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FOREWORD

DRIVING FINLAND FORWARD WITH INTERNATIONAL BUSINESS AND TALENT

We had two objectives when conducting the first Finland as a Business Location barometer in 2018:

1. Emphasize the importance and positive impact of foreign affiliates to the Finnish economy

2. Understand how both international and Finnish companies perceive Finland as an investment and business location, including strengths, weaknesses and key improvement areas

The results were eye-opening for many, and they provided us with new and interesting insights. Foreign affiliates are generally more positive than Finnish companies about the country’s business environment. They appreciate the predictability of regulatory systems and view corporate taxation and labor cost as less of an issue compared to their Finnish peers. Foreign affiliates also invest heavily in R&D, bring a highly-skilled workforce to Finland, and inshore significant business functions.

PRIORITYES FOR A COMPETITIVE FINLAND

Driving future growth requires Finland to continually develop its business environment. Investor aftercare, understanding the needs of foreign affiliates committed to Finland, has to be a top priority. Our government should place emphasis on identification of investment bottlenecks, such as regulatory barriers, and then prioritize reform.

As seen in barometer results, Finland has many strengths, and we should challenge ourselves to become even more attractive in the eyes of international investors and talent alike.

ROSSE THURMAN

Rosa Thurman is Director of Investment Programs at Amcham Finland. She works with over 90 American and international member companies, helping them grow their business in Finland through increased brand visibility and identifying new partners for collaboration and cross-industry networking.

Previously, Rosa was General Manager of the Finnish-British Chamber of Commerce in London. She helped strengthen business ties between both countries by match-making businesses, partners and key stakeholders.

Rosa began her career in international business development within the financial and media sectors, where she held various sales and service roles for Bloomberg and the Financial Times.
The role and impact of foreign businesses and investments in the Finnish economy is significant and growing; currently there are around 4,300 foreign affiliates in Finland, representing 17.5% of the workforce (255,000 employees) and creating an annual turnover of 92 billion euros (Statistics Finland).

Although foreign affiliates account for 1% of all firms in Finland, they create 22% of production value, 20% of gross investment in tangible goods and 22% of value added in Finland (Copenhagen Economics, 2017; Business Finland 2019).

Finland as a Business Location survey has three objectives:

- Understand the location determinants of foreign affiliate companies, their drivers and barriers to invest in Finland
- Bi-annually measure foreign affiliate companies’ perception of Finland’s competitiveness as a business location
- Highlight the positive contribution of foreign affiliates to innovation and the Finnish economy as a whole.

Altogether 340 respondents were interviewed in May – June, 2018. In this report, 141 foreign affiliates’ responses are compared to those of 112 Finnish international and 87 domestic companies.
62% of foreign companies are located in the capital region. Finnish companies are more spread throughout the country.

Respondent affiliates represent a wide array of industries. Finnish international companies are mainly operating in manufacturing, mining and quarrying, and other industries.

There are nine foreign affiliates that spent at least 1,000,000€ on R&D in 2017. Zero Finnish companies spent this amount.

The respondents for foreign affiliates were mainly members of the executive team in Finland.
SOCIETAL STABILITY AND FUNCTIONALITY ARE FINLAND’S GREATEST STRENGTHS

7.3/10: In general, foreign affiliates rate Finland as a good business location.

Main strengths:
• Societal stability and functionality
• Level of employee skill
• Initiative shown by employees

Main weaknesses:
• Labor tax
• Labor costs
• Salary flexibility

Foreign affiliates see societal stability and functionality, predictability of laws and regulations, and labor costs more positively than Finnish firms.

In order to keep the Finnish society running and our economy healthy, we need a lot more foreign companies wanting to invest in Finland. The most important thing is to profile Finland as a highly skilled workforce market of university level educated employees.
FOREIGN AFFILIATE WISHES FOR THE FINNISH GOVERNMENT ARE MORE MODEST COMPARED TO FINNISH FIRMS

WISHLIST FOR THE FINNISH GOVERNMENT

1. Increased salary flexibility
2. Increased contractual flexibility regarding working hours and lay-off policies
3. Lowered labor costs

Increasing salary flexibility is the number one desire for both foreign affiliates and Finnish companies. However, on a 1-4 scale, foreign affiliates don’t see it as relevant (3.0/4) as Finnish firms (3.3/4). Foreign affiliates also feel the following aspects are less relevant:

- Increased contractual flexibility regarding working hours and lay-off policies
- Improved regulatory predictability
- Lowered corporate tax
- Improved access to funding

Foreign affiliates consider improving **access to funding** as the least important agenda point for the next government.

Finland has great competence and a strong infrastructure to develop healthcare and drive outcome--based healthcare managed by high-quality data. Finland is a very stable and functional country in many aspects. To attract global investments and make Finland a more attractive location, the government should focus on decreasing income taxation and improving labor market flexibility. Hopefully our next government will take these development areas into serious consideration.

PANU LAUHA
COUNTRY DIRECTOR
MEDTRONIC | AMCHAM
ADVISORY BOARD

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FOREIGN AFFILIATES ARE MORE ACTIVE IN MOVING MANUFACTURING, R&D AND MANAGEMENT FUNCTIONS TO FINLAND

Foreign affiliates have mainly moved manufacturing of goods, R&D and leadership or management functions from another country to Finland. In total, 22% of surveyed foreign affiliates have moved some operations from another country to Finland.

Only 5% of Finnish international firms have moved operations from another country to Finland.

Foreign affiliates have mainly moved support services (e.g. financial management, IT-support) abroad. Compared to Finnish international firms, foreign affiliates have moved other operations abroad less. In total, 29% of the foreign affiliates have moved some operations from Finland to another country.

Finnish international firms have mainly moved sales and management functions abroad.
FINLAND COMPETES FOR R&D WITH CHINA, USA AND INDIA

EXPANDING OPERATIONS: FINLAND AS ONE OF THE LOCATION DESTINATION OPTIONS

26% of surveyed foreign affiliates and 29% of surveyed Finnish international firms have considered expanding operations, with Finland as one of the location destination options.

Of them, foreign affiliates mainly considered expanding Production, i.e. the manufacturing of physical goods (38%) and Research and Development (35%), while Finnish international firms only considered expanding Production, i.e. the manufacturing of physical goods (58%).

Top location options by operations:
- Manufacturing: Baltics (34.3%) and Sweden (17.1%)
- Research and Development: China (37.5%), USA (28.6%) and India (21.4%).
- Production of sellable services: Germany (33.3%), Sweden (22.2%), Baltics (16.7%) and Norway (16.7%)

Expanding operations

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<th>Operations</th>
<th>Finnish internationals' all expansions (%)</th>
<th>Foreign affiliates' all expansions (%)</th>
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<tr>
<td>Manufacturing</td>
<td>34.3%</td>
<td>17.1%</td>
</tr>
<tr>
<td>Research and Development</td>
<td>37.5%</td>
<td>28.6%</td>
</tr>
<tr>
<td>Production of sellable services</td>
<td>33.3%</td>
<td>22.2%</td>
</tr>
<tr>
<td>Production, i.e. the manufacturing of physical goods</td>
<td>58%</td>
<td>38%</td>
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PROXIMITY TO EXISTING COMPANY OPERATIONS AND LEVEL OF WORKFORCE COMPETENCE ARE IMPORTANT FOR INVESTING IN FINLAND

REASONS FOR INVESTMENT DECISIONS

Of the foreign affiliates invested in Finland:
- 76% of the foreign affiliates investments* ended up in Finland
- 12% of the investments ended up outside Finland
- 12% of the investments ended up divided into Finland and outside Finland

- The greatest influential factors on foreign affiliates’ investment decisions in Finland were specific to proximity to existing company operations and level of workforce know-how.
- The least important factors were labor tax, flexible working hours and lay-off regulations, and corporate tax.

- The greatest drivers for foreign affiliates’ investment decisions outside Finland were proximity to existing company operations and proximity to customers.
- The least important factors were availability of talent (specialist tasks), level of workforce know-how, flexible working hours and lay-off regulations, corporate tax, and labor tax.

*final destination is not known for 1/3 of the surveyed cases
INVESTMENT DRIVERS

“The threat of construction industry strikes”
- Foreign affiliate investing in manufacturing in Sweden

“Cost of logistics, cost of product”
- Finnish international company investing in manufacturing in Estonia

“Decisions to invest in automation”
- Finnish international company investing in manufacturing in Finland

“The state of the Finnish market”
- Foreign affiliate in Finland investing in production of sellable services

“Knowledge of the market”
- Finnish domestic company investing in production of sellable services in Finland and Germany

“Home country of the owner”
- Foreign affiliate investing in manufacturing in Austria and Finland

“Inflexible redundancy polices”
- Foreign affiliate investing in R&D in Finland and China

“Knowledge of the market”
- Finnish domestic company investing in production of sellable services in Finland and Germany

“Local competence to develop production.”
- Foreign affiliate investing in manufacturing in Finland
54% of foreign affiliates and 47% of Finnish international companies estimate that their employee count in Finland will grow next year.

However, more Finnish international companies estimate their employment will be reduced next year (11%) than foreign affiliates (3%).

29% of foreign affiliates and 26% of Finnish international companies estimate that R&D investment in Finland will grow next year.

However, more Finnish international companies (12%) estimate that R&D investments will be reduced next year than foreign affiliates (5%).

MIRIAM HOLSTEIN
NORDIC CEO
| BAYER
AMCHAM BOARD

Finland has excellent infrastructure, a very dynamic innovation ecosystem, a positive approach to innovation and competitive operating costs which makes the country highly conducive for Foreign Direct Investments. However, to remain globally competitive in the rapidly changing environment, challenged by digitalization, the growing need for a highly-skilled workforce needs to be addressed. I call for more collaboration between industry and academia, and finding new ways to attract talent also from abroad.
FOREIGN AFFILIATES RECRUIT EMPLOYEES FROM ABROAD MAINLY TO OTHER SENIOR SPECIALIST FUNCTIONS

RECRUITING FROM ABROAD TO FINLAND

Plan to recruit from abroad (%)

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<td>Finnish domestic</td>
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<tr>
<td>Finnish internationals</td>
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<tr>
<td>Foreign affiliates</td>
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Recruitment from abroad (%)

- No
- Plan to recruit 1-5 people
- Plan to recruit 6-20
- Plan to recruit 21-50
- Plan to recruit over 50
- Other

Companies hired or considered hiring, past 2 years

In the past two years, more foreign affiliates have hired or considered hiring employees from abroad to work in Finland (42%) than Finnish international (29%) or domestic companies (20%).

Plan to recruit next year

27% of surveyed foreign affiliates are planning to recruit employees from abroad within the next year, mainly 1-5 people. 61% of foreign affiliates are not planning to recruit from abroad. Significantly more Finnish companies (73%) are planning not to recruit from abroad within the next year.
Foreign affiliates are more motivated than Finnish firms to recruit from abroad for top global expertise. Finnish firms, on the other hand, consider finding the right workforce as more problematic than foreign affiliates, although the skills that they are looking for are very common.

The main motivators that affected the recruitment for foreign affiliates were:
• “Advancing the global corporate culture.”
• “Finland’s economic situation and availability of labor within our sector. There is very high demand for labor.”
• “Better of availability of labor from abroad.”
• “It’s difficult to find skilled labor in our sector.”
• “A strategy to expand into many strong internationally-minded local units to serve the company.”

Foreign firms have recruited considerably more employees from abroad for positions that demand a master’s degree or higher (72.6%) than Finnish international (44.2%) or Finnish domestic firms (26.0%).

The respondents mainly use the contacts and connections of current employees (68%) when recruiting employees from abroad.
Foreign affiliates have recruited employees from abroad mainly for other senior specialist functions (51%). Finnish international (52%) and domestic (71%) firms mainly recruit employees from abroad for manufacturing.

Half of the respondents have recruited a person from outside the EU- or ETA areas (Norway & Iceland).

Finnish multinationals and affiliates of global companies tell us relatively often that they need international talent, even more so when it comes to global affiliates in Finland. Companies search for international talent via their own contacts and networks, and they consider finding the right talent a challenge. Committing international talent to Finland is also a challenge – The internal processes often don’t facilitate integration of international talent into the company.
SOFT FACTORS ARE CONSIDERED THE MAIN STRENGTHS OF FINLAND WHEN RECRUITING EMPLOYEES FROM ABROAD

Foreign affiliates saw the following factors as the main strengths for Finland in terms of recruiting employees from outside of the country:

1. Safety
2. Quality of life
3. Access to & cost of health care

Based on the results, companies see compensation flexibility as a weakness of the Finnish business environment. There are indeed restrictions, but we also believe that organizations do not know the full extent of flexible benefits and compensation schemes that already exist. We see that there are a number of possibilities for companies to create reward schemes to meet the demand of flexible compensation. If these possibilities were more widely understood, it would affect foreign companies’ interests to invest in Finland.

Foreign affiliates saw the following factors as the main weaknesses for Finland in terms of recruiting employees from outside of the country:

1. Labor taxation
2. Spouse’s employment possibilities
3. Spouse’s ability to get a work permit
4. Foreign affiliates consider ‘Salaries or reward & compensation schemes’ as more of a weakness than Finnish international firms
Attracting innovative, international companies to Finland needs to be a top priority for the next Finnish government. As a small but open economy, attracting and retaining foreign business, investment and talent is critical to Finland’s job creation and economic growth. Foreign-owned international companies investing in Finland provide a necessary influx of capital, talent, global networks and knowledge transfer, and encourage infrastructure development and innovation.

Foreign direct investment strongly correlates with an increase in per capita GDP. Although foreign enterprises represent only 1.2 percent of all firms in Finland, their share of the total turnover of all firms operating in Finland is 22.4 percent and 17.5 percent of all employment (Statistics Finland, 2017). That’s why we must make it a priority to foster the continuous development of an ecosystem in which international businesses can prosper.

The next government must take measures to ensure businesses can hire necessary people for their operations. One positive solution for ending the labor force shortage crisis is to scrap the needs assessment (tarveharkinta), which prohibits companies from hiring outside the EU/EEA.

Amcham Finland suggests introducing a three-year pilot of a points-based immigration system for highly skilled labor, which is based on the Canadian model.

In the initial stage, efforts should be focused on creating a ‘fast track’ process targeted towards immediate talent acquisition needs e.g. technical skills, internal transfers, scientists and researchers. The criteria could be adjusted on a yearly basis to cater to employment needs, emigration and situational circumstances. This would enhance Finland’s ability to adapt to a shifting global economy.

Global top talent elevates the ecosystem by driving innovation and growth.

As a result, the social and economic fabric of society is strengthened, making the operating environment more attractive for people and companies to thrive in.
COMMENTS FROM CEOS EMPHASIZE THE SIGNIFICANT CONTRIBUTION OF FOREIGN AFFILIATES IN FINLAND

ANTTI AUMO
EXECUTIVE DIRECTOR,
INVEST IN FINLAND
BUSINESS FINLAND

These results confirm our perception of Finland’s strengths, such as stability and functionality of the operating environment. We use these characteristics to attract foreign investment, and it’s excellent that foreign affiliates show their commitment by expanding and moving operations to Finland. However, the data also shows us that many previously discussed areas of improvement remain unsolved.

EGBERT SCHRAM
CEO
HOFSTEDE INSIGHTS | AMCHAM ADVISORY BOARD

Finland should have a more targeted approach, where you know who you want to attract, why you want to attract them and only then focus on how you are going to attract them. Organizations should to keep an open mind to business practices and communication styles which would be able to generate much more business faster. An unnecessary focus on Finnish language skills, fueled by a fear of losing the Finnish identity, prevents Finland from looking more pragmatically at the skills educated immigrants bring to the labour market. With Finland having such a small domestic economy, most growth can be found abroad- hence forcing foreigners to “act Finnish” doesn’t really help Finnish organizations to compete internationally as it forces an inward looking mentality, while the markets are outward.

SATU YRJÄNEN
CEO
KANTAR TNS
FINLAND

Export of services has almost quadrupled in the 21st century and almost 68% of the Finnish exports have consisted of export of services specifically. What is meant by export of services is intangible export of high skills and increment value. Finland has excellent research and analytics talents. International companies operating in Finland can thus – together with their customers – execute comprehensive and global service experience. This is the reason why Finland needs to have an attractive operating environment also in the future so that we can attract international talent also to the service sector.
It was very positive to see how companies see Finnish education, and the stable and secure economy. They think it is a well-governed system as a base for a great place to do business and have their operations in. We may forget that we actually already have a large pool of foreign company affiliates in Finland – so we have to give them credit for being part of our society and being part of the gang who have helped the Finnish economy grow. These companies bring a lot of work opportunities and taxes to the Finnish economy. Companies that invest here appreciate our highly-skilled and educated workforce, and especially our mindset which proactively wants to improve companies and their products and services.

However, companies also need to hire talent from overseas, mainly due to labor shortages. Our government needs to think about how our education system and the overall workforce system can support the greater movement and flexibility of labor, including open immigration. According to the survey, we compete mainly with Sweden, Germany and the Baltics as a location foreign affiliates consider. To win more business, we do need to consider the competitive advantages these countries have over us and how we structure our labor force and wage flexibility, and income taxation matters.

…the high level of education and resources, and securing sufficient R&D support from the government should be in the government’s focus. There should be a longer term agreement made, so that this policy does not change every 4th year. All these highly skilled employees need not be Finnish nationals and the government should take actions in order to make Finland attractive for foreign employees and companies.

Especially in the energy sector, it is crucial that we make sure our IT platforms and market models are harmonized in the Nordics, and also with Europe. Finland should therefore make the decision to implement the supplier centric market model in energy business, as all the Nordics are doing. If Finland is alone with different systems than other countries, this will be extremely costly and will isolate Finland more. There is no decision yet. There is only the report of a smart grid working group, and based on that report’s recommendations, there is a strong possibility that Finland will not be harmonizing with other Nordic countries. We should ally more with other Nordic countries and the Baltics, in order to create a lucrative geographical hub with a highly-skilled workforce and great standard of living.
For foreign companies, skilled workforce is the most important factor in Finland’s attractiveness. In Finland, the labor force, especially young professionals, are highly educated and have a broad technical background. In addition, they are international, professional and have a great attitude towards both work and community. Today, there is also a strong startup scene in Finland. This will help companies to network with different kind of stake holders, and it also tells about a new attitude towards work, entrepreneurship and the global market.

Finns are honest and trustworthy and this is reflected both in the work and business world. In Finland, things are taken care in a very straightforward way and people’s words can be trusted. On the other hand, there is still a lot of bureaucracy that can sometimes slow things down. One of the major challenges facing bureaucracy is the occupational immigration and its slow pace. This is a disadvantage, but fortunately the issue is also recently raised by political parties. The grayness of November describes Finns and working in Finland well. Finland does not represent extremity, instead it is about stableness i.e. “the good grayness”. This grayness is thus a strength and luckily the Finns have now raised it as an opportunity to embrace it as well.

ACKNOWLEDGEMENT

Amcham would like to thank all who contributed towards the production of this report.

First, we would like to thank all executives who shared their views and opinions on Finland as a business location. Your voice has been heard and we will keep taking your messages to key decision-makers. Commissioning this survey wouldn’t have been possible without the work and partnership of Business Finland, and the support of Ettia, EK, Kantar TNS, Mandatum Life and MPS. Thank you for advancing a vibrant international business community.

We would like to express our special gratitude to Dr. Iiris Saittakari for sharing her invaluable insights on the topic and giving this report her attention and time. It has been an absolute pleasure to learn from you and to work with you on this project. We also thank Petri Rouvinen, Senior Economist of Avance Attorneys, for tirelessly presenting the results of this survey at many forums and events.

Last but not least, our sincere thanks to the whole Amcham team, especially our creative wizard, Hanh Nguyen, Digital Services Specialist.

This report is a combined effort and we look forward to working with you on the next edition.
THANK YOU FOR VIEWING THE FINLAND AS A BUSINESS LOCATION REPORT!

IF YOU HAVE ANY QUESTIONS OR REMARKS, PLEASE CONTACT US AND MAKE YOUR VOICE HEARD!

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