How does a Coconut go ‘round?

A Case Study of the Philippine Coconut Industry
Abstract

**Problem of the Study:** Non-traditional, value-added coconut products, such as Virgin Coconut Oil, Coco Water and Coco Sugar, have increased tremendously the last few years and the end-consumer pay a high price in retail for these considered luxury products. However, there is no abundance or indulgence in the life of the farmers and small producers in the Philippines at the other end of this global billion-dollar industry.

**Purpose of the Thesis:** The purpose of this study is to describe, analyse and define the export network, and the roles of the actors, of the value-added coconut products in the Philippines as well as locate the origin of the single or combined problems that have led to struggling industry suppliers, and through that identify possible solutions which can increase the economic viability of the suppliers.

**Methodology:** This study has been conducted as a case study, where the empirical findings was collected during an 8 weeks long field trip to the Philippines. A qualitative approach was adapted in order to create a deeper understanding of the problem and abduction made this possible. Six semi-structured interviews and one in-depth interview were executed. The majority of the data was collected through these interviews, although participating observation was also an important source of information along with secondary data. The validity and reliability has been secured by carefully explaining the methodology of the study, interviewing several different actors, following a interview guide and by separately interpreting the the primary data before comparing them with each other.

**Conclusions:** The study showed that the Philippine coconut industry network is far from centreless. The government and MNCs play the biggest roles in the network, meanwhile the farmers and small producers have a very small part in the export activities of value-added coconut products. In order for the existing inequalities within the network, in both influence and profit shares, to be resolved farmers and small producers need increased support to be able to engage in value-added production, reach collaborative advantage and get access to direct export channels.

**Keywords:** The Philippines, Coconut Industry, Business Network, Business Relations, Export Network, Value-Added, Collaborative Advantage
Acknowledgements

When we started our coconut-thesis project, we had an idea of how things would work and had certain expectations of our upcoming two months in the Philippines. We dis experience a few culture shocks, lost the Internet connection at times, got stuck in traffic jams in Manila and we did miss a few deadlines along the way. But sitting here summing up our trip, even if a few things did not really go as planned, we are very happy about how much we have learned from it and to have been given the opportunity to be guests in the beautiful country of Philippines.

We have been very fortunate in this study, receiving help from so many different people and institutions and would like to start to take the opportunity to express our gratitude to everyone who has been involved in the creation of this thesis. Firstly, we thank our interviewees in the Philippines for sharing their views and valuable opinions on this subject. Without their kindness, enthusiasm and expertise we would not have been able to conduct this thesis. Secondly, we would like to direct a special thanks to our excellent tutor Mr Richard Owusu and examiner Soniya Billore for their insightful and professional guiding and their understanding for the technical issues we met along the way.

This study was made possible thanks to SIDA, the Swedish International Development Cooperation Agency, and their generous Minor Field Study scholarship. We are very grateful for the experiences and memories this brought and without it we would not have been able to conduct this study.

We would also like to thank Mats Almgren at Contact Center Philippines and Consul Staffan Gullander at The Philippine Consulate in Växjö, for providing us with valuable help and assistance, both in the beginning of this study and along the way. Another special thanks to Bo Lundqvist the President at Nordic Business Council Philippines, for providing us with exceptional help with contacts in the Philippines as well as general support during the whole project.

Finally, we want to thank Linnaeus University for giving us the opportunity to apply for the scholarship and for helping us both during the process of the application as well as during our time in the Philippines.

Jessica Ceder & Jenny Johansson
Manila, The Philippines, May 23rd, 2015
Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>DA</td>
<td>Department of Agriculture</td>
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<tr>
<td>DTI</td>
<td>Department of Trade and Industry</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GNP</td>
<td>Gross National Product</td>
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<tr>
<td>MNCs</td>
<td>Multinational Corporations</td>
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<tr>
<td>SMEs</td>
<td>Small &amp; Medium-sized Enterprises</td>
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<tr>
<td>PCA</td>
<td>Philippine Coconut Authority</td>
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<td>VCO</td>
<td>Virgin Coco Oil</td>
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<tr>
<td>VCOP</td>
<td>Virgin Coconut Oil Producers and Traders Association of the Philippines</td>
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Explanations

Coco Pest A disease among the coconut trees, which was first reported to the PCA in March 2010. It was first spotted in Barangay Balele in Tanauan, Batangas, the Philippines. By that time, more than 15,000 trees were already infested within a 15-kilometer radius. PCA scientists and farmers observed serious yellowing of coconuts and the drying of the trees' leaves and the water inside the nuts tasted sour.

Coco Sugar Made from the sap of cut flower buds of the coconut palm. By boiling the sap the liquid evaporates and leaves small grains of sugar.

Coconut Water The clear liquid inside young green coconuts. Have been marketed as a natural energy drink, having a high content of electrolytes and low levels of fat, carbohydrates and calories.

ECOCERT Founded in France in 1991 ECOCERT is one of the largest organic certification organisations in the world, carrying out inspections in over 80 countries. In relation to natural and organic cosmetics ECOCERT defines criteria for a natural and/or organic standard that guarantees respect for the environment throughout the production line, through respect for the consumer and the promotion of natural substances.

Fairtrade Fairtrade is an alternative approach to conventional trade and is based on a partnership between producers and consumers. When farmers can sell on Fairtrade terms, it provides them with a better deal and improved terms of trade. This allows them the opportunity to improve their lives and plan for their future.

Glycemic Index A measurement carried out on carbohydrate-containing foods and their impact on blood sugar.

Lauric Acids A health beneficial saturated fat which can be found in many vegetable fat, particular in coconut and palm kernel oils.
| USDA Organic | Committed to helping organic agriculture to grow and thrive. Being certified verifies that the farm or handling facility located anywhere in the world complies with the USDA organic regulations and allows the company to sell, label, and represent their products as organic. |
| Virgin Coconut Oil (VCO) | An oil extracted from fresh coconut meat without chemical processes, said to be the "mother of all oils". It is rich in medium chain fatty acids, particularly Lauric acid. |
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Appendix 1 - Interview Questions VI
1 Introduction

On a small coconut farm somewhere in Mindanao in the Southern Philippines there is a man walking down a dirt road, his t-shirt is worn out, sweat is dripping down his forehead and he has a tired look on his face. Carrying two plastic cans filled with coconut sap, he has just finished his 12-hour workday where he has climbed a 30 meter high coconut tree 88 times to harvest the sap used to produce the coconut sap sugar. Four litres of sap is required to make a kilo of Coco Sugar and despite his long day, the harvester still has a few more hours of work ahead since the sap needs to be boiled in order to be sold to a nearby trader or company. This day the harvester made 6 USD and in a few weeks time one kilogram of Coco Sugar will be sold for more than 20 USD in Swedish retail.

1.1 Background
The coconut industry is an important source of employment and additional income for many farmers in rural communities in emerging markets (Unctad, 2012). Coconuts are produced in 92 countries worldwide, employing more than 11 million farmers (Adkins et al, 2006; Unctad, 2012). The coconut is a very resourceful crop and is often referred to as the ‘Tree of Life’ since it has many uses such as food, fibre, fuel, water and shelter and has for hundreds of years helped to sustain life in the coconut growing countries. However, for many emerging markets, such as the Philippines, the coconuts also have a central role in their export sector (Unctad, 2012). While the coconut industry can be discussed through the cultural, social and nutritional aspect, this report will focus on the economic aspects.

More than 90% of the total world production comes from the Asia-pacific Region (Unctad, 2012). A substantial number of the population in these regions are dependent on the coconut to some degree, either as a source of nutrition, employment and economical contributor or many times all combined. The Philippines is a vast producer and exporter of various exotic fruits, where the coconut industry is the dominant sector (Pabuayon et al, 2009). About one third of agricultural land is devoted to coconut production and the coconut industry is a huge provider to the Philippine economy through significant income, foreign exchange and employment (Pabuayon et al, 2009). The base of this vast industry consists of 3.5 million farm workers and the industry at large employs both directly and indirectly about 20 million people (Aciar.gov.au, 1995).
The domestic coconut consumption is low in the Philippines and the coconut industry stands for 38% of the total agricultural exports, valued at 1 586 million USD (PCA, 2013). The Philippines is the world's second largest producer of coconuts after Indonesia, but is world leading in global exports, were they account for approximately 59% and their exports have increased 6.22 % annually since 2008 (Unctad, 2012).

Many coconut-exporting countries are relying on commodities and traditional products (Unctad, 2012). However, the demand for non-traditional coconut products have increased vastly the last decade, due to on-going food and health trends (Unctad, 2012). The three top health-related, non-traditional and value- coconut products is the Coconut Water, Virgin Coconut Oil (VCO) and Coco Sugar, all seen as highly potential export winners, especially in the US, Japan and Europe (Peralta, 2015; PCA, 2013). Due to high import volumes, The Philippines has a deficit in trade and the country is highly dependent on incomes from their export products (Landguiden.se, 2015). Within the food and agricultural sectors the country has mainly been relying on commodities, but to boost the export earnings the nation is becoming increasingly focused on value-added export products (Peralta, 2015). Due to the fact that the Coconut Water, VCO and Coco Sap Sugar are extremely promising for the global market and that the Philippines is highly dependent on a fruitful export business, this study will focus on the export networks of these three products.

The network within the Philippine coconut industry is, like in most agricultural sectors, highly complex and contains several actors on different levels (PCA, 2009). The supplying farmers, the fundamental source of the coconut industry, often live in rural areas far away from centres of business and the most common way for farmers to engage in the business network is by selling raw material to multinational corporations (MNCs) (PCA, 2013, Unctad, 2012). The already poor farmers are paid a small amount of money, which leaves them in a very unprofitable and vulnerable position with low involvement in the network.

Håkansson & Snehota (2006) states that no business is an island, meaning that companies have to work together, to be able to successfully operate in today’s globalized world. All firms are depended on their relationships, which are said to be one of the most valuable resources (Ritter, Wilkinson & Johnston, 2004). Together,
relationships create a complex and interactive network (Ford & Håkansson, 2011). Ford & Håkansson (2011) also states that if a business wants to get the most out of the network, it will have to be able to influence its own position within the network.

Lu & Beamish (2001) explain that small and medium-sized enterprises (SMEs) are becoming more active within the development in international markets. However it is also explained that SMEs privileged by good home market conditions, in areas such as lower production costs as well as access to knowledge and technology, are more likely to engage in exports (Hessels & Terjessen, 2008). While firms with lack of human, physical and social assets often restrict them in the internationalization processes (Worldbank, 2008).

1.2 Problem Discussion
It should be mentioned that research on networks and business relationships have been given a lot of previous attention (e.g. Håkansson & Snehota, 1995; Partanen & Möller, 2012; Ritter et al, 2004). However, a majority of these research papers present a broad approach focusing on, for example, the manufacturing industry (e.g. Ryu, Park, Min, 2007). Trebbin & Hassler (2011) explain that little attention has been given to the agriculture sector regarding these phenomena, although the attention is slowly increasing but is still poorly understood. While some research have focused on exporting from emerging markets (e.g. Bitzner & Bijman, 2014; Ritossa & Bulgacov, 2009) there is no research to be found that is focusing on the Philippines or its coconut industry, even though the country is a huge player in the international arena of coconut trade (Unctad, 2012).

Previous research shows that the gains from the value-added coconut industry in the Philippines, foremost the export earnings but also the domestic income, are highly inequitably divided between the network actors (Pabuayon et al, 2009). As coconut products move through the market chain, considerable value-addition takes place, as the raw coconut is processed into high value products. While these health-related value-added coconut products are positioned in the premium sector, with high price in retail and perceived as luxury products, there is no abundance or indulgence in the life of the suppliers at the other end of this global billion-dollar industry. Even though producing value-added products should benefit the Philippine farmers i.e. the suppliers of the coconut industry (Kaplinsky & Morris, 2001; PCA, 2009; Malcom, 2010), many of
them earn less than a dollar a day - or two if they are lucky enough to be part of a somewhat reasonably good trade agreement (PCA, 2009).

The farmers are the poorest within the Philippine agricultural sector and their limited resources, low social protection, low income and limited influence in the network, are slowing down the development of the industry at large (Pabuayon et al, 2009). According to research by Habito & Briones (2005) the Philippine Agricultural sector performed well compared with neighbouring countries and Asia in general, both measured in Gross Value Added (GVA) and in export performance, up until the 1970s. However, just a decade later The Philippine agricultural outputs were lagging behind these other Asian nations. This continued up until the 1990s, before the industry could present a growth that however has been very varied and inconsistent. Even though the country is the biggest exporter and largest producer globally, the growth rate of most agricultural commodities has decreased over time, especially if compared to the growing population in The Philippines. As the agricultural sector, including the coconut industry, is employing a substantial quantity of the country’s poor, this slowing and unreliable growth is a major concern. A reason for this erratic growth is said to be the complex industry network, the lack of governmental investment and the unequal allocation of the coconut export profits (PCA, 2009).

As research shows, traders and exporters are making huge profits out of the increasing export volumes, in both commodities and value-added products, while the situation of the coconut suppliers have not changed much within this expanding industry (Pabuayon et al, 2009). If the distribution of money and power within the network do not change, the coconut farmers risk to remain among the poorest in the Philippine agriculture (Aciar.gov.au, 1995). This, in turn, might result in the farmers not being able to produce the sufficient quality and quantity of coconuts to the growing industry volume. If the industry fails to respond to changing patterns in world trade in coconut products this could lead to adverse effects on the profits and employment (Aciar.gov.au, 1995; PCA, 2009). This is a clearly unsustainable phenomenon happening within a sector becoming highly lucrative, which is so important for the national economy.

Since the authors cannot find previous research that contributes to the knowledge of how the “on ground” operations look like and why the industry development towards
value-added production have not improved the situation of the farmers, despite previous research stating this being a solution to fight the inequality of the sector. Because of this gap of knowledge it is difficult to identify the causes and thereby potential solutions to the current problems in the network of this sector. By studying the roles, attitudes and inequalities as well as the opportunities and challenges in the network, the authors hope to be able to find a solution or at least an idea of what needs to be done, in order to strengthen the position of farmers and small producers. Based on this, the authors have created the research questions.

1.3 Research Questions

- What roles do actors in the Philippine coconut industry play in the export of value-added coconut products?
- How can the coconut farmers and small-producers get a higher share of the profits?

1.4 Purpose

- Describe, analyse and define the export network, and the roles of the actors, of the value-added coconut products in the Philippines.
- Locate the origin of the single or combined problems that have led to struggling industry suppliers, and through that identify possible solutions which can increase the economic viability of the suppliers.

1.5 Delimitations

The initial intentions of the authors when this study began were to cover the whole Philippine coconut industry, but it was soon realized that it is a very large and complex sector. Due to the huge variety of both unrefined and processed coconut products, the many actors within the industry and the desire to present a high quality study, delimitations were required. The authors choose to limit the study to the non-traditional and value-added coconut product sector, were the Coconut Water, VCO and the Coco Sugar where selected as main objectives for this study. The importance of the remaining industry should not be overlooked in this matter, but this decision was made because of limited time and resources.
Although the industry can be described through many different theories and concepts within the areas of business administration and international business, this study will be limited to the concepts of networks, relationships and exports.
2 Literature Review

In the following chapter the theoretical background for this thesis will be presented. The literature review will be divided into four blocks: The Business Relationship, The Business Networks, The ARA-model and The Export Network. These theoretical frameworks will enable the authors to paint a picture of the roles within the network, create a deeper understanding of the complexity of the network and finally, present the different aspects of the export network.

2.1 The Business Relationship

The concept of relationship is not very easy to grasp but can be described as a mutually oriented interaction between two reciprocally committed parties (Håkansson & Snehota, 1995). When a relationship includes more than two parties they become part of a network and these networks consist of nodes and threads: the nodes being the actors and the threads the relationships tying them together (Ford & Håkansson, 2011). This emphasize the interdependency in relationships, since a single firm cannot have all the resources needed to satisfy the final customer’s needs. Mainly, the business relationships are selfish in the sense that companies use them in order to solve their own problems and reach their goals and by that eventually fulfil the requirements of the consumers. These relationships are the basis of business, without them no company can function (Håkansson & Snehota, 2006). In today’s global world it is very rare for a relationship to be isolated to only one partner. Each company in the business world is interdependent with many others and this interdependency will affect strategies, operations and attitude towards suppliers, customers and government agencies (Ford & Håkansson, 2011).

Håkansson & Snehota (1995) means that since the term relationship is very complex it is also hard to grasp the exact meaning of it, but explain the relations between companies as “complex knitting of episodes and interactions” (1995:11). These interactions and episodes are usually initiated by circumstances not controlled by people in companies while they, at the same time are not completely random. There is always a pattern and whatever happens in a business relationship will most likely affect various technical, knowledge and administrative interdependencies, which all companies and organizations are built upon.
Relationships have a profound effect on business enterprises since they lead to an interdependency where the partners of the relationship can achieve more together than in isolation. Håkansson & Snehota (1995) claims that the performance of a business is depended on its relationships, but also the other way around as the whole set of relationships affect the capacity of the company to perform in a given relationship. Gummesson (2008) describes relationships in a very visual way by comparing it to dancing. He writes: “Dancing is a dynamic relationship. You can invite somebody to dance with you. It can be a smooth waltz, but you can also step on your partner’s toes.” (2008:15). Gummesson (2008) continues to explain that a relationship requires at least two parties who are in contact with each other, e.g. a supplier and a customer. He calls this a dyad, which is the classical view of a relationship as well as the most basic one. When a relationship becomes more complex and involves additional actors, it becomes a network.

It can be difficult to estimate the costs and monetary welfares of a relationship, but there are still many benefits of engaging in business relationships even if all of them cannot be measured. A well-functioning relationship can contribute to lower operational costs as well as lower and more efficient administration costs. Being part of network with several different relationships will also enable new possibilities to meet new partners and engage in new relationships (Ford & Håkansson, 2011).

2.2 The Business Network

The foundation of every business regardless of size, location or management, is its business relationships (Ford & Håkansson, 2011). Without its relationships a company cannot get access to all the resources needed in order to deliver a product or service, it has to communicate with outside actors in order to function. Relationships create a dependency between all the relevant actors and thereby form a complex and interdependent business network.

Business networks have been given various definitions by different researchers. Ford & Håkansson (2011) talk about networks in the concept of nodes and threads, the nodes being the business actors (e.g. farmers, traders, exporters, customers) and the threads being the business relationships tying them together. Ford (2006) argues that a network is centreless, that it looks and behaves differently depending on how it is being
approached. Meaning that actors can have different roles within the network, when watched from different angles and they can therefore be difficult to categorize. Håkansson & Snehota (1995) uses the word “connectedness” when talking about networks and refers to a company’s strive to connect with third party relationships in order to build up its own capabilities and strengths.

However, network researchers appear to agree on the fact that the capabilities of networking are one of the most important competences for companies (e.g. Ritter, Wilkinson & Johnston, 2004; Partenen & Möller 2012; Håkansson & Snehota, 2006). Four commonly known characteristics of a network are interdependence, connectedness, embeddedness and resource heterogeneity (Håkansson & Snehota, 2006). The interdependency and connectedness refers to companies being dependent on each other for survival and since “no business is an island” everything a company does will affect others in the network, and vice versa. A company or an organization might seem to be a free and independent unit while it is often embedded in its environment and thereby attached to several other actors to access resources. No single company has all the resources and is thereby more or less forced into a network (ibid).

2.2.1 Strategic Alliances

Business networks have been viewed and approached from different angles. Some studies tend to stress that a network is a self-organizing, centreless construction (Ford, 2006), while other researchers claim that a network is intentionally created and have negotiated roles (Möller, Rajala, & Svahn, 2005; Möller & Rajala, 2007). Alliances between firms are according to Kanter (1994), crucial in today’s business environment. In strategic networks companies are not competing with each other, but rather against other networks (Partanen & Möller, 2012; Vanhaverbeke & Noorderhaven, 2001).

However, since there are negotiated roles in a strategic network, the network actors still try to get the most out of the network as possible (Möller & Rajala, 2007). If a network actor is constrained by limited resources this can affect their bargaining power and thereby their position in the network (Barham & Chitemi, 2009).

Strategic networks consist of a multifarious set of activities and companies and if one actor performs poorly, it will affect the final offering and will in the long run also affect the competitiveness of the entire network (Partanen & Möller, 2012). Too often,
managers is putting in more time and effort in establishing financial partnerships and worry more about controlling the relations rather than nurturing them (Kanter, 1994).

Kanter (1994) uncovers three central aspects of business alliances. Firstly, business networks are living systems, constantly evolving, and beyond the direct reasons a part has for entering a business relationship the connection can also open up unexpected possibilities and opportunities for both parties. Secondly, an alliance considered successful by involved partners is a collaboration, in which, the skills of all partners bring value to the final product. Lastly, Kanter (1994) explains that a business cannot be controlled by formal systems but is rather in need of a solid internal infrastructure that can enhance and encourage learning. Another important statement is that successful networks build and improve a collaborative advantage by recognising and then managing the human aspects of the network.

Business alliances can look and act very differently, some of them are fleeting and relatively loose while others are closely merged (Kanter, 1994). Whatever the intentions and duration of these alliances are, being a good and trustworthy partner has become a key corporate asset and Kanter (1994) calls this collaborative advantage. In the international business environment fruitful collaborations can, and most likely will, provide companies with a substantial competitive advantage. Active and well-functioning collaborations takes place when companies develop structures, processes and mechanisms in order to bridge organizational and interpersonal differences to achieve real value from the partnership (Kanter, 1994). Engaging more, rather than fewer, people in relationship activities at different levels of the network will enable both partners’ resources to become properly tapped.

2.2.2 Previous Studies on Agricultural Collaborative Advantage

Although not much have been written on the subject at this date, the interest for collaboration in the agriculture sector is growing. Trebbin & Hassler (2011), presents the phenomenon in their article on collective action for Indian farmers. They mean that due to a change of priority in the government, the focus is now placed in trade, economic and industrial policies which have effected a large part of the population in the non-industrialized sectors, such as agriculture. Along with this, the consumer demand started to change in the country, which welcomed large corporations in the
agriculture networks of quality products. According to Trebbin & Hassler (2011), these large corporations wanted high control over the production processes, which limited the farmers’ own control. As a result of this, the Indian government wanted to encourage groups of small-scale farmers to connect with corporate buyers, a concept called the “producer companies”, which objectives are to establish elementary business principles within farming communities, with the intention for this is to bring business closer to agriculture.

Powerful firms in trading, processing and manufacturing are the ones characterizing the global food system today and it is common that large retailers control the production in agriculture, as the internationalization of the food sector increases (Trebbin & Hassler, 2011). In parallel with this internationalization the demand for high quality products are also increasing, both in developed and developing countries. A couple of case studies have shown that small farmers, especially in developing countries, are struggling to keep track of these global agro food trends, which leads to that only the most competitive and largest farmers will get the chance to become suppliers in a large profitable networks (Potter & Tilzey, 2007). The small farmers, who are not involved in these networks are facing several problems due to their size, such as lack of bargaining power, difficulties in accessing information and knowledge as well as applying it, and poor infrastructure (Barham & Chitemi, 2009). Consequently, higher interests in farmer organizations have started to develop, with the aim to ease the poverty for small farmers (Barham & Chitemi, 2009; Worldbank, 2008).

The Indian “producer companies”, mentioned earlier in the text, are supposed to work as the current farmers organizations supporting the farmers’ rights, but need to be more market- and business oriented (Trebbin & Hassler, 2011). However, for this to be successful the farmers must commit to the companies. For this to be done, a trustworthy and high quality leadership needs to be established, which can gain the acceptance and trust from the farmers. According to Trebbin & Hassler (2011), the producing companies have great advantages such as their flexible production methods, the fact that they are locally embedded which enable them to integrate local knowledge in the products, as well as their sustainability both regarding the environment and the mainstay of life of the people engaged. Lastly, the producing companies in India leave big parts of the responsibilities regarding the decision making of the production to the farmers,
empowering them to deal with market actors both within the country and abroad (Trebbin & Hassler, 2011). However, despite these advantages the producer companies are not being actively promoted by the government and Trebbin & Hassler (2011) means that there is a lack of belief in the government, when it comes to this concept.

2.3 The ARA-model

The ARA-model is a conceptual framework, which explains the process and outcomes of interaction in relationships and networks (Ford, Gadde, Håkansson, Snehota & Waluszewski, 2009). The model proposes that the content of a business relationship can be divided into three layers of substance (Håkansson & Snehota, 1995): the activity layer, which refers to the technical, administrative, commercial and other similar activities within a company that can be connected in different ways with other companies. The second layer is the resource layer, which connects various resource elements, such as material or knowledge resources, of two companies. As a relationship develops it enables the possibility to connect and tie resources together. The final layer is the actor layer, referring to the social bonds between actors. It is established as the relationship develops and affect how the actors perceive, evaluate and treat each other (ibid).

*Activity Links*

“Activity can be defined broadly as a sequence of acts directed towards a purpose” (Håkansson & Snehota, 1995:52). All companies, no matter of size or resources, perform several activities such as producing, developing and designing products as well as purchasing and selling. Håkansson & Snehota (1995), draw the attention towards the interdependence of activities between companies. When two companies engage in a relationship, some of their technical, logistical or administrative activities may become linked to each other. Coordinating and interacting these activities creates activity links (Ford, 2006). These links will therefore also affect the structure of the single company’s own activities and thereby the activity pattern of the entire network.

Linking activities can be a way to create unique performance but Ford (2006) also explains that it is equally important to know what activities to link and not to link. An argument for linking activities, also expressed by Ford (2006), is that they add substance to a relationship. Activity links function in the same way as business
relationships: they do not exist or work in isolation since they are influenced by other activity links in the great network. These links are also an important starting point when describing, explaining or predicting the effects of a relationship and how it will develop (ibid).

**Resource Ties**

For individuals or companies to be able to execute their different activities they need resources such as knowledge, production equipment and financial resources (Axelsson, 2010). Within a business there are different kinds of resources in terms of financial, human and technology, which tasks simply are to sustain the on-going activities in the firm. No company has all the resources needed for their performance, but need help from others in order to get access to them (Håkansson & Snehota, 1995). A relationship between two companies affects how both of them are utilizing their resources and within this relationship several resource elements can be tied together. No company can work in isolation, without each other’s resources they cannot complete their own operations, which make the resource ties important for ultimate performance (Ford, 2006). The resources may be of tangible character, such as physical items, such as equipment. However, in many cases they are of a more abstract, intangible character, such as knowledge and trust, which are important resources in business (Ford, 2006). Investments in both time and money are necessary in order for a relationship to develop both individually and in harmony with each other, to be able to adapt to specific needs of the relationship. This type of adaption will create a mutual dependency since the resources shared is useful for the specific relationship (Ford & Håkansson, 2011). Managing resource ties in relationships between companies is considered crucial by Håkansson & Snehota (1995), not only to be able to secure access and transfer of existing resources, but also for the development of resources, referring to their use and production.

**Actor Bonds**

For activities to be linked and for resources to be tied together there must be actors who can enable this and since relationships is both created and used by people, a social dimension is always going to be present (Ford, 2006; Ford & Håkansson, 2011). A relationship between two firms will, according to Håkansson & Snehota (1995), affect both of the parties in a comparable way to a relationship between two persons. Ford et
al (2009) agrees with this statement and means that the actor layer refers to the social links, which are developed through interactions between individuals. Håkansson & Snehota (1995) further declares that commitment and trust are two processes, which both can constrain as well as enable the behaviour in a relationship. To be committed, to have a certain identity and to be trusted mean that the actors have to obey explicit rules and the concept “bonds” have been indicated to describe these restrictions.

It is widely known that trust is an essential part of the viability of business and Audi (2008:97) states that “without trust business as we know it is impossible”. Trust has been given a lot of attention by many previous researchers (Vanneste, Puranam & Kretschmer, 2013; Huemer, 2013; Granovetter, 1973). Trust is according to Vanneste et al (2013) a significant factor when it comes to being able to understand the performance among relationships between organizations. Moorman, Deshpandé & Zaltman (1993:81) define trust as a “willingness to rely on an exchange partner in whom one has confidence”. Trust is a big influencer when developing long-term oriented relationships (Ruy, Park & Min, 2007) and it also enables cooperative behaviour, reduces harmful conflicts and facilitates rapid formulation of project groups (Rousseau et al, 1998).

The creation of trust and which factors that create trust, is something that has been given a lot of attention by researchers (Powers & Regan, 2007: Andersen & Kumar, 2005). Audi (2008) means that trust is earned, it is based on confirmatory background and reputation is highly important in the creation of trust. However, Audi (2008) points out that reputation alone cannot sustain trust over time, new performances is required for it to sustain. This agrees well with Powers & Regan (2007) who claim that a firm’s reputation will enable an actor to measure the trustworthiness of another actor, which is of high importance when finding and selecting new partners. Reputation is built upon satisfactory behaviour over time, which makes performance satisfaction a fundamental influencer of trust (ibid).

People within relationships will inevitable influence and affect each other, in terms of norms, values and the way they interpret themselves and their surroundings. This social dimension will in turn affect how the partners will cooperate in the matter of solving problems and creating trust (Ford, 2006). For the bonds to be sustainable and for the
relationship to stay healthy, Ford (2006) means that the degree of mutual openness, commitment and influence can vary but if there is no social interaction, the relationship cannot develop. The bonds affect both the actor’s current and future interaction in the relationship, and as the individual actors learn and adjust their bonds, the entire web of actors will overtime change too. How strong these links, or bonds are, depends on the degree of trust, appreciation and influence they have towards each other (Huemer, 1998). According to Ford (2006) a risk with too strong social bonds is that the actors might make decisions based on social interest rather than the interest of the company.

Since the actors are the ones coordinating everything in the network, they are a crucial and very important element in the ARA-model, while they are often constrained by the resources and activities (Håkansson & Snehota, 1995). While actors are recognised with intentions and competences, the actor bonds emerge through interactions as the firms over time develop and learn about each other’s identity in the network. Continuously, each company may only endorse a restricted amount of actor bonds, which will provide important clues to the company’s strategy (ibid).

![Figure 2.1, The ARA-model (Håkansson & Snehota, 1995)]
2.4 The Export Network

Welch et al (1998) emphasise the importance of networks in export promotion and claims that one crucial factor for the performance of a firm, is the network of relations in which it is embedded, and that a company’s ability to penetrate a foreign market is strongly linked to these valued social and business connections. Furthermore, Welch et al (1998) provide information on the important role the government can have to encourage and manage network development and refers to an Australian government controlled export association that worked as an initiator to form export networks. In the beginning the association facilitated initial networking which gave the members an opportunity to create trust. The case showed that over time, as trust emerged, a self-perpetuating cycle with deeper trust developed. Welch et al (1998) mean that personal trust is significant for a well-functioning networks, not at least export networks. Welch et al (1998) explain that government-controlled export promotion agency can play an important role but emphasize that the network development must come from the group members. Hessels & Terjessen (2008) agree with this and state that local governments have the possibility to improve the investor climate within a nation by promoting and aiding domestic exporters, lowering risks and reduce uncertainties and to help locating foreign customers when it comes doing business abroad.

Both Leonidou et al (2002) and Lu & Beamish (2001) presents that exporting has traditionally been the first and most common mode of entry into international markets, especially for SMEs. There are two main choices which firms are facing, firstly there is the decision whether or not to engage in export activities and if so, there is the second decision on whether to use a direct or an indirect export mode. This is further agreed by Fernández-Olmos & Diez-Vial (2014) who state that the most crucial strategic decision for an agricultural food firm aiming to engage in the international market, is to select the most suitable and beneficial export channel.

2.4.1 Indirect & Direct Export

Rambocas et al (2014) state that short-term profits are expected to be higher for actors engaging in foreign markets using indirect exports. If an exporter has a product that is declining in sales in the home market and is interested in boost profits by receiving instantaneous incomes from other markets, the use of an indirect export mode can be beneficial. However, Rambocas et al (2014) explain that if the exporter finds the foreign market a sustainable, as well as a potential and important place of doing business, he is
expected to receive far greater long-term gains and earnings if using the mode of direct export. Direct export is considered being more beneficial, even though it is in short term requiring higher investments and expenses compared to indirect exports (ibid).

Further, it is declared that a firm’s choice of indirect or direct export depends on the firm’s resource capabilities (Hessels & Terjessen, 2008). A firm engaging in direct export is required to be in possession of a large set of resources and capabilities (Acs & Terjesen, 2006; Hessels & Terjessen, 2008). A firm’s chance to develop such resources and capabilities increase with the presence of favourable home market, low production costs and access to knowledge and technology. Hessels & Terjessen (2008) further state that lower production costs result in an immediate cost advantage which may lead to a competitive advantage for SMEs in foreign markets. This can decrease the need of intermediaries, who are utilized in indirect export and thereby enhance the chances of the firm engaging in direct exports. Access to technology and knowledge, due to enhanced abilities to develop unique and new products, also increase the competitive advantage and reduce dependency on intermediaries. According to Rambocas et al (2014) a company using direct export can also receive higher brand loyalty and satisfaction from consumers and buyers, since direct export is creating higher efficiency as well as stronger ties within relationships. Previous studies have identified the importance of understanding the connection between a firms capability in marketing themselves, together with their export performance (Leonidou et al, 2002).

Bitzer & Bijman (2014) further explain that even if the global market is enhancing the chances for SMEs and small producers to the engage in global value chains, the access is limited due to the market standards set by large multinational companies (MNCs). The main difference between MNCs and SMEs is that limited resources often constrain the SMEs, when aiming to engage in international markets (Leonidou et al, 2002; Fernández-Olmos & Diez-Vial, 2014). This means that, the bigger the firm, the higher the likeliness that the firm will engage in direct export since direct export channels requires higher intangible resources than indirect export, often held by bigger firms (Fernández-Olmos & Diez-Vial, 2014). These constraints are according to several researchers due to narrow market power, lack of knowledge and shortage of resources and is strongly linked with how a firm performs with their export activities (e.g. Barham & Chitemi, 2009; Leonidou et al, 2002; Fernández-Olmos & Diez-Vial, 2014).
Fernández-Olmos & Diez-Vial (2014) continue by saying that the inability to meet the fixed costs linked to starting direct export activities, as well as the complicated paperwork and bureaucracy, are further factors discouraging small firms. Hessels & Terjessen (2008) continuously claim that governments wishing to help SME exporters to export independently could devote efforts to improving SME access to knowledge and technology and to lowering production costs in the home market.

2.4.2 Value-Added Production
When profitability and marketing of agricultural exports and business activities is discussed, several studies are pointing at the term of value added (Coltrain, et al, 2000; Ritossa & Bulgacov, 2009; World Bank, 2008). The previous basic export industry of commodities is more and more giving way for the broadening and development of higher-value export products and more industrialized agricultural business activities (Ritossa & Bulgacov, 2009). It is said that agricultural producers can both strengthen their competitive advantage and increase their export possibilities by engaging in value-added production (Coltrain, et al, 2000).

Coltrain et al (2000) explain that all products are of value also in their purest stage. However producers that are engaged in value-added production are defined as participants of food or beverage companies, adding value to a product by refining or transforming it, to a state more valuable in the market place. Value-adding activities such as use of biotechnology, engineering raw food to consumers and changing distribution channels designs, are all openings to additional value. The increasing international demand for high value agricultural products, such as health foods, have made it easier for producers to add value to raw materials and to market these products to consumers (Worldbank, 2008; Coltrain et al, 2000). By engaging in value-added production, a farmer or small producer are wishing, and many times succeeding to earn a higher amounts of the end-price of a refined product, compared to only producing unrefined commodities (Coltrain et al, 2000). These more diversified practices are considered being an efficient way to develop a more competitive advantage on new foreign target markets. It is also said that adding value to agricultural commodities gives an increased number of emerging markets opportunities to compete with their products on higher levels of the global commercial market and to overcome export barriers and increase their income (Ritossa & Bulgacov, 2009).
2.4.3 Collaborative Advantage in Exports
Even though engaging in value-added production is highly promoted by researchers, it is often easier said than done due to farmers’ limited resources (Coltrain et al, 2000). One endorsed and proven successful way to reach these assets needed to engage in value added production, is by forming effective producers organizations to jointly engage with other small producers and farmers. Well-established producer organizations is said to allow small enterprises to reach economies of scale and by jointing resources having enough power to succeed with their export marketing (Coltrain et al, 2000).

Ritossa & Bulgacov (2009) state that due to more advanced structures in management within the agricultural sector, cooperation and partnerships are becoming more widespread in numerous emerging markets. Research by Bitzer & Bijman (2014) also show that partnerships within agriculture are increasing in popularity in emerging market communities. It is also presented to be a critical factor for farmers to reach foreign markets. As small single actors often fail to meet the competition on international level from bigger actors, new forces in the international market are promoting new institutional arrangements of multi-actor collaborations. By allocating businesses, it enables small farmers and producers a higher global participation. Ritossa & Bulgacov (2014) further state that cooperative engagement has a positive impact on trade prices, revenue, profits and gains for the members. Cooperation can lead to farmers reaching new markets, distribution and information channels to increase core competencies and product differentiation as well as new technological innovations, which ensure the survival of the farmer (ibid).

2.4.4 Previous Studies on Agricultural Export from Emerging Markets
Bitzer & Bijman (2014) carried out their research on value-added production focused on export of citrus fruits in South Africa, which showed that strategic partnerships allowed higher access to resources needed to successful export performance of emerging farmers. However, even though they did get access to needed resources and increased chances to global presence, the study also showed that these strategic alliances at times lead to high dependency by farmers to other firms, rather than empowerment and interdependency. The conclusion of the study is that partnerships are aiding farmers’ global performance. Yet, Bitzer & Bijman (2014) stresses that the presented partnerships are in the need of political and governmental support in order to become more functional than pure contractual collaborations, to succeed with the task of
equality among collaboration actors. This is supported by Coltrain et al, (2000) who also stresses the need of sufficient governmental policies and support, in order to create sustainable partnerships within agriculture.

Another study on agricultural cooperatives in emerging markets has been conducted by Ritossa & Bulgacov (2009) in Brazil. These cooperations aim for product diversification and firm internationalization and present the growing importance of collaborations within Brazil, which stand for a great share of the nations export. The cooperatives have produced positive results, both from an economic and social perspective for the farmers. Through increased performance and productivity this has also lead to stronger flexibility and competitiveness, positive for export activities. Ritossa & Bulgacov (2009) however, highlight the importance of meeting the needs and interest of all the members, since it has a great impact on the internationalization processes and creation of a sustainable collaboration. Finally, it was also found that the level of internationalization among the cooperatives were held back, due to inability to increase product value because of lack in technology and financial assets (ibid).

2.5 Bridging Theoretical Framework with Empirical Findings
To sum up this chapter, the authors have now described and discussed the concepts of relationships, networks and exports in detail, in order to give the reader a good understanding of the focus of this study. The model below is meant to work as a guide, visualizing their linkage to each other, to create an understanding of the structure of the study.

The business network is the foundation of the study and thus the base of the model, which aims to give all the different actors a certain context in the Philippine coconut industry. As the study has an international approach the concepts of export network was added and the two concepts of collaborative advantage and value-added production were incorporated to be able to present the forces allowing exports from emerging markets. Through these steps the authors will be able to present the structure of the export network of value-added coconut products. The network structure will then be analysed through the concept of business relationships, where the ARA-model has been applied to strengthen the understandings of the roles. By utilizing this process to
connect the theoretical framework with the empirical findings the two research questions can be answered:

- What roles do actors in the Philippines coconut industry play in the export of value added products?

- How can the coconut farmers and small producers get a higher share of the profits?

Figure 2.2, Conceptual framework (own model)
3 Methodology

This chapter will present the methods of choice for this Minor Field Study executed in the Philippines and describe why these methods were chosen. It will also provide information on the collected data for this thesis.

3.1 Introduction

The fundamental purpose of research is to answer a certain question, which yet has not been answered and is dependent on human efforts to be answered (Singh, 2006). Research aims to answer the questions that have not yet been found in literature. In this chapter the authors will clarify how this study has been conducted and why the method of choice is the best suitable to receive reliable answers to the research questions: “What roles do actors in the Philippine coconut industry play in the export of value-added coconut products?” and “How can the coconut farmers and small producers get a higher share of the profits?” The authors are optimistic that by reading this chapter future researchers or other stakeholders, will get a greater understanding of how the study was executed, benefit from it or criticize the conclusion based on the execution.

3.1.1 Working Conditions

Since this research is focused on a specific geographical area the authors decided to go to the Philippines to collect the data to get a deeper and more fully understanding of the research. A generous contribution from SIDA made this possible. The authors spent eight weeks in both the capital of the country but also in the south where many coconut farms are located.

3.2 Abductive Approach

For a study to become relevant, a connection between the theory and research needs to be made (Bryman & Bell, 2011). The two main options, which are commonly known among researchers, are induction and deduction. The *inductive approach* has its roots in the reality and based on observations and experiences from several individual cases the researcher finds a conclusion or a pattern based on these cases. Inductive conclusions can therefore never become a solid truth since future observations might show exceptions from what previously has been observed (Sohlberg & Sohlberg, 2013).
In contrast to the inductive approach, a researcher using *deduction* is basing his or her research on a common rule or a known truth, such as a theory. From this, the researcher derives a hypothesis and investigates if this is true or not (Alvesson & Sköldberg, 2008). Through this approach, the researcher has the possibility to try to what extent a certain theory holds up and through several researches create a strong empirical support for the theory. However, a risk when using a deductive approach is that the researcher becomes less sensitive towards the empirical findings since the importance lies in “proving” the theory or the common rule. According to Alvesson & Sköldberg (2008) the deductive approach also has a tendency to not prove anything, but rather avoid explaining by an authoritarian determination such as a stressed parent telling their child that a butterfly has wings because all butterflies has wings.

In addition to the above mentioned approaches there is one, less classic approach which is not as recognised among researchers. *Abduction* is the third way where the researcher alternates between induction and deduction without fully embracing either one of them (Patton, 2002). Just like the inductive approach abduction has its base in the empirical facts but like the deductive approach it does not reject theoretical notions. The analysis of the empirical findings may be combined with previous theory, not as a mechanical application on individual cases but rather as a source of inspiration to discover a pattern which creates an understanding (Alvesson & Sköldberg, 2008). Patton (2002) likens the abductive approach with a detective’s work where the researcher is reasoning and conclusions are being made by a constant interaction between induction and deduction, where common principals and individual cases are tested in contrast to each other. The abductive approach is also considered to be the creative, rather than logical aspect within research (Sohlberg & Sohlberg, 2008).

Considering the criteria’s mentioned above and the starting point of our thesis, the authors believe that an abductive approach is the best suitable for this research. The fact that both the inductive and the deductive approach has been criticized for being shallow (Alvesson & Sköldberg, 2008) neither one of them felt like a suitable approach for what this field study wants to achieve, which is a deep and meaningful understanding of the actors in the Philippines coconut industry.
3.3 Qualitative Research

Sectioning the world or certain areas into different categories is a common and useful way to create an increased understanding or to provide a simpler overview on certain phenomena (Fejes & Thornberg, 2009). Within social science this sectioning is divided into two areas: Qualitative and Quantitative research. The quantitative research aims to measure something, to describe the reality through numerical data and is normally executed using statistical methods (Golfshani, 2003; Braun & Clark, 2013). One can say that the quantitative research aims to explain a phenomenon, rather than trying to understand it (Kumar, 2014). The qualitative research on the other hand tries to explain reality through words from interviews, observations and social interactions and is therefore more focused on understanding the phenomenon.

A qualitative research is appropriate to use when the researcher wants to capture people’s experiences or understand different perspectives on a particular issue as well as when trying to access details which cannot easily be measured (Patton, 2002). The most basic definition of qualitative research is explained by Braun & Clark (2013) who say that it uses words as data and can be analysed in many different ways. Golafshani (2003:600) describes the term qualitative research in a more comprehensive way: “Qualitative research uses a naturalistic approach that seeks to understand phenomena in context-specific settings, such as real world setting where the researcher does not attempt to manipulate the phenomenon of interest”. If the ambition of a study is to explore, understand or explain a phenomenon a qualitative research is considered most useful and efficient (Kumar, 2014). Yin (2011) gives several reasons why to to execute qualitative research. He claims that when the researcher wants to study a real-world setting and discover how people behave and thrive within that setting, a qualitative research is suitable. He continues to explain that if the researcher truly wants to create a great in-depth understanding of the richness of people’s everyday lives, then a qualitative research is the most suitable. Yin (2011) means that it gives the researcher greater possibilities to learn about people compared to a quantitative research.

By staying open minded to the commonly known difficulties in the current export business of value-added products experienced by the local coconut producers, the ambition of this study is to create a greater understanding of the current situation within the Philippine coconut industry. In order for this to be done a comprehensive study of the exporting network and its effects on the local farmer will be performed. To
understand the social and cultural perspectives of this economical issue, a qualitative research is crucial to achieve the aim of the thesis. A quantitative method would not allow the authors the same flexibility and the deep understanding that the thesis require.

3.3.1 Ethical Issues of a Qualitative Research
Researchers who are implementing a social research are expected to approach their task in an ethical manner (Denscombe, 2010). When performing a qualitative research the researcher has certain responsibilities towards the participants in the research (Patton, 2002). Patton (2002) refers to Beuchamp & Jim Childress’s (1983) four principles concerning the ethical issues: Autonomy: respecting the rights of the individual, Beneficence: doing good, Non-maleficence: not doing harm, Justice: particularly equity. The researcher must consider the context in which he or she will be working and create questions with great caution and respect towards the interviewees. Two important factors to keep in mind are consent and confidentiality. Participants should freely consent to participate in the research without being unfairly pressured. The researcher should also protect the identity participants if needed and be very cautious with notebooks and un-protected computer files (ibid). Denscombe (2010) highlights that no matter how valuable the researchers’ findings might be, they should have no privileged position in the society that justifies them, pursuing their interest on the cost of those who are being studied.

The topic of this thesis is a commonly known issue among both the Filipino population but also to governmental organizations and is discussed broadly in the country. The coconut industry is something the Filipinos feel very proudly of and are very willing to talk about. Due to this the thesis have gotten many valuable insights. However, the authors explained the aim of the thesis as carefully as possible before asking thesis-related questions and none have been pressured to participate.

3.4 Research Design
Yin (2009) defines research design as the logical sequence that connects the empirical data to the study’s research question and eventually to its conclusions. Informally, a research design can be seen as a logical plan for getting from one point to another. Kothari (2004) explains the research design as the conceptual structure within which research is conducted and that it creates the blueprint for the collection, measurement and analysis of data.
When using a qualitative research method some research designs are better than others and it is highly important that the most appropriate design is selected for the study to provide the best possible outcome. When executing a study which aims to explore “how” a phenomenon works, Yin (2009) recommends a *case study research design*. He continues by explaining that if the researcher wants to understand a present, real-life phenomenon this is the most suitable design.

Since the authors of this thesis have the ambition to understand how the Philippine coconut industry looks like as well as how the local coconut producers can strengthen their position, the choice of conducting a case study was considered the most suitable. The fact that the authors also had the opportunity to conduct a field study thanks to SIDA, made the choice of conducting a case study even more relevant.

### 3.4.1 Case Study Design
Yin (2009) describes that a case study investigates a real-life phenomenon and is therefore in great need of an empirical analysis. One might think that a case study is only a method of data collection, an analysis approach or a design feature while it actually is an all-compromised method, covering so much more (Yin, 2009). Depending on the objectives of the case study it can include one or multiple cases. A single case design is common when conducting a case study and Yin (2009) describes two alternatives: holistic and embedded designs. *The holistic design* is useful if the case study examines the global nature of an organization, while the *embedded case design* is focusing on a single case but at the same time gives attention to subunits within the single case. An embedded case design is an empirical form of examination and appropriate for descriptive studies, where the objectives are to describe the context, features, and process of a phenomenon.

Although this study involves several different actors in the network of the Philippines coconut industry, the authors would like to claim that the study should not be seen as a multiple case study, but rather as a single case study with an embedded case design.

### 3.4.2 Field Study
All the primary data presented in this study has been collected during an eight-week field trip in the Philippines, both in the capital Manila but also in other coconut
producing regions. A field study means interacting and integrating with the situation, the circumstances and the people who are linked to the field study, in their environment (Yin, 2009). In a qualitative research, which this is, it is highly important to connect to an issue on a human level, instead of distancing to the research object by only studying it from far away (Corbin & Strauss, 2008). This was the main reason to why the decision was made to conduct a field study.

Yin (2009) stresses the importance of creating good relations and showing politeness, since a field study is taking place in people’s everyday life. It is advised to adapt and to be flexible, since the culture and social norms might differ depending on where the researcher goes (Yin, 2009). This was taken into account when conducting the study in the Philippines. For example, it is highly important to stay flexible since it is quite common that meetings get cancelled due to family business or are postponed due to heavy traffic or weather conditions. Adaption and politeness was shown by dressing neatly for meetings and for women to wear flats, heel-less shoes, since wearing high heels in business contexts is not considered appropriate in Asian countries.

**3.4.3 Snowball Sampling**
Before gathering any data the researcher needs to decide how he is going to collect the samples of the study (Yin, 2011). Two common types of sampling is presented by Yin (2011): **probability- and non-probability sampling.** *Probability sampling* randomly selects samples and is therefore more common in quantitative research making statistical generalisations. Since this is not the purpose of this study the probability sampling will not be adapted. Non-probability sampling on the other hand, collects samples based on the subjective judgement of the researcher and is not randomly selected (2009). Within non-probability sampling there are several techniques in order to select suitable respondents, one of them being the snowball sampling where the researcher starts with a relatively small, but yet carefully selected, sample group who can recruit future respondents to the study which can be compared to a rolling snowball.

Since the authors conducted a field study in the Philippines only a few interviewees were decided before departing. While staying in the country and by talking to the already carefully selected sample-group, the authors were provided with several more relevant respondents within the coconut network. Therefore, the authors embraced the
strategy of a non-probability, snowball-sampling and gained valuable information by receiving help from the highly relevant sample group.

3.5 Data Collection
In research there are two ways of collecting data: primary data collection and secondary data collection and is first applicable when the research problem has been defined and the research design drawn out (Kothari, 2004). Since qualitative research has its base in words rather than numbers, data collection is often accomplished through interviews, observations, focus groups and other activities which include interaction with people (Yin, 2009).

3.5.1 Primary Data
The primary data refers to the data which is directly collected, preferably by researchers themselves and is therefore also original in character (Bryman & Bell, 2011: Kothari, 2004). When conducting a qualitative case study the techniques for collecting data are primarily: interviews, observations and document analysis are suggested (Silverman, 2013).

This study’s primary data will mainly consist of interviews and participating observations for empirical evidence and will be described below.

Interviews
According to Yin (2009) interviews are an essential source of case study evidence since many case studies concern human affairs. Interviewees with substantial experience and knowledge in their field of expertise, have the possibility to provide important insights as well as helping the researcher to identify other relevant information. There are different types of case study interviews with different level of structure. One type of case study interview is the in-depth interviews where the interviewee becomes more of an “informant” than a respondent. The “interview” takes place over an extended period of time and not just in one sitting and the researcher can ask this key respondent on his/hers opinion of a matter or facts relating to the study. This type of respondent is often critical for the success of a case study (Ibid). Another type is the focused interview which is described as a relatively open conversation (Yin, 2009). Here the respondent is interviewed for a limited period of time, an hour for example and the researcher can easily follow a set of questions related to the study.
Since the authors spent eight weeks in the Philippines, face-to-face interviews was made possible and the decision was made to conduct six semi-structured, focused interviews. The authors also had one respondent which they had continues contact with who was more of an “informant” rather than only a respondent. Therefore the authors state that one in-depth interview also was conducted throughout the study. Since this study is focusing on the network activities and the different roles within the network it was crucial to find interviewees from different parts of the network. Below is a template of the interviewees:

<table>
<thead>
<tr>
<th>Name</th>
<th>Company name</th>
<th>Title</th>
<th>Date</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petteri Makitalo</td>
<td>Free Food Company</td>
<td>Founder &amp; General Manager</td>
<td>7/4</td>
<td>Manila</td>
</tr>
<tr>
<td>Melvin Joves (Informant)</td>
<td>Department of Trade and industry</td>
<td>Export Marketing Bureau's focal person for coconut</td>
<td>10/4</td>
<td>Manila</td>
</tr>
<tr>
<td>Agnes M. Cristobal</td>
<td>Virgin Coconut Oil Producers and Traders Association of The Philippines (VCOP)</td>
<td>Board Member &amp; Executive Committee</td>
<td>10/4</td>
<td>Manila</td>
</tr>
<tr>
<td>Shandi M. Hubilla</td>
<td>Philippine Department of Agriculture (DA)</td>
<td>Director of the Philippine Rural Development Project</td>
<td>10/4</td>
<td>Manila</td>
</tr>
<tr>
<td>Corteza Moreno</td>
<td>Twin Rivers</td>
<td>Researcher</td>
<td>14/4</td>
<td>Tagum</td>
</tr>
<tr>
<td>Liza May M. Lamban</td>
<td>Philippine Coconut Authority (PCA)</td>
<td>Regional technical staff</td>
<td>16/4</td>
<td>Davao City</td>
</tr>
<tr>
<td>Juvy T. Alayon</td>
<td>Philippine Coconut Authority (PCA)</td>
<td>Project development officer</td>
<td>16/4</td>
<td>Davao City</td>
</tr>
<tr>
<td>Francisco Gonzales</td>
<td>Free Food Company</td>
<td>Operations Manager</td>
<td>17/4</td>
<td>Davao City</td>
</tr>
</tbody>
</table>

Table 3.1. Interviewees (Own table).

*Design & Structure of Interviews*

In Asia it is not appreciated to “go straight to business”, but to start by building a relationship based on trust (Asianresearch.org, 2003). Therefore, before each interview the authors and interviewees engaged in “small talk”, not related to the study. This to be able to get to know each other, establish a certain level of trust and create a relaxed and friendly atmosphere. In the initial phase of the interview the interviewees got to answer some basic questions regarding their anonymity, their background and current position, to confirm their participation as suitable for this study. There is a Filipino tradition for travellers to bring gifts from their home country called a “pasalubong” and at the end of
the interview the authors showed their thanks by giving the interviewees a small treat from Sweden.

**Participating Observation**

Observation is a somewhat neglected aspect of research, yet it can be highly rewarding and informative as well as provide the research with fuller and richer data (Saunders et al, 2009). When performing a qualitative research and the objectives are concerned with what people do, then elements of observation are essential. While staying in the Philippines the authors have participated in business meetings, engaged in conversations with local residents and participated in the process of coconut farming. This agrees well with Yin’s (2009:111) definition of a participating observation as the researcher “[…] may assume a variety of roles within a case study situation and may actually participate in events being studied.” These roles may vary from having casual conversations and social interactions with local residents to participating in functional activities. Saunders et al. (2009:288) mean that participating observations emphasises the importance of “[…] discovering the meanings that people attach to their actions”. Since the authors chose to conduct qualitative research the participating observation was one of the most important aspects to get a fully and complete understanding of the topic.

**3.5.2 Secondary Data**

In contrast to the primary data which is unique and directly collected, the secondary data consists of information which has already been collected by someone else (Kothari, 2004). The advantages with secondary data is that it is less costly compared to primary data and since the data has already been collected the researcher can spend more time and effort analysing and interpreting the data (Sauders et al, 2009). However, since the data has been collected for previous research and for another purpose it might be considered inappropriate for the new study. Therefore it is highly important to choose secondary data with great consciousness.

The secondary data for this study origins from official websites and theoretical literature: both books and articles. The official websites and the majority of the articles have given a good and updated understanding of the subject of choice, while the theoretical literature have enabled a solid platform for the research. The authors also received documents from some of the interviewees which also was used as secondary data.
3.6 Operationalization
To be able to conduct a valuable and useful study it is of great importance to understand what previous research has been done on the subject (Yin, 2011). In order for this to be done a solid literature review must be executed in order for the researchers to become aware of what has already been answered and where there still is a knowledge gap. To provide the readers with an understanding of how the interviews have been executed, and what areas are covered, the table of outlines of the interview questions has been set up by the authors to simplify the process for the readers:

<table>
<thead>
<tr>
<th>Concepts</th>
<th>Interview Questions</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operationalization Process</td>
<td>1-3</td>
<td>These questions were asked to get a good pre-understanding of the interviewees and their profession.</td>
</tr>
<tr>
<td>The Business Relationship</td>
<td>4-6</td>
<td>A relationship is hard to define but is said to be a mutually oriented interaction between two reciprocally committed parties. With this in mind, the authors asked questions to be able to increase the understanding of the relations and attitudes among the network actors and their level of dependency.</td>
</tr>
<tr>
<td>The Business Network</td>
<td>7-13</td>
<td>A business network is founded on relationships and since no business is an island companies are connected, influencing and affecting each other. To be able to find patterns in the structure of the network, in the relationships as well as the positions of different actors the authors asked the interviewees about their role in the industry, reliance, relationships and current network problems.</td>
</tr>
<tr>
<td>The ARA-model</td>
<td>14-16</td>
<td>The view of business interaction can be analysed through the ARA-model which explains the links, ties and bonds among activities, resources and actors in both business relationships and networks. To be able to analyse the roles of actors in the Philippine coconut industry network, questions relating to linking activities, sharing resources, creating social bonds and trust were needed to be answered.</td>
</tr>
<tr>
<td>Export</td>
<td>17-22</td>
<td>Engaging in export can enable SMEs to participate in global value chains and thereby increase their profits. To be able to understand how and why companies choose to engage in export the authors asked the interviewees questions relating to their export activities.</td>
</tr>
<tr>
<td>Value-Added Production</td>
<td>23-25</td>
<td>Farmers engaging in Value Added Production is said to earn higher amounts of the end price of a refined product, compared to a commodity. This can increase export possibilities and thereby competitive advantage. For the authors to understand if this phenomenon exists in the Philippines and if so, how it is performed, related questions were asked.</td>
</tr>
<tr>
<td>Collaborative Advantage</td>
<td>26-27</td>
<td>Collaborative advantage, especially in agriculture, is said to be a way for farmers to reach assets needed to engage in value added production. By jointing resources farmers can easier reach export markets. To find out if this could be applied on the Philippine coconut industry questions on that subject needed to be answered.</td>
</tr>
</tbody>
</table>

Table 3.2: Operationalization (Own table).
3.7 Method of Data Analysis
When it is time to analyse the collected data and to understand what it actually means, it is important for the researcher to simplify the process by developing concepts and categories (Fejes & Thorberg, 2009). This is done through something called coding and Charmaz (2006) means that this is the core of the analysis. “Coding is the pivotal link between collecting data and developing an emergent theory to explain these data. Through coding, you define what is happening in the data and begin to grapple with what it means” (Charmaz, 2006:46).

As suggested by Fejes & Thornberg (2009) and Charmaz (2006), the authors coded the empirical data and categorized them accordingly with the theories presented in the literature review chapter. The authors also started the analysis of the empirical findings during the process of gathering it to be able to adapt the literature review and to add interview questions if needed. After gathering the data the authors had several discussions where they compared observation notes and interview material with each other and with the theories the study is based on, to increase the validity of the research.

3.8 Quality of Research Design
Since research design is meant to follow a logical set of statements Yin (2009) claims that the quality of research can be verified through four logical tests. These tests are based on two concepts: validity and reliability.

3.8.1 Validity
A study with high validity contains correctly collected and interpreted data, which enables high accuracy in the conclusions and recommendations (Yin, 2011). High validity therefore leads to that the study can reflect and represent the reality in the best possible way. A field study which does not take the validity into consideration is worthless if they arrive at false findings. Maxwell (2009) highlights some basic strategies in order to limit the threats for validity and claims that an intensive long term field involvement is an important strategy to create a deeper understanding of the field situation, which also includes the opportunity to make repeated interviews and observations. Another strategy to secure high validity presented by Maxwell (2009) is through respondent validation, meaning that the researchers should gain feedback from the interviewees in order to minimize the risk of misunderstandings between their self-
reported behaviours and views as well as the researchers interpretation of them (Maxwell, 2009). Yin (2011) refers to and uses the term *triangulation*, which refers to collecting data from different sources. Yin (2011) says that the ideal triangulation is not to seek confirmation from several different sources, but rather find different kind of sources. Denscombe (2010), describes triangulation as the practice of viewing things from more than just one perspective and says that this can be done by using different methods, sources of data and even different researchers within the study who separately can interpret the data before comparing them in order to avoid the risk of one researcher’s bias.

A classic issue is whether a study’s results are general for a population and it has been argued that generalisation is not meaningful in qualitative research (Stenbacka, 2001). However, Yin (2011) presents two different views on generalisation; statistical and analytical. *Statistical generalisation* looks at a sample which have been properly chosen and use this to generalize it to the larger population. This kind of thinking is not applicable for qualitative research, since the data collected is usually too small to represent the larger population. *Analytical generalisation*, on the other hand, works well in qualitative research and refers to a theory of the phenomenon being studied. This theory may have much wider applicability than the case study in itself (Yin, 2011).

Since the authors spent eight weeks in the environment where the data was collected the intensity of the field study was high, which allowed a constant flow of information. In order to minimize misinterpretations the authors involved the interviewees in the process by giving them access to the recordings and transcripts after finalizing interviews and observation notes. The authors also interpreted the data separately and read each other’s notes afterwards, to make sure that the interpretations could be considered valid. In this qualitative research the authors have limit themselves using only the analytical generalisation in order to understand the roles of the different network partners in the Philippine value-added coconut industry, and how local coconut producers can increase their share of the profit.

### 3.8.2 Reliability

“The basic reliability issue concerns a measurement method’s ability to produce the same research over and over again” (Stenbacka, 2001:552). Reliability is mostly used in quantitative research but the concept of it is often used in all kinds of research
(Golfshani, 2003). However, Stenbacka (2001) claims that reliability is irrelevant in qualitative research and can even be misleading since social settings constantly change which makes it impossible to repeat. Patton (2002) on the other hand states that reliability is an important factor in qualitative research and is a consequence of the validity of a study. Therefore, the researcher needs to be concerned with when designing a study and analysing its results. According to Kumar (2014), reliability should, in qualitative research, be measured in how dependable and confirmable it is.

To demonstrate the reliability of a study, it is of great importance to describe and explain the methods of choice in a clear and rich way, so that the reader easily can follow how the results have been interpreted and how the conclusions was made, based on those interpretations (Descombe, 2010).

To prove the reliability of this study the authors have carefully explained the methodology for this field study. The authors hope that by reading this chapter the readers will get a greater understanding of how the results and conclusions were made. The interview questions and information about the interviewees can also be found in the thesis and if needed, transcripts of all the interviews along with observation notes is available.
4. Empirical Findings

In this chapter the empirical findings of this study will be presented. The chapter starts by introducing the interviewees as well as their companies and organizations. This will be followed by a comparative presentation of the interviewees shared knowledge and views on the main areas included in the conceptual framework. Since the authors want to reflect the complexity of the industry as honest as possible and avoid any boundaries when the expertise of the interviewees is presented, this chapter will not follow the initial structure. Yet, the authors will return to the structure of the literature review in the analysis chapter.

4.1 Interviewees

The interviewees of this study come from seven different companies and organizations and from various industry levels within the coconut industry in the Philippines, and thus different parts of the network. The authority levels within the diverse companies and the industry as a whole as well as the years of experience varies vastly among the interviewees, but they all contribute substantially to create a greater understanding of how the roles of the export industry is functioning. All of the interviews making the foundation of this chapter took place in April 2015.

4.1.1 Free Food Co – Petteri Makitalo & Francisco Gonzales

The Free Food Company is located in the Mindanao region in the south of the Philippines, the country’s biggest coconut region, producing coconut sugar and coconut sugar sweetened chocolate. The company has been active since around 2010 but was first registered in 2012 by the Free Food’s President Mr Petteri Makitalo. The company’s Operations Manager is Mr Francisco Gonzales who is originally from Manila but is now living in Davao City and deals with the on ground operations, having close relations with farmers. Mr Makitalo is originally Finnish but has lived in the Philippines for 38 years, he is the General Manager of the company and is also the main investor of the business.

The company is based on community farming and their goal is to create a sustainable company that will ”Improve the quality of life of farmers in the Philippines”, but also to offer customers around the world products that are healthy and honest. The company is certified USDA ORGANIC, holds the ECO CERT and are aiming to become FairTrade certified, which they already today could be qualified for.
4.1.2 Twin Rivers - Corteza Moreno
The Twin Rivers Leisure Group, Inc. is a company located in Tagum City, north of Davao City in the Mindanao region, with several branches, engaging in tourism, agricultural production and exports. The authors have been in contact with the Twin Rivers, which is the part of the Leisure Group and are engaged in producing and exporting coconut products and bananas. Twin Rivers are mainly focusing on refining coconut sap into sugar, but are also starting to engage in the fresh Coconut Water industry. The company is, since 2013, certified organic and are currently exporting to the United States and Australia and have also started negotiating with Japanese buyers. The respondent Ms Corteza Moreno is one of the head research persons working to bring forward new and innovative coconut products. By visiting the plantation and production facilities the authors also had the opportunity to observe the processes and the people involved.

4.1.3 Virgin Coconut Oil Producers and Traders Association of the Philippines (VCOP) - Agnes Cristobal
The VCOP was established in 2003 and is a part of the United Coconut Association of The Philippines, a non-profit private organization established to improve and unite all the sectors within the coconut industry as well as to provide information and support. VCOP is aiming to make the Philippines leading global supplier of high quality VCO and the members are actively promoting the VCO, by participating in trade shows both locally and abroad. The respondent Ms Agnes Cristobal is a Board Member in the Executive Committee and has been with the VCOP for 15 years.

4.1.4 Department of Agriculture (DA), Philippine Rural Development Project – Shandy M. Hubilla
The DA was established in 1898 and is one of the first governmental agencies in the Philippines and has today offices spread around the nation. The DA has the vision to create a diversified rural economy that is dynamic, technologically advanced and internationally competitive. Their vision is to help and empower the farming and fishing communities and the private sector to produce enough accessible and affordable food for every Filipino and works for a decent income for all. The respondent from the DA is Mr Shandy Hubilla, who has been with the agency for three years. Mr Hubilla is working with agricultural development “on ground” and is currently the Director of the Philippine Rural Development Project, a project with the aim to establish Coconut Water plants in rural areas. By bringing the processing facilities closer to the farmers,
the project enables them to participate in a greater extent in the production processes, giving the farmers a chance to add value to their raw materials.

4.1.5 Philippine Coconut Authority (PCA) in Davao – Liza May Lamban & Juvy Alayon
The PCAs is a government funded agency which greatest mission is to give technical, but also general, support to coconut farmers and small producers who want to improve their production. The PCA has offices throughout the nation and the Davao Office is handling region 11, which is the biggest coconut region in the Philippines. The authors was given the opportunity to visit the office to meet with the Regional Technical Staff, Ms Liza May Lamban, and the Project Development Officer of the Export Marketing Bureau at PCA, Ms Juvy Alayon. Ms Lamban is primarily assigned for curing the coco pest and her mission within the PCA is to aid farmers exposed to the infestation, to prevent it from spreading among the coconut plantations within the region. Ms Alayon is carrying out various projects within PCA, with the aim to improve product quality, increase the profits of producers, promoting export business as well as to connect producers and farmers with the private sector to enhance cooperation possibilities. In some projects the PCA helps producers with packages including machines, technical support as well as education, but due to limited budgets given from higher authorities they are unable to give financial support.

4.1.6 Department of Trade and Industry International, Agriculture – Melvin Joves
DTI is a government funded agency in the Philippines, working together with the business sector to advance the national economy through increasing the global competitiveness with social responsibility and consumer welfare as a platform. DTI is also trying to reduce the costs of doing business to facilitate trade and investments in the Philippines. The authors had the privilege to meet with Ms Melvin Joves at several times who is the product officer for coconut at the Manila office. Ms Joves is highly engaged in export development and has been working with Agriculture at the Department of Trade and Industry International for 21 years, thus possesses a great knowledge of the industry.
4.2 Relationships, Networks & Exports

*Roles within the Current Network*
A common relationship between farmers and MNCs is that the farmers are looked upon as suppliers instead of a valuable partners providing them with the source of their products (Gonzales, Makitalo, Cristobal) and the farmers have very little opportunity to change their situation due to their lack of bargaining power (Makitalo). According to Mr Gonzales, a big problem is that the MNCs still control the prices of the raw material. Since the demand for new value-added coconut products, such as VCO, Coco Sugar and Coconut Water have increased, the MNCs have started to use the coconut for multiple products but still pay the farmers the same low amount of money for the raw material, around 200 pesos a day (Gonzales). Another issue explained by Mr Gonzales is that coconuts are only harvested every three months, meaning that farmers will only get paid once every three months when they have harvested. Mr Gonzales further explains that since the price of copra, one of the most common commodities, is fluctuating the farmers can never be certain of how much they will be paid. This often means that farmers will have to borrow money from the MNCs to be able to buy food, which put them in debt to the MNCs. This leads to that the farmers have very small chances of changing this situation (Gonzales, Makitalo). By engaging in community farming, Free Food is stepping away from this unsustainable and unequal relationship and do not want to treat farmers as suppliers or subordinates but as partners (Makitalo, Gonzales):

“We sign contracts with the farmers, either rent their lands and pay monthly or if they produce we pay them regularly per week, either way we see them as business partners. We pay them better than if they sell copra to the big MNCs and this way they also have an income security. Free food is paying the farmers regularly with a fixed, fair price so that the farmers always have their income secured.” Francisco Gonzales

Mr Makitalo further explains that there are some huge barriers for the farmers and small producers. Firstly, is almost impossible for a Filipino farmer to get a bank loan even if he owns the land, this because land is not valued by the Philippine banks and therefore cannot be used as a security or be sold to make more money. Secondly, he explains that their opportunities to prosper are small and that the main issue is the political system. There are so many rules and fees, that it is almost impossible to start a new business
here in the Philippines, even for people with a sufficient start-up capital. Registration can take months and in the best case, if you survive the first steps, you still have various obligations and report duties to the government, something that takes a lot of time and effort.

“The farmers, they are as smart as you and I, but the authorities have no respect for them. The ministers are not working for the people.” Petteri Makitalo

These existing barriers are confirmed by the PCA, who says that engaging in direct export is almost impossible for small farmers and producers, due to their very limited financial situation and high clearance, shipping and tax costs (Lamban, Alayon). Most exports happen in Manila, where consolidators are collecting various types of products together with the coconut products to benefit of the exporting prices. This further goes in hand with Ms Moreno’s statement that Twin Rivers needs to improve their production volumes, to be able to export in containers and compete with consolidators and exporters.

The Content of Relationships
Mr Gonzales is handling the communication and relations with the farmers for Free Food, something that he claims is not always easy. The farmers are indigenous people, disconnected from the society, do not pay taxes and live and die outside the social system. Because of this trust does not come easily. Mr Makitalo explains that in 2010 when Free Food was founded, Mr Gonzales donned on ragged, dirty clothes when communicating to the farmers, in order for them to start trusting him. Mr Gonzales says that he talks to farmers and offer them regular payment, as well as education, training and seminars. The farmers themselves choose how many trees they want to work with. If the farmer wants to earn more money he will need to grow more, since the more trees the more payment. Mr Gonzales means that this is how trust is built: doing straight business and provide the farmers with proper, regular payment and training.

Continuously, Mr Gonzales says that a bad payment also leads to bad quality products, since the producers then will not have the motivation to do a good job. As a relatively new company, Free Food Co has a lot of costs, among others for transports and handling, therefore they are dependent on good quality products. Mr Gonzales explains that their business model, where farmers are looked upon as partners and paid a fair
amount of money, creates both trust but also an interdependency between them which is resulting in better quality products.

Mr Hubilla is currently active in a rural development project, which aims to create sustainable rural enterprises, bringing production and value-adding activities closer to the farmers. Creating trust between the government and the farmers is crucial to get this project and relationship to start working he says. Ms. Cristobal confirms that creating trust is important when introducing new techniques and products to the farmers, something Mr Hubilla agrees with. Since the farmers have a long tradition in the country to produce and sell copra, the trust building is easier said than done:

“The farmers will have to rely on us and they have to trust us that we are in it for them. Unfortunately, that’s easier said than done (...). In the countryside the farmers are sceptical with new technology. They will always, always refer to the traditional copra production. They grew up with it for the past hundred years and they have relied on the coco traders for the past hundred years, it’s not easy to break.” - Agnes Cristobal

Ms Cristobal says that VCOP tries to increase their communication and involvement with the DA and DTI to achieve balance between supply and demand. She means that since the demand for coconut products have increased tremendously over the last 15 years the demand is starting to catch up with the industry and it is important that the organizations frequently communicate with each other about this, something that she claims that they do today.

To be able to support as many as possible Ms Lamban explains that the PCA tries to communicate with the DA and the DTI as much as possible, in order to stay updated on the different activates in the industry. However, Ms Lamban continues by saying that, in the end, the financial support they receive from the government is most important tool for them to be able to perform their tasks. Without this support the PCA is very restricted in what they can do (Alayon). Ms Joves explains that before the DTI can develop exports market, the production on ground has to function properly and therefore the DTI needs to stay closely connected to the DA. Mr Hubilla from the DA agrees that the DTI is an important business partner, but also emphasises the importance of communicating with other industry players, such as farmers, traders and associations
like the VCOP, since they are working close to the market, enabling the DA to perform their activities in the best possible way.

The communication often takes place at different trade shows where the different agencies meet with each other. The DTI and the PCAs tasks are to help find buyers to individual farmers and local companies, although both Ms Joves and Ms Lamban explain that the financial resources given to them by higher instances are restricted, which constrain them to help as many as they would like to.

Many privately owned companies are dependent on governmental agencies as well. Ms Moreno says that Twin Rivers’ most important relationships are to the DTI and the PCA. They are the ones providing customers to the company, since Twin Rivers do not have the resources to do this themselves and are therefore depended of resources from the PCA and DTI. Ms Lamban and Ms Alayon is on the other hand during the interview stressing the importance of PCAs relationship to the government, since they are the ones they financially relies on in order to enable their performances.

**Establishing Value-added Production and Enabling Collaborative Advantage**

As earlier mentioned by Mr Makitalo, a big problem is that it is complicated, time consuming and consequently expensive to do business in the Philippines. This is restraining smaller producers and farmers to engage in value-added production, which is important in order for them to be able to increase their profits. On the same issue, both Ms Cristobal and Mr Hubilla states that to be able to create a sustainable future for the industry the value adding of the coconut needs stay within the country and on lower industry levels. Today the processing of the commodities often takes place outside of the Philippines by MNCs buying the raw material at cheap prices from the farmers.

However, according to to Mr Makitalo, coco sap from which they make Coco Sugar, is a premium product and the farmers who are engaged in that value-adding business are earning more money on their products. This is confirmed by Ms Lamban and Ms Alayon’s who explain that farmers are not making any money since they are only selling the raw material. Instead they need to engage within premium products and the value-added production of it in order to get around their problem of export incomes. Ms Lamban says that by creating communities and cooperate, farmers can gain higher incomes and become competitive advantage, by working together in groups. The PCA
do have existing projects in establishing value-added production and collaboration, which has shown to be successful (Alayon).

Although, Mr Gonzales, Ms Moreno and Ms Cristobal all claim that production plants are costly and financial resources are needed for small producers to get access to the value-added coconut sector. There are two types of solutions brought up by the interviewees, and the first way presented to get access and establish value-added production among rural farmers and small producers, are brought up by Mr Hubilla and Ms Cristobal. They present that by government funded projects, which aims to set up sustainable enterprises in terms of collaborative production in rural areas, production and agriculture can merge and thereby increase farmers’ participation in production. A current project carried out by DA is The Rural Development project. By informing, educating and involving the farmers in the production and providing them with sufficient technology, they can cooperate and together improve their situation thanks to this project.

Another way to establish a value-added production is presented by Mr Makitalo, Mr Gonzales and Ms Moreno, and used by both Twin Rivers and the Free Food Co, which are both funded by private investors. Mr Makitalo and Mr Gonzales continuously explain that their company is progressing thanks to their private funds, although these funds are limited and Free Food need further investments – either private or governmental. However, Mr Gonzales says that he has no high hopes that help from government agencies will happen in the nearest future. Mr Gonzales, who expresses a lack of trust in the support from government agencies explains that even though Free Food rather do business without government involvement, the company did try to seek help from the government once when they tried to expand their business into other product areas, such as VCO, but without result:

“When we do business no government or traders are involved, the chain is cut down. Not the PCA either, we go straight from producer to buyer and no authorities are involved. We wanted to get involved in VCO and asked for assistance by PCA, but they were not able to help us” – Francisco Gonzales.
Ms Moreno explains an equal scenario for Twin Rivers. The owner of the plantation has invested in their current production but they are in the need of further help to expand. Twin Rivers has no problem with the production volumes, on the opposite side they have big problems finding harvesters for their coconut sap, something that the PCA and DTI are supposed to help them, but Ms Moreno says that they have not been able to help them. Consequently, Twin Rivers are replanting trees, which is both costly and time consuming, but will result in easier harvesting demanding less manpower. They also need to develop R&D and the production technology to be able to increase product quality and eventually volume and Ms Moreno says that they hope to find either private investors or to get governmental support in order to accomplish this in the near future, although says that one cannot trust the government for support since they are helping many others.

Ms Alayon & Ms Lamban say that PCA is involved and active in many different projects, trying to support farmers and small producers although emphasises the difficulties for them to help individual farmers due to lack of time and resources. Instead they are encouraging farmers to engage in farmers’ organizations. However, the communication is lacking and many farmers believe that the PCA has a lot of financial support from the government and think that they are not willing to help them out. Due to their limited budget from the national government they are not able to help as many as they would like to and both Ms Lamban and Ms Alayon clearly express their willingness to do more, if they only had a bigger budget. They express that they do not find it strange that farmers are disappointed, but it is a problem since they are being considered the “black sheep”, although their doing their outmost to help as many as they can. When visiting the regional PCA office in Davao, the authors also observed that there was high work ethics among the staff and no extra money put on fancy office supplies and furnishings.

**Export Activities**

Ms Moreno explains that Twin Rivers currently highly relies on governmental agencies, such as the DTI and PCA to be able to find foreign customers since they have limited financial resources. Due to their limited resources Twin Rivers uses indirect export channels and sell their products in bulk, where other companies puts their brand on Twin Rivers’ products and sell them under another name to the end-consumer.
“The distributors are making the money, for example the Japanese buyers are making big profits. The farm sells a kilo of Coconut Sap Sugar for 220-240 pesos (...) and in New York it is sold for 1500 pesos. Obviously the export distributors are making a lot of money” - Corteza Moreno.

Ms Moreno states that Twin Rivers highly believe that if they were able to market themselves instead of having to rely on the governmental marketing of the coconut industry they could engage in direct export and make a lot more money of their value-added products. Consequently, they would be able to solve many of their existing problems. However, she stresses that for this to become reality in the future a lot more financial support from the government, or other investors, is needed.

According to Mr Hubilla are currently 90% of all farmers into copra, a commodity that it is the biggest agricultural export product of the Philippines. He explains that the benefits for the producers are limited and if they keep relying only on copra they will not get pass poverty. This is aligned with Ms Lamban and Ms Alayon statement of that the reason why producers is not making any money, is because they are only selling the raw material. So even if the products are increasing in value, this value-addition is made by higher-level producers within the value-chain. Ms Cristobal confirms this and explain that the opportunities are currently owned by the big companies. Mr Hubilla further explains that this is basically why the industry is starting to move over to value-added products, such as the VCO. In addition, he also emphasizes that there is a really big export market outside the Philippines which he thinks the Philippines coconut industry really need to tap into. He continuously explains that the national government is willing to partner up with local governments as well as with farmer organizations and private companies, to develop and promote coconut products like VCO and Coconut Water.

Mr Gonzales states that Free Food Co is a private company who has built their own farmer cooperative with a value-added production and they do not currently have any direct contact or support from the governmental organizations. He continuously states that they are a new and relatively unknown company with a very limited marketing budget, which is making it problematic to be visible to their foreign target consumers even though they are confident that they produce products with a lot of export potential.
They want to be able to find customers directly without having to go through PCA, which is the system today.
5. Analysis

In this chapter the authors present the analysis, by discussing and comparing the literature review with the empirical findings. To be able to present the discussion of the findings as thoroughly as possible and for the convenience of the reader, this chapter will follow the structure of the literature review. The chapter will start by looking into the business relations and the network of the Philippine Coconut industry, then move further with the ARA-model and finally, the export aspects of the industry network will be discussed.

5.1 The Business Relationships between the Network Actors

Relationships have a profound effect on business enterprises, which leads to an interdependency where the partners of the relationship can achieve more together than they could in isolation (Håkansson & Snehota, 1995). This can be found in many parts of the empirical findings. Ms Joves claims that one of DTI’s most important relationships are with the DA, to be able to first understand how the industry development in the country looks like so that they can develop suitable export markets. Likewise, Ms Agnes of the VCOP emphasizes the importance of working together with the DTI and DA to be able to keep up with the increasing demand of value-added coconut products, such as the VCO in her case. This also correlates well with Håkansson & Snehota’s (1995) description of relationship, meaning that it is a mutually oriented interaction between two reciprocally committed parties.

As for Twin Rivers, Ms Moreno claims that their most valuable relationship is to the PCA, without them they would not be able to find customers and thereby not function without this relationship. She does not describe the relationship more than this, only stressing their dependency in it. While this is the situation for Twin Rivers, the PCA is focusing more on their relationship to the government since they are the ones providing them with the financial means they need in order to perform. Without the governmental support the PCA will not be able to support the farmers (Lamban & Alayon). In this case, the statement mentioned above, that a relationship is a mutually oriented interaction between two reciprocally committed parties (Håkansson & Snehota, 1995), implies that this is not a well-functioning relationship since the parties seem unequally committed and does not have a mutually oriented interaction. Even though it is obvious that relationships are important and play a big role for the different actors’
achievements, the authors were not able to get a clear picture of the features of the relationships. The lack of answers can be understood through Håkansson & Snehota’s (1995) statement that the concept of relationship is not always easy to grasp.

5.2 Network Analysis of the Philippine Coconut Industry
Ford & Håkansson (2011) states that no company can access all the resources needed in order to deliver a product or service, by operating in isolation from outside actors. This implies that all the actors within the coconut industry would be dependent on several different actors in order to realize their business goals. This goes well in line with the empirical findings where all the interviewees expressed their reliance on other industry players. Mr Makitalo and Mr Gonzales communicates their reliance on both the farmers supplying their company with raw material as well as their private investor allowing their company to develop. Meanwhile Ms Moreno expresses their dependence on support from governmental agencies, because of their need to locate foreign customers and develop their business. It is clear that either of these businesses would exist without these connections. Finally, Mr Hubilla, Ms Cristobal, Ms Joves & Ms Lamban continuously expresses their organization's reliance on other organizations, both private and governmental, as well as to the producers who they believe are the foundation of the whole industry. Ford & Håkansson (2011) explains that relationships create a dependency between all the relevant actors and thereby forms a complex and interactive business network, which the authors finds this being highly present in the network of the Philippine coconut industry based on these findings.

Ford (2006) argues that a network is centreless, that it looks and behaves differently depending on how it is being approached, meaning that actors can have different roles when watched from different angles and can therefore be difficult to categorize. With this theory in mind, the authors anticipated that the empirical findings would show a network where actors had similar dependency on each other, but the findings painted a different picture. Even though Mr Hubilla, Ms Cristobal, Ms Joves, Ms Alayon & Ms Lamban in other words confirms that farmers are very important since they are making the foundation of the industry, the farmers position in the network seems to be weak. Mr Gonzales says that the common relationship between farmers and traders or MNCs is that the farmers are looked upon as purely as suppliers instead of a valuable partners providing them with the source of their products. On the same subject, Mr Makitalo
expresses his frustrations on the government not working in the favour of the people, referring to the farmers.

When talking about networks Håkansson & Snehota (1995) uses the word “connectedness”, which is referring to a company’s strive to connect to third party relationships in order to build up its own capabilities and strengths. Further, Ritter, Wilkinson & Johnston, 2004; Partenen & Möller 2012; Håkansson & Snehota (2006), expresses that one of the most important competences for companies is the capability of networking. This indicates that for the network to be functional, all actors should be able to reach out and connect with other industry players to improve their business. Mr Moreno is expressing how they are very willing but unable to directly connect to buyers in foreign markets to be able to engage in direct exports, due to their limited marketing capabilities. The PCA and DTI is currently handling all the connections to these foreign buyers and it is hard for companies to locate these buyers by themselves.

On the same issue, Mr Gonzales explains how they wish to be able to directly contact foreign customers and act independent as a company. However, today the PCA is connecting foreign buyers with the producers within the Philippines. Further, Ms Lamban & Ms Alayon at the PCA says they are dependent on funding from higher governmental instances to be able to carry out their actions. Meanwhile Ms Joves mentions that DTI is dependent on the DA’s development of the “on ground” production, for them to be able to develop the export business. The authors finds these answers given by the interviewees to go well in hand with Håkansson & Snehota’s (1995) explanation that companies are dependent on others for survival, since “No business is an island” as well as the statement that no single company has all the resources and is thereby more or less forced into a network.

5.2.1 Collaborative Advantage within Agriculture Networks
Partanen & Möller (2012) and Vanhaverbeke & Noorderhaven (2001) declare that there are different kinds of networks, in which a company can engage in. Some of these networks being of a strategic kind, where a multifarious set of activities and actors are combined to increase the competitiveness towards other networks. Within the same area, Kanter (1994) presents the business alliances, a collaboration in which the skills of all partners bring value to the final product. Mr Hubilla describes DA’s Rural Development Project as a collaboration where the government, private investors and
farmers are working together in order to increase the value of the production. They aim to create trust between the government and farmers by building a sustainable production that enables farmers to engage in value-added production. The authors find this being a great example of a creation of a collaborative advantage, since this goes well in hand with Kanter’s (1994) statement of whatever the intention and duration of a strategic alliance are, being a good and trustworthy partner has become a key asset collaborative advantage.

Partanen & Möller (2012) states that if one actor performs poorly, it will affect the final offering and will in the long run also affect the competitiveness of the entire network. In the empirical findings, Ms Cristobal and Mr Hubilla explains that in the current network MNCs is taking advantage of the farmers, which the authors finds being an unsustainable network and a threat to the future competitiveness of the national industry. Kanter (1994) further states that successful networks can build and improve a collaborative advantage, by recognising and then managing the human aspects of the network, a statement that also speaks against the MNCs way of doing business with the farmers. However, the authors finds these statements by Partanen & Möller’s (2012) and Kanter (1994) being applicable to the presented business model of Free Food Co as Mr Makitalo and Mr Gonzales is showing great respect and humbleness towards the farmers connected to their production. As their model is making sure that the producers receive proper payment for their performance, it should according to the theories, secure their future product quality and competitive advantage.

5.3 The ARA-model

*Activity Links*
When two companies engage in a relationship, some of their technical, logistical, or administrative activities may become linked to each other (Håkansson & Snehota, 1995). Both similarities and differences to this can be found in the empirical findings. In terms of communication, all of the interviewees confirm that they communicate consistently in order to stay updated and gain new information. The Rural Development Project, carried out by the DA, aims to bring business closer to farmers and are linking activities between both farmers’ organizations, private companies and local governments. By linking the farmers’ practical activities of harvesting the coconuts directly to the technical activities of producing the Coconut Water, a process which is
usually being performed by separate companies, the project brings production closer to the farmers and activity links are created. This can also be correlated to Ford’s (2006) statement that by linking activities one can create unique performance. Since the most common way to produce coconut products today is a separated process (Cristobal), the authors believe that this project can achieve a unique performance by being sustainable and innovative. Free Food is working in a similar way, giving the farmers more responsibility in the production and the authors finds this to go in line with the same statement. Ford (2006) also mentions that it is strategically important to know which activities to link, and which not to link. This can also be connected to the empirical findings received by Mr Gonzales who says that Free Food is not cooperating with either traders or government agencies when doing business. This indicates that Free Food aims to keep certain activities isolated from outside actors. However, Mr Gonzales also said that the company tried to initiate a cooperation with the PCA, which implies their willingness in eventually start linking activities in order to develop.

However, except the findings mentioned above, the authors were not able to find many activities linked to each other between the different actors. Even though many of the interviewees had great knowledge about each other’s work, the activities the different agencies and companies perform seem to be rather isolated. Not linking activities could be dangerous since it adds substance to the relationship (Ford, 2006).

**Resource Ties**
Since no company has all the resources they need they are depended on other companies to complete their operations (Ford, 2006). The empirical findings show that there are many different resources which are tied together. Ms Moreno says that without the resources of the PCA and DTI, they would not be able to find foreign customers. In turn, the DTI is depended on the DA’s resources, such as knowledge and information, in order to develop proper export markets (Joves). Both DTI and DA, along with the PCA are depended on the financial resources given to them by higher instances in the government (Lamban & Alayon). A lack of these resources might prevent these government agencies from completing their operations (ibid). In the case of the Rural Development Project carried out by the DA, the farmers in the project are dependent on the technical equipment and knowledge provided by the DA (Hubilla, Cristobal). The farmers of Free Food are also dependent on both financial and technical resources provided by the company (Makitalo). This can be correlated to Ford’s (2006) statement.
that resources are both of tangible and intangible in character. However, the authors would like to stress that in the end, all these actors are dependent on the farmers and small producers to be able to produce their products or to develop export markets since they are the ones providing them with the most fundamental resource of them all; the coconut.

Ford & Håkansson (2011) claim that in order for a relationship to develop, investments both in time and money, are necessary both individually but also in harmony with each other to be able to adapt to the specific need of the relationship. Mr Hubilla’s explanation of the DA’s investments in the Rural Development goes well in line with this idea. He claims that the project is funded by the government, as well as private organizations which sees the possibility in this business. In order to create sustainable enterprises Mr Hubilla says that educating and training the farmers is also very important, and to earn their trust. This implies that the DA is putting in both money and time in the specific relationship. One can also argue for that since the farmers are sceptical with new technologies and, in many cases prefer to stick with the safer commodities, (Hubilla, Cristobal), they are also putting in time in trusting and learning about these new routines, which strengthens the connection to the statement above by Ford & Håkansson (2011).

**Actor Bonds**

Ford (2006) & Ford & Håkansson (2011) argue that since relationships are created and used by people, a social dimension is always going to exist. Mr Gonzales describe how his relationship to the farmers is based solely on business and performance, which he claims is the only way to have a well-functioning relationship. During the interviews with the DTI, DA and VCOP, which were held at the DTI office, all the interviewees highlighted the business part of their relationship when presenting each other’s roles. However, the authors noticed a warm friendship among the interviewees. Ford (2006) stresses that too personal and close social bonds might result in less professional decisions, but considering the interviewees’ interest in keeping the relationships professional, the authors find this risk to be limited. Thereby the empirical findings demonstrate that actor bonds exist and are cherished, although not always prioritized. Mr Gonzales says that keeping the relationship strictly to business will result in a greater amount of trust. Ms Cristobal and Mr Hubilla also highlights that creating trust with farmers takes time but is very important for a sustainable relationship. Ford &
Håkansson (2011) explain that the role of social dimension in a relationship will affect how the partners cooperate in the matter of creating trust. This is proven in the empirical findings since trust, or the lack of it, have a very central part in a majority of the interviews.

Håkansson & Snehota, 1995) explains that the actors are the ones coordinating everything in the network, even though they are often constrained by resources and activities. Since there is an expressed lack of resources among the interviewees (Lamban & Alayon, Moreno), the authors find it most likely that this might be what constrain the actors in performing activities.

To sum up, all three concepts in the ARA-model can be identified in the analysis of relationships among the different network actors. The authors interpret that the most dominant notion, and the one which add most substance in the relationship is Resource Ties. The activity links are however less present and only the communication seems to be linked. Håkansson & Snehota’s (1995) explain that resources are suppose to sustain ongoing activities and since there is an expressed lack of financial resources among the network this could explain the lack of activity links. If there are not enough resources in order to sustain isolated activities, it is consequently impossible to link something that does not exist. However, with the theory in mind, the authors are of the opinion that by tying these scarce resources the actors could together help each other to sustain activities, and thereby start creating more activity links. Linking activities is, as mentioned above, beneficial since it adds substance to the relationship. Social bonds are not described as particularly important except in the creation of trust, which is an important part of the relationship according to our interviewees.

Reputation is considered highly important in the creation of trust (Audi, 2008) and according to Powers & Regan (2007) reputation is built upon satisfactory behaviour, which also makes performance satisfaction a fundamental influencer of trust. Based upon the answers received from a majority of our interviewees (Cristobal; Gonzales; Makitalo; Moreno; Lamban & Alayon) along with the common attitude among the local Filipinos, the authors have observed that the government in the Philippines has a poor reputation. Ms Lamban and Ms Alayon at the PCA, states that their limited resources is preventing them from pursuing their planned projects. With the importance of performance satisfaction in trust building in mind, the authors can see that this creates a
vicious circle within the industry. Since the small producers and companies are unaware of the limited resources of the institutions, such as the PCA, they become unsatisfied with their performance, which in turn is creating a bad reputation.

Powers & Regan’s (2007) states that poor reputation makes trust creation problematic. Audi (2008) further mentions that to sustain trust reputation is not enough but the performance and the satisfaction of it is crucial in long-term relationships. By connecting this to the above statements from the interviewees, the authors can understand that the current industry situation is making it problematic to create a relationship between these actors based on trust. As Ruy, Park & Min (2007) communicates that trust has a big influence in developing long-term oriented relationships, the authors believe that the issue of trust creation between actors in the industry has not been given enough attention since trust enables cooperative behaviour, reduces harmful conflicts, facilitates rapid formulation of project groups and decrease transaction costs.

Moorman et al (1993:81) define trust as a “willingness to rely on an exchange partner in whom one has confidence”. This agrees well with Mr Gonzales attempt to gain farmers trust when starting up Free Food in 2010. In order for the farmers to trust him he donned ragged, dirty clothes so that the farmers could identify themselves with him and start trusting him. Mr Gonzales thinks that the best way to build trust to the farmers is by being straightforward and to provide them with a proper training and regular payment based on their performance. According to Ford (2006) too strong social bonds might affect the individuals in their decision making and base them on the social relationship instead of the professional one. In the case of Free Food and the answers received my Mr Gonzales the risk for this appear to be very limited since the relationship and trustworthiness seem to be attach to performances rather than them having a close, friendship-like relationship.

5.4 The Export Network
Welch et al (1998) expresses that a government-controlled export promotion agency can play an important role in encouraging the initiating of export networks, connecting business actors together. Both similarities and differences have been found in the empirical findings. Ms Moreno expresses that the government agencies are were ones who made it possible for them to find customers abroad, customers who they now are
connected to. Mr Gonzales on the other hand, explains that Free Food is not involved with the government when it comes to exporting their products. He means that the company wants to be able to connect with foreign customers by themselves, without any involvement from the government, since they do not believe that agencies like the DTI and PCA will make the process better or easier. These two findings show that the support from some government agencies is to an extent contributing to improve the export activities. Which goes in line with Hessels & Terjessen (2008) who state that local government can improve the investor climate within a nation, by promoting and aiding domestic exporters, to help locating foreign customers, lowering risks and reduce uncertainties when it comes doing business abroad. However, the authors can also see that more governmental support is needed, in order to allow companies and producers to act independently.

5.4.1 Indirect & Direct Export
Rambocas et al (2014) explains that if an actor are looking for short term rise in export profits, it is advised to use an indirect export channel. However, the researchers are of the opinion that if the exporting company are in the belief that a market is a sustainable and important place of doing business, the long-term profits are far greater if engaging in a direct export channel. Even though it requires higher short-term financial investments, than indirect. As Mr Makitalo expresses, he believe that the value-added coconut products such as their own Coco Sugar will succeed, especially on the European market. Consequently, he consider direct exporting being the preferable export mode for the Philippine value-added coconut products, which authors finds correlating back to the research findings. On the one hand, one needs to take into consideration that Mr Makitalo is the founder and investor of the company, possesses great knowledge about the export market and wants to gain as much as possible on his products. He is thereby, holding far greater knowledge and financial resources than small farmers, who many times lacks knowledge about export market due to limited resources. However, on the other hand, Ms Moreno who comes from a company with quite restricted resources and export channels, also are in high believe that an access to a direct export channel could benefit their business greatly in a long term perspective. The authors have also received arguments from other interviewees (Lamban, Alayon), implying the urge for finding and providing producers and companies access to direct export channels.
Hessels & Terjessen, (2008) explains that the choice of export channel highly depends on the resources capabilities of the firm, as direct exports requires a larger set of resources than indirect. A firm's chance to develop these resources increase with the presence of a favourable home market, low production costs and access to knowledge and technology. As above mentioned, Ms Moreno is expressing that Twin Rivers wish to engage in direct export, but says that the company is restricted in all those resource areas mentioned. According to the PCA, this is also the case for many other small producers. Hessels & Terjessen (2008)

Larger corporations are more likely to engage in direct export (Fernández.Olmos & Dies-Vial, 2014) since they are the ones who set the market standards (Bitzner & Bijmar, 2014). Ms Cristobal claims that today, the opportunities are owned by the large companies, they only buy the raw material and produce their products far away from the farmers. Mr Gonzales expresses a similar opinion and claims that the MNCs control the prices for raw material. Mr Makitalo mean that one reason why small producers and farmers are experiencing difficulties in starting up a company is the extremely complicated bureaucracy they are facing along with many fees and heavy paper work. PCA also comment on this and mean that the high clearance along with the shipping and tax costs make it almost impossible for small producers and farmers to engage in direct export since they usually do not have the financial means to pay these fees (Lamban & Alayon). This can be correlated to Fernández-Olmos & Dies-Vial’s (2014) explanation on why small agricultural producers do not engage in export, which is complicated paper work and bureaucracy.

5.4.2 Value Added Production
According to several researchers is engagement in value-added production a way for agricultural firms to increase their competitive advantage as well as export and marketing possibilities (Coltrain, et al. 2000; Ritossa & Bulgacov, 2009; World Bank, 2008). By adding on value to raw materials farmers can earn a higher amounts of the end-price of a product, compared to only producing unrefined commodities (Coltrain et al, 2000). The authors find these statements to go inline with the empirical findings. Firstly, Mr Makitalo stated that because their company is engaged in value-added production they are able to pay more to the farmers they are cooperating with. Secondly, Ms Lamban & Ms Alayon stated that farmers are not making any money because they are only selling the raw material and need to engage in value-added production. Mr
Hubilla is also promoting the value-added production and the DAs Rural Development Project is also focusing on bringing this type of production closer to the farmers, in order for them to take a bigger part. The authors find this a clear proof of value-adding creating a positive force in the involvement of the industry, as Ritossa & Bulgacov (2009) says that value-added production can raise the opportunity to compete with their products on higher levels of the global commercial market, overcome export barriers and increase income. However, Ms Moreno did explain that the company is engaged value-added but since they only export through indirect channels their exports sales have not payed off. Which contradicts to the theory and shows that in order for the value-added production to pay-off properly, producers and farmers need to find direct export channels.

5.4.3 Collaborative Advantage in Exports
According to existing research, collaboration is an endorsed and proven successful way for producers and farmers to reach assets needed to engage in value added production (Coltrain et al. 2000). By small producers jointing their resources, they can create enough collaborative power to reach economies of scale and succeed with their export marketing. Proof of this can be found through Mr Gonzales and Mr Makitalo who explain that their company are built on cooperation with the farmers, a business model they find becoming increasingly popular. The authors find this to go inline wit recent study by Bitzer & Bijman (2014) that shows that partnerships within agriculture are increasing in emerging market communities. A movement that is confirmed by Lamban & Alayon, who explains that farmers who works together in groups and creates communities, can gain collaborative advantage and also improve their incomes. The PCA do have existing projects in establishing value-added production and collaboration, which has shown to be successful. The DA’s Rural Development Project is also a sign that the industry is turning towards this way of collaborating.
6 Conclusion

In this final chapter the authors will present the answers to the two research questions and thereby fulfil the purpose of the study. In the end of the chapter further recommendations can be found, as well as suggestions for future research topics. The chapter will end with explaining the methodological issues and constraints.

6.1 Answering the Research Questions
The coconut industry is a huge provider to the Philippine economy through significant income, foreign exchange and employment. A large part of the industry is export oriented and due to an increased interest in health food, the demand for value-added coconut products such as VCO, Coconut and Coco Sugar have increased rapidly. Little attention has been given to the agriculture sector when it comes to analysing the network and relationships among the different actors. Although the attention is slowly increasing it is still poorly understood. This resulted in our first research question:

- **What roles do actors in the Philippine coconut industry play in the export of value-added coconut products?**

Currently, the most common way for farmers and small producers to engage in business is by selling raw material, the coconut, to large multinational corporations. This way of doing business leaves farmers with very little income and involvement in the network, compared to other actors, and without a change they will remain the poorest within the Philippine agricultural sector (Pabuayon et al, 2009). Previous research suggest that participation in global trade and a movement from commodities to value-added products should improve the poverty levels of the suppliers (Malcom, 2010; PCA, 2009; Kaplinsky & Morris, 2001), this is not the case in the Philippine coconut industry. Even though, farmers is starting to get involved in value-added production and export networks, they are still among the poorest within the agriculture sector, which lead to the second research question:

- **How can coconut farmers and small producers get a higher share of the profits?**
Purpose of the Study

- Describe, analyse and define the export network, and the roles of the actors, of the value-added coconut products in the Philippines.
- Locate the origin of the single or combined problems that have led to struggling industry suppliers, and through that identify possible solutions which can increase the economic viability of the suppliers.

6.1.1 What Roles do Actors in the Philippine Coconut Industry Play in the Export of Value-added Coconut Products?

Thanks to this field study, which was executed in the Philippines during 8 weeks in the spring of 2015, the authors increased their understanding of the actors’ roles in the network of value-added coconut products. By bridging the theoretical framework with the empirical findings the authors found that the government plays a crucial role in the export network of value-added products. Agencies such as the PCA and DTI work as middlemen, connecting foreign customers to local small producers, enabling them to participate in indirect export. However, despite their essential role within the network and their help being very crucial for many actors’ engagement in export activities, the agencies expresses that they lack financial resources. These limited resources makes it hard for said agencies to properly carry out their support services and help the small farmers and producers, even though there is a high desire to do more, especially within the PCA. To be able to enlarge their supporting activities, the PCA expresses the need of further financial support from higher government instances.

The authors have found that other actors who are currently playing a big role in the Philippine coconut industry are the MNCs, who are partly restricting the development of the value-added coconut export industry. Since they are controlling the nut prices and pay little money for the raw material to the farmers and small producers who are still engaged in commodities. Most MNCs still stick to the considered safe traditional coconut products, which explains why there is no change for these farmers. However, there is also MNCs who are starting to realize the income benefits in producing non-traditional, high value coconut products. Despite the fact that these companies are making considerably higher profits on the refined products, they still pay the same low prices for the raw material. Since the farmers are highly dependent on the payments from these companies, even though it is not much, they have extremely low bargaining
power. Barham & Chitemi (2009) says that if a network actor is constrained by limited resources it can affect their bargaining power and thereby their position in the network, which explains why the farmers weak position in the network have not changed.

The farmers and small producers have the fundamental role in the export network, being the ones providing the whole industry with the raw material. However, their role in the network remain small with very limited opportunities to independently change their position in the network, due to their limited resources and low bargaining power. This study has found that these actors are highly dependent on support from other network actors and organizations, in order for them to be able to carry out their business activities. Despite this gloomy outlook for the farmers, the authors have identified several positive movements within the export network, both governmental and private initiatives. Firstly, there is the DA who are highly involved in the process of strengthening the farmers’ position in the network, by giving them a chance to engage in the process of value-added production. Secondly, there is the PCA who has several projects and activities aiming to aid the coconut farmers. Meanwhile in the private sector actors like Free Food is greatly contributing to improve the situation for the farmers within the network.

When it comes to SMEs, the outcome of this study shows that their network roles look differently, depending on the level of reliance on middlemen. SMEs which are highly dependent on middlemen, such as the government, to find export channels is shown to have a role similar to the roles of small producers and farmers, i.e. very unprofitable and with a limited chance to influence their position in the network. Meanwhile, the study shows that SMEs able to avoid cooperation with government agencies or other middlemen, appear to have a more profitable and independent role. As Hessels & Terjessen (2008) state that government-controlled export promotion agencies play an important role in aiding domestic exporters, the authors find further proof of that there is a shortage in the governmental support, since the independent SMEs in this study is shown to be performing better.

Following Håkansson & Snehota’s (1995) and Ford’s (2006) explanations of what constitutes the content of a relationship, this study demonstrates that all three parts of activity links, resource ties and actor bonds can be found although resource ties seems
to be the what that add most substance to the relationship. The activity links on the other hand, seem to be rather isolated and communication is the main linked activity among the actors. The actor bonds do not seem particularly important at first, although this study finds that trust plays a significant role the initial phase of the relationship and that there is a lack of trust in government agencies, which makes it difficult to further develop the relationship between farmers and government. However, this has been recognized by the government agencies who are doing their outermost, with the amount of resources they possess, to show that they are in it for the farmers.

To sum up, this study have shown that the Philippine export network of value added products is a very complex construction. Ford (2006) claims that a network is self-organized and centreless, yet the results of this study have shown that in the contrary it is rather a strategically created network with negotiated roles (Möller & Rajala, 2007). Today MNCs own the market opportunities and can thereby continue to control the nut prices, which prevent farmers supplying commodities, engaging in better trade agreements. Due to this, farmers and small producers are very constrained in their roles as suppliers, with low bargaining power and limited resources. The role of SMEs look differently depending on their reliance to middlemen where high dependency is found to restrict the SMEs in the same way as farmers and small producers, while SMEs who do not depend on middlemen to the same extent are shown more profitable. With these to the above-presented findings, the authors want to illuminate the importance of the government which is repetitively expressed by interviewees and the governmental agencies themselves, when it comes to supporting the development of the industry. The final conclusion of the roles in the export network of value-added coconut products, is that the national government needs to realize the importance and opportunities lying within this industry.

6.1.2 How can the Coconut Farmers and Small Producers get a Higher Share of the Profits?

This study have identified several problems causing the low profits of the industry farmers. First, due to limited resources, tradition and a lack of trust in new technologies many farmers are still engaged in commodities, which put them in a non-profitable position since MNCs are the ones buying the nuts and controlling the prices. Secondly, in many cases the production takes place in the bigger cities or in foreign countries,
which prevent the farmers to engage in the value-adding process of the coconut. Finally, their limited resources are many times restricting farmers to engage in value-added production, since production plants are costly.

In order to become more independent and reach a higher income level, farmers need to step away from commodities and the traditional coconut products. By adding on value to raw materials farmers can earn a higher amounts of the end-price of a product, compared to only producing unrefined commodities (Coltrain et al, 2000), which consequently will increase farmers and small producers’ share of the export profits. The engagement of value added production is highly promoted by both researchers (Coltrain, et al, 2000; Ritossa & Bulgacov, 2009; World Bank, 2008) and the empirical findings also shows that it is a way to increase profits and it can also lead to a stronger influence in the export network. There are great examples of this currently happening in the Philippines, such as the Rural Development Project which brings production closer to farmers and enables them to participate in value-added production.

However, as earlier stated, restricted resources are limiting farmers to engage in value-added production and one solution that has come to light in this study is strategic alliances and collaborative advantage. In strategic networks companies are not competing with each other, but rather against other networks (Partanen & Möller, 2012; Vanhaverbeke & Noorderhaven, 2001). This is what the Rural Development Project does; bringing government, private companies and farmers together, strategically working together. By jointing resources in strategic alliances, farmers can come around the shortage of resources need to engage in value-added production and easier reach export markets by collaboration.

Value-added production and collaborative advantage are the main strategies supported by previous cases and research and it has also come to light in the empirical findings to be ways for farmers to increase their income and strengthen their influence in the network. This implies that these strategies would be the solutions to the problem of low income for farmers and small producers. The authors have found that this is partly true, that it does improve the incomes to a certain extent. However, since the domestic demand is limited and the Philippine coconut industry is highly export oriented, the choice of export mode showed to have a significant role to further increase and to
secure incomes. The study discovered that actors engaging in direct export channels are the ones making profits, while actors engaged in indirect export remain relatively unprofitable, even though they are involved in value-added production. This implies that it crucial to engage in direct export, when trying to increase export profits.

However, engaging in direct export requires higher resources than indirect (Rambocas et al, 2014), which the farmers in many cases do not have, and therefore the support of the government becomes very essential also in this question. Currently there are initiatives shown in the empirical findings, such as the Rural Development Project along with the PCAs projects, aiding small producers to engage in indirect export. Yet, even though it has shown to be crucial to increase the export earnings, the authors have found no signs of government supporting or encouraging direct export activities.

To sum up, for farmers and small producers to be able to get a higher share of the profits they first of all need to step away from commodities. Engaging in value-added production is an important and efficient way for farmers to increase their income and influence in the network of the Philippine coconut industry. By using the strategy of collaborative advantage farmers and small producers can find ways to get access to this type of production despite their shortage in resources. Nevertheless, the study have also found that to reach the most profitable outcome of engaging in these strategies, a direct export channel should be used.

6.2 Further Research
The Philippines coconut industry can be approached from many different angles and the authors discovered several interesting topics when living in the Philippines. Due to the fact that many farmers live in rural areas, where they lack access to technology, infrastructure, information and education, the need for further research within these topics are highly relevant and could contribute with interesting and useful information to the Philippine coconut industry and to research in the areas mentioned.

This study is focusing on generally describing the roles among different actors in the network of the Philippine coconut industry. If wanting to go deeper in the network and understand the relationship between specific network actors, which would be interesting and could provide this study with more insights.
6.3 Recommendations to Other Researchers
A recommendation the authors would wish to bring forward is that when carrying out a field study in another country, especially in an emerging market country, one needs to take the cultural differences into account. Prior to the arrival in the Philippines the authors had a planned time schedule with stated deadlines, to make sure that the study would be finished in time. However, due to the cultural differences the authors encountered during the performance of the study, such as very heavy traffic, poor internet access, travel delays, different perspectives on time and place during meeting as well as pure social norms, the authors found it being very hard to keep up with the planned schedule.

6.4 Methodological Issues & Constraints
As stated earlier, the intention was to conduct semi-structured, focused interviews. However, it turned out to be hard to follow the initial interview structure due to cultural differences in behaviours. All the interviewees showed great enthusiasm in sharing their knowledge and expertise with the authors. As the interviewees were eager to share as much information as possible, the conversations moved beyond the initial interview structure. The authors really appreciated the open hearted atmosphere during the interviews since it gave a lot of additional information, even if it was a bit problematic to keep to the structure. The authors believe that a strategy to get around this problem, could have been to set up follow-up interviews, in order to receive more focused answers and to manage to stick to the initial interview structure. However, the authors are very happy to have experienced Filipino business culture and the hospitality of the locals.

The interviews were executed in English, which is not the native language of either the interviewees or the authors of this thesis. This may affect the result since some parts in the conversations could have been interpreted differently. However, to limit the risk for misunderstandings the authors have used respondent validation to make sure that the interviewees’ opinions have been interpreted correctly.
References


Landguiden. 2015. Filippinerna.


Appendix 1 - *Interview Questions*

**The Interviewee**
1. Before we start, would you like to be anonymous?
2. Please introduce yourself; name, age, education, profession?
3. For how long have you been in your current profession?

**The Business Relationship**
4. Who do you rely on and/or who relies on you?
5. What is your most important business relationship?
6. What are the benefits engaging in relationships?

**The Business Network**
7. What is your and/or your company’s role in the network of the coconut industry?
8. Are you able to influence your position in the network?
9. How would you describe the network from your perspective and knowledge?
10. How are the profits divided between the network actors?
11. How has the industry developed the last 10 years? 20? 30?
12. What are the current main problems or challenges of the industry?
13. From your point of view, what are current the threats to the industry?

**The ARA-model**
14. Which activities do you do in isolation and which do you do together with other actors in the network?
15. What resources do you have and what resources do you need from others in order to operate?
16. How important is friendship in your business relationships with other actors?

**Exports**
17. Are you engaged in export?
18. How does the export network look like?
19. What are the profits of engaging in export?
20. What is currently happening in the Philippines in relation to export?
21. Which export markets do your company focus on?
22. Our thesis is focusing on coconut water, virgin coconut oil and coconut sugar, what do you think about the export possibilities of these products?

**Value-added Production**
23. Are your company focusing on commodities or value-added, non-traditional products?
24. How can a value added production be reached?
25. How can a value added production change the coconut industry on ground in the Philippines?

**Collaborative Advantage**
26. Do you collaborate with other actors in the network?
27. In what way is collaboration benefitting your company?

*Thank you very much for your time!*