

BUSINESS
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IMPACT STUDY OF ECONOMIC GROWTH

Global Networks and
Fast Growth Companies

Final Report

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BUSINESS FINLAND

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FOREWORD

Wellbeing in Finland is mainly based on the wealth and jobs created by the success of Finnish companies on the global market. After the COVID-19 pandemic, Finland needs positive economic growth gravities of which Finnish companies specialise in the newest working methods and business models, creation of radical innovations, and absorbing abilities for global technologies that have the most value-added effects in the global value chains.

Business Finland aims to activate customers to build strong internationalisation-related capabilities and investments. Business Finland supports these goals through innovation funding, advice services, and by creating valuable networks both in Finland and internationally. In addition, new companies in Finland are crucial for improving the critical mass in the Finnish business life. In the end, Finnish companies renew their businesses and seek growth especially with high value products and services.

Moreover, successful access to global markets needs support from Business Finland. Business Finland awakes awareness on global business possibilities, supports competence building and speeds up the entry to new

markets by creating direct contacts to potential customers and partners. Therefore, the main goal of Business Finland is to increase the number of those companies that grow their capabilities, enter international markets, and scale up their business.

The impacts and achievements of Business Finland's services are regularly monitored through impact analyses. Business Finland has asked the economist team from Implement Economics to undertake an impact study of the economic impacts of Business Finland's export promotion services to distant markets and the interconnections between export promotion and funding services.

The scope of the study is to (i) analyse the mandates and justifications of Business Finland's export promotion to distant markets, (ii) identify the critical obstacles and barriers for Finnish companies to pursuit in export promotion services to distant markets, (iii) assess how well and with which services Business Finland has succeed to improve the economic growth of Finnish companies, (iv) assess what socioeconomic impacts have been achieved, and finally (v) give future guidelines on how Business Finland can improve its global growth activities.

The impact assessment was undertaken during a period, where a new operating model and Customer Management Relations (CRM) system have been implemented in Business Finland that aim to offer more coordinated, coherent, and targeted services to Finnish companies. Some of issues identified in the study may therefore have been accommodated by these changes.

Implement Economics has based the analysis on Business Finland's CRM system and services data combined with export data at the firm level from Statistics Finland. Implement Economics also conducted an extensive survey of Business Finland's customers from 2016–2019 and carried out 20 interviews to get a deep understanding of customer's needs.

Business Finland wishes to thank the writers from Implement Economics for their broad and systematic approach. Business Finland also expresses its gratitude to the steering group and all others that have contributed to the study.

Helsinki, February 2022

Business Finland

EXECUTIVE SUMMARY – ENGLISH

SIGNIFICANT EXPORT BARRIERS TO DISTANT MARKETS

During the past decades, the world has seen major reductions in tariffs and other policy-induced trade barriers, but there are still substantial trade frictions related to informational problems. The free market fails to solve these informational problems, and the full potential of Finnish exports is therefore not reached without public interventions (market failure). The mandate for Business Finland is to overcome these market failures by offering funding, advice, market insight, and networks for Finnish companies that want to start exporting, enter new markets, or strengthen their market positions and develop their products through innovation activities.

To engage in international trade, a company must spend significant amounts of resources to acquire information about the foreign market, such as market opportunities, suppliers, and local regulation. The costs of acquiring the necessary information are likely to be higher for more distant markets, where for example ge-

ographical, cultural, and regulatory differences makes it riskier and more difficult to enter. Public investments in acquiring and sharing market information can therefore help overcome barriers to exporting, particularly for small and medium-sized enterprises (SMEs) that have limited resources available to undertake this investment themselves.

The study confirms the expectation that the market failures are more serious for smaller companies relative to larger companies and for exports to more distant markets (Central & Eastern Europe, Asia, Latin America, Middle East, and Africa) relative to near markets. The conclusions drawn in this impact assessment are based on Business Finland's CRM and innovation finding data from 2016-2019, data from Statistics Finland at the national level and firm level, data from Eurostat, survey data and interviews with Business Finland's customers across different industries.

The survey results show that the main barriers to engaging in exports to distant markets are difficulties identifying potential partners, identifying the right clients, and meeting clients' needs. 79 percent of Business Fin-

land's customers who export to distant markets respond that finding the right partners (for example suppliers, distributors, advisors, or consortium partners) is a critical obstacle to their internationalisation. 71 percent of Business Finland's customers respond that finding clients and meeting clients' needs is a critical barrier when exporting to distant markets. The perceived obstacles vary somewhat by company size. In general, smaller companies perceive capital constraints and funding to be more critical barriers than larger companies. Large firms to a greater extent express that local regulation and business practices are obstacles for doing business in distant markets, while this barrier is less common for smaller companies.

Business Finland has helped Finnish companies establish operations in new markets and build relationships by networking, getting in touch with relevant people, and opening doors to public authorities. On these measures, Business Finland has fulfilled its mandate to help Finnish companies overcome the market failures associated with internationalisation. During 2016-2019, Business Finland has provided around 22,000 services to over 6,000 Finnish companies. 54 percent of the export promotion services has been to distant markets and 87 percent of the customers have been micro companies (<10 employees) or SME (10-49 employees). Business Finland's activities has therefore been targeted areas, where the risk of market failure is expected to be the

highest. As export orders in SMEs are likely to be smaller than in larger firms, the contribution to overall Finnish exports may be small. Business Finland therefore needs to balance the costs required to help Finnish SMEs enter new markets and boost existing exports against the potential gains.

EXPORT PROMOTION ADDS TO FINNISH GDP

Exports contribute to economic growth, higher living standards, productivity, employment, balance payments, tax revenues. Finnish exports have risen steadily over the past decade, and exports accounted for 40 percent of Finnish GDP in 2019 (slightly lower than the EU average of 44 percent). Finnish exports to near markets account for a larger share (66 percent) than exports to distant markets (34 percent), and exports to near markets also have grown slightly faster than exports to distant markets. Finland's share of exports to distant markets of 34 percent is 6 percentage points higher than the EU average of 28 percent. This is observed both for exports of goods and services.

Business Finland's customers find that the most effective services to boost exports to distant markets are matchmaking and networking with potential clients. 55 percent of the respondents express that this service has had a large or some positive impact on their company's exports to distant markets. Also, the services offering mar-

ket specific information and matchmaking with potential partners are found key to their internationalisation. Nearly half of the respondents express that this service had a positive impact on their exports to distant markets.

Almost 60 percent of Business Finland's customers find that the export promotion services during 2016-2019 have had a large or some impact of their exports to distant markets. Business Finland's customers assess that 10 percent of their exports to distant markets was due to their collaboration with Business Finland, which translates into yearly contribution to Finnish exports of roughly €800 mn.

The increased exports from the export promotion services have a positive impact beyond the increased sales in the individual companies. Increased exports support economic activity throughout the Finnish economy that generates employment, accelerates economic growth, and improves the trade balance. The exports sustained by Business Finland contribute €820 mn to GDP and support around 8,800 full time jobs yearly.

EXPORT PROMOTION HAS LONG TERM IMPACTS FOR THE FINNISH ECONOMY

In addition to supporting economic activity, engaging in exports to distant markets helps build skills internally in Finnish companies, adds knowledge about foreign markets, and develops the brand of Finnish companies

abroad. Internationalisation activities and increased exposure to foreign markets increase the transfer of knowledge and ideas across countries, and consequently increases the likelihood of using foreign technologies and collaborating with foreign companies on R&D. In this way, exports support the transformation of the Finnish economy towards more productive companies with a future growth potential. This accumulation of know-how has long-term impacts for economic sustainability and productivity of Finnish companies.

Business Finland's customers confirm that the export promotion services should be expected to have long-term impacts on their performance. 64 percent of the customers report that the export promotion services will have a large or some positive long-lasting impact on their exports to distant markets. Business Finland's customers indicate that they expect long-term implications by

- **Strengthened Finnish brand.** The export promotion services have supported building a stronger brand of Finland around the industries and products, as well as provided better visibility and synergies for smaller Finnish firms. Examples are "Food from Finland", health technology knowledge initiatives as well as Finnish primary school education export projects. This indicates that the impact of the export promotion service can stretch beyond the company receiving the service directly.

- **Ecosystems of knowledge building.** The export promotion services have facilitated the spreading of the sector knowledge, building ecosystems, and broadening networks. Networking and knowledge sharing opportunities for a broader set of firms within the ecosystem has strengthened the competitive position of Finnish firms more broadly.
- **Impact on the local export markets.** The products delivered by Finnish companies have benefitted foreign authorities, organisations, and consumers. Examples are increased availability of new technology and methods to important segments like healthcare, education, and water. Finnish companies have contributed to raising the quality of these important segments, which has impacts on society and humans specifically in developing countries. Over time, this can increase demand for Finnish products.

Beyond increasing exports, the collaboration with Business Finland can also impact the likelihood that a company starts exporting. 21 percent of Business Finland's customers, who did not export to distant markets before the collaboration with Business Finland took place, started exporting to distant markets after having received export promotion services. The study is not able to assess if some or all of these companies started exporting due to the collaboration with Business Finland or due to other reasons.

EXPORT PROMOTION SERVICES IMPROVE SUSTAINABILITY

Business Finland only recently started to focus on environmental sustainability in their export promotion services, and environmental sustainability was therefore not a direct objective and priority of Business Finland in the services offered in the period 2016-2019 considered in this study. Nevertheless, the survey shows find that a relatively large share of Business Finland's customers has experienced positive environmental sustainability impacts from their collaboration with Business Finland. Nearly a third of Business Finland's customers report that the collaboration led to new business opportunities related to sustainability, and 11 percent say that they increased their exports of energy efficient products and solutions. Nearly half of the respondents say that the collaboration had no broader sustainability impacts.

Business Finland's new strategy explicitly emphasises sustainability as a prerequisite for economic growth and competitiveness in the long term. This is especially relevant in terms of decoupling economic growth from the use of resources (e.g. through product innovation that lowers emissions or improves circularity). Environmental sustainability can also offer significant business opportunities to Business Finland's customers in export markets (e.g. through exports of energy-efficient products and solutions).

Business Finland's task in contributing to sustainability is twofold; i) to ensure ecological, economic, and social responsibility in customers' operations, mitigating their possible negative impact; ii) to support Finnish companies in developing solutions that create a positive development impact and contribute to the UN Sustainable Development Goals. Future impact studies of Business Finland's services should therefore also assess impacts on sustainability.

SYNERGIES BETWEEN FUNDING AND EXPORT PROMOTION SERVICES

Funding is expected to enhance the recipient companies' productivity and thereby help them compete successfully in global markets. Business Finland's customers generally find that funding is helpful on a large range of parameters of which the most important is improved products and/or services. 45 percent of Business Finland's customers express that funding to a very large extent had a positive impact on their company's international growth potential via improved products and/or services (another 42 percent of the customers express that this channel had some impact). Expanded network and new skills are also deemed important for the companies' growth in distant markets.

The study finds that funding amplifies the impact of export promotion services. The companies that received

both funding and export promotion attribute 11 percent of their exports to Business Finland compared to a 7 percent impact reported by companies that only received export promotion services. The synergies are driven mainly by product innovation supported by the funding services and commercialised by the export promotion services. Also, the funding from Business Finland has in some cases helped attract funding from other sources, which has given more scale and boosted exports. However, interviews indicate that even larger synergies between export promotion and funding services can be achieved through a more coordinated approach by Business Finland.

SPECIAL NEEDS AND CRITICAL OBSTACLES TO INTERNATIONALISATION BY SMES

Smaller companies generally face greater obstacles in the internationalisation process compared to larger companies. In the survey, a larger share of the micro companies and SMEs report to have difficulties finding the right partners and meeting clients' needs. The micro companies and SMEs are also challenged by capital constraints and lack of funding when engaging in exports to distant markets.

The perceived impact of Business Finland's export promotion services is significantly larger for small companies compared to larger ones. 22 percent of the micro companies' exports and 14 percent of the SMEs' exports

to distant markets are perceived to be due to the collaboration with Business Finland compared to 9 percent for the large companies. Micro companies and SMEs report that exports to new markets and new customers in existing markets have been especially helpful in their internationalisation activities and entry into distant markets.

Smaller companies also to a greater extent than larger ones perceive that the export promotion services will have long term impacts. 68 percent of the micro companies and 65 percent of the SMEs expect there to be long lasting impacts compared to 56 percent of larger companies. This is consistent with the expectation that the risk of market failures is larger for smaller companies. These findings support Business Finland's mandate to focus export promotion and funding services the smaller companies. Business Finland already fulfils this mandate by focusing their services on smaller companies (87 percent of the total number of services during 2016-2019 were delivered to micro companies or SMEs).

FUTURE NEEDS AND RECOMMENDATIONS

The impacts and achievements of Business Finland's services are regularly monitored through impact analyses. The impact assessment undertaken in this study combines qualitative data from a large-scale survey and detailed interviews with firm-level trade data for Business Finland's customers. Our preferred approach would have

been to use an econometric model that would enable us to isolate the impact of the export promotion services from other factors that impact the export performance of Business Finland's customers. However, the new CRM system has not been in operation long enough to secure the required quality of data on the export promotion services (e.g. information on the type of services provided and the targeted market). Also, the preferred model requires detailed data on the companies' exports to the distant markets that are available through Statistics Finland but could not be accessed in this project. We recommend that the necessary steps are taken to ensure that the required data are made available to apply this model in future assessments.

Business Finland's customers also see a need for more proactive communication and relationship management within Business Finland. In particular, they would welcome:

- Proactive communication and fast support
- Personal contact with in-depth knowledge
- Innovation funding process improvements
- Ecosystems and peer-to-peer knowledge sharing
- Future-oriented services
- Broader branding

Finally, Business Finland's customers express that they have some unmet needs regarding concrete services as well as the organisational setup of Business Finland. To

accommodate these needs, Business Finland could focus further on personalising services and helping companies navigate in the new normal that the sustainability agenda and the COVID-19 pandemic have resulted in.

Business Finland should carefully consider its winning aspiration in terms of meeting new customer needs and

growth constraints. While high quality export promotion and funding services can support the international competitiveness of Finnish firms, Business Finland needs to optimise its activities with an eye on its current performance, ongoing industry & market trends, and its mandate & capabilities.

EXECUTIVE SUMMARY – FINNISH

MERKITTÄVIÄ VIENTIESTEITÄ KAUKAISILLE MARKKINOILLE

Viime vuosikymmeninä maailmassa on tapahtunut merkittäviä tullien ja muiden politiikan aiheuttamien kaupan esteiden vähentymistä, mutta informaatio-ongelmiin liittyy edelleen huomattavia kaupan häiriötekijöitä. Vapaat markkinat eivät ratkaise näitä informaatio-ongelmia, joten Suomen viennin koko potentiaalia ei saavuteta ilman julkisia toimia (markkinoiden toimintahäiriö). Business Finlandin tehtävänä on korjata nämä markkinahäiriöt tarjoamalla rahoitusta, neuvontaa, markkinaymmärrystä ja verkostoja suomalaisille yrityksille jotka haluavat aloittaa viennin, tulla uusille markkinoille tai vahvistaa markkina-asemaansa ja kehittää tuotteitaan innovaatio-toiminnan avulla.

Kansainvälisen markkinan kaupalle yrityksen on käytettävä huomattavia määriä resursseja saadakseen tietoa ulkomaalaisista markkinoista, kuten markkinamahdollisuuksista, toimittajista ja paikallisesta sääntelystä. Tarvittavien tietojen hankkimisesta aiheutuvat kustannukset ovat todennäköisesti korkeammat kaukaisemilla mark-

kinoilla, joilla esimerkiksi maantieteelliset, kulttuuriset ja sääädökselliset erot tekevät näistä riskialttiimmat ja vaikeammat. Markkinatietojen hankkimiseen ja jakamiseen tehtävät julkiset investoinnit voivat näin ollen auttaa poistamaan viennin esteitä, erityisesti pienille ja keskisuurille yrityksille (pk-yrityksille), joilla on rajalliset resurssit toteuttaa itsenäisesti nämä investoinnit.

Tutkimus vahvistaa odotukset siitä, että markkinoiden toimintahäiriöt ovat vakavampia pienemmille yrityksille suhteessa suurempiin yrityksiin ja vientiin kaukaisemmille markkinoille (Keski- ja Itä-Eurooppa, Aasia, Latinalainen Amerikka, Lähi-itä ja Afrikka) verrattuna lähellä sijaitseviin markkinoihin. Tässä vaikutustenarvioinnissa tehdyt päätelmät perustuvat Business Finlandin CRM- ja innovaatiohakutietoihin vuosilta 2016–2019, Tilastokeskuksen kansallisen ja yritystason tietoihin, Eurostatin tietoihin, kyselytietoihin ja Business Finlandin asiakkaiden haastatteluihin eri toimialoilta.

Tutkimustulokset osoittavat, että suurimmat esteet kaukaisille markkinoille suuntautuvalla viennillä ovat vaikeudet löytää potentiaalisia yhteistyökumppaneita, löytää oikeat asiakkaat ja vastata asiakkaiden tarpeisiin.

79 prosenttia Business Finlandin kaukaisille markkinoille vientiä harjoittavista asiakkaista ovat sitä mieltä, että oikeiden kumppaneiden (esimerkiksi toimittajien, jakelijoiden, neuvonantajien tai yhteistyöpartnereiden) löytäminen on kriittinen este yrityksen kansainvälistymiselle. Havaitut esteet vaihtelevat jonkin verran yrityksen koosta riippuen. Yleensä pienemmät yritykset pitävät pääomarajoitteita ja rahoitusta kriittisempinä esteinä kuin suuret yritykset. Suuret yritykset ilmaisevat yhä enemmän, että paikallinen sääntely ja liiketoimintakäytännöt koetaan esteiksi kaukaisilla markkinoilla asioidessa, kun taas nämä esteet koetaan harvinaisemmiksi pienten yritysten keskuudessa.

Business Finland on auttanut suomalaisia yrityksiä luomaan toimintaa uusille markkinoille ja rakentamaan suhteita verkostoitumisella, ottamalla yhteyttä olennaisiin kontakteihin ja avaamalla ovia viranomaisille. Näissä toimenpiteissä Business Finland on täyttänyt tehtävänsä auttaa suomalaisia yrityksiä selviytymään kansainvälistymiseen liittyvistä esteistä. Business Finland on vuosina 2016–2019 tarjonnut noin 22 000 palvelua yli 6 000 suomalaiselle yritykselle. Vienninedistämispalveluista 54 prosenttia on kohdistunut kaukaisille markkinoille ja 87 prosenttia asiakkaista on ollut mikroyrityksiä (<10 työntekijää) tai pk-yrityksiä (10–49 työntekijää). Business Finlandin toiminta on siis kohdistunut alueille, joilla markkinahäiriön riskin odotetaan olevan suurin.

Koska pk-yritysten vientitilaukset ovat todennäköisesti pienempiä kuin suuremmissa yrityksissä, heidän osuutensa Suomen kokonaisviennistä voi olla pieni. Business Finlandin on siksi tasapainotettava kustannuksia suomalaisten pk-yritysten auttamiseksi uusille markkinoille ja olemassa olevan viennin vauhdittamiseksi mahdollisiin lopputulemiin nähden.

VIENNIN EDISTÄMINEN LISÄÄ SUOMEN BRUTTOKANSANTUOTETTA

Vienti edistää talouskasvua, elintason nousua, tuottavuutta, työllisyyttä, maksutasetta ja verotuloja. Suomen vienti on kasvanut tasaisesti viimeisen vuosikymmenen aikana ja viennin osuus Suomen bruttokansantuotteesta vuonna 2019 oli 40 prosenttia (hieman alle EU:n keskiarvon 44 prosenttia). Suomen vienti lähimarkkinoille on suurempi (66 prosenttia) kuin vienti kaukaisille markkinoille (34 prosenttia), ja myös lähimarkkinoille suuntautuva vienti ovat kasvanut hieman nopeammin kuin vienti kaukaisille markkinoille. Suomen osuus kaukaisille markkinoille suuntautuvasta viennistä on 6 prosenttiyksikköä suurempi kuin EU:n keskiarvo 28 prosenttia. Tämä on havaittu sekä tavaroiden että palvelujen viennissä.

Business Finlandin asiakkaat kokevat, että tehokkaimmat palvelut viennin lisäämiseksi kaukaisille markki-

noille ovat kontaktien välittäminen ja verkostoituminen potentiaalisten asiakkaiden kanssa. 55 prosenttia vastaajista kertoo, että tällaisella palvelulla on ollut suuri tai jonkin verran myönteinen vaikutus yrityksen vientiin kaukaisille markkinoille. Myös palvelut, jotka tarjoavat markkinakohtaista tietoa ja sopivat yhteen mahdollisten kumppaneiden kanssa, ovat avainasemassa yritysten kansainvälistymisellä. Lähes puolet vastaajista kertoo, että palvelulla oli myönteinen vaikutus vientiin kaukaisille markkinoille.

Business Finlandin asiakkaista lähes 60 prosentin mielestä vienninedistämispalveluilla vuosina 2016–2019 on ollut suurta tai jotain vaikutusta heidän vientiin kaukaisille markkinoille. Business Finlandin asiakkaat arvioivat, että 10 prosenttia heidän viennistään kaukaisille markkinoille oli seurausta Business Finlandin kanssa tehdystä yhteistyöstä, joka vastaa noin 800 miljoonan euron vuosittaista vaikutusta Suomen vientiin.

Vienninedistämispalvelujen synnyttämän viennin kasvulla on myönteisiä vaikutuksia yksittäisten yritysten myynnin kasvun lisäksi. Viennin kasvu tukee taloudellista aktiivisuutta läpi Suomen kansantalouden kasvatamalla työllisyyttä, kiihdyttämällä talouskasvua ja parantamalla kauppatasetta. Business Finlandin tukeman viennin osuus bruttokansantuotteesta on 820 miljoonaa euroa ja se mahdollistaa vuosittain noin 8,800 kokoai-kaista työpaikkaa.

VIENNINEDISTÄMISELLÄ ON PITKÄN AIKAVÄLIN VAIKUTUKSIA SUOMEN TALOUTEEN

Taloudellisen toiminnan tukemisen lisäksi vienti kaukaisille markkinoille auttaa kehittämään osaamista suomalaisissa yrityksissä, lisää tietoa ulkomaisista markkinoista ja kehittää suomalaisten yritysten brändiä ulkomailla. Kansainvälistyminen ja lisääntynyt aktiivisuus ulkomaan markkinoilla tukevat tiedon ja ideoiden siirtoa maiden välillä ja lisäävät siten ulkomaisten teknologioiden käytön ja ulkomaisen T&K-yhteistyön todennäköisyyttä. Täten vienti tukee Suomen talouden muutosta kohti tuottavampia yrityksiä, joilla on tulevaisuuden kasvupotentiaalia. Osaamisen kertyminen vaikuttaa suomalaisten yritysten taloudelliseen kestävyYTEEN ja tuottavuuteen pitkällä aikavälillä.

Business Finlandin asiakkaiden mukaan vienninedistämispalveluilla tulisi olla pitkäaikaisia vaikutuksia yritysten suorituskykyyn. 64% Business Finlandin asiakkaista sanoo että vienninedistämispalveluilla tulee olemaan suuri tai jonkin verran myönteinen pitkäaikaisvaikutus yrityksen vientiin kaukaisille markkinoille. Business Finlandin asiakkaat odottavat pitkän aikavälin vaikutuksia seuraavasti:

- **Vahvistavat suomalaista brändiä.** Vienninedistämispalvelut ovat tukeneet vahvemman brändin rakentamista teollisuuden ja tuotteiden ympäri-

sekä tuottaneet parempaa näkyvyyttä ja synergiaa pienemmille suomalaisille yrityksille. Esimerkkejä ovat ”Food from Finland”, terveysteknologian osamisaaloitteet sekä suomalaisen peruskoulutuksen vientihankkeet. Tämä osoittaa, että vienninedistämispalvelun vaikutus voi ulottua suoraan palvelua vastaanottavan yrityksen ulkopuolelle.

- **Ekosysteemit tietotaidon ympärillä.** Vienninedistämispalvelut ovat edesauttaneet alakohtaisen tietämyksen leviämistä, ekosysteemien rakentamista ja verkostojen laajentamista. Verkostoituminen ja tietotaidon jakamismahdollisuudet laajemman, useita yrityksiä sisältävän ekosysteemin sisällä ovat vahvistaneet suomalaisten yritysten kilpailuasemaa.
- **Vaikutus paikallisiin vientimarkkinoihin.** Suomalaisen yritysten toimittamat tuotteet ovat hyödyttäneet ulkomaisia viranomaisia, organisaatioita ja kuluttajia, esimerkkeinä uuden teknologian ja menetelmien saatavuus tärkeille yhteiskunnallisille segmenteille, kuten terveydenhuollolle, koulutukselle ja vesihuollolle. Suomalaiset yritykset ovat näin vaikuttaneet näiden tärkeiden osa-alueiden laadun parantamiseen, mikä vaikuttaa suoraan yhteiskuntaan ja ihmisiin erityisesti kehitysmaissa. Ajan myötä tämä voi lisätä suomalaisten tuotteiden kysyntää.

Viennin lisäämisen ohella yhteistyö Business Finlandin kanssa voi vaikuttaa myös todennäköisyyteen, että yri-

tys alkaa viedä tuotteitaan ulkomaille. Tutkimuksessa ei pystytä arvioimaan, aloittivatko osa tai kaikki yritykset viennin Business Finlandin kanssa tehdyn yhteistyön seurauksena vai muun syyn vuoksi.

VIENNINEDISTÄMISPALVELUT PARANTAVAT KESTÄVYYTTÄ

Business Finland alkoi vasta hiljattain keskittyä vienninedistämispalveluissaan ympäristön kestävyteen, mistä syystä ympäristön kestävyys ei ollut Business Finlandin suora tavoite ja prioriteetti tässä tutkimuksessa tarkastelluissa palveluissa vuosina 2016–2019. Tutkimuksen mukaan suhteellisen suuri osa Business Finlandin asiakkaista on kuitenkin kokenut myönteisiä kestävä kehityksen vaikutuksia yhteistyöstään Business Finlandin kanssa. Lähes kolmannes Business Finlandin asiakkaita kertoo yhteistyön johtaneen uusiin vastuullisuuteen liittyviin liiketoimintamahdollisuuksiin ja 11 prosenttia kertoo lisänneensä energiatehokkaiden tuotteiden ja ratkaisujen vientiä. Lähes puolet vastaajista sanoo, että yhteistyöllä ei ollut laajempia kestävyysvaikutuksia.

Business Finlandin uudessa strategiassa korostetaan selkeästi kestävyttä pitkän aikavälin talouskasvun ja kilpailukykyä edellytyksenä. Tämä on erityisen tärkeää, kun talouskasvu erotetaan resurssien käytöstä (esim. tuoteinnovaatioilla, jotka vähentävät päästöjä tai parantavat kiertotaloutta). Ympäristön kestävyys voi myös tarjota

Business Finlandin asiakkaille merkittäviä liiketoimintamahdollisuuksia vientimarkkinoilla (esim. energiatehokkaiden tuotteiden ja ratkaisujen viennin kautta).

Business Finlandin tehtävä kestävän kehityksen edistämässä on kaksitahoinen; i) ekologisen, taloudellisen ja sosiaalisen vastuun varmistaminen asiakkaiden toiminnassa ja niiden mahdollisten kielteisten vaikutusten lieventäminen; ii) sellaisten ratkaisujen kehittämisen tukeminen, joissa luodaan positiivista vaikutusta ja edistään YK:n kestävän kehityksen tavoitteita. Business Finlandin palveluiden tulevissa vaikuttavuustutkimuksissa tulisi siksi arvioida myös vaikutuksia kestäväan kehitykseen liittyen.

RAHOITUKSEN JA VIENNINEDISTÄMIS- PALVELUJEN VÄLISET SYNERGIAT

Rahoituksen odotetaan parantavan vastaanottavien yritysten tuottavuutta ja siten auttavan yrityksiä kilpailemaan menestyksekkäästi globaaleilla markkinoilla. Business Finlandin asiakkaat kokevat että rahoituksesta on hyötyä monessa osa-alueessa, joista tärkein on tuotteiden ja/tai palveluiden parantaminen. 45 prosenttia Business Finlandin asiakkaista sanoo että rahoituksella on ollut suureksi osaksi positiivinen vaikutus yrityksen kansainväliseen kasvupotentiaaliin parantuneina tuotteina ja palveluina (toiset 42 prosenttia asiakkaista sanoo rahoituksella olleen jonkin verran vaikutusta). Laajen-

nettua verkostoa ja uusia taitoja pidetään tärkeinä myös yritysten kaukaisten markkinoiden kasvun kannalta.

Tutkimuksessa todetaan, että rahoitus vahvistaa vienninedistämispalvelujen vaikutusta. Sekä rahoitusta että vienninedistämistä saaneet yritykset kohdistavat 11 prosenttia viennistään Business Finlandin tuen vaikutukseksi, kun vain vienninedistämispalveluja saaneet yritykset ilmoittivat 7 prosentin vaikutuksesta. Synergioita tulevat pääasiassa rahoituspalvelujen tukemista ja vienninedistämispalvelujen kaupallistamista tuoteinnovaatioista. Business Finlandin rahoitus on joissain tapauksissa auttanut houkuttelemaan rahoitusta myös muilta tahoilta, joka on lisännyt tehostanut vientivaikutusta. Haastattelut kuitenkin osoittavat, että vienninedistämis- ja rahoituspalveluiden välillä voidaan saavuttaa entistäkin suurempia synergioita Business Finlandin koordinoimalla lähestymistavalla näiden kahden palvelun välillä.

PK-YRITYSTEN KANSAINVÄLISTYMISEN ERITYISTARPEET JA KRIITTISET ESTEET

Pienemmät yritykset kokevat usein suurempia esteitä kansainvälistymisessä kuin suuret yritykset. Kyselyssä suurimmalla osalla mikroyrityksistä ja pk-yrityksistä oli vaikeuksia löytää oikeanlaisia yhteistyökumppaneita ja vastata asiakastarpeisiin. Rajoitettu pääoma ja rahoituksen saatavuus vaikeuttavat myös mikroyritysten ja Pk-yritysten vientiä kaukaisille markkinoille.

Business Finlandin vienninedistämispalveluiden koettu vaikutus on pienyrityksillä huomattavasti suurempi kuin suuremmilla yrityksillä. 22 prosenttia mikroyritysten viennistä ja 14 prosenttia pk-yritysten viennistä kaukaisille markkinoille katsotaan johtuvan yhteistyöstä Business Finlandin kanssa, kun suurten yritysten osuus on 9 prosenttia. Mikroyritykset ja pk-yritykset raportoivat, että vienti uusille markkinoille ja uusille asiakkaille nykyisillä markkinoilla on ollut erityisen hyödyllistä niiden kansainvälistymistoiminnassa ja kaukaisille markkinoille pääsyssä.

Pienemmät yritykset kokevat myös suurempia yrityksiä enemmän, että vienninedistämispalveluilla on pitkän aikavälin vaikutuksia heidän toimintaansa. Mikroyrityksistä 68 prosenttia ja pk-yrityksistä 65 prosenttia odottaa pitkäaikaisia vaikutuksia verrattuna 56 prosenttiin suuremmista yrityksistä. Odotusten mukaisesti markkinoiden toimintahäiriöiden riski on suurempi pienemmillä yrityksillä. Nämä havainnot tukevat Business Finlandin toimeksiantoa ja vienninedistämis- sekä rahoituspalvelujen keskittämistä pienempiin yrityksiin. Business Finland täyttää jo tämän toimeksiannon keskittämällä palvelunsa pienempiin yrityksiin (87 prosenttia palveluiden kokonaismäärästä vuosina 2016-2019 toimitettiin mikroyrityksille tai pk-yrityksille).

TULEVAISUUDEN TARPEET JA SUOSITUKSET

Business Finlandin palveluiden vaikutuksia ja saavutuksia seurataan säännöllisesti vaikuttavuusanalyseillä. Tässä tutkimuksessa tehdyssä vaikutustenarvioinnissa yhdistyvät laaja-alaisesta kyselystä saadut laadulliset tiedot, yksityiskohtaiset haastattelut Business Finlandin asiakkaiden sekä yritystason kauppatiedot. Ensisijainen lähestymistapamme olisi ollut käyttää ekonometristä mallia, jonka avulla voisimme edistää vienninedistämispalveluiden vaikutuksen muista Business Finlandin asiakkaiden vientitulokseen vaikuttavista tekijöistä. Uusi crm-järjestelmä ei kuitenkaan ole ollut toiminnassa riittävän kauan varmistaakseen vienninedistämispalveluja koskevien tietojen vaadittavan laadun (esim. tiedot tarjottujen palvelujen tyypistä ja kohdemarkkinoista). Ensisijainen malli edellyttää myös yksityiskohtaista tietoa yritysten viennistä kaukaisille markkinoille, jotka ovat saatavilla Tilastokeskuksen kautta, mutta joita ei ole tässä hankkeessa. Suosittelemme tarvittavien toimenpiteiden aloittamista sen varmistamiseksi, että tarvittavat tiedot ovat saatavilla tämän mallin soveltamiseksi tulevissa arvioinneissa.

Business Finlandin asiakkaat näkevät myös tarvetta aktiivisempaan viestintään ja koordinoitumpaan asiakassuhteiden hallintaan Business Finlandin kanssa. He toivoisivat erityisesti:

- Aktiivista viestintää ja nopeaa asiakaspalvelua
- Yrityskohtaista yhteyshenkilöä, tarvittavalla tietotaidolla
- Innovaatorahoitusprosessin parantamista
- Ekosysteemejä ja vertaistiedon jakamista
- Tulevaisuuteen suuntautuneita palveluita
- Laajempaa brändäystä

Business Finlandin asiakkaat ilmaisevat lopuksi, että heillä on joitakin tyydyttämättömiä tarpeita erityisesti palveluiden sekä Business Finlandin asiakaspalvelura-

kenteen suhteen. Vastatakseen asiakkaiden toiveisiin, Business Finland voisi keskittyä palveluiden räätälöintiin sekä auttamaan yrityksiä navigoimaan uudessa normaalissa, jota lisääntynyt kestävä kehityksen agenda ja COVID-19 pandemia muokkaavat.

Business Finlandin tulisi harkita huolellisesti mikä on heidän ”Winning Aspiration”, tavoitetila, joka vastaisi uusiin asiakastarpeisiin ja kasvumahdollisuuksiin. Vaikka laadukkaat vienninedistämisen- ja rahoituspalvelut voivat tukea suomalaisten yritysten kansainvälistä kilpailukykyä, Business Finlandin on optimoitava toimintaansa ottaen huomioon sen nykyinen suorituskyky, toimialan ja markkinoiden trendit sekä toimeksiantonsa ja osaamisalueensa.

ACRONYMS & DEFINITIONS

- CAGR** Compounded Annual Growth Rate
- CRM** Customer Relation Management
- ECB** European Central Bank
- GDP** Gross Domestic Product: GDP is the market value of all goods and services produced in a country in a year
- OECD** Organisation for Economic Co-operation and Development
- SME** Small and Medium-sized Enterprises

1 THE RATIONALE FOR EXPORT PROMOTION SERVICES

During the past decades, the world has seen major reductions in tariffs and other policy-induced trade barriers, but there still exists substantial trade frictions.¹ To overcome these frictions, Business Finland offers funding, advice, market insight, and networks in 40 different countries for Finnish companies that want to start exporting, enter new markets, or strengthen their market positions and develop their products through innovation activities.

In this chapter, we explain the rationale (mandates and justifications) for export promotion and the critical obstacles experienced by Finnish companies in their internationalisation process. We will also evaluate how Business Finland has succeeded to fulfil this mandate for intervention.

1.1 THE SOCIETAL VALUE OF EXPORTS

The success of Finnish firms in global markets is a key driver of wellbeing and future prosperity in Finland, and extra-EU exports currently support 395,000 jobs in Finland and an additional 79,000 Finnish jobs are linked to exports from other EU countries to the world. The Finnish jobs related to export are mostly medium skilled (49 percent) or high skilled (37 percent) labour.² Exports contribute to economic growth, higher living standards, productivity, employment, balance payments, tax revenues.³ In 2019, exports accounted for 40 percent of Finnish GDP which is slightly lower than the EU average of 44 percent.⁴ During 2016-2019 Finnish exports have increased 8 percent per year which is faster than other GDP components that increase by 1 percent per year. Finnish exports are therefore responsible for an increasing share of Finnish wealth.

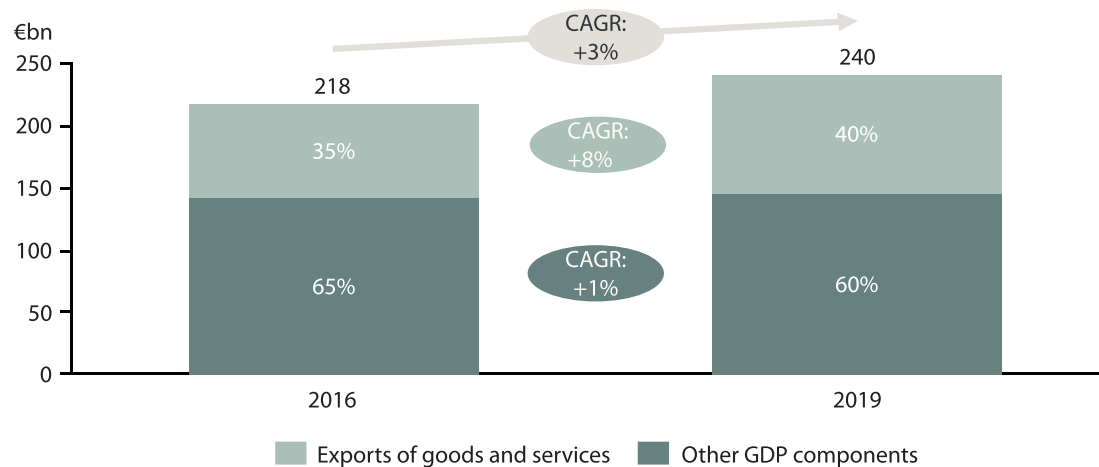
¹ Copeland (2007).

² European Commission (2021). <https://ec.europa.eu/trade/policy/in-focus/trade-and-jobs/#finland>.

³ Kutlina-Dimitrova et al. (2018) & Leondiou et al. (2011).

⁴ The World Bank (2021).

FIGURE 1. Contribution of exports to Finnish GDP

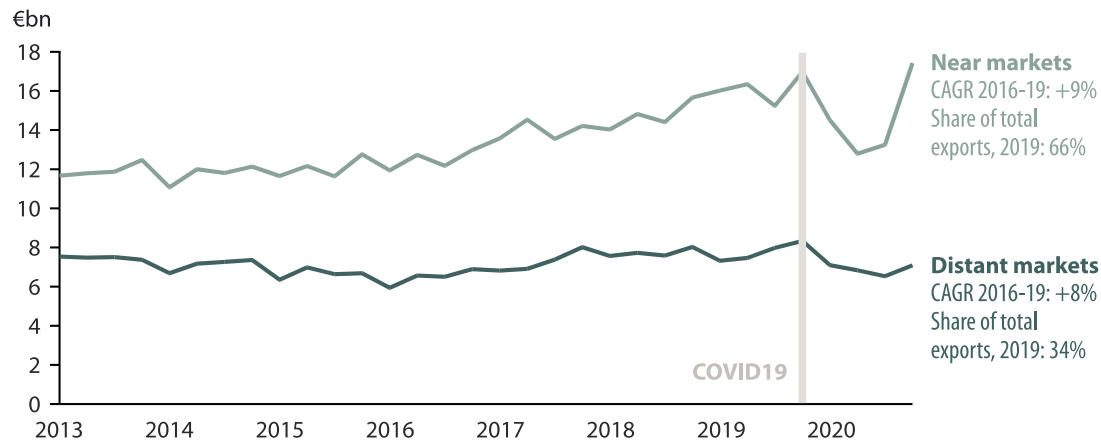


Note: Calculations are based on GDP components in current prices.
Source: Implement Economics based on data from Statistics Finland on gross domestic product (GDP) and national income, supply, and demand (annually by transaction, year, and information).

Finnish exports have risen steadily over the past decade. Exports to near markets account for a larger share (66 percent) than exports to distant markets (34 percent). Exports to near markets also have grown slightly faster than exports to distant markets with an average annual growth rate of 9 percent from 2016 to 2019 compared to

8 percent for exports to distant markets in the same period. This could indicate that there are critical obstacles to exports to distant markets. Exports to near markets have also rebounded from the COVID-19 pandemic faster than exports to distant markets. Exports to near markets are already at the pre-pandemic level.

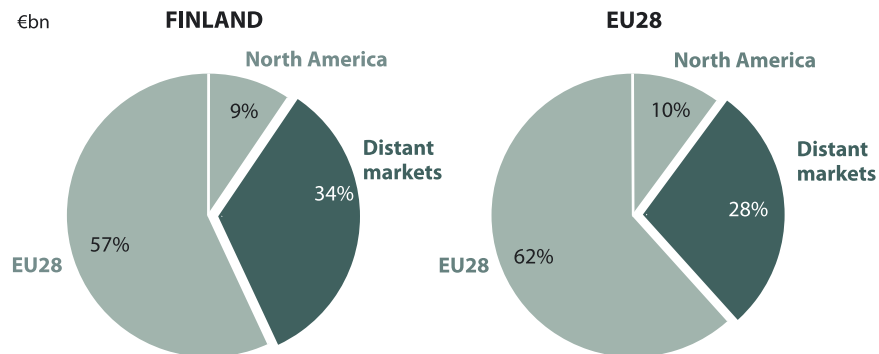
FIGURE 2. Development in Finnish exports of goods and services to near and distant markets



Note: Near markets are defined as EU28 and North America. Data are presented in current prices.

Source: Implement Economics based on data from Statistics Finland on international trade in goods and services (quarterly by region, information, quarter, and service item).

FIGURE 3. Development in Finnish exports of goods and services to near and distant markets



Note: Near markets are defined as EU28 and North America. Data are presented in current prices.

Source: Implement Economics based on data from Eurostat

Finland's share of exports to distant markets of 34 percent is 6 percentage points higher than the EU average of 28 percent. This is observed both for exports of goods and services. Finnish exports to distant markets have also grown faster than the EU average. During 2016-2019, EU exports grew by 5 percent annually compared to 8 percent for Finnish exports. Overall, this indicates that Finnish companies perform well in the distant markets relative to the near markets. However, there can still be a potential to increase Finnish exports to both near and distant markets.

1.2 BARRIERS TO EXPORTS AND RISKS OF MARKET FAILURES

Despite major reductions in tariffs and other policy-induced trade barriers, there are still substantial trade frictions. These frictions arise partly because of market failures due to information spill overs and asymmetric information that can justify governmental intervention.⁵

To engage in international trade, a company must spend significant amounts of resources to acquire information about the foreign market, such as market opportunities, suppliers, and local regulation. Some of the information, experience, and learning obtained by a company that enters a foreign market can spread to

⁵ Copeland (2007).

other companies (positive externality via information spill overs), for example via word of mouth, reports, labour mobility, demonstration, or observation. When the company acquiring the information does not reap the full benefits of the investment, there is a risk that the company invests less in obtaining the relevant information than what would have been optimal from a societal perspective.

DATA SOURCES



The data analysis in this study are

- **Business Finland:** CRM and innovation funding data from 2016-2019
- **Statistics Finland:** Annual national accounts, International trade in goods and services and firm-level data on Business Finland's customers
- **Eurostat:** International trade in services EU trade since 1988, and Trade by NACE activity and enterprise size class
- **Survey data:** 1,392 respondents corresponding to a response rate of 23 percent
- **Interviews:** 20 Finnish companies across different industries

Public investments in acquiring and sharing market information can therefore help overcome barriers to exporting, particularly for small and medium-sized enterprises

(SMEs) that have limited resources available to undertake this investment themselves. Small companies often have less expanded networks than larger companies, who can more easily use their existing network to find partners in new markets. This emphasises that export promotion should be expected to have a larger positive impact for smaller companies.⁶ The information barriers are larger for distant markets because more resources are needed to acquire sufficient information to assess market potentials and risks in distant than near markets, for example due to differences in culture, language, consumer taste, political system, and climate (negative externality via asymmetric information). In addition, historical ties and business networks tend to be weaker in more distant markets compared to neighbouring countries. Consequently, the rationale for offering export promotion services to SMEs targeted distant markets is likely to be stronger because the risk of market failures is larger.

As export orders in SMEs are likely to be smaller than in larger firms, the contribution to overall Finnish exports may be small. Business Finland therefore needs to balance the costs required to help Finnish SMEs enter new markets and boost existing exports against the potential gains.

Results from the survey of Business Finland's customers undertaken as part of this study confirm that

⁶ Chaney (2014).

informational obstacles are an issue (see Appendix for a description of the survey methodology). 79 percent of the companies who export to distant markets⁷ respond that finding the right partners (for example suppliers, distributors, advisors, or consortium partners) is a critical obstacle. This finding is supported by interviews with Business Finland's customers.

FACTS ABOUT INTERVIEWS

20 companies took part in the interviews of 60 minutes each. The interviewees were mainly CXO managers of founders.

Companies represent 7 different industries

(‘Education and Learning’, ‘Food’, ‘Health’, ‘Consumer Brands, Fashion, Design, Consumer Products and E-commerce’, ‘Energy and Built Environment’ and ‘Bio Economy and Chemical’ and ‘Electronics and Electric Products’).

The interviews were completed between Aug 5th and Sep 3rd, 2021



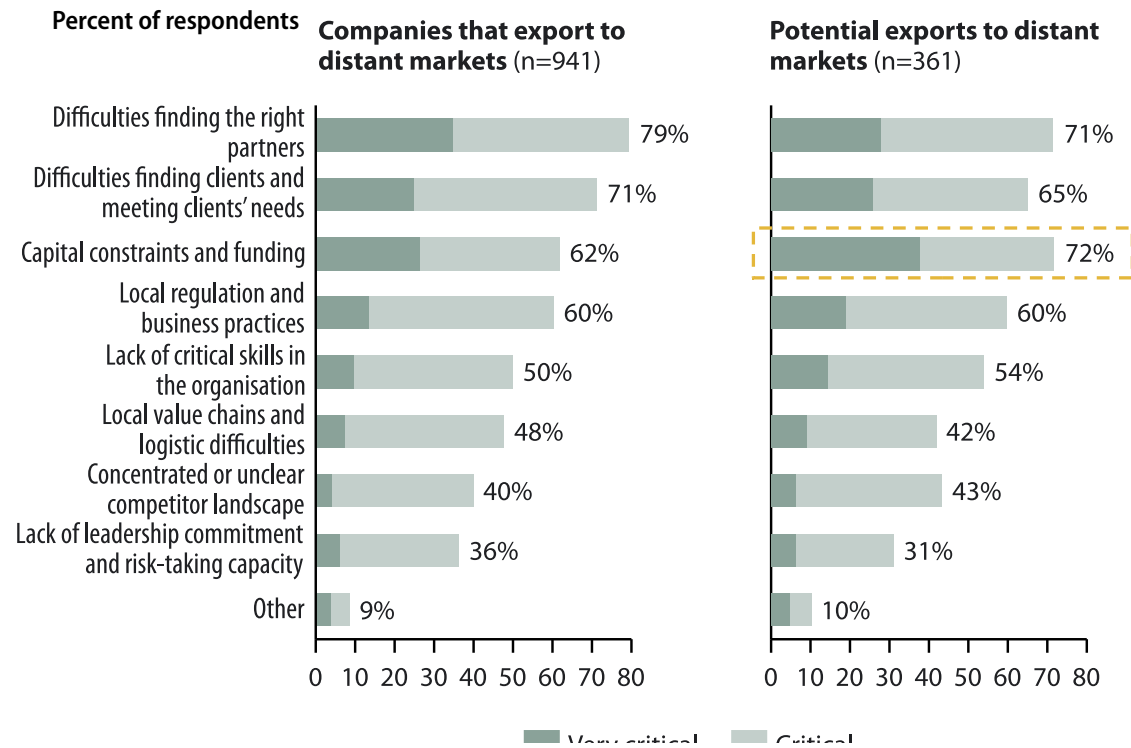
In the interviews, customers express that the lack of local networks and contacts make it difficult to find the right

partners and recruit the right employees (partly due to lacking employer branding). Lack of local knowledge, such as language capabilities, understanding local culture and selecting the right marketing channels, is also perceived as key obstacle in the internationalisation process. Different business cultures can for example make it difficult for companies to estimate how scalable their business is in a particular market. Business Finland's customers also express that trade is challenged by a poor technical infrastructure in distant markets. Internal organisational barriers such as lack of leadership commitment and risk-taking capacity are deemed the least critical obstacles.

Companies that export to near markets but have not yet made an entry into any distant markets are considered potential exporters. Current and potential exporters have similar perceptions of the obstacles associated with engaging in trade to the distant markets, with the exception that potential exporters to a larger extent consider capital constraints and funding and lack of critical skills as very critical barriers. Funding services in combination with export promotion services is therefore likely to help new exporters enter distant markets. Going forward, it would be relevant to analyse whether perceived

⁷ In the survey, distant markets are defined as Central & Eastern Europe, Asia, Latin America, Middle East, and Africa. ‘Central & Eastern Europe’ refers to: Albania, Armenia, Austria, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Georgia, Germany, Greece, Hungary, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Macedonia (the former Yugoslav Republic of), Moldova (Republic of), Mongolia, Montenegro, Poland, Republic of Kosovo, Romania, Russian Federation, Serbia, Slovakia, Slovenia, Switzerland, Tajikistan, Turkey, Turkmenistan, Ukraine, and Uzbekistan.

FIGURE 4. Perceived or expected obstacles and barriers to exporting to distant markets



Note: Difficulties finding the right partners include e.g. suppliers, distributors, advisors or consortium partners. Difficulties finding clients and meeting clients' needs could be local preferences or high speed of change. Lack of critical skills could be legal, financial, digital, or commercial expertise. Survey questions: What do you perceive as the most critical obstacles and barriers for your company's exports to countries in Central & Eastern Europe, Asia, Latin America, Middle East and/or Africa? & What do you expect to be the most critical obstacles and barriers for your company to start exporting to countries in Central & Eastern Europe, Asia, Latin America, Middle East and/or Africa? The companies could respond very critical, critical, not critical and don't know.

Source: Survey conducted by Implement Economics on behalf of Business Finland.

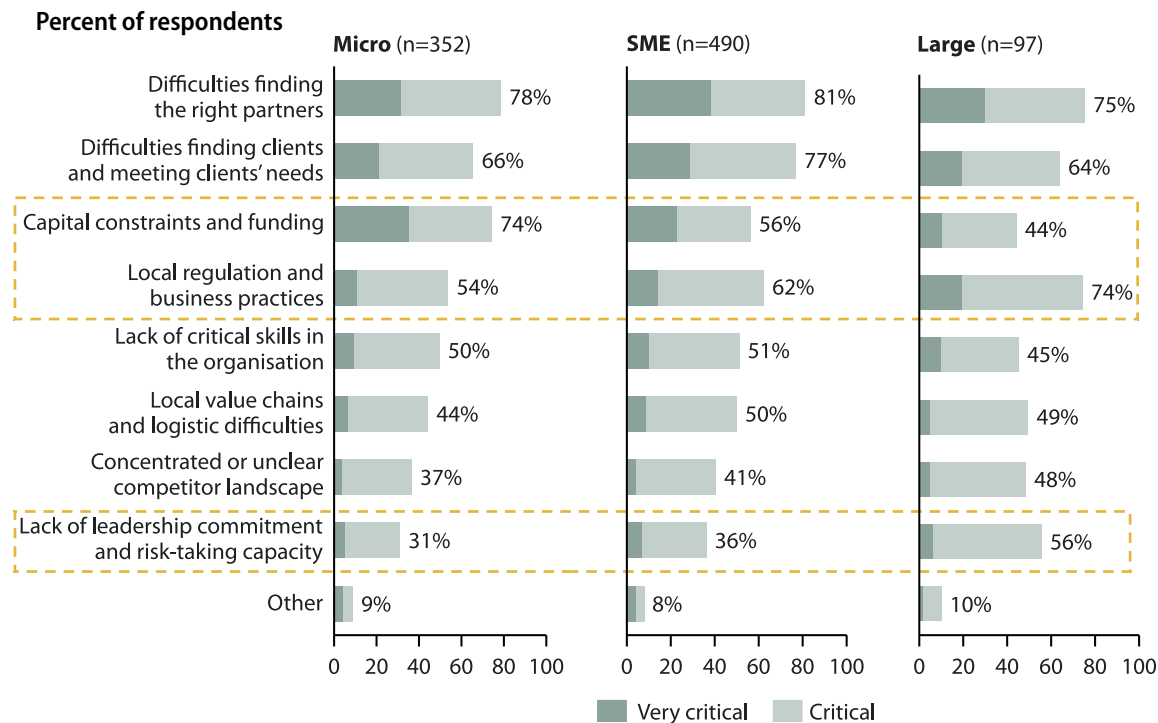
export barriers to distant and near markets are similar, or whether there is a need for more tailored services to different geographic regions.

In the open survey questions, companies point to some structural and institutional factors in Finland that limit their export opportunities. They find that Finnish ministries including the Foreign Ministry and embassies are slow and sometimes appear reluctant to find solutions and that they lack contacts. Business Finland's customers express the need for the Finnish public sector to place itself in locations where decisions can be influenced towards Finnish companies. A respondent in the survey writes:

„The Finpro organisation was much better ca 15 years ago, when a large number of countries had several people in the office to support Finnish companies. Now there might be 1-2 people who cannot help at the same level of quality as before. Also, the network or private local consultant network is not good enough and can in no way replace the “old” Finpro office services in most countries.

Export barriers vary somewhat by regions. Respondents find that the Asian market is mainly challenged by bureaucracy and market entry regulations. The cultural differences are especially challenging in China where deals are closed quickly, and details agreed upon afterwards.

FIGURE 5. Perceived obstacles and barriers to exporting to distant markets by company size



Note: Difficulties finding the right partners include for example suppliers, distributors, advisors or consortium partners. Difficulties finding clients and meeting clients' needs could be local preferences or high speed of change. Lack of critical skills could be legal, financial, digital, or commercial expertise. Survey questions: What do you perceive as the most critical obstacles and barriers for your company's exports to countries in Central & Eastern Europe, Asia, Latin America, Middle East and/or Africa? The companies could respond very critical, critical, not critical and don't know. The figure includes only responses from existing exporters to distant markets.






Source: Survey conducted by Implement Economics on behalf of Business Finland

This differs from the Central European and Japanese culture where all details must be completely clear before closing a deal. Another respondent writes:

„In developing countries and in the Middle East, services-type of business is still developing. Trade is more suited to box-mover type of partners and distributors. It is more difficult to be a middleman in services business and those countries have middleman trade culture. All that is important is price.

The survey also reveals some differences by company size in how existing exporters perceive obstacles and barriers associated with exporting to distant markets. Companies of all sizes perceive finding the right partners and clients and meeting client needs to be critical obstacles. In general, smaller companies perceive capital constraints and funding to be more critical barriers than larger companies. Large firms to a greater extent express that local regulation and business practices are obstacles for doing business in distant markets, while this barrier is less common for smaller companies. (Fig. 5)

FIGURE 6. Business Finland services, 2016-2019

<p>MARKET OPPORTUNITIES (6,089 services)</p> 	<p>The market opportunity service provides market specific information on demand, structural market characteristics and contact information on potential partners. The purpose of the service is to turn market insights into business. The target group for the service is Finnish SMEs.</p>
<p>ADVICE CASES (7,165 services)</p> 	<p>Advisers in Finland and abroad coach Business Finland’s customers in every phase of their internationalization. The coaching includes support in planning an entry into a new market and improving competitiveness in existing markets.</p>
<p>ENTERPRISE EUROPE NETWORK (1,193 services)</p> 	<p>Enterprise Europe Network (EEN) is a network of around 600 organisations and more than 3,000 exporters. The network operates in over 60 countries. The network includes (i) international partnerships, (ii) advice for international growth and (iii) support for business innovation.</p>
<p>INTERNATIONAL FUNDING (4,610 services)</p> 	<p>Business Finland offers many different kinds of international funding with the purpose of accelerating internationalization (Tempo), exploring new international markets (Market Explorer) and helping firms participate in trade fairs (Exhibition Explorer).</p>
<p>INNOVATION FUNDING (2,714 services)</p> 	<p>Business Finland offers funding for research, development and piloting for SMEs and midcaps, which enables companies to develop products or services, production methods, and business models. Programs includes Innovation voucher, Innovation Public Procurements, Into and funding for business development in disruptive circumstances.</p>

Note: Only observations with a Business ID are included. This means that observations in Business Finland’s CRM system that did not have Business ID are not counted as a service.

Source: www.businessfinland.dk // https://www.businessfinland.fi/4a5f71/globalassets/finnish-customers/news/news/2018/door_anticipator_locator_and_opener_final_report.pdf // <https://een.ec.europa.eu/> // Economics based on Business Finland’s CRM and innovation funding data, 2021

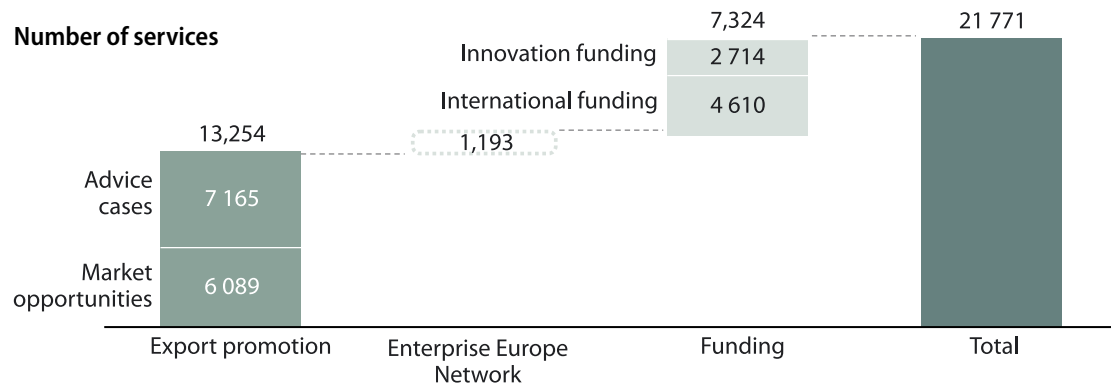
1.3 BUSINESS FINLAND’S EXPORT PROMOTION AND FUNDING SERVICES

To compensate for potential market failures, Business Finland offers funding, export promotion services, and network services in 40 different countries for SMEs that want to begin exporting, enter new markets, or strengthen their market positions and develop their products through innovation activities. The purpose of this study is to monitor the achievements of Business Finland’s support within global networks and fast growth companies with a focus on the export promotion services to distant markets. Export promotion services are classified as the market opportunity services and advice cases. During 2016-2019, Business Finland provided 22,000 services and the majority was export promotion services (13,000 services). (Fig. 6)

In addition to export promotion services, Business Finland also provides funding of two types: International funding and innovation funding. Business Finland provided a total of 7,324 funding services of which the majority 4,610 was international funding supporting Finnish companies with resources for research and development of products. (Fig. 7)

The 22,000 services have been provided to 6,053 companies. 84 percent of the companies received less than three services, and most of the companies received just one service (53 percent). (Fig. 8)

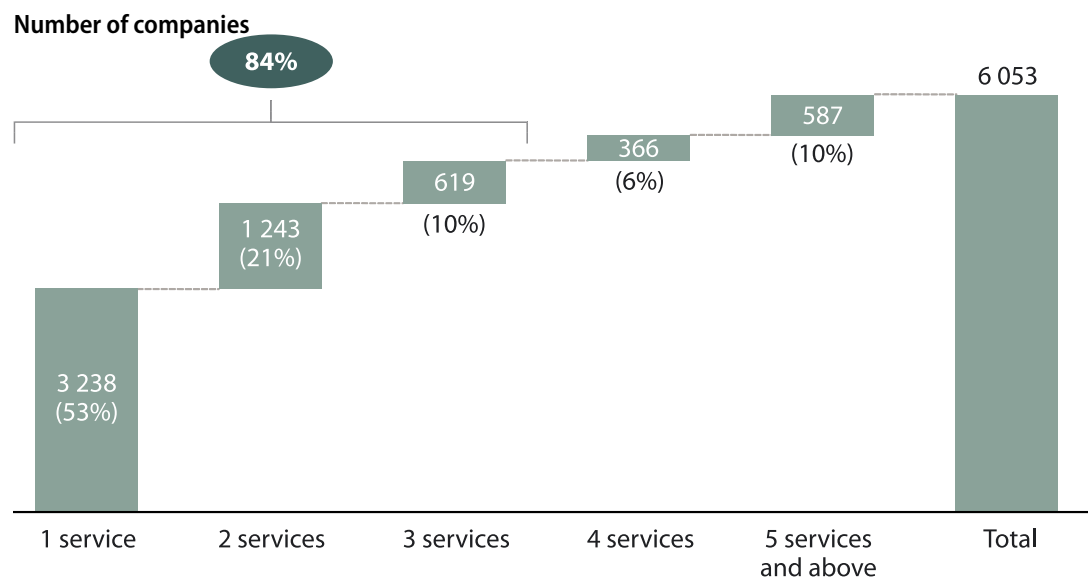
FIGURE 7. Distribution of Business Finland's services by type, 2016-2019



Note: Only observations with a Business ID are included. This means that observations in Business Finland's CRM system that did not have Business ID are not counted as a service provided.

Source: Implement Economics based on Business Finland's CRM and innovation funding data, 2021.

FIGURE 8. Distribution of Business Finland customers by number of services received, 2016-2019



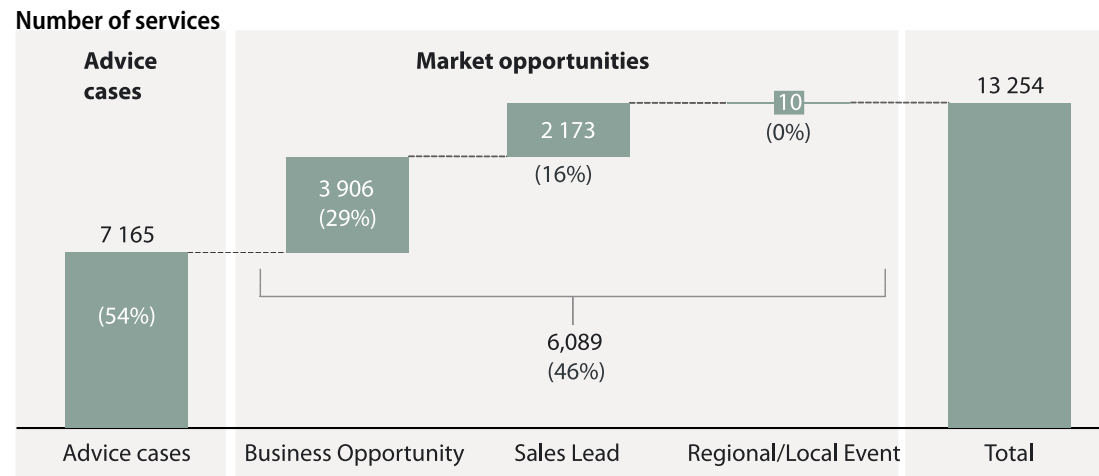
Note: Only observations with a Business ID are included. This means that observations in Business Finland's CRM system that did not have Business ID are not counted as a service provided. Services include Market opportunities, advice cases, EEN, international funding and innovation funding.

Source: Implement Economics based on Business Finland's CRM and innovation funding data, 2021.

Business Finland’s export promotion services consist of advice cases (54 percent) and market opportunities (46 percent). Advice cases services is support and coaching in planning an entry into a new market and improving competitiveness in existing markets. Market opportunity services provides Finnish companies with information on market specific characteristics, contact information on potential partners and regional events. In the survey companies express that they would like more support in marketing through online or on-site events, which there according to the CRM data have been relatively few of.

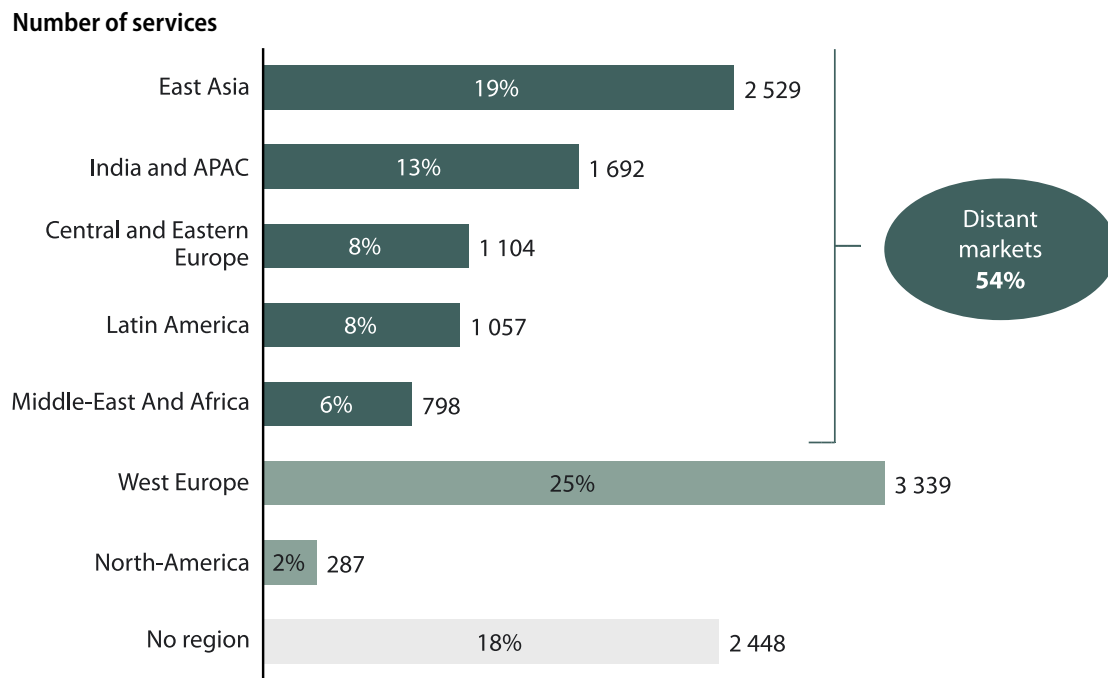
Some of the export promotion services are targeted specific markets whereas others are more general. In 2,448 cases we are not able to determine a specific market focus of the export promotion service. Business Finland’s export promotion services are mostly focused on distant markets (54 percent), which is also where the risk of market failures due to information spillovers and asymmetries is expected to be highest.

FIGURE 9. Components of Business Finland’s export promotion services, 2016-2019



Source: Implement Economics based on Business Finland’s CRM data, 2021

FIGURE 10. Business Finland’s export promotion services by region, 2016-2019



Note: Only observations with a Business ID are included.

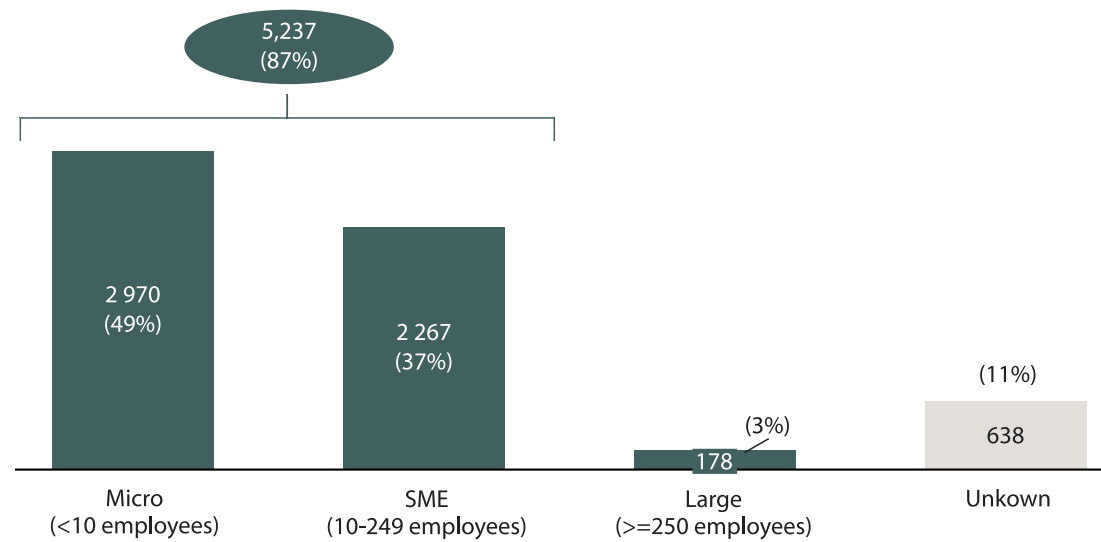
Source: Implement Economics based on Business Finland’s CRM and innovation funding data, 2021.

However, a substantial part of Business Finland services (25 percent) is targeted Western Europe where the export potential may be large due to high purchasing power. The informational issues are expected to be much smaller within the European market, but small companies with little export experience might also be challenged with information barriers within Europe. Exports to near markets can also be a steppingstone to exports to distant markets as companies learn and gain skill required to enter more distant markets. (Fig. 10)

87 percent of Business Finland customers are micro companies or SMEs. Smaller companies generally face greater obstacles in the internationalisation process compared to larger companies, and the rationale for offering free-of-charge export promotion services is therefore stronger for smaller companies. Business Finland fulfil the mandate to correct the market failure affecting smaller companies. (Fig. 11)

FIGURE 11. Business Finland customers by company size, 2016-2019

Number of enterprises



Note: Only observations with a Business ID are included.

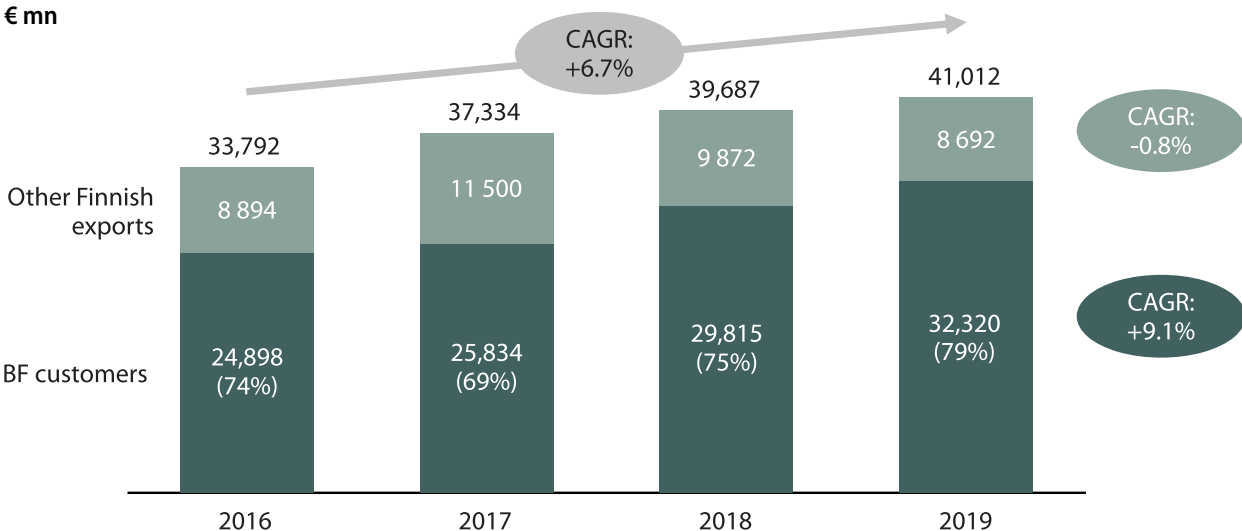
Source: Implement Economics based on Business Finland's CRM and innovation funding data, 2021.

1.4 EXPORTS TO DISTANT MARKETS BY BUSINESS FINLAND’S CUSTOMERS

In 2019, Business Finland’s customers accounted for 79 percent of total Finnish exports to extra-EU markets, which is an increase of 5 percentage points since 2016 where the share was 74 percent.⁸ Extra-EU exports of Business Finland’s customers have grown substantial-

ly faster than total Finnish exports. The average annual growth rate for Business Finland customers has been 9.1 percent compared to 6.7 percent of the total Finnish exports. This could be due to the collaboration with Business Finland or driven by other differences factors like Business Finland’s customers being especially motivated to export (selection bias).

FIGURE 12. Business Finland customers’ share of total Finnish extra-EU exports



Note: Data is reported in current prices.
 Source: Implement Economics based on Business Finland CRM data and Statistics Finland.

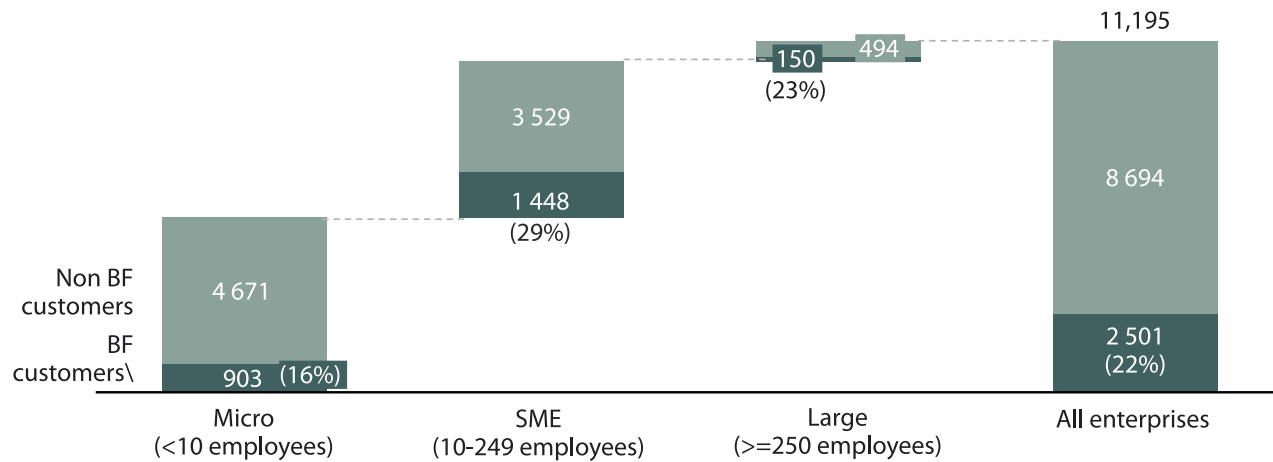
⁸ The focus of this study is on distant markets, but export data from Statistics Finland can only be divided into intra-EU and extra-EU exports. The UK is included as intra-EU, since data are from before the UK left the EU.

In total, 11,195 companies exported to extra-EU countries in 2019 of these 2,501 (22 percent) were Business Finland customers. In other words, nearly 80 percent of the exports are concentrated among only 22 percent of the exporting companies. This skewed distribution of exports is supported in an ECB (2015) study showing that top 10 Finnish exports are responsible for around 5 percent of total exports. The concentration of exports

within a few companies indicate that Business Finland collaborates with some of the largest exporters to the distant markets but also that there are many small exporters that did not receive services from Business Finland during this period. This could indicate an opportunity for Business Finland to help these potential customers scale their exports.

FIGURE 13. Companies that export to extra-EU markets, 2019

Number of companies



Note: Only observations with a Business ID are included.

Source: Implement Economics based on Business Finland CRM data and Business Finland CRM data and Eurostat, table: Trade by NACE Rev. 2 activity and enterprise size class [EXT_TEC01__custom_1311135].

1.5 CONCLUDING REMARKS

Exports are a key driver for prosperity in Finland. The mandate and justification for export promotion is to correct the market failures due to information spill-overs and asymmetries. The market failures are expected to be greatest in distant markets, and they are expected to have a greater negative impact on small companies. Business Finland has fulfilled this mandate by focusing their services on distant markets and smaller companies. During 2016-2019, 54 percent of Business Finland's services targeted distant markets were given to micro companies or SMEs, and these smaller firms account for 87 percent of the customer base.

We find that the greatest obstacles facing Finnish companies in their internationalisation process are difficulties finding the right partners, the right clients and meeting clients' needs. In the next chapter, we will evaluate how well Business Finland supported entry and increased exports to distant markets.

KEY FINDINGS

- Market failures due to information spill-over and asymmetries mandate Business Finland to help companies overcome informational barriers
- The market failure is expected to be largest for small companies and companies exporting to distant markets
- Finnish exports are concentrated among a few firms
- From 2016-2019, Business Finland has fulfilled the mandate to help small companies exporting to distant markets



2 IMPACT OF BUSINESS FINLAND'S SERVICES ON FINNISH COMPANIES

In this chapter, we assess how Business Finland's services have succeeded to improve the economic growth and sustainability of Finnish companies.

2.1 IMPACTS ON FINNISH COMPANIES' CURRENT EXPORT PERFORMANCE

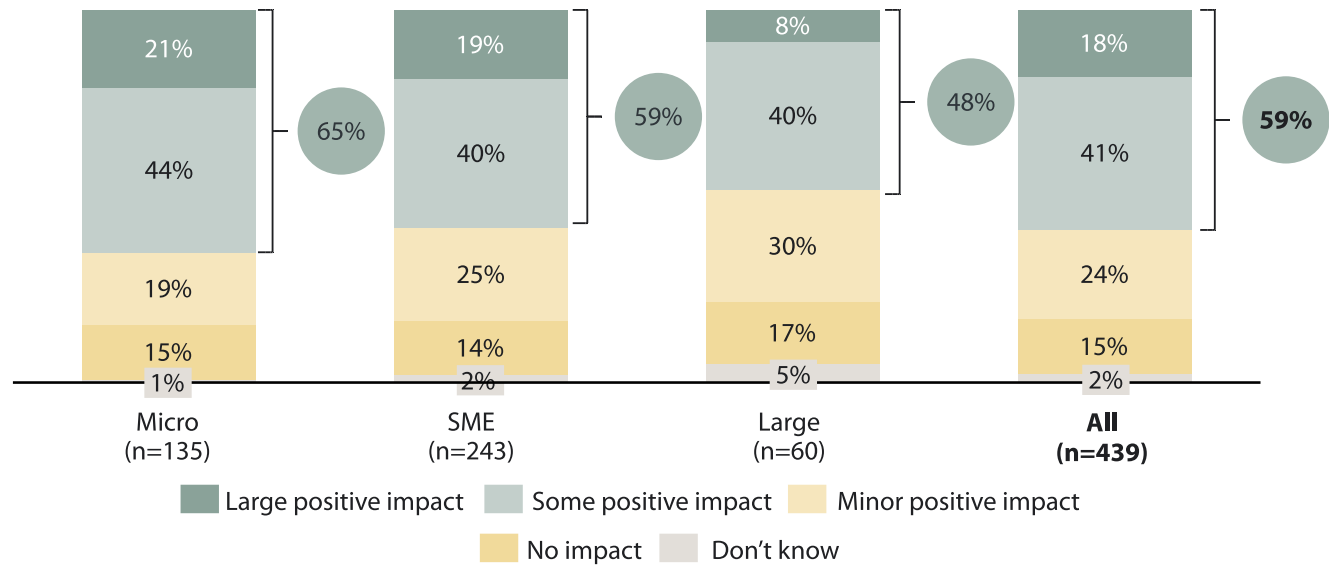
Business Finland's customers perceive the export promotion services from Business Finland as effectful. Around 60 percent of Business Finland's customers report that the collaboration with Business Finland has had a large or some positive impact on their exports to distant markets and only 15 percent report no impact. The reported impact is largest for micro companies and SMEs of who 65 percent and 59 percent report a large or some positive

impact from the collaboration with Business Finland. Of the large companies, 48 percent report a large or some positive impact. This finding corresponds to the expectation that the market failure is greater for smaller companies. (Fig. 14)

The companies who reported that their collaboration with Business Finland had a positive impact were asked to estimate what share of their company's total exports to the distant markets was due to the collaboration with Business Finland. 40 percent of the respondents estimated that Business Finland was responsible for less than 10 percent of the exports and 20 percent estimated that Business Finland was responsible for 10-20 percent of the exports to distant markets. (Fig. 15)

FIGURE 14. Impact of export promotion services on exports to distant markets, 2019

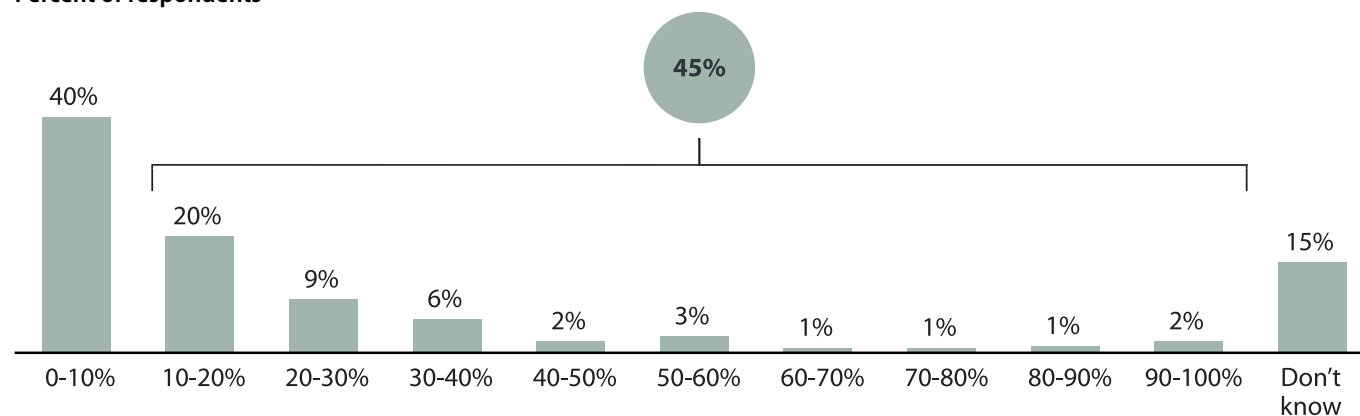
Percent of respondents



Note: Survey question: Have Business Finland export promotion services helped increase your company's exports to countries in Central & Eastern Europe, Asia, Latin America, Middle East and/or Africa in 2019?

Source: Survey conducted by Implement Economics on behalf of Business Finland, April 2021.

FIGURE 15. Export companies' assessment of how much of their export to distant markets that was due to Business Finland's services
Percent of respondents

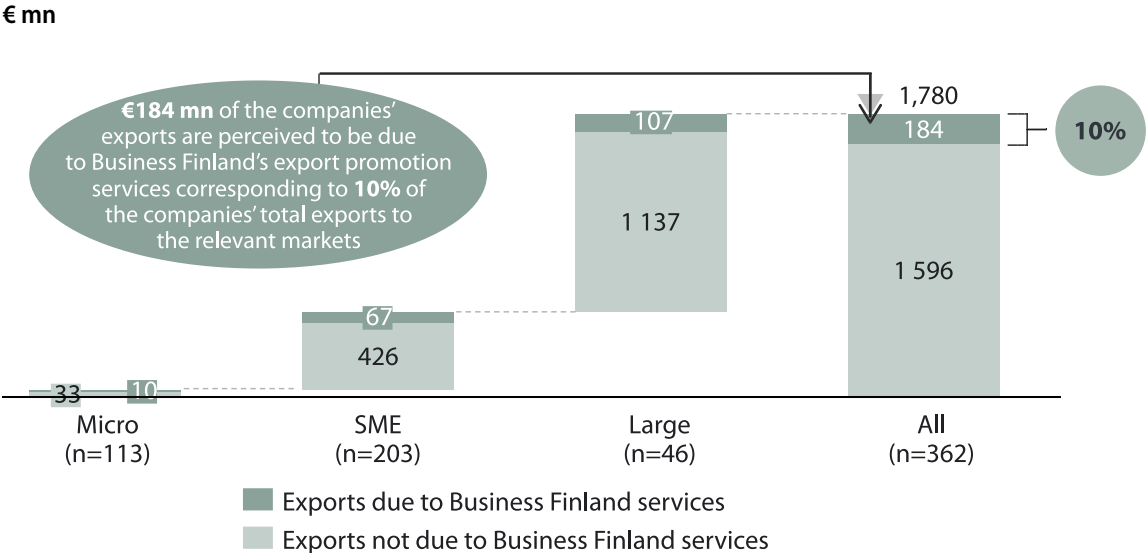


Note: n=362. Only companies that reported that their collaboration with Business Finland had had an effect were presented with this question.
Survey question: What share of your company's total exports to countries in Central & Eastern Europe, Asia, Latin America, Middle East and/or Africa in 2019 was due to the export promotion services from Business Finland?
Source: Survey conducted by Implement Economics on behalf of Business Finland, April 2021.

By combining the companies' reported exports and their perceived impact of the export promotion, we estimate that Business Finland contributed to €184 mn of the respondents' exports to distant markets in 2019, which corresponds to 10 percent of the companies' exports to distant markets (see Appendix for methodology). This

impact relates to Business Finland's services provided during 2016-2019. However, the impact is interpreted as a reoccurring yearly effect under the assumption that Business Finland's services maintain their current quality level and that their customer base maintain roughly the same size as it has been in previous years. (Fig. 16)

FIGURE 16. Value of respondent companies exports to distant markets, 2019

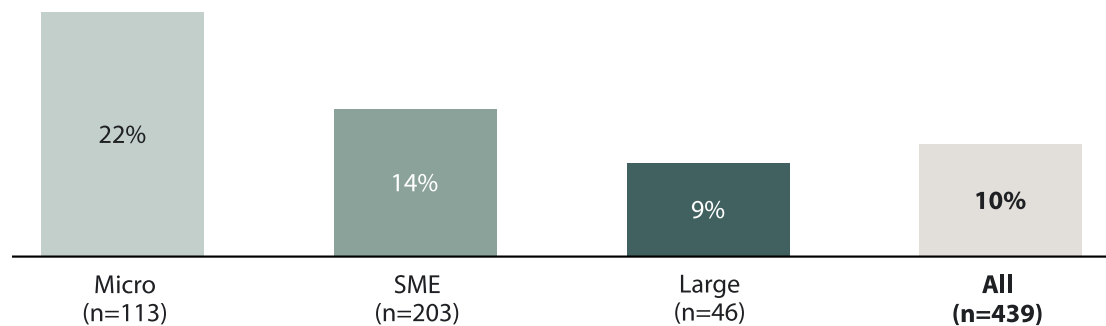


Note: Survey questions used: What was the approximate value of your company's total exports to countries in Central & Eastern Europe, Asia, Latin America, Middle East and/or Africa in 2019 (your best estimate)? & What share of your company's total exports to countries in Central & Eastern Europe, Asia, Latin America, Middle East and/or Africa in 2019 was due to the export promotion services from Business Finland? (the respondents answered this question in intervals, and the midpoint in these intervals was used for the above calculation) & Did your company receive export promotion services (e.g. market opportunities, advice cases) from Business Finland during the period 2016-2019?

Source: Survey conducted by Implement Economics on behalf of Business Finland, April 2021.

FIGURE 17. Exports due to export promotion services as share of total reported exports

Percent of total reported exports to distant markets



Note: Only companies that received export promotion and assessed it had some positive impacts are included in this graph. Respondents who answered don't know to how much Business Finland contributed to their export to distant markets count as zero. Survey questions used: What was the approximate value of your company's total exports to countries in Central & Eastern Europe, Asia, Latin America, Middle East and/or Africa in 2019 (your best estimate)? & What share of your company's total exports to countries in Central & Eastern Europe, Asia, Latin America, Middle East and/or Africa in 2019 was due to the export promotion services from Business Finland? & Did your company receive export promotion services (for example market opportunities, advice cases) from Business Finland during the period 2016-2019?

Source: Survey conducted by Implement Economics on behalf of Business Finland, April 2021.

The perceived impact of Business Finland's export promotion is significantly larger for small companies. Respectively, 22 and 14 percent of micro companies' and SMEs' exports to distant markets are perceived to be due to the collaboration with Business Finland compared to 9 percent of large companies. This finding again supports that the market failure is greater for SMEs and that focusing on smaller companies is empirically supported.⁹ (Fig. 17)

These findings indicate that Business Finland has played an important role in global growth for Finnish companies.

⁹ Munch and Schaur (2018) also find a favourable business case for export promotion in Denmark for small companies; summing expenditures on export promotion, subsidies, and tax distortions the gain in value added is around three times higher than the direct cost of export promotion.

2.2 TRANSMISSION CHANNELS FROM EXPORT PROMOTION SERVICES TO EXPORTS

Exports to new markets and new customers in existing markets can help explain the impact of export promotion services. 45 percent of Business Finland's customers respond that the best explanation of the impact of the export promotion is increased exports to new markets. This explanation is the most dominant for micro companies (55 percent) and SMEs (41 percent) whereas large companies find increased exports to new customers more important (49 percent). Faster time to market is also

CASE: EDUCATION AND LEARNING

Main barriers are marketing and competition, slow sales processes and difficulties getting in touch with right people, partners and networks. Cultural differences are also perceived as a common barrier.

Business Finland has helped overcome cultural barriers and difficulties getting in touch with key people, which in turn affects future sales. Funding has helped with product development. Local knowledge has been experienced as valuable and could be utilized even more.



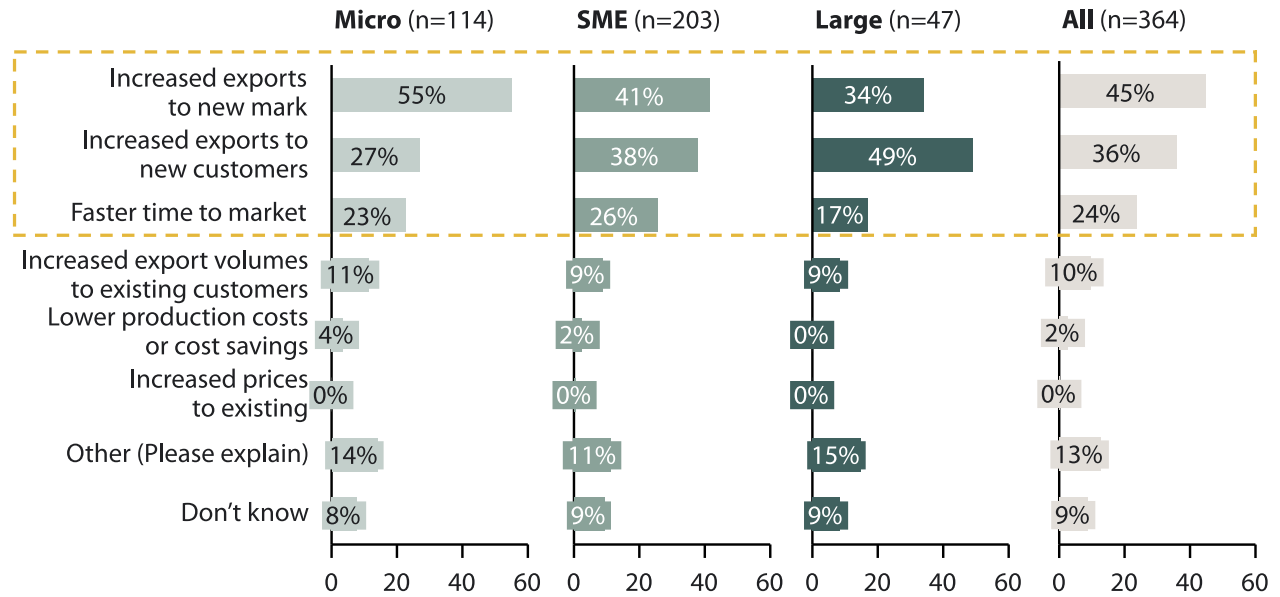
deemed an important factor, especially for micro companies and SME of whom 23 and 27 percent, respectively, respond that this transmission channel best explains the impact from export promotion services. (Fig. 18)

These findings are confirmed in interviews where companies express that export promotion helped establish operations in new markets and build relationships by networking, getting in touch with important people and opening doors. Other important factors are visibility in the new market, brand awareness and channel identification. Some companies argue that export promotion reduces uncertainty by mitigating adverse political environments impacting the business and give a better understanding of clients' expectations.

Business Finland's customers assess that the most important service for their company to start exporting is matchmaking or networking with potential clients (see Figure 19). 18 percent express that this service had a large positive impact on their exports to distant markets and 37 percent express that this service had some positive impact. This resonates with the fact that the greatest obstacle perceived by the customers is finding the right partners and clients (see Figure 4).

FIGURE 18. Transmission channels from export promotion services to exports to distant markets

Percent of respondents

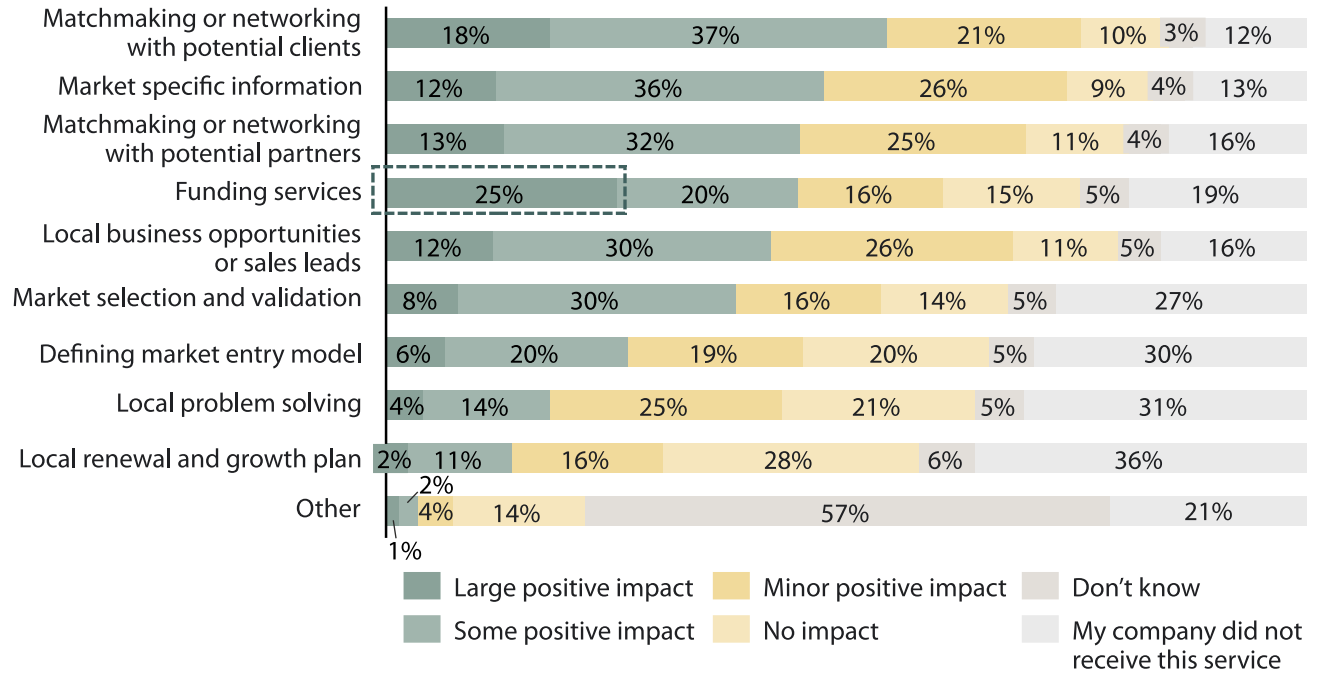


Note: Only the companies who answered that they experienced increased some impact form Business Finland’s export promotion services were presented with the above question in the survey. Survey question: How can you best explain the impact of the export promotion services received from Business Finland on your company’s exports to countries in Central & Eastern Europe, Asia, Latin America, Middle East and/or Africa in 2019?

Source: Survey conducted by Implement Economics on behalf of Business Finland, April 2021.

FIGURE 19. Assessment of which services have helped companies start exporting to distant markets

Percent of respondents



Note: n=342. Only companies who answered that they experienced increased positive impact form. Survey question: How can you best explain the impact of the export promotion services received from Business Finland on your company’s exports to countries in Central & Eastern Europe, Asia, Latin America, Middle East and/or Africa in 2019?

Source: Survey conducted by Implement Economics on behalf of Business Finland, April 2021.

CASE HEALTH

Main barriers are finding right contacts and networks to discuss opportunities. Funding has also been a barrier in entering a new market.



Business Finland has helped companies get contacts in the local markets, and with coaching support, networks and valuable information/expertise. The role of innovation funding has been crucial to establish, run and grow the businesses. One customer says: “Without innovation funding there would be no export of the healthcare software”. Collaboration with BF has led to more visibility, networking and contacts.

Further needs are even more in-depth local knowledge and more services building the local networks/contacts. E.g., form a network for specific market areas/industry segments. One customer writes: “There could be a service/funding to share the own internalization experiences with other peer CXOs in confidential setting, with some funding support, and potential trip to the target country”.

Market specific information and matchmaking are also viewed as key services to help the companies start exporting. Nearly half of the respondents express that this service had a positive impact on their exports to distant markets, 12 percent respond this service had a large positive impact and 36 percent say it had some positive impact. The results from the survey are supported by interviews with Business Finland’s customers, in which companies express that Business Finland has been helpful in setting up local cooperation, overcoming cultural barriers and speeding up local dialogues.

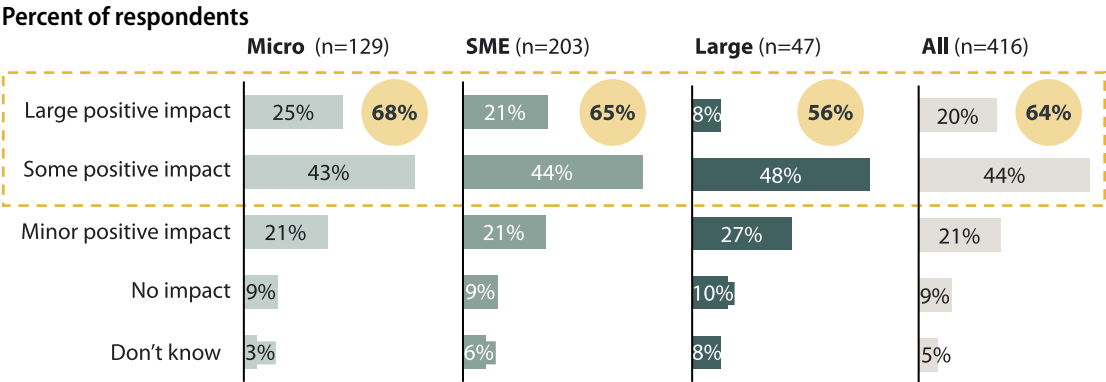
25 percent of Business Finland’s customers respond that the funding services had a large positive impact on their company’s ability to start exporting (see Figure 19). It is mainly micro companies and SMEs who express that the funding has a large positive impact. This indicates that smaller companies face more barriers in their internationalisation process, which supports the rationale for export promotion services focused on smaller companies.

2.3 LONGER TERM IMPACTS ON THE FINNISH EXPORT POTENTIAL

Engaging in exports to distant markets build skills internally in Finnish companies, knowledge about foreign markets and develop the brand of Finnish companies. This accumulation of know-how is expected to have long-term impacts for economic sustainability and productivity of Finnish companies. Business Finland’s customers

also have expectations to the long-term impacts of export promotion services. 64 percent of the customers report that the export promotion services will have a large or some positive long-lasting impact on their exports to distant markets. A larger share of micro companies (68 percent) and SMEs (65 percent) believe there will be long lasting effects, which again supports that export promotion is more effectful for smaller companies because the informational market failures affect them more.

FIGURE 20. Respondents’ expectation of export promotion to have long lasting effects on exports to distant markets



Notes: Survey questions used: Do you expect that the export promotion services received from Business Finland will have an impact on your company’s exports to countries in Central & Eastern Europe, Asia, Latin America, Middle East and/or Africa in the future?

Source: Survey conducted by Implement Economics on behalf of Business Finland, April 2021.

CASE: GROWTH COMPANIES



Main barriers are finding resources when entering a new market, market acceptance and finding the right local people in the markets.

Business Finland has helped with funding and access to local networks.

Further needs are even more support with funding from a long-term perspective, more flexible funding opportunities and more focus on export business development services.

In interviews, Business Finland's customers indicate that they expect long-term implications by a strengthened Finnish brand, ecosystems of knowledge building and impact on the local export markets:



**Strengthened
Finland brand**

The export promotion services have supported building a stronger brand of Finland around the industries and products, as well as provided better visibility and synergies for smaller Finnish firms. Examples are "Food from Finland", health technology knowledge initiatives as well as Finnish primary school education export projects. This indicates that the impact of the export promotion service can stretch beyond the company receiving the service directly.



**Ecosystem
knowledge
building**

The export promotion services have facilitated the spreading of the sector knowledge, building ecosystems and networking with broader scope. Ecosystems are here defined as the value chain of production and research institutions underpinning the production by providing new technology and knowledge. Networking and knowledge sharing opportunities for a broader set of firms within the ecosystem has strengthened the competitive position of Finnish firms more broadly.



**Impact on the
local export
markets**

The products delivered by Finnish companies have benefitted foreign authorities, organisations, and consumers. Examples are increased availability of new technology and methods to important segments like health-care, education, and water. Finnish companies have contributed to raising the quality of these important segments, which have impacts on society and humans specifically in developing countries. Over time, this can increase demand for Finnish products.

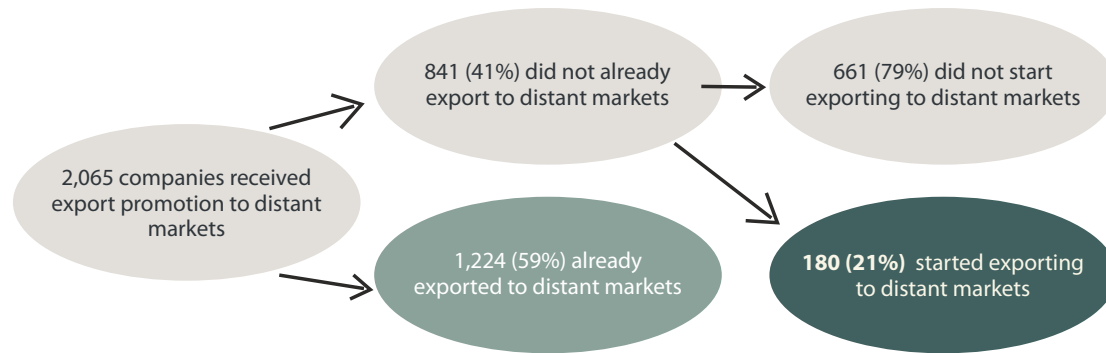
The collaboration with Business Finland can also impact the likelihood that a company starts exporting. Between 2016-2019, 2,065 companies received export promotion to distant markets from Business Finland. 59 percent of these companies exported to distant markets prior to receiving the export promotion services. Of the 841 remaining companies that did not already export to distant markets, 21 percent started exporting to distant markets after having received export promotion services. Note that this result is a correlational and cannot be used to assess if the 21 percent companies started exporting due to the collaboration with Business Finland or due to other reasons.

The average lag from receiving the export promotion to the company starts to export is 1.6 years. Since we are measuring the impact over a short period, the full impact

is unknown.¹⁰ Some of the companies who received export promotion in 2019 have not had a long time to realise the potential impact of the export promotion services. In that respect, the success rate of 21 percent could be seen as a lower estimate.

FIGURE 21. Companies that started exporting after receiving export promotion, 2016-2021

Number of companies

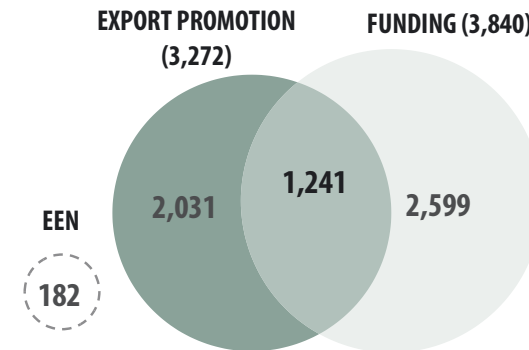


Note: Only observations with a Business ID are included.

Source: Implement Economics based on Business Finland CRM data and Statistics Finland.

2.4 SYNERGIES BETWEEN EXPORT PROMOTION AND FUNDING SERVICES

Business Finland provided export promotion to 3,272 companies between 2016 and 2019. Of these companies, 1,241 also received funding whereas 2,599 companies only received funding. Business Finland’s customers express that funding has a positive impact on their company’s international growth.



The customers find the funding is helpful on a large range of parameters of which the most important is improved products and/or services. 45 percent of Business Finland’s customers express that funding to a very large extent had an impact on their company’s international

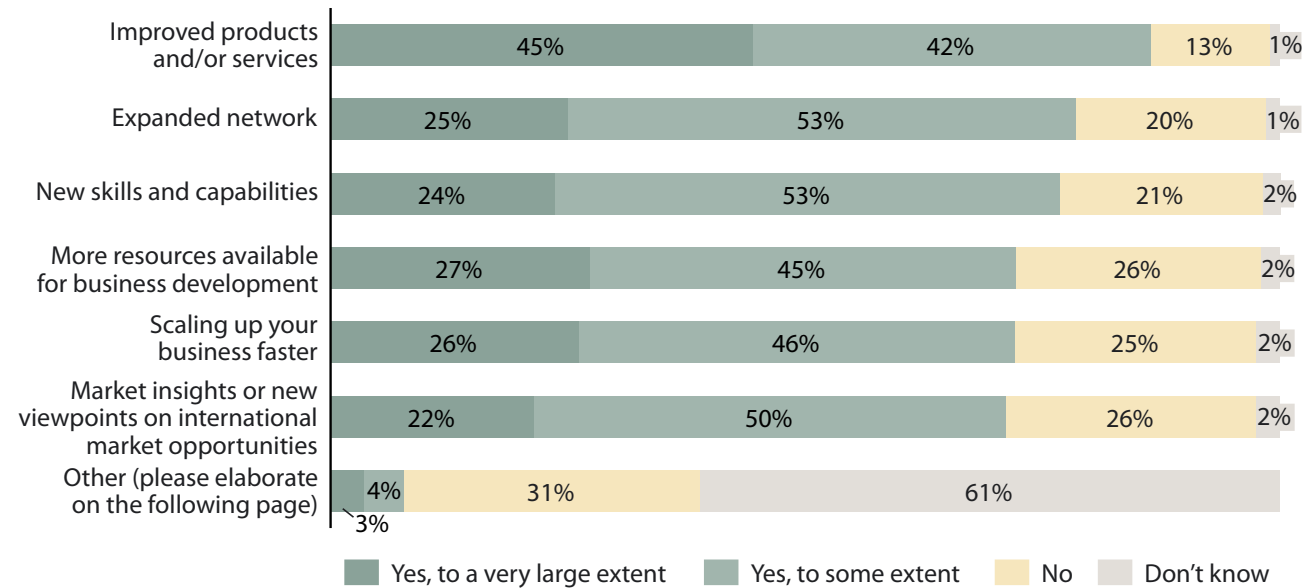
¹⁰ Note that there are very few observations for export promotion in 2016, which means we are effectively measuring the effect of export promotion from 2017 to 2019.

growth potential via improved products and/or services and 42 percent express that this channel to some extent had an impact. This finding is supported by economic

theory, where funding is found to enhance the companies' productivity and thereby help them compete successfully in the global economy.¹¹

FIGURE 22. Reported impact of funding on international growth potential

Percent of respondents



Note: n=772. Survey questions: Has the funding from Business Finland had any of the following impacts on your company's international growth potential?

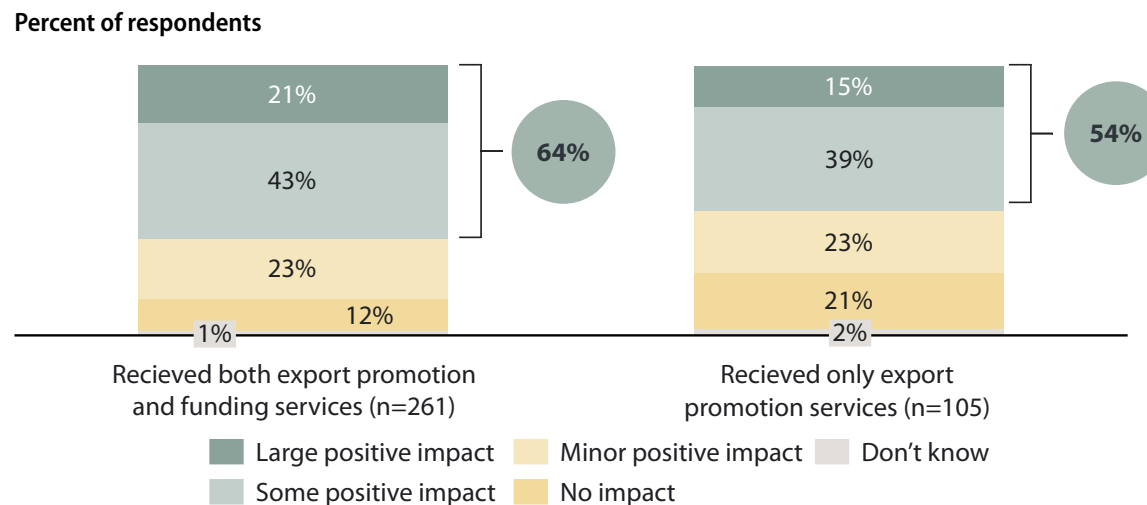
Source: Survey conducted by Implement Economics on behalf of Business Finland.

¹¹ Görg et al. (2008) find empirical evidence for in Ireland. They combine a nonparametric matching procedure with a difference-in-difference estimator on a rich data set on Irish manufacturing plants. Their results suggest that large enough grants can encourage companies that already export to compete more effectively globally. They find little support for grants encouraging non-exporters to start exporting.

The survey also indicates that synergies between export promotion and funding are prevalent. A larger share (64 percent) of the companies who received both export promotion and funding report that export promotion had

a positive impact on their exports to distant markets compared to the companies who received only export promotion (54 percent).¹²

FIGURE 23. Reported impact of export promotion services on exports to distant markets



Note: The number of respondents doesn't sum to the number of respondents receiving export promotion because the figure does not include those companies that responded 'don't know' to the question of whether their company received funding. Survey questions: Have Business Finland export promotion services helped increase your company's exports to countries in Central & Eastern Europe, Asia, Latin America, Middle East and/or Africa in 2019? & Did your company receive funding (e.g. Tempo, Market Explorer, Exhibition Explorer, and Vientirengas) from Business Finland during the period 2016-2019?

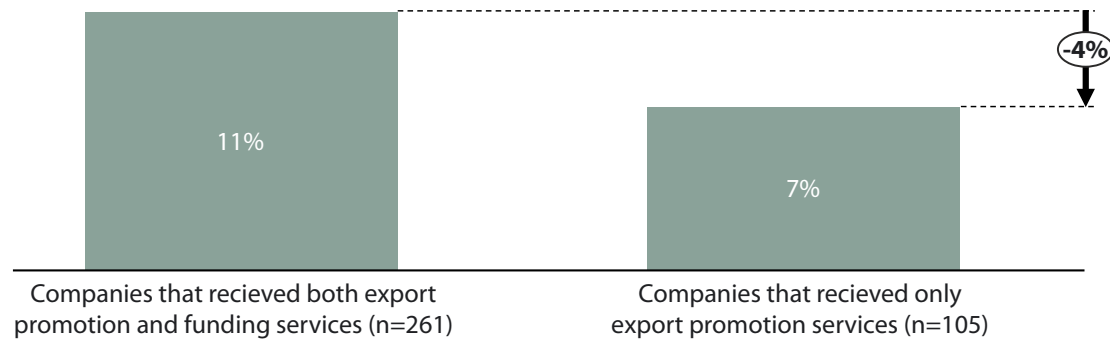
Source: Survey conducted by Implement Economics on behalf of Business Finland.

¹² This estimate is purely correlational, and it is possible that the synergy can be explained by other factors like the characteristics of companies receiving both services (omitted variable bias).

Companies that receive both funding and export promotion services attributed a large share of their success to Business Finland compared to companies that only receive export promotion. Companies that received both services attribute 11 percent of their exports to Business Finland compared to 7 percent of companies that only received export promotion.

FIGURE 24. Share of exports due to Business Finland’s export promotion of total reported exports

Percent of total reported exports to distant markets

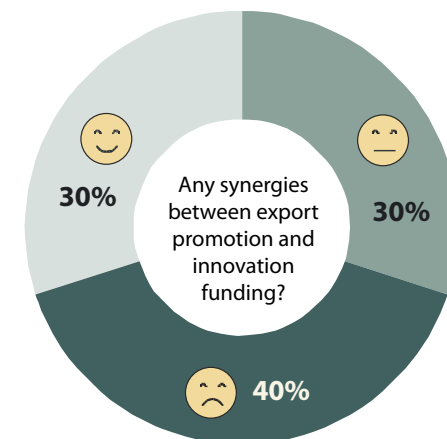


Note: Survey questions used: What was the approximate value of your company’s total exports to countries in Central & Eastern Europe, Asia, Latin America, Middle East and/or Africa in 2019 (your best estimate)? & What share of your company’s total exports to countries in Central & Eastern Europe, Asia, Latin America, Middle East and/or Africa in 2019 was due to the export promotion services from Business Finland? & Did your company receive export promotion services (e.g. market opportunities, advice cases) from Business Finland during the period 2016-2019? & What share of your company’s total exports to countries in Central & Eastern Europe, Asia, Latin America, Middle East and/or Africa in 2019 was due to the export promotion services from Business Finland? Companies that replied ‘don’t know’ to this question weight as zero.

Source: Survey conducted by Implement Economics on behalf of Business Finland.

Some synergy effects are confirmed in the interviews. 30 percent of the interviewees indicate synergies between export promotion and innovation funding. They say that new innovations, enabled by funding, are needed to be relevant when entering new markets. Funding supported by export promotion services drives commercial impact.

- 30 percent of the interviewees had no experience with innovation funding, or that innovation funding may have been handled by someone else within the same company.
- 40 percent of the interviewees perceive that current collaboration with Business Finland on these two services is isolated, and therefore experienced no synergies between the two services. However, there is interest to work more coordinated with export promotion and funding to drive more commercial export impact from the funded innovations.



2.5 CONCLUDING REMARKS

Business Finland's export promotion services have improved the economic growth of Finnish companies in distant markets mainly by increasing exports to new markets and new customers in existing markets. This was achieved through help with establishment of operations in new markets and building relationships by networking, getting in touch with important people and opening doors. The most effectful services are matchmaking and networking with potential clients. Also, the services provide market specific information and matchmaking with potential partners are deemed key services when engaging in trade to distant markets.

Business Finland's customers assess that 10 percent of their exports to distant markets were due to their collaboration with Business Finland, which translates into a yearly increase in exports of €184 mn. Micro companies and SME attribute an even larger share of their exports to Business Finland. 22 percent of the micro companies' exports and 14 percent of the SMEs' exports to distant markets are perceived to be due to the collaboration. This emphasises that export promotion services are more effectful for small companies.

The survey and interviews with Business Finland customers indicate that funding enhances the impact of export promotion services. Companies that received both funding and export promotion attribute 11 percent of their exports to Business Finland compared to 7 percent of companies that only received export promotion. However, interviews indicate that more synergy effects between export promotion and funding could be achieved through a more coordinated approach by Business Finland.

Business Finland's services have long term impacts through a strengthened Finnish brand and knowledge building within ecosystems. Micro companies and SME to a greater extent than larger companies assess that the export promotion will have long term impacts on their companies' exports to distant markets. Business Finland's support with finding clients and partners and delivery of market specific information helped the companies become exposed to and better anchored in foreign markets. Also, the funding services are deemed important for the companies' ability to start exporting to distant markets, especially for micro companies and SME. This accumulation of knowledge, network and capabilities indicates that Business Finland's activities succeed to improve the sustainability of Finnish companies in distant markets.

KEY FINDINGS



- Business Finland helped Finnish companies grow by increasing exports
- Business Finland's customers assess that 10 percent of their exports to distant markets were due to their collaboration with Business Finland
- The largest impact of the export promotion services is found among smaller companies
- There are synergies between export promotion and funding, but there is potential to reap even more benefits from these synergy effects

3 BENEFITS TO SOCIETY OF BUSINESS FINLAND'S SERVICES

Exporters need to acquire and process a lot of information to enter and be successful in foreign markets. Among others, they need to navigate between different product and safety standards, distribution and supply chain challenges, tariffs, cultural differences, enforcement of intellectual property rights, and the macroeconomic situation.¹³ As discussed in Chapter 1, the aim of export promotion is to help companies overcome these informational barriers and become successful exporters. Overcoming these barriers is especially important for small open economies like the Finnish that is composed of many small companies.¹⁴ When Finnish companies succeed in becoming exporters, it has positive implications for the entire Finnish society through wealth generation, productivity spillovers, and job creation. In this chapter, we will address some of these derived societal benefits.

¹³ Munch and Schaur (2018).

¹⁴ Broocks and Van Biesebroeck (2017).

¹⁵ See Van Biesebroeck et al. (2016) for a review of studies at the aggregate level. Studies at the aggregate level find mixed evidence of the impact of export promotion services. Studies at the firm-level invariably find positive impacts (Van Biesebroeck et al. (2016)).

3.1 THE EXISTING LITERATURE ON IMPACTS OF EXPORT PROMOTION

The impacts of export promotion have been widely studied in the literature. This study focuses on the branch of the literature that uses firm-level data in contrast to aggregate country or state level data.¹⁵ Most of the literature using firm-level data apply a difference-in-difference matching estimator to control for observable characteristics of the company and thereby isolate the impact of export promotion services on export performance from other factors that impact firm performance.

Broocks and Van Biesebroeck (2017) find that export promotion services raise the propensity for Belgian companies to start exporting outside the EU single market. Their findings are robust to the likely upward bias arising from self-selection into treatment (i.e. receiving export

promotion services). They address this issue by applying two different strategies (i) they estimate the model using only observations where endogenous selection into treatment is less likely, and (ii) they use companies who receive the weakest form of support as controls for companies receiving more extensive support. The findings in Broocks and Van Biesebroeck (2017) are supported by Lederman et al. (2016), who study a panel of exporting and non-exporting companies from Latin America and find evidence that export promotion services help companies enter new markets and survive in export markets. Investigating only exporting companies, Biesebroeck et al. (2016) find that Canadian companies that receive export promotion services have boosted their exports by 10 percent.

Cruz (2014) also finds evidence that export promotion services significantly increase the probability of Brazilian companies to start exporting. Specifically, he finds that the probability of a non-exporting company to start exporting increase by nearly 130 percent (from and export propensity of 1.75 percent to 4.05 percent). Cruz (2014) estimates also suggest that the export promotion is more effective for small companies. Furthermore, using data from the UK, Mion and Muüls (2015) find evidence that export promotion services positively affect companies' goods exports performance. Companies receiving export promotion services export 8.4 percent more than companies not receiving export promotion services.

Munch and Schaur (2018) differ from other studies by focusing on the impact of export promotion on the company's overall performance (measured by sales, value added, employment, and value added per worker). In addition, they evaluate if the cost of the export promotion services outweighs the benefits. This is important for the justification of export promotion services from a societal perspective. Munch and Schaur (2018) have two fundamental advantages compared to the general literature on this topic:

1. Their data is the most comprehensive data set to date that has been used to study the impact of export promotion services. It includes detailed company characteristic for the entire population of Danish firms (also non-exporters).
2. They have information on whether the companies that received export promotion were approached by the Danish Trade Council or whether the companies initiated the contact themselves (detailed CRM data). This is important because it allows to control for the for one of the main biases in these types of impact assessments: self-selection into treatment.

The detailed CRM data also allows to estimate the cost of the export promotion service which is used in the cost-benefit analysis. Munch and Schaur (2018) find that export promotion services increase the probability of being an exporter by 3.9 and 5.9 percentage points,

respectively, one and two years after receiving the export promotion services. The impact is larger for small companies. For small companies, they find that export promotion increases total sales, value added, employment and in the long run productivity. These benefits outweigh the costs for small firms, where the gain in value added is three times higher than the direct cost of export promotion. For larger companies, they do not find significant impacts on the overall company performance.

In an updated study of the impacts of the Danish Trade Council's export promotion services, Munch (2018) applies an identification strategy that is novel in this literature. Munch relies on a fixed-effects-model¹⁶ and focuses on market specific impacts of the export promotion services. In other words, Munch (2018) assesses the impact on exports to the specific market that the company received export promotion for. This strategy has a major advantage because it allows to control for company and market fixed effects and thereby eliminate the bias from unobservable time invariant characteristics of company and market. Munch (2018) finds that export promotion services have a clear positive impact on the propensity to export and the values of exports to a given market.

On average, the propensity to export to a specific market increases by 70 percent and the value of exports increase by 6.4 percent. The largest impact is found among companies with 20-49 employees who received "global public affair" services, the value of their export to a given market increase by 33 percent.

Van Biesebroeck, Konings, and Martincus (2016) study how export promotion services affect the survival of companies during the financial crisis. They show that Belgian companies that received export promotion services during the global recession of 2009 were more likely to survive in the export markets and to continue exporting to countries affected by the financial crisis¹⁷. They find that the propensity to survive on the export market is 6 percent higher for companies that have taken advantage of export promotion services.

In sum, the literature finds positive impacts of export promotion services on the likelihood of exporting, the value of exports, and overall company resilience and performance, especially for smaller companies. The magnitude of the impacts found in the literature support that the 10 percent contribution by Business Finland to their customers exports to distant markets is reasonable.

¹⁶ See Section 4.1 for a thorough description of the econometric model and data requirements to apply it.

¹⁷ Van Biesebroeck, Konings, and Martincus (2016) measure incidences of banking or financial crisis in between 2007-2010 as defined in Reinhart and Rogoff (2011) and Laeven and Valencia (2012).

3.2 ECONOMIC IMPACTS FOR SOCIETY OF HIGHER EXPORTS

The increased exports resulting Business Finland's export promotion services have positive impacts beyond the individual companies. Increased exports generate employment, accelerate economic growth, and improve the trade balance.¹⁸ In the EU, one in five jobs depends on exports.¹⁹ In general, export-related jobs are better paid. In a recent study, the European Commission finds that on average export-related jobs in the EU are 12 percent better paid than other jobs. Depending on the workers' skill level and occupational profile, the wage premium for export jobs varies from 5 percent to 14 percent.²⁰ It is also found that companies engaged in foreign trade are more productive.²¹

Exposure to foreign markets also increases the transfer of knowledge and ideas across countries and thereby the likelihood of using foreign technologies and collaborating with foreign companies on R&D.²² In this way, exports support the transformation of the Finnish economy towards more productive companies with a future growth potential.

The 1,392 companies who responded to the survey assess the yearly impact of Business Finland's export promotion services on exports to distant markets to be €184 mn. This result can be extrapolated to the total population of Business Finland customers under the assumption that the non-responding companies (n=4,661) are similar to the responding. Under these assumptions total exports attributed to Business Finland are estimated to be €800 mn (See Appendix for a thorough description of the methodology).

¹⁸ Leondiou et al. (2011).

¹⁹ European Commission (2021).

²⁰ Kutlina-Dimitrova and Rueda-Cantucho (2021).

²¹ Atkin and Osman (2014).

²² Copeland (2007) and Bernard and Jensen (2004).

FIGURE 25. Value of exports accredited to Business Finland, 2019

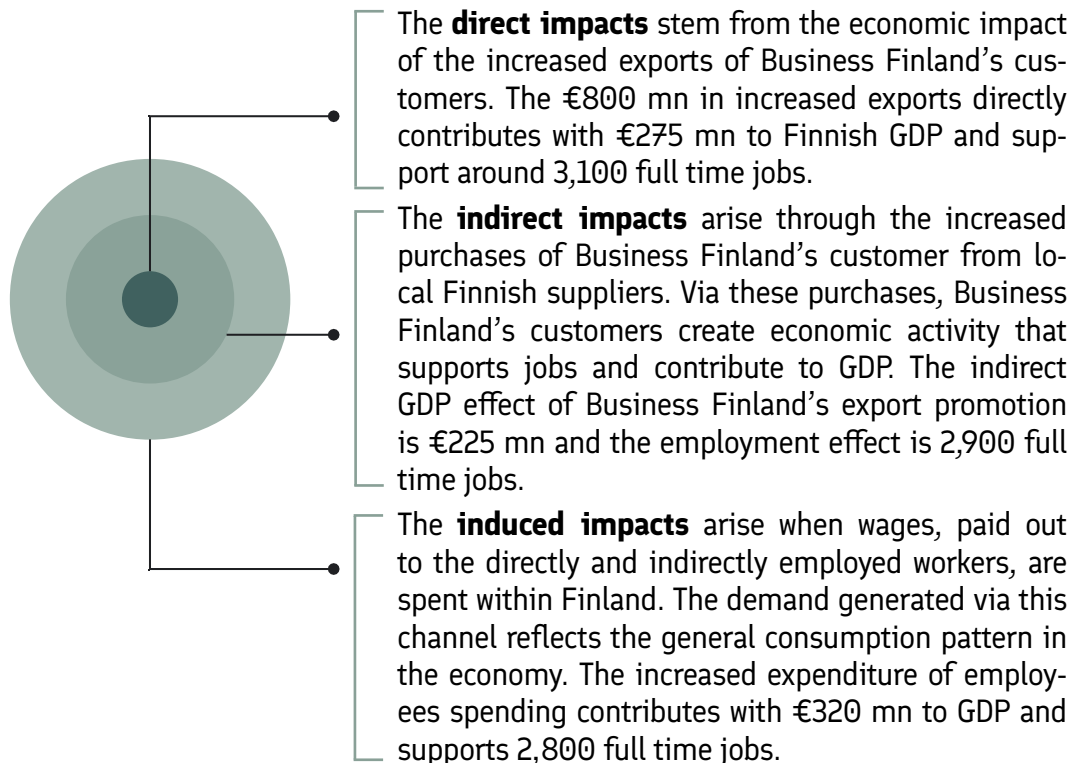
€ mn



Note: Survey questions used: What was the approximate value of your company’s total exports to countries in Central & Eastern Europe, Asia, Latin America, Middle East and/or Africa in 2019 (your best estimate)? & What share of your company’s total exports to countries in Central & Eastern Europe, Asia, Latin America, Middle East and/or Africa in 2019 was due to the export promotion services from Business Finland? & Did your company receive export promotion services (e.g. market opportunities, advice cases) from Business Finland during the period 2016-2019?

Source: Survey conducted by Implement Economics on behalf of Business Finland, April 2021.

As stated in Chapter 2 this impact is recurring given that Business Finland maintains the quality of their services and the size of their customer base. The societal impact of exports on value added and employment can be estimated using an input-output model.²³ The input-output model allows us to calculate the direct, indirect, and induced effects of increased exports.



In total, the increased exports of €800 mn due to Business Finland's export promotion services have a GDP contribution of €820 and support 8,800 jobs. That means that every €1 mn in exports supports on average 11 jobs. Note that these jobs are not necessarily new jobs. In periods with low employment, jobs at Business Finland's customers will tend to replace jobs in other companies. Export companies are generally characterised by high growth, productivity, and wages.²⁴ Higher exports therefore contribute to economic growth and prosperity in Finland. In addition, increased exports will support the restructuring of the Finnish economy.

The longer term (dynamic or catalytic) economic impacts of increased exports also arise because employees, suppliers, customers, and other actors in Finland become more effective or innovative through their interactions with the exporters (export spillovers).²⁵ As described in the next section, longer terms can impacts also arise through improved environmental sustainability.

²³ An input-output model uses the intra-industry flows from the Finnish national accounts to calculate industry specific multipliers. Using Business Finland's customers' exports by industry as weights, we have calculated the average Business Finland direct, indirect, and induced multipliers on GDP and employment.

²⁴ Kutlina-Dimitrova et al. (2018) and ECB (2015).

²⁵ Golovko and Valentini (2011) and Bernardini Papalia, Bertarelli and Mancinelli (2018).

3.3 IMPACTS ON ENVIRONMENTAL SUSTAINABILITY IN FINLAND AND GLOBALLY

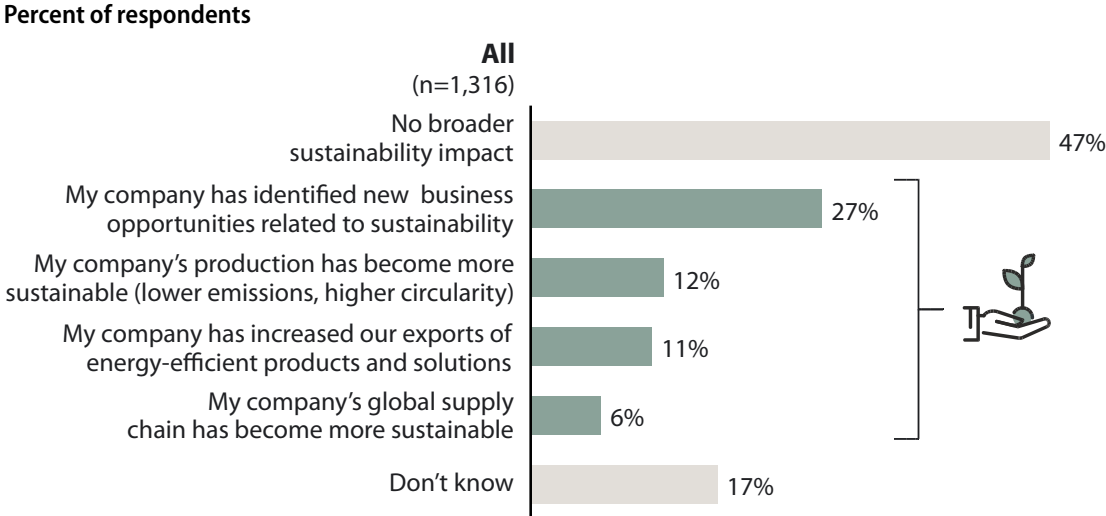
Business Finland only recently started to focus on environmental sustainability in their export promotion services. The impact assessment should therefore take into consideration that environmental sustainability thus it was not a direct objective and priority of Business Fin-

land’s services in the services offered in the period 2016-2019 considered in this study. Taking this into account, we find that a relatively large share of Business Finland’s customers has experienced positive environmental sustainability impacts from their collaboration with Business Finland. Nearly a third of Business Finland’s customers report that the collaboration led to new business opportunities related to sustainability, and 11 percent say that they increased their exports of energy efficient products and solutions. Nearly half of the respondents say that the collaboration had no broader sustainability impacts.

Business Finland’s new strategy explicitly emphasizes sustainability as a prerequisite for economic growth and competitiveness in the long term. This is especially relevant in terms of decoupling economic growth from the use of resources (e.g. through product innovation that lowers emissions or improves circularity). Environmental sustainability can also offer significant business opportunities to Business Finland’s customers in export markets (e.g. through exports of energy-efficient products and solutions).

Business Finland’s task in contributing to sustainability is twofold; i) to ensure ecological, economic, and social responsibility in customers’ operations, mitigating their possible negative impact; ii) to support Finnish companies in developing solutions that create a positive development impact and contribute to the UN Sustainable Development Goals.

FIGURE 26. Companies’ assessment of broader environmental sustainability impacts



Note: n=1,316. Survey questions used: Has the collaboration with Business Finland (export promotion services and/or funding) had any broader environmental sustainability impacts? The respondents can choose more answers and therefore the total does not sum to a 100 percent.

Source: Survey conducted by Implement Economics on behalf of Business Finland.

3.4 CONCLUDING REMARKS

By providing market specific information and match-making with potential partners and clients Business Finland helped Finnish companies establish operations and build relationships with partners and clients in distant markets. These export promotion services sustain yearly exports worth €800 mn. These exports support economic activity. Taking the direct, indirect, and induced effects into account the exports sustained by Business Finland contribute €820 mn to GDP and support around 8,800 full time jobs yearly.

We also find that Business Finland's export promotion services had positive impacts on the recipient companies' environmental sustainability.

Business Finland plays a central role for Finnish companies' success in distant markets. There are however areas where Finnish companies have unmet needs from Business Finland and see an opportunity to improve Business Finland's services. We will take a closer look at these in the following chapter.

KEY FINDINGS

- Business Finland's export promotion services benefit the entire Finnish society through job creation, economic growth, and productivity gains
- During 2016-2019, Business Finland's export promotion services supported 8,800 jobs and contributed with €820 to GDP
- The literature on the impacts of export promotion finds that exports are associated have broader societal benefits that will support the transformation of the Finnish economy



4 FUTURE GUIDELINES ON BUSINESS FINLAND'S GLOBAL GROWTH ACTIVITIES

In this chapter, we assess how Business Finland can create more value to the Finnish society going forward and if there are any unmet needs among Finnish companies that lie within Business Finland's area of expertise. We start by describing the ideal econometric model for an impact assessment of Business Finland's services and the minimum data requirement to apply this model.

4.1 OPPORTUNITIES AND REQUIREMENTS FOR FUTURE IMPACT ASSESSMENTS

The impact assessment in this study is based mainly on a survey. This method has certain limitations since it measures the companies' perceived impacts of Business Finland's export promotion and there is a risk that the respondents are not representative of entire population of Business Finland's costumers (see Figure 28 and Figure 29 in Appendix for a discussion of this).

The main challenge to isolating impacts of Business Finland's services is that firms are not randomly distributed between the companies that received services (treatment group) to companies that have not received the export promotion services (control group). By applying for funding or utilising export-promotion services, firms self-select into the treatment group. If firms have some (unobserved) characteristics that both impact their decision to seek support and their performance after treatment, the impact of the support received from Business Finland will be overestimated.

In Business Finland's impacts assessments going forward we propose applying an econometric model with market-specific fixed-effects to capture the causal effect of the export promotion services. This model was applying in Munch (2018) impact assessment of the Danish Trade Council. The model has the huge advantage that it does not rely on matching but rather applies fixed effects to account for unobserved effects. For that reason, the model requires very limited data.

The proposed method requires data from Business Finland's CRM system with firm-level data for all Finnish companies. Rather than looking at the firm's total export performance, we propose looking at how exports to a specific market are affected when the firm receives advisory services for that particular market. We propose to focus on specific markets for two reasons. *First*, it is very possible that export promotion to a single market will not have measurable impacts on the firm's total exports. *Second*, disaggregating export data by markets allows us to control for firm and market fixed effects. Controlling for these fixed effects limits the likelihood of getting biased results due to self-selection. This means the model controls for changing firm characteristics and destination market preferences for the firms' products. The linear model looks as follows:

$$outcome_{ijt} = \beta ep_{ijt} + \gamma_{it} + \delta_{ij} + \mu_{jt} + u_{ijt}$$

The outcome variable can either be a binary variable equal to 1 if firm i started exporting to market j in year t or it can be the log of export sales. The variable of interest is ep_{ijt} equals 1 if firm i received BF services in market j in year t or in $t-x$. This allows for a x years of lag in the treatment effect. The coefficient β gives us the percentage points impact of Business Finland's services on the likelihood of exporting to a certain destination, or in the model with $\log(\text{exportsales})$ how many percent export sales increase. γ_{it} captures the firm fixed effect in year t , which controls for firm characteristics that vary over time and changes in total demand for firm i products. Similarly, δ_{ij} captures fixed effects for firm i in destination j , such as consumer preferences for firm's products. Macroeconomic developments in market j are captured by μ_{jt} which controls for general shifts in income, consumption patterns, etc.

Applying this method requires BF's CRM data, firm register data, and firm level export data by market from trade statistics. It is necessary to create data set where all combinations of company, year and destination are included – even if the company did not export to a particular destination, it must be included with a zero.

The current Business Finland CRM data suffers from crucial flaws and gaps that does not allow to use the above model:

- Business ID. We found inconsistencies between emails and Business ID, which raises doubt over whether the companies are registered correctly. In the fixed effects model, it is crucial that these details are correct otherwise the estimates will be contaminated.
- Geographical region. To estimate the fixed effects model, the geographic region for each export promotion service is needed. From interviews, we found multiple inconsistencies between the registered country and the country which the company received service in.

It is crucial that these data limitations in the CRM data are corrected before applying the econometric model. In addition, it would be useful to have information about whether Business Finland reactively or proactively contacted the companies because this information allows to make a valuable robustness check of selection bias.

4.2 SCOPE FOR INCREASING IMPACTS OF EXPORT PROMOTION SERVICES

Business Finland's customers indicate a need for more proactive communication and relationship management with Business Finland. They also have suggestions for new and future oriented services.



Proactive communication and fast support:

Business Finland's customers find that a more proactive and frequent communication from Business Finland as for the latest offers and programs would be useful. They also suggest leveraging digitally enabled services for quick support, such as chat robot online for Q&A when searching for information about different programs and fundings on Business Finland's website.



Personal contact with in-depth knowledge:

Business Finland's customers suggest to further build on the relationship manager (KAM) concept, with clear communication regarding the actual contact person at Business Finland. Business Finland's see value in ensuring a smooth hand-over and communication of relationships if/when the KAMs change. One of Business Finland customer says: *“There is a*

need for a relationship manager (360 degree), with regular check-ups for example 2x year and with longer term KAM relationship.”

Business Finland’s customers also express that a strengthened Business Finland team with in-depth knowledge for key industry segments and local country teams with more in-depth local export market knowledge and insights would be very useful.



Innovation funding process improvements: Business Finland’s customers suggest a faster, less bureaucratic funding process, considering the size of the companies applying. They also suggest that more transparent funding criteria would be helpful. The customers find that a more flexible and long-term focused funding for smaller, dynamic firms would be impactful.



Ecosystems and peer-to-peer knowledge sharing: Business Finland’s customers express that services and communities around ecosystems would make Business Finland’s services more useful. Business Finland’s customers express interest in establishing a forum where peer chief experience officers share their own internationalisation experiences in a confidential setting.



Future-oriented services: Business Finland’s customers would like more support to navigate in the post-COVID and sustainable oriented reality. This includes future-proof forums and services for finding the international customers and maintaining existing ones. Business Finland’s customers also request more execution support instead of advice, for example like Business Finland providing interim export managers against a fee.



Broader branding: Business Finland’s customers are expressing a desire for Business Finland to play a larger role in brand building and driving marketing impact in distant markets. They suggest support for marketing - both in monetary terms and in providing platforms like events, on-line or on-site, and matchmaking sessions. They also suggest to further leverage the broader Team Finland approach, which they find works well specifically with government parties and with businesses operating on public sector (e.g. education sector).

Business Finland’s new operating model has as the main purpose to offer more coordinated, coherent, and targeted services to Finnish companies. These strategic choices accommodate some of the issues raised by Business

Finland's customers, and some of the gains from following the recommendations may already have been realised. As explained below, any further initiatives to accommodate the feedback from Business Finland's customers should be balanced against the likely benefits.

4.3 UNMET NEEDS FOR EXPORT PROMOTION SERVICES

Business Finland's customers express they have some unmet needs regarding concrete services as well as the organisational setup of Business Finland.

- **New normal**

The reality for Finnish companies and their clients has fundamentally changed because of COVID-19. Companies and consumers around the world are welcoming this change as a platform to become more sustainable. This has implications for business travels, ways of building and maintaining relationships, and means to finding commercial opportunities. Business Finland's customers welcome a more proactive approach from Business Finland to develop new services that support these needs.

- **Support around international financing instruments**

Business Finland's customers express an unmet need in terms of consultation and support around international financing instruments and processes. They would like Business Finland to proactively bring up the funding opportunities and provide an overview of available instruments and guidance in the application process.

- **Coordinated innovation funding and export promotion services**

Business Finland's customers express that more coordination between Business Finland's services could leverage the impact of the services. An example is to use export market data for product innovations. It should be noted that Business Finland is already in the process of reorganising services to make them more integrated from a customer perspective. This reorganisation was not implemented when the interviewees received services from Business Finland, and therefore the new organisational structure is not reflected in the interviews.

Business Finland should carefully consider its winning aspiration in terms of meeting new customer needs and growth constraints. While high quality export promotion and funding services can support the international competitiveness of Finnish firms, Business Finland needs to optimise its activities with an eye on its current performance,

ongoing industry & market trends, and its mandate & capabilities. What will be the expected benefit for its customers and the Finnish society? How are export promotion agencies in other countries reacting? How well is Business Finland positioned to meet the needs, and are other Finnish institutions already acting on the new needs?

WHAT ROLE TO PLAY

CUSTOMER NEEDS & GROWTH CONSTRAINTS

Changes in the reality for Business Finland's customer impact their growth constraints and requests for services

CURRENT PERFORMANCE

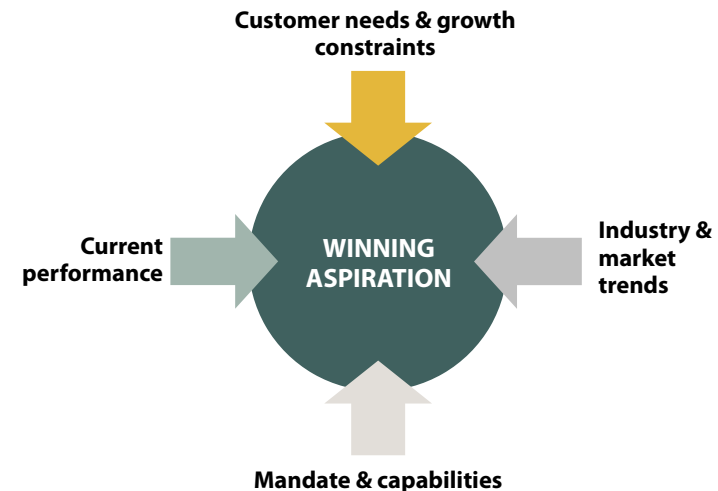
The potential to boost Finnish exports depends on industry structures and internationalisation patterns of Finnish firms

INDUSTRY & MARKET TRENDS

Export promotion agencies in other countries are constantly launching new initiatives and services, and other Finnish (private and public) institutions emerge that both supplement and complement Business Finland's services

MANDATE & CAPABILITIES

– Business Finland's political mandate and core capabilities guide Business Finland's activities

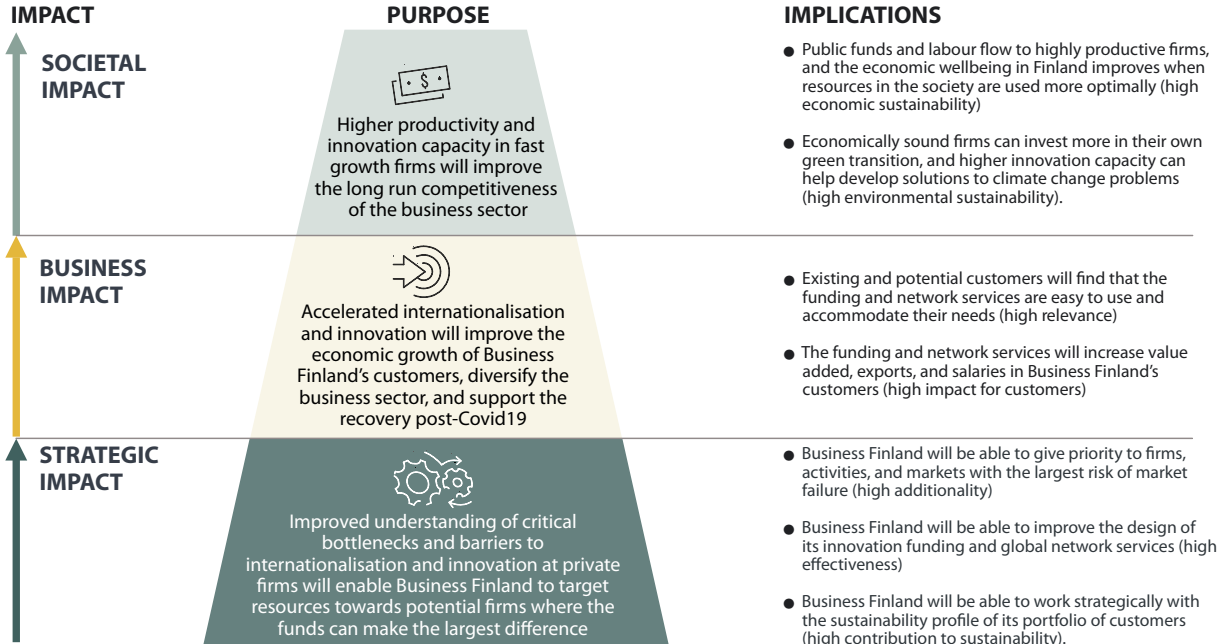


4.4 A STRATEGIC APPROACH TO SUSTAINABILITY

Business Finland offers its services free of charge, and demand will therefore be a poor proxy for the value that customers' attach to the services. It is therefore important that Business Finland continuously conducts critical impact assessments and adjusts its services accordingly.

Increased economic activity at companies that receive services from Business Finland will tend to divert resources away from other Finnish firms. If Business Finland's customers have high growth potential, this restructuring of the Finnish economy (creative destruction) will add societal value. There is a strong need for Business Finland to capitalise on existing strengths and prioritise resources towards industries (and even specific firms) that promise the largest benefits to the Finnish econo-

FIGURE 27. Guidelines for the future evaluation and measurement frame



Source: Implement Economics.

my. There is also a strong argument for Business Finland to undertake activities that target the most important growth drivers and restraints.

Business Finland has a strong track record in focusing on activities that deliver value to society in terms of economic sustainability. Going forward, Business Finland's customers also request a more strategic approach to environmental sustainability.

4.5 CONCLUDING REMARKS

The impact assessment undertaken in this study combines qualitative data from a large-scale survey and detailed interviews with firm-level trade data for Business Finland's customers. Our preferred approach would have been to use an econometric model that would enable us to isolate the impact of the export promotion services from other factors that impact the export performance of Business Finland's customers. However, the new CRM system has not been in operation long enough to secure the required quality of data on the export promotion services (e.g. information on the type of services and the targeted market). Also, the preferred model requires detailed data on the companies' exports to the distant markets that are available through Statistics Finland but could not be accessed in this project. We recommend that the necessary steps are taken to ensure that the required data are made available to apply this model.

Business Finland's customers also see a need for more proactive communication and relationship management within Business Finland. Finally, Business Finland's customers express that they have some unmet needs regarding concrete services as well as the organisational setup of Business Finland. To accommodate these needs, Business Finland could focus further on personalising services and helping companies navigate in the new normal that the sustainability agenda and the COVID-19 pandemic has resulted in.

Business Finland should carefully consider its winning aspiration in terms of meeting new customer needs and growth constraints. While high quality export promotion and funding services can support the international competitiveness of Finnish firms, Business Finland needs to optimise its activities with an eye on its current performance, ongoing industry & market trends, and its mandate & capabilities.

KEY FINDINGS

- To conduct a thorough econometric analysis Business Finland's CRM data must be more robust
- Business Finland's customers see a need for more proactive communication and relationship management within Business Finland
- Business Finland needs to optimise its activities while considering current performance, ongoing industry & market trends, and its mandate & capabilities



5 APPENDIX: METHODOLOGY AND DATA DESCRIPTION

5.1 SURVEY METHODOLOGY

The survey undertaken as part of this study was sent to all 6,063 companies that received services from Business Finland in the period 2016-2019. 1,392 companies responded, giving a response rate of 23 percent. The partially completed surveys are included when possible. Some companies received several services during 2016-2019 and are therefore represented more than once in the survey. The response rate however reflects the unique companies only. The purpose of the survey is to evaluate whether and how Business Finland's export promotion services have helped the companies' internationalisation activities in distant markets. Distant markets are defined as Central & Eastern Europe, Asia, Latin America, Middle East and/or Africa. In particular, the survey is used to assess the impact of Business Finland's services on the exports of Finnish firms to distant markets.

Surveys are an effective way to gather information from many respondents in a structured way, e.g. quali-

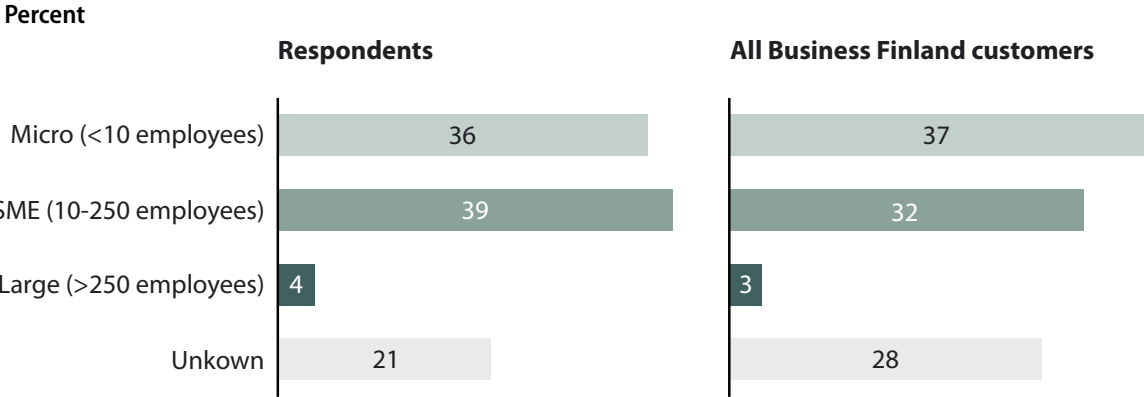
tative information on perceived export barriers and the role of Business Finland in helping to alleviate some of these barriers. However, the survey methodology also has some weaknesses:

- The assessment of the export impact is based on the respondents' own estimates and is expected to be associated with uncertainties. It is difficult for the respondents to estimate what would have happened if they had not received export promotion from Business Finland. Consequently, the survey results are likely to reflect the perception of the respondents rather than a causal impact.
- The extrapolation of the responses to the full population requires that the respondents are representative of Business Finland's customers. This will not be the case if some groups of respondents are more likely to answer the survey than others. If the successful exporters are overrepresented, for example, there will be a tendency to overestimate the impact.

Comparing company size and industry of respondents and non-respondents, the respondents appear to be representative of Business Finland’s customers. 36 percent of the respondents are micro companies compared to 37 percent in Business Finland’s customer population.

The share of SME is slightly higher for respondents (39 percent) compared to non-respondents (32 percent). The share of companies with unknown size is higher for non-respondents.

FIGURE 28. Distribution of companies by size

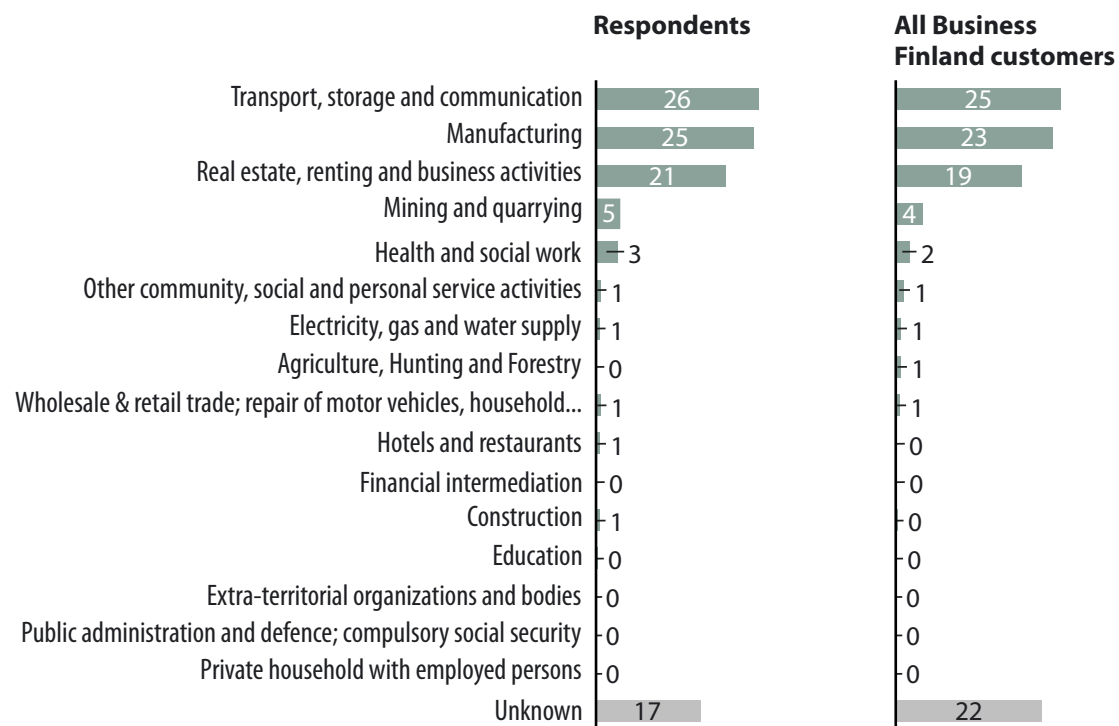


Note: 1,179 Business ID from the survey matched the Business IDs in the register data from Business Finland. The comparison is based on 2019 data.

Source: Survey conducted by Implement Economics on behalf of Business Finland, April 2021 and business register data from Statistics Finland.

FIGURE 29. Distribution of companies by industry

Percent



The largest industry for both respondents and non-respondents is ‘Transport, storage and communication’, ‘Manufacturing’, and ‘Real estate, renting and business activities’. The exact shares vary only by a few percentage points between the two groups. The share of companies with an unknown industry is again higher for non-respondents (22 percent) compared to respondents (17 percent).

In sum, the descriptive statistics indicate that the respondents are representative of the non-respondents.

Note: 1,179 Business ID from the survey matched the Business IDs in the register data from Business Finland. The comparison is based on 2019 data.

Source: Survey conducted by Implement Economics on behalf of Business Finland, April 2021, and business register data from Statistics Finland.

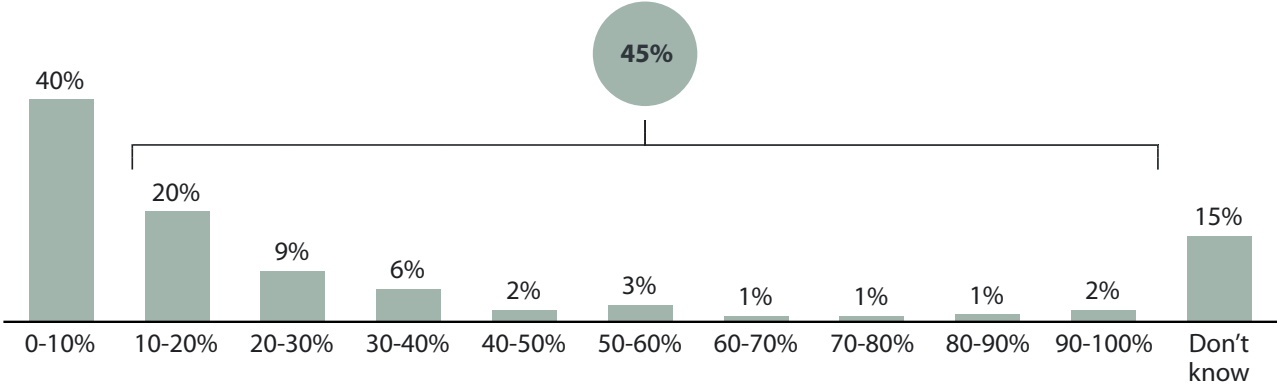
5.2 ASSESSMENT OF IMPACTS AT THE COMPANY LEVEL

Business Finland’s contribution to their customers’ exports has been calculated in three steps.

- **Step 1.** The companies who reported that their collaboration with Business Finland has had a positive impact were asked to estimate what share of their company’s total exports to the distant markets was due to the collaboration with Business Finland. 40

percent of the respondents estimated that Business Finland was responsible for less than 10 percent of the exports to distant markets and 45 percent estimated that Business Finland was responsible for more than 10 percent. The exports of companies that are represented by more than one respondent only count once. Respondents who answered don’t know to how much Business Finland contributed to their export to distant markets count as zero.

FIGURE 30. Respondents’ assessment of how much of their export to distant markets that was due to Business Finland
Percent of respondents



Note: n=362. Only companies that reported that their collaboration with Business Finland had had an effect were presented with this question. Survey question: What share of your company’s total exports to countries in Central & Eastern Europe, Asia, Latin America, Middle East and/or Africa in 2019 was due to the export promotion services from Business Finland?

Source: Survey conducted by Implement Economics on behalf of Business Finland, April 2021.

- **Step 2.** To be able to arrive at an estimate of Business Finland's contribution in export value, we took the midpoint of each interval (example, 5 percent for the interval 0-10 percent, and 15 percent for the interval 10-20 percent and so on) as an approximation of Business Finland's contribution share at the company level.
- **Step 3.** Finally, for each company we multiplied their approximate value of exports to distant markets (survey question: What was the approximate value of your company's total exports to countries in Central & Eastern Europe, Asia, Latin America, Middle East and/or Africa in 2019 (your best estimate)?) with the contribution share from step two. This gave us BF contribution to exports to distant markets in 2019 at the company level. Summing these contributions gives the total contribution of €184mn which makes out 10 percent of the companies' total exports of €1,780 mn.

5.3 EXTRAPOLATION OF SURVEY RESULTS

The 1,392 responding companies assess the impact of Business Finland's export promotion services on exports to distant markets to be €184 mn. as describe above. The respondents represent 23 percent of Business Finland's costumers.

Under the assumption that non-respondents are similar to the respondents the companies own estimated effect can be extrapolated to the whole population of 6,063 companies. The comparison of company size (Figure 28) and industry (Figure 29) between respondents and the entire population indicates that the survey is representative. However, we cannot exclude omitted variable biases could affect the survey results.

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