

BUSINESS  
FINLAND

# Expanding Horizons:

Building and leveraging  
international partner networks



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## BUSINESS FINLAND

# Introduction

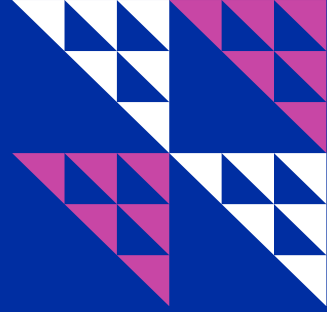
Partnerships are crucial for Finnish companies' global growth, especially for SMEs with limited resources. In many international markets, over 50% of Finnish companies rely on local partnerships to operate.

For instance, in Brazil, over 400 Finnish companies operate through local partnerships, alongside 60 subsidiaries. In the United States, there are around 1,000 companies represented through partnerships and 300 subsidiaries. Germany, Finland's largest trading partner since 2014, has about 1,000 companies operating through partnerships. India and China also have significant Finnish companies in partnerships.

This booklet provides insights from successful Finnish partnerships, particularly in Latin America, through interviews with 12 thriving companies. The key takeaways include practical tips on establishing and maintaining partnerships, as well as areas for improvement. Partnerships should be viewed as value-adding relationships that require ongoing nurturing.

We encourage active discussion on this topic as it holds significant importance.

# Partner Engagement and Management



A company can implement international growth through various partner models. Companies often discuss partner engagement and management without considering their content, similarities, or differences. Researching the topic and interviewing companies revealed that they are closely related but differ in meaningful ways.

## Partner Engagement

Partner engagement is a more focused approach to partnership that emphasizes active, inclusive, and participatory cooperation. Multidirectional communication is a core element, ensuring both parties expect and provide for a qualitative relationship. This includes communication, shared activities, experiences, and learnings, as well as customer-centric innovation. Partner engagement focuses on building lasting relationships that benefit both parties and add value.

## Partner Management

Based on our interviews, partner management is seen more administrative in nature. It is also based on the strategical choices but emphasizes processes, systems and procedures as the bases of collaboration. Many interviewees observed targets, KPIs, performance and such quantitative elements in this model of partnership. Partner management tends to follow a structured framework with little room for variation, innovation or new modes of operation.

Many Finnish companies are risk-averse and prefer partnerships over establishing their own subsidiaries, unlike other Nordic companies, which are more inclined to set up their own offices abroad.



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## Importance of Strategic Partner Engagement

Forming a partnership is usually a strategic decision in Finnish companies. A common reason is that it is a cost-efficient way of setting up a presence locally. However, it's crucial to consider the underlying reasons for establishing the partnership.

One interviewee emphasized the importance of a partner's commitment to understanding the deeper motivations behind the collaboration.

“It is crucial to comprehend the rationale behind our partnership, including the specific details of when, where, and why.”

As we engaged in conversations with many company representatives involved in diverse partnership models, a common theme emerged: the need for strategic alignment.

Successful partnerships require a shared vision and well-defined objectives encompassing interaction, collaboration, and mutual benefit. Without this alignment, partnerships risk failing.



## Elements of Good Partner Engagement

### i. Mutual beneficial value proposition

A strong partnership relies on a mutually beneficial value proposition, ensuring that both parties gain from the collaboration. Finnish companies emphasize that partners must be motivated to generate and grow revenue, with financial incentives as a key driver.

For example, based on the interviews, Finnish companies expect distributors to secure a significant portion of their sales, ideally around 20%, from their products and services. Partnerships lacking such shared business potential are unlikely to succeed.

### ii. Trust

Building trust between Finnish companies and partners is crucial for successful collaboration. Openness, transparency, and proactive approaches, such as providing training, tools, and regular meetings, establish a sense of partnership. Commitment to shared goals and mutual support is essential, rather than passive waiting for results.

Early stages can be challenging due to lack of trust, leading to issues like delayed payments, unanswered messages, or limited business activity. Overcoming these requires patience and consistent effort to foster a reliable relationship.



### **iii. Commitment building**

Effective engagement with partners demands active listening, continuous communication, and a profound comprehension of the industry and business environment, as emphasized in the interviews. Joint planning is crucial for building commitment. Finnish companies emphasize the significance of creating annual plans that outline both short-term and long-term opportunities, as well as sales targets.

Regularly reviewing business opportunities, providing training, and collaborating on new business ideas are essential components of this process. Engaging in such activities requires time and effort, as companies recognize the value of joint visits, discussions, and case reviews. Some Finnish companies even utilize tools like dashboards to monitor each distributor's performance, including their sales pipeline, opportunities, and timing.

### **iv. Communication**

Communication is a symbolic behavior, meaning messages are interpreted differently by the receiver, with greater risk of misunderstanding when communicators are unfamiliar. Cultural background heavily influences interpretation, impacting business communication and negotiations.

For example, Finnish, European, and North American cultures are generally pragmatic, monochronic, egalitarian, and individualistic, while Asian and Latin American cultures are more polychronic, hierarchical, collectivist, and ideological.

Below, you'll find a comparison of these cultural values and their impact on business negotiations. The key is to grasp how the other parties perceive business negotiations.

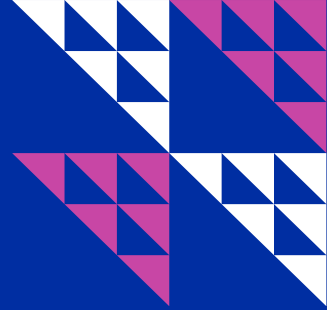
Relationship focused cultures	Deal-focused cultures
<ul style="list-style-type: none"> <li>• People are reluctant to do business with strangers.</li> <li>• Plenty of time used to build trust</li> <li>• Reliance and trust are more important than contract</li> <li>• Communication is indirect</li> </ul>	<ul style="list-style-type: none"> <li>• Business is done at once</li> <li>• Facts and selling points are stressed</li> <li>• People communicate directly</li> </ul>

Polychronic cultures	Monochronic cultures
<ul style="list-style-type: none"> <li>• Several things are done simultaneously.</li> <li>• Relationship are more important than pre-set schedules</li> <li>• Consider time commitments as an objective to be achieved, if possible.</li> <li>• Prefer life-time relationships.</li> </ul>	<ul style="list-style-type: none"> <li>• Complete one task at a time</li> <li>• Pre-set schedules prevail over relationships</li> <li>• Time commitments are firm</li> <li>• Are accustomed to short term relationships</li> </ul>

Hierarchical cultures	Egalitarian cultures
<ul style="list-style-type: none"> <li>• Inequality is tolerated and high status implies social power</li> <li>• Decision-making in organizations is centralized</li> <li>• Communication is more formal</li> <li>• Conflicts are solved smoothly and indirectly</li> </ul>	<ul style="list-style-type: none"> <li>• Social structure is flat, people are considered equal and treated similarly</li> <li>• Decision making in organizations is decentralized</li> <li>• Communication is less formal</li> <li>• Face-to-face confrontations are preferred</li> </ul>



# Tools for Partner Engagement



## i. The role of value proposition and joint planning

The value proposition given to the partner is of utmost importance. On top of the sales income generated selling the products and services the Finnish companies build a value proposition that consists of: a strong Finnish brand, reliable equipment, sustainability, clear vision for the future, on-line and face-to-face training, technical support, intranet available to partners and marketing support.

“Branding is crucial because it aids the partner if the brand is well-known.”

Joint planning with the partner is important. Success is created by having a joint annual plan with partners. For this purpose, joint templates with short and long-term opportunities and sales targets can be created. The evolution of business opportunities should be followed. Training is especially important as well as joint preparation of new business ideas.

## ii. Profiling as a tool for Identification and selection

The Finnish companies differed in their views on if a perfect partner exists.

“I don’t believe you can find an ideal partner; there’s always something missing.”

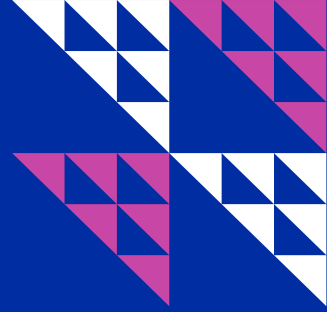
“We must find the most suitable partner.”

The partners of competitors can also be strong candidates for collaboration, according to the interviewees.

Additionally, the ideal partner profile evolves with industry changes, as digitalization has shifted much of the marketing from in-person interactions to online platforms.

Customers are looking for software as a service and online subscription instead of purchasing the technology themselves, meaning partners today need different skillsets. They must transition from sales roles to becoming consultants with solutions.

# Tools for partner engagement



## iii. Risk and difficulty mitigation

At times there are moments when difficulties in the relationship with the partner occurs. The most common difficulties with partners mentioned were that the partner was not active, or the actions of the partner were problematic, there were differences in the expectations of the partner and the Finnish company.

Several of the interviewees said that when problems occur the best way to proceed is to:

- Prepare the case explaining what the problem is.
- Have as target to resolve the topic.
- Discuss the topic openly with the partner, firmly but with respect, listen to the counterpart as well.

## iv. Geographical diversity to consider

The interviewees believed that a global partner strategy is necessary, but there are some local modifications that need to be made. For instance, flexibility and agility (specifically, the needs and payment methods) require local adjustments.

One interviewee emphasized that what works in France may not be effective in Brazil. Additionally, culture significantly impacts business etiquette.

## v. Financial aspects of partner engagement

Financial aspects are critical in building successful international partnerships. Finnish companies should ensure the partnership is mutually profitable by setting clear profit-sharing terms and offering performance-based incentives. Transparent payment schedules, credit terms, and strategies to mitigate payment risks, especially in international markets, are essential. Upfront investments and cost-sharing for activities like marketing and training should be agreed upon to maintain fairness and alignment.

Maintaining financial transparency through open reporting and regular reviews builds trust and accountability. Companies should address currency risks, tax compliance, and ensure the financial model is sustainable and adaptable to market trends for long-term growth.

# Win-Win Partner Engagement Model

Building successful international partnerships requires a strategic, long-term approach focused on mutual benefits. Understanding the market and its players, tailoring the partnership plan, and establishing a strong brand are crucial. Finnish companies should clearly define the reasons for partnering, ensuring shared growth and market opportunities. A compelling value proposition motivates partners, offering access to innovation, support, and differentiation. Thoroughly evaluating potential partners for business, cultural alignment, and capacity to meet goals is essential.

Demonstrating commitment through clear expectations, goal-setting, and early support is crucial. Joint cases or projects build trust and reliability. Handling challenges transparently and collaboratively ensures long-term success.

The goal is to establish a sustainable, long-term relationship where both parties grow and succeed. The win-win model focuses on continuous value creation, fostering a deep commitment to shared goals and long-term business success.



“Strong brands of Finnish companies positively influence local partners. Enhancing Finland’s image and reputation in key industries is crucial.”



## A Note on Business Finland

Business Finland assists our customer companies in growing and succeeding globally, developing solutions for the future, and helping them boldly renew their business operations. We foster collaboration between companies and research groups to enable new endeavors to flourish into international business ecosystems. We are particularly focused on green transition, digitalization, and sustainability to achieve a carbon-neutral future.

We are further developing Finland into an attractive and competitive innovation environment, as well as the most enticing investment and travel destination in the world.

Our organization employs 760 specialists at 40 foreign locations and 16 offices in Finland. Business Finland is a public-sector operator and part of the Team Finland network.

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