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## Ten Rules of Thumb for Business Relations in Finland

by

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### 1. Know your partner

The business names of Finnish companies frequently convey no obvious meaning for non-Finns, and mix-ups can easily happen. It is not at all unusual for the names of two different companies to differ from each other only by one double letter.

Even small differences in the abbreviation for the legal form of a company may have the consequence that you are dealing with an entirely different legal entity. For example, the firm "Virtanen Oy" is not identical with "Virtanen Oyj" or "Virtanen Ky" while, on the other hand, "Virtanen Ab" is usually just the Swedish name of that enterprise.

Do not let any doubt arise as to the identity of the parties with whom you negotiate and conclude contracts. If it comes to a lawsuit, you must be able to define with 100% certainty which company owes you the money.

### 2. Check financial soundness

Many Finnish limited companies only dispose of the minimum capital of 2,500 euros.

A financial crisis of the company can remain invisible to the outside world for a long while. Even if the share capital is mostly used up, the company can still wait a year until it must file a bankruptcy petition, arrangement or reorganisation.

It is as simple as it is necessary to obtain information about new business partners. Relatively small expenditure can prevent serious financial losses at a later stage. Your Finnish lawyer will be glad to help you to obtain the information you need.

### 3. Security according to local customs

Finnish enterprises are usually reliable in effecting their payments – provided that they are solvent. Preventive action against bad debt losses is nonetheless necessary.

Do not rely on means of providing security that you are familiar with in your home country, but rather secure your claims according to Finnish custom. Reservation of title, for example, which is very common in many countries, is only effective in Finland in

exceptional cases and provides particularly weak protection in the case of bankruptcy. This fact cannot be changed by choice of foreign law.

Finnish law offers various practicable alternatives, but these must be considered separately in each case.

### 4. Avoid misunderstandings

In order to conduct successful negotiations, it is essential that both parties speak the same language. This is often more difficult than it seems, particularly when acting in a foreign legal system and culture. In many cases, Finnish words may be translated literally into English and mean something quite different nevertheless.

When talking to a *managing director* of a Finnish company, most European entrepreneurs will assume him or her to be the chief executive officer of the company with comprehensive representative powers. In fact, however, the managing director plays only a subordinated role in a Finnish limited company and has powers only for running matters. As another example, most Europeans

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know a *notary* (French *notaire*, German *Notar*) as a person who authenticates documents. In Finland, a notary is a trainee at the court.

Such misunderstandings not only increase the risk that unsuitable or disadvantageous agreements may be concluded, but may also create feelings of distrust between the parties as early as in the negotiation phase. Take appropriate advice.

#### 5. Skip the formalities

Finns like to be informal in business dealings. If a contact goes further than mere telephone conversations, it is customary to address people informally, using their first names. The use of words like *Mr.* or *Mrs.* is extremely uncommon in Finland.

Even when negotiating in English or other languages, most Finnish conversation partners will feel more comfortable if you suggest dispensing with formal terms of address and titles.

In any case, do not be distracted if you are addressed in a way that seems odd to you. For example, on formal occasions that do not allow the use of the first name, Finns usually address each other using only the family name – i.e. omitting such titles as *Mr.* or *Mrs.* – without intending any disrespect.

#### 6. Listen carefully

Finns usually prefer to speak briefly and they hate having to repeat themselves. Thus it is advisable to listen carefully to what a Finnish partner has to say and not to interrupt him.

As a foreigner one easily makes the mistake of not taking an important message or piece of information seriously if it is expressed without introduction or the use of noisy and high-sounding phrases, and is not repeated when the matter is discussed on a further occasion. This can prove to be an expensive mistake.

You may also rely on your Finnish negotiation partner listening carefully to what you have to say. Repeated insistence on a certain point of view may easily be misinterpreted as a signal that the negotiations have already failed.

#### 7. Discuss the matter

While oral agreements are not taken very seriously in most of Europe, the spoken word has significant value for the Finns.

It is sensible to discuss important messages or agreements one more time with the business partner, at least over the telephone. When the matter has not been spoken about, it is quite possible that written messages or even agreements remain unnoticed or are even disputed because they are not really considered as being finally agreed upon.

If you want to make a point with Finns or achieve a specific result, an informal telephone call is often more effective than many carefully formulated letters.

#### 8. Be flexible

Anybody expecting the contract to be carried out to the letter may be surprised at times. This is true in good ways as well as bad.

Many sellers are satisfied with themselves when the performance fulfils the agreed *purpose*. It is not unusual for a buyer to receive a better product than was ordered, because this was possible without a lot of extra work. On the other hand, it may be the case that the contractual performance or agreed documentation is found to be lacking in certain respects.

The situation varies from sector to sector. Depending on the level of competition, and on how international the seller is, in some sectors one can certainly expect the level of service and performance customary in the international markets. In other areas, however, excessively strict adherence to the letter of the contract may cause your business partners some displeasure, leading to a disadvantage in competition.

#### 9. Bargaining is permitted

When negotiating the price, do not hesitate to offer considerably less than demanded and not to accept the first concession as the last word.

In the Finnish economy it is very common to calculate the margins substantially larger than is usual in other countries. For this reason many Finnish sellers are inclined to offer price reductions without a bigger defence and even to go lower one more time if necessary. It is not considered objectionable in Finland to offer at a high price and then come down as the negotiation progresses.



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#### **10. Take good advice**

In Finland, attorneys practically always invoice their services according to the time spent, even for litigation matters. Hourly rates may vary significantly depending on the degree of specialisation involved.

It is not necessarily advisable to instruct the legal adviser who offers the lowest hourly charging rate. The time needed to deal with the matter (and therefore the level of costs involved), as well as the prospects of success, depend heavily on the expertise of the adviser you instruct.

When doing business in Finland as an internationally active enterprise, you should make sure that your legal adviser is not only proficient in Finnish business law but also possesses the specialised knowledge necessary to deal with legal questions in an international environment.