

RURAL ENTREPRENEURSHIP IN THE NORDIC COUNTRIES

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Abstract:

The aim of this paper is to analyze the importance of rural entrepreneurship in the Nordic countries. Over the years, many countries have implemented different policies and programmes in order to stimulate entrepreneurship in the rural areas. Currently, entrepreneurs from the Nordic countries are encouraged to identify new business opportunities in rural areas and to transform them in successful business ideas with the certain purpose of creating new jobs and increasing the income of this rural areas. This paper provides a view of rural entrepreneurship at the local level in terms of its socioeconomic contribution. In all four Nordic countries many of the highlighted characteristics of rural entrepreneurship are similar, with a focus on innovation and the early embrace of new competitive technologies. The results of the analysis show that in the Nordic countries innovation, entrepreneurship and modern technology create new opportunities and rural areas are regarded as important for the development of a sustainable society.

Key words: entrepreneurship, rural entrepreneurship, innovation, Nordic countries

JEL classification: H89, L83

1. INTRODUCTION

The Nordic countries are the furthest corner of Europe, with only twenty-five million inhabitants. The Scandinavian landscape itself, including its wilderness, sparsely populated areas, and vulnerable natural sites, provides avenues for prospective specialization and innovative rural tourism products, distinguishing Scandinavian rural tourism from other parts of Europe (Hjalager, 2018). The democratic economic and social model of the Nordic countries, where tax rates are high and the state offers supportive solutions to its citizens in need, has discouraged the entrepreneurial initiatives, which are considered risky. However, in the last years, the need of financial success has gained ground in a society with strong economic security. The sector is based on the Nordic model of a tax-financed supply of services with a political objective of equal access for all (Olsen, 2016). Therefore, there are more and more entrepreneurial initiatives, especially in the rural environment, which is the majority in these countries. In fact, business tax rates in the Nordic regions are comparable to the rest of Europe and some countries, like Denmark, have a liberal labour market where it is easy to lay off staff. Anyway, this does not mean that entrepreneurs in this region are not challenged by the legislative environment that imposes most taxes and capital gains, but perhaps this is partly offset by the fact that the region is among the least corrupt in the world, with effective governance structures and digitized public sector. Results point to potential policy actions that could positively impact rural development as well as individual firm actions that may enhance performance (Nybakk, 2008).

2. RURAL ENTREPRENEURSHIP IN THE NORDIC COUNTRIES

Nordic cooperation is well established, has a long history and covers a number of political fields; regional policy being one of them (Nordregio, 2011). Much of the region's ability to create (for which the Scandinavians even have a special word, „skaberkraft”, i.e. the power to create) comes from the high level of education. Education is not only free, residents can also receive a

grant while pursuing higher education. Free education leads to a general education level which is among the highest in the world, providing entrepreneurs with skilled workforce in most fields.

The entrepreneurial ecosystem, according to Global Entrepreneurship Index of 2018 (Table no. 1), shows that the Nordic countries are ranked in the top 10 places:

Table no. 1. The entrepreneurial ecosystem of the Nordic countries

Country	GEI 2018 lower limit	GEI 2018 upper limit	GEI 2018	Rank 2018	GEI Rank 2017
United States	77,5	89,7	83,6	1	1
Switzerland	72,5	88,4	80,4	2	2
Canada	73,9	84,6	79,2	3	3
United Kingdom	73,6	81,9	77,8	4	8
Australia	69,0	82,0	75,5	5	7
Denmark	64,8	83,8	74,3	6	5
Iceland	63,6	84,7	74,2	7	6
Ireland	66,8	80,6	73,7	8	9
Sweden	67,1	79,1	73,1	9	4
France	59,9	77,1	68,5	10	13
Netherlands	-	-	68,1	11	-
Finland	-	-	67,9	12	-

Source: *Global Entrepreneurship Index*

The entrepreneurial ecosystem means a combination of attitudes, infrastructure and resources. Global Entrepreneurship Index measures both the quality of entrepreneurship in a country and the spread and depth of the entrepreneurial ecosystem.

2.1. RURAL ENTREPRENEURSHIP IN DENMARK

Denmark is a Nordic/Scandinavian country, considered to be one of the most creative and innovative countries in Europe, being always on top in the field of entrepreneurship. Denmark has 5.7 million inhabitants and since it is a small country, most of the startups and companies seek for internationalization, wishing to become known worldwide. This is encouraged by the fact that Danes are the best non-native speakers of English in the world.

Denmark is ranked first regarding opportunity perception, opportunity startup, technology absorption, human capital and risk capital (Figure no. 1). Denmark is a favorable country for startups and has stimulated over time worldwide successful companies such as: JustEat, Momondo, Podio, Trustpilot, Vivino.

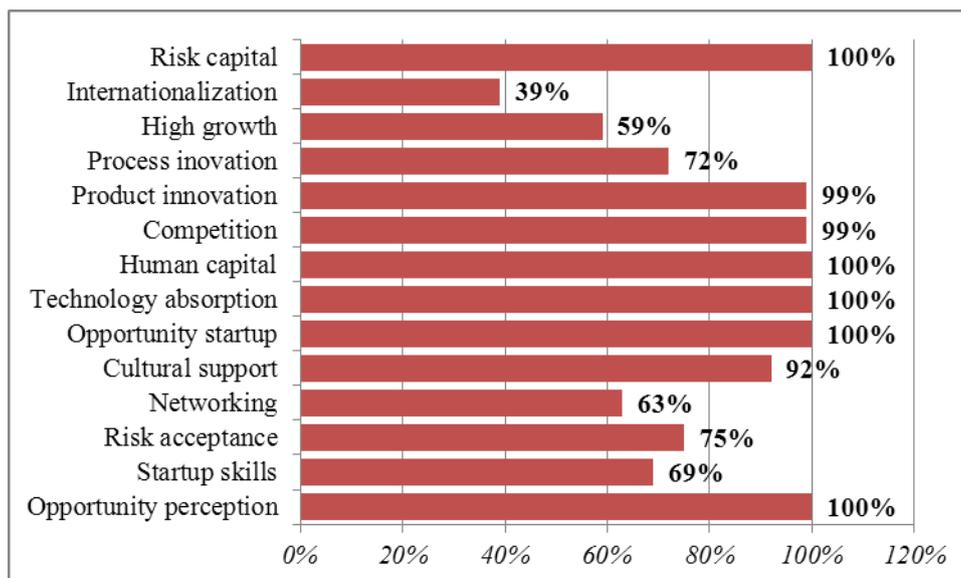


Figure no. 1. Perception of entrepreneurial development factors

Source: GEI 2017

Rural areas predominate on most of Denmark's territory, through rural areas understanding areas that are not built and areas that are not planned for construction. Most of the rural landscape is used by the population for agriculture and forestry purposes.

Entrepreneurship in rural areas, most often in the industrial and agricultural sectors, has greatly diminished in recent years. Most of the population from rural areas has opted for jobs in major cities.

The rural areas of Denmark contribute not only with the production of food for consumption but also with landscapes, cultural heritage and recreation. In the last years, many urban residents have come to rural areas, either to settle in the region or only for visiting. However, the rural areas of Denmark are currently facing a decline in population and employment, which means a small number of businesses.

2.2. RURAL ENTREPRENEURSHIP IN FINLAND

The Finnish entrepreneurial scene is characterized by strong people with clear dreams and ideas. Companies in Finland face very little bureaucracy, decisions are taken quickly, businesses acting efficiently after a planning and a careful preparation. The Finnish market is not very large, with only 5.3 million inhabitants, so entrepreneurs have to move to international markets very early.

Finland is always looking for new startups, especially in the field of technology. As is well known, Finland is a country well-known for high-tech products (the Nokia mobile phone - which has fallen). Although it has frequently ranked among the top categories of innovation and competitiveness, Finish society is quite discouraging for personal ambitions. This fact is also influenced by the Finish educational system, which focuses on equality rather than excellence.

According to Figure no. 2, among the 14 components of the entrepreneurial ecosystem, Finland occupies the largest position in the following areas: opportunity startup, startup skills, opportunity perception, cultural support and technology absorption. The weakest is in the areas of competition, human capital and risk capital.

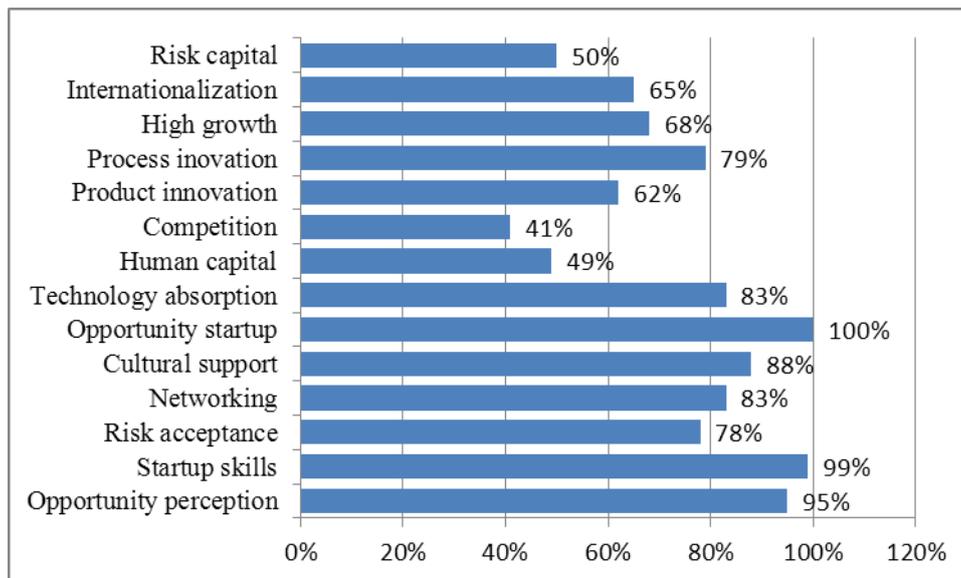


Figure no. 2. Perception of entrepreneurial development factors

Source: GEI 2017

Finland's rural environment is beautiful, dynamic and very clean. It is dominated by busy villages, forests, lakes, specific and fun events, innovative companies and modern technologies.

In Finland, more than 40% of businesses are active in rural areas. Small companies and farms are opened in the countryside, among the main areas in which they operate being tourism, machinery contracting, various services models, wood processing, food industry, electricity.

Entrepreneurship is promoted in various fields, mainly for job creation. Rural entrepreneurship is promoted both by the Ministry of Agriculture and Forests and by the Rural Development Programme for Mainland Finland.

2.3. RURAL ENTREPRENEURSHIP IN NORWAY

Norway is one of the richest countries in the world, its inhabitants being known as digitally advanced and early adopters of technology, being eager, willing and able to pay for the latest technology, making from Norway a unique testing market. It can be found in Norway loyal and advanced expertise in the field of technology of information, finance, life science, design, energy and music technology. The startup market is prosperous, providing entrepreneurs with industry expertise, investors and, last but not least, talents.

There are several considerations that make Norway an attractive, safe and easy country, namely: economic wealth, economic and governmental stability, long-term trade with European Union, as well as well-developed communication and transport infrastructure. In the top made by Global Entrepreneurship Index, Norway ranks 21st in 2018, with a score of 56.6. World Bank claims that it is very easy and safe to do business in Norway, according to „Ease of doing business” report.

The norwegian capital market is under-sized, including Venture Capital funding and a fragmented Business Angel community, partially offset by public support and slow financing. In Norway, the market is restricted, with only 5.2 million inhabitants, thus requiring early internationalization of companies and startups. Entrepreneurship is largely a new situation for Norway's population, therefore its latent evolution.

Norway is one of the Nordic countries that ranks first place in terms of opportunity perception, opportunity startup, risk capital, cultural support and risk acceptance (Figure no. 3).

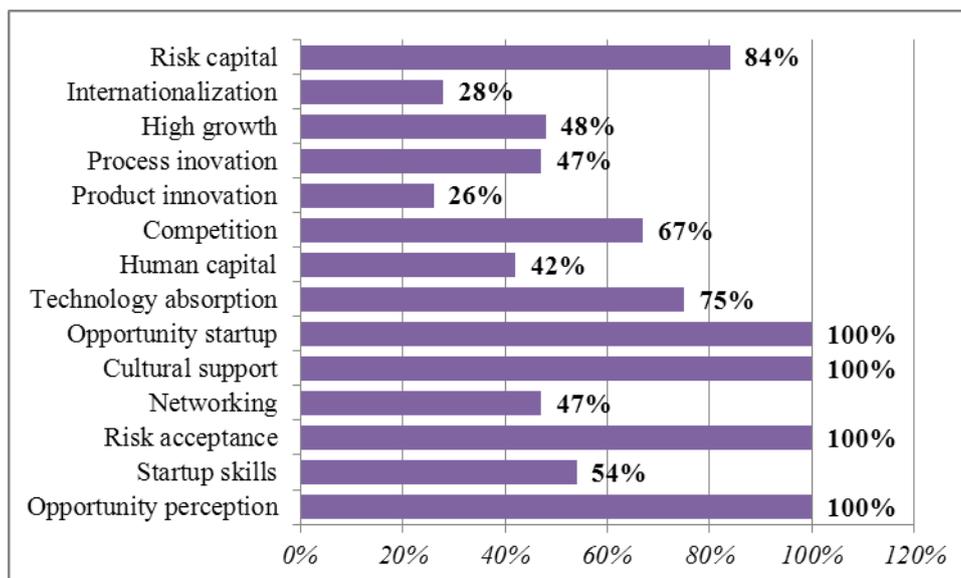


Figure no. 3. Perception of entrepreneurial development factors

Source: GEI 2017

Big efforts are made in Norway to implement rural development measures and politics in order to convince as many people as possible to live in the rural areas. Rural entrepreneurship it is not very developed here. This is mainly due to the fact that Norwegians do not enjoy a free market and an intense promotion of entrepreneurship, that's why it is necessary to work a little more with people's mentality. Through the implementation of entrepreneurship education courses there is a aim to promote entrepreneurship and most often in rural areas.

2.4. RURAL ENTREPRENEURSHIP IN SWEDEN

Sweden, although it is a small country with only 9.9 million inhabitants in 2017, has produced many entrepreneurs over time. Although it is a country with high taxes and high incomes, Sweden excels in the promotion and training of new businesses. Stockholm is the second largest producer of billion dollar technology companies per capita after Silicon Valley (The Atlantic).

According to a comparative study of entrepreneurial dynamics, published by the Swedish Entrepreneurship Forum (based on data provided by the Global Entrepreneurship Monitor), five percent of Swedish adults are involved in setting up a new company and about 6% of Swedish adults have invested in a business started by someone else. Sweden's entrepreneurial tradition is quite limited and there are very few investors (Business angels) to start or develop a business. In order to be competitive on national and international market, Sweden has learned to make its existing companies more efficient.

Sweden ranks first place regarding opportunity perception, technology absorption, startup opportunity and process innovation (Figure no. 4).

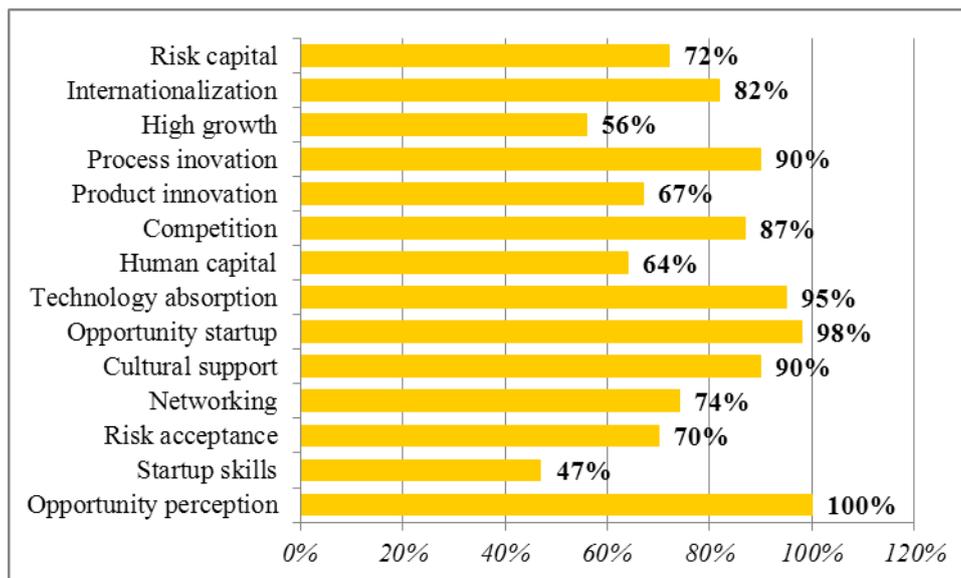


Figure no. 4. Perception of entrepreneurial development factors

Source: GEI 2017

The entrepreneurial scene has developed in Sweden in spite of the limited population, due to the consideration they have created in terms of internationalization. There are Nokia, Ericsson, Volvo. It is considered to be the most digital economy in the world because, over time, it has invested heavily in technological infrastructure, has created high-speed internet and offered to its citizens the possibility to acquire computers through tax cuts. All the investments supported by the Swedish state have given citizens physical tools and digital knowledge to encourage entrepreneurship and consumption. Also, has created a generation of people who grew up with the internet, being this way more opened to technological innovation.

Rural areas in Sweden, as well as in the rest of Europe, face demographic changes and challenges. Young people go to big cities for studies and work and after graduation they settle there. Some studies show that entrepreneurship among women is much more developed in Sweden. Rural development is supported through the Rural Development Program.

3. SUPPORTIVE POLICIES FOR RURAL ENTREPRENEURSHIP IN THE NORDIC COUNTRIES

In the Nordic countries, rural development has traditionally not been approached as a policy area in its own right, both in Denmark, Norway, Sweden and Finland. After the Second World War, the policy in the Nordic countries was dominated by a focus on the constitution of state welfare and regional development. Many similarities are found in terms of rural political objectives within the four countries. In all the four countries there is the argument for supporting rural areas.

In Finland, rural entrepreneurship policies support prosperity through rational use of resources. Moreover, this policies focus on: taking rural areas and their inhabitants into account in all actions in society and in various administrative branches, such as using practical tools by government and society to develop the rural environment (e.g. financing projects for rural development). All this policies are coordinated by the Rural Policy Council. Through the Rural Finland project - National Tourism Coordination Project, the implementation of the best practices and development measures on entrepreneurship and rural development in the rural areas is being pursued.

Nowadays, startups and hubs are in full ascension in *Finland*, among which we list Startup Sauna, Maria 01, Oulu Game Lab, Turku Boost. Within these programs, participants take part at real cases that provides them with a solid foundation on leadership and management, self-

development and strategic thinking. Startups, large companies and governments need innovation clusters to support learning, sharing and developing of products and services. Moreover, it is necessary to build business networks.

If the entrepreneurs do not have enough resources to fund their businesses, they can opt for commercial bank loans or for Finnvera, a Finnish financing company. Also, if the business is in the field of innovation, the entrepreneur can get support from the Finnish Agency for Innovative Finance (www.tekes.fi). When entrepreneurs want to open a business in developing countries, a subsidy can be obtained through the Finish Business Partnership Program (www.finnpartnership.fi).

In Finland, startups can receive a grant for business start. This grant is a form of discretionary support for an entrepreneur by giving a sum of money in the initial stages of the business. This grant is offered at the beginning of the entrepreneur's business, in order to help him survive on the market.

The Danish Innovation Center (Silicon Valley) investment manager - Sebastian Lykke Møller - states that the Danish entrepreneurial environment is unique in the following: „First, Denmark has simplified the process of setting up a business, with only four procedures at minimum costs. This fact has as result a flexible, transparent and secure business environment. Secondly, the startup community enjoys a high level of confidence, making easy the connection and share of experiences with everyone. Third, due to a well-established educational system, there are a lot of talented people, as well as a growing scene of international players. Finally, you will have access to an environment with large accelerators, workspaces and investors that incorporate the coldness of Scandinavia.”.

Taking into consideration what Sebastian Lykke Møller said above, we can conclude that four are the reasons for which Danish entrepreneurship is efficient and well-known: a simple process of setting up a business, a high level of confidence of startup community, a well-regulated educational system, the existence of investors that seek successful businesses.

Considering that Denmark is known as a country with high taxes and high salaries, many foreign investors are reluctant in opening a business here. However, the entrepreneurial spirit is alive in this country and grows among citizens. One of the reasons for which entrepreneurship is supported and practiced very much in Denmark is the close collaboration between the Danish government, investors, startup community and companies.

Danish rural development is regulated through legislation - the Danish Planning Act, the Danish Forest Act, the Danish Environmental Protection Act and the Danish Agriculture Act.

In Norway, according to some studies of Norwegian Statistics Bureau, most entrepreneurs that enter on the market choose to set up a business in professional, scientific and technical activities. The second area in which entrepreneurs choose to set up a business is construction and the last areas chosen by Norwegian entrepreneurs are wholesale and retail and repair of motor vehicles and motorcycles. Also, more than half of entrepreneurs are aged between 25 and 44, with upper secondary education. Female entrepreneurs are younger than men, and much better educated and trained.

In order to set up a company in Norway, the startup process is easy, with low costs. Residents are very well trained, with high skills and knowledge, employees are loyal to the workplace and very productive. The cost of setting up R&D activities is very competitive at international level.

Norway's Ministry of Local Administration and Administration is pursuing policy development in rural areas, both in terms of developing new businesses in rural areas and providing rural individuals with decent living and equal conditions to those in the urban environment.

In Sweden there is Rural Development Policy, whose main purpose is sustainable rural development from an economic, ecological and social point of view. The Swedish Government helps entrepreneurs to create and develop businesses in rural areas through the following: simplifying administrative procedures, reducing company taxes, providing business consultancy services and improving qualifications services, providing regional business development grants and financial assistance, improving infrastructure.

Sweden's Rural Development Program aim is to increase employment in rural areas by supporting entrepreneurship in rural areas. It also focuses on sustainable development, which means that future companies will have to operate in an ecological way and preserve the natural heritage around them.

4. STAKEHOLDERS AND SUPPORT ORGANIZATIONS - INITIATIVES OF THE COMMUNITIES INVOLVED IN THE DEVELOPMENT OF ENTREPRENEURSHIP IN RURAL AREAS

The Nordic countries have a long history of cooperation in the field of regional policy and rural development. This cooperation is based on the fact that joint learning and identified solutions are key elements for achieving results that contribute to sustainable development as well as regional development in the Nordic region as a whole.

The development of entrepreneurship in rural areas is supported by several programs and actions carried out through public funds, either in the whole region or in each of the four countries.

The Nordic Cooperation Program for Regional Policy for 2017-2020 acts in the context of three thematic groups: the Committee of Senior Officials on Regional Policy; Nordregio - responsible for the implementation of areas of interest; Nordic public institutions which assist in the implementation of the program. Nordic cooperation in the field of Regional Policy is composed of the Nordic Council of Ministers for Business, Energy and Regional (MR-NER), the Nordic Committee of Senior Officials for Regional Policy (EKR), Secretariat of the Nordic Council of Ministers, as well as cross-border cooperation through cross-border cooperation committees, NORA and the Western Nordic Fund.

In the Nordic countries, regions and municipalities play an important role. Regions have a coordinating role and are responsible for the regional development strategies at regional and local level. Compared to other European countries, the Nordic regions already have strong municipalities and a tradition of basic movements, as well as one to achieve and support local development initiatives. Initiatives and local stakeholders are an important factor in this process. LAG groups represent the most prominent trained actors that support rural development at local level.

An important initiative is the Nordic Working Group on Rural Development, which aims to make the Nordic region a world leader in developing a new and efficient regional policy through close cooperation between different decision levels and different sectors. This strategy is implemented through a concentrated effort in the three priority areas of action: exchange of experience and knowledge; globalization and cross-border cooperation; the third generation regional policy. Members of this working group include nordic officials and representatives from Norway (Nordic Research Center for Regional Development by the Nordic Council of Ministers). Denmark, Finland, Norway and Sweden have chosen to have active members. This working group is tasked with experience exchanging and knowledge developing on the role of rural policy in regional development in the Nordic countries. Its purpose is to seek to improve future cooperation conditions among Nordic countries in terms of development and growth in rural areas.

5. CONCLUSIONS

This study contributes to the understanding the growth potential in rural tourism in Nordic counties, hampered by innovation gaps (Hjalager, 2017). In the previous chapters it was highlighted that the entrepreneurial ecosystem of the Nordic countries is ranked in the top 10 places in the world (GEI, 2017). This emphasizes the importance of entrepreneurs and entrepreneurship in the development of these countries. All four countries - Denmark, Finland, Norway and Sweden, embrace early new technologies and consider innovation as an important pillon for competitive entrepreneurship.

Rural areas of these countries faced different challenges over time (migration of population, small number of businesses) but, notwithstanding, governments still try to encourage and stimulate

entrepreneurship in these rural areas through specific policies and programs. There were quite enough persons that wished to move to the countryside and initiate and develop a new business, so we can say that the future of rural entrepreneurship in the Nordic countries is regarded as encouraging.

Among the reasons for which entrepreneurship and startups are very popular in the Nordic countries we mention:

- *Economical and political factors*

People in the Nordic countries are not afraid to take the risk of opening a new company because of the social protection system that makes them feel safe. Governments encourage and support technological progress within states, so it offers many facilities.

- *The positive attitude of the Nordic countries population towards innovation and technological progress*

The Nordic countries citizens are very open to technological progress and new inventions, particularly in the area of IT and communication. In Denmark and Sweden, studies show that over 75% of the population (Eurostat, 2017) uses the internet every day and most of the shopping is done online. Thereby, e-commerce it is encouraged and the opening of new startups. In Norway, the percentage of people using the Internet is much higher, more than 90% (Eurostat, 2017). In these countries, online shopping is not a fear for residents, as it is in Romania. It is simply a region where IT is the order of the day, something designed to make life easier.

- *The existence of scientific and technological clusters*

In the Nordic countries, the concept of innovative cluster is not new. The existence of clusters in these countries has led to the opening of new startups, to the internationalization of small and medium-sized enterprises, to the stimulation of innovation and technological progress, to the protection of small and medium-sized enterprises by large companies. In Denmark there are clusters in the following areas: IT & C, bioenergy, food industry, wood industry, furniture industry. There is also in Denmark a program that supports science and technology clusters: RTC (Regional Technology Centers) - 10 million (from 2 to 4 years) with 40% co-financing from companies and public authorities.

- *Supporting talents and encouraging competitions between talents*

In the Nordic countries, universities provide students with business incubators, offers them access to specific entrepreneurial courses and mentoring programs, all this with the purpose of encouraging and promoting entrepreneurship. As is well known, entrepreneurship is the engine of economic development and the opening of new successful startups requires the education and training of young people in high schools and universities in the field of entrepreneurship education. Since students in the Nordic countries are very well educated in most areas, current and future entrepreneurs can find potential employees very well trained in order to help them build successful businesses.

- *The internationalization of startups in the Nordic countries in a fast rhythm*

Startups in the Nordic countries have been the subject of a fast process of internationalization, due to entrepreneurial abilities of citizens. Moreover, most of the residents in Denmark, Norway and Sweden are very good english speakers, a fact that accelerated the process of internationalization.

- *The existence of an informal networking that unites new entrepreneurs with experienced entrepreneurs*

The creation of a such community has led to a major exchange of information between entrepreneurs. In this countries are very well known counseling sites for startup businesses. Therefore, through networking and communities, people share together knowledge and information with the purpose of helping each other in their businesses.

- *The availability of risk capital*

The availability of risk capital (Venture capital) on Nordic countries market helps especially the startups and the businesses with high development potential on long term and also to have a

good start on the market. The value of risk capital comparative with the existing GDP in the Nordic countries is much more larger than in the others European countries.

- *Catalyst programs for small and medium-sized enterprises and for newly established enterprises*

This catalyst programs in the Nordic countries are a new and modern model of business incubators, which attract small teams and provides a number of technological companies with financing (for mentoring and training).

Many of the challenges highlighted are the same across all four countries and between the various levels in each. The effects of the underlying trends creating the challenges however bring about different results at the different geographical and administrative levels.

Acknowledgement

„This work was supported by a grant of the Romanian Ministry of Research and Innovation, CCCDI-UEFISCDI, project number PN-III-P1-1.2-PCCDI-2017-0884/56 PDDCI/03.04.2018. , within PNCDI III”.

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