

Impact Study of Competitiveness - How promotion services can help to secure long-term growth and transformation in Finland

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In 2020, Business Finland updated its strategy, setting the operational guidelines for the organisation until 2025. The overall purpose of Business Finland's promotion services is to generate prosperity for Finland by accelerating the sustainable growth of its customers globally. Business Finland sees prosperity as being created at the intersection of three equally important areas: economic growth, sustainability, and competitiveness. While the three areas are closely interlinked, this study focuses on Business Finland's contribution to competitiveness.

Our overall impact assessment approach

Implement Economics has been asked to produce a comprehensive impact study of Business Finland's success in achieving the objectives set in the strategy on competitiveness for four promotion areas: Invest in Finland (foreign investments), Work in Finland (international experts), Visit Finland (international tourists), and Film in Finland (international audiovisual productions).

As part of the assessment, we have investigated Business Finland's results for customers and impacts on society across 14 different transmission channels to competitiveness. These are closely linked to the intervention logic spelled out in the strategy.

 Results for customers	 Impacts for society
➔ R&D expenditures increase more than the R&D funding	➔ The turnover and internationalisation of ecosystems is increasing
➔ More international orientation in training and hiring	➔ The level of expertise in companies is improving
➔ Increased adoption of digital tools	➔ Finland attracts new talents for the labour market
➔ Higher profitability through new business models	➔ The structure of business life and exports is diversifying
➔ More companies and other actors in ecosystems/stakes	➔ Country image is getting stronger (brand measurements)
➔ Number and turnover of foreign companies are increasing	➔ Foreign direct (greenfield vs. other) investments in Finland are increasing
➔ Number of experts and tourists is increasing	➔ Tourism income is increasing

The assessment was based on desk research on Finland's business and innovation environment, interviews with Business Finland's customers and business partners (a total of 27 interviews), statistical data analysis, and international benchmarking.

High value creation from Business Finland's investment promotion services

Foreign companies can be a rich source of job creation, innovation, and knowledge that can have positive knock-on impacts on economic activity and productivity throughout the Finnish economy. Promoting inflows of foreign investments can therefore strengthen Finland's long-term competitiveness. This study has explored how Invest in Finland has created *direct* results for customers and impacts for society through eight transmission channels to competitiveness.

Results for customers

- **Increase in the number and turnover of foreign companies** | Invest in Finland has assisted 162 foreign investment projects, amounting to more than 2.9 billion, to Finland between 2018 and 2022. In the same period, Covid-19 challenged the revenues of these same companies, like many others. Nonetheless, the revenue growth of these companies, amounting to 14% between 2018-2019 and 9% between 2020 and 2021, is still indicative of healthy business performance.
- **Increase in the number of companies and other actors in ecosystems** | Currently, Invest in Finland has ongoing projects in 10 active ecosystems. The number of projects in active ecosystems increased towards 2021 but has stagnated since (likely correlated with Covid-19).
- **Increase in R&D expenditures** | By targeting and prioritising companies with R&D-intensive projects or presence in R&D-intensive industries, Invest in Finland's activities have contributed to value-producing R&D networks and partnerships. In fact, 71% of interviewed Invest in Finland customers claimed to have already increased, or plan to increase, R&D spending following their investment decision in Finland.

Impacts for society

- **Growth in the number of greenfield investments** | Approximately 57% of all investments that Invest in Finland has supported since 2018 were greenfield investments. While the high share of greenfield investments reflects that Invest in Finland has been successful in attracting this type of FDI, the share has remained relatively stable since 2018.
- **Increase in the turnover and internationalisation of ecosystems** | Approximately 20% of all the companies in the 10 identified and active ecosystems are Invest in Finland customers. This suggests that Invest in Finland's customers have contributed to the internationalisation of Finnish ecosystems, with potential turnover impacts through access to new markets and networks and knowledge spillovers from foreign companies.
- **More diversified business life and exports** | While 60% of all Invest in Finland-supported investments have landed in the Helsinki area, the remaining countries have distributed themselves all over Finland. Moreover, most interviewed investors were planning to engage or increase their existing engagement with local suppliers following the investment.
- **Higher level of expertise** | Our assessment did not include interviews with local Finnish companies, including suppliers to foreign companies. Therefore, we have not been able to attribute growth in the level of expertise to the presence of these foreign companies specifically. However, empirical evidence has shown that foreign companies increase the level of skills and productivity of the labour force.
- **Stronger country image** | Today, more investments that Invest in Finland is involved in receive a high opportunity score (labelled as "platinum" or "gold" investments) compared to five years ago, indicating that more attractive investments are landing in Finland. This development is likely to strengthen the country's brand image and Finland's competitiveness.

Overall, we find that the promotion services have played a key role in attracting foreign investments to Finland. By helping to attract FDI that likely would not have all landed in Finland, Invest in Finland has improved the competitiveness of the Finnish society and economy.

There are potential initiatives that Invest in Finland could pursue going forward to provide even more value to customers and society:

- **Expanding and strengthening FDI promotion to other FDI origins** | FDI originating from Russia has historically accounted for a large share of all FDI inflows to Finland. With the expected gap left behind by missing FDI inflows from Russia, Invest in Finland needs to expand and strengthen its FDI promotion to investors of a different origin.
- **Increasing focus on Finland's strategic ecosystems** | The visibility and tracking of ecosystem participation can be improved by Invest in Finland. Without a comprehensive and up-to-date list of ecosystems and a matching of FDI projects to the ecosystems, it is difficult to evaluate performance and steer resources in the right direction if the correspondence is unclear.
- **Benchmarking internationally** | Benchmarking Finland's FDI performance against peers could be done more systematically to better understand the potential for attracting more FDI. This requires access to relevant and global databases on FDI and a benchmarking methodology.
- **Closing gaps in CRM data on lost FDI projects** | Invest in Finland's CRM data on lost FDI is incomplete, but feedback from potential investors could constitute a source of insights that can help Invest in Finland target its resources more

towards potential investors and inform policymakers on weaknesses in the Finnish business environment. Also, Invest in Finland should aim to track *where* certain investments land.

- **Improve and use the opportunity scoring more proactively** | Invest in Finland has an opportunity to strengthen its business intelligence by using the opportunity scoring more systematically and backing it with objective and quantitative measures. Given the strategic focus on sustainability, it could be particularly useful to be more specific and consistent with the assessment of sustainability – and to require more concrete sustainability information and metrics from Invest in Finland customers.

Work in Finland can play a key role in attracting international talent

The current and growing labour shortages and demographic changes in Finland pose a significant challenge to Finland's economy and the welfare system, as businesses struggle to find available labour with the required skills, and an increasing share of the population will leave the labour force to become pensioners. Attracting international talent can therefore strengthen Finland's long-term competitiveness. This study has explored how Work in Finland has created *direct* results for customers and impacts for society through six transmission channels to competitiveness.

Since Work in Finland was only established in 2022, we have not been able to quantify the impact of their services on competitiveness. Instead, we have assessed Work in Finland more qualitatively, based on interview insights and its role in the Talent Boost Programme.

Results for customers

- **More international orientation in training and hiring** | Work in Finland is considered to play a key part in the achievements of Talent Boost Programme by helping to strengthen the permanent structures and improve customer-driven service paths related to labour migration. Work in Finland provides companies with leadership mentoring, talent attraction campaigns and events targeting international experts, managing websites to aid recruitment, as well as the Talent Manager network to establish recruitment flows from Talent Boost countries.
- **Increase in the number of experts and tourists** | Since the adoption of the Talent Boost Programme in 2017, the number of permits for self-employed, specialist, and scientific research work has grown significantly, reflecting the range and diversity of different international talent moving to Finland. Work in Finland is expected to carry an important role in proactively identifying and attracting targeted talent groups and expertise to Finland in the future.

Impacts for society

- **Higher level of expertise** | Since the adoption of the Talent Boost Programme in 2017, the number of specialists moving to Finland has increased by 88%. In its strategy, Work in Finland has also described several tasks related to the attraction of these specialists specifically. However, it is again too soon to assess the role of Work in Finland in this development specifically.
- **Increase in the turnover and internationalisation of ecosystems** | Interviews conducted as part of this study with foreign investors highlighted that Finland's ability to attract and retain foreign talent is conducive to economic performance and is a reason for choosing to locate in Finland. By helping to attract international talent, Work in Finland is thought to play a key role in the broader internationalisation of the Finnish economy and ecosystems.
- **Increased attraction of new talents** | An international and diverse population is an important factor in terms of integration and community-building for foreign talent. The OECD Talent Attractiveness indicator places Finland 14th among 38 OECD countries for talent attractiveness. Finland's placement according to this indicator has improved by 4 places since 2019, indicating that integration efforts and other efforts of the Talent Boost programme may be at play.
- **Stronger country image** | An international workforce and the promotion of work-based immigration signal to foreign workers that a country is open and accommodating to international labour, thereby helping to boost the country image as a working and living location.

Work in Finland is expected to play an elemental role in the attraction of foreign talents to Finland, thereby helping alleviate growing labour market pressures, and the matching of Finnish and foreign-owned companies with the best expertise from a global talent pool.

There are potential initiatives that Work in Finland could consider now, while structures, certain focus areas and ways of working are still being established:

- **Clarifying roles and responsibilities** | There is an opportunity for Work in Finland to clarify its roles and responsibilities, that are separate and clearly distinguishable from its partners. This is for example very relevant in the expansion of the Talent Boost responsibilities to the regions, whereby the roles and mandates of regional actors are still largely unclear, potentially leading to delays and inefficiencies.
- **Enriching knowledge base on employer attitudes and barriers** | In order to drive more evidence-based initiatives, Work in Finland and/or its partners could look to conduct surveys among Finnish employers to understand their perceptions, preferences, and challenges relating to international talent attraction and retention.
- **Increasing promotion efforts to a wider group of talents** | Work in Finland and the Talent Boost programme could place even greater emphasis on promoting broader groups of talents to Finland. These efforts should match those that have been directed towards attracting specialists in key sectors (e.g., ICT), as future labour market developments are expected to require a broad variety of different skills.
- **Strengthening partnership efforts in key countries** | To the extent possible with finite resources, Work in Finland should continue and even increase its efforts in forming partnerships and sustainable recruitment channels globally in countries with identified concentrations of specific talents or growing population of high-skilled workers.

Request for scaling up Visit Finland's tourism promotion services

Tourism promotion efforts can help bring Finland on the map as a destination for both leisure tourists and business travellers (with potential synergies from an improved country image to the promotion of both foreign investments and international talent). By increasing economic activity in the tourism industry, upskilling, and facilitating knowledge sharing, Visit Finland's services can contribute to the long-term competitiveness of the Finnish economy. This study has explored how Visit Finland has created *direct* results for customers and impacts for society through six transmission channels to competitiveness.

Results for customers

- **Increase in the number of experts and tourists** | The number of visits by foreign visitors has increased in the last decade, though in some regions more than others. Interviews with Visit Finland customers suggest that Visit Finland's efforts have made Finland more visible globally as a tourism destination and in professionalising local tourism businesses in Finland, enabling them to enter more markets and attract more diverse types of tourists.
- **Increased adoption of digital tools** | 67% of interviewed Visit Finland partners state that their digital skills have improved since working with Visit Finland. VF cu
- **Increased profitability through new business models** | Visit Finland customers highlight that their collaboration with Visit Finland has improved their competencies and enabled them to upgrade their business models through three focus areas: sustainable travel, new market intelligence and internationalisation. The Visit Finland Academy, which provides training and knowledge-building in these three areas, has received very positive feedback from customers.

Impacts for society

- **Higher level of expertise** | The same competency-building among Visit Finland customers in the areas of sustainability, market intelligence and internationalisation can be assumed to transcend across the wider tourism sector through labour mobility, knowledge sharing, and business relationships, thereby growing the competitiveness of the entire Finnish tourism sector. This, however, has not been tracked or quantitatively measured.
- **Stronger country image** | Visit Finland, together with other tourism promotion organisations in Finland, dedicate significant resources to raising the profile of Finland as a travel destination globally. Online touristic searches, an indicator of tourism demand, indicate that Finland's brand as a tourism destination has improved significantly since 2019, whereby the number of searches (reflecting interest in Finland) increased by 31% in 3 years. Interviews with Visit Finland customers indicate that this development, and in particular the improvement in the brand image of smaller areas of Finland, would not have been possible without tourism promotion efforts.

- **Increase in tourism income** | Tourism income has increased modestly (on average 3% annually between 2013 and 2019) in Finland over the last years. Growth in tourism income is a key impact indicator for Visit Finland's tourism promotion efforts, and while it can be difficult to isolate the impact of Visit Finland and other promotion efforts on the growth in tourism income, the data suggests that the efforts have been conducive.

Visit Finland and country-wide tourism promotion have existed for some time, and it is difficult to accredit growth in inbound tourism to tourism promotion efforts specifically. Nonetheless, Visit Finland's importance for the tourism sector is recognised among regional tourism organisations and small businesses, and while improvements can be made, Visit Finland is considered to perform in its role very well, especially given the limited resources (which are reported to be considerably lower than in neighbouring countries).

There are potential initiatives that Visit Finland could pursue going forward to provide more value to customers (especially smaller tourism businesses) and society:

- **Clarifying roles within the organisation** | Regional tourism organisations claim have a strong and close relationship with their key contact person, but then lack overview of the efforts of other functions and employees within them. Visit Finland should seek to clarify the roles and responsibilities of functional units and key persons, such that customers cannot make full use of the Visit Finland team.
- **Building greater flexibility and commercial focus** | Customers also highlight that Visit Finland as well as themselves could benefit from a stronger commercial and performance focus within the Visit Finland organisation. A stronger performance focus could be built by assigning activities with clear outcome targets and systematic monitoring.
- **Bridging stronger ties to the broader industry** | Visit Finland's impact on tourism businesses is mostly considered to be indirect through collaboration with regional tourism organisations, as also mentioned in the 2021 evaluation. Interviews with partners revealed that they could use more support in getting smaller travel businesses more involved in e.g., the sustainable travel journey.

Strategic focus on international AV productions is being effectuated

The Finnish AV industry contributes to Finland's cultural, economic, and social development. Attracting international AV productions can help brand Finland (to, for example, foreign investors, talent, tourists, and other AV productions) and generate knowledge spillovers to local actors. This study has explored how Film in Finland has created *direct* results for customers and impacts for society through six transmission channels to competitiveness.

Results for customers

- **Increase in the number and turnover of foreign companies** | Approximately 30% of all productions that have received the AV production incentive since 2017 have been foreign, though this share has increased over time. In 2022, which was Film in Finland's first calendar year of operations, the share of foreign productions that received the incentive was at an all-time high of 52%. By promoting the Finnish AV production incentive, this development implies that Film in Finland has been successful in attracting foreign AV companies to Finland.

Impacts for society

- **Higher level of expertise and more diversified business life and exports** | By helping attract foreign productions to Finland and promoting the AV production incentive, Film in Finland contributes to the build-up of expertise and creating a more diversified business life for the local AV industry. This effect was highlighted in interviews with Finnish AV companies, who have been involved in foreign AV productions in Finland.
- **Stronger country image** | AV production featuring Finland or Finnish culture can help attract global attention and serve as a promotional tool for Finland, and therefore, AV promotion and Film in Finland are thought to influence building a stronger country image. These contributions have been recognised by regional AV actors. Film in Finland also carries out targeted marketing campaigns, which in 2022 reached 2 million people, towards focus countries and AV partners - thereby also increasing the country image of Finland more directly.

The findings suggest that Film in Finland has been helpful so far in promoting Finland to the international AV space. There are, however, potential initiatives that Film in Finland could pursue going forward to provide more value to customers and society:

- **Shortening enquiry response time** | Film in Finland should seek to contact regional AV actors/commissions as soon as possible after initial enquiry. Feedback suggests that sometimes the process from the initial enquiry to contact with the commissions can take too long, shortening preparation time on the other end.
- **Strengthening promotion of the AV incentive, landscapes, and industry expertise** | Film in Finland could ramp up its promotional efforts even more, given what is possible with finite resources, focusing especially on the nature and efficiency of the AV incentive, Finnish landscapes, and strong industry expertise.
- **Increasing Nordic cooperation in AV promotion** | Customers suggest that Finnish AV promotion should be done more in collaboration with other Nordic countries to really raise the international profile of Finland (and the Nordics) as an AV production location, as promoting Finland alone will likely never bring the scale to match the competition that exists outside of Europe.
- **Maintaining and building a greater presence in AV hubs** | Finnish companies in the AV industry highlight the importance of maintaining a consistent and heavy presence in Los Angeles and London, which are considered the main hubs for AV production and building relationships with location managers.