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# Philippines as a Potential International Market for Finnish SMEs

Business Economics  
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## ABSTRACT

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In this thesis, Philippines as a potential international market was studied to develop a manual for Viexpo. The manual contained information that will support Finnish SMEs on their quest to find information about the Philippine market and influence their decision in pursuing this new international market.

The theoretical framework of the thesis covers numerous topics from international business to market research, PESTEL analysis, SWOT analysis and Hofstede dimensions. The theoretical framework of the study comprises secondary data from literature and internet sources.

The research was conducted as a qualitative research. An interview was performed based on the theoretical framework and the main focus of the interview was international trading between Finland the Philippines. The interviewees were from relevant organizations that were involved in the internationalization processes between Finland and the Philippines. Two experts answered the questionnaire.

The research outcome showed that the Philippine market has numerous business opportunities that are available for the Finnish SMEs. Five different market sectors were discovered in this thesis that Finnish companies may potentially explore. As further research recommended to study a specific product or service that can be traded internationally between Finland and the Philippines.

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Keywords	international business, market research, PESTEL analysis
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# 1 INTRODUCTION

## 1.1 The Background of the project

Varma (2019) stated that “International business refers to any business activity which involves the transfer of resources, goods, services, knowledge, skills, or information across national boundaries”. Banking, finance, education, information technology, construction, and manufacturing are the industries where these activities are involved.

The thesis topic was selected together with the company, Viexpo. The firm serves small and medium-sized enterprises (SMEs) in various stages of the export path as a part of the Team Finland network. As stated on the firm’s website (Viexpo 2021) “As the internationalization unit of the Centre for Economic Development, Transport, and the Environment in Ostrobothnia”, Viexpo has helped clients in venturing to export markets mostly in Europe. However, the Philippines is one of the Asian markets that SMEs in Finland have not explored yet. Therefore, this is an opportunity for the researcher to introduce the Philippines as a potential international market. Hence, developing a concise but comprehensive manual will be an important outcome of this research.

Having resided in Finland for three years, my interest in international business had continued to develop. The trading relationship between Finland and the Philippines has always intrigued me. Having an opportunity to work with Viexpo regarding this topic enables the researcher to explore this interest. This thesis will lead the researcher to obtain more comprehensive knowledge about these two countries and understand the important factors to consider when venturing to a new market internationally.

## **2 THE BENEFICIARIES**

The primary beneficiary of this research is Viexpo and its clients.

## **3 OBJECTIVES AND INDICATORS**

### **3.1 Goals (long-term goals) and developing indicators**

The long-term goal of this research is to make Philippines an attractive international market to Viexpo's clients. On the other hand, to measure the long-term developing indicators, will solely depend on the fact that this manual will be used by the firm's clients and in this case, Viexpo will provide feedback.

### **3.2 Immediate objectives (short-term objectives) and output indicators**

The aim of this research is to provide Viexpo and its clients with clear overview of the Philippines as a potential international market by developing a concise but comprehensive manual. This manual will contain important information that may influence their decision in pursuing or not their interest in venturing to this new market.

### **3.3 S.M.A.R.T. Goals**

Specific- To be able to produce a manual for Viexpo to showcase Philippines as a potential international market.

Measurable- To find relevant and value-added information to be included in the manual by obtaining resources from academic resources such as books, articles and conducting qualitative interviews to relevant organizations.

Attainable- Viexpo will support in introducing the researcher to conduct interviews with relevant authorities/organizations such as Team Finland and Finnpartnership. Accessibility to educational materials and resources are also available.



Relevant- The goal is relevant as this research will benefit Viexpo to support SMEs in Finland in the various stages of their export business.

Time bound: This research will be accomplished within 3.5 months.

## **4 THE EXECUTION OF THE PROJECT**

The researcher has identified the following steps of what should be performed. First, collect all the possible data mainly from secondary sources to develop relevant information about the Philippines. Second, analyze the relevant information gathered and decide which to include in the actual manual. Third, formulate interview questions to organizations, for example to Team Finland and schedule an interview date and time. Conducting qualitative interviews to the relevant organizations will give the researcher an actual overview on how international trading functions between Finland and Philippines. Fourth, analyze the interview answers and evaluate them together with the theories and academic research obtained earlier. Fifth and lastly, incorporate relevant findings gathered from the interview into the output, the manual.

## **5 THEORETICAL FRAMEWORK**

### **5.1 International Business**

Business transactions between two or more countries, both private and government is referred to as international business. Sales, investments, and transportation are examples of these transactions. Studying international business is important as it contains a large and increasing part of world's total business. Companies, large or small seem to be influenced by today's global event and competition. This is due to most firms sell its goods and procure its supplies from foreign countries. Moreover, local companies also compete against imported goods and services. (Venkateswaran 2011, 1)

## **5.2 Factors why companies engage in International business**

Company's mission, its objectives and strategy are considered when operating internationally. There are seven main objectives that may influence firms to participate in international business. (Venkateswaran 2011, 2)

Below are the following seven main objectives:

1. To expand sales- It appears that the number of people and the amount of its purchasing power globally is higher than a single country. Hence, firms may have an advantage to increase their sales by reaching out to other markets internationally. (Venkateswaran 2011, 3)
2. To acquire resources- Goods, services and components manufactured abroad are of interest to local firms as it provides them information to improve their own product quality and have an advantage against its competitors (Venkateswaran 2011, 3)
3. To diversify sources of sales and supplies- Firms may avoid full impact of price fluctuations domestically by acquiring supplies of the same product from different countries (Venkateswaran 2011, 3)
4. To minimize competitive risk- Companies engage into international business to avoid a competitor from gaining benefits in international markets that may harm them locally (Venkateswaran 2011, 3-4)
5. Profit advantage- As (Varma 2019) stated that "international trade and investment are the means through which a business firm is able to benefit from differences in labour costs, availability of resources and capital, and differences in regulatory frameworks, such as taxation differences". Through these differences, companies are able to maximize their profits by engaging in international business.
6. Growth opportunities- Firms tend to explore foreign markets when the local market becomes saturated. Therefore, the need to broaden the market internationally leads to growth opportunities. (Venkateswaran 2011, 4)

7. Government policies and regulations- Most governments in developing countries such as India motivate exporters by providing incentives to invest in foreign markets (Venkateswaran 2011, 4)

### **5.3 Market Research**

Market research is the core of any effective marketing plan especially when planning to enter an international market. It is the foundation of identifying the best customers, factors of their buying decisions and potential sales from them. Furthermore, conducting a thorough market research is a critical phase before agreeing to any financial commitments. Hence, absolute certainty can never be attained in business decisions however developing as much relevant information decreases the uncertainty in a manageable level. (Zimmerman 2013, 90)

#### **5.3.1 Types of Market Research**

Primary market research is the creation of new information for understanding the companies' customers and markets. To name a few examples of research methods used to create primary market data and information from external sources are customer visits or interviews and field trips, interviews with potential customers and observations. (Wenzel 2012, 24-25)

Secondary market research is evaluating for data and information that has been already collected by others. It can provide the entrepreneurs with good insights regarding their own customers and markets. It may also often less expensive than primary market research. (Wenzel 2012, 29)

#### **5.3.2 How to plan a marketing research**

Deciding on your objectives and setting up a plan for your market research is an important step before beginning to collect any information. Time, effort, and cost can be misspent if objectives are not defined when conducting an export market research. (Westwood 2012, 47)

There are five key steps in carrying out a marketing research (Westwood 2012, 48)

1. Define the objectives. The objectives must be clearly defined and should clarify why the research is being conducted (Westwood 2012, 48)
2. Decide what information needs to be obtained. It is suggested to prepare a list, detailing all the information and data required. This needs to be done thoroughly as it may be costly for the firm if it is needed to return later to collect additional information. (Westwood 2012, 48)
3. Decide the best way to acquire the information. It suggests that you are able to acquire a mass number of basic information about your intended market by implementing a desk research. However, it is recommended to perform fieldwork to the intended market itself. (Westwood 2012, 49)
4. Collect the data. It involves using different kinds of methods and data sources (Westwood 2012, 49). The researcher will not discuss this step in details. However, country (market) and industry (sector) reports and general reports on specific overseas markets are examples of data sources that are readily available, it may be free of charge or with a fee to obtain them.
5. Analyze the data. Market analysis, customer surveys or competitor analysis are examples of specific projects that have been implemented. Therefore, the data that has been obtained from these projects need to be analyzed. It appears that the evaluation of the data depends on the person evaluating them. Moreover, it is recommended that the analysis should be skilled in this field such as a marketing expert. Lastly, when collected data and information are evaluated, key findings should be exhibited in a research report and this is essential in preparation of an export plan. (Westwood 2012, 49)

## **5.4 PESTEL Analysis**

A PESTEL analysis (previously known as STEP or PEST analysis) is a framework used to analyze and monitor the general or macro-environmental factors (Brennan 2014, 44). It contains both secondary and primary research and aims at foreseeing substantial changes in the macro-level business setting over a span of time, usually two to five years. It is also often performed as preparation for scenario and trend analyses in the course of recognizing trends and uncertainties. (Hedin 2014, 166)

### **5.4.1 Political Factors**

The political factors refer to the degree on how a government affect the economy or a certain industry (Business to you 2018). It embodies the government structure, stability, and foreign policies that pertain to the organization. Government's policy, social unrest, political strife and opposing groups towards foreign investments are vital political factors to consider. (Brennan 2014, 44)

### **5.4.2 Economic Factors**

Economic factors are elements of an economy's performance. Financial growth, exchange rates, interest rates, inflation rates, purchasing power of consumers and unemployment percentages are the economic aspects to be considered. (Business to you 2018).

### **5.4.3 Social Factors**

External Factors such as literacy levels, social infrastructure, cultural considerations, demographic trends, and religious beliefs are beyond the organization's control however may essentially affect its operation (Brennan 2014, 46).

### **5.4.4 Technological Factors**

Technological elements refer to technological advancements that may affect the industry and its operations. The determinants under this factor may be measured on the degree of automation and innovation, incentives given to technological

programs, research and development projects, technological improvements, and the degree of technological understanding that a market possesses. (Business to you 2018)

#### **5.4.5 Environmental Factors**

The considerations under environment factors are climate and weather, particularly for firms with supply chains that start with agriculture. Protected habitats, endangered species, and local regulations may also affect an organization's operation because of wastewater disposal, toxic emissions, or non-renewable extraction. (Brennan 2014, 46) Moreover, an increasing understanding of the possible effects of climate change is influencing the way firms function and what kind of products they offer. Therefore, incorporating corporate social responsibility (CSR) and sustainability among the companies gradually increases. (Business to you 2018)

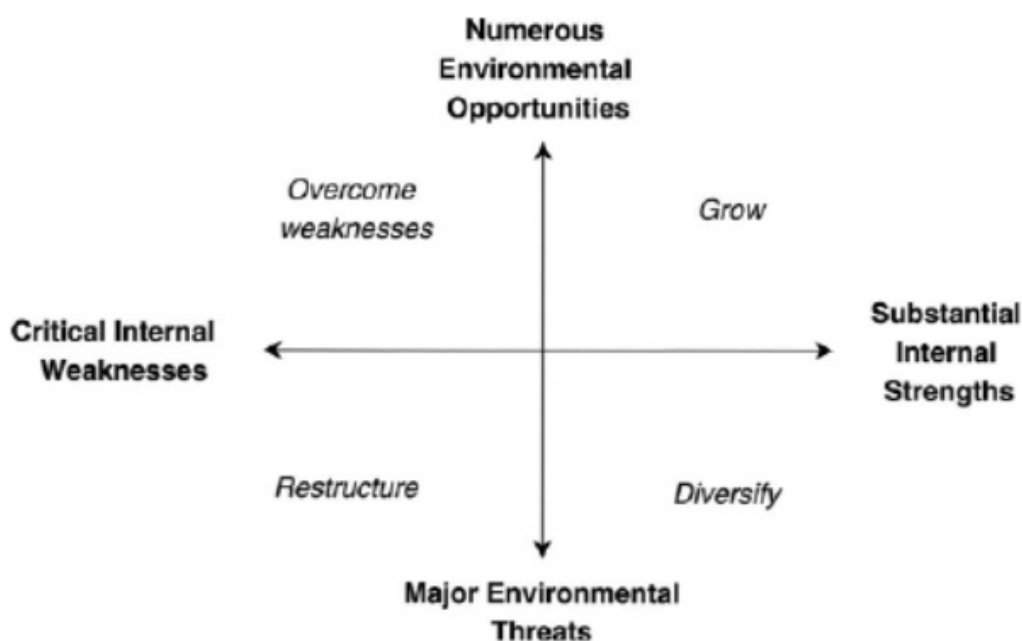
#### **5.4.6 Legal Factors**

As (Business to you 2018) stated that "specific laws such as discrimination laws, antitrust laws, employment laws, consumer protection laws, copyright and patent laws, and health and safety laws" are the determinants under this factor.

## 5.5 SWOT Analysis

SWOT stands for “Strengths, Weaknesses, Opportunities, and Threats.” It has been utilized for numerous years to analyze industry environments. It does not only evaluate the firm’s external environmental opportunities and threats, but it can also be used to assess firm’s internal strength and weaknesses. (Irene 2011, 80)

**Figure 5. 1** SWOT Analysis Illustration



To understand more how SWOT Analysis used by decision makers in a company, above is an illustration that shows that it is also prescriptive and different wide categories of strategies are related with each of the four SWOT quadrants. A good example is if a manager determines that it has both significant internal strengths and numerous external opportunities, then SWOT suggests that the firm should “grow” through merger and acquisition or internal development of new business opportunities. On the contrary, if a manager determines that it has internal weaknesses but external opportunities, then SWOT recommends that the firm “overcome weaknesses” by engaging in joint ventures, vertical integration, or unrelated diversification. (Irene 2011, 81)

The simplicity of the utilization of SWOT analysis is considered as one its strengths. It supports a good framework to decision makers of the company to constructively think about their company's internal strengths and weaknesses and external opportunities and strengths. It is often used as an effective tool in the early stages of their business planning and development. (Irene 2011, 81)

## **5.6 HOFSTEDE Dimensions**

As stated, (Hofstede 2021) "Professor Geert Hofstede defines culture as the collective programming of the mind distinguishing the members of one group or category of people from others". Hofstede defined culture as sequence of usual intellectual patterns made up of communal beliefs, behaviors, values, and norms that describe the group. He added that it is a rational system to assist individuals solve difficulties. (Beer 2012, 20).

The scores of the countries on each dimension are comparative, this signifies that each of us are humans and concurrently unique. Therefore, only through comparison, culture can be used meaningfully. (Hofstede 2021)

Below are the six cultural dimensions according to Hofstede.

### **5.6.1 Power Distance (PDI)**

Power distance denotes to the level on how the society deals with inequalities. In a high-level of power distance society, the society's members assume that authority is spread unevenly. This is considered as a hierarchical society. In contrast, a society with a low-level of power distance, individuals of the society seek to balance the power distribution and petition justification for disparities. This is considered as an egalitarian society. (Hofstede 2021)

### **5.6.2 Individualism versus Collectivism (IDV)**

Individualism is highly present when a society prefers a loosely-knit social framework. It is expected that members of an individualistic society to tend to themselves and only their direct family members. In contrast, Collectivism is highly present when a society prefers a tightly-knit social framework. It is expected that



members of a collectivist society, in exchange of loyalty, that other than their immediate families such as relatives or affiliates of certain organizations to tend after them. (Hofstede 2021)

### **5.6.3 Masculinity Versus Femininity (MAS)**

A society that prefers accomplishment, decisiveness, valor, and tangible rewards for success is known as Masculinity. This type of society is considered more competitive. In contrast, a society that prefers humility, consideration for other individuals, collaboration, and value the quality of life is known as Femininity. This type of society is considered more consensus-oriented". (Hofstede 2021)

### **5.6.4 Uncertainty Avoidance Index (UAI)**

Uncertainty Avoidance denotes to the level to which the society's members feel unsecured with vagueness and uncertainty. The questions that need to be answered in this dimension are: will the society try to control the unknown future, or will the society let the future unfolds as it is? Societies with high UAI keep strict codes of conduct and belief and are not open to unconventional actions and philosophies. However, societies with high UAI keep a moderate approach wherein practical applications are more beneficial than strict codes of conducts and principles. (Hofstede 2021)

### **5.6.5 Long-term Orientation versus Short term normative orientation (LTO)**

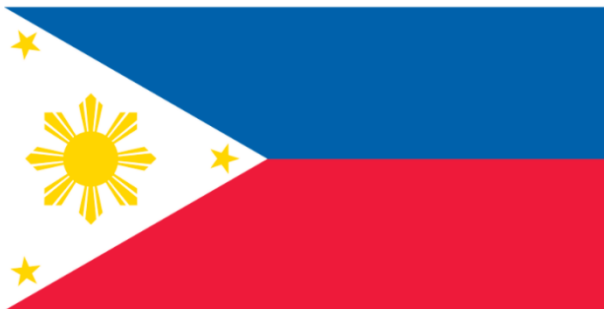
Under this dimension, each society needs to keep some connections with its past while managing with the difficulties of the present and the future. Societies with low LTO choose to keep customs and traditions and intolerant to societal changes. In contrast, societies with high LTO maintain a more practical attitude, they are more tolerant to societal changes and welcome modern methods that may be beneficial in the future. (Hofstede 2021)

### **5.6.6 Indulgence Versus Restraint (IVR)**

Moderately allowing free fulfilment of fundamental and normal human motivations linked to appreciating life and having fun refers to a society that prefers indulgence.

In contrast, defeating the fulfilment of needs and controls it by following strict codes of norms and traditions refers to a society that prefers restraint. (Hofstede 2021)

## 6 PROJECT OUTPUT



### Country Profile

Official name: Republic of the Philippines

Land Area: 300,000 sq km<sup>2</sup>

Population (2015): 100.98 million

Capital: Manila

Official Language: Filipino and English

Citizen: Filipino

Head of government: President Rodrigo Roa Duterte

Currency: Philippine Peso

GDP (2020): US\$367.362 billion

GDP per capita (2020): US\$ 3,372.5297

Major cities (2015 census): Manila, Quezon City, Davao City, Caloocan, Cebu City, Zamboanga City, Taguig, Antipolo, Pasig and Cagayan de Oro

## Business Opportunities in the Philippines

As (Team Finland in the Philippines 2021) stated “The Philippines is a potential market for Finnish businesses amidst the current economic situation, the recovery from the pandemic”. Below are business opportunities that Finnish companies may want to explore.

### 1. Infrastructure and Construction

Philippine Government’s USD 85 billion “Build, Build, Build” infrastructure program with 100 flagship projects. Some of the on-going infrastructure projects are The Subic-Clark Railway, North South railway, 1,500-hectare industrial park in Clark and an expansion of Clark International Airport. (Team Finland in the Philippines 2021)

**Table 6. 1** Key local customer partners for Infrastructure and Construction

Company name	Company Website
1. Ayala Corporation 	<a href="https://ayala.com/">https://ayala.com/</a>
2. Vista Land 	<a href="https://www.vistaland.com.ph/">https://www.vistaland.com.ph/</a>
3. San Miguel Corporation 	<a href="https://www.sanmiguel.com.ph/">https://www.sanmiguel.com.ph/</a>
4. Metro Pacific Investments 	<a href="https://www.mpic.com.ph/">https://www.mpic.com.ph/</a>
5. International Container Terminal Services Inc. 	<a href="https://www.ictsi.com/">https://www.ictsi.com/</a>

### 2. Digitalization and ICT (Information and Communications Technology)

An opportunity of an entry of third telecom operator. The national broadband plan, to develop internet connections across the whole nation, including the rural areas. Digital infrastructures focus post-COVID-19. Increase e-services of the different Philippine government agencies. (Selin 2021)

**Table 6. 2** Key local customer partners for Digitalization and ICT

Company name		Company Website
1. Globe		<a href="https://www.globe.com.ph/">https://www.globe.com.ph/</a>
2. PLDT Smart		<a href="https://www.pldtenterprise.com/">https://www.pldtenterprise.com/</a> <a href="https://smart.com.ph/corporate">https://smart.com.ph/corporate</a>
3. Meralco		<a href="https://www.meralco.com.ph/">https://www.meralco.com.ph/</a>
4. DITO Telecommunity		<a href="https://www.dito.ph/">https://www.dito.ph/</a>
5. Clark		<a href="https://www.clark.com.ph/">https://www.clark.com.ph/</a>

### 3. Circular Economy against climate change and sustainability

A huge opportunity for the target of 20,000 Renewable energy capacity by 2040. (From 7,399 MW in 2020). Climate change focus programs and energy efficiencies projects. (Selin 2021)

**Table 6. 3** Key local customer partners for Circular Economy against climate change and sustainability

Company name		Company Website
1. Aboitiz Equity Ventures		<a href="https://aboitiz.com/about-us/aboitiz-equity-ventures/">https://aboitiz.com/about-us/aboitiz-equity-ventures/</a>
2. AC Energy		<a href="https://www.acenergy.com.ph/">https://www.acenergy.com.ph/</a>
3. Alsons Power Group		<a href="https://alsonspower.com/">https://alsonspower.com/</a>
4. Solar Philippines		<a href="https://www.solarphilippines.ph/">https://www.solarphilippines.ph/</a>
5. FPH		<a href="https://www.fphc.com/">https://www.fphc.com/</a>

#### 4. Healthcare

The creation of the Universal Health Care Act. Private sectors investment into healthcare. An opportunity to develop E-Health strategy and digital health. (Selin 2021)



**Table 6. 4** Key local customer partners for Healthcare

Company name	Company Website
1. Makati Medical Center 	<a href="https://www.makatimed.net.ph/">https://www.makatimed.net.ph/</a>
2. The Medical City 	<a href="https://www.themedicalcity.com/">https://www.themedicalcity.com/</a>
3. St. Luke's Medical Center 	<a href="https://www.stlukes.com.ph/">https://www.stlukes.com.ph/</a>
4. AC Health 	<a href="https://www.achealth.com.ph/">https://www.achealth.com.ph/</a>
5. Centre Medicaire Internationale 	<a href="https://cmi.care/">https://cmi.care/</a>

#### 5. Education

An opportunity to curriculum development and digital education. (Team Finland in the Philippines 2021)

**Table 6. 5** Key local customer partners for Education

Company name	Company Website
1. Department of Education 	<a href="https://www.deped.gov.ph/">https://www.deped.gov.ph/</a>
2. Department of Science and Technology 	<a href="https://www.dost.gov.ph/">https://www.dost.gov.ph/</a>

### **Philippines-Finland Trade Relationship**

Philippines and Finland have established diplomatic relations in 1955. The political, economic and relationship between two nations have only developed over the past sixty years. The strong presence of Nokia in the Philippines indicated a strong economic relationship between the two countries. (Persson 2015)

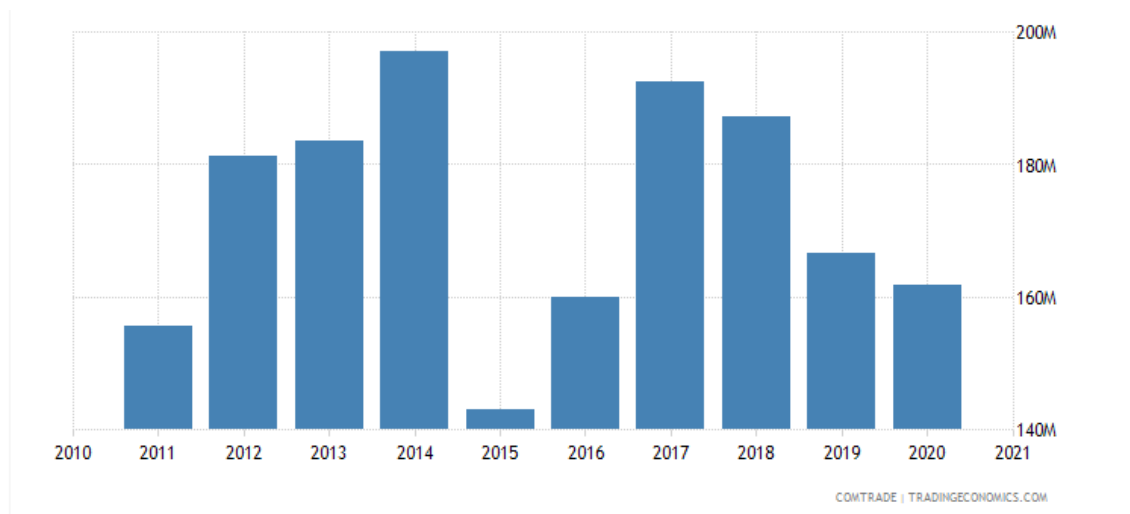
The Embassy of Finland in Manila, Philippines was re-opened last autumn of 2020. Unfortunately, the Finnish embassy in Manila was closed due to cuts in Foreign Service appropriation in 2012. After the closure of the Finnish Embassy in Manila, Finland has dealt its relations with the Philippines from Kuala Lumpur, Malaysia. Finland has responded positively to the feedback received from citizens and businesses. Through this re-opening, the Ministry of Foreign affairs looks forward that this will substantially improve the services in the region. (Finlandabroad 2021)

An interview was conducted by the researcher to the Ambassador of Finland in Manila, Philippines, Juha Pyykkö. Three substantive motivations were shared why Finland decided to re-open the Finnish Embassy in Manila, Philippines. First, business facilitation, Finland perceives prospects in terms of market potential with 110 million population. Second, immigration and consul services. Third and lastly, through the embassy, there will be more foreign security policy. (Pyykkö 2021)

### Bilateral trade between Finland and Philippines

“Finland exports to Philippines was US\$161.68 Million during 2020, according to the United Nations COMTRADE database on international trade. Finland exports to Philippines - data, historical chart, and statistics - was last updated in April of 2021.” (Trading Economics 2021)

**Figure 6. 1** Finland exports to the Philippines



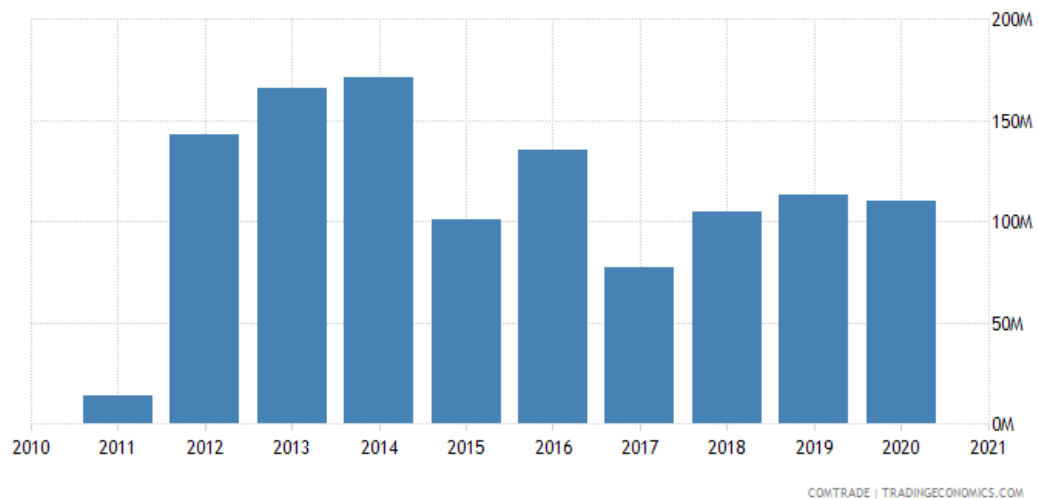
**Table 6. 6** Top 10 Finland exports to the Philippines

Finland exports to Philippines	Value	Year
Paper and paperboard, articles of pulp, paper and board	\$96.97M	2018
Optical, photo, technical, medical apparatus	\$24.43M	2018
Pearls, precious stones, metals, coins	\$17.37M	2018
Machinery, nuclear reactors, boilers	\$15.24M	2018
Wood and articles of wood, wood charcoal	\$14.65M	2018
Miscellaneous chemical products	\$5.41M	2018
Electrical, electronic equipment	\$4.79M	2018
Plastics	\$2.08M	2018
Fertilizers	\$2.07M	2018
Miscellaneous articles of base metal	\$666.20K	2018



“Finland imports from Philippines was US\$110.27 Million during 2020, according to the United Nations COMTRADE database on international trade. Finland imports from Philippines - data, historical chart and statistics - was last updated in April of 2021.” (Trading Economics 2021)





**Figure 6. 2** Finland imports from the Philippines



**Table 6. 7** Top 10 Finland imports from the Philippines

Finland imports from Philippines	Value	Year
Electrical, electronic equipment	\$59.02M	2018
Machinery, nuclear reactors, boilers	\$20.47M	2018
Optical, photo, technical, medical apparatus	\$7.42M	2018
Vegetable, fruit, nut food preparations	\$3.49M	2018
Rubbers	\$2.27M	2018
Meat, fish and seafood preparations	\$2.26M	2018
Miscellaneous chemical products	\$2.02M	2018
Articles of apparel, knit or crocheted	\$1.58M	2018
Vehicles other than railway, tramway	\$1.05M	2018
Articles of leather, animal gut, harness, travel good	\$1.03M	2018

**Figure 6. 3** Nordic countries' top three 3 exports to the Philippines and to three (3) import from the Philippines

																
	2017	2018	2019	3-year trend	2017	2018	2019	3-year trend	2017	2018	2019	3-year trend	2017	2018	2019	3-year trend
Exports MEUR	167.5	154.5	143.6	↓	122.8	124.7	131.4	↑	49.4	32.9	30.7	↓	133.3	174.6	133.7	→
Top 3 exports (2019)	<ul style="list-style-type: none"> <li>Paper and paperboard</li> <li>Wood and articles of wood</li> <li>Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical equipment</li> </ul>				<ul style="list-style-type: none"> <li>Machinery, mechanical appliances</li> <li>Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical equipment</li> <li>Meat and edible meat offal</li> </ul>				<ul style="list-style-type: none"> <li>Fish and crustaceans, molluscs and other aquatic invertebrates</li> <li>Commodities not elsewhere specified</li> <li>Miscellaneous chemical products</li> </ul>				<ul style="list-style-type: none"> <li>Paper and paperboard</li> <li>Machinery, mechanical appliances</li> <li>Electrical machinery and equipment</li> </ul>			
Imports MEUR	17.8	30.0	39.2	↑	49.9	59.3	58.4	↑	38.5	39.4	50.5	↑	52.7	43.3	45.9	↓
Top 3 Imports (2019)	<ul style="list-style-type: none"> <li>Machinery, mechanical appliances</li> <li>Electrical machinery and equipment</li> <li>Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical equipment</li> </ul>				<ul style="list-style-type: none"> <li>Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical equipment</li> <li>Lac; gums, resins and other vegetable saps and extracts</li> <li>Electrical machinery and equipment</li> </ul>				<ul style="list-style-type: none"> <li>Electrical machinery and equipment</li> <li>Machinery, mechanical appliances</li> <li>Articles of leather; saddlery and harness; travel goods, handbags and similar containers;</li> </ul>				<ul style="list-style-type: none"> <li>Machinery, mechanical appliances</li> <li>Animal or vegetable fats and oils</li> <li>Electrical machinery and equipment</li> </ul>			
Total MEUR	185.3	184.5	182.8	↓	172.7	184.0	189.8	↑	87.9	72.3	81.2	↓	186.0	217.9	179.6	↓

Trade figures: ITC Trade Map

### Finland as a top Nordic exporter despite three-year decline

The above figures were obtained from a reputable management consulting company, NordStar Asia Consulting Pte Ltd. It is a firm that focuses on the commercial development and market entry services in the Philippines. The illustration above shows not only Finland's top three (3) exports and imports to the Philippines but also the comparison to the other Nordic countries- Denmark, Norway, and Sweden. Based on the figures above, it is essential for Finnish companies to know the top imports and exports of Finland to the Philippines and also compare them to the other Nordic countries. This provides any interested SMEs in Finland to know and understand what kind of products that will successfully penetrate in the Philippine's market. (Selin 2021)

## Relevant Organizations

Below are the various organizations that any interested SMEs can contact when they are interested to explore the Philippine market. The list of organizations below has different roles on the various stages of your internationalization, may it be import or export businesses. Therefore, it is recommended to explore directly on the given websites to acquire more details.

As (Team Finland in the Philippines 2021) stated “Team Finland network aims towards global success of Finland and Finnish business. It brings together state-funded operators and their services that promote internationalization of Finnish companies, investments to Finland and Finland’s country brand”.

**Table 6. 8** Contact information of relevant organization to contact.

Organization	Contact Information
<b>Team Finland in the Philippines</b>	Juha Pyykkö  Coordinator and Chairman: Ambassador  +63 917 311 6180  Embassy of Finland, Manila  <a href="mailto:juha.pyykkko@formin.fi">juha.pyykkko@formin.fi</a>
<b>Business and export promotion</b>	Pekka Laitinen  APAC Regional Manager of Business Finland  <a href="mailto:pekka.laitinen@businessfinland.fi">pekka.laitinen@businessfinland.fi</a>

<b>Team Finland operators in the Philippines</b>	<p>Embassy of Finland, Manila <a href="https://finlandabroad.fi/web/phl/frontpage">https://finlandabroad.fi/web/phl/frontpage</a></p> <p>Representative of Business Finland based in Kuala Lumpur, Malaysia <a href="https://www.businessfinland.fi/en/locations/asia-india-and-oceania/malaysia">https://www.businessfinland.fi/en/locations/asia-india-and-oceania/malaysia</a></p> <p>Honorary Consulate General of Finland in the Philippines <a href="https://um.fi/finland-s-representation-abroad-by-country/-/asset_publisher/dCMOY7lDMXLf/contactInfoOrganization/id/29075753">https://um.fi/finland-s-representation-abroad-by-country/-/asset_publisher/dCMOY7lDMXLf/contactInfoOrganization/id/29075753</a></p>
<b>Nordic Chamber of Commerce of the Philippines</b>	<p>Jesper Svenningsen</p> <p>Executive Director</p> <p><a href="mailto:events@nordcham.com.ph">events@nordcham.com.ph</a></p> <p><a href="http://nordcham.com.ph/">http://nordcham.com.ph/</a></p>
<b>Financing export</b>	<p>Business Finland</p> <p><a href="https://www.businessfinland.fi/en/for-finnish-customers/services/funding">https://www.businessfinland.fi/en/for-finnish-customers/services/funding</a></p> <p>Finnfund <a href="https://www.finnfund.fi/en/">https://www.finnfund.fi/en/</a></p> <p>Finnvera <a href="https://www.finnvera.fi/eng">https://www.finnvera.fi/eng</a></p>
<b>Developing Markets Platform</b>	<p><a href="https://www.businessfinland.fi/en/for-finnish-customers/services/programs/developing-markets-platform">https://www.businessfinland.fi/en/for-finnish-customers/services/programs/developing-markets-platform</a></p>
<b>Matchmaking services</b>	<p>Finnpartnership <a href="https://finnpartnership.fi/en/frontpage/">https://finnpartnership.fi/en/frontpage/</a></p>

## **Finnpartnership**

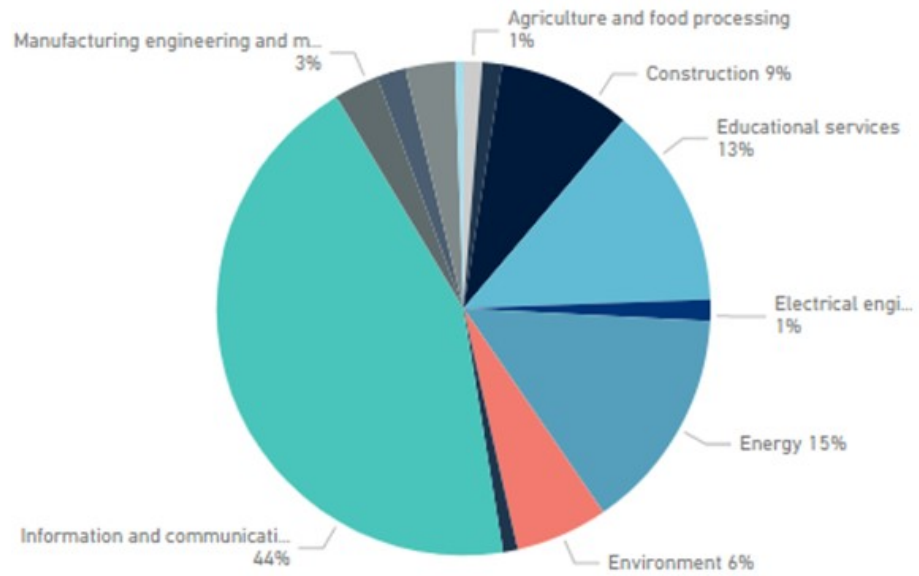
Finnpartnership is an organization where Finnish companies that are interested in conducting business in the developing countries can obtain support. It is displayed by awarding business partnership support. It includes financial support for all the initial phase of the project which includes planning development and training. The objectives of any Finnish firms are important in order for them to be eligible and attain Finnpartnership's support. Establishment of profitable and long-term business agreements and creating positive growth impacts are examples of good objectives. If the main goal of the project is only to export and find potential partners are not qualified for any support. Aside from the said support, Finnpartnership has created different kinds of programs from the developing countries for the Finnish firms' utilization. One of the most used programs is the Matchmaking service which provides the services and contacts available for Finnish companies and vice-versa. (Karjalainen 2021)

Finnpartnership has awarded Business Partnership Support to 51 projects (where the Philippines has been one of the target countries) and the total amount of support granted is **2 884 787 €**, thus averaging **56 564 €** per project (between years 2006-2020). (Karjalainen 2021)

Support has been granted to the industries presented below. (Karjalainen 2021) The top 3 industries are:

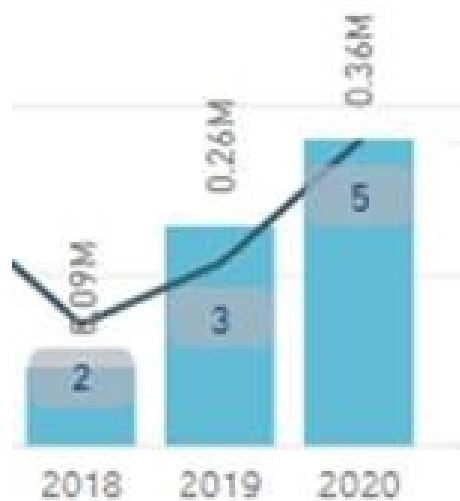
- 1) ICT -sector 44%
- 2) Energy sector 15%
- 3) Educational services 13%

**Figure 6. 4** Supported granted by industry



During the past three years, the number of projects in the Philippines and the total amount of support granted have increased (Karjalainen 2021).

**Figure 6. 5** Support granted to the Philippines projects from 2018-2020



## **PESTEL Analysis of the Philippines**

### **Political**

As stated, (The Philippines Government 2021) “The Philippines is a unitary presidential constitutional republic, with the President of the Philippines acting as both the head of state and the head of government”. The current president of the country is Rodrigo Duterte since 30 June 2016. His term will end in May 2022. President Duterte has launched a massive campaign against drug-related crimes since he started his term. During his term, Philippines has developed a stronger relationship with China however weakened its relationship with the U.S. Philippines’ relationship with Malaysia and Indonesia were also more established. Universal healthcare and free education for all are considered his priorities in his administration. (Nordeatrade 2021)

Despite one of the world’s strictest and longest lockdown during the pandemic (2020), Philippines being the second highest in Southeast Asia, the trust of the citizens to their president remained high. Most of the Filipinos were agreeable to how the administration were handling the current pandemic situation. (Nordeatrade 2021)

### **Economic**

Philippines is considered as one of the dynamic economies in the East Asia Pacific region. The reason behind this is the nation’s strong consumer demand maintained by a strong labor market and remittances. Good performances in the service sector such as the BPO (business process outsourcing), insurance industries, real estates and financial investments makes the commercial activities resilient. The nation has sustained an average annual GDP growth of 6,4% from 2010-2019. This is comparable to the GDP’s average growth of 4,5% between 2000-2009. (World Bank 2021)

However, similar to other nations, COVID-19 has challenged the real economic growth of the Philippines. Since the imposed strict community quarantine measures within the country. It caused a downturn of huge industries such as tourism, import

and export and other service industries. Nevertheless, it appears that an economic rebound is expected in 2021-2022 in the event that coronavirus will be contained both in the domestic and global scene. (World Bank 2021)

### **Social**

According to the Philippines Statistics Authority, the population of the Philippines as of 1<sup>st</sup> of August 2015 is 100,981,437. It was 8.64 million higher compared to the year 2010. (Philippine Statistics Authority 2021) The Philippines is considered as the third largest Catholic population in the world. This is due to the Spanish colonization for about three hundred (300) years. Approximately 5% of Muslim population located primarily in the southern part of the Philippines, in the Mindanao region. Filipino (often known as Tagalog) and English are the official languages in the Philippines. The Philippines follows the US education system in the tertiary level which is normally a four-year program. In 2013, Philippines passed a law “K+12 Education Program”. It refers to twelve years of education given to the students. This is from pre-school to senior year. (ASEAN Briefing 2017)

### **Technological**

In order to manage the negative effects of the COVID-19, the speedy implementation of advanced technologies, such as digitalization and realizing its vision to transform the nation to a middle-class society free of poverty are recommended. There is an increased use of digital technologies in the Philippines. Online education, e-commerce, e-payments, and telemedicine are examples of the said technologies. This is response to strict quarantine measures being implemented nationwide. Despite the pandemic, the country ensures that business continuity, and government continuous to serve the public. (World Bank 2021)

### **Environmental**

Philippine’s climate is tropical and maritime. It is illustrated as generally high temperature, humidity, and abundant rainfall. In many aspects, the climate of the Philippines is similar to the climate of the countries in Central America. The general overview of the temperature in the country has a mean annual temperature of 26.60



degrees Celsius. January is considered the coolest month with a mean temperature of 25.50 degrees Celsius and May is considered as the warmest month with a mean temperature of 28.30 degrees Celsius. Philippines has two major seasons namely the rainy season from June to November and the dry season from December to May. (PAGASA 2021) There are numerous laws and policies that the Philippines have in place. Air Quality Management, Hazardous Waste Management and Water Quality management to name a few. The country is also a member of multilateral environmental agreement. Paris Agreement, United Nations Environment Assembly (UNEA) and ASEAN Ministerial Meeting on Environment (AMME) to name a few. (DENR 2021)

### **Legal**

It is imperative to know and understand the specific laws in any given country of interest. The Philippines has a comprehensive labor code that can be accessed publicly. Important information such as eighteen (18) years old as the legal age in the Philippines, the regional minimum wage rates are determined through Regional Tripartite Wages and Productivity Boards, and normal hours of work shall not exceed eight (8) hours a day are few vital information that can be found in the labor code of the Philippines. (DOLE 2021) On the other hand, to know more about copyright and patent laws, one should refer to the Intellectual Property of the Philippines. It could provide a clear organizational structure of the office and its functions. (IPOPHL 2021)

## **SWOT Analysis of the Philippines**

The summarized information on the table on the next page is formulated through the qualitative interviews that were conducted by the researcher and secondary resources from reliable organizations and websites. SWOT stands for “Strengths, Weaknesses, Opportunities, and Threats.” SWOT analysis assesses the firm’s internal strength and weaknesses and evaluates the firm’s environmental opportunities and threats. (Irene 2011, 80) In this case, we are evaluating the country’s internal strengths and weaknesses and assessing the nation’s environmental opportunities and threats. SWOT analysis is considered as an effective tool for the initial stage of any firm’s business planning and development. (Irene 2011, 81)

The Philippine’s strengths that appear attractive to numerous foreign investors are a young workforce who speaks English fluently, considered as a large domestic market, abundance of natural wealth, high success rate in the Business process Outsourcing model and considered as a nation with a modern legal system. (Santandertrade 2021) In addition, Philippines is in a strategic geographical location, it allows access to five hundred (500) million people in the ASEAN market with international shipping and air lanes suited for both European and American markets. (Nordcham 2021)

On the contrary, the nation’s weaknesses that appear unattractive to numerous foreign investors are political instability, underdeveloped infrastructure, imposed restrictions on some sectors when it comes to foreign investments and high-level of corruption across the different governmental departments. (Santandertrade 2021) Additionally, traffic congestion and bureaucracy are also considered as internal weaknesses of the country. (Nordcham 2021)

Philippine’s on-going massive infrastructure project “Build, Build, Build” is considered as one of the major opportunities that Finnish firms should explore. Re-establishment of the Finnish embassy in the Manila, Philippines may lead to more efficient potential business facilitation. These are considered as external opportunities of the country. (Pyykkö 2021) (Selin 2021) One major environmental

threat that the Philippines has is its high vulnerability to natural disasters such as strong typhoons and earthquakes. (Market Research Blog 2017)

**Table 6. 9** Summary of the SWOT Analysis of the Philippines

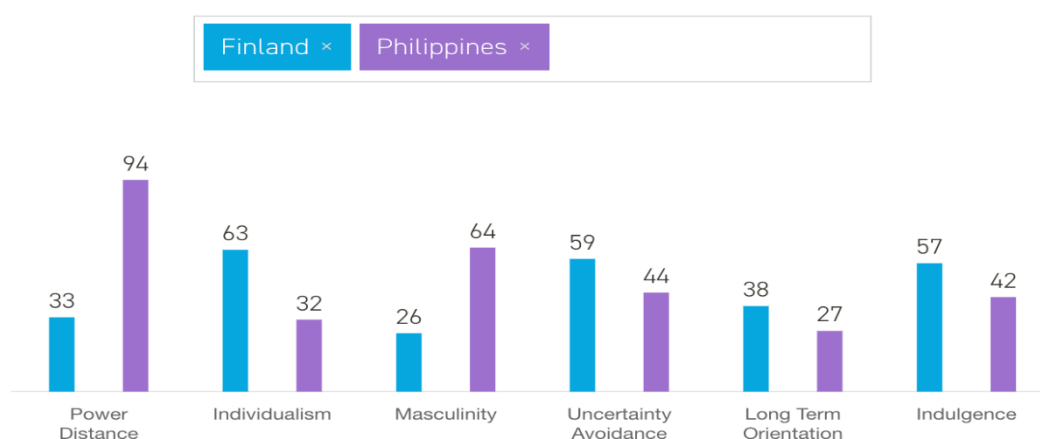
<p><b>Strengths</b></p> <p>Skilled English-speaking labor force</p> <p>A population with 110 million people considered as a large domestic market and with a young population.</p> <p>Successful Business Process Outsourcing companies present.</p> <p>Business growth mindset</p> <p>An advanced legal system</p> <p>Significant natural wealth</p> <p>Strategic geographical location</p> <p>Good trade relationship with other neighboring countries, displays as member of ASEAN.</p>	<p><b>Weaknesses</b></p> <p>Political instability</p> <p>Poor quality of its infrastructure</p> <p>Restrictions on foreign investment in certain sectors.</p> <p>Traffic Congestion</p> <p>Bureaucracy</p> <p>High level of corruption</p>
<p><b>Opportunities</b></p> <p>Philippine’s current infrastructure project “Build, Build, Build”.</p> <p>Re-establishment of the Finnish embassy in the Manila, Philippines</p>	<p><b>Threats</b></p> <p>The country remains highly-vulnerable to natural disasters.</p>

## Hofstede Dimension

As stated, (Hofstede 2021) “Professor Geert Hofstede defines culture as the collective programming of the mind distinguishing the members of one group or category of people from others”. Hofstede defined culture as sequence of usual intellectual patterns made up of communal beliefs, behaviors, values, and norms that describe the group. He added that it is a rational system to assist individuals solve difficulties. (Beer 2012, 20).

Below is the comparison of two countries: Finland and Philippines based on Hofstede’s dimension. (Hofstede 2021)

**Figure 6. 6** Comparison between Finland and Philippines



Finland and Philippines have very different scores with five dimensions except for long-term orientation. In this dimension, they have both relatively low scores. (Hofstede 2021) A careful analysis of the cultural differences between Finland and Philippines should be considered before deciding to explore this market. Therefore, the international strategies and the entry mode that will be adapted should be tailored to the Philippines market.

## **SUMMARY AND CONCLUSION**

Based on the two qualitative interviews conducted, it appears that lack of governmental presence in a certain country affects largely the trade relationship between two countries. In this research, it was brought to light that Philippines and Finland missed out on each other's radar when the embassy of Finland was closed in 2012. Nevertheless, the recent re-opening of the embassy of Finland in Manila, Philippines late last year (2020) brought a new opportunity for reviving the trade relationship between the two countries.

The major industries that Finnish companies can potentially explore are sectors in the Infrastructure & Construction, ICT & Smart Cities, Renewable & Cleantech, Healthcare and Education. There are two important factors that any SME or Finnish company are recommended to perform before entering the Philippine market. First, proper research should be undertaken, and it begins from the home country, in this case in Finland. This denotes that any firm should fully understand the market, the business opportunity, and the different partners to deal with. Utilize the use of relevant organizations such as Team Finland while doing your market research or business development. Second, building business relationship in the Philippines requires a considerable time. Attaining a clear understanding of the business culture in the Philippines will help the SMEs to save time and can lead to the best strategy to penetrate any potential market of choice.

In light of the current pandemic (Covid-19) situation worldwide, commercial activities in the Philippines moves in a slower pace than usual. This is due to enhanced community quarantine measures being implemented while waiting for the availability of vaccines. Nevertheless, the business opportunities in the Philippines appears to be positive and promising. Therefore, SMEs in Finland are recommended to explore different types of business opportunities in the Philippines.

## 7 ANALYSIS & DISCUSSIONS OF THE RESULTS

### 7.1 Interview Questions and Answers

The researcher was able to conduct two qualitative interviews with the two organizations that were able to provide more information regarding the overall market overview of the Philippine market. The qualitative interviews were performed through Microsoft Teams and permission was granted to record the interview for the researcher's easy reference. The researcher divided the questions to four categories namely: about the organization, market situation in the Philippines, challenges, and recommendations. The two organizations were Team Finland in the Philippines and NordStar Asia Consulting. Each question and response will be presented, and analysis of the overall responses will be discussed in the interview analysis and discussion section. Notice that the first paragraph after each question is Team Finland's response, and the second paragraph is NordStar Asia Consulting's response.

#### 7.1.1 About the organization

1. What is the main role of (organization name) in supporting Finnish companies interested to explore the Philippine market?

Team Finland is an organization that gathers and assembles all the publicly funded Finnish players or actors. The main goal is to facilitate the internalization of the Finnish companies. This is by bringing all the relevant institutions together both in Finland and abroad, including the embassies. Therefore, through one window, Team Finland are able to help Finnish companies in obtaining information or services regarding internationalization. (Pyykkö 2021)

NordStar Asia Consulting support Finnish and other Nordic companies to understand the market opportunities, potential partners primarily in the Philippines and other partners in the South East Asian region. The firm is focused on market studies, identifying business opportunities, and finding partners. With all these factors combined, they guide the Finnish companies to market their products or

services and support them in their business development. About 80% of the market entry assignments done by NordStar are Finnish companies. (Selin 2021)

2. How involved is (organization name) regarding the various steps of internationalization? Could you briefly discuss a typical process from initial to the final stage of internationalization to the Philippines? Who are the relevant parties/organizations involve?

The Embassy of Finland in Manila, Philippines re-opened late last year (2020) and Juha Pyykkö as the ambassador is heading this team and they represent the Team Finland in the Philippines. Herbert Nyqvist is assisting in commercial issues. In the later part of this year, more staffs from Helsinki will arrive, mainly positions in the commercial fields. The ambassador is not directly the partner for the business aspect of Team Finland in the Philippines. However, for the meantime, since Finnish embassy in Manila, Philippines is not yet fully established, they are assisting in carrying on these duties. There are there (3) classic services that the embassy is involve in the internationalization of a Finnish firm. First, they provide market insights, analyzes the market opportunities especially in the point of view of the Finnish market. Second, they provide high-level contacts in Manila, Philippines. Third and lastly, the embassy is involved when there are trade policy issues, for example trade obstacle in the Philippine market. They can raise these issues with the European Union (EU). (Pyykkö 2021)

NordStar Asia Consulting can be involved in two ways when it comes to the internationalization process of the Finnish firms in the Philippines. First, they can act as local representative of the company in the early stage of their business development. The usual tasks are identifying the right partners and setting up discussions with them, building the pipeline and driving the business development. Second, Nordstar can simply provide market analysis to the Finnish firm and not be part of their organization. It was emphasized that numerous market analyses are publicly published however what the consulting firm provides, is not the same information. They offer more value to the Finnish companies by providing information such as vital data from the actual participants involved in that certain market, the stakeholders, the end users, partners, importers, and distributors.

Through this information, the consulting firm can provide the Finnish companies an understanding of the overall ecosystem of that certain market and rationales behind the publicly published market analyses. (Selin 2021)

3. What programs or projects that (organization name) have, to develop the trade relationship between Finland and Philippines? How are these projects working so far?

Team Finland was not able to name numerous projects as they have mentioned that they just re-established the embassy late last year. However, there is one regional program or project they were able to share which as the SMART cities among the South East Asian countries. The said project is on-going and appears to be promising. (Pyykkö 2021)

Nordstar Asia Consulting was not comfortable sharing on-going projects or programs due to confidentiality. Nevertheless, two (2) companies were shared that the consulting firm is working with. First, River Cycle which focuses on the circular economy model, focusing on plastics in the ocean. Second, Ultrahack is an open innovation services company that facilitates new innovation and creates a platform for potential stakeholders to meet and discuss. (Selin 2021)

### **7.1.2 Market Situation of the Philippines**

1. How is overall market situation in the Philippines currently especially with the COVID- 19 pandemic?

Team Finland suggests that the economy of the Philippines was hit the hardest. The last decade was the most dynamic economy, with a 6% growth annually. This is comparison to the 9% downturn last year, 2020. This was the lowest since 1946. On the contrary, the forecast of World Bank that there will be a 7.5% growth this year and the next two years. The fundamental of the Philippines' economy appears to be good. Public debt level is not alarming compared to other nations and currency reserves are high. It is believed that economy will start to recover after the vaccination initiatives begin. (Pyykkö 2021)



From the point of view of Nordstar Asia Consulting with regards to their current projects, timelines have been dragging but at the same time not completely quiet. The business is moving but in a slow pace. Unfortunately, Philippines is one of the countries that is hit the worst of COVID-19. It is now a big question, how long will the negative effects of Covid-19 last. It appears that people are frustrated and exhausted with the situation. Due to the negative effects of the current pandemic, focus on priorities, operations, how to deal rather than what new businesses can we develop are methods to counter the recent situation. However, it is believed that long-term appears to be still promising and positive. (Selin 2021)

2. What are the potential markets in the Philippines that Finnish companies should explore? Could you also provide specific goods /services in each potential market?

Team Finland shared that there are five sectors or potential market that Finnish companies should explore. First, infrastructure development, mainly smart infrastructures. With the current Philippine president, Rodrigo Duterte's project, "Build Build Build". There are 100 projects within that project. 20-25 of these projects are still open. (Roads, Airports, and ICT). Second, sectors in circular economy against climate change and sustainability. Philippines has a target to reach the use of more renewable energy in 2040. Currently, the country is highly dependable in using coal as a source of energy. Third, potential market in Information and Communications Technology (ICT), Broadband and Digitalization. Programs such as to enlarge the wireless networking (WIFI) coverage to the whole of the Philippines' geography and increasing e-services of the Philippine government are some of the on-going projects under this market. Fourth, an increasing need for the improvement of healthcare sector. Promoting e-health and digital health are some of the current programs. Fifth, sector in education. The continuous development of school/university curriculum and enhancing digital education. (Pyykkö 2021)

Nordstar Asia Consulting shared similar potential market to Team Finland that Finnish companies should explore. The consulting firm shared four sectors namely Infrastructure and Construction, Information and Communications Technology (ICT) & Smart Cities, Renewable Energy & Cleantech and Healthcare. Nordstar

were able to provide some key local partners for each sector that was shared in the output of this thesis. (Selin 2021)

3. What do you think are the strengths that the Philippine market has based on your own understanding and experiences?

English speaking nation and young population are the strengths of the Philippines that was shared by Team Finland. (Pyykkö 2021) Business Process Outsourcing is one of the strengths of the nation's market shared by Team Finland. It appears there are numerous European companies have call centers in the Philippines. They provide technical support to their customers. Finnish companies may also explore this industry. (Nyqvist 2021)

NordStar Asia Consulting described the Philippine market as a heavily private sector-driven economy. Conglomerates are considered to be the major business players in the country. Overall, the Philippines has a business growth mindset. Transactions are done on a business basis, fairly simple and straightforward to have negotiations to your potential business partners. English as one of the official languages supports largely in communication compared to other Asian countries. (Selin 2021)

### **7.1.3 Challenges**

1. What are the main challenges Finnish companies encounter during the process of internationalization in the Philippines?

Team Finland shared three (3) main challenges that Finnish companies encountered during the process of internationalization in the Philippines. First, the need of a local partner in order to navigate the business environment. Second, the regulatory framework in the Philippines is unstable and unpredictable. Third and lastly, in terms of judiciaries and laws, the Philippines set strict attention to the laws, that a foreign company is often recommended to obtain a lawyer to ensure legality of business transactions.

NordStar Asia Consulting shared a different light when it comes to the challenges that Finnish companies encounter during the process of internationalization in the Philippines. They focused on the culture as the main challenge. One common mistake that a Finnish firm encounter when dealing business transactions with a partner in the Philippines that the first meeting will be successful at once. Understanding that the politeness and positivity during a business negotiation is a common business culture in the Philippines is important. It does not denote that the deal is sealed. Building business relationship in the Philippines takes time. Before any new business player conduct any business, it should be part of a trusted local partner. This is one main business cultural difference when compared to Finland. Commercial operations in Finland are conducted in a transactional manner. (Selin 2021)

2. Based on the challenges mentioned, when an interested Finnish company encountered challenges in the initial stage of internationalization, do they usually give up or do they try to solve them and continue with the process?

Team Finland was not able to share information regarding this question as they do not have experience due to the fact that the establishment of the embassy was just recently. (Pyykkö 2021)

Some Finnish companies simply did not continue, and it was difficult for them to begin again. On the other hand, there are cases that when a Finnish company was able to understand the business opportunity well to begin with, they managed to successfully continue the internationalization process. A typical example if there is a Finnish Small-medium enterprise (SME) and has an idea that there is a business opportunity in the Philippines, knowing key steps from there to verify that information is crucial. Understanding the market potential, identifying business partners, and choosing the right entry mode are considered the essential steps. These should be undertaken before making the decision on what kind of investment a firm should invest in the market. Understanding the said processes is the key to move forward with the internationalization. It was suggested that this are vital steps should be done by the company itself or together with a consulting company like NordStar. (Selin 2021)

3. How do you think these challenges affect the Finnish companies in exploring Philippines as a potential international market? Are there numerous Finnish companies inquiring about the Philippine market, what are their usual inquiries?

Team Finland shared that during their tenure there, there are few inquiries. They believed that this is due to the fact that Finland does not have embassy in the Philippines previously, Philippines fell out of the Finnish business radar. It is believed that the country's branding was missing on both nations. (Pyykkö 2021)

NordStar Asia Consulting suggested that Philippines was not strongly on the radar screen for Finnish SMEs. The consulting firm has been raising awareness for these market opportunities in the Philippines for the last 10 years. It appears that brand awareness should be raised. This is also due to from 2012 until early 2020, there were no governmental presence from the Finnish side in the Philippines, in terms of trade promotion and helping to bridge that gap. Currently, the Finnish embassy has re-opened in the Philippines late last year, 2020, there will be more support, Philippines will be more in the radar in the Finnish business community. NordStar presented that the firm was promoting Philippines because it was purely its business. However, it was not only Finland that the consulting firm is focused on, other Nordic countries as well. In the NordStar's point of view, in comparison with other Nordic countries, it is more driven by private sectors that find their ways to the Philippines. (Selin 2021)

#### **7.1.4 Recommendations**

1. Based on the challenges discussed earlier, are there any measurements in place to deal and to overcome these challenges? If yes, could you please elaborate these measurements?

Team Finland recommended to find a local partner when conducting business in the Philippines. Ensuring that interested Finnish companies are aware of the laws when conducting business in the Philippines. It is also recommended to religiously follow the regulatory framework in the Philippines. (Pyykkö 2021)

This question was answered as a consulting company's point of view. NordStar has an existing business network that they utilized to the fullest. Generally, a "thought through approach" to the market is recommended before making any business decisions. Verifying and understanding the market opportunity, identifying the key players, understanding the market size of a market of choice, sales expectations in the next three to five (3-5) years, identifying the potential partners, clients, and overall picture of the ecosystem. These measurements are more crucial for SMEs than larger companies. They may not have resources to waste on wrong marketed decisions. SMEs need to be more careful and strategic on where they invest their resources into and understanding where their markets are. (Selin 2021)

2. How many successful Finnish SMEs has successfully ventured to the Philippine market? Is this information available for any anyone that are interested to know? What are the factors that made their venture in the Philippines successful?

Team Finland was not able to provide information about this question. They recommended the researcher to contact another organization, Finnpartnership that may provide this type of information. However, Team Finland shared that there is presence of multinational companies such as Wartsila and Kone in the Philippines. There are also Finnish citizens who established their own local companies. (Pyykkö 2021)

NordStar Asia Consulting was not able to give an exact number of successful SMES. However, they were able to give an estimate which is about ten (10) SMES. They are uncertain if this information is available publicly. It was believed that the factors that made the SMEs' venture in the Philippines successfully were discussed on the earlier question, regarding having a "thought-through approach" before entering a new market. (Selin 2021)

3. Can you please provide any useful tips and recommendations for any interested SMEs in Finland planning to venture to the Philippine market?

Team Finland recommended that any interested SMEs to conduct their research and study about the Philippine market at home, in this case in Finland. It is also

recommended to reach out and utilize the services available such as Business Finland. Business Finland can assist any interested Finnish company in funding, market studies and identifying potential partners. (Pyykkö 2021)

NordStar Asia Consulting summarizes into three (3) recommendations to any interested SMEs in Finland planning to venture to the Philippine market. First, a deep understanding of the market opportunity before making any business decisions. Second, identifying the right partners to deal business with. Third and lastly, building business relationship in the Philippines is important and it requires a considerable amount of time. (Selin 2021)

## **7.2 Interview Answers Analysis and Discussions**

The primary objective of this research is to provide Viexpo and its clients a clear overview of the Philippines as a potential international market by developing a concise but comprehensive manual. It has been established in this research that Viexpo has not explored the Philippine market yet. Therefore, the emphasis on the manual creation is important.

The qualitative interviews were conducted for the researcher to gain an actual overview on how the internationalization processes function between Finland and the Philippines. This interview results will be analyzed together with the information obtained earlier from the secondary data from academic articles, books, websites, and relevant organizations. Furthermore, the relevant findings gathered from the interviews will be incorporated into the output of this research, the manual.

The interview answers analysis will be examined into four (4) sections as it was also divided in the interview questions and answers segment of this thesis. These are about the organization, market overview of the Philippines, challenges, and recommendations.

### **7.2.1 About the Organization**

The researcher interviewed two different types of organizations. Team Finland is a publicly- funded organization while NordStar Asia Consulting is a privately-

funded organization. This is an important factor to focus on to understand their views on each question provided to them. Despite the difference on the nature of these two organizations, they have a similarity which is they are both involved in the internationalization process of Finnish companies in the Philippines.

Business transactions between two or more countries, both private and government is referred to as international business. Sales, investments, and transportation are examples of these transactions. Studying international business is important as it contains a large and increasing part of world's total business. (Venkateswaran 2011, 1) It is evident that both government and private sectors are involved in the international business between Finland and the Philippines.

There is a certain difference of Team Finland and NordStar Asia consulting when it comes to the involvement in the internationalization process of Finnish companies in the Philippines. Team Finland serves as a one window to Finnish companies by leading them to the right organizations to reach out to, depending on which stage of internationalization they are. On the other hand, NordStar Asia Consulting appears to be part of the Finnish firm on the early stage of their business development.

Some Finnish companies may engage to consulting companies such as NordStar Asia Consulting to conduct a primary market research. Market research is the foundation of identifying the best customers, factors of their buying decisions and potential sales from them. (Zimmerman 2013, 90). Primary market research is the creation of new information for understanding the companies' customers and markets. (Wenzel 2012, 24). The consulting firm presented the importance of conducting a thorough market research before entering a new foreign market.

### **7.2.2 Market Situation of the Philippines**

The second section of the interview is about the overall market situation of the Philippines with the current pandemic (Covid-19) situation. This particular question is asked to provide us a clear overview of the market condition in the Philippines at this specific period. Information can definitely be obtained online. However,

acquiring this type of information from the major organizations involved in the trade between the Finnish and the Philippine market may provide us more reliable information. Covid-19 pandemic affected the worldwide economy significantly and it has changed its society profoundly. Due to the implementation of restrictions on travel and labor's mobility, the impacts of this pandemic are most evident in the international business level. (Ratten 2020)

As shared by both Team Finland and NordStar Asia consulting, Philippines was critically hit by the Covid-19 pandemic. There are commercial transactions currently in the Philippines but in a slower pace than usual. A number of negative effects of the pandemic were shared by both organizations. Nevertheless, positive future outlooks were demonstrated by both organizations.

In this section, both organizations were also asked to share potential markets in the Philippines that Finnish companies should explore. One of the factors why companies engage in international business is growth opportunities. Firms tend to explore foreign markets when the local market becomes saturated. Therefore, the need to broaden the market internationally leads to growth opportunities. (Venkateswaran 2011, 4) Therefore, identifying the potential markets in the Philippines that are available to the Finnish companies is an essential step to the internationalization process, thus providing growth opportunities to them. The major industries that Finnish companies may potentially explore are sectors in the Infrastructure and Construction, Information and Communication Technology (ICT) and Smart Cities, Renewable and Cleantech, Healthcare and Education.

Strengths of the Philippine market were also discussed on this section. Identifying the strengths of a given market is essential in performing SWOT analysis. One can utilize SWOT analysis to obtain company's best advantage. It suggested that this tool decreases chances of failure by identifying and understanding what an organization is missing and eradicating unforeseen threats. S stands for Strengths. Strengths referred to factors that your organization does certainly well compared to your competitors. (MindTools 2009) In this case, the strengths of a certain nation, the Philippine were evaluated.



English speaking nation is one of the strengths of the Philippines that was shared by Team Finland and NordStar Asia Consulting. In addition to that, large presence of Business Process Outsourcing (BPO) in the country and a nation with a business growth mindset are also considered strengths of the Philippine market.

### **7.2.3 Challenges**

The third section of the interview covered the challenges experienced by both Team Finland and NordStar Asia Consulting. It was noticeable that both organizations shared different viewpoints on the challenges that each encountered in the Philippine market. One distinct difference of Team Finland and NordStar Asia is the first one has been in the Philippine market for less than a year and the later has been in the Philippine market for approximately ten (10) years.

The importance of identifying the challenges of a certain market is to discover the country's weaknesses. Similar to strengths, understanding the different weaknesses or a certain nation is vital in performing SWOT analysis. Researchers (Ansoff, 1965; Andrews, 1987; Porter, 1991; Mintzberg et al., 1998) agree that the preferred alignment of variables can be attained by the framework that SWOT analysis offers. Through the use of the four quadrants of a SWOT analysis and placing both the internal and external factors on their respective quadrants, decision makers may realize how strengths can be developed to recognize opportunities and realized how weakness can decelerate the development or heighten threats. (Helms & Rodriguez 2011)

Difficulty in identifying a local partner, unstable regulatory framework and strict judiciaries and laws are the three (3) challenges or weaknesses that were presented by Team Finland. On the contrary, NordStar Asia Consulting presented a different point of view on the challenges encountered, it is the business culture difference between Finland and the Philippines. The consulting firm shared that building business relationships in the Philippines requires longer time compared to Finland.

Hofstede defined culture as sequence of usual intellectual patterns made up of communal beliefs, behaviors, values, and norms that describe the group. He added

that it is a rational system to assist individuals solve difficulties. (Beer 2012, 20). Understanding the business culture differences between two countries may save time, effort, and financial investment especially to smaller firms such as SMEs that are unable to afford wrong marketed decisions. (Selin 2021)

#### **7.2.4 Recommendations**

The fourth and the last section of the interview covers the recommendations of both organizations to any interested Finnish SME that are interested to explore any new business opportunities in the Philippines.

Team Finland and NordStar Asia Consulting shared a similar recommendation to any interested Finnish SMEs. Both of the organizations emphasized on the importance of market research. In terms of strategic planning and facing the inevitable changes and the vital future, performing a market research is considered as a vital process (Mcgillicuddy 2002). Owning a good business idea and a developing market are not sufficient. Coupled with a comprehensive market research may lead to the future success of your company. (Wenzel 2012, 1) Comprehensive market research denotes following systematic steps when conducting a market research. There are five key steps in carrying out a marketing research. These are defining the objectives, deciding what information needs to be obtained, deciding the best way to attain the information, collecting the data, and analyzing the data. (Westwood 2012, 48-49)

Utilization of relevant organizations is an important recommendation shared by Team Finland. There are numerous organizations that any Finnish firm may utilize when it comes to internationalization. As (Team Finland in the Philippines 2021) stated “Team Finland network aims towards global success of Finland and Finnish business. It brings together state-funded operators and their services that promote internationalization of Finnish companies, investments to Finland and Finland’s country brand”.

Relevant findings were obtained from the two qualitative interviews. The potential market sectors that were similarly shared by Team Finland and NordStar Asia

Consulting were considered as a vital information for any Finnish SME interested to explore the Philippine market. An understanding of the current market situation of the Philippine market during this pandemic era was an important information to realize. This will support any Finnish SME on their decision with regards to their business venture in the Philippine market. Identifying both the strengths and weaknesses of the Philippine market were essential in conducting a proper SWOT analysis. These relevant information were all incorporated on the manual created for Viexpo.

## 8 CONCLUSION

The main goal of this thesis is to create a valuable manual about the Philippine market for Viexpo and its client. Although a large amount of the information may be found in the secondary sources such as printed articles and the internet about the Philippine market. The reliability was hard to achieve without obtaining information from primary sources such as conducting qualitative interviews. The researcher performed the qualitative interviews with two relevant organizations that were involved in the international business between Finland and the Philippines. They were able to provide information on how the actual international trading operates between Finland and the Philippines, the overall market overview of the Philippine market, its strengths, the business opportunities available, its challenges and useful tips and recommendations to any interested Finnish SME.

Overall, this thesis provided valuable information that were incorporated to the manual that was created. The manual covered important sections about the Philippine market. It started from the country profile, business opportunities in the Philippines and key local partners, relevant organizations to contact, statistics regarding the import and exporting business between the two countries, PESTEL analysis, SWOT analysis, culture analysis using Hofstede dimensions and recommendations from the two experts that were interviewed by the researcher.

The international business opportunities between Finland and the Philippines appears to be optimistic. The recent re-opening of the embassy of Finland in Manila, Philippines late last year (2020) brought a new opportunity for reviving the trade relationship between the two countries. In light of the current pandemic (Covid-19) situation worldwide, commercial activities in the country moves in a slower pace than usual. This is due to enhanced community quarantine measures being implemented while waiting for the availability of vaccines. Nevertheless, the SMEs in Finland are recommended to explore different types of business opportunities in the Philippines.

## **9      LIMITATIONS**

The thesis is conducted to obtain a general overview of the Philippine market. The researcher presented information about the Philippines on a general level. The aim of this research is to provide Viexpo and its clients with clear overview of the Philippines as a potential international market by developing a concise but comprehensive manual. This manual contained important information such as potential market sectors and general economic conditions of the Philippine market that may influence their decision in pursuing, or not, their interest in venturing to this new market. There are no specific products or services examined in this research. A research focusing on a certain industry, a product or a service is recommended for the further study of this thesis.

## **10 ANALYSIS / SELF REFLECTION ON THE EXECUTION**

In the earlier stage of this research, a detailed plan was discussed in the execution of the project section. The steps were thoroughly followed by the researcher. However, similar to any other projects planned, challenges are unavoidable. One of the steps in the execution of the project is to schedule an interview to relevant organizations. Initial targets with regards to the number of organizations to be interviewed were optimistic. In the early stage of the research, researcher planned to interview at least five (5) different organizations. Interview invitations were sent out and two responded positively with the invite while the other three politely decline the invitation. Finnpartnership was one of the interviewees declined the interview invitation due to confidentiality. However, it provided the researcher information regarding important statistics regarding the funding of projects in the Philippine market.

Finnpartnership is an organization where Finnish companies that are interested in conducting business in the developing countries can obtain support. Finnpartnership provided statistics regarding the support granted in the following top three sectors namely Information and Communications Technology (ICT) 44%, Energy sector 15% and Educational services 13%. It has also awarded Business Partnership Support to 51 projects (where the Philippines has been one of the target countries) and the total amount of support granted is 2 884 787 €, thus averaging 56 564 € per project (between years 2006-2020). (Karjalainen 2021) These statistics were incorporated in the project output of this research. Nevertheless, the secondary information obtained from Finnpartnership added more value to the manual created for Viexpo.

Although the researcher was not able to follow the initial targets for the relevant organizations to be interviewed. It appears that acquiring higher numbers of the interviewees does not necessarily guarantees a better outcome. It was more on the quality of the information obtained from both the qualitative interviews and secondary resources. Focusing on the objective of the thesis, supports the researcher in creating more value for the client.

The detailed plan that was created in the execution of the project section is considered as the framework of the thesis. It was essential that the researcher consistently referred to the different steps created in this section. It served to keep the schedule of the different processes to be delivered on or before the set deadline.

The constant communication of the researcher with Viexpo, the client and its supervisor lead the execution of the project in the right direction. The constant communication was performed through email or virtual meetings using Microsoft Meetings or Zoom. Meetings almost every week were scheduled with the supervisor and the client. The weekly meeting serves as a platform for the researcher to share updates on the thesis including the challenges encountered and the supervisor and the client to provide feedback and guidance.

Overall, the execution of the project went according to the plan created initially. Dealing with the inevitable challenges with an open mind and proper guidance are considered good practices to overcome them. Thus, successfully delivering the objectives of the thesis on the set deadlines.

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## APPENDICES

### APPENDIX 1. Thesis Questionnaire

#### A. About the organization

1. What is the main role of (organization name) in supporting Finnish companies interested to explore the Philippine market?
2. How involved is (organization name) regarding the various steps of internationalization? Could you briefly discuss a typical process from initial to the final stage of internationalization to the Philippines? Who are the relevant parties/organizations involve?
3. What programs or projects that (organization name) have to develop the trade relationship between Finland and Philippines? How are these projects working so far?

#### B. Market Situation of the Philippines

1. How is overall market situation in the Philippines currently especially with the COVID- 19 pandemic?
2. What are the potential markets in the Philippines that Finnish companies should explore? Could you also provide specific goods /services in each potential market?
3. What do you think are the strengths that the Philippine market has based on your own understanding and experiences?

#### C. Challenges

1. What are the main challenges Finnish companies encounter during the process of internationalization in the Philippines?
2. Based on the challenges mentioned, when an interested Finnish company encountered challenges in the initial stage of internationalization, do they usually give up or do they try to solve them and continue with the process?

3. How do you think these challenges affect the Finnish companies in exploring Philippines as a potential international market? Are there numerous Finnish companies inquiring about the Philippine market, what are their usual inquiries?

#### D. Recommendations

1. Based on the challenges discussed earlier, are there any measurements in place to deal and to overcome these challenges? If yes, could you please elaborate these measurements?

2. How many successful Finnish SMEs has successfully ventured to the Philippine market? Is this information available for any anyone that are interested to know? What are the factors that made their venture in the Philippines successful?

3. Can you please provide any useful tips and recommendations for any interested SMEs in Finland planning to venture to the Philippine market?