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Managing the Risks and Uncertainties of Brexit

A multiple-case study on Swedish SMEs with exposure towards the UK

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ABSTRACT

In June 2016, the people of the United Kingdom voted to leave the European Union. The negotiations over Brexit is currently ongoing and can result in different outcomes affecting international trade. This has created uncertainty and risks, not only for companies in the UK, but also for companies worldwide who have a trade relation with the UK. Sweden's trade relation with the UK is by tradition of great importance, where a large number of companies with exposure to the UK are affected by Brexit. The purpose of this study was to investigate how Swedish SMEs manage the risks and uncertainties of Brexit. In order to do this, a multiple-case study including eight different companies was conducted. The findings from this research emphasize a common denominator, where all SMEs recognize risks and uncertainties from Brexit. The risks from Brexit are mainly treated separately from other risks the companies face rather than in an integrated manner. SMEs combine ideas from the planning and adaptive school of strategic management when facing the uncertainty of Brexit by actively scanning the environment but managing the risks once they actually pose a threat. This while postponing planned investment to limit their risk exposure. The UK is a growing and important market for the companies in the study which makes them unwilling to leave the market. Instead, the risks and uncertainties are managed in order to prepare for business in the Post-Brexit UK.

Keywords: *SMEs, Brexit, International Business, Risk Management, Risk, Uncertainty, Political Risk, Planning School, Adaptive School*

LIST OF ABBREVIATIONS

B2B	Business-to-Business
B2C	Business-to-Consumer
CEO	Chief Executive Officer
EC	European Commission
EEA	European Economic Agreement
ERM	Enterprise Risk Management
EU	European Union
EUR	Euro
GBP	Great British Pound / Pound Sterling
SMEs	Small- and Medium Sized Enterprises
UK	United Kingdom
WTO	World Trade Organization

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1 INTRODUCTION

The introductory chapter of this thesis includes a background followed by a problem discussion and the purpose of the study, which leads to the research questions the study aims to answer. This chapter also presents delimitations and an outline of the study. In this chapter, a background to Brexit, and Sweden's trade relation with the UK is presented, together with an introduction to risk management theories, in order to give the reader an understanding of the research focus.

1.1 Background

Since the citizens of the United Kingdom (UK) voted to leave the European Union (EU) in June 2016, it has been a major topic within world politics. The UK's withdrawal from the EU is known as Brexit. When writing this thesis, the UK and the EU is under a two-year negotiation process over the terms of Brexit. This creates uncertainty and potential risks for companies, not only in Britain but worldwide, with trade relations with the UK (PWC 2016). Brexit will therefore have consequences regardless of the final outcome of the negotiations. Never before has a country left the EU, which makes the event unique and unexplored in the academic community.

This thesis will focus on Swedish small and medium-sized enterprises (SMEs) that have exposure to the UK. It will address the risks and uncertainties of Brexit from the companies' point of view. The UK is one of Sweden's most important trade partners, and out of all companies in Sweden, 99.9 per cent are SMEs (Business Sweden 2017; European Commission 2017). SMEs face the same risks and uncertainties as large corporations from Brexit (Brown, Liñares Zegarra & Wilson 2018), but have in general less resources to manage them (Leopoulos 2006; Smit & Watkins 2012). Further, research within risk management and SMEs, in combination with Brexit, is yet a new topic. Together, the unique features of Brexit, the trade relation between the UK and Sweden, and the large number of Swedish SMEs, are aspects which create an interesting starting point for research in how SMEs manage risks and uncertainties in the light of Brexit.

The Brexit referendum was held on June 23rd 2016 and resulted in a win for the leave campaign (BBC 2016). The main, overall arguments for leaving the EU was to regain control over policy making and that the money the UK spends on the EU could be better used within the nation's borders. Critics argued that the EU is continually increasing its power and fees (Vote Leave 2016).

On March 27th, 2017, the newly appointed Prime Minister, Theresa May, triggered article 50 of the Treaty of Lisbon which formally began the negotiations of the UK leaving the EU (BBC 2017). Article 50 is the plan a country must follow in order to leave the EU. It has a two year time frame during which the terms between the UK and the EU will be negotiated. The time frame can only be extended by a unanimous agreement from all countries in the EU. This means that, as long as there are no extensions to the negotiations, the UK will formally leave the EU on March 29th 2019, with or without a deal with the member nations of the EU (BBC 2017).

There are several possible scenarios which the Brexit negotiations potential could result in, which will have different effects on international trade and international businesses. The UK could become a member of the European Economic Agreement (EEA) or form a customs union with the EU (European Union Committee 2016). This would result in continued high levels of free trade between the country and the union with most goods and services. Another possible scenario is that the UK and the EU negotiate a bilateral free trade agreement (PWC 2016; European Union Committee 2016). How this will affect tariffs on goods and services depends on the scope and depth of the agreement. Further, the outcome could result in that the EU trades with the UK under the terms of the World Trade Organization (WTO). This means that tariffs will be implemented on trade between the UK and the EU (PWC 2016; European Union Committee 2016).

Whether what will be decided from the negotiation process, there will be effects in trade relations between the UK and other countries. Historically, Sweden has had trade relations of great importance towards the UK, and still has today. The UK is one of Sweden's largest export markets, both when it comes to trade in goods but also in services. The UK is also one of Sweden's most important sources of imports, regarding both goods and services (Business Sweden 2017; National Board of Trade Sweden 2016). There are around 1 000 Swedish subsidiaries present in the UK but many more companies are exporting and importing from the market (Business Sweden 2017). Depending on what type of deals being negotiated, Brexit risks to raise the costs of performing trade between Sweden and the UK, but also complicate the movement of goods, services, capital, and labor (National Board of Trade Sweden 2016).

There are nearly 700 000 companies in Sweden, whereas 99.9 per cent of these are represented by SMEs (European Commission 2017). The SMEs in Sweden allocate two third of the total work force in the country, and they account for 60 per cent of the value added (European Commission 2017). The future development for SMEs in Sweden is forecasted to be prosperous, which most likely will further enhance their importance for Sweden's businesses (European Commission 2017). Therefore, Brexit is highly relevant for Swedish SMEs, as there are many companies that can, and probably will, be affected by the ongoing negotiation process between the UK and the EU.

1.2 Problem Discussion

Brexit is causing uncertainty on the British markets and around the world (Cumming & Zahra 2016). For the Swedish companies exposed to the UK market there is uncertainty in how Brexit will affect the trade relation between Sweden and the UK. The UK is an important trade partner for Sweden, whereas Brexit might affect the existing trade relation depending on what effects that will arise (National Board of Trade Sweden 2016). Prior research on Brexit (PWC 2016) estimates that, depending on the outcome, the post-Brexit uncertainty may not be resolved until 2030 which would mean over a decade of uncertainty for companies exposed to the UK.

Existing research related to how risks and uncertainties can be managed goes within the concept of risk management. Risk management is widely used within business research, without an unanimous definition (Baird & Thomas 1985; Dorfman 2002; Hubbard 2009; Miller 1992). Risk management is applicable for all types of firms and organizations, as they all are exposed to risks and uncertainties to some extent. In research, the terms risk, and uncertainty, are separated from each other by several scholars, where risks are regarded as situations with some level of certainty, and uncertainties as inability to create precise predictions of future events (Anderson, Ghysels & Juergens 2009; Duncan 1972; Hubbard 2009; Knight 1921; March & Shapira 1987; Miller 1992; Milliken 1987; Penrose 1972; Thompson 1967; Tversky & Fox, 1995). Even though the terms have separate meaning, both terms play an important role within risk management and strategic decisions for companies (Liesch, Welch & Buckley 2011).

There is research within risk management that focuses on large companies (Feinberg & Gupta 2009). However, SMEs are active in the same business environments as the larger companies, but they do not have the same amount of resources at its disposal, which makes SMEs sensitive towards risks and uncertainties in a different way than large companies (Leopoulos 2006; Smit & Watkins 2012). Existent research regarding risk management and SMEs argue for what benefits SMEs can gain if they construct their risk management processes from certain directives, by using their resources in the most suitable way (Hofmann 2009; Kirytopoulos, Leopoulos & Malandrakis 2001; Leopoulos 2006; Smit & Watkins 2012; St-Pierre & Bahri 2006; Watt 2007).

From the literature on how to strategically manage risks and uncertainties, two dominant schools has emerged, namely the planning school and the adaptive school. Scholars within the planning school suggests that firms that analyze the environment and try to predict it will outperform those that do not (Ansoff 1979; 1991; Porter 1980; Johnston, Gilmore & Carson 2008; Phaal, Farrukh, Probert 2004). By planning, companies can manage the risks before they affect the company. On the other hand, scholars in favor of the adaptive school argues that firms should focus on quickly adapting to changes in the environment once they occur (Fredrickson & Mitchell 1984; Mintzberg 1978; 1990; 1994; Quinn 1980; Teece, Pisano & Shuen 1997). Further, literature on internationalization of firms contributes to the existing risk management literature by discussing how risks and uncertainties affects firms choices to invest or divest in a market (Figueira-de-Lemos & Hadjikhani 2014; Figueira-de-Lemos, Johanson & Vahlne 2011; Hadjikhani 1997; Hilmersson, Sandberg & Pourmand Hilmersson 2015; Johanson & Vahlne 1977; Oviatt, Shrader & McDougall 2004).

Never before has a country left the EU, which has created unique circumstances to discuss existing, and develop new, literature on risk management in a new and important context. As Brexit is a new phenomenon, the area has yet not received much attention from researchers in terms of how companies manage the risks and uncertainties it has caused. This has created an opportunity to investigate this new combination, in terms of how existing research on how to manage risks and uncertainties is applicable to Swedish SMEs in how they are dealing with Brexit. To the authors knowledge, no prior studies has focused on how Swedish SMEs manage the risks and uncertainties of Brexit, which is the research gap the authors intends to fill with this study. This study will focus on Swedish SMEs and how they act in relation to the risks and uncertainties of Brexit. By showing how the companies in the study perceive and act on the risks and uncertainties of Brexit, the study may be beneficial for other companies facing the same issues, not only Swedish but from other countries as well. While the study is made within this unique context, the results may also be applicable for SMEs within other institutional changes. Events similar to Brexit can occur; other countries can leave trade agreements, sanctions can be imposed, or by other reasons resulting in companies facing risks and uncertainties. For these reasons, the study may be of interest for SMEs in other contexts than Brexit.

1.3 Purpose and Research Questions

The purpose of this study is to investigate how Swedish SMEs manage the risks and uncertainties of Brexit. This topic is relevant as the ongoing negotiation process of Brexit has not yet resulted in any concrete decisions or directives, and thereby can lead to uncertainties for companies having trade relations with the UK. The tradition of a strong trade relation that still exist between Sweden and the UK, combined with a high number of existing Swedish SMEs, are indicating a need for research within this field. By investigating if Swedish SMEs are recognizing risks and uncertainties from Brexit, and how they manage them, this study will contribute to research focusing on risk management within SMEs on how to handle events such as Brexit.

From the purpose of the study and the above mentioned formulation, it has resulted in the following research questions for this study:

- *What types of risks and uncertainties do Swedish SMEs recognize in conjunction with Brexit?*
- *How do Swedish SMEs manage the risks and uncertainties in conjunction with Brexit and what types of risks and uncertainties are recognized?*

1.4 Delimitations

For the purpose of this study and in accordance with the formulated research questions, some delimitations were taken into consideration. First, the theoretical framework was constructed with a focus of covering the study's perspective to be applicable for the analysis, and therefore relevant literature was selected. Second, the choice of companies taking part in this research has followed three chosen criteria, which is further discussed in the methodology chapter, that they should be; Swedish SMEs with exposure to the UK market. These criteria has limited the selection of companies taking part in the study and thereby excluded large companies. The study contains findings from eight different companies matching the criteria, without focusing on any specific sector.

1.5 Outline of the Study

This thesis is divided into six chapters. Chapter one is the introduction, where a background of the chosen research focus is presented together with a problem discussion, and the study's purpose and research questions. In chapter two a theoretical framework is presented, with focus on previous research within risks and uncertainties and other related theory that was regarded as applicable to use in the analysis of his study. The third chapter gives a presentation of the methodology, describing how the process of conducting this study was designed. In chapter four, the results from the conducted interviews are presented and constitutes the empirical findings of the study. Chapter five, the analysis, is combining the theoretical framework in chapter two with the empirical findings in chapter four, as an analysis and discussion of the main findings. The last chapter, chapter six, is the conclusion. This chapter provides the conclusions of the findings in the study, and answers the study's research questions. It also contains limitations of the study, and suggestions of future research.

2 THEORETICAL FRAMEWORK

This chapter provides a theoretical framework, which is divided into four main categories. First, the concept of risk management is being dealt with, both in general and in relation to SMEs. Second, the terms risk and uncertainty are defined, and how these terms can be categorized. Third, there is a part concerning risk management and uncertainties in internationalization processes. Fourth, literature on strategic management in uncertain environments is reviewed. The theoretical framework was constructed by reviewing existent research applicable when analyzing how Swedish SMEs manage risks and uncertainties in conjunction with Brexit.

2.1 Risk Management

In order to understand how Swedish SMEs manage the risks and uncertainties of Brexit, it is important to know how the companies manage risks in general. Therefore, the first section of this chapter will define and look at different aspects of risk management.

2.1.1 Defining Risk Management

The term risk management is widely used in the business organization environment worldwide, and has been so for many decades (Hubbard 2009). Thus, there is not a definite and unanimous definition of what risks and uncertainties mean for companies and organizations, and risk management is often referred as a complex process (Baird & Thomas 1985). Risk management is widely used and is of relevance for business organizations, companies, and firms, as well as for individuals, and is explained as the process of handling and preparing of exposure to losses. The purpose of engaging in risk management is to cope with potential losses and protect assets and resources, and minimize risks overall (Dorfman 2002; Hubbard 2009). The process of handling risk management is one of the most important features for firms to consider, especially when it comes to firms and organizations that are operating internationally (Froot, Scharfstein & Stein 1993; Ghoshal 1987), and dealing with risks and uncertainties are having a major role in almost all economic decisions (Dohmen et al. 2011). The wide diversity of risks with unique settings and characteristics firms face, and the complexity that follows from managing them (Ghoshal 1987), has led to a variety in definitions in how to deal with risk management (Dorfman 2002; Miller 1992). Thus, risk management includes several important aspects, such as handling and preparing for exposure of future losses (Dorfman 2002). Risk management is in the present study defined as companies' systematic approach in identifying, analyzing, moderating, and forecasting risks within a variety of specializations or other types of uncertainties, in order to minimize negative effects, as in accordance to Hubbard (2009) and Stulz (1996). Using risk management in order to minimize risks and negative effects rather than removing risks entirely, is due to the fact that risks cannot be completely eliminated for firms and organizations (Dequech 2006; Hilmersson, Sandberg & Pourmand Hilmersson 2015).

Previous research within the field of risk management claim that handling risks and uncertainties within organizations have been somewhat disregarded much due to the complexity, and the large variety of risks and uncertainties organizations face (Bromiley, McShane, Nair & Rustambekov 2015; Miller 1992). Earlier research within the field of risk management indicates a particularist approach, which argue that risks and uncertainties are managed separately rather than in relation to each other (Baird & Thomas 1985; Bromiley et al. 2015; Miller 1992; 1998). To overcome the complexity of handling risks and uncertainties, firms and organizations should focus on a multiple oriented approach and integrate numerous risks and uncertainties since they are interrelated to each other within the whole firm's operations (Bromiley et al. 2015; Miller 1992). This argument is supported by findings from Shapiro & Titman (1986), who claim that several decisions within different areas of interest each deal with individual levels of risk, hence they are all contributing to an organization's total risk, and should therefore be handled in an integrated and multiple oriented view, and not separately as the particularist approach suggest (Miller 1992).

2.1.2 Enterprise Risk Management

Enterprise Risk Management (ERM) is one orientation within the risk management perspective, and in research ERM is related to the integrated approach that Miller (1992) and Shapiro & Titman (1986) argue for, whereas ERM is regarded as a comprehensive method for firms dealing with risks and uncertainties (Hubbard 2009). ERM is a rather young and yet unexplored topic within risk management research, since it is related to the complexity of handling risks comprehensively that have been highlighted in earlier research (Bromiley et al. 2015; Miller 1992). Research that have been made within ERM indicate the integrated approach of risk management that have been highlighted primarily by Miller (1992) and Miller & Waller (2003). The existent research explains ERM as an integrated approach, dealing with numerous types of risks firms face in a systematic and dynamic procedure that embrace a firm's total risk exposure, rather than handling risks individually and separately (Barton, Shenkir &

Walker 2002; Dickinson 2001; Harrington, Niehaus & Risko 2002; Liebenberg & Hoyt 2003; Miller & Waller 2003). Firms' usage of ERM with an integrated and comprehensive risk portfolio, including all types of risks and uncertainties, intends to yield an increased level of efficiency of risk management than if a firm would handle the risks separately. It is not only related to efficiency, but ERM can also act as an aspect of competitive advantage, if risks not solely are regarded as problems but also opportunities (Bromiley et al. 2015). These arguments reason that ERM, and risk management in general, is an important part of a firm's corporate strategy (Hubbard 2009).

One critique that comes with ERM is derived to risk assessment within firms. Especially within larger firms, where it might be a larger number of managers involved in the risk handling process, the managers might have different conceptions towards risks (March & Shapira 1987; Miller 1992) and therefore it can be more difficult to aggregate risks in an integrated approach (Bromiley et al. 2015). The understanding of managers' variety in individual risk perception, is related to the firms' capacity of understanding future prediction and adjusting the decision-making processes from it (Dohmen et al. 2011). This aspect argues that firms', whether their size, are obliged to take into consideration when following an ERM process, and creates a need for an understanding of both the risks and uncertainties as such, but also for the managerial attitudes and preferences towards risks (Bromiley et al. 2015).

2.1.3 SMEs and Risk Management

SMEs are present in the same business environments as larger firms and organizations, thus they do not have the same amount of resources to dispose, which makes SMEs sensitive towards changes that affect the markets to a greater extent than larger firms and organizations (Leopoulos 2006; Smit & Watkins 2012). To overcome obstacles in the market, SMEs can gain advantages in using risk management within its business operations, and thereby achieve better efficiency (Leopoulos, Kirytopoulos & Malandrakis 2006). When utilizing risk management, SMEs can develop an understanding of how to use their existing resources in the most appropriate way seen from the risks and uncertainties they are facing, with improved ability to adapt to the business environments (Kirytopoulos, Leopoulos & Malandrakis 2001). SMEs that uses the integrated ERM method in a systematic approach of risk management, and take an overview of the variety of risks, information and knowledge into account, can gain benefits when formulating the risk strategy and improve the situation considering risks (Hofmann 2009; St-Pierre & Bahri 2006). Watt (2007) argues for SMEs to use an integrated and systematic approach towards risks as well, and claims that SME managers should follow a structured process when formulating their risk management. SME managers can gain advantages if they are formulating a risk strategy in general that is reflected with the risk attitude that is characterized by the firm. This followed by an identification process of what risks the firm face, and finally, creating a priority of how the risks should be managed (Watt 2007). SMEs using structured and integrated methods of risk management can gain competitive advantages or gain benefits, such as cost reductions, improved awareness and preparedness, increased market knowledge, risk reduction, and organizational stability (Smit & Watkins 2012; Watt 2007).

2.2 Risk and Uncertainty

Risks and uncertainties can be separated under the concept of risk management. Regarding Brexit, both terms are relevant for the companies to consider. Brexit has created an uncertain environment where risks arise from.

2.2.1 Defining Risk and Uncertainty

Despite the concept is called risk management, it includes not only risks but also what is called uncertainties. Both terms are important for firms to consider, not only when it comes to risk management but also within decision-making and strategy (Liesch, Welch & Buckley 2011). There are scholars who argue for altering definitions of these two terms, where early research by Knight (1921), and to some extent also by Keynes (1937), distinctly separates the two terms. Risk and uncertainty are claimed to have individual meaning and definition (Knight 1921). The research available of risk and uncertainty is to a large extent based on the findings by Knight (1921) who created a distinction between risk and uncertainty, which still today forms the basis within risk management research. Thus, the terms risk and uncertainty have also been treated as being synonyms and having an omnipresent relation towards each other by some researchers (Figueira-de-Lemos, Johanson & Vahlne 2011), even though that much of the existing research within risk and uncertainties are derived from and consistent with Knight's (1921) arguments (Alvarez & Barney 2005).

Previous research of the two terms, risk and uncertainty, argue that risk is referred to as situations where the possible outcomes, deriving from a choice of action, are known even though the probability of the outcomes is unknown, but can be measured, calculated and estimated based on previous experience and knowledge (Hubbard 2009; March & Shapira

1987; Miller 1992; Penrose, 1972; Tversky and Fox, 1995), which is in line with Knight (1921) that expressed risk as being situations with some level of certainty. Uncertainty on the other hand is not measurable, and is explained as both the outcomes derived from a choice of action, and the probability of the outcomes are unknown, due to the lack of complete information. Uncertainties are therefore described as the inability to create precise predictions of future events, and are therefore seen as one of the most complicated, but essential, tasks firms have to manage (Anderson, Gysels & Juergens 2009; Duncan 1972; Miller 1992; Milliken 1987; Thompson 1967).

Knight (1921) uses the terms explicit and implicit knowledge to separate risk from uncertainty. Explicit knowledge is knowledge that have been confirmed by facts and information. It is knowledge that individuals are able to communicate, such as logical connections and scientific explanations that have been confirmed by facts (Collins 2010; Dienes & Perner 1999; Masters 1992). Implicit knowledge is supporting information that cannot be communicated, since it needs explicit fact confirmation before turning into explicit knowledge. In other words, implicit knowledge is explained as knowledge based on experiences but without confirmation from facts (Collins 2010; Dienes & Perner 1999; Masters 1992). From this perspective, risk is associated with explicit knowledge since it deals with some level of certainty. Risks can be calculated and based on previous experiences in terms of facts, and thereby risks are related to explicit knowledge. Uncertainty is associated with implicit knowledge due to its characteristics of prediction inability. Uncertainties cannot be calculated as risks and be based on previous experiences, and thereby do not relate to explicit knowledge. Instead, uncertainties are related to implicit knowledge, as they are not confirmed by facts and cannot be based on explicit knowledge (Dienes & Perner 1999; Knight 1921; Masters 1992).

2.2.2 Categorization of Risks and Uncertainties

The wide array of risks and uncertainties firms, especially internationalized ones, face have led to categorizations, or classifications, of the terms. Miller (1992) uses *general environmental uncertainties*, *industry uncertainties*, and *firm uncertainties*, as categories. General environmental uncertainties are explained as “factors that affect the business context across industries”, and includes political, governmental, social, and macroeconomic aspects among others (Miller 1992, p. 313). Industry uncertainties are explained as market uncertainty including input-, product- and competition aspects. Firm uncertainties are directly related to the firm itself, including operating-, liability-, managerial-, and credit uncertainty aspects (Miller 1992).

The reason for the categorization of uncertainties is that different categories are followed by a variation of responses, both strategic and financial ones (Miller 1992). Risk management includes both financial and strategic responses to risk exposure, and previous research indicates a separate handling of this process, whereas Miller (1992) argues for an integrated approach within risk management, including the different categories of uncertainties, instead of focusing on separate trade-off responses to risks and uncertainties.

Milliken (1987) argues for differentiation of uncertainties, yielding three different types, and that the complexity of risk management is associated to the inability differentiate uncertainties into the right type. *State uncertainty*, *effect uncertainty*, and *response uncertainty* are three types of uncertainties firms can experience (Milliken 1987). State uncertainty is referred as an uncertainty in how the environment and its elements are changing and an inability to predict the future of the state of the environment. Effect uncertainty is uncertainty regarding how an organization or firm will be affected by the changes in the state of the environment. Response uncertainty is related to uncertainty in what consequences a chosen response to changes in the state of the environment will give (Milliken 1987). There is a need for better understanding and ability to differentiate uncertainties, which demands improvements of environmental scanning and implementation processes (Milliken 1987).

Findings in research (Sund 2015) combines arguments of environmental scanning with two of the types of uncertainties from Milliken’s (1987) research. Environmental scanning can decrease state and effect uncertainty, and therefore result in improved ability to handle future events in the external environment (Sund 2015). This enhances the arguments for environmental scanning leading to an improved and better-controlled responsiveness to event changes in the environment, i.e. dealing with uncertainties (Sund 2015). The ability of firms being able to interpret information resulting from environmental scanning is a source of possible competitive advantage (Zahra & George 2002), whereas the process of interpretation is derived from uncertain events within the environment connecting findings from research by Sund (2015) and Milliken (1987).

2.2.3 Political Risk & Uncertainty

Political risk is explained by a wide spread of definitions, thus, by scholars the concept is described as including risks associated to consequences in the business environment that are derived from political activities and decisions (Fitzpatrick 1983; Howell 1998; Kobrin 1979). Consequences, often regarded as unwanted and unpredictable, are the result from governmental interference within the firms' business environments, therefore it goes as a risk concept, and also being regarded as an aspect within risk management (Hubbard 2009; Kobrin 1979). Political risk includes political and government policy uncertainties that were highlighted as two aspects of general environmental uncertainties (Miller 1992). Political uncertainty is distinguished from policy uncertainty (Ting 1988). Political uncertainty is related to risks and uncertainties connected to changes within political systems or regimes, while policy uncertainty is related to governmental events, such as reforms, regulations and other policies that are affecting business environments (Ting 1988). Thus, political risk include both political and policy uncertainties (Fitzpatrick 1983). In terms of political risk several events are possible to affect firms' business environments. Changes in tax-, trade-, and monetary policies are common in terms of political and governmental interferences. Governments setting up barriers to discriminate foreign firms and patronize domestic firms rather than foreign are also risk factors for international firms and organizations. Political turmoil, war, conflicts, and democratic changes within countries are also phenomena that can affect business environments (Kyaw, Manley & Shetty 2011; Miller 1992).

2.2.4 Political Knowledge & Turbulence

Political knowledge and political turbulence are two terms that are applicable to political risk. Political turbulence is referred as situations that occur from incoherent political changes that affect firms' business environment, where it is hard to foresight the outcomes. What firms know about political systems, political actors, and political decisions in domestic and foreign markets, are referred as political knowledge (Bengtson, Pahlberg & Pourmand 2009; Hilmersson, Sandberg & Pourmand Hilmersson 2015). Political knowledge is an important tool for firms and organizations to decrease uncertainty levels related to their business environment (Hilmersson, Sandberg & Pourmand Hilmersson 2015). Hilmersson, Sandberg & Pourmand Hilmersson (2015) argue that by acquiring knowledge about the political environment, firms are creating incentives of decreasing uncertainty levels, when it comes to internationalization processes of SMEs. This is important since higher level of political turbulence generates higher level of uncertainty in the business environment, whereas higher levels of political knowledge can mitigate uncertainty levels in the business environment (Hilmersson, Sandberg & Pourmand Hilmersson 2015), and make firms able to respond to political and institutional changes with flexibility built up by acquired knowledge and recognition of the business environment (Santangelo & Meyer 2011).

2.3 Risk Management and Uncertainties in the Internationalization Process

International firms are exposed to risks, not only of their home market but also the foreign markets in which they are present. Literature on risk management in the internationalization process of the firm explains how firms act in terms of their commitment to the foreign market if risk and uncertainty increases. Since Brexit has resulted in increased risk and uncertainty on the UK market, the literature is relevant when investigating how the companies in the study change their commitment to the UK.

2.3.1 Risk Exposure in International Firms

Since international firms operate in more than one country, they are exposed to further risks, such as exchange rate risk and political risk in the foreign country (Reeb Kwok & Baek 1998), than to firms that are present only in their home market. Research has resulted in different and contradicting conclusions on international firms' risk exposure compared to domestic firms. Research on corporate international diversification theory (Agmon & Lessard 1977; Hughes, Logue & Sweeney 1975; Rugman 1976; Shapiro 1978) suggests that international firms are less exposed to risk than domestic firms. By operating in multiple countries, the firm diversifies its risk exposure to different markets, and thereby reduces the total risk of the firm. This give international firms an advantage over domestic firms which does not have the same possibility to diversify risks (Rugman 1976). These results are also supported by more recent studies (Kyaw, Manley & Shetty 2011).

Other studies have landed in the opposite conclusion, that international firms are more exposed to risk than domestic firms (Bartov, Bodnar & Kaul 1996; Reeb, Kwok & Baek 1998). The additional risks of operating internationally offsets the benefits of being diversified to different locations (Reeb, Kwok & Baek 1998). Bartov, Bodnar & Kaul (1996) finds support that international firms are more exposed to risk than domestic corporations because in addition to the general risks, they are also exposed to the volatility of foreign currencies.

Further, Kwok & Reeb (2000) suggests that the risk of multinational firms depends on the conditions in the home market and the target market and differentiates between upstream and downstream internationalization. When a company from a developed country invests in an emerging economy (downstream), the total risk of the firm increases Kwok & Reeb (2000). This because emerging markets generate higher risks for the firms. The opposite occurs when a company from an emerging economy invests in a more developed economy (upstream). As developed countries are less risky to invest in than the firms' home market, the firm will decrease their risk exposure by investing in a less risky market (Kwok & Reeb 2000).

2.3.2 Commitment and Uncertainty

Several scholars address the issues of uncertainty and risk management in the internationalization process of which helps explain firms' decisions of investments and divestments in foreign markets (Figueira-de-Lemos & Hadjikhani 2014; Figueira-de-Lemos, Johanson & Vahlne 2011; Hadjikhani 1997; Hilmersson, Sandberg & Pourmand Hilmersson 2015; Johanson & Vahlne 1977; Oviatt, Shrader & McDougall 2004). When a firm internationalize to a foreign market, it becomes exposed to the risks of that location. Investing in foreign markets is therefore associated with risks for the firm (Oviatt, Shrader & McDougall 2004).

According to the Uppsala model of internationalization, firms expand internationally by incrementally increase their business activities in the foreign market (Johanson & Vahlne 1977). Risk in the Uppsala model is a function of commitment and uncertainty (Figueira-de-Lemos, Johanson & Vahlne 2011; Johanson & Vahlne, 1977). The commitment variable is composed of two separate dimensions, namely the quantity of the resources affected and how reversible the resources are (Hadjikhani 1997; Johanson & Vahlne 1977). In other words, commitment is a function of size of the investment a firm makes into foreign countries and how flexible those resources are. Commitments can be divided into two different categories; tangible commitments and intangible commitments (Figueira-de-Lemos, Johanson & Vahlne 2011; Hadjikhani 1997). Tangible commitments are those of which input and output can be quantified, such as subsidiaries' offices, and production plants (Hadjikhani 1997). Intangible commitments on the other hand are those of which input and costs are quantifiable but the outcomes are not, such as advertisement, education of the personnel, meetings, and relationships both inside and outside of the firm (Hadjikhani 1997). Intangible assets are utilized by firms to learn and predict the changes in the environment (Figueira-de-Lemos, Johanson & Vahlne 2011; Hadjikhani 1997). Tangible assets indicate a higher commitment to the market as they are less flexible (Hadjikhani 1997).

Uncertainty in the Uppsala model mainly concerns market uncertainties (Johanson & Vahlne 1977). Uncertainties mainly originate from external factors such as competitors, entering hazards, and changes in politics and policies that affect business operations (Hadjikhani 1997; Johanson & Vahlne 1977). Regarding political risk, Hilmersson, Sandberg & Pourmand Hilmersson (2015) find evidence that political turbulence and political knowledge are two of the main determinants of uncertainties for SMEs during the process of internationalization.

Commitment and uncertainty are in the long run connected in relation to risk through knowledge accumulation (Figueira-de-Lemos, Johanson & Vahlne 2011). When a firm increase their commitment to a market they increase their exposure and risk but over time they also learn and gain knowledge about the market. As the firms' market knowledge increases over time, the firms' uncertainty of the environment decreases. Lower uncertainty about the foreign market leads in turn to lower perceived risk (Figueira-de-Lemos, Johanson & Vahlne 2011).

2.3.2.1 Responses of Increased Uncertainty

When responding to changes in levels of uncertainty in a market, a firm can adjust their commitment to the market by either increase commitment, decrease commitment or 'wait-and-see' (Hadjikhani 1997). How firms respond to increased risk depends on the level of commitment and uncertainty the firm is facing (Figueira-de-Lemos, Johanson & Vahlne 2011). Figueira-de-Lemos, Johanson & Vahlne (2011) suggests different responses to increased risk depending on the circumstances. If the firm operates in an environment where the risk level increases, where the firm is facing an already high uncertainty but low commitment, firms tend to avoid uncertainties and choose to withdraw from the market. As the commitment is low, the market knowledge is also low, and tangible assets are not present, which makes a market exit a convenient option for the firm.

If the risk level increases within an environment where the firm has low uncertainty and low commitment, firms tend to delay tangible commitments and increase intangible commitments in order to increase market knowledge (Figueira-de-Lemos, Johanson & Vahlne 2011).

In the case of low uncertainty and high commitment, with an increased risk level, firms tend to reduce tangible assets in order to reduce the firms' risk exposure to the uncertain market. Since the firm has a high commitment to the market, they have a high market knowledge and thus, knows how to return to an acceptable risk level (Figueira-de-Lemos, Johanson & Vahlne 2011).

2.4 Strategic Management in Uncertain Environments

In the strategic management literature, two different schools have emerged on how firms strategically should act in uncertain situations; the planning school and the adaptive school (Brews & Hunt 1999; Vecchiato 2012; Wiltbank, Dew, Read & Sarasvathy 2006). Both the adaptive school and the planning school assumes that the essential effects of the business environment are beyond control of firms and their efforts (Vecchiato 2012). The firms focus on positioning themselves accurately in relation to the environment (Wiltbank et al. 2006). The main difference between the two is their emphasis on prediction when making decisions, with the planning school having a high emphasis on prediction, and the adaptive school having a low emphasis on prediction (Vecchiato 2012; Wiltbank et al. 2006).

In terms of Brexit, how SMEs approach the risks and uncertainties in terms of planning and adaptation is of importance for managerial implications. It will discuss the balance of planning and preventing risks, which is costly for SMEs, and their flexibility to adapt to unpredictable changes once they occur.

2.4.1 Planning School

The planning school argues that when firms face an uncertain environment, the firms that work with analyzing the changes and try to predict the future will outperform those that do not try to predict the future (Brews & Hunt 1999). The fundamental practices that the planning school emphasizes can be divided into two different phases. First, the firms shall actively scan the environment in order to detect new events and drivers of change that affects the firm. Second, the firm shall evaluate how the changes affects the firm and decide on the most appropriate response (Vecchiato 2012). To succeed in unpredictable environments, Ansoff (1979; 1991) argues that managers and implementers within an organization shall plan the process forward. By planning, the firm can overcome its natural resistance to change and combine rational analysis with creativity, while including the culture of the company when setting the strategy to face uncertainty. Within the planning school the future is predicted, which allows the firm to set its strategy in advance in a way that fits the firm (Ansoff 1979; 1991).

Vecchiato (2012) suggests that the most common techniques for predicting and planning the future is by scenario planning, real options and roadmaps. Scenario planning includes descriptions on different possibilities of developments in the environment leading to different possible futures (Vecchiato 2012) and how to take advantage of the opportunities while avoiding the threats (Miller & Waller 2003). When different possible future scenarios are identified, the firm formulates strategies in order to meet the uncertain environment. Ringland & Schwartz (1998 p. 2) defines scenario planning as “that part of strategic planning which relates to the tools and technologies for managing the uncertainties of the firm”. Johnston, Gilmore & Carson (2008) argue that scenario planning can be beneficial for SMEs even though it is costly and complex. This because it allows the firm to rehearse for possible futures, and interpret and practice results (Johnston, Gilmore & Carson 2008).

Real options are determined as the options of either purchase assets or sell assets at a fixed price on a specific expiration date, also known as call options and put options (Miller & Waller 2003; Myers 1977). The difference between real options and financial options is that the resource of a real option can be either a knowledge-based resource or a physical resource while financial options includes financial assets (Miller & Waller 2003). When a firm operates in an uncertain environment, real options can be used as a measure to reduce risk since the values in the future are fixed, and by so, limit the risks of losses. It generates flexibility for the firm to acquire new resources, to divest, or switch between resources (Miller & Waller 2003).

The roadmap is a planning tool that shows long run relationships between different fields in the external environment such as technology, products, and the market (Phaal, Farrukh, Probert 2004). These fields are connected to each other and the road map shows the connection between them, a change in one field will affect the others. In a turbulent environment, the roadmap can be a useful tool for scanning the environment and track how changes will affect different fields of the external environment (Phaal, Farrukh, Probert 2004).

There are several points of critique made on the planning school’s ways of handling uncertainties in the external environments (Mintzberg 1978; 1990; 1994). The main foundation of the critique is that many aspects in the external environment that may affect the firm are in fact impossible to predict. As predictions are uncertain, the firm takes a risk when setting a strategy in response the prediction of an uncertain environment. Further, Mintzberg (1978; 1990; 1994) argues that plans that are made based on a specific outcome of the future, may tend to become actualized even though the predictions turn out to not become reality, which would make firms mismatch the outcome and response.

2.4.2 Adaptive School

In contrast to the planning school, the adaptive school, also known as the learning school of strategic management, avoids predicting changes in the environment. Instead, the adaptive school emphasizes the importance for the firm to be able to move quickly and adapt to changes in the external environment as they occur (Vecchiato 2012). In a changing environment, new opportunities will emerge and the firms that have the capabilities to rapidly change will be able to take advantage of them. Firms that respond quickly to changes occurring in the external environment, will be able to outperform other firms that struggle with adapting to an uncertain environment (Fredrickson & Mitchell 1984). In general, SMEs are considered to be flexible and adaptive organizations (Levy & Powell 1998). Teece, Pisano & Shuen (1997) discusses dynamic capabilities as a way to sustain competitive advantage. Dynamic capabilities are dynamic in the sense that the capabilities of the firm can be renewed and adjusted in order for the firm to adapt to a changing business environment. Dynamic capabilities may therefore result in sustained competitive advantage even though the firm is operating in an uncertain or changing external environment (Teece, Pisano & Shuen, 1997). Mintzberg (1994) argues that strategic responses to a changing external environment shall emphasize on being innovative and come up with new practices instead of preserving, and rearranging currently existing business practices and strategies. Strategic changes, as a response to a changing business environment, shall be grounded on learnings and new perspectives. With a changing business environment and new learnings, strategy emerges within the firm rather than being planned (Mintzberg 1994). Quinn (1980) argues that the most successful strategies emerges incrementally in steps rather than through big changes. In similarity with Mintzberg (1994), Quinn (1980) argues that strategies emerge by learning and that the future cannot be predicted precisely. By incrementally setting the strategy, it allows the firm to change as new uncertainties and risks develops. Moreover, different competences within the firm can be used in different steps of the strategy formulation to make it more efficient (Quinn 1980).

2.4.3 Connecting the Planning and Adaptive School

The debate between the planning school and the adaptive school has been challenged by scholars (Eisenhardt & Sull 2001; Simon 1993) that fill the gap between the two schools. Not all firms fall in either of the extremes but rather combines the ideas from both the planning and adaptive school (Wiltbank et. al. 2006). Firms and organizations can plan to adapt to changes in an uncertain environment. Planning strategies are made in order to allow for fast adaptation. This can be made by forming the organizational structure in a way that it allows for fast adaptation (Simon 1993). By utilizing scenario planning, the firm can plan for alternative scenarios which can accelerate the adoption (Schoemaker 2002). Moreover, Eisenhardt & Sull (2001) argue for simple rules when operating in unpredictable markets. Simple rules shall provide the firm with concrete guidelines in how to meet unpredictability while it allows the company to respond rapidly and remain flexible (Eisenhardt & Sull 2001).

2.4.4 Control

The adaptive school and the planning school of strategic management both assume that the external business environment is beyond the control of the firm and therefore, do not try to influence the environment in which they operate (Wiltbank et al. 2006). Two additional approaches have emerged, the transformative approach and the visionary approach, which advocates that firms should be a part in constructing the environment and making it endogenous rather than positioning themselves in relation to an exogenous environment (Wiltbank et al. 2006). Constructive approaches assume that there are either no key elements in the environment and thus, the firm can create them, or that there are key elements of the markets where the firm can have influence in the evolution of them. Markets are created by artifacts such as firms, institutions and patterns of trade and firms can act in order to reposition them (Wiltbank et al. 2006). The closest relationships a firm has in a market are those with suppliers, hence the relationship where the firm has the greatest influence on (Wiltbank et al. 2006). Miller (1992) also emphasizes that a firm might use control as a way of responding to environmental uncertainties and shape the future. The firm can engage in political activities, such as lobbying for or against laws and regulations, gain market power or make strategic moves that in turn makes competitors more predictable (Miller 1992).

2.5 Summary of Theoretical Framework and Theoretical Expectations

This chapter contains a theoretical framework which would be used in order to analyze the empirical findings and answer the research questions of the study. In Figure 1 the theoretical expectations of this study are summarized.

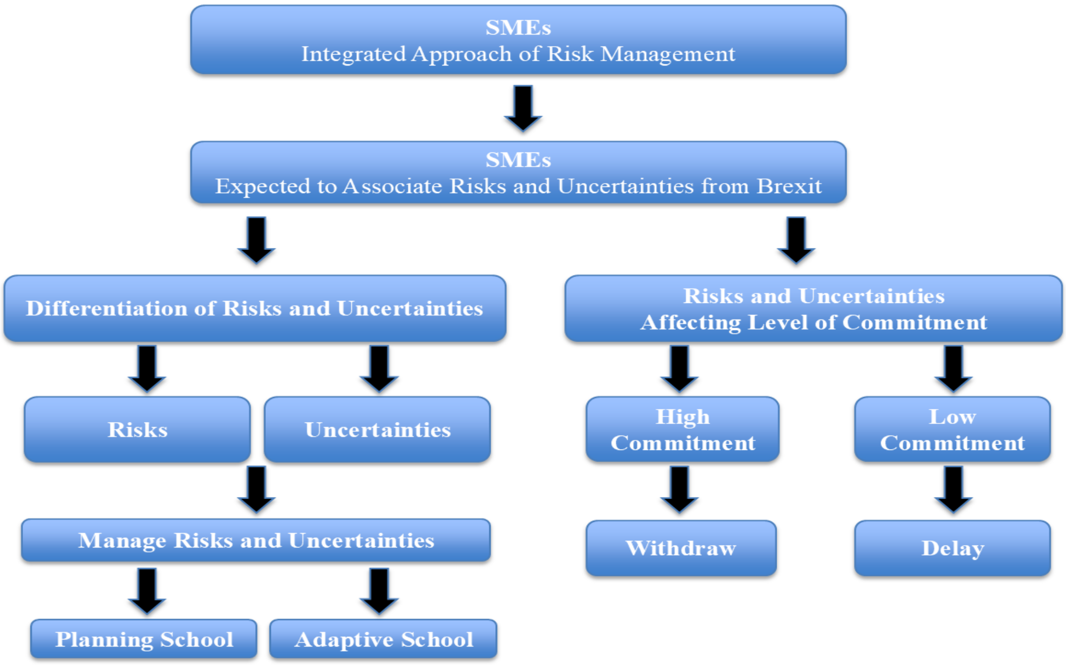

Figure 1 - Theoretical Expectations

There is a variety of research considering risk management, which can be of importance when analyzing how Swedish SMEs manage risks and uncertainties in light of Brexit. Risk management as a concept does not have a definite definition and can involve several aspects for a firm (Baird & Thomas 1985). However, for the purpose of this study risk management is defined as companies' systematic approach in identifying, analyzing, moderating, and forecasting risks within a variety of specializations or other types of uncertainties, in order to minimize negative effects. Even though risk management is regarded as a complex process, it is an important aspect for firms to consider in order to overcome negative outcomes from risks and uncertainties (Dorfman 2002; Ghoshal 1987; Hubbard 2009; Miller 1992). Regarding the wide variety in possible ways of defining what risk management processes are and what it can involve, it is difficult to expect how the companies in this study formulate their risk management processes when taking Brexit into consideration. Hence, because of the importance of risk management highlighted in the literature one can expect companies to have some sort of outspoken risk management approach within their operations.

Regarding research within SMEs and risk management, there are scholars who recommend SMEs to utilize integrated risk management approaches. This in order to overcome the complexity of risk management in general, and to increase efficiency when managing risks and uncertainties (Hofmann 2009; Smit & Watkins 2012; St-Pierre & Bahri 2006; Watt 2007). Other scholars, who do not explicitly focus on SMEs, also argue for benefits for firms utilizing integrated approaches of risk management (Bromiley et al. 2015; Miller 1992; Shapiro & Titman 1986). By using existent research, one can argue for firms to utilize integrated approaches within their risk management. This argument can be utilized as theoretical expectations for this study, where the authors' might find similar indications when studying Swedish SMEs who manage risks and uncertainties from Brexit. In order to have findings in accordance with existent research, the SMEs analyzed in this study, can be expected to utilize integrated approaches within risk management.

Research argue for a differentiation of uncertainties, depending on its characteristics (Milliken 1987). Brexit, with its unpredictable outcome, is expected to result in uncertainty for the firms in the study, with a variety of risks deriving from it. The study will present what types of risks and uncertainties the SMEs associate with Brexit.

As the companies are expected to experience uncertainty and identify risks from Brexit, it will likely affect the companies' plans on further expansion to the UK market based on internationalization theory. The firms with high commitment to the UK market are expected to withdraw tangible assets (Figueira-de-Lemos, Johanson & Vahlne 2011). Firms with lower levels of commitment are instead expected to delay investments of tangible assets (Figueira-de-Lemos, Johanson & Vahlne 2011).

In regards of the planning and the adaptive school when operating in an uncertain environment, there are arguments on both sides which makes the results of the study challenging to predict based on the theoretical framework. Predictive methods, such as scenario planning, can be both costly and complex, but yet beneficial for SMEs according to Johnston, Gilmore & Carson (2008). While the study expects that the companies associate Brexit with uncertainty, the topic is widely discussed which can be beneficial for the companies in terms of scanning the environment. On the other hand, SMEs are expected to be flexible and adaptive according to Levy & Powell (1998), which speaks in favor of the adaptive school. Elements of both schools of strategic management are therefore a likely to be seen in the study.

3 METHODOLOGY

In this chapter, the methodology is presented and argued for, including the choice of research approach, selection of method, and research design. Further, it explains how the case companies were selected, and how the data was collected and analyzed based on the theoretical framework. It also contains a part where the quality of the research is taken into consideration.

3.1 Research Approach – Abductive Approach

For this thesis an abductive research approach was chosen and utilized throughout the process, as the authors regarded it being the most suitable for investigating how Swedish SMEs manage the risks and uncertainties of Brexit. The abductive approach was used in order to systematically be able to combine and revise parts in the research process, including theoretical framework and empirical findings, as an ongoing process (Bryman & Bell 2015; Dubois & Gadde 2002). Abduction within research is explained as a research process that alternate back and forth between previous research in terms of theory, and empirical findings (Alvesson & Sköldberg 2009; Bryman & Bell, 2015). Therefore, with an abductive research approach, researchers can begin with theory followed by collecting empirical findings and then make interpretations. This is followed by a revised theoretical framework that further on is used in the analysis process of the research process, where the empirical findings and the theoretical framework are being analyzed in relation to each other with the aim of answering the research questions (Alvesson & Sköldberg 2009; Seale, Gobo, Gubrium & Silverman 2007).

An abductive approach is regarded as an alternative approach to the two more common and traditional approaches, deductive and inductive. As a deductive approach is associated with theory testing by deducing hypothesis, and an inductive approach is associated with empirical data generating new theories, the abductive approach gives the opportunity of an updated and revised theoretical framework alongside the creation of the empirical findings chapter (Bryman & Bell 2015; Dubois & Gadde 2002; Eriksson & Kovalainen 2008). The abductive approach is useful to overcome weaknesses and limitations in the deductive and inductive approaches respectively, considering strictness to hypothesis testing in the deductive approach, and the difficulty of building theory from any empirical data in the inductive approach (Bryman & Bell, 2015; Saunders, Lewis & Thornhill 2012).

As being illustrated in Figure 2, a theoretical framework based on previous research was created for this research process, in order to get a general understanding of the research focus. This theoretical framework was then used as a basis in the process of collecting data that created the empirical findings. When analyzing the empirical findings by reviewing and coding the data, it resulted in a revised and reconsidered theoretical framework, which in turn later was used and applied to the empirical findings in the analysis. The process being illustrated in Figure 2 is in accordance with an abductive approach, whereas empirical findings as a view of the reality, combined with updated theoretical insights are applied to create new combinations of theory (Bryman & Bell 2015; Dubois & Gadde 2002).

Figure 2 - Abductive Approach

3.2 Qualitative Research Method

Research methods can be divided into two main categories; quantitative and qualitative research methods. The main distinction between the two is that quantitative approaches employ measurements and quantifications while qualitative approaches do not (Bryman & Bell 2015). On a general note, one can say that quantitative studies are driven by statistical analysis while qualitative studies examine data by words rather than by numbers (Bryman & Bell 2015). Quantitative studies are commonly used in testing existing theory and takes an objective ontological position, meaning that they see social phenomena as independent from their social actors (Bryman & Bell 2015). On the other hand, qualitative research methods are more commonly applied when generating new theory. Qualitative studies take a constructive ontological position which asserts that social phenomena, and the meaning of it, are constantly being accomplished by social actors (Bryman & Bell 2015). Reality is understood as subjective since it is based upon experiences and perceptions of people (Eriksson & Kovalainen 2008). Because of its subjective view of reality, qualitative research methods are especially suited for answering questions of “how” and “why”, which cannot be quantified into numbers (Doz 2011).

The decision on which research method to choose shall be based on the appropriateness it has on answering the research question (Eriksson & Kovalainen 2008). For this reason, a qualitative research method was chosen for the present study. The qualitative research approach allows the authors to see *how* companies manage and perceive the risks and uncertainties that are associated with Brexit. Risks and uncertainties are to a large extent subjective to the people on the decision authority in the companies. Conducting a qualitative study allowed the authors to go deeper into issues that cannot be quantified. It allows the authors to see how the companies perceive risks and uncertainties and how their perceptions relate to their actions.

3.3 Research Design – Multiple-Case Study

As previously mentioned, the abductive research approach and qualitative research method was selected for this study. These two features are explaining the relation between theory and empirical findings, and what type of technique that have been used to collect the empirical findings in terms of data. The research design on the other hand intends to serve as a framework and guideline in how the collection and analysis process of data shall be constructed during the project (Bryman & Bell 2015). For the purpose of this thesis, the authors' choice of research design resulted in a case study design, or more precisely, a multiple-case study design. Case studies are not entirely restricted in using one single case exclusively, but can include several cases, which makes them so-called multiple-case studies (Bryman & Bell 2015; Eriksson & Kovalainen 2008). By using multiple cases in the study, the likeliness of ending up with a more solid and vigorous research result increases as multiple-case studies can be regarded more compelling with its holistic approach when analyzing multiple sources of empirical findings (Yin 2014). Multiple-case studies can also help researchers to overcome uncertainties regarding quality aspects of the study, whereas the multiple number of cases can enhance the trustworthiness of the results, rather than using a single-case study (Yin 2014).

The choice of a multiple-case study relates to the comparative approach this type of research design is characterized by, and with the purpose of examine the cases in a holistic context (Bryman & Bell 2015; Eriksson & Kovalainen 2008). What is called extensive case study research was applicable for this project, since the ambition was to compare the cases and provide comparisons and highlight patterns among them in light of existing theory, and provide innovative theories from the findings (Eriksson & Kovalainen 2008).

In this thesis, a case was represented as "a single organization" (Bryman & Bell 2015, p. 67), hence the multiple-case study design thereby led to include eight companies, and as a result this multiple-case study was amounted by eight cases that in turn were analyzed. When the cases had been selected, the multiple-case study was further explored through a qualitative research method in terms of performing interviews with representatives of the companies in question.

3.4 Selection of Case Companies

To gain data in order to answer the research questions, three criteria were set up that were needed to be fulfilled for a company to be included in the study. First, the company should be defined as an SME. The European Commission's (EC) (2017) definition of an SME is used, stating that a SME has less than 250 in staff headcount and less than € 50 million in turnover, as being illustrated in Table 1. Second, all of the companies in the study are Swedish. The importance of the companies coming from a single country shall not be overstated as the issues are likely to be similar for SMEs from other countries in the EU. However, since the SMEs has the same country of origin, it makes the study more focused. Third, all companies has some kind of exposure to the UK. For the purpose of this study, exposure has been defined as companies that do business on the UK market. The aim of the study is to answer how SMEs are managing the risks and uncertainties of the UK leaving the EU and therefore, companies without exposure to the UK would not add value to the study.

Company Category	**Staff Headcount**	**Turnover**	or	**Balance Sheet Total**
Medium-sized	< 250	≤ € 50 m		≤ € 43 m
Small	< 50	≤ € 10 m		≤ € 10 m
Micro	< 10	≤ € 2 m		≤ € 2 m

Table 1- Definition of SMEs (European Commission 2017b)

The study has been made in cooperation with the Western Swedish Chamber of Commerce. Throughout the research process, a dialogue with a representative from the Western Swedish Chamber of Commerce was maintained. This included sessions with the representative where feedback on the research was provided, and results and methodology were discussed. Moreover, to find case companies for the study matching the criteria mentioned above, a list of 35 companies was received from the representative at the Western Swedish Chamber of Commerce. The list consisted of their member companies that have, or have had, exposure to the UK. All of the companies were Swedish or Swedish subsidiaries to foreign companies. As the study aimed to study SMEs, eight companies, with more than 250 employees, were excluded from the list. The remaining 27 companies were then contacted and requested to take part of our thesis, by email and by telephone. Several of the companies declined to participate in the study as they did no longer have exposure to the UK, or for other reasons did not want to be included. The search process resulted in eight companies in different sectors taking part in the study. Their exposure to the UK also differs, both in the degree of exposure and how they are exposed in terms of export and import.

Since some of the companies in the study requested anonymity, all the company names were anonymized and replaced with fictitious names throughout the study. Instead of naming the companies "Company A", "Company B", and so on, ficititous names were used to make the text more reader friendly.

One of the companies in the study does not fit all the three criteria. The company Shoes Ltd falls within the SME segment in terms of numbers of people employed, but have a turnover above the SME definition. However, the main fundamentals of the issues are the same with the other companies, since the company in question was by the authors regarded to behave similarly to the medium-sized companies included in the study. Therefore, the company adds value to the present study and is included.

3.5 Data Collection

In this thesis, the authors chose to perform semi-structured interviews with the interviewees, much due to its flexible approach (Bryman & Bell 2015). Performing interviews is one of the most commonly used methods in how to collect data within qualitative research, and there are several different types of interviews that can be utilized in the data collection process (Bryman & Bell 2015). In short, the purpose of interviews is to provide empirical findings to the study, which later are taking part in the analysis process (Eriksson & Kovalainen 2008). Interviews within qualitative research are to large extent unstructured and open-minded that can generate more detailed and deep answers to the analysis, compared to interviews being performed within quantitative research where the answers should be easy to handle and process (Bryman & Bell 2015).

Semi-structured interviews are characterized to include some specific questions in the form of an interview guide or questionnaire, which the interviewer uses in order to cover the main topics that are relevant for the study. It is not necessary that all questions from the interview guide are posed literally identical, as long as all the interviewees have answered the same type of questions so that the answers can be regarded as comparable. By using semi-structured interviews, both “what” and “how” questions can be used in the interview guide, which in turn can generate descriptive and comprehensive answers. In this type of interviews, there is a high level of freedom for the interviewee when answering, and provides possibility for the interviewer to ask follow-up questions to deepen and enhance the quality of the interviews’ content (Bryman & Bell 2015; Eriksson & Kovalainen 2008).

For the purpose of this thesis, the authors’ choice of conducting semi-structured interviews was supported by two factors; flexibility and comparability. The flexibility of how questions are being posed and the possibility to ask follow-up questions are appropriate for multiple-case studies, which made semi-structured interviews applicable and relevant for this study. Also, to ensure that the material from the interviews will reach a certain level of comparability, there is a need for some structure in the interviews so that cross-level comparability among the relevant topics can be guaranteed and applicable for analysis (Bryman and Bell 2015).

3.5.1 Interview Guide Design & Interview Process

The choice of using semi-structured interviews for the data collection was supported by its flexible approach and comparability (Bryman & Bell 2015). Before the interviews, an interview guide was constructed consisting of some guiding questions. The questions were formulated from this thesis’ theoretical framework, in order to cover the chosen research focus in how Swedish SMEs manage risks and uncertainties of Brexit. The need for a certain research focus that characterizes the interview guide is important when using semi-structured interviews, since there is a level of freedom for the interviewees in how to formulate and further develop their answers. Therefore, it is vital how the questions are structured in order to fulfill the purpose of the project (Bryman & Bell 2015). The same interview guide was used for all interviews, regarding the possibility of comparing the empirical findings seen from the same research focus. Thus, all interviews were conducted with the semi-structured approach. Eight interviews were conducted, whereas four of them were face-to-face interviews and four of them were held as telephone interviews. One of the interviews was complemented with follow-up questions over email conversation. All the interviews were audio recorded and transcribed, to facilitate as detailed analysis as possible including the most interesting features and findings. Also, all the interviews were held in Swedish. When translating the quotes used in the study into English, the transcriptions and recordings were of good use. The interview guide can be found in the Appendix. Below, in Table 2, an overview of the conducted interviews is presented, where the fictitious names of the companies are utilized.

Company*	Respondent	Position	Interview Method	Date
Car Seat Ltd	Interviewee 1	Export Manager	Face-to-face	23-feb-18
Wheel Ltd	Interviewee 2	CEO	Telephone + E-mail	27-feb-18
Toys Ltd	Interviewee 3 Interviewee 4	Purchasing Manager Export Manager	Face-to-face	06-mar-18
Pencil Ltd	Interviewee 5	CEO	Face-to-face	06-mar-18
Car Mobility Ltd	Interviewee 6	CEO	Telephone	28-feb-18
Yacht Ltd	Interviewee 7	CEO	Face-to-face	07-mar-18
Giveaway Ltd	Interviewee 8	Marketing Manager	Telephone	28-mar-18
Shoes Ltd	Interviewee 9	Sales Division Manager	Telephone	26-feb-18

Table 2 - Overview of Interviews

* Fictitious company names

3.5.2 Primary data

The chapter with empirical findings in this thesis was constructed of what is called primary data. This data was generated from the interviews that were conducted in the data collection process. Primary data is referred as data that is collected by the researchers, the authors in this project, whereas interviewing is one applicable collection method (Eriksson & Kovalainen 2008). The purpose of performing interviews was to collect information that could not be accessed otherwise through existing data, so-called secondary data (Bryman & Bell 2015). The only data being interpreted in the analysis chapter was primary data.

3.6 Data Analysis

Qualitative data can to some extent be characterized as unstructured and therefore not entirely straightforward to analyze (Bryman & Bell 2015). Hence, the data analysis process is vital for the project to be able to answer the research questions. There is a higher level of freedom in how to analyze qualitative data compared to quantitative data. The data analysis process in this project can be related as a thematic analysis, since the process included transcribing of the interviews as well as coding the material into themes. The coded material was then interpreted and linked to the research focus of the project, connecting empirical findings, the data, with the theoretical framework (Bryman & Bell 2015).

3.6.1 Transcribing

Transcribing interviews is a time-consuming process and that is somewhat regarded as a negative aspect of the method. Positive aspects with transcribing interviews are the easiness of going through the data in written form instead of audio, and that it gives possibility of creating an overview of the collected material (Bryman & Bell 2015). Therefore, the positive aspects outweighed the negative and therefore the authors decided to accomplish transcription of all the conducted interviews. In this project, the interviews were transcribed with the purpose that the authors could review the recorded material repeatedly number of times in written text, and also acting as a tool in the data analysis process, by being coded into themes related to the theoretical framework.

3.6.2 Coding

The next step in the data analysis process after transcribing the interviews was coding the material. Coding is a part of the analysis, it is not the analysis itself but a tool to facilitate the analytical process of the project (Bryman & Bell 2015). The coding process in this project was performed by creating and highlighting general ideas and categories from the transcripts by making notes into themes, put in relation to the study's theoretical framework. This was done in order to ease the analysis process, where the ambition was to connect the empirical findings from the interviews with the theoretical framework that was developed.

3.7 Quality of Research

When evaluating the quality of a qualitative research project, several criteria needs to be considered. Lincoln & Guba (1985) propose that qualitative research should be evaluated on two main criteria; trustworthiness and authenticity. Trustworthiness is further divided into four criteria, namely credibility, transferability, dependability and confirmability (Bryman & Bell 2015). The remaining part of this section will deeper discuss the meaning of these criteria and relate them to the present study.

3.7.1 Trustworthiness

3.7.1.1 Credibility

This first criteria under trustworthiness regards how sufficient the data of the study is to merit the claims of the study (Eriksson & Kovalainen 2008). The credibility of the study refers to the match between the observations and the findings and depends on how correctly the researcher has understood the social phenomenon that is studied (Bryman & Bell 2015). Bryman & Bell (2015) suggests two techniques to increase the credibility of qualitative studies; respondent validation and triangulation. Respondent validation is when the researcher provides the people who has been the subject of research with an account of the findings. This in order to get corroboration of the findings and make sure that the findings are correct. Triangulation means that the researcher uses more than one method, data source, or researcher for the study. With multiple points of references, the researcher is more likely to arrive at correct conclusions and increase the credibility of the research project (Bryman & Bell 2015; Eriksson & Kovalainen 2008).

To ensure high credibility, the present study has elements of both respondent validation and triangulation. All of the interviewees were contacted to ensure that the authors had interpreted the responses in a correct manner. Triangulation also took place to some degree since the data was collected from multiple cases in order provide results with high credibility, and since two researchers cross-checked interpretations and conclusions. Furthermore, semi-structured interviews were conducted in order to obtain data in the present study. It allowed the interviewers to ask follow-up questions and ask for clarifications from the interviewee when necessary for increased understanding. Thus, this increases the credibility of the study.

3.7.1.2 Transferability

Transferability is a measurement of how well the findings of a study holds in other contexts or over time; how the findings of the study can be generalized into theory. Qualitative studies tend to focus on smaller samples and case-studies, and therefore the theories they develop are challenging to transfer into other contexts (Bryman & Bell 2015).

In the present study, the cases included Swedish SMEs from a variety of different sectors that are exposed to the UK market. The issues of uncertainty and risk in the light of Brexit is neither sector specific, nor unique in the context of Swedish companies. Thus, the findings might be transferable to SMEs in other European countries facing similar risks and uncertainties.

Further, risks and uncertainties might be faced in other contexts than what is the focus of the present study. If another country would leave the EU, or if similar risks and uncertainties arise from other reasons, the findings from this study might be transferable. However, as the focus of the present study focuses on uniqueness of SMEs and their limited resources, it is hard to see how the findings would be applicable to larger organizations.

3.7.1.3 Dependability

Dependability regards the degree to which the study is replicable (Bryman & Bell 2015). The criteria relates to the researcher's responsibility to offer correct information to the reader that is traceable, logical, and documented (Eriksson & Kovalainen 2008). Qualitative studies are by nature difficult to replicate as the investigator in a qualitative study is the main instrument of collecting the data (Bryman & Bell 2015). This was the case for the present study as it involved several different cases where the data has been obtained by the authors.

In order to overcome the limitations of dependability, the present study presents the steps that has been taken in order to obtain the results. The selection process of the case companies was stated and the interview guide used to collect the data can be found in the Appendix. Together with the theoretical background, it should allow further researchers to obtain similar results and conclusions. A drawback for dependability is that several of the companies required anonymity in order to take part of the study. Sufficient information about the companies are provided, with the anonymity kept, to increase the dependability.

3.7.1.4 Confirmability

Confirmability relates to the objectivity of the study (Bryman & Bell 2015). Complete objectivity is impossible to reach in a qualitative study. However, by acting in good faith, and not allowing personal values to interfere with the study, confirmability can be ensured so that the study is objective and based on scientific findings rather than opinions. Personal ideology, values, or other prejudices shall be left out of the research to make the qualitative study as objective as possible (Bryman & Bell 2015).

While the study in hand deals with a politically sensitive matter, the authors has left out any personal beliefs and opinions of Brexit outside of the study and focused on how the companies address the issue. The interviews mainly consisted of open questions which allowed the interviewees to express themselves freely. The questions were based on theory and formulated in order to be used to answer the research questions. Moreover, the selection of method and case companies, was based on how well they were suited to fulfill the purpose of the research.

3.7.2 Authenticity

The prior four criteria of evaluating the quality of a qualitative study show the trustworthiness of the study. In addition to trustworthiness, Lincoln & Guba (1985) proposes that authenticity is the second primary criteria. Authenticity address a wider set of issues regarding the political impact of the research (Bryman & Bell 2015). These issues includes such as if different viewpoints are considered and if the findings help members in the social setting to better understand their milieu. This study hopes to provide the case companies with better understanding of the issues regarding risks and uncertainties in the light of Brexit.

4 EMPIRICAL FINDINGS

This chapter consists of a compilation of the primary data that was collected from the interviews, creating the empirical findings of this study. First, in Table 3 an overview of the case companies is presented. Thereafter, the empirical findings from each company are presented separately. For each company, there is an introductory subsection including a description of the company, followed by a findings subsection describing how the company manages risks and uncertainties in light of Brexit.

Company*	Small/Medium-sized	Employees	Turnover (€ m.)	Established	Ownership	Sector of Activity	Exposure to the UK
Car Seat Ltd	Small	10	4.4	2009	Limited Company	Manufacturing	Export & sales of goods
Wheel Ltd	Small	8	3.1	1983	Limited Company	Manufacturing	Export & sales of goods
Toys Ltd	Small	12	3.9	2007	Limited Company	Manufacturing	Export & sales of goods
Pencil Ltd	Small	36	4.9	1945	Limited Company	Manufacturing	Export & sales of goods Import of raw materials
Car Mobility Ltd	Medium	200	38.8	1996	Limited Company	Manufacturing	Export & sales of goods Production of goods
Yacht Ltd	Medium	220	24.9	1960	Limited Company	Manufacturing	Export & sales of goods Production of goods
Giveaway Ltd	Medium	30	11.9	2005	Limited Company	Manufacturing & Services	Export & sales of products and services
Shoes Ltd	Medium**	100	66.5	1973	Limited Company	Manufacturing	Export & sales of goods Physical store

Table 3 - Overview of the companies

* Fictitious company names

** Does not fulfill all criteria, see methodology chapter

4.1 Car Seat Ltd

Car Seat Ltd is a market leading company specializing in rear-facing car seats. The company was founded in Gothenburg in 2009 and consists today of 10 employees. Car Seat Ltd has been active on the UK market since 2013. Their main business activity towards the UK market is sales through a distributor, but they are currently in the start-up phase of their own sales unit in the UK. Around seven per cent of the company's total revenues come from sales on the UK market. The interview was conducted with their export manager, at its headquarters in Gothenburg.

4.1.1 Risk Management

Regarding risk management, Car Seat Ltd does not have an outspoken policy on how to manage risks that the company face. Each risk is approached in its own unique way. A reason for why the company does not have a systematic way of risk management is because of the wide variety of risks and uncertainties that they are exposed towards. With a wide variety of risks, the company sees that each risk is better to be treated separately than in an integrated approach. The company is present in several different European countries and thus, exposed to risks occurring in several markets. Political risks are considered by the company as risks but do rarely have an effect on their businesses. However, they want to be aware of what is going on in the countries in which they are present, including politically. Also, if a country is very politically unstable, Car Seat Ltd will likely not enter that market. Overall, politics is not commonly addressed in the company's risk management and does not have major effects.

"You will always have children independently of who rules a country. As long as there are kids and there are cars, there is a need for our products" (Interviewee 1, 2018).

More common risks that Car Seat Ltd are exposed towards are derived from competition and changing regulations for their products. In order to be updated about each country, the company relies on the distributors in each country to which they sell their products. It is the distributors' responsibility to keep them updated about the situation in their respective country.

4.1.2 Brexit

Car Seat Ltd believe that Brexit has had, and will have, effect on the company and that it has created a lot of uncertainty for the company's operations in the UK. The main effect so far has been that the prices for their car seats had to increase in the UK because of a lower Great British Pound (GBP). In turn, this led to a decrease in their sales on the UK market since they have had to increase the prices in the UK. The GBP is now considered to be a volatile currency by Car Seat Ltd, which it was not prior to the situation of Brexit. As a response, the company now perform more of their transactions in Euro (EUR), instead of GBP, and use financial options as insurance for large transactions when doing business with the UK. Another reason for why the sales have decreased, besides the increased prices in the UK, is believed to be because of the uncertainty that their customers feel because of Brexit. With higher uncertainty, the people of the UK consumes less, including car seats. Thus, doing business in the UK has become more expensive for the company since the Brexit referendum, and has had a negative effect on the company in terms of cost. Therefore, the greatest risks Car Seat Ltd associates with Brexit so far are related to exchange rates and higher costs of doing business. resulting from trade barriers of different kinds.

Car Seat Ltd has not yet looked at different scenarios of Brexit and its different possible outcomes. They are a small business and do not consider it necessary because of it. Identifying multiple scenarios would be costly in terms of costs and human capital which they do not find necessary for a small business. They are however scanning the market in order to identify potential risks from the uncertainty. The UK is likely to be seen as a market further away than it is today with potential barriers to trade, additional taxes and regulations that may have effects on foreign employees.

The company focuses on acting quickly to changes once they occur. As a small company, they have a flexible organization which gives them the benefit over larger companies to quickly adapt and to more rapidly implement changes. When asked about if they experience uncertainty in how to respond, their export manager answered;

"Uncertainty and uncertainty, we will simply have to adapt. We do not know how the EU will act either. My personal opinion is that they will be hard on the UK" (Interviewee 1, 2018).

The car seat business is very regulated, and these regulations might change when the UK leaves the EU. This creates an uncertainty for the company on how they will have to adjust their car seats in the future to meet the new regulations on the UK market. A response to the uncertainty has been that they are in the process of opening their own sales unit in the UK instead of selling to a distributor. The country manager who has been hired is experienced and knowledgeable in the business which will help them to rapidly adapt to the new regulations of the products. By running their own sales unit, Car Seat Ltd will no longer have to sell through a distributor. Another benefit with being present in the UK with a subsidiary is their after sales approach. If parts brake, they are now sent to Sweden. This will possibly become more complicated after Brexit if it results in increased trade barriers. Performing the after sales service from the UK might help to overcome this future problem. By operating in the UK through a distributor they can also overcome trade barriers that can be implemented as a result of Brexit. The company hopes to have opened the subsidiary before Britain actually leaves the EU since they fear that it may become more complicated after Brexit.

If new regulations will have to be implemented on car seats in the UK, Car Seat Ltd might have some power on influencing how they will be constructed. As a market leader within the business, they work together with national agencies that set the standards and feel that they have some power to affect the outcomes. The UK has underdeveloped agencies compared to many other countries and it is therefore likely that the regulations will be copied from other countries. Germany has the leading agency in setting standards within the industry, and Car Seat Ltd works together with them. In that sense, they will have an indirect effect on setting the standards in the post-Brexit car seat market. They do however not consider themselves influential to the degree that control is utilized in their risk management of Brexit. The company does not try to affect Brexit by political lobbying of any kind, mainly because they do not have the time and resources to do so. They are a small business and therefore they have to focus on their own operations and sales.

If the UK would not have voted for Brexit, the company would likely have expanded and invested more resources faster to the UK. The uncertainty has made business in the UK more expensive and the company believes that the British consumers does not spend as much now as they did before the Brexit referendum, because of the uncertainty that it has created for the customers as well. This has in the short run led to that the UK is slightly less attractive, which is a reason for the postponed investments. The uncertainty has also resulted in the company not being willing to increase their commitment to the UK in the same phase as if Britain were not to leave the EU. To leave the UK market is however not an option for the company. They see the British market as immature with a high potential and many potential customers. Even outside of the EU, the UK is an interesting market.

Car Seat Ltd relies on internal resources when keeping up to date about Brexit and scanning for changes in the market. The export manager follows the news through media and visits UK regularly to discuss the issues with their country manager. As a lot of information is available online, they have not bought any additional information and will not likely do it in the future either. Their newly appointed country manager in the UK is also an important resource for scanning the environment for potential risks and changes caused by Brexit. Reading different newspapers can however give different pictures of Brexit with British newspapers tending to be less dramatic about the consequences. Another source of information on how Brexit is affecting the company is their sales numbers. The export manager believes that the reason for decreased sales is a direct effect of Brexit and is therefore a reliable source of information when determining Brexit's effects on the company.

4.2 Wheel Ltd

Wheel Ltd is a company that sells tire service products and are located in the Västra Götaland County. The company was founded in 1983 and employs 8 people. Their exposure to the UK accounts for around five per cent of their total turnover, and consists of sales to different minor customers in the UK and different marketing activities. Several of their UK customers in turn sell the products to other European countries. The UK is regarded as an interesting and important market by the company. The interview was conducted with the Chief Executive Officer (CEO), in two different sessions. First, a phone interview was made. Due to time constraints for Wheel Ltd, this was followed up by emailing their CEO the remaining questions from which we received written responses.

4.2.1 Risk Management

The company does not have a systematic risk management approach for identifying and managing risks. This, explained by their CEO, is because they are a small company and therefore lack the resources for it and do not consider it necessary for them. Because of the constraints in resources, Wheel Ltd do not prioritize risk management as a business practice. The greatest risks that the company sees are changes in the markets which they export to, which would result in decreased demand for their products. An example of this is if markets collapse and the demand decreases significantly, which occurred during the most recent financial crisis. In 2008, Wheel Ltd was significantly affected by the economic collapse in southern Europe and lost around 15 per cent of the total revenues of the company.

Political risks are not prioritized by the company. How politics in the countries which they are active in affects the business environment is not something that they consider to a large extent. If changes are made in the countries, which affects the company, they try to adapt to the changes as they occur, since they do not invest resources in preventing risks. Adaptations are then usually made by trying to cut costs where it is possible to make the supply of their products more efficient.

4.2.2 Brexit

The UK is an interesting and promising market in which the Wheel Ltd want to be present on also after Britain has formally left the EU. So far, Wheel Ltd has not seen any significant effects from Brexit and they do not believe that the company will see any major effects once the UK has actually left the EU. They do however acknowledge that it has created uncertainty of the future developments on the UK market that can result in potential risks for the company. Brexit has the possibility to result in decreased revenues and profits for the company on the UK market. When asked about if they handle possible effects of Brexit, their CEO responded;

"*No, we do not because we do not know what to do. We can only await and later, when we know more, lower the costs of operations or change our service portfolio"* (Interviewee 2, 2018).

Regarding risks, Wheel Ltd do however see that Brexit will eventually have two main effects on their business. First, increased regulations and bureaucracy might result in increased costs for the company, from trade barriers as an example. Increased trade barriers to the UK will likely result in greater administrative burden on companies which in turn will result in increased costs as more resources will have to be dedicated towards international trade. They believe that all of these costs will not be possible to take out on the customers and will therefore make it more expensive for the company to do business with the customers in the UK and lead to lower profits. In terms of knowledge and systems, they do feel prepared to handle the issue of increased administration in international trade. Today, they are exporting to other non-EU countries such as Switzerland, Norway and Turkey and therefore they have routines implemented on how to handle these issues such as export documentations. They believe that these routines can be implemented also on trade with the UK after the country has formally left the EU.

Second, exchange rates affects their competitiveness on the UK market. As a response to a weaker GBP which has harmed the company's competitiveness, Wheel Ltd has begun to work more with discounts to keep the up the sales in the UK.

Besides these actions, the company will wait and see what happens with Brexit before they take further actions. Once the UK has left the EU, Car Seat Ltd will see what changes that will have to be made and adapt thereafter. Control is not emphasised in any way in their risk management.

While the company does not prioritize risk management on Brexit to any large extent, the do keep themselves updated about potential changes and risks. Much of the information comes from Business Sweden and the Chamber of Commerce.

4.3 Toys Ltd

Toys Ltd is a company that produces toys and indoor decorative products for children’s rooms, it was established in 2007, and they have 12 employees. Their exposure towards the market in the UK, where they have approximately 30 active customers that are retailers of the company’s products, is through business-to-business (B2B) sales run from its headquarters in Västra Götaland County. A share of 6 per cent of the company’s total turnover could be derived to the participation on the UK market in 2017. The interview was conducted at its headquarters, with one of their owners and purchasing manager, and their export manager.

4.3.1 Risk Management

Toys Ltd has an outspoken risk management approach with focus on diversification in its operations. The toys and decorative products that they sell ar produced in many different markets and has experience from handling a variety of risks and uncertainties originating from other countries than their home market. Experience which is used by the company to handle new risks that occur. Diversification of production factories is the most prominent example within their approach that the company follows. By utilizing different factories in different countries, the risks are spread out and secures that production can continue even in the case of a disruption in one of the factories. The production of their products takes place mainly in China and in other Southeast Asian countries. While it comes with lower costs to produce in these countries, it also comes with higher risks, which is why Toys Ltd diversify their production to different factories in preferably different countries. However, the risks the company face are mainly treated individually as they arise, and the company is not claiming that they use an integrated approach when handling risks.

“There is always a plan B and a plan C, so that you always have factories which can take over the production if there is another factory that do not function. And it has happened” (Interviewee 3, 2018).

The same risk management approach is utilized on the sale side of the business. By selling to distributors in different markets, risks are spread out on different customers in different markets. Another action for limiting risks on the sales side taken by the company is to require advance payments from foreign customers.

Political risks are considered, both in the countries they are currently present in and when expanding into a new country. If political risks and uncertainties increases in a country in a way that it has a potential negative effect for their business, the company can choose to shift their emphasis towards other markets that are considered less risky. Regarding expansion, the company has chosen to not expand into countries with high political turbulence and uncertainty, even though there is a demand for their products, such as countries on the African continent.

4.3.2 Brexit

Toys Ltd believes that the UK's decision of leaving the EU has created risks and uncertainties for the company. Trade barriers, such as custom duties, followed by increased amounts of administrative work and thereby higher costs are the main risks that the company associate with Brexit. Hence, at the same time, they are not too worried that they will be negatively affected to a large extent. They have not yet identified and planned for different scenarios. This because they are currently doing well on the UK market and believe that the negative effects will be limited. This is the main reason for why they have not invested resources in planning. The positive effect of increasing sales is stronger than the negative effect of risks and uncertainties related to Brexit. Also, the uncertainty is high among many of the actors within the sector about how Brexit will affect their industry. The high level of uncertainty makes it challenging to identify likely scenarios since no one knows what the future will bring.

The UK market is profitable and growing for the company which has plans to expand further to the market. In April 2017, the company canceled the arrangement they had with a British distributor selling their products. The distributor had high discounts because of the large amount of goods that they purchased from the company. By selling directly to customers, instead of through a distributor, they are more profitable now in the UK than they were with a distributor. However, this positive effect has to some extent been offset by the lower margins which has been caused by a cheaper GBP. As a more volatile British currency is regarded as a risk, the company has increased their demand of advance payments from their British customers which is a direct result of Brexit. With advances payments, Toys Ltd gain more control of how much they will receive and lowers the risk of volatility uncertainty.

Depending on the result of Brexit, Toys Ltd are likely to take further actions. Increased trade regulations is a potential risk they are aware of that they face, which will likely result in more administration on the export and thus, higher costs of trading with the UK. The company has experience from exporting to other non-EU countries, such as Norway, and believes that their gained knowledge can be useful in handling more potential trade administration with the UK.

Brexit has also resulted in a slower internationalization process for the company. Toys Ltd has recognized an increased demand of their products from the UK and want to expand further on the market. As a result of Brexit, they have however slowed down their search for new customers and instead invested their resources in their current customers.

"If they were not going to leave the EU, I think that we could be a little more aggressive in finding new customers. At the moment, I process most of our existing customers (in the UK) and try to make them increase, etc. It is also a way to try to reduce risks in some sense. But if they were not to leave, I think that we could have been a bit more forward in finding new customers" (Interviewee 4, 2018).

After they ended the relationship with the distributor, they had plans of setting up an office in the UK. This has however not been executed yet, partly because of the uncertainty caused by Brexit. The company has chosen to delay further market commitments in the UK until more is known about the consequences of Brexit.

To be updated about Brexit and how it might affect their business, the company relies mostly on their internal resources. They do not purchase any expertise on the subject. Besides following news in the media, the company has close ties to other Swedish companies within the sector, with whom they can exchange knowledge. The main benefit of exchanging information with other companies is that the information is sector specific and therefore most relevant for the business.

The company does not rule out that further actions will be taken in the future to handle the risks and uncertainties caused by Brexit. They will have to do it in a way that works best for their company, considering their size and exposure towards the UK.

"Since we are a small company and cannot influence politics, we have to adjust as good as possible to what happens. We try to keep ourselves updated as good as possible" (Interviewee 3, 2018).

4.4 Pencil Ltd

Pencil Ltd was founded in Gothenburg in 1945, and is a pen-producer in Sweden with a variety of products within the segment. Today, the company has two factories in Sweden and 36 employees. Exports are very important for the company since the market for pens is rather limited in Sweden. The company is exposed to the UK in two ways. First, they have significant sales to customers in the UK, which accounts for around five per cent of their total sales. Second, they are dependent on raw materials which are imported from the UK. Around 90 per cent of the pens they produce includes raw materials from the UK. The interview was conducted with their CEO, at its headquarters in Gothenburg.

4.4.1 Risk Management

The company has a risk management approach, with focus on diversification to handle the risk they face. They have by experience built up a risk awareness, and the risks are handled individually as they arise, thus there is no integrated risk approach within the company. Pencil Ltd experiences the most significant risks and uncertainties on the purchasing side of the business as they import many different raw materials for production. The pens that the company produces are among the highest quality in the business. It includes many different components and raw materials which needs to be imported. Therefore, the greatest risks and uncertainties that the company faces is lack of raw material, according to their CEO. Many of the raw materials used in the pen industry is also used in production of other goods. As a small company they are not highly prioritized among the suppliers when there is a shortage of specific materials. This intensifies the risks on the purchasing side of the business.

To manage the risk of shortage in raw materials, Pencil Ltd spreads the risks by trying to always have more than one supplier of each part of the pens which can be seen as a systematic way of managing risks. This is however challenging. Pens consists of small components that are produced in large scales which makes it hard to utilize more than one supplier at the same time.

Political risks are usually not considered by the company. The main reason for this is because they do not rely on inputs from countries that are politically unstable to the extent that it would have any impact on their business. Further, the CEO does not recall any specific risks on the sale side of the business.

4.4.2 Brexit

So far, Brexit has caused uncertainty for Pencil Ltd, but has not had any significant effects on the business. However, the company strongly believes that there will be effects in the future, once the deal between the UK and the EU is finalized and signed. The company defines two types of risks and uncertainties regarding future trade with the UK. First, they believe that there will be trade barriers both to and from the UK once they have left the EU, including such as taxes and other costs that can be implied by the UK. This is likely to result in increased administrative burden on the company when trading with the UK, and thus increased costs of trading. Pencil Ltd's CEO believes that trading with the UK once it has left the EU might be similar to the situation with Norway, which implicates greater administrative burden to trade with. The CEO does however acknowledge that the risks of increased trade barriers will affect the company mostly on the import side of their business. Regarding the sales side, the company mainly sell to large international customers, who in their turn, sell the products on the UK market. This makes Pencil Ltd less exposed towards risk on the UK market on the sales side compared to the import side. The second potential risk the company sees is related to exchange rates. The company perform the main part of their transactions in EUR. Thus, when it comes to trading with the UK, GBP is the currency that is used. As a result from Brexit, there is a risk that exchange rates can affect the businesses with the UK for the company. With a weaker GBP, the prec

"EU's single market is an inner circle to simplify trade and free movement within the EU and so on, and now, when the UK is on their way out of the EU, we will surely have a situation with more administrative burden when trading with the UK" (Interviewee 5, 2018).

The company has so far not taken any concrete strategic actions in order to manage the risks and uncertainties that has been created by Brexit. The CEO acknowledge a high level of uncertainty in the case of Brexit and it is impossible to know how the final deal between the UK and the EU will look like. Therefore, taking strategic actions before risks and changes actually occurs and effects the company would be based on assumptions and guesses. When asked about if there is a possibility that they will implement any actions before Britain actually leaves the EU, the CEO responded;

"That is possible. But not yet, since we do not know what the implications means we will not. The deal is not signed yet" (Interviewee 5, 2018).

The company is under way with a risk analysis, over what can happen when the UK leaves the EU, which is made by the CEO together with the export manager of the company. The risk analysis includes current developments that might possibly affect the company, future possible implications, and how the company can respond in these situations. Different scenarios are looked upon and how the company should respond in the case they become reality. One scenario could be that they cease to import raw materials and components from the UK. There are in turn several possible ways to handle a situation like this if it occurs. The company could either import the materials from other countries or move the factory to where the raw materials are most easily accessible. The changes that will be made because of Brexit will be a cost for the company. Moreover, their CEO acknowledges that the risk analysis, that is currently being made, is a cost for the company, since it would not have been made if the UK were not to leave the EU. They would rather have invested the time and resources on other business activities. In that sense, Brexit has already had an effect in terms of a cost for the company.

Even though Pencil Ltd has not yet seen any direct effects from Brexit, other than that the risk analysis has resulted in a cost, it has had an indirect effect on strategic decisions and future investments. The company has identified several risks, Brexit being one of them, that has created uncertainty about the company's plans of building a new factory. Their current factory is old and the company is in need of a new factory. The decision of this has however been postponed because of several different uncertainties about how the market will development in different parts of the world, with Brexit being one of which. Pencil Ltd can either change where they import raw materials from, or, they can choose to move their production to where the raw materials are and import less. Uncertainties in different parts of the world, Brexit included, has made them postpone the decision of where to eventually make this investment. However, it has not affected the company's commitment to the UK market.

To be updated about Brexit, the company relies partly on information from the Chamber of Commerce but mostly on EWIMA, European Writing Instrument Manufacture, which is an organization consisting of around ten pen producers in Europe. Within the organization, the companies exchange information on market developments, laws, and regulations which has been helpful for Pencil Ltd to keep up with the developments of Brexit. The companies within the organization are to a large extent exposed to the same specific risks in regards to Brexit, which makes it an important forum for Pencil Ltd to receive information about changes on the UK market.

4.5 Car Mobility Ltd

Car Mobility Ltd was established in 1996 and have today 200 employees, with its headquarters being located outside Gothenburg. The company develop and produce aids for people with different disabilities to go in or drive vehicles. The company belongs to a group with three other companies. Within this group, a wide variation of products is being produced at different locations, meaning that not all factories are producing the same type of goods. All the products within the group can then be distributed within their active markets, where sales are performed by different companies responsible for different product areas. Car Mobility Ltd's exposure to the UK consists of exports to the UK market, but also of an ownership of a subsidiary located there, which was established in 2002. Both production and sales are taking place on the UK market, and the company's exposure towards this market represents about 25 per cent of the company's total turnover. The subsidiary that Car Mobility Ltd owns in the UK is not selling Car Mobility Ltd's products, but only their own products being produced there. Car Mobility Ltd's own products are sold in the UK via distributors, since the distributors are more knowledgeable of selling that type of products than their subsidiary. Thus, the products being produced by the subsidiary in UK are sold by that company itself on the UK market and other markets as well, even if the subsidiary belongs to Car Mobility Ltd. The interview was conducted with their CEO, in the form of a telephone interview.

4.5.1 Risk Management

When it comes to risks and uncertainties for Car Mobility Ltd, they have what they call "risk assessment" within the firm, where they recognize risks that are directed towards them, separately from each other. However, the company does not in a systematic way handle the risks they identify, since they feel comfortable in managing them in an individual approach as they arise. Thus, they do not utilize a coherent risk management process or any other tool to handle all the risks, and they are not integrating the risks as a whole. The major risks that the company face are competition related, whereas they face several competitors from different countries. Competition as such is not the problem, however, there are competitors from some specific countries that are not as strict when it comes to following laws and regulations, compared to Car Mobility Ltd, which can cause unfair competition on the market. Overall, the risks and uncertainties the company faces are treated separately from each other, and are being recognized in the company's risk assessment. Car Mobility Ltd are not afraid of risks that they might face within their business, and therefore do not plan causes of action in advance. The company feel convenient with their methods when it comes to managing risks, even if they do not claim to have a systematic procedure, other than that they aim to highlight risks through an assessment process. The assessment process only includes the identification of risks, without further determined instructions in how to manage them, and the risks are rather managed in their own unique way than following outspoken directives.

4.5.2 Brexit

There is a high level of awareness of Brexit at Car Mobility Ltd. The company is convinced that Brexit will cause changes and uncertainty to the business environment they are active, in which they have taken action already to prevent negative effects. As the UK market is of great importance for Car Mobility's total turnover, the company find it valuable to adjust to the changes Brexit will create. The greatest risks that they associate with Brexit are trade barriers of different kinds, such as taxes and fees. There are concerns that regulations will affect the flow of products, both when it comes to products being produced in Sweden that are being exported to the UK market, but also products being produced in the UK that are imported to the Swedish, or any other, market outside the UK.

If trade barriers arise and complicate the flow of products to and from the UK, their exposure on the UK market could be affected. Car Mobility Ltd assesses the risk that Brexit will affect them as rather considerable and therefore it is of great importance to follow the procedure of what will happen. This in combination with the UK market being of great importance for the company, their CEO felt that the company needed to take action to handle coming issues deriving from Brexit.

"We think that there will be effects. We do not just sit there waiting and analyzing the situation. Simply, instead we acquired" (Interviewee 6, 2018).

By evaluating to what extent Brexit can cause effects for the company's operations, Car Mobility Ltd planned how their first course of action would be constructed, by analyzing how the situation is currently characterized. As a result, Car Mobility Ltd actively chose to acquire a company in Denmark that now produces the same type of products as the subsidiary in the UK. The acquired company in Denmark was previously a competitor to the subsidiary Car Mobility Ltd owns in the UK. Thus, the main reason of why Car Mobility Ltd acquired the company in Denmark was to ensure that the products being produced in the UK by the subsidiary could be produced at another location as well. This in order to overcome potential trade barriers deriving from Brexit, and ensuring that Car Mobility Ltd's customers outside the UK still can take part of the products that previously only were produced in the UK. The acquisition was an action directly connected to Brexit, and was performed as it was regarded suitable in order to overcome eventual obstacles deriving from Brexit, but it has not directly affected their commitment to the UK market.

For other, yet unknown, effects that will arise due to Brexit, the company feel comfortable that they have the required knowledge in-house to deal with it. They are confident that by using internal knowledge, following media, and other sources, the company will not need external help, by consultancy firms, to raise the awareness and understanding what is happening considering Brexit. Even if a major action has been taken by acquiring a company in Denmark, Brexit can still create other changes in the business environment that Car Mobility Ltd will have to deal with. The company do not plan further ahead, and instead focus on adjusting to coming changes as they know what they will have to do and how to adapt.

4.6 Yacht Ltd

Yacht Ltd was established in 1960 in Gothenburg and they are active within the marine industry, as they are producing masts and other equipment for sailing boats. The company has eight factories spread out in the world, and they have 220 employees. Today, the company has a wholly-owned subsidiary in the UK, which accounts for approximately 20 per cent of the company’s total turnover. One of their eight factories is located in the UK, and it was established about ten years ago, where they are mainly producing carbon fiber masts and dinghy masts. Thus, the company has been active on the British market for about 40 years, nowadays including sales and distribution of their products in combination with production in their current factory. All of the company’s total product offerings being sold on the UK market are sold through the subsidiary in the UK, even though not all products are being produced there. This means that the parent company in Sweden has regular trade exchanges with the UK, both when it comes to export of goods being produced in Sweden or elsewhere, but also import of the products being produced in the UK. The interview was conducted at its head office in Gothenburg, with their CEO.

4.6.1 Risk Management

At Yacht Ltd, there is an open mind when it comes to managing risks and uncertainties the company face in their operations. Yacht Ltd do not have an outspoken risk management approach within the firm, and do not have certain directives in how risks should be managed. The company is aware of that they are constantly in risk of changes in their business environment as a part of their operations worldwide. Yacht Ltd are not trying to forecast risks in advance, they rather approach risks as they appear and become real for the company. At Yacht Ltd, risks and uncertainties are being treated individually as they become visible, and there is no integrated and systematic approach of dealing with risks within the company.

The company is experienced and knowledgeable within their sector, and they have therefore a good overview of what types of risks that are most commonly faced. This has also led to a good understanding in what actions that need to be made by the company in order to overcome negative effects. Currency risks are the main type of risks the company faces, since they are active in several markets around the world. These risks are always present, but is also something that the company is hedging towards in order to decrease the risk level related to currencies. Other risks, related to competition are not something that the company worries too much about. They are confident with their products and they are market leading in their segment, which have resulted in a strong market position worldwide. Hence, risks of trade barriers of different kinds that could result in negative effects, seen from a competition point of view, are something that the company also bears in mind. These risks are preferred to be dealt with separately, and not in a systematic and integrated manner. Risks related to competition is not something that the company is hedging towards as the ones related to currencies, but these risks are something that they are adapting to when they arise and can affect the company.

4.6.2 Brexit

Since Yacht Ltd's exposure on and towards the UK market is of significant value for their total turnover, their CEO's first and immediate thoughts about what effects Brexit would cause was related to disaster for their operations in the UK. Contrary, their business within the UK market has not ever been better than it is today, since after the Brexit referendum. The company is however careful to emphasize that Brexit has not fully occurred yet and that an economic boom also can be an underlying reason for this. It is also hard to predict what effects that will arise as the negotiation process between the EU and the UK procedures, whereas high levels of uncertainty is constant for the company at the moment. The combination of a current prosperous economic environment, and the unfulfilled negotiation process over Brexit, makes it difficult for Yacht Ltd to plan in advance what will happen and how it will affect them.

"We will deal with it when it becomes actual. It is so hard to have an idea of what this really means" (Interviewee 7, 2018).

The uncertainty of what is going to happen has led to investments in the UK being put on hold or postponed, which they regard as a negative effect from Brexit until now. Despite the obscurity of the end result of Brexit, Yacht Ltd still tries to get a better understanding of the environment and identify possible outcomes. Trade barriers, increased costs of doing business, and higher prices for end consumers are likely future outcomes, and according to their CEO these aspects are the main risks they associate with Brexit. If this happens, these risks will lead to effects for their businesses, whereas the company emphasize that they will adapt once the results from the Brexit negotiations are determined. If the negative effects from Brexit hit hard on the company and its subsidiary, moving the business from the UK somewhere else can be a possible option. If Brexit ends up with directives resulting in unfavorable conditions to remain in the UK, a potential response can be to relocate, and move their businesses from the market. Hence, as long as it is not specified and any clarification of what effects that will occur from the negotiations between the parties involved, the company will wait and thereafter adapt to the coming, prevailing circumstances. The company is not trying to forecast what will happen and they are not predicting different scenarios with appropriate plans of actions. Yacht Ltd feel comfortable that there are enough levels of knowledge within the firm, which have been accumulated by experience, to deal with the Brexit-related effects as they arise and affect the company. They will base their actions from facts rather than speculations, and thereby be more related to an adaptive approach rather than a planning approach of managing risks and uncertainties from Brexit.

"We will follow the procedure, and we will adapt" (Interviewee 7, 2018).

The company has not met any situations similar to the one with Brexit previously. In general, political risks are not of great concern for the company as they operate in rather stable countries that are comfortable of doing business in. Thus, the CEO compared potential effects from Brexit to give a similar trade relation as the one they have with Norway today. Doing business with Norway is problematic compared with countries being member of the EU, as it is a complicated process with several trade barriers, particularly custom duties. Similar to the effects from Brexit, the risks of changes in their business environment in general are also treated when there is something concrete to comply with. Therefore, it cannot be excluded that the company base their responses to changes deriving from Brexit, on the experience the company has gained from performing trade with other non-EU countries. This gives further arguments for Yacht Ltd to have an adaptive approach, as they can utilize existing experience and knowledge when they have certain directives to take into consideration.

Even though the company's businesses in the UK are booming, there is an overall negative attitude towards Brexit within the firm. Yacht Ltd's CEO claims that the uncertainty of what will happen, combined with potential negative outcomes, contributes to the adaptation alignment the company has. From the company's side, there is not a need to set up plans for different scenarios, but rather to follow the negotiation process and adapt the company's operations from there. Risks from Brexit will be dealt with in the same, unsystematic, approach as other risks, namely separately from each other.

"I cannot see anything positive with this and it feels somehow like all of us are losers" (Interviewee 7, 2018).

4.7 Giveaway Ltd

Giveaway Ltd was established in 2005, and is focused within the business of product media and gift concepts, in relation to merchandise. The company has 30 employees, whereas most of them are situated at its headquarters in Borås, thus four of them are situated at a purchasing office in China, and a few employees are working on remote. Their largest market is by far in Sweden, and its neighboring countries, but they are active in some further markets in Europe, whereas the UK market is one of them. The UK market has yet a rather small share of the company's total turnover, hence it is regarded as one of the market with the highest potential seen from possible growth aspects. Giveaway Ltd's way of conducting business in the UK market is mainly through (B2B) by selling the company's products via retailers, which is the main approach of conducting business within the company as it accounts for nearly 95 per cent of their total turnover. Recently, the company also opened up a business-to-consumer (B2C) channel in the UK, as a way of reaching out directly to the consumers as well. The company has been present at the UK market for just over two years, and it is a market with development and growth possibilities. The interview was conducted with the company's marketing manager, in the form of a telephone interview.

4.7.1 Risk Management

At Giveaway Ltd, there is high awareness and an outspoken strategy with certain directions in how the company should manage risks and uncertainties. The company faces a variation of risks in their operations and actively tries to keep itself updated of potential risks and uncertainties, by performing a risk management process. This process aims to map the greatest risk areas the company stands in front of and visualize risks, uncertainties and threats on the market of different kinds. Within this process, Giveaway Ltd integrates all possible risks in order to visualize the company's total risk exposure. In the mapping process, the company utilizes a composed management team, including at least one member from each department at the company, including representatives from sales, purchasing, storage, IT, and the company's CEO and office manager. The company actively uses representatives from their different departments, with the ambition to get an overview of the total risk exposure. There is a reconciliation of the mapping process approximately once a year, hence there is an ongoing process when new events occur that can give effects on the market, such as Brexit. Mainly, the risk management mapping process only includes the management team as their knowledge is regarded as sufficient for this type of tasks, but at some occasions the company's Board of Directors is involved as well for further guidance. The company has created frameworks and tools in order to identify and visualize the risks that the company face, and they feel comfortable with their knowledge levels in how to formulate actions in how to handle risks. This also applies for new potential risks that can arise from unforeseen events in their business environment. The mapping process results in an overview of all risks and uncertainties, and the company systematically manages the total risk exposure in an integrated approach. By using a wide amount of representatives throughout the company in the risk management process, Giveaway Ltd are likely to identify risks and uncertainties to a larger extent, than if only including single persons.

At Giveaway Ltd, risks that can arise in the production processes are the ones that are being analyzed most frequently, as it involves a great number of different parties in the processes. Risks concerning the quality at the factories, working conditions, and environmental certifications among others are included when analyzing risks in the production processes. Other risks, such as trade barriers that are derived by decisions and agreements of different kinds, are also commonly considered risks in the mapping process. Political risks are one type of risks that typically involves both the management team but also the Board of Directors.

Overall, Giveaway Ltd is using an active type of risk management where they use an integrated approach, trying to identify and analyze all different kinds of risks that they will face. This process is regularly updated and followed up by the management team when new events in their business environment becomes visible and can affect the company's operations. The process will be updated and consider new aspects, when taking Brexit into consideration, as it most likely will affect the company's risk exposure to some extent.

4.7.2 Brexit

Even though Giveaway Ltd has an active risk management process in general, there has not yet been a mapping process with direct focus on Brexit. This can be explained by the UK only having a small share of the company's total turnover and that Brexit has not affected them until now, and that Brexit is connected to large proportions of uncertainty in what will happen. Thus, at Giveaway Ltd there is an increased focus of Brexit and what is happening on the UK market, with a closer coverage of the event. Since the market in the UK is associated with great potential for the company, it has led to an increased frequency in communicating with the company's retailers located there. The company uses this communication with the local actors in order to keep updated about Brexit, but also to yield as good conditions as possible for future collaborations to grasp the possibilities the UK market, without yet knowing what effects that Brexit will create. However, as the negotiations of Brexit proceed, Giveaway Ltd will further in this process evaluate Brexit and how it will affect their operations, and include it in the mapping process.

Without having performed any direct analysis of Brexit yet, Giveaway Ltd believes that trade barriers will be the main risks arising from Brexit, that eventually can affect the company's business with the UK market. Trade barriers would complicate the trade relation with the retailers in the UK and would most likely result in more expensive products, a cost that will be deduced to the end consumers. The company draws similarities to the existing trade relation they have with Norway, with more complicated trade processes including administrative costs and problematic handling of goods.

Despite the risk of more expensive products and more complicated trade processes, Giveaway Ltd has no intentions of leaving the UK, at least not until they know for sure what effects that Brexit will bring. However, the uncertainty in what will be decided from Brexit has made the company to postpone some investments, or in other words, they have removed resources from the market. Previously, the company used some consultants present at the market in the UK who had the task of finding new retailers, negotiating with them, and closing deals. These consultants are no longer active, and Brexit was one reason to that decision. The company might reintroduce this type of consultants, but not until there are concrete guidelines for how the company must adapt its business in light of Brexit. Thereby, Giveaway Ltd has both decreased their commitment to the UK by removing the consultants, and also postponed further investments to the market due to the uncertainty.

The uncertainty of what will happen and what directions to follow, will impact the company's future operations on the UK market. The company will keep themselves updated and use the resources they have internally, but also using organizations such as Western Swedish Chamber of Commerce and Business Sweden to further follow the process and how to act. However, the knowledge within the firm is regarded as sufficient in order handle Brexit, but the company will have an adaptive approach and adjust their businesses towards the directions that is derived from Brexit when the negotiations between the UK and the EU are finalized. The company will probably not set up scenarios and make predictions about what will happen, at least not until they have incorporated Brexit in their risk management process, and therefore not plan for what actions they will take in order to manage Brexit.

"I would say that it will be an adaptive process actually, that is my feeling" (Interviewee 8, 2018).

4.8 Shoes Ltd

Shoes Ltd is a fashion-oriented company that designs and produces shoes for both men and women that was established in 1973. The company is active on 43 different markets, and has 100 employees at its headquarters located in Halland County. Shoes Ltd has a subsidiary located in the UK with a sales person that actively works on the market. The company also has an approximate number of 40 customers that are present on the UK market, which is one of their top ten markets worldwide. Since it is a fashion-oriented company the UK market is automatically of great importance, as London is regarded as a world-leading hub when it comes to fashion in general. Sales are run through retailers on the UK market, but they also have one physical store located in London. Other than that, much of their sales on the UK market are ordinated via online sales processes. The interview was conducted with their sales division manager, in the form of a telephone interview.

4.8.1 Risk Management

When it comes to managing risks and uncertainties, Shoes Ltd do not have an outspoken systematic risk management process with clear directives in how to accomplish it. The company do however strive to highlight the risks and uncertainties they face, with the ambition to clarify and explain what they mean and what effects they can bring. The company is not afraid of risks and do not intend to avoid them, on the contrary they visualize risks and uncertainties and handle them as they become real for the company. Shoes Ltd calculate the risks and estimate what effects they can cause, to the extent possible. Thus, the procedure is of unsystematic character, where risks are managed separately from each other and not weighted into an integrated approach that reveals their total risk exposure.

As the company is active on a large number of markets, there are many different types of risks that the company stands in front of, including risks in production processes, business risks, legal risks, credit risks, and political risks as the most common types of risks. By doing business in many different markets, the company has built up high knowledge levels in recognizing different risks and how to handle them. Since they are facing a wide diversity of risks, the approach of dealing with risks separately has been preferred and regarded as most suitable. Shoes Ltd utilize a flexible approach towards risks and the company has, according to their sales division manager, built up experience levels and therefore being able to remain flexible when it comes to decisions regarding risks within the company.

4.8.2 Brexit

Shoes Ltd has had a first project meeting regarding Brexit, with managers from the different departments of the company. Representatives from sales, logistics, IT, economy, online sales, and their CEO and head controller, have together discussed Brexit. The project meeting was a first step of brainstorming and creating an overview in how to deal with effects deriving from Brexit. By including several different representatives, the company can weigh in different knowledge areas to get a broader view in how the company will act. Until now, the company has not yet taken any concrete actions in how to adapt its operations towards the UK market, in regards of Brexit. Instead, the company will to a large extent adapt to the directives that will come, and has therefore not yet put up different scenarios that can happen, based on estimations. Some kind of scenario planning will most likely occur within the company at coming project meetings further on, when there is more information to evaluate. The company will handle Brexit in similarity to their general approach in how to manage risks and uncertainties. Brexit will be treated separately, and not integrated with other risks. The company's flexible approach will be utilized, and Shoes Ltd will use previous experience in order to formulate as good responses as possible to manage the situation of Brexit as it proceeds.

"We will not change our strategy, but we take it into consideration" (Interviewee 9, 2018).

When it comes to risks from Brexit, the company mainly associate business related risks that the company will likely face. They feel uncertain in how the market will respond to Brexit, how it will affect their sales, and whether or not existing clients will remain on the market. This type of uncertainties is hard to estimate, and the company do not know what the first actions will be. Shoes Ltd also highlights risks related to logistics, with trade barriers as the main consequence. The company is dependent on well functioning logistic operations, as a significant share of their sales is made online, with delivery of the products to customers. One possible cause of action, if trade barriers arise that affect the company's operations on the UK market, could be investing in an inventory located in the UK to overcome the trade barriers. The UK market, and London particularly, is at the forefront when it comes to online sales, and that makes logistics very important. If trade barriers complicate the company's ability to perform trade on the UK market, Brexit can be regarded to have a negative impact for Shoes Ltd.

As the UK market is of great importance for Shoes Ltd, their sales division manager believes that they probably would have invested more in it, if it was not for Brexit. Due to the uncertainty derived from Brexit, investments are put on hold for the moment. Until there are clear directives in how Brexit will affect the company's operations, Shoes Ltd will not further invest in the market. However, as the UK is considered as a very important market, they have no intentions of abandoning the market. Thus, as long as there is uncertainty from Brexit, the company has chosen to postpone possible future investments towards the UK market.

The company has from earlier experiences of conducting business, as previously mentioned, built up knowledge within the firm and thereby feel comfortable in dealing with Brexit, even if it cannot be compared with any other event due to its unique characteristics. They feel prepared and confident that internal knowledge that is acquired will be sufficient to handle the directives arising from Brexit. Shoes Ltd will keep themselves updated about the coming changes Brexit includes, how they need to respond, and how they will adapt their operations.

"That is included in the package, that we will now have to keep ourselves updated" (Interviewee 9, 2018).

Regarding themselves as a flexible company, the sales division manager argue that Shoes Ltd advantageously will have a flexible approach when dealing with coming changes deriving from Brexit. This since the market conditions rapidly can change and if the company wants to remain steady on the UK market, a flexible strategy is regarded useful in order to make quick decisions in how to adapt to the changes.

"I believe that we will go with our own approach, but of course we will adapt" (Interviewee 9, 2018).

4.9 Summary of Empirical Findings

In Table 4, the main findings of this chapter are summarized. It includes an overview of which companies that utilize a risk management approach. Further, the table indicates that all the SMEs in the study recognize risks and uncertainty from Brexit. It also shows how Brexit has affected the firms' level of commitment to the UK. In the end of the table, an overview in how the SMEs strategically respond to the risks and uncertainty is highlighted. This summary is the foundation for the analysis in the next chapter.

	Car Seat Ltd	Wheel Ltd	Toys Ltd	Pencil Ltd	Car Mobility Ltd	Yacht Ltd	Giveaway Ltd	Shoes Ltd
Risk Management Approach	-	-	X	X	-	-	X	-
Integrated Approach	-	-	-	-	-	-	X	-
Regcognizing Uncertainty from Brexit	X	X	X	X	X	X	X	X
Recognizing Risk from Brexit	X	X	X	X	X	X	X	X
Trade Barriers	X	X	X	X	X	X	X	X
Increased Cost of Trade	X	X	X	X	-	X	X	-
Volatile Currency Rates	X	X	X	X	-	-	-	-
Effect on Level of Commitment to the UK	X	-	X	-	-	X	X	X
Increased Commitment	X	-	-	-	-	-	-	-
Decreased Commitment	-	-	-	-	-	-	X	-
Delayed Commitment	X	-	X	-	-	X	X	X
Strategic Responses to Brexit	X	X	X	X	X	X	X	X
Scanning the Environment	X	X	X	X	X	X	X	X
Acting on Risks in Advance	X	-	-	-	X	-	-	-
Acting on Risks once they have an Effect	X	X	X	X	X	X	X	X

Table 4 - Summary of Empirical Findings

5 ANALYSIS

The analysis chapter discusses the empirical findings in relation to the theoretical framework. The analysis is divided into four subsections. First, the companies' risk management approaches are analyzed. Second, the types of risks and uncertainties the companies associate with Brexit are discussed. Third, Brexit's effects on the companies' commitment to the UK are analyzed. Fourth, there is a discussion on how the companies manage the risks and uncertainties they associate with Brexit.

5.1 Risk Management

In the theoretical framework of this study, a description of what risk management means was presented. In this study, risk management is defined as companies' systematic approach in identifying, analyzing, moderating, and forecasting risks within a variety of specializations or other types of uncertainties, in order to minimize negative effects (Hubbard 2009; Stulz 1996). This definition was thereafter applied to the empirical findings of this study, considering how the SMEs manage risks and uncertainties in the light of Brexit. Regarding the empirical findings from the companies used in this study, there is a predominant share which do not explicitly use an outspoken risk management process within their firm that is in accordance with the above mentioned definition. Three out of the eight companies in the study stated that they are using a conscious and systematic risk management approach, which is in line with the definition. According to Dohmen et al. (2011), Froot, Scharfstein & Stein (1993), and Ghoshal (1987), risk management is one of the most important aspects for firms to consider and handle within their operations. The importance of being aware of the fact that companies face risks and uncertainties is recognized from the findings of the study. Several of the companies in this study clearly indicate that they are taking risks and uncertainties into account within their operations, but not all have an outspoken and systematic process in how to deal with it. All from identifying, forecasting, mapping, measuring, analyzing, and calculating risks are part of the companies' handling of risks and uncertainties. This is in line with the definition of risk management based on Hubbard (2009) and Stulz (1996), who argue that risk management includes several different aspects. However, according to Dorfman (2002) and Hubbard (2009) risk management, as a process, should also have the purpose of handling and preparing of exposure to losses, which in turn can include several different aspects. As mentioned above, three of eight companies claim to utilize such a process. The remaining companies in the study do not, or only to some level, clearly express themselves to utilize a risk management process within their firms' operations that is in line with the definition of what risk management is according to this study's theoretical framework.

Defining what a risk management process actually is and what it can include is challenging for the companies in this study. This can give effects for the SMEs when it comes to managing the risks and uncertainties of Brexit, as they arise. As a majority of the companies do not have an outspoken and systematic risk management process, they do still take several aspects related to risks and uncertainties into account. With a wide diversity of different aspects and actions that can be included, there are difficulties for a company to confidently claim to have a risk management process. Ghoshal (1987) and Miller (1992) argue that there is a complexity for firms to recognize, and in how to handle, all the risks they face, and thereby express a risk management process. A large share of the companies are including some aspects related to risk management, but they do not claim that they use an outspoken risk management process where they in a systematic approach manage risks and uncertainties. This can be related to Baird & Thomas (1985), who enhance that there are difficulties in defining what risk management is. Thus, if a risk management process can be formulated, it can be used in order to minimize and negative effects from risks and uncertainties (Dequech 2006; Hilmersson, Sandberg & Pourmand Hilmersson 2015).

Regarding political risks, there are few of the companies in the study that express themselves to actively bear political risks in mind within their businesses. The companies who consider political risks are mainly keeping themselves updated through internal sources of knowledge that are available within the companies. This knowledge is used by the companies to avoid markets that are related with risks, in terms of uncertain business environment, turbulence, legal aspects, among others. Therefore, the companies that are considering political risks are in line with Hilmersson, Sandberg & Pourmand Hilmersson (2015) who argue that political knowledge is an important tool to decrease uncertainty of the companies' business environments, which can be useful for SMEs when managing Brexit.

A common denominator within the empirical findings is that almost all companies, seven out of eight, do not use an integrated approach when handling risks and uncertainties within their businesses. The one company who actually does, Giveaway Ltd, is using a mapping process where they highlight, visualize, analyze, and formulate actions in how to respond to risks and uncertainties. They are using an active process where they integrate all possible risks into an overall risk management process. The other seven companies in this study do not have that kind of approach. Instead, they are handling risks and uncertainties separately and individually as they arise and become real for the company. This goes in line with existent research in risk management, where several scholars argue that there is a particularist approach within companies' risk management processes, meaning that risks and uncertainties are treated individually rather in an integrated approach (Baird & Thomas 1985; Bromiley et al. 2015; Miller 1992; 1998). These scholars claim that the particularist approach is a consequence from the complexity firms face when handling risks and uncertainties. According to Bromiley et al. (2015), focusing on integrated approaches, the company in this study that utilizes an integrated approach, namely Giveaway Ltd, cannot only overcome the complexity that is associated with risk management processes, but also gain benefits in terms of improved efficiency of the risk management processes. This goes in line with Miller (1992) and Bromiley et al. (2015), who argue that firms can overcome the complexity if they utilize a multiple oriented approach, where they integrate all types of risks and uncertainties and take the entire company's risk exposure in consideration, which also is further supported by Shapiro & Titman (1986). One method that can be regarded for Giveaway Ltd's integrated risk management approach, is ERM. In previous research, ERM is explained as a comprehensive approach that in a systematic and dynamic process integrate a large variation of risks (Barton, Shenkir & Walker 2002; Dickinson 2001; Harrington, Niehaus & Risko 2002; Liebenberg & Hoyt 2003; Miller & Waller 2003). Since Giveaway Ltd is visualizing the risks and uncertainties they face, they are systematically integrating the company's total risk exposure in their risk management process, which is in line with research regarding integrated risk management, with ERM as highlighted approach.

As the companies for this study consisted of SMEs entirely, risk management focusing on SMEs is appropriate and can further enhance the findings in this study. SMEs do not have the same amount of resources as large corporations, and SMEs can thereby improve efficiency by performing risk management processes (Leopoulos, Kirytopoulos & Malandrakis 2006). The empirical findings in this study show that seven out of eight SMEs do not utilize an integrated approach when dealing with risks and uncertainties. This goes against recommendations from existent research focusing on SMEs and risk management, where scholars argue that SMEs that use integrated risk management approaches can gain benefits in terms of better risk handling in general and thereby formulate improved risk strategies (Hofmann 2009; St-Pierre & Bahri 2006). Therefore it is only one SME in this study that can gain benefits and competitive advantage by using an integrated approach, regarding earlier research (Smit & Watkins, 2012;

Watt 2007). One reason of why only one of the SMEs utilizes an integrated approach of risk management might be related to lack of knowledge. Risk management is complicated for firms to deal with, and if recommendations within research are not communicated explicitly to the firms it will be hard for them to understand what they are recommended to do. The same goes for risk management in general, where only three of the SMEs in this study could be regarded to utilize a risk management approach that was consistent with the definition utilized in the theoretical framework. If research within academia could be communicated to the business environment to a larger extent, the results could possibly have shown a different orientation.

In summary, regarding the empirical findings from this study, there is one company which utilizes the integrated approach as risk management process and thereby is reachable for the benefits existent research argues for. The remaining seven companies that do not utilize an integrated approach, are not likely to be recipients of the advantages and benefits the research implicates, when managing risks and uncertainties from Brexit. Brexit will be treated separately from other risks by a majority of the companies, further indicating that the SMEs in the study do not utilize the integrated approach of risk management that is recommended in existing research.

5.2 Types of Risks and Uncertainties

The concept of risk management does not only focus on risks, but also uncertainties (Liesch, Welch & Buckley, 2011). Ever since the 1920s, the terms risk and uncertainty has been separated with individual meaning, with research by Knight (1921) and Keynes (1937) as starting point. As this study is associated with a clear focus towards Brexit, and how it affects SMEs, it is appropriate to separately analyze what risks and uncertainties that are associated with Brexit since the terms have individual meaning.

Uncertainty refers to the inability to predict future events, where the probability of different outcomes is not possible to calculate. Due to its complexity, uncertainties are somewhat the most difficult tasks companies have to manage, according to existent research (Anderson, Ghysels & Juergens 2009; Duncan 1972; Miller 1992; Milliken 1987; Thompson 1967). From the empirical findings in this study, the results indicate that Brexit as an event is highly correlated with uncertainty. As Brexit is an event that is affected by all from political, governmental, macroeconomic, among other aspects, it goes in line with what Miller (1992) describes as *general environmental uncertainty*, and also as political risk since both political and policy uncertainty is related to this type of uncertainty (Fitzpatrick 1983; Ting 1988). Regarding the companies in this study, all of them associate Brexit with uncertainty. All the eight companies claim to recognize uncertainties of different kinds deriving from Brexit.

As earlier research indicates, there is a differentiation of uncertainties companies can face. To analyze the uncertainties recognized by the companies in this study, use of Milliken's (1987) research within differentiations of uncertainties is adequate. *State uncertainty*, *effect uncertainty*, and *response uncertainty* are the three types of uncertainties Milliken (1987) highlight.

Referring to this study's introduction chapter with a background description of the development of Brexit, there are arguments of aligning Brexit as *state uncertainty* according to Milliken's (1987) findings. Milliken (1987) describes *state uncertainty* with inability to predict the future in the state of the environment and how its elements are changing. Brexit is a result from political changes in the EU, and as it still is an ongoing process there is basis to refer it as *state uncertainty* since it is not fully clear in how it will further change the state of the environment for the UK and the other members of the EU.

Thus, this study focuses on what risks and uncertainties the Swedish SMEs in the study recognize from the event of Brexit. From the empirical findings of the study, there is a consistent pattern where all the companies in the study recognize uncertainties deriving from Brexit. The most common uncertainties that are expressed by a majority of the companies are uncertainties of; what will be decided in the final negotiations of Brexit and how this will affect the companies, what will happen with the companies' operations in and towards the UK, what other effects there will be on the companies, how the business environments they are active in will change. Much of this is related to the fact that there is not yet an agreement and final deal that is signed. This type of uncertainty can be related to what Milliken (1987) describes as *effect uncertainty*. *Effect uncertainty* refers to the uncertainty in what effect changes in the state of the environment will bring (Milliken 1987). Since Brexit is not fully negotiated and decided yet, the uncertainty the companies recognize is related to what actually will happen and how it will affect the companies and their businesses. This in turn goes in line with what Milliken (1987) refer as *effect uncertainty*.

The uncertainty in what will happen and how the companies will be affected, leads to further uncertainty related in how the companies should respond to the changes in the business environments Brexit creates. Therefore, the findings from the companies can be related to Milliken's (1987) third differentiation of uncertainties, namely *response uncertainty*. A majority of the companies express that they do not know what to do, since they do not know what will be decided and how it will affect them. It is uncertain in what responses the companies should use in order to handle the changes that Brexit will cause. As *response uncertainty* is explained as uncertainty in what consequences a certain response to changes in the state of the environment will give (Milliken 1987), the companies face *response uncertainty* as well since they cannot forecast the effects of future chosen responses.

The empirical findings visualize that Brexit has caused uncertainty for all the firms in the study. From there, the companies associate a variety of risks with Brexit, as a result from the uncertainty they relate to Brexit.

Risk has not the same definition as uncertainty. A common meaning of the term risk is explained by several scholars, who argue that risk refers to possible outcomes as a result of a choice of action, where the probability of the outcomes can be calculated, estimated or measured, based on previous experience and knowledge (Hubbard 2009; March & Shapira 1987; Miller 1992; Penrose 1972; Tversky & Fox 1995). This can be explained by Brexit acts as the choice of action, whereas the risks that the companies associate with Brexit act as the possible outcomes, deriving from Brexit. Common to uncertainties, all the eight companies in this study recognize risks with Brexit. The high level of uncertainty Brexit brings, results in a wide variety of risks for the companies to take into consideration. Thus, there are three major risks that are recognized by the companies. These risks are; trade barriers, increased costs of performing trade, and exchange rates. All eight companies in the study mention trade barriers as risks deriving from Brexit. Trade barriers in terms of custom duties, taxes, and fees among others are all examples that the companies recognize and believe will affect their business. A majority of the companies claim that trade barriers will lead to higher costs. Six out of eight companies associate increased costs of performing trade towards the UK as a risk related to Brexit. The increased costs are a result from the trade barriers, which will lead to higher administrative costs and higher prices. Many of the companies believe that the increased costs of doing trade will lead to higher prices for their end consumers. The third common risk is related to exchange rates. Half of the companies refers to the volatile GBP, where the companies believe that Brexit is one reason for this. A volatile currency in the UK can also contribute to higher costs of doing trade, similar to trade barriers. In Figure 3 below, an overview of the main risks and uncertainties the SMEs recognize from Brexit is presented.

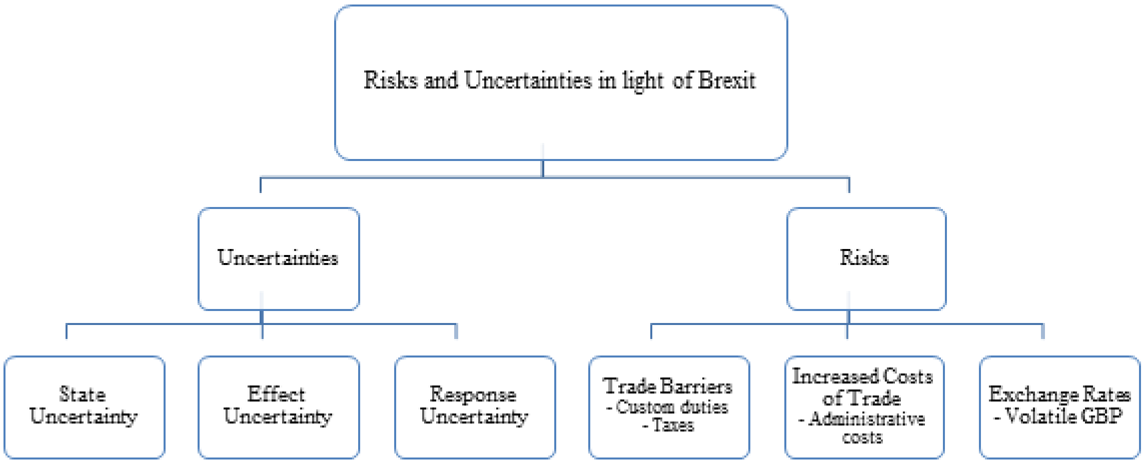

Figure 3 - Overview of the risks and uncertainties

5.3 Brexit's Effects on Commitment to the UK

The empirical findings of the present study suggests that the risks and uncertainties caused by Brexit have had an impact on the firm's internationalization and commitment to the UK market. This can be seen as in line with Hilmersson, Sandberg & Pourmand Hilmersson (2015), who find that political turbulence effects is a determinant of uncertainty for SMEs when expanding internationally. According to the Uppsala model of internationalization, firms expand internationally by incrementally increase their business activities in the foreign market (Johanson & Vahlne 1977). Several of the firms in the study, indicated ambitions to continue their expansion to the UK by increasing, and taking more control of, their business activities. The main reason for continued expansion to the UK was that the UK is a growing market with high potential. Uncertainties and risks are treated separately in the Uppsala model. Risk in the model is a function of commitment and uncertainty (Figueira-de-Lemos, Johanson & Vahlne 2011), meaning that both the amounts of resources the firm has invested in the market, and the level of uncertainty in the market, are positively related to the amount of risk the firm is exposed to. If the level of uncertainty increases, the same amount of commitment to the market will result in higher risk for the firm. As previously discussed in this chapter, all of the firms in the present study indicated that Britain's decision to leave the EU has resulted in increased uncertainty for the firms' activities on the UK market. The firms also saw different potential risks deriving from the uncertainty. According to the risk function of the Uppsala model by Figueira-de-Lemos, Johanson & Vahlne (2011), the increased uncertainty in the market means that international firms in the UK are now exposed to higher risks. Given the same amount of resources invested in the market and the same knowledge, the firms in the study are now exposed to higher levels of risk in the British market than prior to Brexit. This is in line with the findings of the study as all of the companies associate Brexit with increased uncertainty and increased risks in their attempts to further expand to the UK market.

With increased uncertainty that results in higher risks, firms can choose to take actions in order to reduce the risks that brings the firm back to levels which the firm considers appropriate. This can be done by either gaining knowledge through commitments to the market in order to reduce the uncertainty, or by decreasing the firms' commitment to the market (Figueira-de-Lemos, Johanson & Vahlne 2011; Johanson & Vahlne 1977).

There are differences between the levels of commitment to the UK market for the firms in the study. Car Mobility Ltd, Yacht Ltd, and Shoes Ltd are present on the UK market with subsidiaries, and Car Seat Ltd is in the process of opening a subsidiary. Compared to the other companies, who sell their products to distributors or direct to customers from Sweden, they have a higher market commitment to the UK as they have more resources and tangible assets (Hadjikhani 1997) invested in the market. Figueira-de-Lemos, Johanson & Vahlne (2011) proposes that if uncertainty increases in a market with low uncertainty where a firm has high commitment, firms will tend to reduce their tangible assets in the market. The empirical findings of this study show limited support for this hypothesis. Uncertainty has increased in a market that previously was considered to have low uncertainty by the firms in the study. However, it has not resulted in withdrawn tangible assets by these companies. None of the companies in the study with tangible assets invested in the UK has withdrawn them from the market. Only one of the companies, Yacht Ltd, stated that leaving the UK is a potential option. If this would be the case, it would be because of actual effects rather than increased uncertainty. A commonality between three of the four companies with tangible assets in the UK, is that they have delayed investments in the UK because of the increased uncertainty caused by Brexit. Car Seat Ltd, Shoes Ltd, and Yacht Ltd have all delayed investments in the UK that would have been made if the UK were not to leave the EU. Car Seat Ltd is the only company which has increased their commitment, partly because of Brexit, as a way to manage the uncertainty. A possible explanation for why they are the only company to increase commitment is their high knowledge of the UK market and their unique product. They have no main competitors from the UK which indicates lower competition from domestic producers. They would however have been more aggressive in their expansion to the UK if it was not for Brexit, which shows delayed commitment.

The remaining four companies, Toys Ltd, Pencil Ltd, Wheel Ltd, and Giveaway Ltd, do not have tangible assets committed to the UK market which indicates a lower commitment. Figueira-de-Lemos, Johanson & Vahlne (2011) suggests that if the risk level increase within an environment where the firm experience low uncertainty and has low commitment, firms tend to delay tangible commitments and increase intangible commitments to increase market knowledge and by doing so, decrease the uncertainty and the risks. The empirical results of this study find mixed support for this hypothesis. Regarding delayed tangible investments, Toys Ltd is the only company that distinctly expressed that they have delayed an investment of a tangible asset in form of opening an office in the UK. Giveaway Ltd removed resources as they ended their business with consultants on the UK market who were used to increase sales by finding new retailers which indicates a decreased commitment to the UK market. They do however intend to expand more to the UK when the uncertainty is lower, which shows that the company has delayed commitment. Wheel Ltd has not postponed any concrete investments on the UK market. Pencil Ltd has postponed the investment of a new factory, partly because of the uncertainty caused by Brexit. The company sees several uncertainties related to trade barriers which will be a factor when determining where the new factor shall be located. They can either choose to be where the raw materials are, or they can import them. This has resulted in delayed tangible investments, however not in the UK or necessarily related to internationalization. Regarding increased intangible investments, there are no results from this study that supports this proposition by Figueira-de-Lemos, Johanson & Vahlne (2011). Not one of the four firms with only intangible assets invested in the UK market has increased their investments of intangible assets, or tangible assets, in the UK after the Brexit referendum. Intangible assets are according to theory (Hadjikhani 1997) utilized to scan the environment and increase learning. The firms in the present study do, in the case of Brexit, find it challenging to predict the future which may be a reason for why they do not invest in intangible assets to increase learning and lower uncertainty.

In summary, the results of the study show that Brexit has had an effect on the SMEs ambitions to expand further to the UK market. The firms have delayed planned investments, both tangible and intangible assets, because of the uncertainties and risks. Withdrawing investments has only been seen by one of the eight companies in the study. This can be explained by the high potential that the firms in general sees in the UK. The UK is seen as an important market with high potential by the SMEs in the study, which explains why they have delayed investments rather than divest. The findings are similar between the companies who have tangible and intangible assets invested in the UK in terms of internationalization which goes against theory by Figueira-de-Lemos, Johanson & Vahlne (2011).

5.4 Managing the Risks and Uncertainties of Brexit

The SMEs in the study have taken different strategic actions and approaches in order to manage the risks and uncertainties that have been caused by Brexit. Both similarities and differences between the firms have been identified, both regarding concrete actions and overall approaches to handle the uncertain environment.

The fundamentals of the planning school is divided into two steps that the firms take in order to manage risks and uncertainties (Vecchiato 2012). First, the firm begins by actively scan the environment in order to detect new events and evaluate how they may affect the firm. Second, the firms choose an appropriate response. The results from the study show that the first of the steps is fulfilled to different extents by the SMEs. As all the firms are exposed to the UK, and associates Brexit with uncertainties, they keep themselves informed about the changes on the UK market and what affects the changes will have on their firm which goes in line with the first step of the planning school, to scan the environment. This is in line with Hilmersson, Sandberg & Pourmand Hilmersson (2015) who argue that increased knowledge levels of the political environment can mitigate uncertainty derived from political turbulence. There are commonalities of how the firms keep themselves informed about the Brexit negotiations and potential effects on the company. Following media is the main source of information regarding the Brexit process. Regarding how the changes will affect the firm, internal resources are of great importance. None of the firms purchase information from consultants. The Chamber of Commerce, industry organizations and other companies in the same sectors are however seen as important external resources of information about Brexit. These can provide the SMEs with information about specific risks that relate to their specific industry, rather than the more broad information available in the media. Out of the eight firms in the study, only Pencil Ltd has made a risk analysis that includes multiple scenarios and how to respond to each, and Shoes Ltd was in the startup phase of conducting a scenario planning, as in accordance to Miller & Waller (2003). The other six companies has identified specific risks rather than investigating different scenarios. Johnston, Gilmore & Carson (2008) acknowledge that scenario planning is both costly and complex but can be beneficial for SMEs as it allows the firm to rehearse for possible futures. Reasons for why the companies have not identified different scenarios were that they did not think of it as necessary as it is not worth the time and resources. As SMEs, they instead have the benefit of responding faster, and since the environment is uncertain, it is hard to know what is going to happen and how to formulate a response. The last point is in line with the critique against the planning school by Mintzberg (1978; 1994), that the future is impossible to predict with certainty and therefore shall not be predicted.

The main risks that have been identified by the companies in the study when scanning the environment were increased trade barriers, increased costs of trade and risks related to a more volatile exchange rate of the GBP. Two of the companies has already taken actions to prevent negative effects of increased trade barriers. Car Mobility Ltd chose to acquire a competitor in Denmark in order to secure continued production and distribution outside the UK by diversification. This is in line international diversification theory (Agmon & Lessard 1977; Hughes, Logue & Sweeney 1975; Rugman 1976; Shapiro 1978). Car Seat Ltd are opening a subsidiary in the UK, partly because of Brexit. As the trade barriers will likely not be implemented before a deal is signed between the EU and the UK, it has not had consequences yet for the companies. Car Seat Ltd and Car Mobility Ltd have identified a scenario of increased trade barriers and planned how to strategically handle the risk. This is in line with the planning school of handling uncertain environments (Vecchiato 2012). Car Mobility Ltd have production in the UK, which makes them highly exposed to trade barriers. This may be an explanation for why they have chosen to diversify their production internationally in advance of the implementation of trade barriers.

Five out of the eight companies has experience from trading with countries outside of the EU, such as Norway and Switzerland. By performing trade with non-EU member countries, these companies have acquired knowledge that can be used when, or if, trade barriers are implemented on trade to the UK. This type of knowledge can be referred as explicit knowledge, which is made out of facts and information that the companies are able to communicate, and relates to knowledge in situations of risks (Collins 2010; Dienes & Perner 1999; Masters 1992). Therefore, the companies believe to have the knowledge and systems in place to handle risks from Brexit administratively, even if it will result in higher costs, which will make the transition smoother.

A weaker GBP, with increased volatility, has been an immediate risk of the result of the Brexit referendum, compared to increased trade barriers which is not likely to be implemented before Britain has formally left the EU. According to Bartov, Bodnar & Kaul (1996), exchange rate volatility is a main source of risk when operating internationally. To handle the issue, Car Seat Ltd do more of their business in EUR and buy financial insurances. Wheel Ltd works more with discounts to compensate for higher prices for their UK customers, and Toys Ltd demands advance payments. Yacht Ltd hedges currencies as a part of their international risk management. The companies in the study are exposed to the UK in various ways and operate in different industries which is the most reasonable explanation for why their concrete actions of handling risks have emerged differently.

A commonality among all of the firms in the study is that they will react to changes on the UK market once they become visible, which is in line with the adaptive school (Mintzberg 1978; 1994). There are several reasons for why the SMEs in our study chose to be adaptive to meet the uncertainty caused by Brexit. The companies believe that since they are small, they have easier to adapt to changes while they lack the resources to plan and identify scenarios before they occur. Shoes Ltd stated that they are a flexible company that rapidly can adapt to changes, which is important in their risk management. This implies that the capabilities of the company are dynamic (Teece, Pisano & Shuen 1997) as they can adapt them to changes in the external environment. Also, with the uniqueness of Brexit and the high level of uncertainty it has created in the market, planning is not only costly but also challenging for the firms. Nobody knows how the deal between the UK and the EU will look like. This leads to response uncertainty for the companies as discussed by Milliken (1987) and is further in line with Mintzberg (1978; 1994) who highlights that the future is impossible to predict. The response uncertainty the SMEs face put them into an adaptive approach to adapt to the changes as they occur. Since they do not know how different responses will turn out because of the uncertainty, they do not know how to respond. This makes the SMEs emphasize their ability to adapt instead of trying to predict the future. The risks and uncertainties are not planned for by a majority of the companies. Instead, the strategic responses emerges as the risks becomes visible and the firms learn about them which is in accordance with Mintzberg (1994) and Quinn (1980).

Only Car Seat Ltd considered themselves to be influential enough to influence the business environment within their industry in the UK after Brexit. Even though they are an SME, they are one of the market leading companies in an industry characterized by strict regulations.

Wiltbank et al. (2006) argue for control-oriented approaches, such as the transformative approach and the visionary approach. The business environment consists of firms and therefore, firms can influence the environment. Control can therefore play a role in the strategic management of uncertain situation. Miller (1992) emphasizes that when facing political uncertainty, firms can engage in political lobbying. While Car Seat Ltd consider themselves to have power and influence within their industry, control cannot be seen as a visible component in their risk management approach. The remaining seven firms in the study does not claim to have control to the extent that they can be a part of shaping the post Brexit business environment and does not engage in lobbying activities to influence the UK business environment. The environment is rather seen as exogenous by the firms in our study and the firms position themselves within the environment rather than being a part of shaping it. The SMEs in the study are not influential enough in their industries to influence the business environment.

Overall, the SMEs in our study can be seen to implement both approaches from the planning and the adaptive school. All firms are in various ways scanning the environment and keeping themselves updated about changes in order to be able to adjust which is in line with the planning school. However, few actions have been taken before the risks becomes real for the firms. Once the risks becomes, or will become, real, the firms will adjust which falls in line with the adaptive school. By scanning, and to some extent planning, the firms will be able to quickly adapt once the changes in the environment occur. The findings are in line with the findings theory by Eisenhardt & Sull (2001), Schoemaker (2002) and Simon (1993) who argue for both planning and adaptation. The firms falls in-between the two schools of strategically managing uncertain environments rather than only fitting into one.

5.5 Summary of Analysis

This chapter includes an analysis of the empirical findings in chapter four, put in relation to the theoretical framework in chapter two. Figure 4, presented below, highlights the main findings regarding how Swedish SMEs manage risks and uncertainties from Brexit. This figure acts as a foundation for this study’s conclusions and theoretical contributions, which are presented in the next chapter. Figure 4 does to some extent differ from Figure 1 in chapter two, which was constructed based on the theoretical expectations of the study.

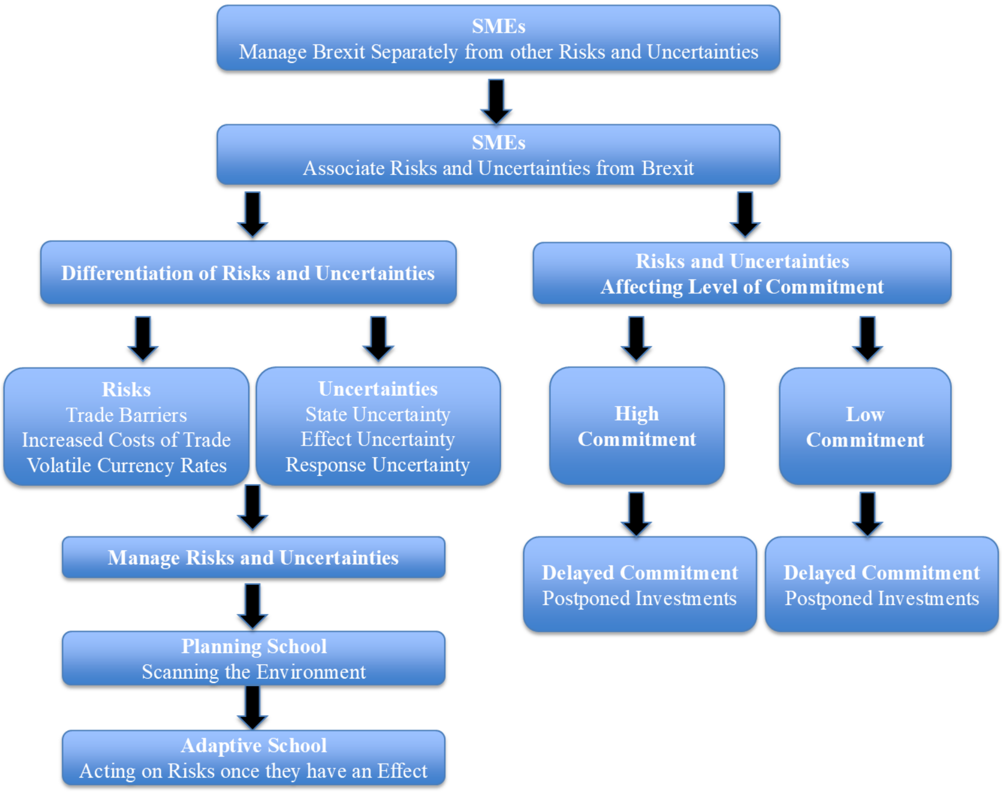

Figure 4 - Summary of Analysis

The companies in the study were seen to manage risks separately from each other and not utilize an integrated risk management approach. Risks caused by Brexit are not integrated among other risks. The main risks identified were increased trade barriers, increased costs of trade, and volatile exchange rates. The companies were seen to be uncertain about the state of the environment, what effects Brexit would have on their companies, and also, uncertain in how to respond. The UK is regarded as an important market, which is why the companies choose to postpone planned investments to the UK, rather than leaving the market to limit their risk exposure. When managing the risks and uncertainties, the SMEs in the study scans the environment to identify risks. However, the risks are mainly responded to once they actually becomes a threat to the companies, which indicates that the firms use aspects of both the planning and the adaptive school when managing the risks and uncertainties from Brexit.

6 CONCLUSIONS

This chapter provides the concluding remarks from the study. The research questions are answered, followed by the theoretical contributions and managerial implications of the study. Furthermore, limitations and recommendations for future research are discussed.

6.1 Concluding Remarks of the Study

The purpose of this study was to investigate how Swedish SMEs manage the risks and uncertainties of Brexit. This has been accomplished by conducting a multiple-case study including eight Swedish SMEs with exposure to the UK market. This study has led to increased understanding of how SMEs handle risks and uncertainties in light of Brexit, and answers the following research questions;

- *What types of risks and uncertainties do Swedish SMEs recognize in conjunction with Brexit?*
- *How do Swedish SMEs manage the risks and uncertainties in conjunction with Brexit?*

The first research question was studied to identify what types of risks and uncertainties SMEs experience in conjunction with Brexit. The findings show an unanimity among the companies in the study. All out of the eight SMEs in our study experience that Brexit has caused increased uncertainty. From this uncertainty, all the SMEs further recognize risks that potentially could have a negative impact on their business activities.

The results of the study show that the companies associate Brexit with *state*, *effect*, and *response uncertainty* as categorized by Milliken (1987). The study acknowledge that the companies recognize the event of Brexit as state uncertainty. This because it is no certainty in how it will further change the state of the environment for the UK and its relation to the other members of the EU. In turn, the state uncertainty leads to effect uncertainty, as the companies are uncertain about what effects the results from Brexit will have on their operations towards the UK. The companies in the study further acknowledge Brexit with response uncertainty, since the companies are uncertain in how to strategically respond to Brexit. The companies face response uncertainty as they cannot predict what kind of responses being appropriate, due to the effect uncertainty Brexit brings. The uncertainties being recognized from Brexit are a result of the unfulfilled negotiation process between the UK and the EU, which can lead to several different outcomes and have different consequences for the companies in the study.

From the uncertainty of Brexit, the companies associate several different risks that potentially can emerge and harm their operations towards the UK. Risks in terms of trade barriers, and increased costs of trade are the two major and most common risks the companies recognize. A majority of the companies in the study believes that trade barriers will lead to higher costs of performing trade with the UK, where the administrative burden will increase. Another, but more immediate risk by the companies in the study is related to volatile exchange rates of the GBP. The volatile exchange rate is a result of the uncertainty caused by Brexit and has been the most immediate effect related to Brexit that the companies have had to manage.

The second research question treats the issue of how the companies in the study manage the risks and uncertainties caused by Brexit. Risks and uncertainties from Brexit are managed separately from other risks and the SMEs do not utilize an integrated risk management approach. The results show that neither the planning school nor the adaptive school are sufficient to alone explain how the companies manage the risks and uncertainties from Brexit. Instead, influences from both schools are seen by the companies in the present study. The findings imply differences in practical terms in how the companies choose to manage the risks and uncertainties. However, there are commonalities in their approaches including aspects of both the planning and the adaptive school. All of the companies are scanning the environment and keeping themselves updated about Brexit in order to in advance identify potential risks which is in line with the planning school. However, the risks are to a large extent not managed in advance by the companies. Instead, the risks are managed once they become actual and pose a threat. This shows that the companies in the study adapt to the risks once they occur rather than managing them in advance, even though they are identified. This can partly be explained by the response uncertainty identified in the study, but also, several of the companies expressed their capabilities and flexibility to quickly adapt to changes. The results of the study imply that the SMEs combine methods from both the planning and the adaptive school when managing risks and uncertainties caused by Brexit. Furthermore, to manage the risks and uncertainties of Brexit, a majority of the companies in the study have chosen to delay planned investments, to limit their risk exposure to the UK market. This is a direct effect of Brexit and does not differ in terms of the firms’ level of commitment to the UK. The UK is considered as an important market by Swedish SMEs which intends to be present in the post-Brexit UK.

6.2 Theoretical Contributions

Overall, the findings from this study are not entirely in accordance with earlier research.

A main theme in the empirical findings of this study is that few, three out of eight, of the companies claim to have an outspoken and systematic risk management approach. Even less, only one company, claims to have an integrated approach when managing risks and uncertainties within their operations. A common denominator is that Brexit is managed separately from other risks and uncertainties. The results from this study therefore differs from the expectations that were formulated from existent research in the theoretical framework, where SMEs are expected to utilize an integrated approach of risk management in order to gain benefits and overcome negative outcomes. The findings therefore show that the companies in the study go against the recommendations from existent research in how SMEs should manage risks and uncertainties. What this study then implicate for theory, is that Swedish SMEs manage risks and uncertainties without utilizing the integrated approach that is advocated in existent research, as they handle Brexit separately from other risks and uncertainties. The wide variation in how the companies in the study manage risks and uncertainties of Brexit can be related to their awareness of risk management in general. If there was a common understanding among the companies in the study of what risk management is and how SMEs are recommended to utilize it, the results could possible shown higher consensus. With this said, the awareness of risk management is spread among the companies, and thus results in a variety in how they manage risks and uncertainties in light of Brexit, but with the commonality of including aspects of both the planning and the adaptive school. By identifying the risks in advance and adapting once the risks becomes actual, the companies in the study shows the importance of bridging the two dominant schools of strategic management of uncertain environments, namely the planning and the adapting school. This is in line with the theoretical expectations of the study, where arguments for both schools where highlighted. Lastly, the study contributes to theory by showing that Swedish SMEs do not intend to leave the UK market because of the uncertainty Brexit has caused, regardless their level of commitment.

6.3 Managerial Implications

This study shows that there is a high level of uncertainty that may result in potential risks for the SMEs that are exposed to the UK market. Since there is a high level of of uncertainty, both about the state of the market and in how to respond, it is challenging for companies to fully grasp the changes Brexit will result in before they occur. However, this study shows that there are several things that managers can do in order to prepare for future risks. Scanning the environment to identify specific changes that will affect the company can be done continuously. By doing so, the companies can identify potential risks and prepare in advance for these changes to occur. Preparing for greater administrative burden and trade barriers will help the SMEs to faster adapt to these potential risks that may occur from Brexit. Further, the GBP has become a more volatile currency since the Brexit referendum and is a risk that is affecting companies today. Therefore, it is a risk that companies has to manage even before Brexit actually occurs. This can be done by demanding advance payments from customers, performing transactions in other currencies than the GBP, or by financial options.

While the uncertainty is still high regarding the risks of Brexit, it is important for the companies to find a balance between how much they shall act before the risks affect the company and how much they shall do after the risks affect the company. Since much is unknown, the companies risk to prepare for changes that may not occur, which will cost time and resources.

In summary, managers are recommended to gain understanding about how Brexit will affect their company in order to prepare to faster adaptation to the changes once they occur. However, since much is still unknown about what effects Brexit will have, predictions might not become reality and therefore managers are not recommended to take speculative actions in advance.

6.4 Limitations of the Study & Recommendations for Future Research

There are some limitations of the study. First, a limited amount of eight companies are included in the study. There are many more Swedish SMEs with exposure to the UK market and the eight companies included in the study might not be representable for all SMEs. By including more companies to the study, the results could reach higher credibility. Second, the study includes companies from multiple sectors and industries where only one company is within the service sector. A higher number of companies in the service sector could potentially provide other results as they might face different risks than manufacturing companies. Third, all the companies in the study are Swedish. The UK is an important trade partner for Sweden which potentially could reflect how risks and uncertainties are perceived. There are most certainly other countries within the EU that will get affected by Brexit similarly to Sweden. Companies from countries with different trade relations to the UK could have different perceptions of the uncertainties of Brexit.

These limitations should be considered by researchers when elaborating research within how SMEs manage risks and uncertainties. By taking these limitations into account in future research, a deeper, more solid, and further credible result could be received within the research focus. Therefore, future research including more SMEs, from multiple sectors, and multiple countries, could contribute to give a more complete picture of how SMEs manage risks and uncertainties.

Further, Brexit is a new, ongoing, and unfulfilled event, which creates implications for further research within this topic. As the study shows, there are a variety of risks and uncertainties the companies face and in how they are managed. Over time, as the negotiations are proceeding and when the final agreement is signed, it would be interesting to continue within this research area and thereby look deeper into what risks that actually arises, and what methods the companies actually will use in order to manage them. Until now, it is difficult to forecast what will happen, and therefore a similar study focusing on the future concrete decisions would be interesting to follow.

The findings from this research process have provided new insights to the academic community. This study has investigated an unexplored topic, namely how Swedish SMEs manage risks and uncertainties in the light of Brexit. The results imply new theoretical contributions as they to some extent differ from existent research within SMEs and risk management. The findings show what risks and uncertainties Swedish SMEs relate to Brexit, and how they are managed.

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APPENDIX

Appendix A – Interview Guide

1. Tell us about your company.
    - What is your role in the company?

2. What type of activities do you perform in or towards the UK?
    - How have you entered the UK?
    - How important is the UK market for you?
        - Share of total sales?
        - Share of turnover?

3. How does your firm deal with risks and uncertainties?
    - Do you have a general approach of risk management?
        - If so, how is it characterized? If not, what is the reason for that?
        - Do you have an integrated approach of risk management?
    - Do you differ between risks and uncertainties in your risk management?
    - What type of risks are the most common for your firm?

4. How are political changes handled or considered by your firm?
    - Do you have knowledge about the political environment in the countries you are present and how it affects your business environment?

5. Do you recognize/associate risks and uncertainties with the event of Brexit? If so, what type of risks and uncertainties?

6. How has Brexit affected your company?
    - How has it affected your firm so far?
    - How do you think Brexit will affect your firm in the future?
    - Do you feel prepared for coming changes caused by Brexit?

7. Do you keep updated about Brexit?
    - If so, how do you do it? If not, why?
    - Do you use internal and/or external resources?
    - Do you purchase information from consultants etc.?

8. How does your firm handle the risks of Brexit?
    - Have you done a risk analysis?
    - Do you have resources to perform a risk analysis?
    - Are you acting on the risks in advance or when they occur?
    - How are your company's capabilities utilized when managing Brexit?
    - Do you have any plans of leaving the UK market because of Brexit?
    - Have you postponed investments towards the UK market?
    - Have you withdrawn any business activities from the UK market?

9. Why have you chosen these options?
    - Is it because of costs?
    - Is it because of the knowledge within the company?

10. Can your firm in any way affect the environment you are operating in?
    - Are you engaged in political activities?
    - Can you be a part in shaping the future?