share of financing (average)	40%	48%	38%
Banks' share of financing (average)	13%	19%	16%
SND's importance for the projects			
Project realised only with SND financing	27%	55%	53%
Project realised even without public financing	50%	27%	25%
SND provided follow-up after the approval of the support	32%	32%	32%
Importance for profitability and survival			
The importance of the project for survival today*	64%	73%	71%
The importance of the project for development of profitability*	73%	73%	73%
The project's contribution to revenue incr./cost red.*	59%	46%	47%
Achieved satisfactory results last year*	32%	33%	37%
Contribution to innovation, competence and collaboration			
Contribution to competence enhancement (in from 1 to 7 areas)*	-	82%	71%
Contribution to innovation (from 1 to 7 innovation indicators)*	54%	74%	65%
Contribution to collaboration with others (from 1 to 7 collaborative activities)*	54%	72%	61%
Proportion of companies with entrepreneurial attitude***	60%	74%	58%
Employment effects			
Projects where SND has been important for employment trends*	27%	21%	12%
Average number of created jobs	3.33	5.00	3.17
Projects where SND has been important for securing of jobs**	5%	4%	10%
Average number of secured jobs	23.5	12.0	3.06
N		24	
Average project allocation (× 1000 NOK)		7,194	807

* To a high degree, score of 5-7 on a scale of 1-7, with 7 being the highest value

** Proportion with a score of 7 on a scale of 1-7, with 7 being the highest value

*** Entrepreneurial attitude is a company's attitude to innovation, proactiveness and readiness to assume risk

- = Figures from the follow-up study for the 1999 group are not directly comparable

11.1.2 National venture capital loans

National venture capital loans are intended to partially finance socio-economically profitable expansion, modernisation, reorganisation, development and start-up projects in Norwegian trade and industry. Loan loss provision is associated with the scheme, making it possible to assume higher risk than could be financed through the private loan market. Venture capital loans are therefore a special loan arrangement for projects with higher risk than would be catered for by the ordinary financial institutions. As with secured loans, venture capital loans can finance investments in operating equipment and buildings, but the objective must be increased efficiency or expansion. In addition, venture capital loans may cover expenses in connection with mergers, structural and collaborative initiatives, the

introduction of new technology or the utilisation of R&D results, as well as reconstruction/refinancing, restructuring or reorganisation.

Results and comments

SND's share of financing is somewhat below the average for this type of support, while the importance for the realisation of projects is significantly higher than average. The proportion of projects which have received follow-up from SND is somewhat below the average. The projects are of great importance for the survival and profitability development of the companies. This applies also to competence enhancement, contributions to increased innovation and increased collaboration with others. Here there is a significant increase compared with the previous study, and the contribution is far higher than for the selection as a whole. There is also a large proportion of entrepreneurial companies among the recipients of this type of support, which may either be the result of SND's selection of such companies or of the fact that they have increased their entrepreneurial attitude as a result of their development in recent years. The employment effects are somewhat larger than for the whole selection of companies. In all, it would appear that this type of support has functioned well with regard to achieving its objectives, and as with the secured loan scheme, one can say that this type of support to a high degree counteracts imperfections in the capital and competence markets, even though the share of financing is falling. The loans are however still relatively large (averaging NOK 866,000), which may explain the fact that the effect of this is not very large. Here too, in interpreting the results, one must bear in mind that this type of support applies to relatively few companies (21). This means that individual replies can give relatively large effects.

Table 11-2 Result indicators for the national venture capital loan scheme. Percentages and absolute figures

Result indicators	2003	2004	Ave. 2004
Project financing			
SND's share of financing (average)	36%	26%	38%
Banks' share of financing (average)	15%	11%	16%
SND's importance for the projects			
Project realised only with SND financing	48%	74%	53%
Project realised even without public financing	28%	11%	25%
SND provided follow-up after the approval of the support	48%	21%	32%
Importance for profitability and survival			
The importance of the project for survival today*	80%	80%	71%
The importance of the project for development of profitability*	72%	79%	73%
The project's contribution to revenue incr./cost red.*	60%	47%	47%
Achieved satisfactory results last year*	35%	14%	37%
Contribution to innovation, competence and collaboration			
Contribution to competence enhancement (in from 1 to 7 areas)*	-	89%	71%
Contribution to innovation (from 1 to 7 innovation indicators)*	76%	89%	65%
Contribution to collaboration with others (from 1 to 7 collaborative activities)*	76%	95%	61%
Proportion of companies with entrepreneurial attitude***	73%	86%	58%
Employment effects			
Projects where SND has been important for employment trends*	25%	19%	12%
Average number of created jobs	3.83	6.25	3.17
Projects where SND has been important for securing of jobs**	13%	10%	10%
Average number of secured jobs	3.67	9.00	3.06
N		21	
Average project allocation		866	806

* To a high degree, score of 5-7 on a scale of 1-7, with 7 being the highest value

** Proportion with a score of 7 on a scale of 1-7, with 7 being the highest value

*** Entrepreneurial attitude is a company's attitude to innovation, proactiveness and readiness to assume risk

- = Figures from the follow-up study for the 1999 group are not directly comparable

11.1.3 National development grants

The objective of *national development grants* is to promote initiatives and projects which form a foundation for growth and reorganisation in Norwegian trade and industry. Highest priority is given to projects and initiatives which contribute to development and start-ups, reorganisation, network building and competence enhancement. The grants can cover up to 50 per cent of the external costs. Development grants also finance programmes and initiatives directed at individual industries. The principal part of this programme activity is aimed at small and medium-sized companies.

Results and comments

SND's share of financing is below the average and it should also be noted that co-financing with banks is virtually non-existent in connection with these projects. Based on this, one would assume that the additionality was high measured in terms of the proportion of companies in whose opinion project realisation depends on SND financing. This is not the case. The additionality is slightly lower compared with earlier years and is lower than average. A possible explanation for this is that the projects involved here are to a large extent financed by means of equity (58 per cent proportion of financing) and other financing sources (cf. Section 4.4) The impression that those implementing projects using this type of support are not particularly dependent on the support is reinforced by the fact that the projects' importance for survival and profitability is somewhat lower than average. For this type of support it is also the case that the financed project provides a far higher than average contribution to competence enhancement, innovation and collaboration. This indicates that the projects are highly development-orientated, which to a large extent is confirmed by the fact that this type of support obtains high scores for competence enhancement in the fields of product development and the use of advanced technology. It would therefore seem reasonable that there is a high proportion of entrepreneurial companies among the recipients of this type of support. As regards the effect on employment, these projects have greater importance for the creation of new jobs than for securing existing ones.

This type of support appears to function well in relation to its objectives. The importance of this type of support for the realisation of projects is however lower than for the average, but it obtains high scores with regard to competence and innovative factors. This would appear to be the type of support for the "forward-looking and successful" companies, an impression which is supported by the relatively low rate of bankruptcy in these companies (cf. Section 3.1). As mentioned above, it must also here be borne in mind that this support scheme applies to relatively few companies (24), which means that individual replies can give relatively large effects.

Table 11-3 Result indicators for the national development grant scheme. Percentages and absolute figures

Result indicators	2003	2004	Ave. 2004
Project financing			
SND's share of financing (average)	36%	25%	38%
Banks' share of financing (average)	13%	1%	16%
SND's importance for the projects			
Project realised only with SND financing	43%	38%	53%
Project realised even without public financing	24%	24%	25%
SND provided follow-up after the approval of the support	38%	43%	32%
Importance for profitability and survival			
The importance of the project for survival today*	71%	62%	71%
The importance of the project for development of profitability*	57%	62%	73%
The project's contribution to revenue incr./cost red.*	48%	52%	47%
Achieved satisfactory results last year*	39%	42%	37%
Contribution to innovation, competence and collaboration			
Contribution to competence enhancement (in from 1 to 7 areas)*	-	95%	71%
Contribution to innovation (from 1 to 7 innovation indicators)*	71%	86%	65%
Contribution to collaboration with others (from 1 to 7 collaborative activities)*	71%	79%	61%
Proportion of companies with entrepreneurial attitude***	81%	88%	58%
Employment effects			
Projects where SND has been important for employment trends*	37%	21%	12%
Average number of created jobs	8.57	4.80	3.17
Projects where SND has been important for securing of jobs**	11%	4%	10%
Average number of secured jobs	2.00	25.00	3.06
N		24	
Average project allocation		371	

* To a high degree, score of 5-7 on a scale of 1-7, with 7 being the highest value

** Proportion with a score of 7 on a scale of 1-7, with 7 being the highest value

*** Entrepreneurial attitude is a company's attitude to innovation, proactiveness and readiness to assume risk

- = Figures from the follow-up study for the 1999 group are not directly comparable

11.1.4 Public and industrial research and development contracts (OFU/IFU)

The objective of the public and industrial research and development contract (OFU/IFU) scheme is to stimulate R&D collaboration between a customer company and a supplying company with regard to the development of new products, processes, methods or services. The use of this type of support shall stimulate the development of industrial networks and communities which can facilitate innovation and the development of competitive products with small and medium-sized Norwegian companies playing an important role.

Results and comments

Very few companies would have realised these projects without public financing, and SND has contributed to a high degree in the form of follow-up. The proportion of entrepreneurial companies is highest of all in this group, and OFU/IFU is one of the support types for which the largest number of companies report that their projects have contributed to competence development, innovation and increased collaboration with others. These results are to a large extent in agreement with the objectives for this type of support and with SND's general objectives. The projects are also of great importance with regard to creating new jobs, but it must be emphasised that there is one particularly large company whose results raise the average employment figures. By far the largest numbers of companies using this type of support are entrepreneurial. In other words, this type of support may be characterised as the support scheme for "entrepreneurship and growth" in existing companies. It is interesting to ask in this context whether some of the successful characteristics of the OFU/IFU scheme, as well as the experience obtained with it, could be transferred to other types of support. This could, for example, apply to the way in which selection of projects and companies is performed, the size of the project allocations and the follow-up of the companies. The companies in this group receive far more than the average amount of follow-up from SND.

Table 11-4 Result indicators for the OFU/IFU scheme. Percentages and absolute figures

Result indicators	2003	2004	Ave. 2004
Project financing			
SND's share of financing (average)	39%	31%	38%
Banks' share of financing (average)	5%	5%	16%
SND's importance for the projects			
Project realised only with SND financing	63%	58%	53%
Project realised even without public financing	10%	5%	25%
SND provided follow-up after the approval of the support	52%	47%	32%
Importance for profitability and survival			
The importance of the project for survival today*	58%	67%	71%
The importance of the project for development of profitability*	52%	79%	73%
The project's contribution to revenue incr./cost red.*	48%	51%	47%
Achieved satisfactory results last year*	41%	40%	37%
Contribution to innovation, competence and collaboration			
Contribution to competence enhancement (in from 1 to 7 areas)*	-	93%	71%
Contribution to innovation (from 1 to 7 innovation indicators)*	77%	85%	65%
Contribution to collaboration with others (from 1 to 7 collaborative activities)*	84%	93%	61%
Proportion of companies with entrepreneurial attitude***	91%	95%	58%
Employment effects			
Projects where SND has been important for employment trends*	30%	40%	12%
Average number of created jobs	7.67	26.2	3.17
Projects where SND has been important for securing of jobs**	13%	9%	10%
Average number of secured jobs	2.50	3.50	3.06
N		43	
Average project allocation (× 1000 NOK)		1,032	806

* To a high degree, score of 5-7 on a scale of 1-7, with 7 being the highest value

** Proportion with a score of 7 on a scale of 1-7, with 7 being the highest value

*** Entrepreneurial attitude is a company's attitude to innovation, proactiveness and readiness to assume risk

- = Figures from the follow-up study for the 1999 group are not directly comparable

11.2 SCHEMES ADMINISTERED BY THE MINISTRY OF LOCAL GOVERNMENT AND REGIONAL DEVELOPMENT

The Ministry of Local Government and Regional Development is responsible for the funding of the following types of support:

- Regional venture capital loans
- Regional development grants
- Start-up grants

11.2.1 Regional venture capital loans

Regional venture capital loans are intended to contribute to the promotion of development of competitive and profitable trade and industry in districts with particularly serious employment problems and/or poorly developed commercial foundation. This shall take place through the stimulation of company start-ups, of the continued development and reorganisation of existing companies and of competence enhancement in companies. This type of support can be awarded in Zones A, B and C of the regional policy support area. The rates of support are differentiated between the three zones, with Zone A having highest priority.

Results and comments

The SND financing of the projects has to a relatively high degree contributed to the triggering of bank financing for the recipients of this type of support. SND's importance for the realisation of projects is the same as for the entire selection. While the projects contribute to the survival of the companies, they are of greater importance with regard to profitability. This type of support leads to competence enhancement, innovation and collaboration with others to a higher degree than is the case for the entire selection. The highest proportion of projects which are of importance for the development of employment is financed by this type of support. This also confirms the correlation we found in the regression analysis in Section 10.1.1 between this type of support and the relative change in employment in the companies. In other words, this is one of the types of support which are suited to the creation of jobs.

Table 11-5 Result indicators for the regional venture capital loan scheme. Percentages and absolute figures

Result indicators	2003	2004	Ave. 2004
Project financing			
SND's share of financing (average)	33%	29%	38%
Banks' share of financing (average)	33%	26%	16%
SND's importance for the projects			
Project realised only with SND financing	65%	54%	53%
Project realised even without public financing	20%	19%	25%
SND provided follow-up after the approval of the support	33%	46%	32%
Importance for profitability and survival			
The importance of the project for survival today*	65%	68%	71%
The importance of the project for development of profitability*	78%	80%	73%
The project's contribution to revenue incr./cost red.*	65%	56%	47%
Achieved satisfactory results last year*	26%	36%	37%
Contribution to innovation, competence and collaboration			
Contribution to competence enhancement (in from 1 to 7 areas)*	-	78%	71%
Contribution to innovation (from 1 to 7 innovation indicators)*	68%	75%	65%
Contribution to collaboration with others (from 1 to 7 collaborative activities)*	57%	73%	61%
Proportion of companies with entrepreneurial attitude***	64%	71%	58%
Employment effects			
Projects where SND has been important for employment trends*	36%	34%	12%
Average number of created jobs	8.47	6.85	3.17
Projects where SND has been important for securing of jobs**	6%	8%	10%
Average number of secured jobs	3.00	6.60	3.06
N		62	
Average project allocation		1,153	806

* To a high degree, score of 5-7 on a scale of 1-7, with 7 being the highest value

** Proportion with a score of 7 on a scale of 1-7, with 7 being the highest value

*** Entrepreneurial attitude is a company's attitude to innovation, proactiveness and readiness to assume risk

- = Figures from the follow-up study for the 1999 group are not directly comparable

11.2.2 Regional development grants

The objective of the regional development grants is the same as for regional venture capital loans. This type of support consists of investment grants and company development grants. *Investment grants* are primarily used for the partial financing of physical investments, while *company development grants* are used for all types of comprehensive development initiatives in companies located in the regional policy support area.

Results and comments

The banks' share of financing for this type of support is slightly above average, which appears to indicate that SND's financing contribution has a certain

triggering effect. In other respects, projects financed by this type of support are around the average for all the support types. SND's importance for the realisation of projects is the same as for the average. The same applies to the projects' importance for survival and profitability. The contribution with respect to competence enhancement is somewhat higher than average, while the contribution to innovation and collaboration with others is average. The effects on employment are around the average for the entire sample. However, the average results do not mean that this type of support cannot be said to function satisfactorily. It is more likely the case that this group of support recipients is among the largest (n=108), and hence the group itself has a certain effect on the average. One would however expect that the additionality would be higher for this type of grant support, measured in terms of the importance of SND's financing for the realisation of projects. However, the relatively modest size (NOK 295,000 on average) of the project allocations may explain this. If anything, this could be characterised as the support scheme for the "man in the street". The individual result indicators are shown in the table below.

Table 11-6 Result indicators for the regional development grant scheme. Percentages and absolute figures

Result indicators	2003	2004	Ave. 2004
Project financing			
SND's share of financing (average)	30%	33%	38%
Banks' share of financing (average)	23%	20%	16%
SND's importance for the projects			
Project realised only with SND financing	46%	51%	53%
Project realised even without public financing	19%	21%	25%
SND provided follow-up after the approval of the support	36%	28%	32%
Importance for profitability and survival			
The importance of the project for survival today*	59%	68%	71%
The importance of the project for development of profitability*	64%	69%	73%
The project's contribution to revenue incr./cost red.*	55%	45%	47%
Achieved satisfactory results last year*	35%	33%	37%
Contribution to innovation, competence and collaboration			
Contribution to competence enhancement (in from 1 to 7 areas)*	-	81%	71%
Contribution to innovation (from 1 to 7 innovation indicators)*	68%	68%	65%
Contribution to collaboration with others (from 1 to 7 collaborative activities)*	60%	64%	61%
Proportion of companies with entrepreneurial attitude***	53%	67%	58%
Employment effects			
Projects where SND has been important for employment trends*	23%	12%	12%
Average number of created jobs	4.20	5.85	3.17
Projects where SND has been important for securing of jobs**	5%	6%	10%
Average number of secured jobs	7.14	2.50	3.06
N		108	
Average project allocation		295	806

* To a high degree, score of 5-7 on a scale of 1-7, with 7 being the highest value

** Proportion with a score of 7 on a scale of 1-7, with 7 being the highest value

*** Entrepreneurial attitude is a company's attitude to innovation, proactiveness and readiness to assume risk

- = Figures from the follow-up study for the 1999 group are not directly comparable

11.2.3 Start-up grants

The objective of *start-up grants* is to stimulate increased business start-up activity so as to create more permanent, profitable jobs. The grant is a scheme for small business founders in all parts of the country, but with particular emphasis on the regions. Among the projects with potential for creating such jobs, priority is to be given to those involving commercially underdeveloped areas, women, the unemployed and the occupationally disabled.

Results and comments

The table below shows that the proportion of these projects financed by SND is on the average for all types of support. In other words it can be said that this type of

support to a certain extent has a triggering effect on bank financing. SND's importance for the realisation of projects is somewhat below average, something which is also evident from the fact that the number of companies which would have implemented their projects even without public financing is rather higher than the average. It should also be noted that the projects have significantly less importance for survival and the development of profitability than is the case for the other types of support. This is probably because the sizes of the project allocations (NOK 78,000 on average) and the projects themselves are relatively small and at an early stage of development. The proportion of projects where SND has been of importance for the development of employment is however somewhat higher than for the selection seen as a whole, which must be said to be encouraging, in view of the size of the project allocations. The interesting question to ask here is whether the start-up businesses, which naturally show the highest frequency of bankruptcy, could have achieved even better results with regard to employment and growth if they had received somewhat higher funding and closer follow-up (start-ups already receive higher than average follow-up).

Table 11-7 Result indicators for the start-up grant scheme. Percentages and absolute figures

Result indicators	2003	2004	Ave. 2004
Project financing			
SND's share of financing (average)	44%	39%	38%
Banks' share of financing (average)	14%	14%	16%
SND's importance for the projects			
Project realised only with SND financing	56%	42%	53%
Project realised even without public financing	29%	36%	25%
SND provided follow-up after the approval of the support	29%	38%	32%
Importance for profitability and survival			
The importance of the project for survival today*	42%	41%	71%
The importance of the project for development of profitability*	43%	36%	73%
The project's contribution to revenue incr./cost red.*	-	-	47%
Achieved satisfactory results last year*	39%	34%	37%
Contribution to innovation, competence and collaboration			
Contribution to competence enhancement (in from 1 to 7 areas)*	-	-	71%
Contribution to innovation (from 1 to 7 innovation indicators)*	-	-	65%
Contribution to collaboration with others (from 1 to 7 collaborative activities)*	49%	-	61%
Proportion of companies with entrepreneurial attitude***	53%	56%	58%
Employment effects			
Projects where SND has been important for employment trends*	27%	19%	12%
Average number of created jobs	1.24	2.54	3.17
Projects where SND has been important for securing of jobs**	-	-	10%
Average number of secured jobs	-	-	3.06
N		118	
Average project allocation		78	806

* To a high degree, score of 5-7 on a scale of 1-7, with 7 being the highest value

** Proportion with a score of 7 on a scale of 1-7, with 7 being the highest value

*** Entrepreneurial attitude is a company's attitude to innovation, proactiveness and readiness to assume risk

- = Data not available

11.3 SCHEMES ADMINISTERED BY THE MINISTRY OF FISHERIES

The scheme included in this study is:

- Basic financing for fisheries operators

This is a secured loan scheme. The loans can be awarded in connection with the building and conversion of fishing vessels and for the purchase of used vessels and investment in equipment. Loans may also be provided for development projects. The loans are granted with security in vessels and equipment, often with co-financing by private banks. Until the year 2000, the loan scheme was only used for

the financing of fishing vessels. However, in Parliamentary Report No. 36 (2000-2001), the Norwegian Government proposed that the scheme be changed to a *basic financing scheme for fisheries purposes* which can be used for projects which promote marine industrial development, including the financing of fishing vessels.

Results and comments

SND's share of financing is by far the greatest for this type of support. SND's importance for the realisation of projects is well above the average, while its importance for survival and profitability is also somewhat above average. This seems reasonable, as also does the fact that the number of entrepreneurial companies is lowest among these businesses and that the projects have relatively limited importance with regard to competence enhancement, innovation and increased collaboration, compared with the average for the sample. The proportion of projects for which SND has been of importance for employment is slightly below the average, while the proportion of projects which are important for the securing of jobs is well above average. In other words, this can be characterised as a typical support scheme for physical investments.

Table 11-8 Result indicators for the basic financing scheme for fisheries operators. Percentages and absolute figures

Result indicators	2003	2004	Ave. 2004
Project financing			
SND's share of financing (average)	50%	55%	38%
Banks' share of financing (average)	18%	13%	16%
SND's importance for the projects			
Project realised only with SND financing	51%	70%	53%
Project realised even without public financing	22%	27%	25%
SND provided follow-up after the approval of the support	38%	36%	32%
Importance for profitability and survival			
The importance of the project for survival today*	73%	79%	71%
The importance of the project for development of profitability*	76%	82%	73%
The project's contribution to revenue incr./cost red.*	49%	27%	47%
Achieved satisfactory results last year*	35%	21%	37%
Contribution to innovation, competence and collaboration			
Contribution to competence enhancement (in from 1 to 7 areas)*	-	45%	71%
Contribution to innovation (from 1 to 7 innovation indicators)*	22%	46%	65%
Contribution to collaboration with others (from 1 to 7 collaborative activities)*	32%	52%	61%
Proportion of companies with entrepreneurial attitude***	3%	23%	58%
Employment effects			
Projects where SND has been important for employment trends*	11%	9%	12%
Average number of created jobs	2.75	3.33	3.17
Projects where SND has been important for securing of jobs**	11%	21%	10%
Average number of secured jobs	4.75	2.00	3.06
N		34	
Average project allocation (× 1000 NOK)		3,239	806

* To a high degree, score of 5-7 on a scale of 1-7, with 7 being the highest value

** Proportion with a score of 7 on a scale of 1-7, with 7 being the highest value

*** Entrepreneurial attitude is a company's attitude to innovation, proactiveness and readiness to assume risk

- = Figures from the follow-up study for the 1999 group are not directly comparable

11.4 SCHEMES ADMINISTERED BY THE MINISTRY OF AGRICULTURE AND FOOD

The following schemes are included in the client survey:

- Agricultural loans
- Rural development funds (investment loans and grants)

The loan scheme, which was previously administered by the government-owned agricultural bank, Statens Landbruksbank, was integrated into the national secured loan scheme as of 2001 (cf. Parliamentary Bill No. 1, Appendix No. 10 (2000-2001)). In accordance with Parliamentary Report No. 36 (2000-2001), the

Government plans further coordination of the various objectives of the integrated scheme.

11.4.1 Agricultural loans

Interest-bearing loans can also be granted for investment initiatives, resulting in the provision of an overall financing package for projects. The loans can be granted for investments in such things as work premises, expansion of commercial operations, purchase of additional space and transfer of property, environmental initiatives, reindeer husbandry and various agricultural purposes.

Results and comments

SND's share of financing is somewhat above average. This type of support is of relatively large importance for the realisation of projects, but SND's contribution in the form of follow-up has been lower than average. The projects are of great importance for survival and profitability development. This type of support contributes to competence enhancement and innovation for half the companies involved, which is a good deal lower than the average for the sample. The proportion of projects in which SND has been important for employment is small, and significantly lower than for the other types of support. The average proportion of secured jobs is however somewhat higher than for the whole selection. As is the case for the above-mentioned basic financing scheme, this type of support is primarily directed towards physical investments. As such it can be said that the purpose of the scheme is well served, addressing as it does the imperfections of the capital markets, profitability/survival and the securing of jobs.

Table 11-9 Result indicators for the agricultural loan scheme. Percentages and absolute figures

Result indicators	2003	2004	Ave. 2004
Project financing			
SND's share of financing (average)	42%	49%	38%
Banks' share of financing (average)	18%	14%	16%
SND's importance for the projects			
Project realised only with SND financing	68%	65%	53%
Project realised even without public financing	17%	21%	25%
SND provided follow-up after the approval of the support	21%	23%	32%
Importance for profitability and survival			
The importance of the project for survival today*	63%	75%	71%
The importance of the project for development of profitability*	74%	80%	73%
The project's contribution to revenue incr./cost red.*	36%	42%	47%
Achieved satisfactory results last year*	33%	47%	37%
Contribution to innovation, competence and collaboration			
Contribution to competence enhancement (in from 1 to 7 areas)*	-	51%	71%
Contribution to innovation (from 1 to 7 innovation indicators)*	41%	52%	65%
Contribution to collaboration with others (from 1 to 7 collaborative activities)*	34%	34%	61%
Proportion of companies with entrepreneurial attitude***	24%	32%	58%
Employment effects			
Projects where SND has been important for employment trends*	5%	4%	12%
Average number of created jobs	2.00	1.33	3.17
Projects where SND has been important for securing of jobs**	16%	14%	10%
Average number of secured jobs	2.42	2.00	3.06
N		72	
Average project allocation (× 1000 NOK)		328	806

* To a high degree, score of 5-7 on a scale of 1-7, with 7 being the highest value

** Proportion with a score of 7 on a scale of 1-7, with 7 being the highest value

*** Entrepreneurial attitude is a company's attitude to innovation, proactiveness and readiness to assume risk

- = Figures from the follow-up study for the 1999 group are not directly comparable

11.4.2 Rural development funds

The rural development fund scheme is intended to contribute to the promotion of profitable commercial development in rural areas and in connection with agriculture. The funds can be used for investment in traditional agriculture and for development initiatives and commercial development associated with agriculture. Framework conditions apply for each Norwegian county as well as a framework for centrally administered funds. The centralised rural development funds are used in project-orientated activities and initiatives of nationwide character, and primarily for skill development and R&D initiatives.

Results and comments

The importance for the realisation of projects is slightly lower than the average for the entire selection, while the proportion of recipients which could envisage implementing their project without public financing is greater than average. In this respect this type of support somewhat resembles the start-up grant scheme. However, SND's contribution to follow-up of the projects has been smaller than in connection with start-up grants. In fact it is projects financed with rural development funds (and national venture capital loans) which show the smallest proportion of projects receiving follow-up from SND. The projects have approximately the same importance as the average for all types of support as regards survival and profitability. This type of support contributes to competence enhancement, innovation and increased collaboration to a relatively high degree, though the importance is somewhat less than for all the types of support seen as a whole. The proportion of entrepreneurial companies is relatively small, but there has been a positive development compared with last year. The projects have not had significant importance for the development of employment, but the proportion of projects in which SND has been of importance for securing jobs is slightly higher than average. As is the case with the recipients of start-up grants, the size of the project allocations is relatively small (NOK 95,000 on average). This naturally affects the importance of the type of support with regard to the specified objectives. However it must be said that the objectives are satisfied to a reasonably high degree. However, here too one might ask whether greater commercial development and perhaps better employment effects could have been achieved with somewhat larger allocations and more follow-up on the part of SND. The results for the various indicators are shown in the table below.

Table 11-10 Result indicators for the rural development funds scheme

Result indicators	2003	2004	Ave. 2004
Project financing			
SND's share of financing (average)	39%	38%	38%
Banks' share of financing (average)	18%	16%	16%
SND's importance for the projects			
Project realised only with SND financing	63%	47%	53%
Project realised even without public financing	21%	35%	25%
SND provided follow-up after the approval of the support	23%	21%	32%
Importance for profitability and survival			
The importance of the project for survival today*	63%	66%	71%
The importance of the project for development of profitability*	63%	66%	73%
The project's contribution to revenue incr./cost red.*	46%	50%	47%
Achieved satisfactory results last year*	50%	47%	37%
Contribution to innovation, competence and collaboration			
Contribution to competence enhancement (in from 1 to 7 areas)*	-	60%	71%
Contribution to innovation (from 1 to 7 innovation indicators)*	54%	53%	65%
Contribution to collaboration with others (from 1 to 7 collaborative activities)*	50%	49%	61%
Proportion of companies with entrepreneurial attitude***	23%	42%	58%
Employment effects			
Projects where SND has been important for employment trends*	11%	9%	12%
Average number of created jobs	1.23	1.36	3.17
Projects where SND has been important for securing of jobs**	15%	12%	10%
Average number of secured jobs	1.33	1.43	3.06
N		117	
Average project allocation (× 1000 NOK)		95	806

* To a high degree, score of 5-7 on a scale of 1-7, with 7 being the highest value

** Proportion with a score of 7 on a scale of 1-7, with 7 being the highest value

*** Entrepreneurial attitude is a company's attitude to innovation, proactiveness and readiness to assume risk

- = Figures from the follow-up study for the 1999 group are not directly comparable

11.5 CONCLUDING COMMENTS

11.5.1 The support schemes with the highest result indicator scores

The support schemes have different objectives and target groups and, as we have seen, they also function differently. The table below illustrates this by showing which type of support obtains the highest scores for the various indicators discussed above. Six of the nine types of support are represented in this "high score list" (number of first places in parentheses). National venture capital loans (4), OFU/IFU (4), basic financing loans for fisheries operators (3), regional venture capital loans (2), national development grants (2) and the agricultural support schemes (1).

Table 11-11 Comparison of support types showing which have the highest scores for the result indicators

Result indicators	Support type
Project financing SND's share of financing (average) Banks' share of financing (average)	Basic financing for fisheries Regional venture capital loan
SND's importance for the projects Project realised only with SND financing Project realised even without public financing SND provided follow-up after the approval of the support	National venture capital loan Basic financing for fisheries OFU/IFU
Importance for profitability and survival The importance of the project for survival today The importance of the project for development of profitability The project's contribution to revenue increases/cost reductions Achieved satisfactory results last year*	National venture capital loan Basic financing for fisheries Regional venture capital loan Agricultural support schemes*
Contribution to innovation, competence and collaboration Contribution to competence enhancement (in from 1 to 7 areas) Contribution to innovation (from 1 to 7 innovation indicators) Contribution to collaboration with others (from 1 to 7 collaborative activities) Proportion of companies with entrepreneurial attitude	National development grant National venture capital loan National venture capital loan OFU/IFU
Employment effects Projects where SND has been important for employment trends Average number of created jobs Projects where SND has been important for securing of jobs Average number of secured jobs	OFU/IFU OFU/IFU Basic financing for fisheries National development grant

11.5.2 Comparison of the support schemes – concluding comments

Two of SND's most important objectives are to contribute to competence development and innovation and to contribute to profitable companies. One way of summarising and evaluating the support types is to consider to what degree they contribute to these central objectives. In the following we compare the contributions of the various types of support. Kirchoff (1994) has created a model which uses innovation level and growth level as dimensions for categorising types of companies according to the scores they achieve for these dimensions. This

“dynamic capitalism typology” model is shown below. The model consists of a 2 × 2 matrix showing the above-mentioned dimensions measured on a scale from low to high. *Window 1* (low innovation and low growth) is known as the *Economic Core*. Small companies whose growth and development have stopped after the owner has achieved his objectives will often end up here. Companies in *Window 2* (low innovation and high growth) are known as *Ambitious* companies. These companies are considered to have grown rapidly on the basis of a few earlier innovations. However, the growth will often slow as the novelty of the innovations wears off. Companies in *Window 3* (high innovation and low growth) are known as *Limited Resource* companies. The high rate of innovation necessitates a decision as to whether one wishes to implement it, and perhaps most important of all is the question of access to new resources and their costs. The result of this may be that limitations in the availability of resources arise (for example, R&D though it often leads to innovations, can be expensive) or there may be self-imposed restrictions (the desire to keep control). Companies in *Window 4* (high innovation and high growth) are known as *Glamorous* companies. These can be considered to be entrepreneurial and to have great potential (Green and Brown 1997).

High	3. Limited Resource	4. Glamorous
Low	1. Economic Core	2. Ambitious
	Low	High

Figure 11-1 Dynamic capitalism typologies

To what extent the SND support contributes to steering the companies in such directions as shown in the above-mentioned model is illustrated below. Here a comparison has been made between the recipients of the various types of support, with the exception of those receiving start-up grants, who were not asked all the questions. One index (average) has been created of the results for each type of support as regards profitability and survival³⁰, and one (average) of the results for

³⁰. The importance of the project for survival today
The importance of the project for development of profitability
The project's contribution to revenue increases/cost reductions
Achieved satisfactory results last year

innovation, competence and collaboration³¹. We have chosen to use the average for all participants as the division between high and low. Based on this, the average for profitability is 55 for all types of support and the equivalent for innovation/competence is 71.

From the figure below it is evident that it is the national support types which first and foremost appear to have innovative effect, but it is perhaps somewhat surprising that they generally are at an average level as regards profitability. The types of support which are of greatest importance with regard to profitability are the agricultural schemes, regional venture capital loans and OFU/IFU. Basic financing for fisheries operators has neither innovative/competence enhancing effect nor does it contribute particularly to profitability compared with the other types of support.

Using the typologies above we can say something about the contribution of SND support to the directions in which the recipients move. Recipients of basic financing loans for fisheries operators are found in *Window 1: Economic Core* companies (low innovation/competence and low profitability), while recipients of agricultural support are found in *Window 2: Ambitious* companies (low innovation/competence, high profitability). Companies which have received regional development grants are found in *Window 3: Limited Resource* companies, and also lie right on the boundary with *Window 1*. Recipients of national venture capital loans and national development grants lie right on the boundary between *Window 3* and *Window 4*. In *Window 4: Glamorous* companies (high innovation/competence and high profitability), are found companies which have received OFU/IFU, secured loans and regional venture capital loans. This is illustrated in the figure below.

³¹. Contribution to competence enhancement (in from 1 to 7 areas)
Contribution to innovation (from 1 to 7 innovation indicators)
Contribution to collaboration with others (from 1 to 7 collaborative activities)

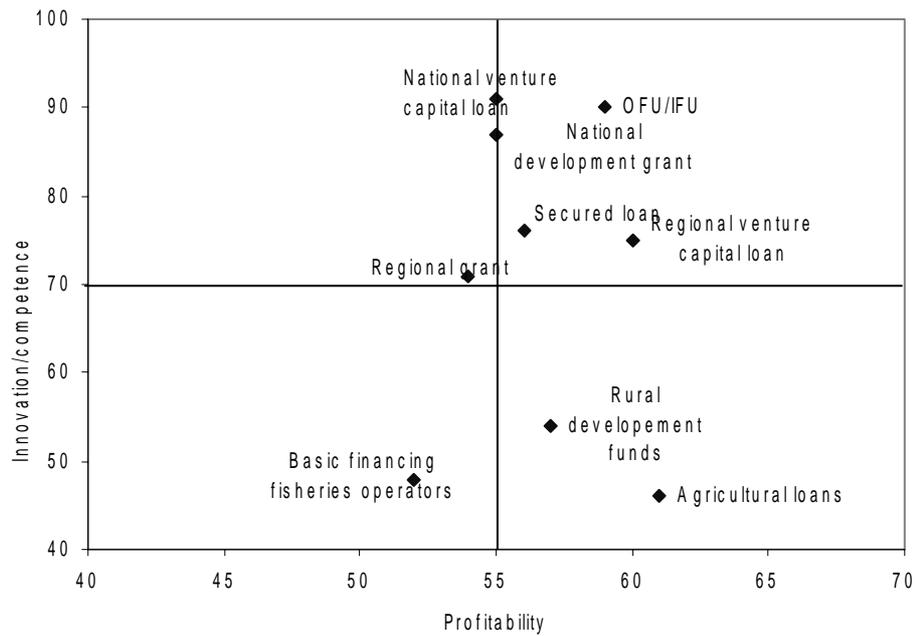


Figure 11-2 Proportion of companies which have achieved innovation/competence and profitability through projects, according to type of support (The scale starts at 40)

The figure illustrates clearly that the types of support are different and address the central objectives in different ways. This review can therefore form a basis for discussion of whether support is correctly allocated according to the objectives for the individual type of support and relative to the other types. Among other things, the types of support which have ended up in *Window 4* appear to meet the expectations well, while one could question whether national venture capital loans and development grants should not have had better effect on the companies' profitability and whether basic financing for fisheries operators is allocated as one should expect. Similar reasoning can be applied to the other types of support.

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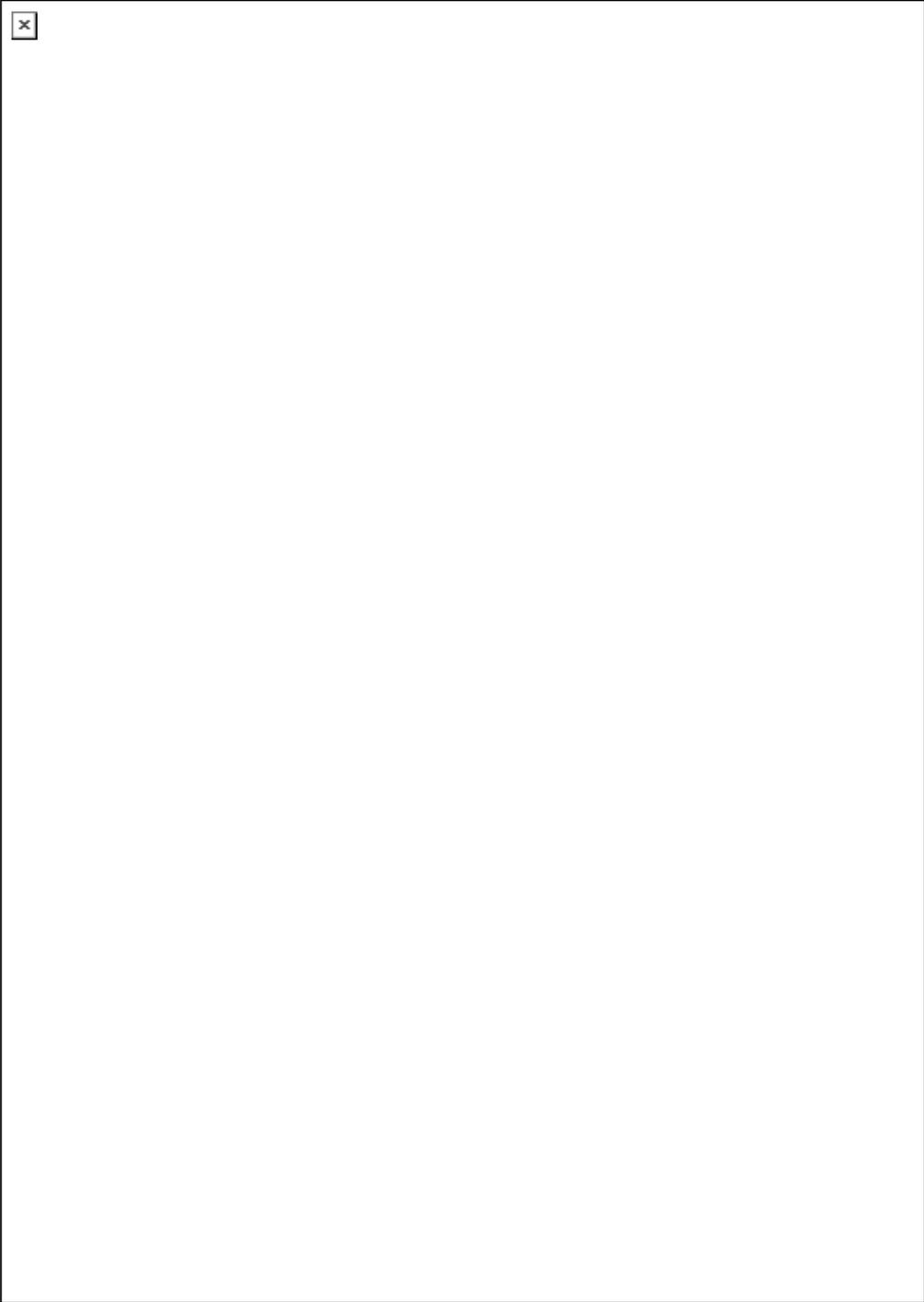
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ATTACHMENTS

Attachment 1: LIST OF VARIABLES

Short name	Name	Description
Independent variables		
SNDguid	SND guidance	The importance the guidance has had for the project (Question 30 in the preliminary study)
SNDfoll	SND follow-up	Whether SND has contributed in the form of follow-up after approval of support (Yes=1, No=2. Question 23 in the follow-up study)
SUPPrel	Relative support amount	Received support amount relative to the company's turnover in 2000
Resources*		Network, Board, Location
EA*	Entrepreneurial attitude	Innovation, proactiveness, readiness to assume risk
Heterog*	Heterogeneity	How heterogeneous the company's surroundings are
Compint*	Intensity of competition	The intensity of competition in the surroundings
Surrchange*	Changes in surroundings	Changes in the company's surroundings in the last 3 years
Dependent variables		
SALchange	Change in sales	Change in sales ³² from 2000 to 2003, divided by sales in 2000.
EMPLchange	Change in employment	Change in employment from 2000 to 2003, divided by employment in 2000.
Perform*	Performance	See Factor Analysis, Attachment y
* These variables are derived by means of factor analyses and are described in a separate memorandum including the regression analyses, obtainable upon enquiry.		

³². Current prices.



Zone A

Svalbard

Finnmark: All municipalities

Troms: 1940 Kåfjord, 1941 Skjervøy, 1942 Nordreisa, 1943 Kvænangen.

Område B

Troms:	All municipalities except 1902 Tromsø, 1940 Kåfjord, 1941 Skjervøy, 1942 Nordreisa, 1943 Kvænangen.
Nordland:	All municipalities including 1804 Bodø. 1703 Namsos, 1711 Meråker, 1723 Mosvik, 1724 Verran, 1725 Namdalseid, 1736 Snåsa, 1738 Lierne, 1739 Røyrvik, 1740 Nord-Trøndelag: Namsskogan, 1742 Grong, 1743 Høylandet, 1744 Overhalla, 1748 Fosnes, 1749 Flatanger, 1750 Vikna, 1751 Nærøy, 1755 Leka. 1612 Hemne, 1613 Snillfjord, 1617 Hitra, 1620 Frøya, 1622 Sør-Trøndelag: Agdenes, 1627 Bjugn, 1630 Åfjord, 1632 Roan, 1633 Osen, 1634 Oppdal, 1635 Rennebu, 1636 Meldal, 1640 Røros, 1644 Holtålen, 1665 Tydal. 1566 Surnadal, 1567 Rindal, 1569 Aure, 1571 Halså, 1572 Møre og Romsdal: Tustna, 1573 Smøla. Rogaland: 1151 Utsira. Aust-Agder: 929 Åmli. Telemark: 826 Tinn, 828 Seljord, 829 Kviteseid, 830 Nissedal, 831 Fyresdal, 833 Tokke, 834 Vinje. Oppland: 511 Dovre, 512 Lesja, 513 Skjåk, 514 Lom, 515 Vågå, 516 Nord-Fron, 517 Sel, 519 Sør-Fron. Hedmark: 428 Trysil, 429 Åmot, 430 Stor-Elvdal, 432 Rendalen, 434 Engerdal, 436 Tolga, 437 Tynset, 438 Alvdal, 439 Folldal, 441 Os.

Område C

Troms:	1902 Tromsø
Nordland:	1804 Bodø
Nord-Trøndelag:	1702 Steinkjer, 1718 Leksvik, 1721 Verdal, 1729 Inderøy.
Sør-Trøndelag:	1621 Ørland, 1624 Rissa, 1648 Midtre Gauldal, 1664 Selbu. 1503 Kristiansund, 1511 Vanylven, 1514 Sande, 1524 Norddal, 1525 Stranda, 1526 Stordal, 1539 Rauma, 1543 Nettet, 1545 Midsund, 1546 Sandøy, 1551 Eide, 1554 Averøy, 1556 Frei, 1557 Gjemnes, 1560 Tingvoll, 1563 Sunndal. 1411 Gulen, 1412 Solund, 1413 Hyllestad, 1416 Høyanger, 1417 Vik, 1418 Balestrand, 1419 Leikanger, 1420 Sogndal, 1421 Sogn og Fjordane: Aurland, 1422 Lærdal, 1424 Årdal, 1426 Luster, 1428 Askvoll, 1429 Fjaler, 1430 Gaular, 1431 Jølster, 1438 Bremanger, 1439 Vågsøy, 1441 Selje, 1443 Eid, 1444 Hornindal, 1445 Gloppen, 1449 Stryn.

Hordaland:	1211 Etne, 1214 Ølen, 1224 Kvinnherad, 1227 Jondal, 1228 Odda, 1231 Ullensvang, 1232 Eidfjord, 1233 Ulvik, 1234 Granvin, 1235 Voss, 1238 Kvam, 1252 Modalen, 1265 Fedje, 1266 Masfjorden.
Rogaland:	1111 Sokndal, 1112 Lund, 1133 Hjelmeland, 1134 Suldal, 1135 Sauda, 1141 Finnøy, 1144 Kvitsøy, 1154 Vindafjord.
Vest-Agder:	1026 Åseral, 1027 Audnedal, 1034 Hægebostad, 1037 Kvinesdal, 1046 Sirdal.
Aust-Agder:	911 Gjerstad, 912 Vegårshei, 938 Bygland, 940 Valle, 941 Bykle.
Telemark:	807 Notodden, 817 Drangedal, 819 Nome, 821 Bø, 822 Sauherad, 827 Hjartdal.
Buskerud:	615 Flå, 616 Nes, 617 Gol, 618 Hemsedal, 619 Ål, 620 Hol, 621 Sigdal, 632 Rollag, 633 Nore og Uvdal.
Oppland:	520 Ringeby, 522 Gausdal, 536 Søndre Land, 538 Nordre Land, 540 Sør-Aurdal, 541 Etnedal, 542 Nord-Aurdal, 453 Vestre Slidre, 544 Øystre Slidre, 545 Vang.
Hedmark:	402 Kongsvinger, 420 Eidskog, 423 Grue, 425 Åsnes, 426Våler.
Østfold:	118 Aremark, 119 Marker, 121 Rømskog.

Område D

Nord-Trøndelag:	1717 Frosta, 1719 Levanger.
Sør-Trøndelag:	1638 Orkdal.
Møre og Romsdal:	1515 Herøy, 1516 Ulstein, 1517 Hareid, 1519 Volda, 1520 Ørsta, 1528 Sykkylven, 1534 Haram, 1535 Vestnes, 1547 Aukra, 1548 Fræna.
Sogn og Fjordane:	1401 Flora, 1432 Førde, 1433 Naustdal.
Hordaland:	1219 Bømlo, 1222 Fitjar, 1223 Tysnes, 1241 Fusa, 1242 Samnanger, 1244 Austevoll, 1251 Vaksdal.
Rogaland:	1129 Forsand.
Vest-Agder:	1003 Farsund, 1004 Flekkefjord, 1021 Marnardal, 1029 Lindesnes, 1032 Lyngdal.
Aust-Agder:	901 Risør, 914 Tvedestrand, 935 Iveland, 937 Evje og Hornnes.
Telemark:	815 Kragerø.
Buskerud:	622 Krødsherad, 631 Flesberg.
Oppland:	521 Øyer.