

# THE CURRENT NORWEGIAN-FINNISH BUSINESS CLIMATE

Report

by

NOFI, Norsk-Finska Handelsföreningen r.f.  
Norjalais-Suomalainen Kauppayhdistys  
Norwegian-Finnish Trade Association



[www.nofi.fi](http://www.nofi.fi)

in cooperation with



Haaga-Helia University of Applied Sciences

## Executive summary

NOFI, The Norwegian Finnish Trade Association has conducted a business climate survey in cooperation with Haaga-Helia University of Applied Sciences. The survey studied business relations, communication, cooperation and trade impediments between Norway and Finland. It was carried out in spring 2015. Business professionals and experts responded and almost fifty-fifty were Norwegians and Finns.

This report is an analysis of the survey results and in addition the report is formed as a guideline for enterprises. It should serve as a tool for trade politics and initiatives supporting the favorable business development between Norway and Finland.

The results from the survey showed that Norwegians and Finns have many similarities when it comes to communication style in business. They are both direct, task focused and honest and reliable. Interesting differences were found in leadership styles; Norwegians as more democratic and people oriented, and Finns as more autocratic and bureaucratic.

A sense of commonality between the two countries has been recognized, but Norwegians feel they have even more in common with Sweden and Denmark. Finns ranked Norway in second place after Sweden as the nation closest to their own business style.

The most evident business barriers between the two countries are the lack of common Scandinavian language, limited networking, business culture and regulatory barriers appearing as national protectionism.

NOFI has made some recommendations based on the survey for increasing the trade and business activity between Norway and Finland. The following six main recommendations are considered in more detail at the end of the report.

1. Take a Nordic approach and use the unique Nordic strengths that the countries already have in common.
2. Take a straightforward business style, learn from each other, do matchmaking and create business initiatives.
3. Be prepared to invest for growth in the long term.
4. Encourage increased student and workforce exchange.
5. Support SME business establishment in Norway and Finland.
6. Remove business barriers such as the evident language barrier on the interpersonal and enterprise levels.

By intensifying Norwegian-Finnish cross-border investments and through active matchmaking we set the foundation for a strong and long-term business relation between the countries. The existing cultural similarities and differences are strengths, although business professionals should be aware of them when making business decisions. By combining Norwegian and Finnish expertise and skills e.g. ICT, education, cleantech, maritime, cold climate knowledge and the entire arctic cooperation, we create true mutual Norwegian-Finnish strengths towards the international markets.

## Table of contents

1	Introduction	4
1.1	Background to the Norwegian-Finnish Business Climate Survey	5
1.2	Perspective and facts in figures	5
1.2.1	International trade	6
1.2.2	Direct investments	6
2	Analysis of the survey	7
2.1	Background information	7
2.2	Profile of respondents	8
2.3	Intercultural business styles	10
2.3.1	Communication style	10
2.3.2	Leadership style	11
2.3.3	Discussion	12
2.4	Commonalities in business, culture and society	13
2.5	Trade barriers	15
2.5.1	Language barrier	15
2.5.2	Network barrier	16
2.5.3	Discussion	16
2.6	Overall view and summary	17
3	Recommendations and guidelines	18
3.1	Take a Nordic and international approach – let’s use our unique Nordic strength!	18
3.2	A straightforward business style - learn and do matchmaking	19
3.3	Be prepared to invest for growth	19
3.4	Encourage increased student and workforce exchange	19
3.5	Support SME business establishment in Norway and Finland	20
3.6	Remove business barriers	20
	References	21
	Appendices	22
	Appendix 1	22
	Appendix 2	25

## 1 Introduction

This public report is based on research conducted by a team in Haaga-Helia University of Applied Sciences (from now on referred to as Haaga-Helia). The client organisation and project owner is the Norwegian-Finnish Trade Association (from now on referred to as NOFI). This report studies the business relations, trade impediments, communication and cooperation between Finland and Norway.

This report should be interpreted as a guideline. It is aimed at individuals and organisations which already have business in Norway or Finland, and at companies intending to establish relationships with Norway or Finland. It may serve as a tool for trade politics and initiatives which support business. The report presents valuable information that helps companies define how to improve business relations and possibly establish new relations, and how to lower the barriers between businesses in Finland and Norway.

The survey results by Haaga-Helia is available on NOFI's website. NOFI is grateful to Haaga-Helia's administration and the research team members, Annu Hellström, Sami Kelhä, James Oakley, Saku Ruus, Agnieszka Soporek and Emilia Tuukkanen, who performed outstanding research work.

Helsinki, 12 October 2015,

The board of NOFI

## 1.1 Background to the Norwegian-Finnish Business Climate Survey

Growth in the mutual trade relationship between Norway and Finland over the past few decades has not been as large as one would expect, given the two countries' close geographical proximity, their similar societal structures and political systems and their fairly similar mentalities. Trade and political activity between Norway and Finland have, however, intensified over the last five years. Trade-relationship creation between two countries is a long process, and the governments of both countries have a decisive role. Finland's exports to and imports from Norway can easily be expanded. In particular, the countries' mutual direct investments have much unexploited potential which would also stimulate bilateral trade. Norway is a rich market in many sectors and Finland could gain from having more business with it – and Norway would gain by having more business with Finland. One example is the high level of engineering skills and cost competitiveness in Finland (see Appendix 1). Norway is a gateway to international markets in, for example the marine industry sector. There is a large unexploited potential that could create international market growth for both Norwegian and Finnish enterprises and joint initiatives.

A survey conducted in May 2011 by NOFI was used as a basis for this new survey. Its main focus was on the potential for trade, trade impediments and requirements for the development of trade. All respondents were members of NOFI, representing different business sectors and industries, with an equal balance of respondents from Norway and Finland. Finnish businesses found business networks to be a trade barrier, whereas Norwegian business considered language to be the main trade barrier. The survey indicated that the development of Norwegian-Finnish trade is very important, and that the trade activity could be multiplied and turned into a strength for both countries. Creating a Norwegian-Finnish business network is crucial in order to take advantage of the trade potential between the countries. Government support is an important factor in stimulating student exchange, workforce exchange and R&D initiatives, for example. Larger companies usually pave the way for the trade relationship but, in Norwegian and Finnish trade development, SMEs are very much on their own. In that respect we believe that this report provides valuable strategic information that will help enterprises strengthen the ties between Norway and Finland.

The survey in spring 2015 looked into the business cultures of both countries to see if communication inside organisations and the styles of business operation are similar. It focuses on trade and interpersonal barriers to define the possible restrictions on the trade process. Differences in ways of resolving conflicts and in verbal and non-verbal behavior are identified when investigating similarities and differences in communication styles.

The survey was conducted in English for practical reasons.

## 1.2 Perspective and facts in figures

The results of this survey should be interpreted together with official trade figures published by Statistics Finland and Finnish Customs. The figures for import and export between Finland and Norway are somewhat equal to the figures for Finland's trade with Italy, Belgium, Estonia and Denmark. Norway's and Finland's respective direct investment figures are still low and require the attention that this report gives them.

NOFI, Norsk-Finska Handelsföreningen r.f.  
The Current Norwegian-Finnish Business Climate

12 October 2015

Norway's direct investment is approximately 1 BEUR with high growth potential. Sweden's direct investment into Finland is 34 BEUR and Denmark's exceeds 4 BEUR. Norwegian and Finnish investment activity has, however, increased during recent years in both directions. Today, Finnish direct investments into Norway exceed 2 BEUR. A few good examples of Norwegian investments in Finland are: Norwegian sports retailer XXL, the Nordic Choice hotel chain, and Reitan Group's acquisition of the R-Kioski shops. Encouraging examples of Finnish investments into Norway are state-owned Gasum's acquisition of Skangass LNG distribution company, Cargotec's acquisition of Aker Pusnes (today MacGregor), and Wärtsilä's and Caverion's activity in Norway. There are many more, and SMEs clearly show increased trade and investment activity. These are trends that we need to support!

This report does not cover any specific companies or business sectors but presents the generic trade figures below. Finland's exports to Norway in 2014 amounted to 1.5 BEUR and imports from Norway to 1.6 BEUR, which is 2.8 % of Finland's total international trade. Mutual trade between Norway and Finland has remained more or less equal over the last ten years. The potential to increase mutual trade is high and there are evidently many ongoing activities that will stimulate such an increase.

### 1.2.1 International trade

Table 1: Trade between Finland and selected countries. [Source: Finnish Customs]

Import and Export 2014 [1000 €]				
COUNTRY	Import	share % of total import	Export	share % of total export
Germany	7 746 009	13,4	6 699 486	12,0
Denmark	1 891 393	3,3	998 100	1,8
United Kingdom	1 842 736	3,2	3 040 373	5,4
Netherlands	3 652 621	6,3	3 394 577	6,1
Norway	1 630 582	2,8	1 546 837	2,8
Russian Federation	8 663 485	15,0	4 631 532	8,3
Sweden	6 551 072	11,4	6 209 026	11,1
United States	2 191 162	3,8	3 813 586	6,8
Finland Total	57 608 117		55 828 590	

### 1.2.2 Direct investments

Foreign direct investments by country, 2004-2012, by direction of investment [MEUR]. The 2013 and 2014 figures were either inaccurate or unavailable. However these figures describe the level benchmarked against selected countries.

NOFI, Norsk-Finska Handelsföreningen r.f.  
The Current Norwegian-Finnish Business Climate

12 October 2015

Table 2: Finnish direct investments in selected countries and direct investments in Finland from selected countries. [Source: Finnish Customs]

Investments out from Finland [M€]	2007	2008	2009	2010	2011	2012
Germany	5,512	4,587	4,119	4,769	4,435	6,234
Denmark	600	592	648	853	1,048	1,002
Estonia	1,709	1,59	1,657	1,754	1,956	1,400
United Kingdom	1,102	1,133	1,054	1,062	1,431	2,259
Netherlands	16,579	16,533	14,49	15,695	16,708	24,525
Norway	929	880	828	1,076	2,215	2,023
Russian Federation	2,348	2,467	2,328	2,783	2,978	3,197
Sweden	16,527	14,083	21,778	25,435	25,939	29,375
United States	3,668	8,639	7,923	7,808	7,006	9,787

Investments into Finland [M€]	2007	2008	2009	2010	2011	2012
Germany	2,238	2,992	2,12	4,337	5,73	4,177
Denmark	4,490	4,669	4,852	4,132	3,910	4,337
Estonia	62	60	90	109	223	161
United Kingdom	4,241	1,387	1,311	1,054	643	1,194
Netherlands	8,762	7,633	9,455	11,342	12,783	15,736
Norway	689	336	714	517	362	1,063
Russian Federation	636	612	751	793	941	583
Sweden	31,128	34,038	30,768	32,848	33,663	34,226
United States	1,324	1,653	618	409	746	1,190

## 2 Analysis of the survey

### 2.1 Background information

In 2011 NOFI conducted a survey to investigate why trade is not more developed between the two countries. An overview of the business climate was gained and certain trade barriers were recognized. In 2015 NOFI wanted to conduct a new survey to get an updated overview of the business climate and look more deeply into the trade barriers that were found in the previous survey. A new feature of the 2015 survey was the investigation of similarities and differences in culture and communication between the two countries.

NOFI, Norsk-Finska Handelsföreningen r.f.  
The Current Norwegian-Finnish Business Climate

12 October 2015

The survey was written and carried out in spring 2015 in cooperation with Haaga-Helia University of Applied Sciences. The complete results of the survey can be found in Haaga-Helia's report "The Norwegian-Finnish Business Climate 2015" on NOFI's website (Hellström et.al 2015). In this analysis we will highlight and discuss the results that we found most important, considering the goals of the research:

- To recognize the current and overall view on business between Finland and Norway.
- To look more deeply into the trade barriers that were found in the previous survey.
- To find out more about the individual attitudes that the respondents have towards the country that they do not represent and to benchmark these findings.
- To identify interpersonal barriers.
- To discover similarities and differences in communication style.
- To find out if the respondents experience a sense of commonality between Finland and Norway.

## 2.2 Profile of respondents

NOFI sent the survey link out to their network of people that are professionally involved in business between Norway and Finland. The number of responses was 258, of which 135 were Finns and 118 were Norwegians. A small number of respondents came from other countries. There was a broad range of respondents representing various sectors. Sixty three percent of the respondents worked in an executive role or middle management in their organisation.

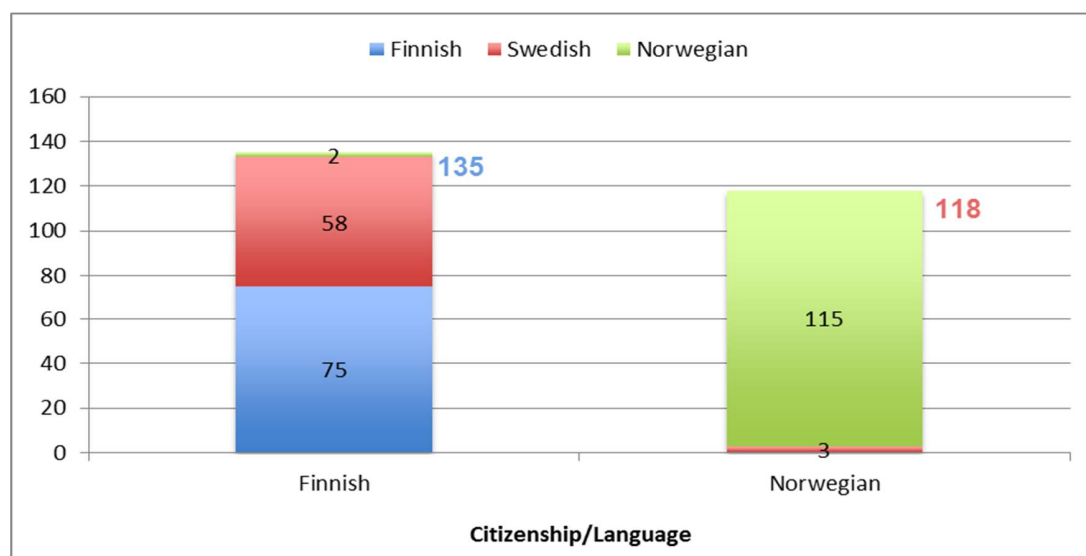


Chart 3: Respondents' citizenship and language.



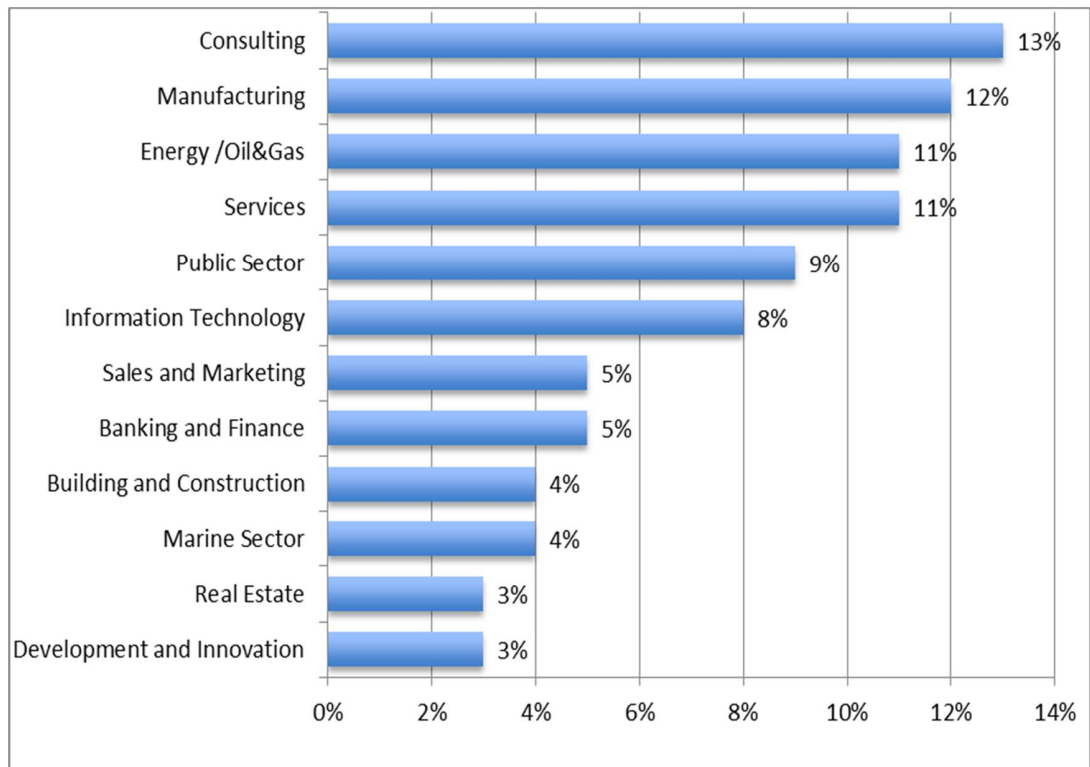


Chart 4: Respondents' business sectors.

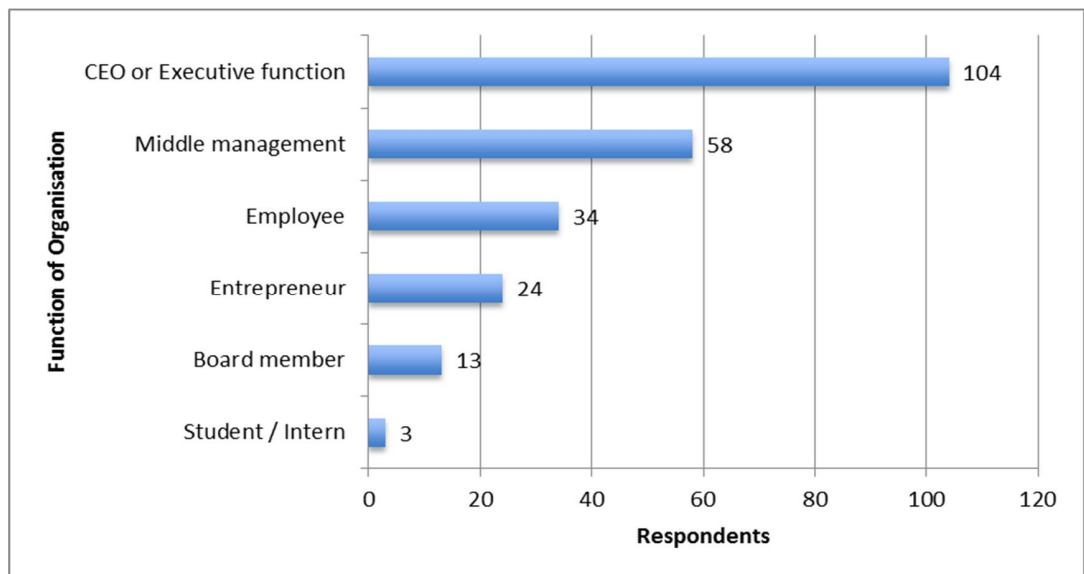
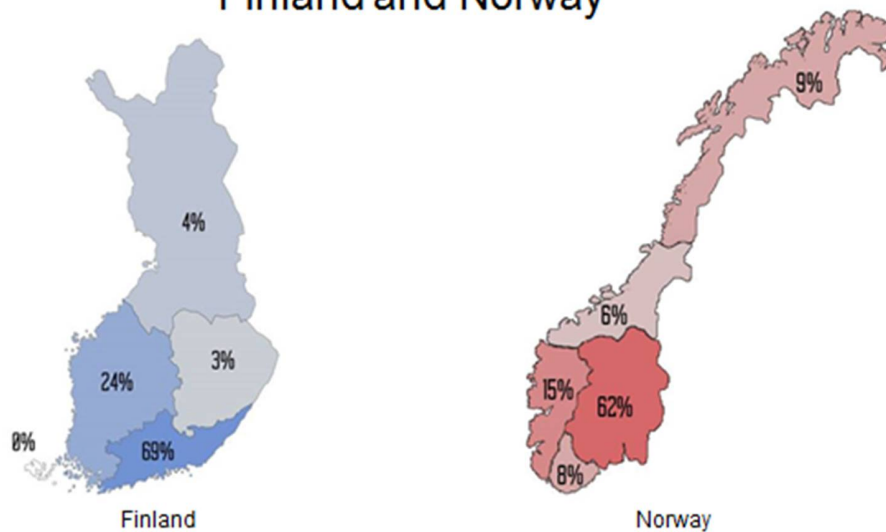


Chart 5: Respondents' roles.

## Regions of Respondents in Finland and Norway



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NOFI wanted to reach representatives of companies and institutions with business relations between Norway and Finland. Since trade between the two countries is limited, the target group is not large. However, it is a dedicated group of people who provide credible information through their expertise in trade. Compared to the survey NOFI conducted in 2011 the number of respondents has grown from 63 to 258. The numbers of Norwegian respondents (118) versus Finnish respondents (135) were roughly equal, and this was important for the quality of the analysis, especially for benchmarking between the answers from the Norwegian and Finnish view. The respondents came from different parts of Norway and Finland but with a large weighting on the capital areas. That is natural because it is mostly in these areas that the established business between Norway and Finland is located. NOFI did not want the survey to be business sector specific, and the fact that the respondents came from many different sectors meant that there were different views and starting points and made the survey even more credible.

### 2.3 Intercultural business styles

One of NOFI's goals for the survey was to discover similarities and differences in business communication. A list of attributes was listed and the respondents were asked to identify the attributes they felt described the communication and leadership style in the other country.

#### 2.3.1 Communication style

Norwegians and Finns both feel that the most significant business communication style for the opposite country is "direct". Other common styles are "task focused", "honesty in

focus” and “respect and ‘face’ in focus”. Norwegians and Finns both see each other as reliable and honest and also straight to the point when it comes to business.

The chart also shows differences. Norwegians feel that Finns are more hierarchical and conservative. On the other side, Finns feel that Norwegians are more relation-focused.

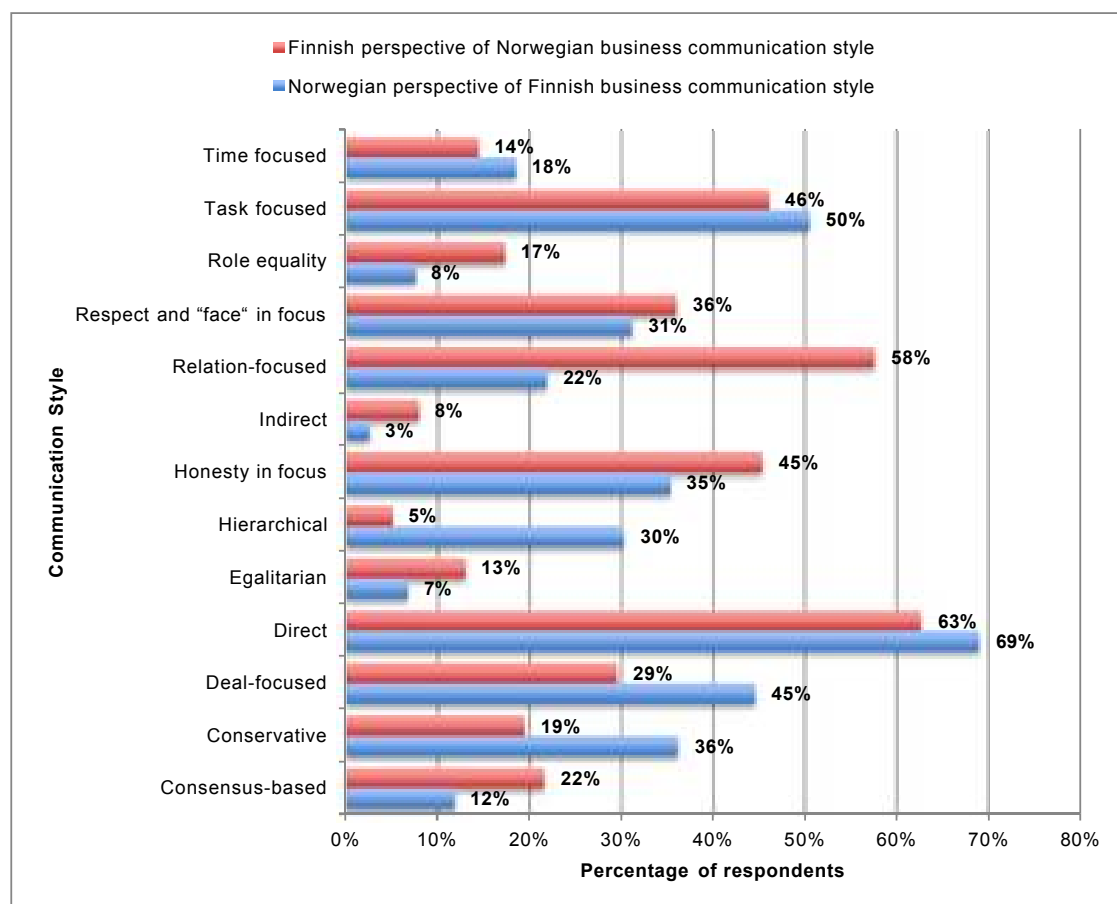


Chart 6: Norwegian and Finnish communication styles.

### 2.3.2 Leadership style

When it comes to leadership, “task oriented” is a style that both Finns and Norwegians found typical of the other country. Besides this, it is the differences between the Finnish and Norwegian leadership styles that are the most striking in this chart. Norwegians score far more highly on the democratic and people-oriented styles, while the Finnish leadership style is clearly more autocratic and bureaucratic.

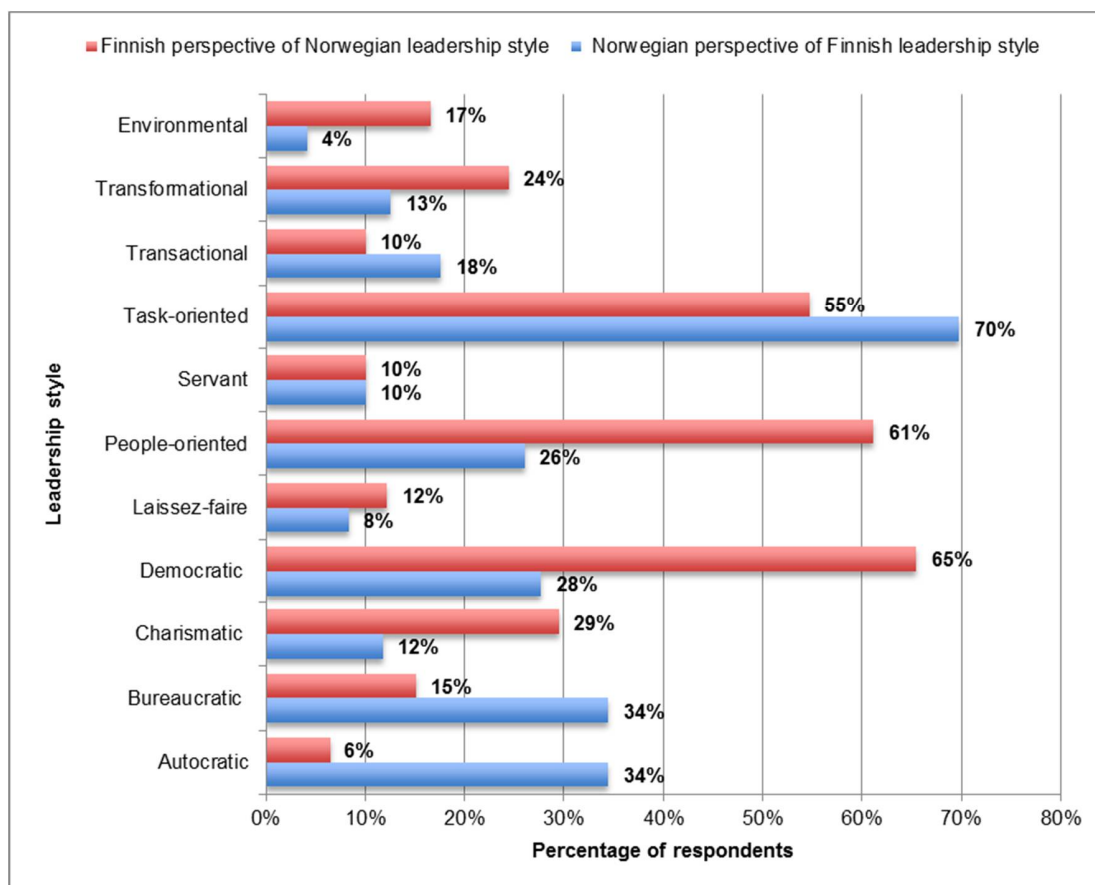


Chart 7: Norwegian and Finnish leadership styles.

### 2.3.3 Discussion

It is interesting to compare the results of the survey with the research of Erin Meyer, professor in the field of Cross-Cultural Management at INSEAD in France. In Meyer's cultural map (see Appendix 2) it is possible to compare the business styles of over 50 countries all over the world. The map shows that Norway and Finland are very close to each other compared to other countries in Europe. If we add Sweden and Denmark to Meyer's map we see that these four countries are quite similar compared to other European countries like Germany or Russia. People in the Nordic countries are more direct in giving negative feedback, for instance. Perhaps reliability, task orientation and a direct communication style are things that are significant for Nordic business culture, but also for Nordic society in general.

Another interesting observation is that Finland is actually more egalitarian than hierarchical in Meyer's map, even if, compared with the other Nordic countries, Finland lies at more of a mid-point between the two extremes. The reason for the clear difference in the survey result is probably the different contexts. When we ask a Finn about the Norwegian business style, and the other way round, the respondents are probably not

NOFI, Norsk-Finska Handelsföreningen r.f.  
The Current Norwegian-Finnish Business Climate

12 October 2015

evaluating the question in a global context, but rather as a comparison between Norway and Finland. However, that does not make it less interesting. It is important to know that even if there are many similarities between the Norwegian and Finnish business styles, there are also differences which are helpful to acknowledge and important to be aware of when you are doing business between Norway and Finland.

Gillian Warner-Søderholm, Professor at BI in Oslo, has researched similarities and differences between the Nordic countries. Her article “But we’re not all Vikings! - Intercultural Identity within a Nordic Context” (Warner-Søderholm 2012) concentrates on the similarities and differences in business culture between Norway, Finland, Sweden and Denmark. The results from NOFI’s survey are comparable to the findings in Warner-Søderholm’s article in particular parts. While Norwegians are more egalitarian in relation to gender, for instance, and are used to a low power distance, Finns are more hierarchical, conservative and have a higher power distance. But again, both Warner-Søderholm’s article and NOFI’s survey results show that Norwegians and Finns are both direct and pragmatic.

## 2.4 Commonalities in business, culture and society

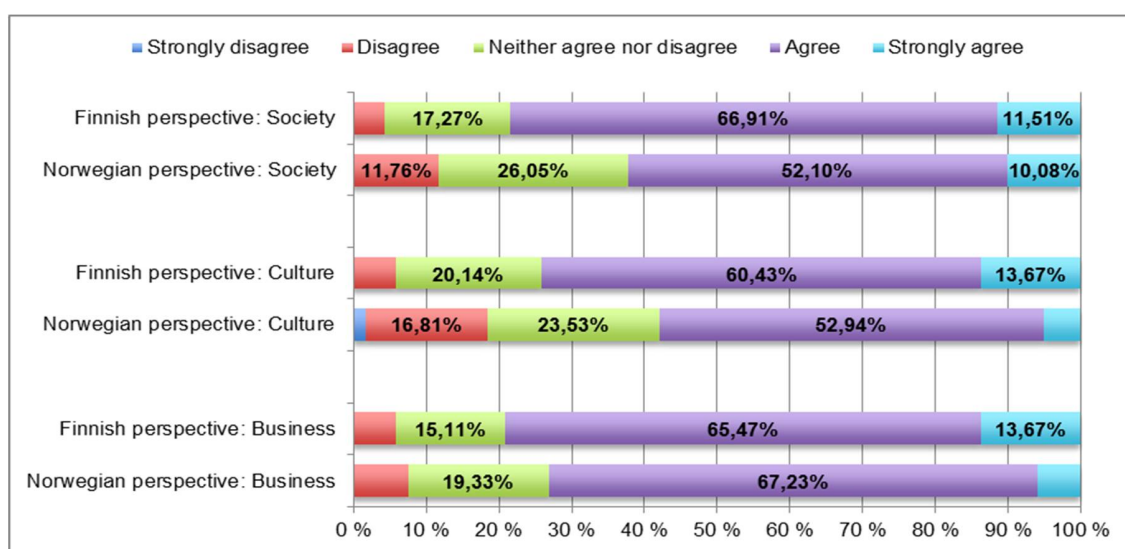


Chart 8: Views on similarities in society, culture and business.

The figure above gives a picture of how much Finns and Norwegians feel they have in common in business, culture and society. Both countries agree clearly when it comes to business. The similarities found in the previous questions about communication style and leadership style are in line with the results from this question. Finns and Norwegians feel that they have a lot in common in business culture.

The result also tells us that Finns agree more than Norwegians that they have a lot in common in the areas of society and culture. This is an interesting result. It looks like Finns feel closer to Norway and Nordic society and culture, while Norwegians do not see Finland in the same way.

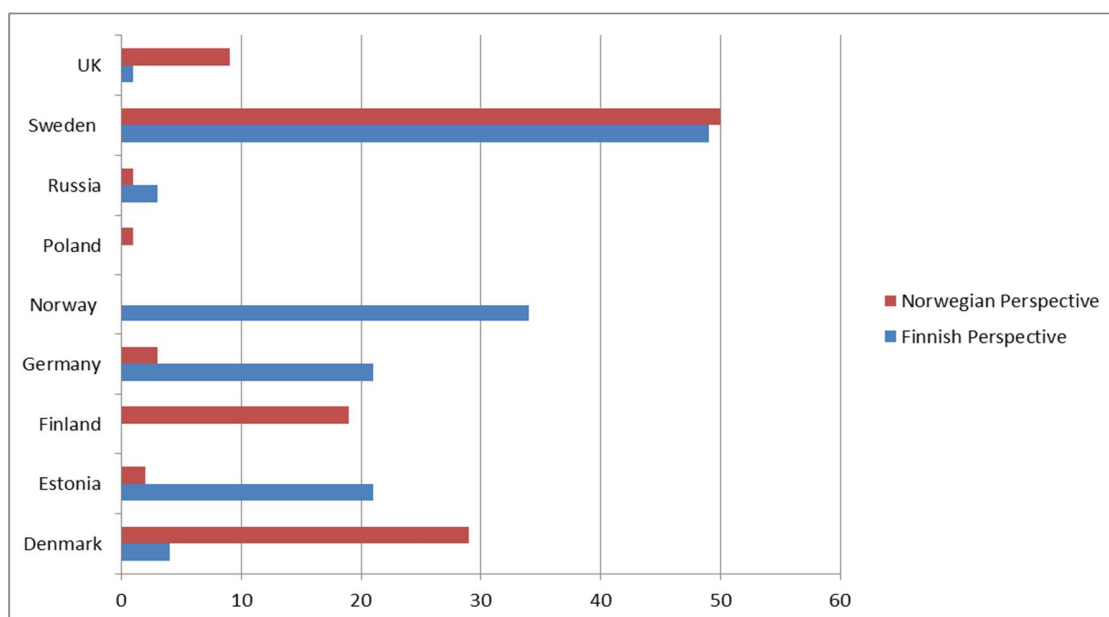


Chart 9: Views on the closest country regarding business culture.

In another question the respondents had to rate the countries from the list that they feel are closest to their own business culture. Both Norwegians and Finns place Sweden as the closest nation. Norway ranks Denmark in second place, ahead of Finland, while Finns put Norway in second place. The result of this question shows us again that both Finns and Norwegians feel close when it comes to business culture, but Finland does so to a higher degree.

One of our goals for the survey was to find out if the respondents feel a sense of commonality between Norway and Finland. The answer must be that they feel they have a lot in common when it comes to business, culture and society, Finns to a slightly higher degree. Norwegians feel they have even more in common with the other Scandinavian countries. If Finland wants to improve trade with Norway, it is important for Finland to work on its image as a Nordic country. A notable comment in the open comment field in the survey said: “Those Finnish companies that obtain the Scandinavian code and make brave business efforts will be successful in Norway”. The Nordic countries share a common history, they are geographically close to each other, and they share many of the same cultural and political values. It is easier to enter a market that is similar to the one that you are used to. This is a great advantage which both Norway and Finland should exploit. Another great advantage in the Nordic countries is the languages. Swedish, Norwegian and Danish belong to the North Germanic language group, and the languages are close to each other. With a little effort in choosing common words and expressions it is very easy to communicate with each other in “Scandinavian”. Swedish has been an important second language in Finland and is another common link to the other Nordic countries.

## 2.5 Trade barriers

One of the key findings in NOFI's survey from 2011 showed that the biggest trade barriers between Norway and Finland were language and lack of networking. We were interested to know if there have been any changes since 2011. The scale in the figure below is from 1 to 4, with 1 meaning that the barriers are not faced at all and 4 meaning that the barriers are faced to a great extent.

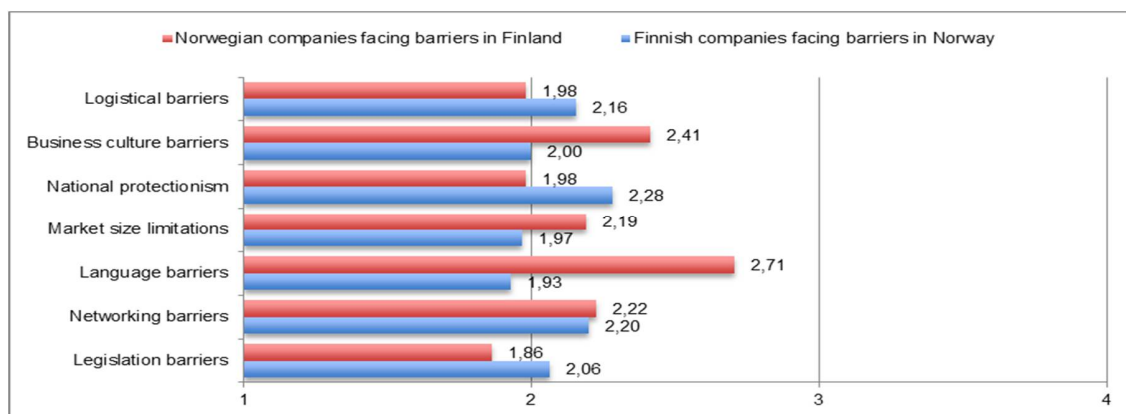


Chart 10: Trade barriers as seen by Norwegians and Finns.

The first observation is that, on average, the numbers are quite low. Neither Norwegians nor Finns face barriers to a high degree. However, we see the same tendency as in the 2011 survey when we look at language and networking barriers which also score higher in the 2015 survey result. Compared to the results from 2011, business culture as a trade barrier is significant. It confirms what we concluded earlier: Norwegians do not feel to the same extent as Finns that the two countries have a common business culture. Finns experience more national protectionism than Norwegians, and this trade barrier has also increased since 2011. Comments from the open comment fields tell us that there is a lot of patriotism in Norway and it is difficult to enter the market without a local office or a representative in Norway to give enough credibility.

### 2.5.1 Language barrier

It is especially Norwegians who experience language barriers when entering the Finnish market or doing business with Finland, while the Finnish respondents do not experience language as a barrier to the same extent. The reason could be that over 40 % of the Finnish respondents speak Swedish as their mother tongue: see chart 3 in section 2.2 above. When we look at the results from Finnish respondents with Finnish as their mother tongue, we see that they experience the language barrier even more than Norwegians.

Another question in the survey regards which language the respondent uses in business contracts, at business dinners, in e-mail correspondence and in business meetings. The respondents with Swedish as their mother tongue clearly use Scandinavian the most, while those who are native speakers of Finnish or Norwegian use English more. It is therefore understandable that Finns who speak Swedish as their mother tongue do not

experience language as a barrier. It is easy for them to communicate with Norwegians even though they are speaking, not necessarily Norwegian, but Swedish or a mix of Swedish and Norwegian.

### 2.5.2 Network barrier

Several respondents indicate that lack of knowledge about the other country is a problem. Over 50 % of those with a Norwegian perspective and over 60 % of those with a Finnish perspective feel that their professional network in the other country is still somewhat weak and they want to strengthen it. Almost 80 % believes that networking events lead to actual business.

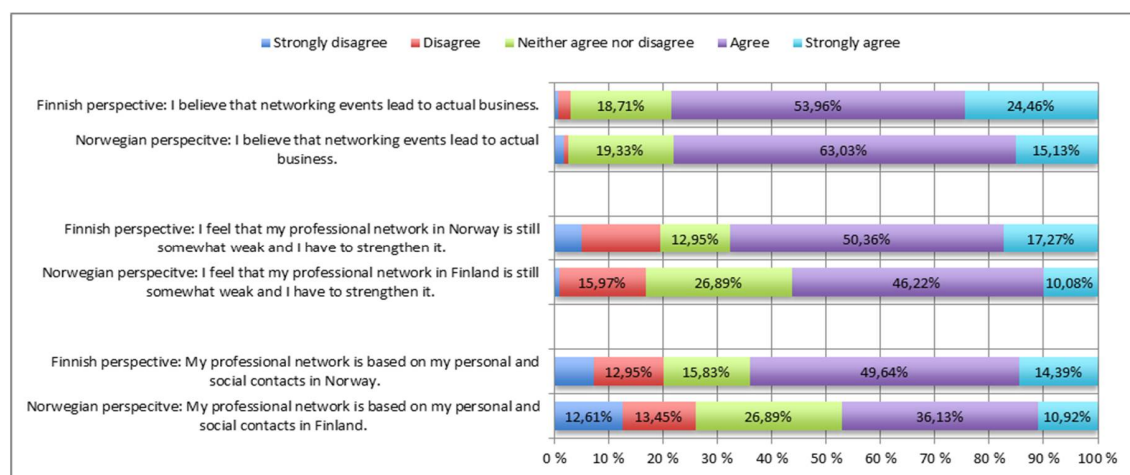


Chart 11: Business network as seen by Norwegians and Finns.

There is a strong indication that there is a need to build stronger relationships between the countries. One way is to educate and learn more about the other country. It is also important to organise information meetings where communication, business culture and other key aspects of how to succeed in doing business with the other country are the focus. To organise events where people can get professional insight and meet in an informal setting is also an important way to promote social relations. Organisations with a wide network, and where the main focus is business and promoting investments, should collaborate and set the foundation for companies to succeed with new business ventures.

### 2.5.3 Discussion

Networking between the two countries is important not only for business but also in other arenas like media, politics, education, and so on. The respondents have clearly expressed that lack of knowledge about the other country is a factor. We have listed some interesting comments:

*“Knowledge of both countries” is a barrier.*

NOFI, Norsk-Finska Handelsföreningen r.f.  
The Current Norwegian-Finnish Business Climate

12 October 2015



*“Many times Norwegians do not have much knowledge of Finland. Evidently the Norwegians face a language barrier with Finns and speaking English does not always open the social contact.”*

*“Very little knowledge and low level of interaction.”*

*“Lack of knowledge about Finland, false picture of Finland and Finns, based on reports in media about true Finns and others who destroy our reputation.”*

*“Finland is not on the radar at all in Norway and vv [vice versa].”*

## 2.6 Overall view and summary

In the open comment fields the respondents shared their thoughts about the business climate between Norway and Finland today. The comments have confirmed much of what had previously been discovered, for example when it comes to trade barriers. One opinion that was shared by many different respondents was the fact that entering the market in Finland or Norway takes time. Advice from the respondents was to be patient and have long-term plans. It takes as long as 3-4 years to enter the market. Therefore any company or organisation needs to do proper homework and select the best growth strategy.

### Key findings:

- Both Finns and Norwegians see each other as direct, task oriented and reliable. This is a business advantage in a global context.
- However, there are differences between Norwegians and Finns that it is useful to be aware of: Norwegians feel that Finns are more hierarchical, conservative and autocratic, while Finns feel that Norwegians are more relation-focused, democratic and people-oriented.
- Finns and Norwegians agree that they have a lot in common when it comes to business, society and culture. A sense of commonality between the two countries has been recognized, to a larger extent by Finns. This is an excellent starting point when you want to start business. It is much easier to enter a market that is similar to your own.
- Finns and Norwegians do not face trade barriers to a large extent.
- Non-Swedish-speaking respondents consider the lack of a common language a major obstacle in business communication.
- Finns with Swedish as their mother tongue faced fewer language barriers. They communicate with Norwegians mostly in a Scandinavian language in various business situations such as meetings, email correspondence and contracts, mostly without problems. Non-Swedish-speakers typically use English.

- A network barrier and lack of knowledge about the other country are other barriers that scored a little higher. It is important to develop the network by working on all levels like business, education, the media and politics.
- To enter the Finnish or Norwegian markets takes time. Patience is a virtue for doing long-term business!

### 3 Recommendations and guidelines

We can divide the trade relationship between Norway and Finland into three levels: (1) the interpersonal level, (2) the corporate level and (3) the governmental level. Described below are the most important generic considerations that are drivers for increasing the trade and business activity between Norway and Finland. The statements by NOFI below may directly or indirectly relate to the above-mentioned relationship levels.

Paavo Lipponen, former Prime Minister of Finland, highlighted in his recent report published by the Confederation of Finnish Industries, *A Strategic Vision for the North*, the importance of closer connections between Finns, Norwegians and Swedes (Lipponen 2015). From the Finnish side, deterioration of these connections should be avoided, especially regarding the strategic cooperation in the northern regions between Norway, Sweden and Finland. It is important to notice that the conclusion of this NOFI report is in harmony and in line with the recommendations in *A Strategic Vision for the North* and also the report *Growth from the North* of Anne Husebekk, Magdalena Andersson and Risto E.J. Penttilä (2015). These reports broadly cover the strategic future development of the northern region.

NOFI presents six recommendations for trade development between the two countries:

#### 3.1 Take a Nordic and international approach – let's use our unique Nordic strength!

Thomas Høgebøl, leader of North Alliance and Petter Stordalen, the founder and owner of the Nordic Choice hotel chain, express their inspiring vision of closer Nordic fellowship in the article "Norsk må bli nordisk" (Høgebøl & Stordalen 2015). NOFI agrees with many of their points. All the Nordic countries have stable societies with good values and functioning welfare systems that are respected worldwide. We have a common Nordic market of 26 million inhabitants and Høgebøl and Stordalen point out that our cumulated GNP corresponds to Canada's. Nordic countries have some of the best education systems and the engineering skills are state-of-the-art. Norwegians, Finns, Swedes and Danes share basically the same values, they are innovative and they work well together. Nordic common denominators create a unique worldwide market advantage – and only a fraction of it is utilized. We should think more in these terms when matching Norwegian and Finnish business interests. By intensifying Norwegian-Finnish cross-border investments and by performing active matchmaking we can set the foundation for a stronger and long term business relations between the countries. The respondents feel that Sweden is clearly the most similar to both Norway and Finland when it comes to business culture. However Norway and Finland are also very close, as the research indicates. The existing cultural differences can be seen as strengths, although

NOFI, Norsk-Finska Handelsföreningen r.f.  
The Current Norwegian-Finnish Business Climate

12 October 2015

it is useful to be aware of them on the corporate and interpersonal levels. Naturally there are barriers to business that need a workaround.

### 3.2 A straightforward business style - learn and do matchmaking

The Finnish and Norwegian market needs are dissimilar but by doing proper matchmaking we can find synergies. Norwegian and Finnish know-how could be much better utilized in international markets. Examples include: ICT-technology, new technology and methods of lowering production costs, access to existing markets, etc. It is worth mentioning that sectors like energy and cleantech have joint potential for Norwegian and Finnish enterprises. NOFI also recommends that companies seek joint R&D initiatives, since through those we may create new businesses.

The practice as well as the survey result indicates that, culturally, Norwegians and Finns are direct and task oriented. This is definitely a benefit. However, we recommend that enterprises do proper homework in advance, with the right strategy, whether their business is direct sales, distribution or service business. Experience among business professionals in our trade network shows that doing things correctly from the beginning is essential and most corporations admit that “things take time” in both Norway and Finland, as anywhere. The survey result also indicates how important a local presence is. The fact is that establishment of any business may take 3-5 years. In several cases there is a need to look into acquisition possibilities.

### 3.3 Be prepared to invest for growth

Naturally, each enterprise has various reasons to approach a market. Concerning market surveys, marketing efforts and local presence, small companies have to join forces and minimize their investments costs. This is especially important for Finnish companies which traditionally are too proud to cooperate with each other. The biggest barrier could be the lack of trust to bring on other companies and together reach a higher goal. There are business cases where a local presence is essential, since traditional export is sometimes very challenging. The main message is that an enterprise should use “out of the box” thinking and seek the best growth path. This could mean partnering with a Norwegian or Finnish enterprise, or it may involve an acquisition. This investment topic may be strongly linked to the considerations in sections 3.1 and 3.2.

### 3.4 Encourage increased student and workforce exchange

We must definitely speed up the education and workforce exchange between Norway and Finland. Building stronger ties between Norwegian and Finnish institutions is strongly recommended. By intensive student exchange we create interpersonal ties and lower any trade barriers. Student exchange is currently far too modest. In 2011 there were only 52 Norwegian students in Finland and 119 Finnish students in Norway. These figures can easily be multiplied, but this requires political support and the encouragement of educational institutions. There are some inspiring initiatives. Examples include Aalto University, Arcada University of Applied Sciences and Haaga-Helia University of Applied Sciences, all of which are making an encouraging effort to run international and Nordic-focused education programmes.

NOFI, Norsk-Finska Handelsföreningen r.f.  
The Current Norwegian-Finnish Business Climate

12 October 2015

The other issue is workforce exchange. It is more likely that a Finnish citizen will look for job opportunities in Norway than vice versa. The choice to move abroad is naturally an individual one, but we recommend that enterprises also stimulate such job rotation internally, since that may lead to benefit the entire business operation. This topic is very important and should also be supported by our governments.

### 3.5 Support SME business establishment in Norway and Finland

SMEs with scarce resources in terms of personnel and capital need support. First, utilization and development of the existing trade support networks is important. Second, business professionals should learn from each other (e.g. NOFI in Norway and Finland, Finpro, Innovation Norway, trade promoting programmes, fairs, private consulting companies with market know-how and personal business contacts, etc.). The government's support and presence is also important, since the SMEs are very much on their own and need support (systems for financing business operations of R&D, legislative issues etc.).

The strength of business networks is a crucial promoter of matchmaking and trade development, as respondents indicate. The results of this survey also indicate that Finnish and Norwegian business professionals consider weak business networks to be a trade barrier when operating in Norway or Finland. A straightforward business approach together with strong market knowledge and business culture awareness are the key to success when entering the new market. The selection of establishment strategy is a subject that requires both experience and expertise.

### 3.6 Remove business barriers

When removing the barriers, such as the language barrier, at the interpersonal and enterprise levels, a fast track for trade growth between Norway and Finland can be created.

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NOFI, Norsk-Finska Handelsföreningen r.f.  
 The Current Norwegian-Finnish Business Climate

12 October 2015

## Appendices

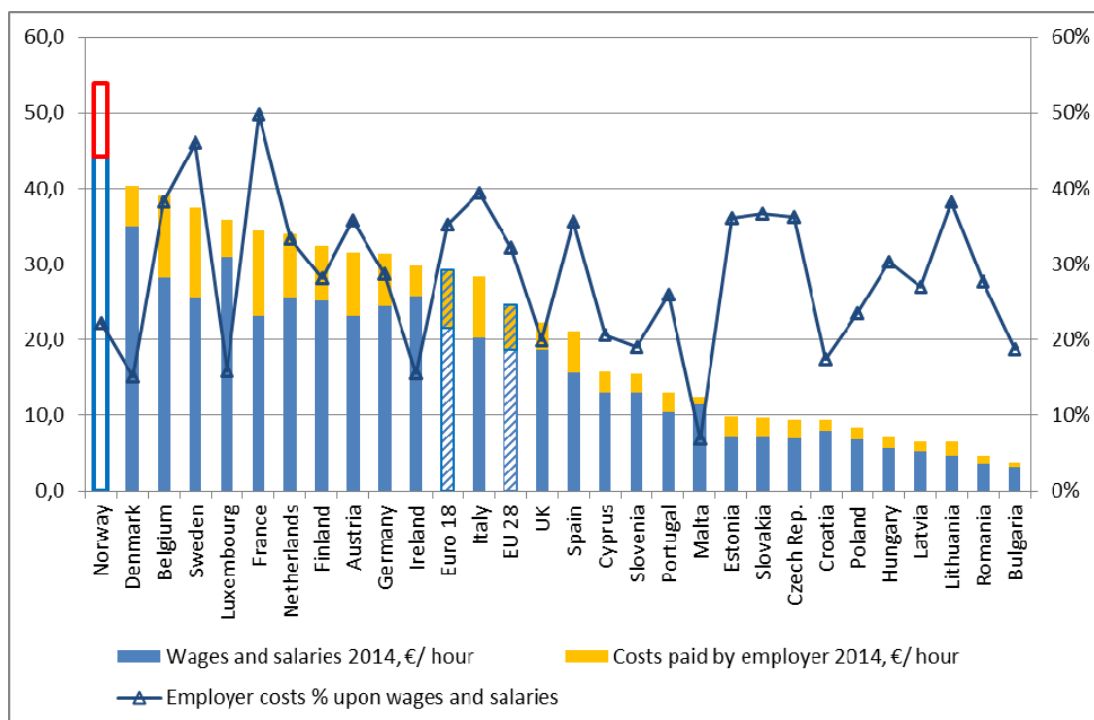
### Appendix 1

#### LABOUR COSTS AND CURRENCY DEVELOPMENT IN SELECTED EU COUNTRIES, FINLAND AND NORWAY (EUROSTAT in 2014)

In the year 2014, the average hourly labour costs in the whole EU economy (EU28\*) were € 24.6 (excluding agriculture and public administration) and correspondingly € 29.2 in the euro area (Euro18\*\*).

#### Significant differences in hourly labour costs and employers' compulsory costs

However, this average reveal significant differences between the EU Member States, with the lowest hourly labor costs recorded in Bulgaria (€ 3.8), Romania (€ 4.6), Lithuania (€ 6.5) and Latvia (€ 6.6), and the highest in Denmark (€ 40.3), Belgium (€ 39.0), Sweden (€ 37.4), Luxembourg (€ 35.9) and France (€ 34.6). The average cost level was correspondingly in 2014 in Norway (€ 54.0), Finland (€ 32.3) and Germany (€ 31.4). However the Norwegian Krone (NOK) has been devaluated since then, i.e. Norway's cost-competitiveness has improved. Labour costs consist of wages, salaries and non-wage costs such as employers' compulsory insurance costs and social contributions. The average share of non-wage costs in the whole economy (EU28) was 32 % and 35 % in the euro area (Euro18). Among the states the percentage varied between 7 % in Malta and 50 % in France. In 2014 in Sweden the percentage was 46 %, whereas a slight decrease from the previous year was recorded. The share of non-wage costs in Norway was correspondingly only 22 % and in Denmark as low as 15 %.



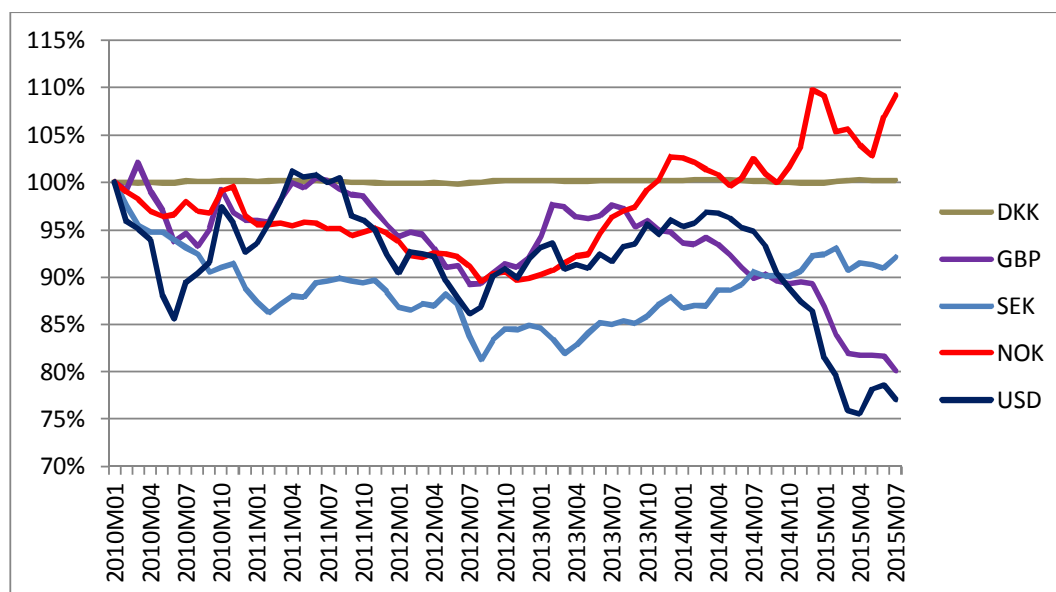
Graph 1: Wages, salaries and employer costs in selected European countries, EU28\* average, Euro18\*\* average and Norway. These comparisons do not take into account productivity differences. Source: Eurostat online data code [lc\_lci\_lev] reported and last update March 26th, 2015. Costs presented refer to value of the currency in in the comparison period (© AAA).

## Currency devaluation brings an international competitive advantage

Out of the Nordic Countries only Finland is member of Euro18\*\* using Euro as national currency. All other Nordic Countries use their own currency, Krone/Krona each.

Currency devaluation has improved international competitiveness lately in both Norway and Sweden. During a selected period of observation, last three years, since July 2012 the Norwegian Krone NOK is devaluated against Euro totally 22 %, being 7.32 NOK/ EUR and now 8.94 correspondingly.

The Swedish Krona is also devaluated correspondingly 13 %, being 8.28 SEK/ EUR and now 9.39 SEK/EUR. During the same period Euro has devaluated against US dollar about 14 %. The Danish currency has been stable against Euro during the same selected period of observation.



Graph 2: Selected Euro indexed exchange rates as monthly average since Jan 2010. January 2010 = 100 %.

Note: Norwegian Krone (NOK) has devaluated 22 % since July 2012. Source: Eurostat (© AAA).

\* EU28 equals to 28 European Union member states

\*\* Euro18 equals to first 18 states of the Euro monetary union

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Reference: <http://ec.europa.eu/eurostat/web/main/home> a European Commission publication

NOFI, Norsk-Finska Handelsföreningen r.f.  
The Current Norwegian-Finnish Business Climate

12 October 2015



## Appendix 2

THE CULTURE MAP BY ERIN MEYER  
 Available at <https://simulations.insead.edu/culture-map>

