Better get EUsed to it -
A study on how Brexit affects Swedish international firms within the financial and manufacturing sector

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ABSTRACT

**Title:** Better get EUsed to it – A study on how Brexit affects Swedish international firms within the financial and manufacturing sector.

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**Research question:** How does Brexit impact the international operations of Swedish firms active in the UK market?

**Purpose:** This study aims to investigate how Brexit induces changes in commitment, uncertainty and risk for Swedish firms in affiliation with the UK market. This study further attempts to elucidate different strategical actions when operating under politically turbulent market conditions.

**Method:** A qualitative research method involving in-depth, semi-structured interviews with four different firms was conducted to collect the data. A multiple case approach was considered a necessity to answer the research question. One of the criteria for investigating the firms was to have established operations on the UK market. A theoretical framework depicting commitment, uncertainty and risk in international operations was developed in order to carry out the subsequent analysis.

**Conclusions:** The finding suggests that, despite negative and dramatic projections surrounding Brexit, firms are not seen to divest their operations. On an interesting note, hedging risks and increasing commitments is instead evident within each of the investigated firms. This contributes to a rather unique finding within international business. When uncertainty increase on a given market, firms may instead increase commitment to another more stable market without reducing commitment on the more uncertain one. This challenges previous theory where commitment has reduced due to higher uncertainty to mitigate risk.

**Key words:** Brexit, EU, Internationalization, de-internationalization, commitment, uncertainty, risk.
### Table of Contents

1. INTRODUCTION .................................................................................................................. 1

2. THEORETICAL BACKGROUND ............................................................................................ 5
   2.1 Internationalization .............................................................................................................. 5
       2.1.1 Commitment .................................................................................................................. 7
       2.1.2 Uncertainty ................................................................................................................... 8
       2.1.3 Risk ............................................................................................................................... 10
   2.2 De-Internationalization ...................................................................................................... 11
       2.2.1 Commitment .................................................................................................................. 13
       2.2.2 Uncertainty ................................................................................................................... 14
       2.2.3 Risk ............................................................................................................................... 16
   2.3 Conceptual Framework ...................................................................................................... 16

3. METHODOLOGY .................................................................................................................. 18
   3.1 Research Design ............................................................................................................... 18
       3.1.2 Case Study .................................................................................................................... 19
       3.1.3 Sample Criteria ............................................................................................................. 21
       3.1.4 Case Firms .................................................................................................................... 22
   3.2 Data Collection ............................................................................................................... 24
   3.3 Coding and Analysis .......................................................................................................... 27
   3.4 Method Limitations .......................................................................................................... 29

4. FINDINGS ........................................................................................................................... 30
   4.1 Commitment ...................................................................................................................... 30
       4.1.1 Increase Tangible ........................................................................................................... 31
       4.1.2 Decrease Tangible ......................................................................................................... 32
       4.1.3 Increase Intangible ......................................................................................................... 34
   4.2 Uncertainty ....................................................................................................................... 34
       4.2.1 Market Conditions ......................................................................................................... 35
       4.2.2 Organizational Presence .............................................................................................. 36
       4.2.3 Strategic Actions .......................................................................................................... 37
   4.3 Risk .................................................................................................................................. 38
       4.3.1 Exploitation .................................................................................................................. 39
       4.3.2 Exploration ................................................................................................................... 40
       4.3.3 Diversification .............................................................................................................. 41
   4.4 Cross-Case Findings ......................................................................................................... 42

5. DISCUSSION ......................................................................................................................... 43
   5.1 Commitment ..................................................................................................................... 43
   5.2 Uncertainty ....................................................................................................................... 45
   5.3 Risk .................................................................................................................................. 46
   5.4 Sector Analysis .................................................................................................................. 46

6. CONCLUSION ....................................................................................................................... 49
   6.1 Summary and Theoretical Contribution ............................................................................ 49
   6.2 Limitations ....................................................................................................................... 51
   6.3 Future Research ................................................................................................................. 52

7. REFERENCES ....................................................................................................................... 53

Appendix 1 ............................................................................................................................... 60
   Interview Guide and Operationalization .................................................................................. 60

Appendix 2 ................................................................................................................................ 61
Appendix 3
Empirical Data on Uncertainty .................................................................64

Appendix 4
Empirical Data on Risk ........................................................................68
1. INTRODUCTION

In the modern era of globalization, national macroeconomic events have great consequences all over the world. One of the more recent and most prominent examples of such events is the referendum regarding continued membership in the European Union for the United Kingdom, commonly referred to as “Brexit”. On June 23, 2016, the majority of the British population voted to leave the European Union, which caused upheaval of the financial markets across the globe. The outcome of the referendum was somewhat unexpected, after decades of increased political integration between countries this serves as a departure from that trend (Sampson, 2017). Nine months after the referendum, British prime minister Theresa May officially activated the mechanism that will trigger the exit process, known as Article 50 in the Lisbon Treaty (BBC, 2017). The process triggered by Article 50 entails a time frame of two years and should no unanimous agreement between all EU-members take place regarding an extension, Britain will automatically leave the EU and its existing agreements in 2019. This also includes access to the European single market. No country has previously left the European Union (ibid.), meaning that a great deal of uncertainty of both short-term and long-term economic consequences is now palpable (EY Tax Insights, 2017).

Despite being a relatively new phenomenon, extensive research and forecasts have already been conducted on what consequences this will have after Britain exits, most of which are pessimistic (e.g. Smales, 2017; Ramiah, Pham & Moosa, 2017, BCG, 2016; McKinsey, 2016). Immediate consequences of Brexit will likely include a reduction in trade due to higher tariff and nontariff barriers, reduced foreign direct investment (FDI) and lower availability of skills for Britain domestically as a result of changes in immigration policies (McKinsey, 2016). The projected short-term effects are somewhat dismal as well. According to BCG (2016), the British economy will likely encounter a sustained period of low base rates, higher inflation, lower consumer confidence, deflated real estate prices, higher unemployment, and a weaker pound. After the referendum the British pound sunk to a 30-year low against the US dollar. This suggests a weaker demand in Britain for foreign products due to higher costs of importing and thus higher prices. Naturally, a macroeconomic phenomenon of this magnitude will infer consequences for international companies and multinational corporations (MNCs). Recent macro events such as the financial crisis of 2008 or Iceland's volcanic eruption in 2010 has shown that a crisis far away from a MNCs core
operation can disturb its internationalization plans (Figueira de Lemos & Hadjikhani, 2014). The Financial Times recently reported that European banks have slashed their exposure to the UK since it voted to leave the European Union by removing €350 billion of UK-related assets from their balance sheets in just 12 months (Financial Times, 2017a). Britain has traditionally been a key market for firms around the world, and London is widely considered to be Europe's financial capital. After Brexit however, tens of thousands of workers are expected to relocate overseas (CNBC, 2017). Frankfurt, Dublin and Paris are locations frequently suggested as alternative new headquarters for European operations as the fear of having to leave Britain after Brexit is imminent (Financial Times, 2017b; Business Sweden, 2016).

In the aftermath of the referendum it is also evident that the phenomenon will have consequences for Swedish firms as well. Business Sweden (2016) projects that 20% of Swedish firms currently operating in the UK will reallocate investments towards other markets. Brexits effect, both realized and projected, on Swedish businesses are significant since Britain is one of Sweden's most important trade partners (Business Sweden, 2017a; Sweden Abroad, 2017) in terms of both products and services (SCB, 2017). In light of this impending and on-going change, the focus of this study lies in how Brexit will impact Swedish international firms active on the UK market. The uncertainties caused by Brexit and the fact that the final outcome is still impossible to predict with absolute accuracy (BCG, 2016, McKinsey, 2016) causes a dilemma for Swedish companies operating in Britain (Business Sweden, 2017b). Either the companies act now and risk investing for an outcome that may not happen in the end, or they wait and do not take actions and risk being unprepared as possible major negative effects can emerge (ibid.). Figueira de Lemos and Hadjikhani (2014) developed a framework for dealing with market uncertainty with five distinguishable decision areas depending on an organization's tolerable level of risk and the degree of tangible and intangible assets committed. Much of this research stems from theories of internationalization and de-internationalization as the level of market commitment, risk management and uncertainty become increasingly important to consider within international expansions of MNCs.

The phenomenon Brexit signifies political turbulence and its impact has led to augmented uncertainty and risk in the market, putting additional pressure on a company's risk management practices. Figueira de Lemos, Johanson and Vahlne (2011) define risk by the functions of commitment and uncertainty. The more uncertain a market appears, the less
likely a company is to commit its resources into that endeavour. Consequently, the level of market uncertainty plays a significant role in determining the level of resource commitment a company is willing to risk (ibid.). This highlights the importance of company awareness to both political turbulence and unstable market conditions in an increasingly dynamic business environment when operating internationally. Market conditions can either be characterized as stable or unstable. A stable market is defined in terms of its likelihood to remain unchanged and where firms are able to successfully deploy experiential knowledge into future international operations. Contrariwise, unstable markets are characterized by environments where radical and unpredicted changes forces firms to quickly address their commitment towards their internationals operations (Figueira de Lemos & Hadjikhani, 2014). MNCs are sometimes forced to make rational decisions and decide whether a part or even an entire operation is to be relocated elsewhere (Figueira de Lemos & Hadjikhani, 2014; Benito & Welch, 1997).

Traditionally within internationalization theory, commitment increases incrementally as firms gain more knowledge about the markets in which they operate (Johanson & Vahlne, 1977). However, this notion has since become subject to critique as the Uppsala Model fails to address and take into consideration the ever-changing market conditions and the concept of firm divestments (Forsgren, 2002; Figueira de Lemos & Hadjikhani, 2014; Barkema & Drogendijk, 2007, Axinn & Matthyssens, 2002). Evidently, in a more dynamic and globalized environment, processes of internationalization can take a variety of forms and does not lack in research. Most literature within this field is focused on growth and positive development (Benito & Welch, 1997), while a relatively thin amount of research has been conducted on the subject of de-internationalization. Still, de-commitment decisions concerning foreign operations are far from uncommon (Bonaccorsi 1992; Li 1995; Barkema, Bell & Pennings, 1996). One recent example of such events is Swedish telecoms company Tele2 who exited the Russian market in 2013 by selling its Russian operations to the bank VTB Group as a consequence of limited growth prospects, since the Russian operation did not have access to 3G or 4G licenses (Reuters, 2013). Another example is the Swedish MNC Ericssons divestment of its power modules business, including a manufacturing site in China, as part of a new strategic initiative to focus on its core business (Reuters, 2017). Further research regarding de-internationalization is highly relevant and it is not just of academic concern; de-commitment actions taken by MNCs may affect practitioners, governments, unions, workers and other stakeholders (Benito & Welch, 1997; Griffin, 2003). According to
Benito and Welch (1997) the reduction of operations, a lower level of commitment, the sell-off or closure of foreign sales or the reduction of ownership stakes in a foreign venture all resemble an initiative of company de-internationalization. The reasons for de-internationalization can be many, ranging from poor performance of a particular international operation to adverse governmental actions (ibid.). Evidently, the notion of de-internationalization can take many forms and is not merely limited to a complete market-exit. Engaging in any of these activities usually involve negative and undesirable features for companies, having caused much research to focus on the internationalization process, rather than examining the reverse process (ibid.). However, scholars have noted the impact of political turbulence and unstable markets to create a need for additional research within the field of de-internationalization (Hadjikhani, 1995; Benito & Welch, 1997; Figueira de Lemos & Hadjikhani, 2014; Sousa & Tan, 2015). Building on that notion, Brexit is an extensive, current and on-going phenomenon, providing an ample opportunity to further investigate and contribute to the field of both de-internationalization and internationalization.

The purpose of this study is to investigate how Brexit induces changes towards commitment, risk and uncertainty of Swedish firms in affiliation with the UK market. Given the fact that the UK is one of Sweden's most important markets, it constitutes a relevant research problem. Consequently, this study seeks to answer the following research question:

“How does Brexit impact the international operations of Swedish firms active in the UK market?”

To address the research question, the study starts off by conceptualising Brexit in terms of established theories on internationalization and de-internationalization. By connecting existing literature to a practical and prominent phenomenon, the study contributes to the development of a relatively thin area of research (Sousa & Tan, 2015; Benito & Welch, 1997; Hadjikhani, 1995). Furthermore, the study contributes to an increased awareness of the uncertainties that Brexit entails, the risk management practices that are needed within firms and the determination of market commitment, from which both scholars and companies can draw new insights. Subsequently, the study does not only contribute to knowledge regarding Brexit per se, but by comparing the results to previous research, new insights regarding international operations in uncertain environments can arise.
2. THEORETICAL BACKGROUND

2.1 Internationalization

In 1977, Johanson and Vahlne introduced the Uppsala Internationalization Process Model as a tool for explaining how firms expand internationally to new markets. The model's core concepts revolve around commitment and learning; as a firm acquires more knowledge about a market, the firm becomes more prone to commit additional resources towards it. Increasing commitment could, for instance, mean going from an exporting setup towards establishing a physical presence in the host market through joint ventures or wholly owned subsidiaries. The model suggests that firms essentially strive for growth while keeping risk at a low level, by committing more resources once uncertainty is reduced through continuous experiential learning. This incremental approach helps the firms to manage risk under changing market conditions. It is further assumed within the model that internationalization initiates with markets located near the firm's country of origin and then incrementally expands towards countries and regions with greater psychic distance. Psychic distance is defined as factors that prevent or impede information flows from and to the host market, such as language barriers, education, business practices, culture or industrial development. (Johanson & Vahlne, 1977; 2009). In another research paper by Johanson and Vahlne (1990), further investigations on the Uppsala Model are being presented. The authors deeper illustrate the Uppsala Model and demonstrate how firm behaviour can alter as a consequence of its size, the market conditions in which the firm operates in, and on the firms’ applicability of previous market experience (ibid.). Hence, these factors are important to consider as they can play a significant role within firm internationalization. Johanson and Vahlne (1990) therefore stress the importance to consider market conditions and market stability in order to successfully internationalize on-going and future firm operations.

While the Uppsala Model may have relatively high predictive power in some scenarios, more recent research within the field of internationalization suggests alternate approaches towards international expansion. Axinn & MatthysSENS (2002) point out that traditional internationalization theory is inadequate to predict firm behaviour as firms are internationalizing in greater numbers, in faster pace and in more varied ways than ever before. They argue that this is a result of the ever-changing, hyper-competitive environment in which the firms of today's global economy operate within, consequently having led to firms changing their behaviour accordingly (ibid.). In alignment with Axinn and MatthysSENS
reasoning (2002), Forsgren (2002) criticized the Uppsala Models viability by proposing that firms invest in foreign markets at increasing paces and without own experiential knowledge. Forsgren (2002) mentions alternatives to the incremental approach such as imitating and mimicking other firms behaviour in order to reduce uncertainty and risk, since the perceived risk of not investing may in today’s competitive environment be even greater than investing.

Brexit undoubtedly alters prevailing market conditions and market stability, augmenting risk and uncertainties about what will happen in the future. Thus, despite being relatively old, the Uppsala Model (Johanson & Vahlne, 1977; 1990; 2009) still holds theoretical relevance through key characteristics of commitment, uncertainty and risk necessary to elucidate the Brexit phenomenon. In light of increasing dispute towards the model, Johanson and Vahlne (2009) adjusted it to also encapsulate a firm's ability to become part of critical business networks in order to manage different uncertainties when operating abroad. To achieve success in foreign markets, the authors explain that it is essential for firms’ to develop business relationships with external parties in order to obtain necessary information and knowledge that would not be accessible outside of the network. Not accessing critical information may affect the firms’ international operations negatively (ibid.).

In more recent iterations, Håkansson and Kappen (2017) pointed out that prior observations of wave-like patterns of internationalization did not fit the incremental logic central to the Uppsala Model (Johanson & Vahlne; 1977; 1990; 2009). Faced with uncertainty about foreign markets, firms can hedge their risk by adhering to the old principle of not putting all eggs in one basket, e.g. increase resource allocation towards more than one market simultaneously (Håkansson & Kappen, 2017). Placing more “bets” lead to higher probable success, but as the authors point out in what is referred to as “casino internationalization”, financial resources are limited and thus restricts the number of bets that firms can place (ibid.). Within the framework of casino internationalization, commitment is not tied to individual market expansion, but rather to the portfolio of countries in which the firm is engaged. Hence, a firm's internationalization pattern entails the overall resource allocation towards international markets and should not be diminished to incremental commitment changes executed in isolation from one another (Håkansson & Kappen, 2017). Vahlne, Hamberg and Schweizer (2017) also revisit the Uppsala Model to incorporate managing under uncertainty, rather than just managing uncertainty in itself. The updated take suggests that management rarely can wait for full certainty prior to pursuing new business...
opportunities and that managers’ behaviour under uncertainty contains elements such as adjusting and proceeding in small steps, reducing uncertainty through experiential learning, building relationships with important stakeholders within the environment to mitigate unforeseen changes and most importantly, acting despite of uncertainty (Vahlne, Hamberg & Schweizer, 2017). This recent take on the model is considered viable to describe managerial actions as a result of the augmented risk and uncertainty that Brexit has brought.

Despite differing opinions in internationalization patterns, most of prior research regarding this subject is focusing on growth and positive development (Benito & Welch, 1997; Hadjikhani, 1995; McDermott, 2010; Sousa & Tan, 2015) through increasing commitment. Commitment is thus a central concept within internationalization and it is strongly influenced by the levels of host country uncertainties. Therefore, commitment is adjusted to mitigate potential risks with internationalization. (León-Darder, Villar-García and Pla-Barber, 2011).

2.1.1 Commitment
In the traditional school of internationalization, commitment increases in incremental steps as uncertainty and risk diminishes through experiential learning (Johanson & Vahlne, 1977; 1990; 2009). According to Hilmersson (2011), experiential learning is positively connected to increasing commitment as knowledge gained from a local market generates managerial confidence to commit more resources. Market commitment is defined as the amount of resources committed to a foreign operation as well as the degree of a firm’s involvement and/or exposure towards a foreign market in relation to other alternatives and is a central concept within internationalization theory (Johanson & Vahlne, 1977; Benito & Welch, 1997). The degree of market commitment is described as the difficulties in finding alternative uses for the allocated resources and is considered higher when the resources in question are used more in conjunction with other parts of firm operations (Johanson & Vahlne, 1977). However, the notion of commitment is a complex aspect as it involves more than simply allocating resources towards a chosen market. Benito and Welch (1997) link commitment to a firm's forward movement dependent on its management attitude, the stage of internationalization, the type of commitment to international operations and on previous experience from international activity. The intent to increase market commitment and expand the firm's international operations is often times viewed as a strategic initiative to learn faster than one's competitors (Barkema & Drogendijk, 2007).
Commitment can either be characterised as tangible or intangible (Hadjikhani, 1997; Benito & Welch, 1997; Figueira de Lemos & Hadjikhani, 2014). Tangible commitment actions are defined as plannable or calculable in terms of input cost and output outcomes, for example building of production plants, establishing subsidiaries offices, purchasing transportation vehicles or even other less obvious like subcontracts of local suppliers. Intangible commitments, on the other hand, have quantifiable input costs, but outcomes are more difficult to estimate. Intangible commitment actions can contain elements such as education, advertisement, managerial meetings or relationships both inside and outside the firm and serve the purpose to learn and predict changes in the international business environment. (Hadjikhani, 1997; Figueira de Lemos & Hadjikhani, 2014). Depending on the levels of uncertainty and knowledge, as well as accepted risk level, firms can resort to a handful of different commitment decisions. If knowledge is low about certain market characteristics, increasing intangible assets through consultancy or networks is a plausible action. Once reliable knowledge is acquired, perceived risk is lowered and increasing tangible assets such as establishing a wholly owned subsidiary is a logical step. (Figueira de Lemos & Hadjikhani, 2014). Should uncertainty be lower, but still pose a constraint towards accepted risk level, a prudent strategic action might be to first increase intangible and wait and see with tangible commitments. Increasing knowledge through intangible commitment to reduce perceived risk will result in tangible commitment in a subsequent step, but only if uncertainty is reduced to a satisfactory level. Such commitment decisions are in line with the incremental approach illustrated within the Uppsala Model (Johanson & Vahlne, 1977; 1990; 2009).

2.1.2 Uncertainty

The uncertainty factor has been an integral part of internationalization research. Johanson and Vahlne (1977) describe it as decision-makers ability to interpret current market conditions as well as estimate future market-influencing factors. According to Erramilli (1991), uncertainty is a factor that significantly impacts the actions and strategies executed by firms’ in their international operations. Furthermore, the ability to accurately perceive uncertainty is vital for the firms’ success in international markets (ibid.). Often times, uncertainty is classified as a perception affected by an individual’s ability to accurately perceive uncertainty (Evans & Bridson 2005; Evans & Mavondo 2002; Vahlne & Nordström, 1993). Uncertainty is reduced through interacting and integrating within the market environment and learning through experience (Johanson & Vahlne, 1977; 1990; 2009). A gradual reduction of market
uncertainty is thus an expected consequence when market conditions are fairly stable and heterogeneous (Johanson & Vahlne, 1977). Stable markets are characterized by the probability of environmental conditions to remain unchanged and where the firm is able to utilize its prior experience and knowledge into future international operations. On the contrary, an unstable market constitute environments that are unpredictable in nature, causing external forces to put additional pressure on a firm's ability to adapt accordingly. (Figueira de Lemos & Hadjikhani, 2014). León-Darder, Villar-García and Pla-Barber (2011) argue that a high level of host country uncertainty entails less commitment in the market to minimize potential risks. After the Brexit referendum, huge host market uncertainty is salient regarding the economic outlook (Wielechowski & Czech, 2016). Uncertainty regarding future trade agreements between the UK and the EU linger and market conditions will depend much on the degree of trade barriers (Sampson, 2017). Brexit has already harmed the UK economy through a weaker local currency and the uncertainty has generated volatility in exchange rates as well as political uncertainty (Sampson, 2017; Wielechowski & Czech, 2016).

In cases where the firm lack relevant local market knowledge in the face of high levels of uncertainty, it is essential to follow a pattern that is in line with its general market knowledge, and its long-term market expectations. Adhering to one strategy can be advantageous as it might not be possible to flexibly adapt to a rapidly changing market environment. (Hadjikhani & Johanson, 1996). In alignment with Hadjikhani and Johanson (1996), Vahlne, Hamberg and Schweizer (2017) note the importance of having a vision or potential opportunity on the horizon when acting under uncertainty. Depending on the levels of uncertainty in the market, the framework by Figueira de Lemos and Hadjikhani (2014), which contains different decision areas regarding commitment and accepted risk level based upon tangible and intangible commitments (Hadjikhani, 1997), provides plausible predictions for firms’ strategic actions. To manage international operations under market conditions characterised by uncertainty, Hadjikhani & Johanson (1996) suggested that it might be rational to remain in the market despite, or sometimes even because, competitors have left. Staying with a minimum of commitment may provide a strong base for knowledge and networks when the market returns (Hadjikhani & Johanson, 1996; Hadjikhani, 1997). Furthermore, Vahlne, Hamberg and Schweizer (2017) noted that in the business environment today, firms cannot wait for full certainty and often needs to take bigger risks and act despite of uncertainty.
2.1.3 Risk

Firm risk becomes a prominent and important factor within internationalization as home and host market conditions can vary significantly (Johanson & Vahlne, 1977; 1990; 2009; Kwok & Reeb, 2000). Consequently, the potential differences in political risks and labour risks between the home and host market can lead to either an increase or a decrease in the overall risk of internationalization (ibid.). In an attempt to answer how a firm can reduce the firm risk in internationalization, Barkema and Drogendijk (2007) gave rise to the concepts exploration and exploitation. By approaching a foreign market via exploration, a firm seeks to gain the necessary knowledge through being present on the market. However, as the firm lacks both experience and knowledge on how to operate within the specific market, this approach implies a greater firm risk but can potentially increase the firm performance in future international operations. By approaching a foreign market via exploitation instead, a firm seeks to take advantage of its experiential knowledge and incrementally, in line with Johanson and Vahlne’s (1977) Uppsala Model, take steps towards a full internationalization.

In light of additional findings regarding a risk management perspective to both internationalization and de-internationalization, Figueira de Lemos, Johanson and Vahlne (2011) discuss how the consequences of negative or positive changes in a firm’s environment affect commitment, and thus how it affects the overall firm risk. In line with Barkema and Drogendijks (2007) reasoning for either exploiting or exploring firm assets into a foreign market, Figueira de Lemos et al. (2011) also refer to tangible or intangible assets. Tangible assets share similarities to asset exploitation as both methods aim to minimize the overall risk through use of experiential knowledge. Intangible assets resemble asset exploration as the firm lacks the necessary knowledge to operate the market but intends to obtain it through creating market relationships and control the risk accordingly (Barkema &Drogendijk, 2007; Figueira de Lemos et al. 2011). As the risk is related to both the level of commitment and uncertainty of internationalization, the risk involved increases or decreases as the level of uncertainty and commitment changes (Figueira de Lemos & Hadjikhani, 2014; Figueira de Lemos, Johanson & Vahlne, 2011).

Despite the associated risks within internationalization, a strong focus in the international business literature lies on positive development and growth while a lot less research has been devoted towards the reverse process, the phenomenon of de-internationalization (Benito & Welch, 1997; Hadjikhani, 1995; McDermott, 2010; Sousa & Tan, 2015).
2.2 De-Internationalization

“Divestment is seen as an admission of failure, a retreat and sweeping up after the main event” (Clark & Gall, 1987, p.18). According to Clark and Gall (1987), divestment stems from a mind-set that exiting from a market is associated with failure to have successfully internationalized a firm's operation. Léon-Darder and Dasi-Coscollar (2001) support this notion by stating that the Uppsala Models process view of internationalization implicitly assumes that divestment is a failure. Visak and Francioni (2013) further questioned why the model treats internationalization as processes of increasing commitments to foreign markets but omits the possibility to decrease the level of foreign market commitment or to exit a foreign market altogether. In light of the research by Benito and Welch (1997), alternatives to a complete de-internationalization are being discussed in an attempt to highlight the many strategic initiatives involved in the process. One example of an alternative to a complete market-exit was illustrated by Griffin (2003), who broadly defines divestment as any action that implies a lower level of commitment to a foreign operation, equalling it to de-internationalization (Benito & Welch, 1997).

Generally, de-internationalization refers to either voluntary or forced actions that reduce a company's engagement in, or exposure to, current cross-border activities (Benito & Welch, 1997; Griffin, 2003). The most extreme case of such actions is exiting a market completely (Griffin, 2003). A more likely scenario, however, is a partial downsizing of commitment towards the foreign market. Such actions could for example be a reduction of operations, switching to operation modes that entail lower commitment, sell-off/closure of foreign sales service or subsidiaries (Benito & Welch, 1997). In an economic view, de-internationalization is a rational response towards altered market conditions. De-committing actions will be taken whenever achieved or expected profits are below a firm's minimum acceptance level (Benito & Welch, 1997). Factors that may influence expected profits may be deterioration of relative cost conditions due to domestic price inflation, altered exchange rates, technological breakthroughs, increased competition, weakened local currency, reduced demand, adverse economic conditions or contractionary macroeconomic policies (ibid.). Several of such influencing factors are either projected or realized consequences since the outcome of the Brexit referendum (Ramiah, Pham & Moosa, 2017; Sampson, 2017; Smales; 2017), such as a weaker pound and reduced demand for foreign products.
Evident from prior research is that weak financial performance is one of the most common reasons for de-internationalization actions (Duhaime & Grant; 1984, Clark & Gall, 1987; Chang 1996; Hitt, Hoskisson & Kim, 1997; Benito & Welch, 1997; Griffin, 2003). Particularly, de-internationalization might be an appropriate strategic action in circumstances and situations characterized by high volatility and uncertainty regarding future returns (Benito & Welch, 1997). Even when firms have more established international operations, external forces such as changed market conditions and/or foreign governmental action often constitute triggering forces that causes management to examine the nature and the extent of the international involvement. Poor foreign market performance due to adverse developments such as import restrictions may cause management to rethink their international strategy (Benito & Welch, 1997). Recent events have shown that different crises or adverse governmental actions far away from an MNCs core operations could still have significant impacts on the internationalization process (Figueira de Lemos & Hadjikhani, 2014). In a research paper by Katsikeas, Samiee and Theodosiou (2006), the importance of a sound fit between strategy and context was highlighted in order to ensure that the strategy fits the environment in which the firm will operate. If a firm's international performance weakens, it becomes more likely to exit from that particular market and the international strategy of the management team becomes more vital (Sousa & Tan, 2015). The same notion was found and illustrated by Song (2014), where weaker performing subsidiaries are more likely to divest their operations as a consequence of changing market conditions, such as currency fluctuations or increasing labour costs. Evident from prior research, these findings point to the importance of sound international strategy and the ability to cope with the ever-changing market conditions that MNCs currently face in their international operations (Benito & Welch, 1997; Song, 2014; Sousa & Tan; 2015).

Evident from Benito and Welch's (1997) framework on de-internationalization is that commitment and resources build up over time, increasing the barriers to market exit as commitment increases. Firms do not readily withdraw from markets where commitment is high. A more plausible response instead of a complete market withdrawal is partial de-internationalization actions. Within MNCs, partial de-internationalization could be seen as minor adjustments to a firm's overall strategy of internationalization (Benito & Welch, 1997). Essentially, this means that a reduction in resource allocation (i.e. decreasing commitment) in one market frees up resources to commit to other options instead. Hence, despite the divestment of a particular subsidiary, overall commitment towards international operations...
has increased to optimize the international portfolio (ibid.). This is in alignment with the casino internationalization process presented by Håkansson and Kappen (2017) by which firms can commit more resources to several markets simultaneously, which helps hedge risk. Reduced commitment in one international endeavour should not be evaluated individually, but through a lens of the firm's overall international portfolio (Håkansson & Kappen, 2017). More likely than being a failure, de-internationalization can simply be a response to the composition of the firm's assets in relation to its markets (Griffin, 2003; Porter, 1986). Dominguez and Mayrhofer (2017) indicated that commitment towards foreign markets could increase, decrease and then re-increase over time, where they suggest that a failure in international markets is usually followed by a period where the firm reduces or changes its foreign market commitment. During this stage firms reorganize international operations which later allows them to engage in new cycles of internationalization, named re-internationalization, either by recommitting resources to a previously entered market or to a new one (Dominguez & Mayrhofer, 2017). The findings by Dominguez and Mayrhofer (2017) lack generalizability as their study only covered French small- and medium sized enterprises (SMEs) within industrial segments. Noteworthy, however, is that the study by Dominguez and Mayrhofer (2017) weaves together Benito and Welch's (1997) view that de-internationalization might be a necessary adjustment in the firm's overall strategy of internationalization, which Håkansson and Kappen (2017) also touch upon. De-internationalization is often part of a process of optimising international activities (Clarke & Gall, 1987; Benito & Welch, 1997; Griffin, 2003) and it is not an uncommon phenomenon (Bonaccorsi 1992; Li 1995; Barkema, Bell & Pennings, 1996; McDermott, 2010).

2.2.1 Commitment

Benito and Welch (1997) state that experiential knowledge can be associated with a reversal in commitment as firms learn from failures and mistakes. McDermott (2010) argues that whenever a firm initiates internationalization, it should anticipate being involved in foreign divestment along the way. Put differently, de-internationalization should not necessarily be viewed as an indication of lacking commitment towards international operations, but rather as a pertinent step of the overall process (McDermott, 2010; Benito & Welch, 1997, Håkansson & Kappen, 2017). De-commitment of a firm's international operations can take many forms and is often times dependent on the market situation, producing challenges from a firm perspective (Benito & Welch, 1997; Griffin 2003). Consequently, if a firm increases its
commitments and allocates resources too deep in terms of people, buildings or physical assets, impediments to de-internationalization can be created (Benito & Welch, 1997). Furthermore, intangible assets such as goodwill or advertising, firm specific human capital or emotional attachment also constitute exit barriers (Caves & Porter, 1975), indicating the ease of escalating market commitment relative to de-committing resources to a given market.

Within Figueira de Lemos and Hadjikhanis (2014) framework of commitment decisions under different market conditions, the level of prior commitment and knowledge decides what action is most suitable. Under more uncertain conditions, such as Brexit, firms can either decrease tangible assets or wait and see. Decreasing tangible assets require a firm to have sufficient knowledge to perceive the trajectory and trends of changes in the business environment (Erramilli, 1991; Pedersen & Petersen, 2004) in order to know which assets to decrease to its accepted level of risk. If uncertainty is extremely high, however, the firms’ lack of knowledge impedes it from flexibly react and adapt to changes and can resort to a dormant strategy of waiting and assessing the situation before committing less or more (Hadjikhani & Johanson, 1996). This further illustrates the difficulties with the commitment dimension in de-internationalization, prior commitment may indeed cause impediments to flexibly react to altered conditions due to exit barriers (Benito & Welch, 1997; Caves & Porter, 1976). When uncertainty and risk is increased in circumstances where firms do not have the chance or the time to gain sufficient knowledge for either intangible or tangible commitments, market exit is an expected outcome (Benito & Welch, 1997; Griffin, 2003). (Figueira de Lemos & Hadjikhani, 2014). Evident from prior research is the influential impact of uncertainty, either on an increase or reduction, on market commitment (Johanson & Vahlne, 1977; 1990; 2009, Hadjikhani & Johanson, 1996; Figueira de-Lemos & Hadjikhani, 2014, Benito & Welch, 1997).

2.2.2 Uncertainty
According to Figueira de Lemos and Hadjikhanis (2014), external factors are the main causes of changes in perceived uncertainty. Uncertainty can for example increase in situations where competitors introduce new technology, through an increasingly turbulent political landscape or in a market characterized by instability (Figueira de Lemos & Hadjikhani, 2014; Johanson & Vahlne, 1977). To reduce uncertainty through experiential learning, a firm only engages in such a process if it understands the underlying causes of the uncertainty, meaning, if the firm knows what it needs to learn (Forsgren 2002; Figueira de Lemos et al., 2011; Figueira de
Lemos & Hadjikhani, 2014). However, in an unstable environment, experiential knowledge cannot be expected to lead to decreased uncertainty (ibid.), and de-internationalizing actions might be a necessity. The same reasoning was illustrated by Benito and Welch (1997), where decreasing commitment can serve as a strategic response towards altered market conditions that imply higher volatility and uncertainty. Hadjikhani and Johanson (1996) noted that, when facing an unstable market environment, firms can follow several different strategies, such as exiting, assuming a dormant position, decreasing the firm’s overall commitments, or in some cases even increase commitments.

Hadjikhani and Johanson (1996) illustrated market uncertainty by investigating three Swedish MNCs operating under turbulent political circumstances in Iran between 1975 and 1992 and noted that the more turbulent and unpredictable the environment became the less international managers could rely on prior market knowledge. The findings are aligned with Johanson and Vahlne’s (1977) description of uncertainty. As long as market conditions changed in an acceptable pace, managers could utilize market knowledge and actually increase commitment. As political turbulence increased, however, prior market knowledge became inadequate, thus causing a rift between knowledge and commitment. (Hadjikhani & Johanson, 1996). As noted by Benito and Welch (1997), MNCs do not easily withdraw from foreign markets, especially if market commitment is high. In the Iranian case, the three MNCs had decades of operational experience from politically turbulent markets and estimated that the conditions would stabilize sooner or later (Hadjikhani & Johanson, 1996). Despite increased uncertainty, the MNCs concluded that exiting the market altogether would be costlier than to remain in a dormant position to gain knowledge and rebuild networks (ibid.). Soule, Swaminathan and Tihanyi (2014) also elucidated strategic actions in market environments characterised by high uncertainty and political instability by investigating MNCs de-internationalization in Burma between 1996-2002. Their findings suggest that emulating the behaviour of other firms perceived as successful is particularly important in order to reduce uncertainty in a turbulent market (Soule, Swaminathan & Tihanyi, 2014). Forsgren (2002) also proposed mimicking other actors as one way of reducing uncertainty. When emulating the behaviour of other actors in the market it is important to consider similarities between the firms such as size and level of internationalization, to ensure the viability of foreign de-internationalization decisions (Soule, Swaminathan & Tihanyi, 2014).
2.2.3 Risk

As illustrated in a research paper by Figueira de Lemos, Johanson and Vahlne (2011), negative or positive changes in an environment affect a firm's risk management perspective as there is a relationship between market conditions and firm risk awareness. In extreme situations where political turbulence in a market can affect firm performance, the risk involved increases as a higher level of uncertainty becomes apparent (ibid.). The same notion was demonstrated by Figueira de Lemos and Hadjikhani (2014) where the risk management perspective to internationalization was discussed in terms of operating within stable and unstable environmental conditions. Consequently, de-committing resources, reducing operations in a given market or switching to an alternate operation mode all entail potential strategic actions and a risk management initiative to address and prepare for the changing and different market conditions (Benito & Welch, 1997).

Building on a risk-averse thinking, the ever-changing environmental conditions forces MNCs to stay flexible in order to respond to market needs and remain competitive (Ngo & Loi, 2008). Conversely, Hadjikhani and Johanson (1996) suggest that when facing high levels of uncertainty, firms may not be able to rationally adapt towards changing market conditions and that adhering to one carefully outlined strategy may be sufficient. In the face of Brexit, firms either risk being unprepared for arising consequences or overestimating the impending impacts by de-internationalizing more than necessary. The risk management of firms operating in unstable or stable markets is not said to be avoided, rather it is argued that these firms ought to take factors of knowledge and commitment into consideration within their international operations. (Johanson & Vahlne, 1977; 1990; 2009, Figueira de-Lemos & Hadjikhani, 2014). Therefore, to successfully handle the risk involved in a firm's international operations, Liesch, Welch and Buckley (2011) argue for the importance of a common perception to what constitutes a foreign market situation in terms of its political implications, its ways of doing business and its on-going changes. Consequently, key decision-makers of a firm need to have a clear perception for the implications of commitment, uncertainty and risk in order to be able to handle them correctly (ibid.).

2.3 Conceptual Framework

As noted in much of the research on internationalization and de-internationalization, some concepts appear more often than others: commitment, uncertainty and risk. Commitment
towards foreign markets is largely based upon the degree of uncertainty and the acceptable risk level of the individual firm (Johanson & Vahlne, 1977; 1990; 2009; Benito & Welch, 1997; Figueira de Lemos & Hadjikhani, 2014; Figueira de Lemos et al., 2011; Vahlne et al., 2017). As León-Darder, Villar-García and Pla-Barber (2011) argue, higher levels of host country uncertainty entail less commitment in the market to minimize potential risks. Commitment, uncertainty and risk are thus highly interrelated variables within international operations that all affect each other to various degrees.

With the aim of generating a holistic view on how the concepts are related to one another, a conceptual model is developed. The model seeks to elucidate how Brexit affects these variables within firm’s international operations. The model can then theoretically be applied to similar scenarios where an exogenous shock towards the global economy occurs. The model depicts the individual firm's level of commitment towards a given market, and the associated uncertainties and risks of operating internationally as the Brexit phenomena progresses, where “Δ” represents the perceived change in these variables. A negative change “-Δ” in commitment due to Brexit is in accordance with the theoretical definition of de-internationalization in that it refers to voluntary or forced actions that reduce a firm's engagement in, or exposure to, current cross-border activities (Benito & Welch, 1997; Griffin, 2003). Such actions can range from the closure of a single subsidiary to a complete market exit (Griffin, 2003). A positive change in commitment “+Δ” can help to reduce uncertainty regarding Brexit in the host market through learning, becoming insiders of networks (Johanson & Vahlne, 2009) or strategic relationships. This, however, entails more risk-taking since the final outcome of Brexit is difficult to predict at this stage. This sheds light on the intricacies of international operations within this setting, and the models aim is to clarify the associated changes in commitment, uncertainty and risk that Brexit generates.
3. METHODOLOGY

3.1 Research Design

This study aims to clarify the realized and potential impact of Brexit on Swedish international firms operating on the UK market. Since Brexit is a new and proceeding phenomenon, its final outcome is yet to be manifested and much reasoning is of a predictive nature. As political turbulence and unstable markets become more important to tackle in terms of uncertainty, risk and commitment, much of the literature within internationalization has created a need for additional research within the field of de-internationalization (Hadjikhani, 1995; Benito & Welch, 1997; Figueira-de-Lemos & Hadjikhani, 2014; Sousa & Tan, 2015). Therefore, this study signifies a research problem that is hard to grasp, and prior research is somewhat lacking. Consequently, we considered a qualitative, exploratory research approach to be most suitable in order to observe, collect and construct theoretical explanations (Ghauri & Grønhaug, 2010, p.56). Since Brexit constitute a problem that is not yet fully understood, we deemed this an appropriate approach to better understand, collect, integrate and present the data in order to answer questions and processes related to how within the on-going
phenomenon (Yin, 2011, p.9). In order to create a theoretical contribution, the study collected and analysed the gathered data to build on theoretical implications. Because Brexit is viewed as an on-going transition process, a qualitative method allowed the study to uncover personal experiences and insights and create a better understanding of the specific phenomenon being researched (Marshan-Piekkari & Welch, 2004).

Van de Ven and Poole (1995) describe transitions or change processes as empirical observations of difference in form, quality or state over time within an organizational entity. Consequently, in line with the outline of this study, the aim was to investigate the impact on international operations within Swedish firms in light of the on-going Brexit phenomenon. In order to create new knowledge and tie the findings back into existing knowledge to improve theories, this study adopted an inductive reasoning aligned with a qualitative research design (Ghauri & Grønhaug, 2010, p.15). The implementation of an inductive reasoning, where the relationship between theory and research lead to the emergence of new concepts as well as different understandings of established concepts under certain market conditions, is a process that was deemed appropriate to bolster academic rigor (Yin, 2011, p. 94, Gioia, Corley & Hamilton, 2013).

Within this study, the qualitative and exploratory approach was implemented through a multiple case study. Exploratory research is in many occasions associated with the utilization of case studies (Yin, 1994). The phenomenon under investigation within this study, Brexit, is difficult to conceptualize and quantify due to the number of different variables to consider, why case studies are useful within such scenarios (Ghauri & Grønhaug, 2010, p.109). This research design was preferred in the study because there is little control over unfolding events and the focus is on a current, real life phenomenon (Yin, 1994), i.e. Brexit. Furthermore, case studies are widely considered the most appropriate tools in early phases of new management theory (Eisenhardt, 1989; Yin, 1994; Gibbert, Ruigrok & Wicki, 2008), why it was viewed as an applicable research design for this study to proceed with due to the nature of the research question. Case studies are well suited to address new research areas, such as Brexit or areas where pre-existing research is somewhat scarce (Eisenhardt, 1989).

3.1.2 Case Study

In order to address the research question, the study ideally needed to make comparable insights between Swedish firms. Thus, a multiple case study was considered the most viable
research design to help generate a more thorough understanding of a complex phenomenon such as Brexit and to draw more generalized conclusions for future events with similar characteristics (Saunders, Lewis & Thornhill, 2012). This study adopted Eisenhardt’s (1989) definition to what constitutes a case, in its focus to understand the dynamics present within a certain setting. By linking back to the research question “How does Brexit impact the international operations of Swedish firms active in the UK market”, the setting in this scenario was a Swedish firm operating in the UK. The actual case, however, is not defined as the firm itself. Rather, the case constituted the on-going change processes in commitment, uncertainty and risk associated with the emergence of Brexit, within each organizational setting. Consequently, the unit of analysis within each case was defined as the change process within the individual firm setting, (Van de Ven & Poole, 1995) where this study investigated four such processes within four different firms.

Brexit affects the whole economy of the United Kingdom (Sampson, 2017; Smales, 2017; Ramiah, Pham & Moosa, 2017), but the repercussions may vary across different business segments, which motivated a multiple case study to be conducted. Particularly the financial sector is vulnerable towards uncertainties caused by Brexit since the EU will likely not allow banks and other financial institutions unrestricted access to the European single market (EIU, 2016; Business Sweden, 2016). Given larger fluctuations in currency exchange rates and stock market volatility (Sampson, 2017; Wielechowski & Czech, 2016), the assumption that the financial sector is heavily exposed towards Brexits impacts is logical. Therefore, dividing the case study to cover different industries allowed for comparisons not only on a firm-to-firm basis but between industry segments as well. Within the outlined theoretical framework, Soule, Swaminathan and Tihanyi (2014) claim that few studies compare firms across multiple industries. As a consequence, it is difficult to distinguish if firms operating in certain industries are more or less likely to de-internationalize than others (Soule, Swaminathan & Tihanyi, 2014). Therefore, investigating the change processes within firms from different sectors was considered plausible in order to yield comparative results in relation to the research question.

The sectors investigated in the study were financial services and manufacturing. Expressed in more general terms, the study incorporated companies operating in both service-based and goods-based sectors. In Sweden, the 20 largest companies in terms of annual turnover mostly consist of companies within manufacturing (Statista, 2018a). However, over 70 % of Swedish
The financial sector is projected to be heavily impacted by Brexit and many European actors within this field have moved or planned to move operations out of London (Business Sweden, 2016; Financial Times, 2017a; Financial Times, 2017b), signifying its validity to further elaborate within the study. To include more than one industry segment within the study further strengthened the external validity, or generalizability, of the findings. Being able to generalize the empirical data is otherwise generally seen as a drawback with a qualitative approach (Bryman & Bell, 2015, p.414). However, Eisenhardt (1989) argues that analytical generalization can be achieved through cross-case analysis of four to 10 case studies (Gibbert, Ruigrok & Wicki, 2008). By drawing from the identified phenomenon and isolating the area of research towards Swedish companies, the study could compare potential differences in Brexits overall impact. The study used identical means of data collection on all four cases, which meant that a better understanding of an overarching phenomenon could be achieved when contrasting the findings in relation to one another (Bryman & Bell, 2015, p.71-72). Conducting a single case study, on the other hand, would allow for a deeper understanding and gain further insights of the phenomenon’s impact on a specific organizational entity but would not allow for any broader conclusions to be drawn (Dyer & Wilkins, 1991). Hence, a single case approach was not appropriate to yield representative findings in order to be able to answer the research question.

### 3.1.3 Sample Criteria

Despite investigating two separate industries, a set of criteria was set up prior to the identification of suitable case subjects. This was made in order to ensure that the study covered organizations that are relatively akin to one another. By having a relatively homogenous sample in terms of size, internationalization and experience, it was possible to narrow down the data collection towards fewer respondents (Guest, Bunce & Johnson, 2006), which was desirable given the time and scope of this study. Therefore, we set up criteria of firm’s annual turnover, age and degree of internationalization.
Below are the criteria in its entirety:

### Case Criteria

<table>
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<tr>
<th>Criteria</th>
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<tbody>
<tr>
<td>• Around 30 billion SEK in annual revenue</td>
</tr>
<tr>
<td>• At least 10,000 employees globally</td>
</tr>
<tr>
<td>• At least 50 years since founded</td>
</tr>
<tr>
<td>• Active in at least 5 countries</td>
</tr>
<tr>
<td>• Operations in the U.K.</td>
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</table>

Firms that fit the outlined criteria were considered to be international, illustrated in terms of their global presence. This was also done to avoid reaching out to companies that for instance only had internationalized to the UK or had most of its revenue stemming from this market. However, Brexit would potentially have a much greater impact on such smaller companies and, while an intriguing future research subject, it would potentially distort the empirical findings generalizability. Furthermore, identifying such organizations was considered too time consuming; albeit, we have acknowledged this as a limitation of our study.

### 3.1.4 Case Firms

In the process of choosing case firms that matched the criteria, a selective approach was conducted. This reasoning is in line with theoretical sampling as a way of isolating the sample to the firms we deemed most appropriate for this study, based on our subjective judgment (Saunders, Lewis & Thornhill, 2012; Ghauri & Grønhaug, 2010, p.148). Within the financial sector, the outlined criteria in the previous section only applied to a handful of organizations. Hence, we identified firms within this scope and narrowed the search down to SEB, Nordea and Handelsbanken. Within the manufacturing sector, the number of firms that met the criteria was significantly greater in scope. Therefore, when deciding on relevant firms to contact we had to be even more selective in order to utilize the most appropriate ones for this study. A trial and error approach were initiated as many of the firms rejected to take part in the study due to a lack of relevant knowledge, where Volvo and Scania were two examples of such firms. We reached out to the selected firms via e-mail requests and based on the initial responses, we decided to proceed with Handelsbanken and SEB within the financial sector and with Husqvarna and Alfa Laval within the manufacturing sector. The constructed
case criteria helped guide us towards addressing the research question, in that they included Swedish firms with operations in the UK. In the following section, company information and key figures are presented to further illustrate how the chosen companies are significant and relevant for this study.

**Handelsbanken**

**LARGE NORDIC FINANCIAL INSTITUTION**

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>KEY FIGURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founded in 1871 with operations in over 20 countries. Offers universal banking services to both corporate and private clients, with over 800 established offices. Company vision: Availability and long-term client relationships, low risk tolerance.</td>
<td>Number of employees: 11,832</td>
</tr>
<tr>
<td>Operating profit: 21,025 million SEK</td>
<td>Revenue: 41,674 million SEK</td>
</tr>
</tbody>
</table>

**COMPANY STRUCTURE**

"Home markets" in: Sweden, UK, Finland, Norway, Denmark and The Netherlands

Decentralized company structure

Aims to grow internationally, implementing the business model on chosen markets

**RELATIONSHIP TO UK**

Number of employees: 2,045

Market entry in 1982. Five established regional banks within the UK, holding over 200 offices - signifying its importance for Handelsbanken.

UK considered a "home market".

Operating profit: 13% of total operating profit.


**SEB**

**LARGE NORDIC FINANCIAL INSTITUTION**

<table>
<thead>
<tr>
<th>DESCRIPTION</th>
<th>KEY FIGURES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founded in 1856 with operations in approximately 20 different countries. Offers financial services to both corporate and private clients, with over 200 established offices. Company vision: To deliver world-class service to all SEB clients.</td>
<td>Number of employees: 15,000</td>
</tr>
<tr>
<td>Operating profit: 22,806 million SEK</td>
<td>Revenue: 49,609 million SEK</td>
</tr>
</tbody>
</table>

**COMPANY STRUCTURE**

"Home markets" in: Sweden, UK, Finland, Norway, Denmark, Germany and the Baltics.

Centralized company structure.

Aims to act as a corporate role model with a financially stable development. Main focus is on large corporate and institutional clients.

**RELATIONSHIP TO UK**

Number of employees: 125

Recently considered a "home market" within SEB's operations.

Established since the 1960s. Successful and growing business in large corporate and institutions segment.

Operating profit: 5% of total operating profit.

The data collection for addressing the research question consisted of both primary and secondary data. After establishing the theoretical framework to address the research question, primary data was gathered in an attempt to further analyse the Brexit phenomenon and gain...
new knowledge and perspectives on changes in commitment, uncertainty and risk within international operations. The obvious advantage with primary data is that it can be collected with a specific research topic in mind and can facilitate understanding of attitudes, intentions, managerial decisions or problems concerning internationalization (Ghauri & Grønhaug, 2010, p.99-100) which was highly desired given our research problem.

The primary data was obtained through semi-structured, in depth interviews with key employees within the investigated firms. Key employees in this study refer to personnel with direct or indirect connection with the company's UK operations, relevant to help answer the research question. In the method literature, Miles and Huberman (1994) describe this as an essential procedure in order for the research to achieve validity. Given the outline of this study, we deemed interviews to be the most optimal and appropriate collection method for primary data to investigate the phenomenon, given its flexibility (Ghauri & Grønhaug, 2010, p.125). Flexibility was desired as Brexit is a new and on-going phenomenon, and thus there are no definite answers to many of the questions. Semi-structured interviews allowed us to ask a series of questions in general form that acted as a guide for the interviews progression but entailed flexibility for follow-up questions in response to significant replies (Bryman & Bell, 2015, p.213).

Given the size of the firms, at least two interviews per case were deemed necessary in order to generate a holistic picture. Consequently, two to four interviews per case, amounting to a total of 8-16 interviews, was considered appropriate given the time and scope of the study. This was considered viable to reach data saturation, meaning that the collected data at a certain point did not generate new insights into an emergent theory or suggested new dimensions (Bryman & Bell, 2015, p.432). Additionally, the reasoning behind the numbers of interviews conducted were considered in line with Guest, Bunce and Johnson (2006). Participants were chosen with respect to common criteria and thus one can expect data saturation to be reached at an earlier stage (ibid). The groups relative homogeneity was ensured through the pre-established case criteria utilized for the theoretical sampling (Eisenhardt, 1989). As previously stressed, Brexit is a new and on-going process and most theories are of a predictive nature. Hence, conducting a greater number of interviews would arguably not help to ease the subsequent analysis. The interviews were conducted either face-to-face or by telephone with respondents outside of our geographical area, such as London.
The interview length varied between 30 and 60 minutes. Table 1 provides a complete summary of the interviews and information about the respondents within the study.

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Title / Role</th>
<th>Firm</th>
<th>Location</th>
<th>Date</th>
<th>Interview type</th>
<th>Length (min)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mark Luscombe</td>
<td>Country Manager UK</td>
<td>SEB</td>
<td>London</td>
<td>2018-04-10</td>
<td>Phone</td>
<td>45</td>
</tr>
<tr>
<td>Jens Magnusson</td>
<td>Private Economist</td>
<td>SEB</td>
<td>Stockholm</td>
<td>2018-04-16</td>
<td>Face-to-face</td>
<td>30</td>
</tr>
<tr>
<td>Anonymous HIC</td>
<td>Internal Governance &amp; Control</td>
<td>Handelsbanken</td>
<td>Stockholm</td>
<td>2018-04-19</td>
<td>Face-to-face</td>
<td>40</td>
</tr>
<tr>
<td>Robin Nylen</td>
<td>Head of Private Customers / Deputy Office Manager</td>
<td>Handelsbanken</td>
<td>Borås</td>
<td>2018-05-02</td>
<td>Phone</td>
<td>30</td>
</tr>
<tr>
<td>Georgina Silvester</td>
<td>Head of Brexit Implementation</td>
<td>Handelsbanken</td>
<td>London</td>
<td>2018-05-18</td>
<td>Phone</td>
<td>40</td>
</tr>
<tr>
<td>Pernille Sahl Taylor</td>
<td>Chief Communications Officer UK</td>
<td>Handelsbanken</td>
<td>London</td>
<td>2018-05-18</td>
<td>Phone</td>
<td>40</td>
</tr>
<tr>
<td>Jan Ytterberg</td>
<td>CFO, Senior Vice President</td>
<td>Husqvarna Group</td>
<td>Stockholm</td>
<td>2018-05-04</td>
<td>Face-to-face</td>
<td>40</td>
</tr>
<tr>
<td>Anonymous Global 1</td>
<td>Manufacturing experience from UK</td>
<td>Husqvarna Group</td>
<td>Jönköping</td>
<td>2018-05-02</td>
<td>Phone</td>
<td>30</td>
</tr>
<tr>
<td>Lawrence Fox</td>
<td>Finance Director</td>
<td>Alfa Laval</td>
<td>Lund</td>
<td>2018-05-18</td>
<td>Phone</td>
<td>40</td>
</tr>
<tr>
<td>Jonas Norlander</td>
<td>Group Treasurer</td>
<td>Alfa Laval</td>
<td>Lund</td>
<td>2018-05-18</td>
<td>Phone</td>
<td>30</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Event</th>
<th>Lecturer Title / Role</th>
<th>Organization</th>
<th>Location</th>
<th>Method</th>
<th>Length</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Brexit - How are you as an entrepreneur affected&quot;</td>
<td>Oscar Wåglund Söderström</td>
<td>Head of Department for Trade Agreements and Technical Rules</td>
<td>Kommerskollegium</td>
<td>Borås</td>
<td>Observation</td>
</tr>
</tbody>
</table>

*Table 1, List of Respondents, Own Construction*

Secondary data from external sources was also gathered to yield a better understanding of the phenomenon Brexit. The secondary data regarding Brexit emanated from reports by Business Sweden, McKinsey & Company and similar organizations, news articles from reputable newspapers and economic data from governmental institutions such as the Swedish Central Bureau of Statistics (SCB). The main problem that arises with this type of secondary data is that it is collected for other research purposes and thus does not fit the problem formulation outlined in this study (Ghauri & Grønhaug, 2010, p.96).

In addition to the interviews, which are treated as the foundation of our data collection, we also ventured to the open event “Brexit – How are you as an entrepreneur affected?” hosted in Borås. In this event, the Swedish authority for foreign trade and EU-related trade policies “Kommerskollegium” discussed implications of Brexit on Swedish businesses. Negotiations of trade agreements and the free flow of goods, people and capital between the UK and the
EU proceeds was discussed. We attended this event to supplement our findings through observation, in order to further compare the data.

### 3.3 Coding and Analysis

In order to address the research question “How does Brexit impact the international operations of Swedish firms active in the UK market?” the theoretical framework was broken down into three concept components of commitment, uncertainty and risk. The components provided a foundation for the primary data collection, by way of grounding interview questions into these concepts. The interview guide was constructed to allow for the interviewee to answer the questions with a general approach, in line with a semi-structured interview (Bryman & Bell, 2015, p.213). The interview questions were formed and structured to allow for a deeper understanding on how firms respond and react to changing market conditions such as Brexit in terms of commitment, uncertainty and risk. In order to make the subsequent analysis of the collected data more efficient, all interviews were recorded and transcribed after consent by the respondents. Respondents were also asked if their names and titles could be published in the study, otherwise anonymity was guaranteed.

In order to obtain meaning from the collected data, the study adhered to a coding methodology of classifying responses into specified categories which are then labelled based on recurring sequences and keywords (Ghauri & Grønhaug, 2010, p.151; Bryman & Bell, 2015, p.13). The process we used of structuring and coding the data is inspired by the work of Corley and Gioa (2004), often utilized within qualitative research (e.g. Gioia, Corley & Hamilton, 2013; Tippman et al., 2018; Tippman, Sharkey Scott & Mangematin, 2012):

The 1st order concepts in Table 2 adhere closely to the recorded and transcribed responses and are not materially distilled into categories. Once enough interviews were conducted, commonalities and differences were identified to break the raw data into 2nd order theoretical themes, whereby the goal was to identify emerging concepts that help describe and explain the investigated phenomena. The 2nd order themes are further distilled into aggregate dimensions of commitment, uncertainty and risk, aligned with the theoretical framework outlined in Section 2. (Corley & Gioia, 2004; Corley, Gioia & Hamilton, 2013).
Table 2, Data Structure, Reproduced from Corley and Gioia (2004, Corley, Gioia and Hamilton (2013))

Between the cases within the study, the analysis also adopted elements from Eisenhardt and Santos (2009) by way of scoring recurring keywords in relation to the theoretical concepts of commitment, uncertainty and risk to different degrees, as a form of pattern matching of emerged insights (Eisenhardt & Graebner, 2007). Identified concepts were scored “A” for
high occurrence, “a” for medium occurrence or “0” for low to zero occurrence. This is illustrated in a pattern-matching matrix, presented with scored concepts in the empirical data section. Commonalities and differences can thus easily be illustrated both on a case-by-case basis, but also across the cases and sectors (Eisenhardt & Graebner, 2007). This was done in attempt to streamline the analysis between both the cases and the overall sectors in the study.

The empirical findings were triangulated with reviewed organizational reports, economic forecasts and business news articles, enabling the research to adopt multiple perspectives through different sources of data (Yin, 1994; Gibbert, Ruigrok & Wicki, 2008; Denzin & Lincoln; 1994). Respondents’ different roles within their respective organization helped generate multiple perspectives in each case. Additionally, the primary data was assessed in relation to the theoretical framework and the findings from the event in Borås to create a more comprehensive picture. The empirical validity of the study could be further verified through this type of triangulation (Saunders, Lewis & Thornhill, 2012).

### 3.4 Method Limitations

The study attempted to gain further understanding on a new phenomenon affecting the global economy. In doing so, a qualitative approach was deemed the most appropriate in regard to the research problem and the study’s purpose. A general drawback with qualitative research is that potential findings are not generalizable towards a greater population (Bryman & Bell, 2015, p.414). This has been acknowledged and evaluated by us. To increase generalizability, a multiple case design was adopted containing companies within different industries, something that had been scarcely done within the theoretical framework (Soule, Swaminathan & Tihanyi, 2014). By gathering the data through case interviews, we got an “insider view” and closeness to the data (Ghauri & Grønhaug, 2010, p. 105). Consequently, as the data gathered are more “intimate”, the objectivity of the empirical findings could be questioned. The data collection could be distorted based on the influence of memories, current mood and the degree of trust and overall relationship between interviewee and interviewer (ibid.).
4. FINDINGS

4.1 Commitment

The degree of commitment towards the UK market varied greatly in terms of tangible and intangible resources and historical development on the market. SEB first internationalized to the UK to acquire capabilities that were scarce in the Nordic countries. London was a cluster of many capabilities within finance that were considered desirable to include in the service offering. Over the last 3 years the strategy has expanded to focus more on large corporate clients in the UK and not just servicing existing Nordic clients. Both SEB and Handelsbanken consider the UK as a “home market”, reflecting an increased commitment towards the UK. Being labelled as a home market means that the treatment of UK corporate clients is the same as it would be in Sweden.

“That’s quite a significant development for us and of course in the context of Brexit, it’s interesting given the timing of us making that decision. But it really, really reflects that we’ve been able to grow quite successfully over the last 2-3 years since we’ve been focusing on this initiative.”

Mark Luscombe, SEB, Country Manager UK

Handelsbankens business model differs from SEB, where Handelsbanken is more decentralised and retail focused. This is also evident in the UK, where Handelsbanken in the years since the financial crisis significantly has increased their commitment by opening up almost 200 local offices. Handelsbankens business model builds on local commitment and the strategy is the same in the UK as it is in Sweden, where the local office is elucidated as the essence of the operations.

“We offer local branches that know the local community and the local market. The personal relationship and customer service really differentiates us here in the UK. So, really great growth in the UK and continued growth! We’ve seen really big opportunities here as we go forward.”

Georgina Silvester, Handelsbanken, Head of Brexit Implementation

Husqvarna and Alfa Laval are committed to the UK in that they both have important manufacturing plants there. Husqvarna produces robotic lawn mowers in Aycliffe in the UK,
described as a profitable product. Despite the emergence of Brexit, Husqvarnas commitment towards the UK is for the time being not expected to change. Even before Brexit became known, decisions were made to invest in another production plant outside of the UK. This was done in order to accommodate the rapid growth of the product with more production capacity, and consequently investments were made into another production plant in Vrbno, Czech Republic. Husqvarna wanted what they call “dual sourcing” - to be active on two separate locations with the same product. Hence, it was not primarily a decision concerning the uncertainties that Brexit causes. Still, in the context it is noteworthy that the majority of investments are made into Vrbno at the moment.

“I would not say that this has been hastened because of Brexit, but rather because the market has grown so strongly, we have put more of our investments in Vrbno, but we have still spent a lot of money in Aycliffe as well”

Jan Ytterberg, Husqvarna, Chief Financial Officer

The commitment dimension is expressed in different forms between the cases, where for instance Handelsbanken previously have expanded physically through covering the country with local bank offices, whereas SEB instead have trimmed down their physical presence but increased its client focus and market share in the large corporates and institutions segment. Husqvarna and Alfa Laval elucidate important production facilities and are aware of the increased uncertain market conditions but for the time being, no de-internationalizing actions are imminent. The different takes on commitment is broken down into three second order themes based on the theoretical framework as well as the responses in the interviews: increase tangible, decrease tangible and increase intangible. The notion to reduce intangible commitments was not an apparent theme in the interviews, why it is not included below.

4.1.1 Increase Tangible

Aligned with the reviewed secondary data, a qualified guess prior to the primary data collection was that no firm would increase their tangible commitments towards the market in the foreseeable future, a notion that is not always supported within the findings.

“We have always said that we have a long commitment to the UK. You know, Brexit is not changing it, in fact we are committing more. So we are here to stay for the long-term and are very busy building a bank for the future.”
Handelsbanken is described to be more conservative and risk averse in their lending of credit than their competitors, which is part of why the bank withstood the financial crisis so well. Therefore, their business model is well equipped to commit further resources despite an increased uncertainty.

By growing organically, tangible commitment may increase on other international markets as a consequence of the market uncertainty in the UK. Husqvarna illustrates this initiative in the Czech Republic, but not at the expense of their UK operations, and not as a direct effect of Brexit, but rather to hedge risk. It is acknowledged by a few respondents that some companies might hold back investments into the UK, but the coherent assumption within the cases is that the business will be conducted as it has previously.

“We have seen some companies hold back investments, so if you have an international company in the UK, maybe they are saying to the people to hold back, wait to see what happens with Brexit, but what we’ve seen with our business since Brexit is actually that it’s growing [...] So it’s a difficult one to really say how it has impacted our business so far.”

Lawrence Fox, Alfa Laval, Finance Director

In contrast to additional investments and to increase presence on the market, there are still elements of uncertainty caused by Brexit that can instead cause a reduction in tangible commitments. This is especially evident in the financial sector, where regulatory requirements may force international banks to relocate certain financial activities to be carried out within a EU entity.

4.1.2 Decrease Tangible

There are no clear-cut examples within our sample where a firm is actively seeking to divest their operations as a consequence of Brexit. However, due to regulatory aspects, some parts within the finance offering are subject to divestment. It is unclear how much it may come to affect SEB or Handelsbanken, but it might come to affect several international banks.

“I think of course it’s going to have an impact and I think where you have trading activities that take place out of London, where London for a number of European-based banks is a
trading hub so they’ll have all their equities trading, all of their EUR-denominated trading and so forth taking place out of London. Certain parts of that might not be able to be conducted in the future.”

Mark Luscombe, SEB, Country Manager UK

Relocating certain financial operations to Paris or Frankfurt is frequently mentioned in the interviews with SEB and Handelsbanken. It may however prove difficult to simply relocate operations that have such a strong history in London. Neither Husqvarna nor Alfa Laval sees tangible divestments as likely for the time being. Due to the established tangible commitments on the market, it provides an impediment for divestment. Over time, however, commitments may come to decrease if the business environment post-Brexit becomes too unfavourable. Due to investments being made into another production facility in Vrbo, the operations in the UK might later become subject to partial divestment. It is also mentioned that the potential for the products manufactured in the UK is still untapped in the U.S., Husqvarnas largest market. Should the demand for robotic lawn mowers grow there, investments will likely be made into production facilities there as well. Consequently, the strategic importance of the production facility in Aycliffe will decrease and in the context of Brexit it might be more accepted to scale down the operations.

“We had a concentration problem on robots already, and we were already moving away from it. Will we speed it up - yes, it will probably depend a little more on what happens with the trade customs. Now we have got another leg [in Vrbo] that we can accelerate and thus pull down this England investment.”

Jan Ytterberg, Husqvarna, Chief Financial Officer

“There are other advantages, perhaps instead it will be a good opportunity to get out and there is another type of market acceptance if you do it for that reason [Brexit]”

Anonymous, Husqvarna, Experience from Husqvarnas UK operations.

In addition to tangible commitments, intangible aspects such as business relationships or managerial meetings are also mentioned in some cases.
4.1.3. Increase Intangible

SEB tells a picture of increasing commitment towards the UK market in terms of client focus over the last three years. Despite the repercussions caused by Brexit, SEB are looking to create more business relationships with UK-domiciled clients.

“The way I’d describe the business is that it’s becoming more UK focused compared to what it’s been historically which has been more sort of product focused, servicing Nordic clients to becoming more of a balanced mix between still having those product capabilities based out of London, but also having growing domestic corporate and institutions business which is important for us going forward.”

Mark Luscombe, SEB, Country Manager UK

Apart from SEBs increasing domestic client focus on the UK market, an increase in intangible commitment is not very much discussed. All four firms mention different forums where different aspects of Brexit and other market related questions are being discussed.

“What we have done is just include Brexit as a management team topic.”

Lawrence Fox, Alfa Laval, Finance Director

The identified increases in intangible commitments mainly relates to education and managerial meetings as part of preparing for different outcomes and to be able to handle all the uncertainty that Brexit has brought. For additional empirical illustration on all commitment themes, please see Appendix 2.

4.2 Uncertainty

There is a consensus among the respondents that Brexit signifies an increased uncertainty aspect as to what will happen in the future and how the UK economy will be affected as Brexit is an unprecedented event that has not been experienced before.

“A challenge is of course Brexit and how that’s going to impact us in the future and the uncertainties as to what happens after March 2019, which, for a financial service provider like ourselves has been an issue. There is also uncertainty as to what the future trade relationship with the EU will look like for the UK. A period of uncertainty is not positive but
even post that period when there is certainty, it’s highly unlikely that the UK will have the same beneficial terms as it had when it was a member of the EU.

Mark Luscombe, SEB, Country Manager UK

“No one at Husqvarna in England consider this a good thing, it is a feeling of being worried since it has to do with uncertainties as to what will happen. [...] It is a risk factor we did not have before, it is an instability”.

Anonymous, Husqvarna, Experience from Husqvarnas UK operations

Within the manufacturing industry, much of the raised concerns deals with the uncertainty aspect as to whether there will be increased costs to the firm’s margins. A challenge could be having to fight production costs with local producers and manage both outgoing and incoming goods as it becomes more expensive and tedious for Swedish firms to trade with the UK because of increased trade barriers and regulations. Oscar Wåglund Söderström from Kommerskollegium supports this view: “Brexit will entail costs, delays and uncertainties”.

In similarity to the manufacturing industry, the uncertainty dimension is very salient in between the interviewees in terms of the financial sector as a whole. There are a lot of unknown effects that will simply have to be assessed once the departure from the EU has been realized. Much of what is currently being discussed within the sector concerns financial regulation and compliance, which at this stage appears to be the most known impacts. Based on the answers from the respondents, three second order themes have been formed to highlight how firms can reduce uncertainty: market conditions, organizational knowledge and strategic actions.

4.2.1 Market Conditions

One thing is certain among the respondents: the market will come to change in one way or another in a post-Brexit environment. There are not only aspects of changing market conditions that are difficult for firms to quantify, there are also challenges as to how the firms will have to cope with the new changes introduced throughout the Brexit-process.

“It is clear then that the business climate will not be as good as it may be elsewhere in Europe. But we do not know anything about that. And the assessment is, nevertheless, that we have good customers. But I guess you’re probably not as expansive going forward.”
“I believe what is difficult, and surely very hard for industrial companies in England, is that no one really knows where this is going to end. It is an uncertainty surrounding the whole thing.”

Jonas Norlander, Alfa Laval, Group Treasurer

Since the uncertainty as to how the future market conditions will affect Swedish firms remains prominent, it becomes increasingly important to follow a clear path of action and to make contingency planning. Within every case, respondents touch upon market knowledge and the ability to adhere to previously successful strategies going forward, although it is acknowledged that the market conditions will come to change through the regulatory environment and barriers to trade.

4.2.2 Organizational Presence

Acquiring knowledge becomes apparent in many of the interviews, when respondents are being asked on how they prepare for Brexit. The duration of time in which a firm has been present on a market is evidently significant to acquire knowledge.

“We were based in the UK before, from the late 60s before the UK joined the European community and we see no reason why we would not be able to continue running our business in the way that we’ve always done.”

Mark Luscombe, SEB, Country Manager UK

Staying up to date on changes on the market and participating in communities is explained as important to acquire knowledge. For instance, within the financial sector there is the Association of Foreign Banks (AFB) that includes all foreign banks operating in the UK. Within the AFB there is an EU-committee where banks discuss, coordinate joint responses and share observations.

“Some of the uncertainties are for example the continuity of contracts - contracts that were entered into prior to Brexit but expiring once the UK has left the EU, would such contracts still be enforceable? Things like that we work together in terms of trying to get clarity around.”
Mark Luscombe, SEB, Country Manager UK

Indeed, uncertainties regarding contracts entered into prior to Brexit are something that affects firms across all industries, supported by Kommerskollegium and Handelsbanken. In trying to address the uncertainty aspect as to what will happen after Brexit has been realized, forums can be of great assistance for firms, no matter what sector a firm is operating within.

“I am part of a network with the 10 to 15 largest Swedish firms where the CFO’s get together to discuss happenings on the market. During the last meetings Brexit has been one of the topics that was being discussed, among other topics.”

Jan Ytterberg, Husqvarna, Chief Financial Officer

Despite that uncertainty and risks are perceived higher going forward, there are no indications that the UK operations have to de-internationalize due to these, by Brexit augmented, aspects. Continuous presence on the market, as well as communication and collaboration is described as essential in order to reduce the uncertainties surrounding Brexit.

“Pushing the button in terms of implementing plans is different than planning. I guess that is where some businesses may be holding back and may be uncertain as to when do they take the first step to implement any changes. Not an issue for us, because we have enough certainty through collaboration.”

Georgina Silvester, Handelsbanken, Head of Brexit Implementation

4.2.3 Strategic Actions

Even though Brexit has not yet happened, firms are to some extent already preparing as they cannot always wait for full certainty. Acting despite of uncertainty is described as important to keep meeting customer needs and making sure the customers are not affected by the changes.

“We are conducting business as usual. However, we do have a plan A and a plan B, where the plan A is the plan that we have discussed with the regulators.”

Mark Luscombe, SEB, Country Manager UK
“We look at contingency planning, we looked at lobbying and discussing all the options that were more beneficial. We never put all our eggs in one basket, if you like. We made sure that we have a view on the worst-case scenario and made sure that we did plan for that as well.”

Georgina Silvester, Handelsbanken, Head of Brexit Implementation

As elucidated above, a strategic action can also be to adhere to previous strategies implemented and carry out the business as usual, and plan ahead.

“It really won’t affect our strategy, I think we carry on trying to grab market share, think customer first and make them happy. Brexit in a way is slightly secondary at the moment”.

Lawrence Fox, Alfa Laval, Finance Director

Husqvarna looks to take action and secure cheaper means of production, as long as it does not interfere with product quality.

“Perhaps we should have added a few local suppliers in England, and maybe that is something we will do going forward.”

Jan Ytterberg, Husqvarna, Chief Financial Officer

Preparing for different outcomes is considered beneficial according to several respondents and is in line with actions that should be taken now according to the Kommerskollegium. For additional empirical illustration on all uncertainty themes, please see Appendix 3.

4.3 Risk

One of the prominent effects since the referendum is the weakening of the pound and the exchange rate risks. This is especially salient within the manufacturing sector where Husqvarna and Alfa Laval produce locally in the UK and export products into the EU as well as import components globally.

“One of the major things, sort of straight after the vote was that the weakening of the pound meant that it became more expensive for us to buy in euros [...] so then we saw that we had to then reduce, or partly increase our prices to our customers. So we had to take mitigating actions to manage that risk “

Lawrence Fox, Alfa Laval, Finance Director
Trade customs and a weaker pound further entails risks of being out-competed in terms of price by local producers. It is mentioned by Husqvarna that one might have to keep current prices and lower margins due to customs, which in turn might upset shareholders.

“If it's neutral competition then it's just a matter of how long you can last. There may be someone who says "well, we have such good profitability on these products, so we do not raise prices" but then you have a worse margin - and some dissatisfied shareholders, so how long can you cope with that situation?”

Jan Ytterberg, Husqvarna, Chief Financial Officer

Some respondents mention that the economic effects of political events, such as Brexit, might be somewhat exaggerated. There are no real dramatic effects seen at this stage, even if the general consensus is that Brexit is bad for the UK economy.

“The weaker pound has been a little bit more sustained at a somewhat lower level and has a rather gloom outlook in the future as well”

Jens Magnusson, SEB, Private Economist

Another type of risk that emerges is committing resources towards changing strategy or divesting facilities based on exaggerated projections. Many respondents believe one should simply wait and see and adapt to the changes once it is clear what form the trade relationship with the EU will take. In the manufacturing sector is further mentioned that the customer demand will still be there post-Brexit, as their products are not particularly exposed towards political turbulence. Within the financial sector, respondents mention that they will adhere to their previous UK strategy but adapt to regulatory changes. Three second order concepts emerged through our interviews, guided by the theoretical framework: exploitation, exploration and diversification.

4.3.1 Exploitation

Handelsbanken explain that their conservative risk model helps them handle different kinds of uncertainty. It also determines what market they commit to. It can therefore be utilized and exploited to handle the Brexit situation as well and adapt where necessary.
“We can expand with the business model, because it is completely scalable. We can do it wherever we want. We have for instance The Netherlands which is a market we are expanding a lot on, because we think it works a bit like Sweden. The UK - they are quite like us Swedes as well. We do not get into France, because we do not understand it. There has to be a regulatory system and business practices that aligns with how we work in Handelsbanken.”

Anonymous, Handelsbanken, HCI Governance and Internal Control

“In different types of risk measures, Handelsbanken is considered to be one of the safest banks in the world.”

Robin Nylén, Handelsbanken, Head of Private Customers, Borås Office

SEB too mention experiential knowledge from the UK even before the nation was a member of the EU and consequently it will not affect the market strategy. There will be changes to the banks regulatory oversight, and the perception is that the financial industry will become affected negatively. Husqvarna and Alfa Laval share this notion as well. Brexit is treated as a serious matter within a European context, but due to their global operations and wide product portfolio the augmented risks do not change the commitment towards the market.

“Within Europe, it's not an insignificant event, but it does not really have a global effect, except within the financial industry - but not a global impact, in my opinion.”

Jan Ytterberg, Husqvarna, Chief Financial Officer

4.3.2 Exploration

Within the theoretical framework, exploration mainly refers to acquiring new knowledge to handle risk when entering a market. Even though all firms have long experience from the UK market, they lack experience of such a phenomenon as Brexit is since this is the first time in history a nation is leaving the EU. By not divesting because of Brexit, but instead being present in the UK, the firms can gain more experience on how to handle similar situations going forward. Exploring options after Brexit is realized might in fact entail less risk than engaging in too many mitigating actions at this stage.
“I think there is more risk by taking decisions now because if you move your headquarters and then nothing really changes with the flow of people, then we take most of it but remain some sort of common market, then I think people are jumping the gun.”

Lawrence Fox, Alfa Laval, Finance Director

Brexit might even provide opportunities to explore for Swedish firms.

“I have an alternate take on this - and that's that this is good for Swedish companies. Swedish companies are generally much faster to adapt and to be flexible in plans and make changes than, for example, German companies. Every threat is also an opportunity!”

Jan Ytterberg, Husqvarna, Chief Financial Officer.

There is more risk associated with exploration and the firms within the study considered themselves risk-averse, but evidently there are risk management practices in place to handle the uncertainties that have arised through the business models and risk diversification.

4.3.3 Diversification

Within every case, the UK market is considered relatively important, but not as a market that the overall performance of the firm is dependent on. This is because of a diversified portfolio, both in terms of products and the degree of internationalization. As exemplified by Husqvarna, decisions were made to hedge the dependency through investing in production in the Czech Republic.

“[Brexit] is a parameter to consider when making investment decisions and so on, there will be some uncertainty around this. But as I said, we were already on our way to have a dual source. And so this happened, but even before Brexit we decided to create this opportunity to get a risk equalization, if we were to bump into problems in Aycliffe.”

Jan Ytterberg, Husqvarna, Chief Financial Officer

Similarly, at Alfa Laval who has several different product markets, risk diversification is achieved through more cyclically stable business lines. If there is increased uncertainty in the UK market, there will always be stable streams of income from reliable product segments and international markets that help float the riskier business environment.
“If one market is becoming very uncertain and unstable, we are able to fall back on our waste water market which is a bit more stable.”

Lawrence Fox, Alfa Laval, Finance Director

“I don’t know if it could potentially become more difficult to sell to England. But I mean, we sell to the whole world so in a way this problem feels rather marginal.”

Jonas Norlander, Alfa Laval, Group Treasurer

Within finance, Handelsbanken have mentioned that they are more exposed to Brexit than their Swedish peers as they have committed more resources towards that market. SEB instead mentions that they rely mostly on other home markets. Even though the UK market is growing in importance and on the bottom line, hedging risk through diversifying the portfolio of international markets is palpable. For additional empirical illustration on all risk themes, please see Appendix 4.

4.4 Cross-Case Findings

In Table 3, the dimensions commitment, uncertainty and risk and their respective second order themes are rated in terms of occurrence of identified mechanisms in the interviews. In the interview guide (Appendix 1) the theoretical framework is divided into questions containing these dimensions. The second order themes were then inductively developed from the interviews with relation to the theoretical framework. The score “A” was assigned within cases where that theme was frequently discussed and highlighted among respondents. “a” signifies that the theme was discussed to some extent, but not something that was particularly important. “0” was assigned within cases where we could not find a connection to the outlined theme. This helped us structure the data when conducting the analysis.

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Table 3, reconfigured and modified from Eisenhardt & Santos (2009)
5. DISCUSSION

5.1 Commitment

Based on widespread media attention and economically dramatic forecasts (e.g. Business Sweden, 2017; CNBC, 2017; Financial Times, 2017b), we estimated that commitments towards the UK market were subject to decrease to some extent, “-\(\Delta\)commitment”. Interesting notions from our empirical data suggest otherwise. De-committing actions, representing de-internationalization (Benito & Welch, 1997; Griffin, 2003) might indeed occur for the financial segment as part of adverse governmental actions (Benito & Welch, 1997). This is due to regulation of financial activities, of which some requires to be carried out within the EU. Many larger European banks are thus divesting part of their UK operations but within SEB and Handelsbanken this is not too much of an issue.

Intangible commitment serves the purpose of learning and predicting changes in the business environment (Hadjikhani, 1997; Figueira de Lemos & Hadjikhani, 2014) and firms are seen to increase this through collaboration and communication with regulators. Furthermore, all firms mention that they aim to grow organically and grab more market share in the UK. This is most evident in Handelsbanken who increases tangible commitments through local offices (Hadjikhani, 1997; Figueira de Lemos & Hadjikhani, 2014) and adhering to their previous strategy as they express that adapting too much towards external influences may cause them to lose their way. This is in line with Hadjikhani and Johanson (1996) who argue that organizations cannot flexibly react to extensive market changes. To wait and see with tangible commitment decisions and increasing intangible commitment is therefore an applicable strategy in this scenario (Figueira de Lemos & Hadjikhani, 2014; Hadjikhani & Johanson, 1996). Since there is still so much uncertainty surrounding Brexit, firms lack sufficient knowledge to quantify all changes, thus decreasing tangible commitment is not viable at this stage in the Brexit process (Erramilli, 1991; Pedersen & Petersen, 2004). SEB further illustrates commitment towards the UK, in line with Dominguez & Mayrhofer (2017) view that commitment towards foreign markets can increase, decrease and then re-increase over time. The re-increase is thus elucidated by initiatives to focus the business towards UK based clients in addition to serving Nordic ones.

Commitment for Swedish firms like Alfa Laval and Husqvarna is not viewed as reduced either. Brexit has undoubtedly augmented risk and uncertainty, +\(\Delta\)uncertainty and +\(\Delta\)risk.
However, contrasting the view of León-Darder, Villar-Garcia and Pla-Barber (2011) is that commitment is not reduced as a consequence of these factors. In the case of Husqvarna, where the UK market is of strategic importance from a production perspective, commitment has not reduced as a consequence of Brexit. Rather, due to the growth and profitability on robotic lawn mowers, production capacity has increased by investing into another facility outside of the UK. At Alfa Laval, commitment is not perceived to reduce as a direct consequence of Brexit either. While it is mentioned that they have seen firms hold back investments towards the UK, working a growing market and relying on more stable product segments to handle uncertainties and risk helps to conduct business as usual whilst preparing for Brexit.

These findings support the notion that internationalization should be assessed in terms of the overall portfolio of countries and not in terms of single increases or decreases in commitment (Benito & Welch, 1997; Håkansson & Kappen, 2017). Investments into countries outside of the UK was not a decision based on Brexit, but the phenomenon might indeed accelerate it and over time de-internationalization may occur if the realized consequences post-Brexit become too troublesome to handle. Based on these findings, aligned with the reasoning of Benito and Welch (1997) and Håkansson and Kappen (2017), we see an interesting concept arise that has not been particularly illustrated in previous research. When uncertainty and risk increase on a market, commitment can also increase towards another international market in the firms’ setup, changing the system of internationalization. This is indicated in the case of Husqvarna, where commitment towards the Czech Republic increases without a current decrease in commitment in the UK. Indeed, it is mentioned that commitment may decrease over time, but not for now. In the financial industry a decrease in one market simply generates an increase in another, for EU-regulated activities. We name this concept “system internationalization” - meaning that the commitment dimension within the entire international portfolio increases because of augmented uncertainty and risk on one market, or the overall international commitment remains unchanged through relocating activities from one market to another. These findings were not something we expected to see when starting our research, but it is an interesting development given the theoretical background that commitment should decrease as uncertainty arises to mitigate risk (León-Darder, Villar-Garcia & Pla-Barber, 2011; Benito & Welch, 1997; Johanson & Vahlne, 1977).
5.2 Uncertainty

The firms’ abilities to understand the market conditions in which they operate follow an integral part of understanding the notion of how to handle uncertainty (Johanson & Vahlne, 1977; Eramilli, 1991; Liesch, Welch & Buckley, 2011). Within all cases, the firms realize how the market conditions differ across borders, indicating a sense of market knowledge to try and reduce the entailed uncertainty, “$-\Delta\text{uncertainty}$”. However, uncertainty is said to significantly impact the actions and strategies for firms within their international operations (Erramilli, 1991), a notion that is not apparent in either of the firms investigated. In line with Hadjikhani and Johanson (1996) reasoning to adhering to one strategy in a rapidly changing market environment, the firms examined in this study do not see a need to change their strategies, rather they consider it more important to adhere to previously successful strategies, stay prepared for what is to come and take actions once the referendum has been realized. Following a notion of looking to reduce the uncertainty aspect of operating a turbulent market, uncertainty is said to be reduced through learning and experience (Johanson & Vahlne, 1977; 1990; 2009).

There is a coherent response that the duration of time in which the firms have had established operations on the UK market has affected their view of it. To learn from operating the market, findings point to the importance of forums where coordinated initiatives and joint responses to changes in the market are being discussed. By handling Brexit-related questions through mimicking and creating business relationships with regulators and peers, uncertainty is reduced further (Soule, Swaminathan & Tihanyi, 2014; Forsgren, 2002; Johanson and Vahlne, 2009). Whilst uncertainty can be reduced through collaboration and communication, it is still impossible to fully predict how Brexit will affect the firms. In Alfa Laval it is mentioned that there will always be a degree of uncertainty involved, Brexit or not, and that there are other international markets that are characterized by more uncertainty. The firms act in accordance with Vahlne, Hamberg and Schweizer (2017) who argue that waiting for full certainty is rarely a good strategy. Adjusting and proceeding in small steps and acting despite of uncertainty is frequently mentioned in the interviews and confirms the viability of their findings (Vahlne, Hamberg & Schweizer, 2017). Furthermore, by not de-committing, Hilmersson (2011) mentions that commitment will generate more knowledge and consequently managers will gain more confidence in how to handle market uncertainty, which is apparent in our findings.
5.3 Risk

Figueira de Lemos, Johanson and Vahlne (2011) discuss how changes in market conditions affect commitment, and thus how it affects the overall firm risk management. As commitment is not reduced, despite that Brexit is widely seen as a negative consequence, the increase in risk, $+\Delta risk$ is elucidated. One reason for commitment to stay largely unaffected is that the risks of not being present on the market outweigh the risk of conducting business as usual. Ngo and Loi (2008) claims that in order to stay competitive one needs to respond to ever changing market needs and remain competitive. However, as reported within the cases, the needs of the customers are the same and increasing, and in line with Hadjikhani and Johanson (1996) who suggest that when facing higher levels of uncertainty, adhering to one carefully outlined strategy may be sufficient to mitigate risks. Interestingly, the investigated firms have too noted the importance to build on a previously successful strategy and implement it into all their international endeavours to potentially minimize the risks.

Furthermore, the firms are able to hedge the risk by, in line with Håkansson and Kappen (2017) place “bets” into other markets simultaneously, as reported within the Husqvarna case. Diversification of risk through different international markets and product segments is thus a viable strategy for larger Swedish firms when facing the augmented risk of the UK market going forward. We further argue that this logic holds similarities towards the exploiting logic (Barkema & Drogendijk, 2007) with risk-averse thinking and relying on previous knowledge by being active on the market. Handelsbanken, who handled the financial crisis with great success through a credit conservative and low-risk business model can apply such previous knowledge in handling the Brexit situation as well, something other Swedish firms can learn from. Risk equalization through increased commitment towards other international markets, once uncertainty increases on a given market, further ties into system internationalization introduced in section 5.1.

5.4 Sector Analysis

A striking difference between the sectors investigated in the study is how much regulation determines financial activities internationally. Due to financial regulation within the EU, some parts of Handelsbankens and SEBs business might have to de-internationalize from the UK, in comparison to what Benito and Welch (1997) in this case would describe as adverse governmental action. De-internationalization is defined as any action which implies lower
levels of commitments towards a foreign operation (Benito & Welch, 1997; Griffin, 2003), and those activities, such as EUR-denominated trading and certain clearing operations would then be located in another market within the EU. There are at the moment no concrete plans as to where such activities will relocate to, but Paris and Frankfurt are frequently mentioned, signifying an increased commitment towards other international markets instead, which resembles our introduced concept of system internationalization.

Apart from the regulatory and compliance aspects of the business, both Handelsbanken and SEB believe that Brexit is harmful for their sector, but it is difficult to say anything concrete about it which signifies the increased uncertainty and risk in the market, $\Delta \text{uncertainty}$ and $\Delta \text{risk}$. Despite these changes, commitment is actually not perceived to decrease as a consequence outside of the activities that have to relocate for regulatory purposes. This, to an extent, challenges the view of León-Darder, Villar-García and Pla-Barber (2011) who argued that higher levels of host market uncertainty entails less commitment in order to mitigate risks. Both firms have in recent years displayed a strong positive development in commitment, $\Delta \text{commitment}$. SEB has done so in terms of an increased focus on UK domiciled large corporate clients whereas Handelsbanken aggressively expanded their retail business by increasing tangible commitments (Hadjikhani, 1997, Figueira de Lemos & Hadjikhani, 2014) of local offices since the financial crisis 10 years ago. SEB’s strategy is not expected to change as a consequence of Brexit, but precautionary measures are being conducted and they are preparing for different scenarios, actively engaging in business networks with peers and regulators in attempt to reduce uncertainties that has emerged through Brexit (Forsgren, 2002; Johanson & Vahlne, 2009). While Handelsbanken might not expand in such a rapid pace post-Brexit, they are still growing and rely on their risk averse business model to adapt towards the augmented risks and uncertainties. They are then able to adapt towards changes, as the business model proved during the financial crisis. This is in accordance with Katikeas, Samiee and Theodosious (2006) view that a sound fit between strategy and context ensures that the strategy fits the environment in which the firm operates in. The risk control practices within Handelsbanken are thus prepared to handle the increased risks and uncertainties from Brexit.

As noted by Benito and Welch (1997), firms do not readily withdraw from markets where commitment is high. This is the case for the investigated companies in the finance sector as well, who displays an increased commitment towards the UK and both firms treat it as a
home market. Some de-internationalization will occur due to EU-regulation, but those activities will be relocated to another strategic international market. It thus strengthens the theoretical framework of Benito and Welch (1997) where de-internationalization could simply be views in terms of minor adjustments to the overall strategy of internationalization, and that internationalization should be evaluated on the firms overall international operations (Håkansson & Kappen, 2017).

Within manufacturing, diversification appears to be a key risk-minimizing strategy. Similar to casino internationalization processes (Håkansson & Kappen, 2017), firms hedge their risks by committing resources to several endeavours simultaneously, expressed within both the Husqvarna and Alfa Laval cases. The manufacturing companies have several lines of business and in times of market instability, there are other markets both internationally and within the different lines of the business that help the firms navigate the uncertainties and risks that occur on one specific market. As in Husqvarnas case, an increase in commitment towards production capacity in the Czech Republic does not at the moment occur on the expense of their UK operations, even though the investment decision was made to equalize risks. Divestment might be seen at later stage on the UK market if the problems surrounding Brexit become worse than anticipated, but for the moment the business is growing. The overall system of international commitment can hence be viewed to positively change “+∆commitment” because of +∆uncertainty and +∆risk even though commitment decreases -∆commitment or remains unchanged on the given market, giving rise to the concept of system internationalization.

No matter the sector, adhering to one strategy is mentioned within the cases as a as it might not be possible to flexibly adapt too much to a rapidly changing market environment (Hadjikhani & Johanson, 1996). Additionally, Vahlne, Hamberg and Schweizer (2017) elucidated the importance of a clear vision on the horizon to manage uncertainty. As Brexit is a one-time event on the UK market, adapting and changing too much may indeed be unnecessary, elegantly summarized by Mark Luscombe, SEB: “We were based in the UK before, from the late 60s before the UK joined the European community and we see no reason why we would not be able to continue running our business in the way that we’ve always done.”
6. CONCLUSION

6.1 Summary and Theoretical Contribution

We have investigated how the political phenomenon Brexit, meaning the UK’s imminent departure from the European Union, affects the international operations of Swedish firms. This was done through a qualitative method of interviews with respondents from four large Swedish firms within two different sectors: SEB and Handelsbanken in finance, and Husqvarna and Alfa Laval in the manufacturing industry. The change processes within each firm that Brexit induces is the unit of analysis within this study, where a literature review on internationalization and de-internationalization helped form a framework to gather and analyse the data. The theoretical framework consists of commitment, uncertainty and risk, which are highly interrelated variables within international business. The interviews sought to determine how an exogenous market shock such as Brexit changed those variables.

The empirical findings supported the secondary data reviewed in that Brexit is a negative aspect for the UK economy. Evidently, though, is that none of the firms investigated see a dramatic change in commitment towards the UK market, despite that both uncertainty and risk have increased. One reason for this is that the UK market constitutes a relatively important and growing market for all firms, and the benefits of operating within that market currently outweighs the uncertain market environment. Furthermore, large companies are able to rely on other stable markets and product segments through diversification and are therefore well equipped to handle the uncertain political landscape that Brexit entails. All firms within the study prepares for Brexit to some extent, mostly through engaging in dialogue with regulators and peer organizations to increase knowledge. Regulation and compliance is on top of the agenda for financial institutions that can no longer operate under their current legal setup after Brexit. Thus, a lot of work is conducted into becoming compliant going forward. SEB are preparing for different scenarios and shares views with other European banks to gain clarity.

Within the manufacturing industry, both Husqvarna and Alfa Laval report organic growth from the UK market but have taken some actions to mitigate certain risks, such as increasing prices to keep their margins due to the currency risk that Brexit has generated. In Husqvarna, decisions were made to increase investments elsewhere in production capacity to not be too dependent on production in the UK. This decision was made before Brexit became known but
is potentially accelerated as a consequence. In line with this, our study has found some interesting notions. Despite widespread attention in media that firms will divest their operations from the UK, we do not see any real indications of that. Even though uncertainty and risk has increased, commitment has not been affected negatively as a consequence. In some cases, commitment is instead growing in the UK. Furthermore, commitment towards a firms’ entire international portfolio may increase as uncertainty and risk increases on one of the markets within the portfolio, giving rise to the concept of system internationalization, which is a theoretical contribution from our study that we did not expect to find.

This study has further contributed towards the relatively under-researched realm of de-internationalization, by pointing out that due to the complex regulatory environment of certain industries, some international activities have to be divested and relocated due to adverse governmental action. Such findings contribute to de-internationalization where Soule, Swaminathan and Tihanyi (2014) claim that little research elucidates whether different industries are more or less prone to de-internationalizing actions. We have found further evidence that acting despite of uncertainty is common in circumstances such as Brexit, as firms cannot wait for full certainty given the complexity that the phenomenon entails. Rules and regulation between the UK and the EU provide extremely difficult tasks for regulators to tackle as the negotiations are on-going, and firms actively engages in dialogues with regulators and peers in order to achieve clarity on the current market conditions. The notion to engage in regular dialogues to acquire knowledge signifies a method of mimicking to reduce uncertainty and based on this study it is a viable strategy for Swedish firms in their international operations.

The outcome of this study has also challenged the belief that an increase in uncertainty and risk will lead to reduced levels of commitment. In the case of SEB, recent strategic initiatives have actually seen an increase in commitment towards the UK market in terms of targeting new, large domestic clients. This decision has not been revoked as a consequence of Brexit. Similarly, Handelsbanken are adhering to their growth strategy with local offices and are now increasing competencies within those offices. The de-internationalization that might occur is not directly related to higher levels of uncertainty and risk, but more towards regulation and compliance as some financial activities must be carried out through an EU-based entity. Such empirical evidence suggest that internationalization should not be assessed in terms of investments or divestments from one international market, but rather towards the overall
international portfolio, a logic that is incorporated in *system internationalization* introduced within this study. If banks have to divest certain operations in the UK, they will instead increase commitments towards another market. Similarly, within manufacturing some risk equalization is seen in the case of Husqvarna with an increase in commitment towards the Czech Republic.

To conclude our findings by answering our research question “*How does Brexit impact the international operations of Swedish firms active in the UK market?*”, it does indeed affect commitment, but not in a negative way. Rather, commitment towards overall international operations increases in some cases to hedge risks. Furthermore, as uncertainty is augmented, intangible commitments such as engaging in business relationships and continuous communication increases. Preparation is conducted to some extent within all cases, where relying on previously successful strategies and to have a clear vision and stick to it is expressed as important factors going forward.

### 6.2 Limitations

As the scope of this study only incorporated Swedish firms, we have only scraped the surface on the intricacies of international politics that surrounds Brexit. In the study, respondents speak about the need to adapt towards regulatory pressures, but we have not gone into depth as to what those regulatory changes are. We merely investigated whether Swedish firms need to take different kind of actions in their international operations as a direct consequence of Brexit, and what those actions entail in terms of commitment, uncertainty and risk. Furthermore, this study investigates relatively large companies, neglecting the effect that Brexit will have on smaller Swedish firms that are more exposed towards the UK market.

Another limitation was the ability to identify relevant respondents within the firms. Brexit is at the moment a subject that not many people work actively with, and decisions in light of this phenomenon is primarily isolated towards high-level executives. Securing interviews with such respondents was a lengthy and tedious task, which gave us limited time to analyse the data. However, we strongly argue for the relevance and contribution from our respondents.
6.3 Future Research

To address the limitations of this study, future research can incorporate additional dimensions on the investigated phenomenon. Since we conducted this study amidst the on-going Brexit-negotiations between the UK and the EU, conducting a similar study post-Brexit could potentially yield interesting differences. Furthermore, incorporating different sectors, such as the pharmaceutical or IT, could contribute to enrich the picture of the intricacies of Brexit and potentially other exogenous market shocks. As this study focuses on large Swedish firms, another interesting take to further study could be the implications that Brexit infer on smaller firms with operations in the UK.

Within the field of international business, we have contributed to the pool of current research through *system internationalization*, where an event such as Brexit causes commitment to change in other markets outside of the UK. This concept could potentially be built on by applying the same logic when other scenarios that increase uncertainty and risk emerge, to test its theoretical validity.
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### Appendix 1

#### Interview Guide and Operationalization

<table>
<thead>
<tr>
<th>Questions</th>
<th>Concepts</th>
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<tbody>
<tr>
<td>1. Could you please describe your firm?</td>
<td></td>
</tr>
<tr>
<td>2. What does the firm do and in what countries does it have operations?</td>
<td>Commitment</td>
</tr>
<tr>
<td>3. How does the firm internationalize towards new markets? Is there a distinguished pattern or case-by-case?</td>
<td>Internationalization</td>
</tr>
<tr>
<td>4. In case of market turbulence, how would an exit-process be initiated?</td>
<td>De-internationalization,</td>
</tr>
<tr>
<td></td>
<td>Uncertainty</td>
</tr>
<tr>
<td>5. How important is the U.K. market for your company?</td>
<td>Commitment</td>
</tr>
<tr>
<td>6. How would you describe the significance of the U.K. market in relation to the firms’ overall operations?</td>
<td>Commitment</td>
</tr>
<tr>
<td>7. What does the product/service offering in the U.K. look like?</td>
<td>Commitment</td>
</tr>
<tr>
<td>8. How long has the company been established in the U.K?</td>
<td>Commitment, Uncertainty</td>
</tr>
<tr>
<td>9. What have been the strategies concerning the U.K.</td>
<td>Commitment, Uncertainty, Risk</td>
</tr>
<tr>
<td>10. What is your opinion on Brexit? In what ways do you believe Brexit will affect your sector?</td>
<td>Uncertainty</td>
</tr>
<tr>
<td>11. How has Brexit affected the sector to this date?</td>
<td>Commitment, Uncertainty</td>
</tr>
<tr>
<td>12. What different implications, if any, will Brexit have for the financial and manufacturing industries?</td>
<td>Uncertainty</td>
</tr>
<tr>
<td>13. What is your view on Brexit potential impact on your business unit? On your company as a whole?</td>
<td>Uncertainty, Risk</td>
</tr>
<tr>
<td>14. What is the company’s general attitude towards changes in its business environment?</td>
<td>Commitment, Uncertainty, Risk</td>
</tr>
<tr>
<td>15. How does Brexit affect the firms’ overall strategy?</td>
<td>Commitment, Uncertainty, Risk</td>
</tr>
<tr>
<td>16. How do you view future investments (commitment) in the area?</td>
<td>Commitment, Uncertainty, Risk</td>
</tr>
<tr>
<td>17. If applicable, how is the firm preparing for Brexit? How is the firm handling uncertainty when the outcome of Brexit is not yet determined?</td>
<td>Uncertainty, Risk</td>
</tr>
<tr>
<td>18. Is the company involved in any kind of organization and/or community where discussions regarding Brexit are being held?</td>
<td>Uncertainty</td>
</tr>
<tr>
<td>19. In your opinion, how do you think the company should approach Brexit? How much does it need to adapt?</td>
<td>Uncertainty, Risk</td>
</tr>
<tr>
<td>20. In terms of market competition, how do you believe they approach Brexit?</td>
<td>Uncertainty, Risk</td>
</tr>
<tr>
<td>21. If applicable, how does that affect the firms’ strategic approach?</td>
<td>Uncertainty, Risk</td>
</tr>
<tr>
<td>22. How has the firm dealt with market uncertainty historically?</td>
<td>Uncertainty</td>
</tr>
<tr>
<td>23. What’s the firms’ general attitude towards risk?</td>
<td>Risk</td>
</tr>
<tr>
<td>24. How do you view Brexit in relation to other global economic events, such as the financial crisis or similar? Can you give examples of actions taken to handle uncertainty and risk?</td>
<td>Uncertainty, Risk</td>
</tr>
</tbody>
</table>
Appendix 2

Empirical Data on commitment

<table>
<thead>
<tr>
<th>2nd order theme</th>
<th>Quote</th>
</tr>
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<tbody>
<tr>
<td>Increase Tangible</td>
<td>“It [the UK market] is highly important. After the financial crisis, there was an opportunity to expand the operations over there so we have over 200 offices in the UK nowadays. When I started in the bank we had maybe 8 or 9.”</td>
</tr>
<tr>
<td>Increase Tangible</td>
<td>“We have just started up here [in the Czech Republic]. We will never be able to leave Aycliffe within the next 5-10 years, anyway. As I see it, it’s very hard, no matter what happens to the United States. So, we sit where we sit. But we are not so worried about that”</td>
</tr>
<tr>
<td>Increase Tangible</td>
<td>“UK is never in the top 10, but it is still significant, and you also need to consider that although our business is probably about 100 million euros in terms of the market, we also have and own properties in the UK and we have a manufacturing plant established there. So if you add all those factors together, it is a very important market“</td>
</tr>
<tr>
<td>Increase Tangible</td>
<td>“We have 800 offices in total in the group, 400 in Sweden, so 200 [in the UK] are a lot. I think we earn around a billion SEK there. And there we grow in the same way as we grow in Sweden, so we build the same type of bank there as we have here in Sweden, where the office is the bank.”</td>
</tr>
<tr>
<td>Increase Tangible</td>
<td>“I know that they have built up operations of local offices over there, successfully and very fast. From what I understand, they work very much like we do here in Sweden.”</td>
</tr>
</tbody>
</table>
Increase Tangible

“We feel that by creating a subsidiary we are sort of strengthening our foundations for future growth here in the UK and will be able to take advantage of the huge potential that we see over here. And we are because of that making some investments into expertise and skills in the UK so that we will continue to support our customers here and deliver the great services that they have been used to. So it’s not going to be any changes for our customers, for them it is very much business as usual. But we feel that we are building a stronger bank here in the UK with this.”

Pernille Sahl Taylor, Handelsbanken, Chief Communications Officer UK

Increase Tangible

“Over the last 15 years, we have built up a very large business in the UK. So for that reason, Brexit affects Handelsbanken much more proportionally compared to the other Swedish banks, because we have a large office operation over there.”

Robin Nylén, Handelsbanken, Head of Retail Customers, Borås Local Office

Increase Tangible

“We are the only bank that still invests in offices, one can say. Everyone else are divesting their offices. We still have them, and in Sweden it is quite saturated as it is, but in the UK we are opening up new offices - and we did it rapidly. Maybe not so much now, now we are instead expanding the staff at each office”

Anonymous, Handelsbanken, HCI Governance and Internal Control

Increase Tangible

“We are in a growing phase now, and what is happening in a growing phase is to get products out. So in the short term, considering what product we manufacture in England, I have difficulty seeing that there will be some major changes actually.”

Anonymous, Husqvarna, Experience from Husqvarnas UK operations.

Increase Tangible

“The UK market is, in terms of Handelsbanken Group, we’re the second largest market now for the group. So, we are a significant part of the whole Handelsbanken Group and I think there is a lot of potential here to take more market share in the future if the right customers come forward.”

Georgina Silvester, Handelsbanken, Head of Brexit Implementation
“I believe that the initial reaction, you know, now every financial actor has to escape from London and move to Frankfurt or Paris - it seems like it was a bit exaggerated. But then again, it has not even happened yet so who knows? Some parts, some clearing operations and some niches of the financial industry might have to be within the EU.”

Jens Magnusson, SEB, Private Economist

“I think one probably should not underestimate the importance of having people with certain skills around hubs. It's not necessarily easy to move hubs of skills from one place to another, and you can see that, if you just look within the UK, the global pension system was invented in Scotland by scottish widows and the likes, and the whole actuarial system. And within the UK, Edinburgh continues to be the hub for the pension industry all these years later - so that part of the financial sector has not moved to London, which for me is testimony of what it means when you have a cluster of skills in one particular place - it tends to attract people with similar skills. So I think it’s easier to say than actually do, in terms of moving people with certain skills. Why did SEB decide to have global functions run out of London? Because this was the place where you had those skills. So I think there’s going to be an element of that that will be difficult to just move to Frankfurt or Paris.”

Mark Luscombe, SEB, Country Manager UK

“If you look at it from a production point of view, not only do we have an office and people to move, but we also have equipment to move and it’s not just boot-up costs and such. Should we do something like this, it would take time.”

Anonymous, Husqvarna, Experience from Husqvarnas UK operations.

“I think collaboration and communication. And obviously prudence as well, you know making sure that with so much uncertainty we plan for the worst. We look at contingency planning, we looked at lobbying and discussing all the options that were more beneficial.”

Georgina Silvester, Handelsbanken, Head of Brexit Implementation
## Appendix 3

### Empirical Data on Uncertainty

<table>
<thead>
<tr>
<th>2nd order theme</th>
<th>Quote</th>
</tr>
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</table>
| **Market Conditions** | “It all depends on the deal that is being struck. Also, there is much talk whether there will be a “soft” or “hard” Brexit and that too can be a very deciding factor”.  
Anonymous, Handelsbanken, HCI Governance and Internal Control |
| **Market Conditions** | “What we do in the UK is different from what we see in Sweden, so I think there is a challenge to get people to understand the UK regulatory requirements and why they differ”.  
Mark Luscombe, SEB, Country Manager UK |
| **Market Conditions** | “UK is a completely different market when compared to Germany or Sweden, it has a more capitalistic market structure that is quite easily noticeable.”  
Anonymous, Husqvarna, Experience from Husqvarnas UK operations |
| **Market Conditions** | “It's all speculations because inflation is very low at the moment in the UK, and because the exchange rate has weakened, already we should be seeing inflation but we are actually not, so I think it's very uncertain really, we had to do more work managing the exchange rate risk, and manage our margins and that really could come anyway without Brexit, so I think it’s again the unanswered question what is going to happen and we can’t really answer that”.  
Lawrence Fox, Alfa Laval, Finance Director |
| **Market Conditions** | “In terms of the UK market the environment is uncertain, but we have products to sell and we have customers with needs. To meet those needs, management here in the UK were more active in terms of making sure that we stay close to the business via the margins and we anticipate to correct if there is any problems. [...] we’ve got competition as well, so even if we didn’t have Brexit I think we would still be working a market that is not always certain.”  
Lawrence Fox, Alfa Laval, Finance Director |
Market Conditions  “[The financial sector] will get affected - the question is how much? We don’t know yet. But there seems to be indications that at least the Eurozone regulated banks are being challenged by the European Central Bank in terms of justifying the jobs that they’ll have in London going forward. So there seems to be, at least from what I’m hearing, a push from the ECB to try and move jobs from London into Paris and Frankfurt”

Mark Luscombe, SEB, Country Manager UK

Market Conditions  “We are in the process of preparing for a subsidiary here in the UK. You know at the moment we are operating as a branch using the EU-passporting rules. But because of Brexit, the continuity of those rules is uncertain.”

Pernille Sahle Taylor, Handelsbanken, Chief Communications Officer UK

Market Conditions  “I believe one instead should put more emphasis on the bigger picture that we actually have a trend against a bit more nationalism, a bit less global and international collaboration. It may in the long run prove to be a greater and more important consequence than these more direct economic consequences.”

Jens Magnusson, SEB, Private Economist

Market Conditions  “But to your question, I mean there are challenges. It is a difficult, and it is a different regulatory environment than Sweden. You know, there is a lot of regulatory change generally without Brexit. And now with Brexit obviously that adds further complexity. So you know it’s a competitive and demanding environment in the UK financial services market. So there are challenges, definitely.”

Georgina Silvester, Handelsbanken, Head of Brexit Implementation

Organizational Presence  “It’s been here about 90 years, so it’s one of the first sort of markets that was set up”

Lawrence Fox, Alfa Laval, Finance Director

Organizational Presence  “If we look at the business we are running at the moment, I would say we have run operations there since 50 to 60 years back in time.”

Jan Ytterberg, Husqvarna, Chief Financial Officer

Organizational Presence  “There’s a number of different forums that we’re involved in, but I think the most important one is probably the Association of Foreign Banks - AFB - so this is what you call a trade organization that represents all the foreign banks operating in the UK. And within the AFB there’s an EU-committee, which I am a member of, which basically has representatives, country managers from other EU-bases banks. And there we can coordinate joint responses, we can share observations in relation to what is going on, what are we seeing coming out of the ECB, what are we seeing
coming out of Finansinspektionen, what are we seeing coming out of the UK regulators."
Mark Luscombe, SEB, Country Manager UK

Organizational Presence  “We have local discussions within the management team and also quarterly regional reviews. If questions regarding Brexit are being raised, then we take that discussion at that time.”
Lawrence Fox, Alfa Laval, Finance Director

Organizational Presence  “Handelsbanken have been in the UK since the 1980s - 1982. And here in the UK we’ve seen significant growth over the last 15 years. We have a network of local branches, we have 208 branches currently in the UK serving UK customers.”
Georgina Silvester, Handelsbanken, Head of Brexit Implementation

Strategic Actions  “As things stand we don’t see any material effect on the strategy that we have in the UK. There will be things that we of course have to change, the way that we operate and also the legal status that we have.”
Mark Luscombe, SEB, Country Manager SEB

Strategic Actions  “So I think it’s important that businesses take control and don’t allow the external influences to change their strategy, change the way they work too much.”
Georgina Silvester, Handelsbanken, Head of Brexit Implementation

Strategic Actions  “Our goal has not changed and I think that is exactly what makes us successful because we just keep our eye on the customers and creating satisfied customers. And then you will never go wrong, you know the rest will follow us, your success as a business will follow. But if you start wavering and adapting and changing you lose your way.”
Pernille Sahl Taylor, Handelsbanken, Chief Communications Officer UK

Strategic Actions  “We don’t expect it to impact our strategy as Brexit negotiations is that the UK wants to be open for business. The restrictions are going to be coming out of the negotiations with the EU but it’s not going to be the UK pushing for those restrictions. So I think that from our perspective, and based on the discussions that we’ve had with the regulators here, we don’t expect that we have to change our strategy in the UK.”
Mark Luscombe, SEB, Country Manager UK
Strategic Actions

“I think that from our perspective, and based on the discussions that we’ve had with the regulators here, we don’t expect that we have to change our strategy in the UK.”

Mark Luscombe, SEB, Country Manager UK

Strategic Actions

“We are actually getting ready for it, at the moment we have to be ready as there is not much else we can do. We know that our import cost may go up, so we have cash to manage that. We have also been asked by some customers what our Brexit strategy is, but the firm felt as that was more about trying to find information out, rather than anything else.”

Lawrence Fox, Alfa Laval, Finance Director

Strategic Actions

“If there was a spanner in the wheel that would force us to subsidiarize - become a full bank in the UK, a full subsidiary in the UK with full UK regulatory oversight we’d have to turn to our plan B and there we also have a pretty clear idea what the consequences are. They are more dramatic, but as things stand today it is very unlikely that that scenario will happen.”

Mark Luscombe, SEB, Country Manager UK

Strategic Actions

“Obviously when the vote came in there was a lot of uncertainty and you can almost say chaos in the beginning, not really understanding what the impact would be and how things would unravel. I think the way we’ve always dealt with it is to work very closely and collaborate with the UK and Swedish regulators and with our colleagues in Sweden in the group, to really work our way through it and try and find as much certainty through the chaos, if you like. So we’ve been - since almost as soon as the vote went in - working with regulators and you know, having lots of discussions and trying to get the full picture of the impact and the work that we would need to do. So we quickly recognized that we would need to set up a programme of work, that we knew that there would be changes that would need to be made. We did not know what they were, but we dedicated and focused resources to look at it. And as we’ve worked with the regulators then it has become clearer, the path that we need to take. Obviously we then dedicated more resources and developed a plan etc.”

Georgina Silvester, Handelsbanken, Head of Brexit Implementation

Strategic Actions

“We’ve got through many crises before and we’ll get through this one I’m sure. So I think it’s important that businesses take control and don’t allow the external influences to change their strategy, change the way they work too much.”

Georgina Silvester, Handelsbanken, Head of Brexit Implementation
Appendix 4
Empirical Data on Risk

2nd order theme

Exploitation

“In terms of currency we are well hedged as it is today so it will be. We do not think that the need for garden products will fall dramatically due to Brexit. The grass will continue to grow there too. So that demand will be there.”

Jan Ytterberg, Husqvarna, Chief Financial Officer

Exploitation

“We have a very good risk control. We have a very good business model that has turned out to be stable over time, and we have very good basic values, basic ways of conducting a bank. We are very conservative both in our business model and in our credit policy.”

Anonymous, Handelsbanken, HCI Governance and Internal Control

Exploration

“I believe the biggest risk in the long run, and this is a completely private view, but that is the risk that an EU without the UK will be an EU that is not as good. It's like a smaller market economy, there are more regulations, there is less structural change. The UK has had similar views that Sweden has had in many so-called policy issues, which I think are important and good for growth in Europe.”

Robin Nylén, Handelsbanken, Head of Retail Customers, Borås Office

Diversification

“We are divided into divisions within Husqvarna, so we have Husqvarna Brand Division, which the factory in England operates under. Then we have Construction, Consumer and Gardena, which is the divisions that we have. So we have a lot of cooperation, we have the development in Sweden for the products that you manufacture there, so it's naturally close cooperation there.”

Anonymous, Husqvarna, Experience from the UK market

Diversification

“If you look at the whole picture, from a selling point of view, we encounter far greater difficulties with other countries in comparison to the difficulties we will ever have in England, or through Brexit.”

Jonas Norlander, Alfa Laval, Group Treasurer
Diversification

“Would the SEB share price suffer if the UK was suddenly wiped off the map? Not to any material extent, I mean if you look at the annual report and we’ve for the first time published numbers on the UK and you can see that from a gross income perspective we’re about 3% of SEB’s total gross income, we account for about 5% of the operating profit of the group and less than 3% of the assets so it’s not material in any way - but it’s important because it’s a home market, so it’s important but it’s not such in that it has a big impact on the share price. At the moment at least.”

Mark Luscombe, SEB, Country Manager UK