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**Identification of the entrepreneur in new established limited  
companies**

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## 1. Introduction

The Shareholders Register of the norwegian Tax Directorate contains information about shareholders in norwegian limited companies. This information can be used to identify the entrepreneur in combination with data from other administrative registers.

Statistics Norway has published statistics on owners of personally owned enterprises since 2004. In new established personally owned enterprises the owner can be regarded as the entrepreneur. With information from the Shareholder Register on the owners in public and private limited companies a method has been developed to identify the entrepreneur in these enterprises.

In the rest of this paper the terms enterprise and limited company are used interchangeably. The only exception is when referring to enterprises which are shareholders. Here enterprise also covers other legal forms than limited company.

## 2. Definition

A theory on economic development where the entrepreneur is the most important force is presented in the book "The Theory of Economic Development" (J.A. Schumpeter, Transaction books, London 1934/1996). Development then proceeds by individuals developing new combinations.

A new combination can arise from a new product, a new method of production, entering a new market, exploiting a new raw material, or from a new way of organisation. The entrepreneur is then defined by Schumpeter as the individual or individuals who implement these changes. Entrepreneurship is defined as doing something completely new or doing something in a new way. Schumpeter delimits entrepreneurship from other functions as management, ownership or innovation. But in a new established enterprise an entrepreneur will often become a manager. An entrepreneur is also likely to be an owner. According to Schumpeter innovation is central to being an entrepreneur, creating something new.

In the book "Entrepreneurship in Norwegian" (O.R. Spilling, Fagbokforlaget, Bergen, 2<sup>nd</sup> edition 2006) an entrepreneur is not limited to being an individual, but can be several individuals or one or more enterprises. It also introduces the concept "etablerer" ("establisher") as a weaker definition than entrepreneur. An "establisher" also includes imitations of existing businesses (not representing innovation).

In The American Heritage Dictionary (John B. Vinturella "The Entrepreneur's Fieldbook (Prentice Hall, Upper Saddle River, New Jersey 1999) in J. G. Nesse "Regional development at the turn of the millenium", paper 13/02, Sogn og Fjordane University College.) an entrepreneur is defined as an individual who establishes, runs, manages and takes risk of new business.

In statistics based on registers it is not possible to identify an entrepreneur according to a definition based on innovation. It is not clear whether the new established enterprise represents something new (innovation) or if it is an imitation of some existing business. Thus a wider definition is necessary. The concept of "establisher" comprises imitations as well as innovation and will be useful for this purpose. According to The American Heritage Dictionary an entrepreneur can also be running and managing the enterprise. Therefore persons holding positions as general manager, chairman of the board or board member are also defined to be entrepreneurs.

What then is an entrepreneur in this context? In the english use the concept of entrepreneur is referring to a physical person/an individual. In the context of this work however, an entrepreneur is defined in a broader sense as covering both private individuals and enterprises (all legal forms, not just limited companies). To introduce "establisher" to cover this definition is not regarded as useful.



An entrepreneur is then an individual who actively establishes, runs, manages a new enterprise, taking risk. In this sense an entrepreneur is taking financial risk (owner of shares) and can also hold positions of general manager, chairman or member of board. An entrepreneur may also be an enterprise if this enterprise has a substantial share.

An enterprise can have one or more entrepreneurs. The entrepreneur can be a person, an enterprise or a combination. The entrepreneur may be the person who had the business idea, a shareholder or the person who runs the enterprise. In all cases an entrepreneur is required to take financial risk by being a shareholder.

### **3. Sources**

Three registers are central in identifying the entrepreneur in new established limited companies. These are the Central Register of Establishments and Enterprises (CRE) at Statistics Norway, the Shareholder Register (SR) at the norwegian Tax Directorate and The Central Coordinating Register of Legal Entities (ER).

#### **3.1 The Central register of establishments and enterprises**

The Central Register of Establishments and Enterprises (CRE) at Statistics Norway provides the population of new established enterprises. The population is taken from the statistics on new enterprise and includes all enterprises except public administration, agriculture, forestry and fishing.

#### **3.2 The Shareholder Register**

The Shareholder Register (SR) of the norwegian Tax Directorate provides information on the shareholders (owners) of norwegian public and private limited companies. The register was operational in 2005 with information on shareholders in limited companies for the year 2004.

##### **3.2.1 Contents**

The register is organised in three separate files

- one file where the enterprise is the unit
- a file containing all shareholders in the enterprises in the first file
- a file containing information about dividends

The second file on shareholders is the basis for identifying the entrepreneur. The link between shareholders and enterprises is the organisational number of the enterprise.

The information on shareholders which is used is

- identification of shareholder
- total number of shares owned by shareholder per 31<sup>st</sup> December in a given enterprise
- organisational number of the enterprise which shareholder has shares in
- share value per 31<sup>st</sup> December
- total number of shares in enterprise by 31<sup>st</sup> December
- total share capital in enterprise by 31<sup>st</sup> December

A shareholder can be either a physical person (an individual) or a legal person (an enterprise). The shareholders are identified by

- personal identification number (only persons),
- organisation number (only enterprises),
- vps account (account number at the Norwegian Central Securities Depository) (can be either person or enterprise) or
- name (can be either person or enterprise).



### **3.2.2 Missing enterprises**

Although reporting to the Shareholders register is mandatory, not all limited companies do submit the required information. 8,9 per cent of the new established limited companies in 2004 are not found in the SR.

## **3.3 The Central Coordinating Register of Legal Entities (ER)**

The Central Coordinating Register of Legal Entities contains information on physical and legal persons holding positions in norwegian enterprises. Physical persons are identified by personal identification number, legal persons are identified by organisational number. These unique identifiers enables linking to other registers.

The positions in limited companies are general manager, chairman of the board, and board member.

## **4. Method**

The method used to identify the entrepreneur aims at identifying the shareholders in an enterprise that have the role as general manager, chairman of the board or member of the board, or who have a considerable share of the capital stock. If a new enterprise is owned by other enterprises and the other enterprises are owned solely by private individuals, the entrepreneur is identified among these individuals. If the other enterprises do not only have individuals as shareholders, the entrepreneur will be among the enterprises that are shareholders in the new enterprise.

### **4.1 Preparing the Shareholder Register**

#### **Different classes of shares**

The shares in a limited company can be divided into different classes having different value and voting rights. A shareholder can have shares in different classes. Because there is no general rule to which rights a class of shares has, all shares in an enterprise are treated as equal. This may be wrong for some enterprises, but it simplifies the procedure. Besides, only 3 111 (2,2 per cent) of the enterprises in the SR in 2004 have more than one class of shares, and only 180 (1,8 per cent) of the new established limited companies in 2004 have more than one class of shares.

#### **Shareholders with zero shares**

Shareholders with zero shares 31<sup>st</sup> December are excluded from the population since there is no information on their ownership.

#### **Calculating the total number of shareholders**

The total number of shareholders in each enterprise is calculated.

#### **Calculating the share of shares and share capital**

The total number of shares and the total share capital in each enterprise is calculated. The next step is to calculate the total number of shares and the total share capital of each shareholder. Finally, the share of the total number of shares and share capital in the enterprise is calculated for each shareholder.

### **4.2 General managers, chairman of the board and board members**

Shareholders who are general manager, chairman of the board or board member in the same enterprise are identified. Dataset with all shareholders are linked by personal identification number to dataset containing all persons with positions in enterprises.



This enterprise population is merged with the Shareholder Register. The result is a dataset of all new established limited companies in a given year with information on the owners.

### **4.3 Limitations**

Linking the dataset of new established limited companies to the SR. 965 (8,9 per cent) of the 10 848 new established limited companies in 2004 are not found in the Shareholder Register. For these companies there is no available register information on the shareholders and these enterprises are therefore excluded from the population. The population of enterprises is thus reduced to 9 883.

#### **4.3.1 Missing enterprises**

There does not appear to be any recognisable pattern in the new established enterprises not found in the Shareholder Register. The enterprises have been checked for economic activity code (NACE-code), the number of employees and location. Also the enterprises have been investigated for the time of registration.

27,1 per cent of the enterprises were registered in December 2003, the rest of the enterprises are distributed fairly equal through the rest of the year.

Most missing enterprises are within nace-code 70 (23,2 per cent), but so are 26,8 per cent of all new established enterprises in 2004. The missing enterprises exhibit approximately the same distribution as the total population of new established limited companies.

The county with the largest share of enterprises not found in the SR is Finnmark, where 16,9 per cent of the enterprises are missing in the SR. But this county had only 1,2 per cent of all new established enterprises in 2004. The largest number of missing enterprises is in Oslo. 26,8 per cent of all missing enterprises are located in Oslo, whereas Oslo has 21,2 of all new established enterprises in 2004. For the rest of the counties there are no large deviations in the share of missing enterprises from the total.

### **4.4 Subpopulations based on type of shareholder**

The enterprise population is split into four different subpopulations based on the type of shareholder:

1. all shareholders are persons identified by personal identification number
2. all shareholders are enterprises identified by organisation number
3. shareholders are a combination of persons identified by personal identification number and enterprises identified by organisational number
4. other combinations of shareholder

### **4.5 Identifying the entrepreneur**

#### **4.5.1 Operational definition**

How large share a shareholder needs to be identified as an entrepreneur depends on the number of shareholders in the enterprise. A shareholder is an entrepreneur if he/she holds

- 100 per cent of the share capital in enterprise with 1 shareholder
- 40 per cent or more of the share capital in enterprises with 2 shareholders
- 30 per cent or more of the share capital in enterprises with 3 shareholders
- 20 per cent or more of the share capital in enterprises with 4 or more shareholders

A person identified by personal identification number is also defined to be an entrepreneur if he/she holds a position in the enterprise (general manager, chairman or board member), regardless of the size of ownership (most turn out to have a share in excess of 20 per cent).



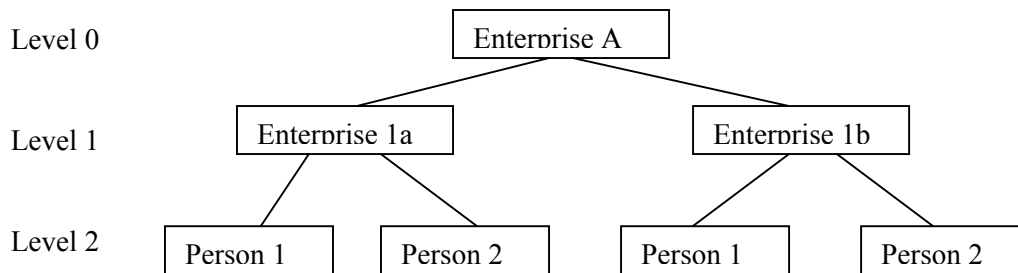
#### 4.5.2 All shareholders are persons

Enterprises where all shareholders are persons identified by personal identification number. In this case the entrepreneur is a person. The entrepreneur is identified using the definition in 4.5.1.

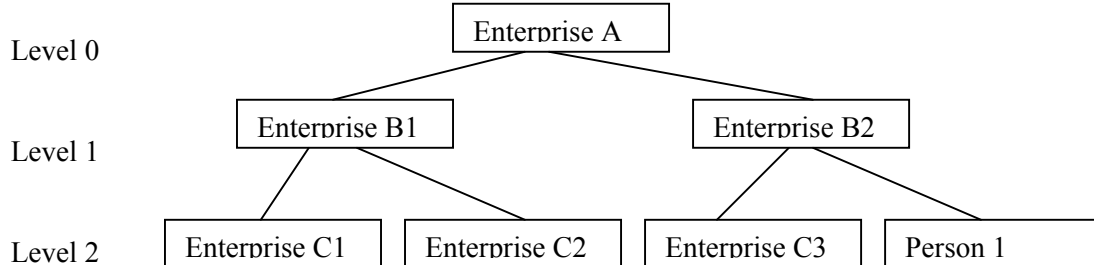
#### 4.5.3 All shareholders are enterprises

Limited companies where all shareholders are enterprises identified by organisational number.

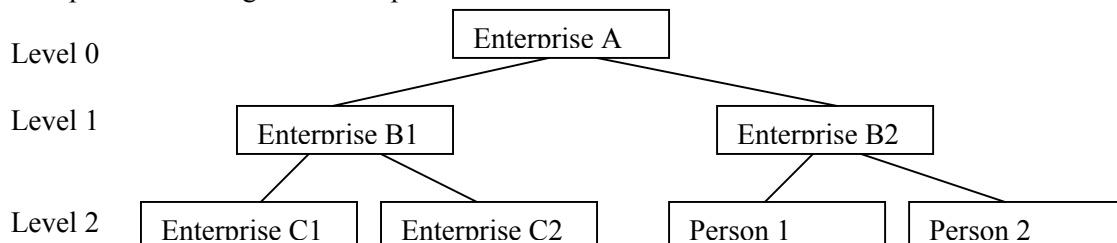
1. If an enterprise as a shareholder (level 1) is solely owned by physical persons (level 2), then the entrepreneur is sought among these persons. Each person's share of the enterprise on level 0 is calculated as the product of the person's share in the enterprise on level 1 and the share of the enterprise on level 1 of the enterprise on level 0. The procedure in 4.5.1 is then used to identify the entrepreneur.



2. If an enterprise as a shareholder (level 1) is owned by other enterprises or a combination of other types of owners (level 2), then the entrepreneur is sought among the enterprises that are shareholders (level 1). The procedure in 4.5.1 is applied to these enterprises.



3. The enterprises as shareholders (level 1) are owned by a combination of enterprises, persons and other types of shareholder (identified by vps account number or name). If an enterprise as shareholder (level 1) is owned by only persons, then the procedure in 1. is applied to these persons to identify an entrepreneur. For the rest of the enterprises on level 1 the procedure in 2. is applied to identify entrepreneurs among these enterprises.



#### 4.5.4 Shareholders are a combination of persons and enterprises

Enterprises where all shareholders are persons identified by personal identification number or enterprises identified by organisational number. For the shareholders that are enterprises, the procedure in 4.5.3 is carried out. For the shareholders which are persons the procedure in 4.5.1 is employed directly.



#### 4.5.5 Other combinations of shareholders

When the shareholders in a limited company are all other combinations of shareholders (at least one shareholder is identified by vps account number or name), then the entrepreneur is found among these shareholders using the definition in 4.5.1.

## 5. Populations

### 5.1 The Shareholder Register

#### 5.1.1 All enterprises

In 2004 there were 149 536 enterprises in the Shareholder Register, of which

- 61,8 per cent had only persons identified by personal identification number as shareholders
- 18,9 per cent had only enterprises identified by organisational number as shareholders
- 11,8 per cent had both persons identified by personal identification number and enterprises identified by organisational number as shareholders

These three groups constitute 92,5 per cent of all enterprises. The rest (7,5 per cent) of the enterprises have other combinations of shareholders.

The enterprises had a total of 1 790 283 shareholders, of which

- 82,9 per cent were persons identified by personal identification number
- 11,7 per cent were enterprises identified by organisational number
- 2,3 per cent were identified by vps account number
- 3,1 per cent were identified by name

The number of shareholders is the total in all enterprises, the unique number of shareholders is lower because some shareholders have shares in more than one enterprise.

#### 5.1.2 Shareholders with zero shares

478 636 shareholders in 18 681 enterprises have zero shares 31<sup>st</sup> December 2004. These have sold their shares during the year. There is then no information on the number of shares they have had. In new established enterprises these shareholders could be entrepreneurs, but since there is no information on their share holdings, they are excluded. After excluding shareholders with zero shares, 144 109 limited companies remain. Of these, 63,3 per cent have only physical persons identified by personal identification number as shareholders (table 1).

Table 1. Enterprises by type of shareholder. 2004

Type of shareholder	Number of enterprises	Per cent enterprises
Total	144109	100,0
Person	91161	63,3
Enterprise	28279	19,6
Person and enterprise	14764	10,2
Other	9905	6,9

Table 2 shows the distribution of enterprises by the number and type of shareholders. 44,2 per cent of the enterprises have one owner, and only 3,3 per cent of the enterprises have ten or more owners.

Table 2. Enterprises by the number of shareholders and type of shareholders. 2004

Type of shareholder	Number of enterprises	Per cent enterprises	Number of shareholders				
			1	2	3-4	5-9	10+



I alt	144109	100,0	44,2	26,2	19,4	6,9	3,3
Person	91161	100,0	39,7	31,9	21,9	5,8	0,7
Enterprise	28279	100,0	83,9	9,6	4,0	1,6	0,9
Person and enterprise	14764	100,0	-	29,0	35,4	22,5	13,1
Other	9905	100,0	38,4	17,0	16,0	9,4	19,2

## 5.2 New established limited companies

The population of new established limited companies is taken from the official statistics on new enterprises published by Statistics Norway ([http://www.ssb.no/english/subjects/10/01/foretak\\_en/](http://www.ssb.no/english/subjects/10/01/foretak_en/)). A total of 10 848 limited companies were established in 2004. Of these 10 829 were private limited companies (AS) and 19 were public limited companies.

9 883 (91,1 per cent) of the enterprises are found in the Shareholder Register. Table 3 shows the enterprises by the number of shareholders. The distribution largely similar to the distribution for all limited companies (table 2).

Table 3. New established limited companies by number of shareholders. 2004

Number of shareholders	Number of enterprises	Per cent enterprises
Total	9883	100,0
1	4002	40,5
2	2996	30,3
3-4	2016	20,4
5-9	631	6,4
10+	238	2,4

More than half (58,5 per cent) of the new enterprises have only physical persons as shareholders (table 4), but they comprise only 22,1 per cent of all shareholders in the new established limited companies. Most shareholders (58,9 per cent) are found in the 6,0 per cent of enterprises where the shareholders are persons or enterprises in combination with shareholders identified by vps account number or name.

Table 4. New established limited companies and shareholders by type of shareholder. 2004

Type of shareholder	Number of enterprises	Per cent enterprises	Number of shareholders	Per cent shareholders
Total	9883	100,0	58186	100,0
Person	5781	58,5	12869	22,1
Enterprise	2183	22,1	3479	6,0
Person and enterprise	1326	13,4	7590	13,0
Other	593	6,0	34248	58,9

Table 5a and 5b show enterprises by the number and type of shareholders.

Table 5a. New established limited companies by number and type of shareholder. 2004

Type of shareholder	Number of enterprises	Number of shareholders				
		1	2	3-4	5-9	10+
Total	9883	4002	2996	2016	631	238
Person	5781	2142	2069	1244	285	41
Enterprise	2183	1601	376	144	46	16
Person and enterprise	1326	-	429	529	249	119
Other	593	259	122	99	51	62

Table 5b. New established limited companies by number and type of shareholder. Per cent. 2004

Type of shareholder	Number of enterprises	Per cent of enterprises	Number of shareholders				
			1	2	3-4	5-9	10+
Total	9883	100,0	40,5	30,3	20,4	6,4	2,4
Person	5781	58,5	39,7	31,9	21,9	5,8	0,7
Enterprise	2183	22,1	83,9	9,6	4,0	1,6	0,9
Person and enterprise	1326	13,4	-	29,0	35,4	22,5	13,1
Other	593	6,0	38,4	17,0	16,0	9,4	19,2



Total	9883	100,0	40,5	30,3	20,4	6,4	2,4
Person	5781	100,0	37,1	35,8	21,5	4,9	0,7
Enterprise	2183	100,0	73,3	17,2	6,6	2,1	0,7
Person and enterprise	1326	100,0	-	32,4	39,9	18,8	9,0
Other	593	100,0	43,7	20,6	16,7	8,6	10,5

## 6. Results

According to the definition of entrepreneur in this work, an enterprise can have more than one entrepreneur and an entrepreneur can be both an individual (person) or an enterprise.

A total of 17 198 entrepreneurs were identified in the 9 883 enterprises (table 6). 48,3 per cent of the enterprises have one entrepreneur,

Table 6a. Enterprises, by number of entrepreneurs and type of shareholder. 2004

Type of shareholders	Number of enterprises	Total number of entrepreneurs	Number of entrepreneurs in enterprise					
			0	1	2	3	4	5-9
Total	9883	17198	212	4769	3114	1115	532	141
Person	5781	9977	58	2735	2086	592	257	53
Enterprise	2183	3268	46	1396	468	175	81	17
Person and enterprise	1326	2954	82	318	424	288	159	55
Other	593	999	26	320	136	60	35	16

Table 6b. Enterprises, by number of entrepreneurs and type of shareholder. Per cent. 2004

Type of shareholders	Number of enterprises	Total of enterprises	Number of entrepreneurs in enterprise					
			0	1	2	3	4	5-9
Total	9883	100,0	2,1	48,3	31,5	11,3	5,4	1,4
Person	5781	100,0	1,0	47,3	36,1	10,2	4,4	0,9
Enterprise	2183	100,0	2,1	63,9	21,4	8,0	3,7	0,8
Person and enterprise	1326	100,0	6,2	24,0	32,0	21,7	12,0	4,1
Other	593	100,0	4,4	54,0	22,9	10,1	5,9	2,7

7 441 enterprises have only persons identified by personal identification number as entrepreneur. In 212 enterprises no entrepreneur was identified, no shareholder had a large enough share or no position in the enterprise. In 399 enterprises the entrepreneur is a shareholder identified by vps account number or name.

Table 7. Enterprises by type of entrepreneur and type of shareholder. 2004

Type of shareholder	Number of enterprises	Type of entrepreneur				
		No entrepreneur	Person	Enterprise	Person and enterprise	other
Total	9883	212	7441	1476	355	399
Person	5781	58	5723	-	-	-
Enterprise	2183	46	843	1208	86	-
Person and enterprise	1326	82	778	229	237	-



Other	593	26	97	39	32	399
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