



**GÖTEBORGS UNIVERSITET**  
**HANDELSHÖGSKOLAN**

The Response of Swedish Multinational Forestry Firms regarding  
Uncertainties Associated with Sudden Institutional Changes

*A qualitative study on how a sudden institutional change can affect and influence a  
company's strategic process and operations*

Bachelor Thesis in International Business, Spring 2022

School of Business, Economics and Law at the University of Gothenburg  
Department of Business Administration

Arvin Nikmehr 001201

Emelie Persson 981128

Supervisor: Richard Nakamura

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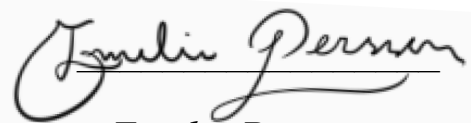
It is with wholehearted esteem that we would like to honour our respected professor and supervisor, Richard Nakamura. His guidance, insights and support throughout the planning and completion of this manuscript have been momentous for the continuous development of our knowledge and education.

Lastly, we would like to express our warmest thanks to all our classmates for partaking in this journey with us. Their enthusiasm and perspicuous comments have contributed greatly to the betterment of our thesis.

Gothenburg, 2022-06-02

*Arvin Nikmehr*

*Arvin Nikmehr*

A handwritten signature in black ink on a light grey background. The signature is written in a cursive style and reads "Emelie Persson".

*Emelie Persson*

## ABSTRACT

When institutions go through changes, firms must be prepared to adapt to the changing externalities in the market. In addition to the direct effect changing institutions may have on the market, the emergence of uncertainties relating to these sudden changes also influence the actions of firms to an extent. Institutional uncertainties are often experienced by firms in connection to the unknown outcome of institutional changes. It is with these considerations that this thesis aims to get a thorough understanding of how Swedish forestry companies perceive and respond to the uncertainties that have arisen in connection to institutional changes. This will be done by using Brexit as a case context. The studied literature discusses how uncertain business environments affect organisations, as well as how the companies themselves perceive uncertainty and how they respond to it. The process and connections between the elements are depicted in the conceptual framework. A qualitative investigation with a deductive technique was undertaken in order to gather profound understanding about the issue.

The design of the research was a multiple-case research where four firms were examined, and two expert interviews were gathered in order to offer an overviewing perspective. This study examines the empirical data using a multiple case investigation and pattern matching to the literature. Findings show how changes in the business environment affect enterprises differently based on the firm's internal and external relations. These considerations have an impact on the strategic planning process as well as the implementation of the resulting strategy.

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# 1. Introduction

## 1.1 Background

Traditionally, literature on business and strategy are based upon the assumption that the future is predictable. This assumption naturally leads to an emphasis on accurately predicting the future rather than planning for a variation of outcomes (Mascarenhas, 1982). Since then, we have seen many periods of economic instability and decline, unpredictable and unmanageable by traditional planning theories, which underscored the need for a more contemporary approach to strategy (Mascarenhas, 1982). That is to say, in this unpredictable world, uncertainty, ambiguity and complexity work concurrently with the controllable aspects of business operations and firms must strategise accordingly (Hill & Jones, 2010). It is perhaps for these reasons that the concept of uncertainty has gained traction in contemporary strategic planning theories. Further, this thesis will be based on this underlying assumption of uncertainty in strategic planning.

Although uncertainty and risk are often used interchangeably, there is a clear, distinct difference between the concepts that should be observed. In this thesis, the definition and distinction between them are made according to the ideas presented by Frank H. Knight in 1921. Knight's (1921) definition of risk pertains a situation where the outcome is unknown, but the probability distribution leading to that outcome is known, whereas in Knightian uncertainty both of these are unknown. That is to say, risk is quantifiable and the outcome can be predicted and controlled to some extent; whereas uncertainty cannot be measured and the outcome can neither be controlled nor calculated. In the context of strategic planning, we can say that a firm can plan under an uncertain situation, however there are risks in the form of negative consequences should the outcome diverge from those contained by the executed strategy.

While uncertainties can arise from many key factors both internal and external, the role of institutions and institutional uncertainty is particularly interesting in an international business context. When entering a new foreign market, firms must adhere and adapt to all the additional rules and regulations imposed by various governmental, legal and social

institutions existing within that market. These authoritative institutional logics reflect the overarching values and principles held by society and set the rules for how organisations should act in order to succeed (Greenwood, Kodeih, Lounsbury, Micelotta, Raynard, 2011). It is, however, possible for these institutional logics to be in conflict with each other (Greenwood et al. 2011). MNEs are often faced with institutional pluralism between home- and host markets and must strategise to overcome these potential differences. The external business environment is integrated in all businesses and determines their organisational behaviour. The external business environment is made up of numerous variables that all affect organisations in different ways and to varying degrees, emphasising the importance of the political environment in shaping businesses.

Further, it is possible for institutions to change at any time and institutional uncertainty could arise from these changes. An example of major change in institutions in recent years is the UK's withdrawal from the EU i.e. Brexit. The Trade and Cooperation Agreement (TCA) that outlined the conditions for this withdrawal meant that the UK could no longer be a part of the EU single market. Given that a single market requires its member countries to a unified set of trading regulations, leaving meant that the UK could now impose its own rules in the UK market. These new rules would then apply to EU member states instead of the common EU regulations. An industry that was greatly impacted by this change was the Swedish forestry industry in which many companies exported goods to the UK to a significant extent.

## **1.2 Problematisation**

According to Business Sweden (2016), the United Kingdom is considered Sweden's fourth largest export market. With approximately 1,200 established Swedish subsidiaries, Business Sweden (2016) further stated that a good perception has been formed and there is strong demand for Swedish products and services in the UK. Among these industries, Forestry remains one of the greatest industries for Swedish trade with the UK. Using the United Nations database, Comtrade, it can be seen that in 2015, the year before the Brexit referendum, roughly 20% of all Swedish exports was to the UK and approximately 20% of those were wood products. Likewise from the UK's perspective, we see that the wood, paper and pulp represented 3% of all imports that year and Sweden was its second biggest supplier in the field. Looking at the Figure 1 attached below, we can see a significant gap between



imports from the top five countries and those after. It can, thereby, be said that the imports of those countries are significant for the UK.

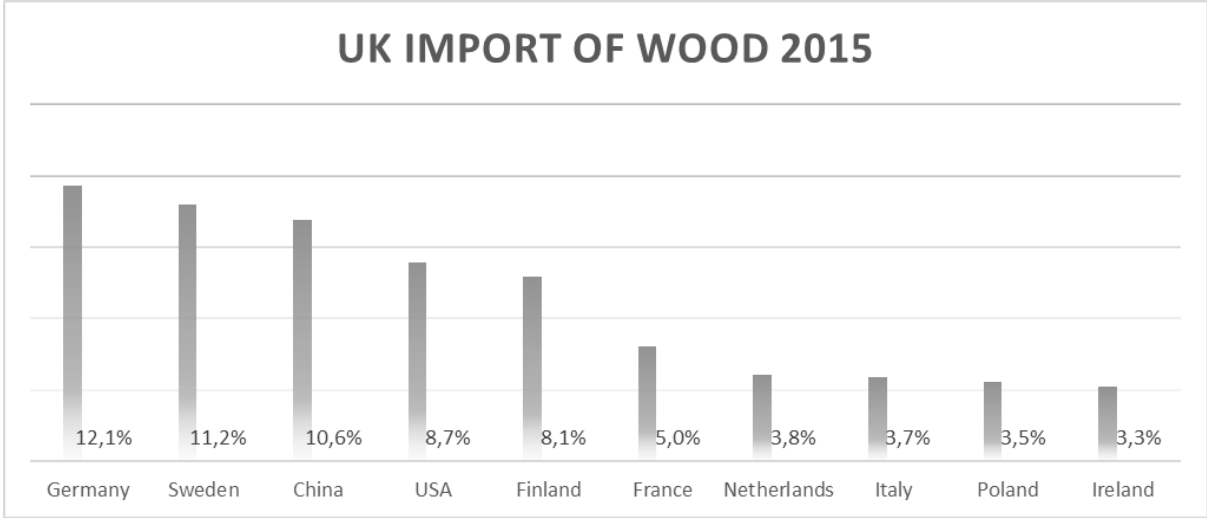


Figure 1: UK Import of Wood 2015  
Based on UN comtrade data: HS as reported/Commodity Code: 44, 47, 48

Having said that, regardless of how the TCA unfolded in the end, it can be said that Swedish forestry firms were greatly impacted by the UK’s decision to leave the EU. In the negotiation years leading up to the finalisation of the TCA, this industry was rife with uncertainties in regard to what outcome Brexit would bring and to what extent the imports into the UK would be affected by that outcome. The effect of these uncertainties on the strategic planning process of Swedish forestry firms is the subject of study for this thesis. The key points to be analysed through this thesis is how Swedish forestry firms perceived emerging uncertainties in relation to the institutional changes arising from Brexit, as well as how this perception has affected the decision-making and strategic planning of these firms. This will be done with some adherence to how the nature and world-view of each firm may have influenced their decisions during the planning process.

### 1.3 Research Question & Delimitation

*”How do Swedish Multinational Forestry Firms Respond to Uncertainties Associated with Sudden Institutional Changes?”*

In this thesis, we will be responding to the research question (RQ) above using Brexit as the context of study. Though the RQ specifies Swedish firms, it does not necessarily mean firms registered or born in Sweden, rather it includes any firms that export products or services from Sweden to the UK. Forest Industry and forestry refer to any form of business relating to wood, such as lumber, and its secondary products such as paper and pulp.

This thesis will mainly focus on factors affecting firms and their strategic planning process when under uncertainties in relation to institutional changes. In the context of this thesis, Brexit is considered an institutional change. The timescope will be centred around the transition years between 2017 until now, 2022, a year after the TCA to underscore the short-term effects of Brexit. Furthermore, this study will be centred around the perspective of Swedish exporting firms and will, thereby, exclude potential effects on UK importers.

#### **1.4 Purpose**

The purpose of this essay is to describe the process firms go through when strategising under uncertainties in relation to institutional changes. This includes how uncertainties are perceived and interpreted by firms; their reaction and attitude when strategising; how the nature and world-view of firms affect their decision-making during the strategic planning process. This, in order to contribute to the understanding of how firms may seek to overcome arising problems in relation to sudden changes in institution and business framework in a foreign market. Additionally, given that many of the studies on the topic (Dhingra, Ottaviano, Rappoport, Sampson, Thomas, 2018; Sampson, 2017) are quantitative studies based on estimations, this qualitative thesis based on direct interviews with companies can contribute with a more firm centric view of how the arising uncertainties in relation to brexit has influences the strategic planning process of firms.

## 1.5 Outline of the Thesis



Figure 2: Outline of Thesis - Authors' own compilation

## 2. COMPREHENSIVE BACKGROUND

### 2.1 Case context: Brexit

On 29 March 2017, after approximately 44 years of membership, the UK officially announced its intentions to withdraw from the EU (The European Committee of Regions, 2022). During these four decades of membership, the UK had become a central member within the European Committee and particularly the European single market. A study by Fontagné, Maier, Zignago (2005) proposes that member states may be trading twice as much as could have been expected had the European single market never gone through. Another study, published by the European Commission, suggests that the implementation of the single market has, by 2006, increased the overall GDP of the EU by 2.2% and created 2.75 million additional employment (Ilzkovitz, Dierx, Kovacs & Sousa, 2007). However, the EU has encountered big challenges in the past, such as when the economies of Euro members Greece, Portugal, and Ireland collapsed as a result of the 2008 financial crisis, but none of these issues were connected to a country quitting the union (Investopedia, 2021). Regardless, it is undeniable that the UK has been an important trade partner for the continent and its exclusion from the European single market would affect various markets and industries in the following years.

#### 2.1.1 Soft Brexit & Hard Brexit

Even prior to the official announcement in 2017, many studies contemplated the effect Brexit could potentially have on the EU-UK trading relation. Van Reenen (2016) speculated that Brexit, even in its weakest form, would lead to significantly higher trade cost on both ends as the EU stood for roughly half of all UK trades. In his study, Soft Brexit was defined as a situation similar to Norway where the UK may remain in the European single market without a membership and a Hard Brexit was a situation in which the UK is completely excluded from the single market. Both of these outcomes, according to Van Reenen (2016), would to some extent have a negative effect on the UK. This view was similarly projected in many similar contemporary studies on Brexit (Tetlow & Stojanovich, 2018; Sampson, 2017). Later in the negotiation period, another possible outcome would garner some attention in the form of no-deal scenario. This scenario propose the possibility that the negotiations will fail and there would be no EU-UK trade agreement by the time the UK would officially leave the EU (Tetlow & Stojanovich , 2018).

This classification of possible outcomes became the underlying assumption that many industries, institutions and firms were presented with and used to formulate a strategy. In figure 3, we have visualised the key differences between these two scenarios, scaling away certain factors to focus on aspects that are more relevant to international businesses and by extension this thesis.

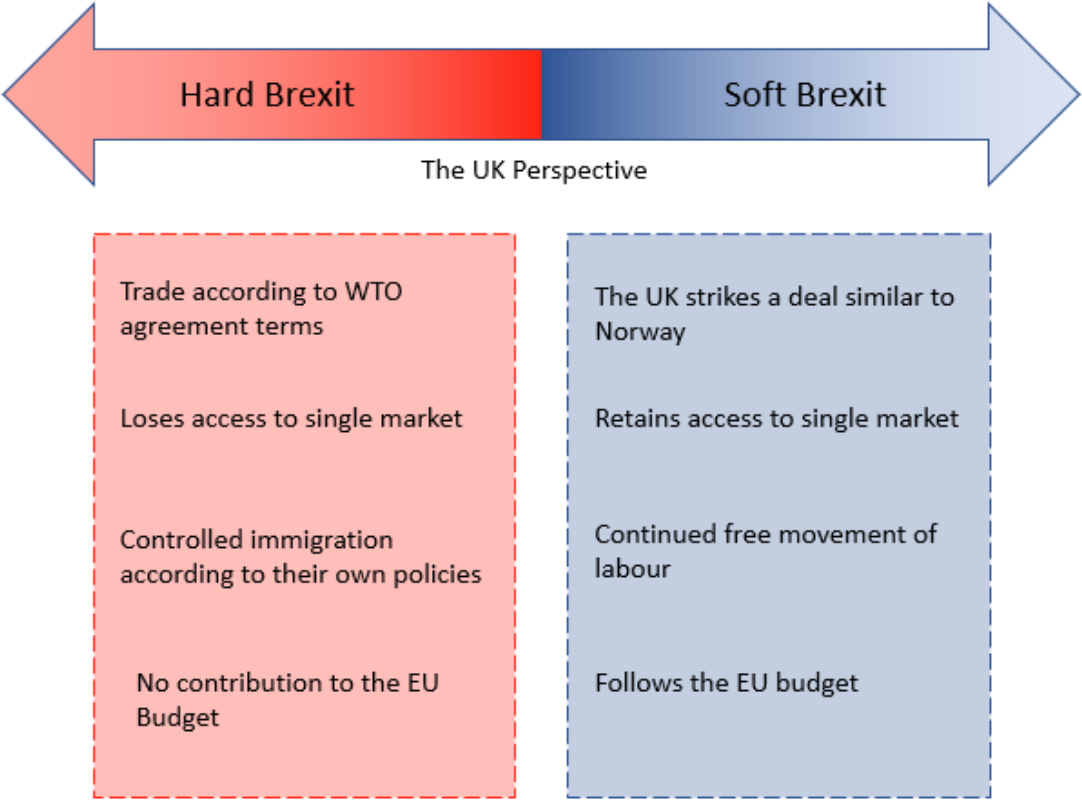


Figure 3: Hard Brexit / Soft Brexit  
Based on Van Reenen (2016)

### 2.1.2 Past literature on Brexit

Due to the relatively short timescope, most of the relevant studies available were either written before the negotiations concluded and TCA came in effect and are therefore more speculative in nature (Van Reenen, 2016; Sampson, 2017) or they are more limited in terms of perspective and scope (Breinlich, Leromain, Novy, Sampson, Usman, 2018; Tetlow & Stonajovich, 2018). Many of them, including the aforementioned examples, revolved around British firms and the British perspective of Brexit (Bloom, Bunn, Chen, Mizen, Smietanka, Thwaites, 2019). This is understandable, given Britain as a central figure in the issue and the receiving end of public attention. There are also some studies focusing on the global impact of

Brexit and members of the EU, most particularly those by the European Committee itself, both before and after the TCA (European Committee of Regions, 2022; Hassan, Hollander, Tahouen, Van Lent, 2020).

As mentioned previously, many pre-TCA studies predicted that regardless of outcome, the UK would be facing significantly higher trading cost with EU member states, which at that time accounted for about half of its overall trade (Van Reenen, 2016; Dhingra, et al., 2018). This prediction has proven to be true even for Swedish companies, in the first half year after Brexit, roughly 40% of Swedish firms have either experienced increased trading burden or expect to experience them in relation to Brexit (Svensk Näringsliv, 2021). Notwithstanding, the UK remains an important trading partner for Sweden, with no observable decrease in export from Sweden to the UK in 2021 (SCB, 2022).

Dhingra, Ottaviano, Sampson, Van Reenen (2016), another pre-TCA study, also predicted a general negative effect of FDI inflow into the UK should it leave the EU single market. It was concluded that entering the single market had crucially increased the attractiveness of the UK as a market which led to increased FDI in the following years. On the other hand, it was discussed that for certain industries potential increase in the trading barrier between the UK and the EU could lead to increased FDI and the overall effect may differ between short-term and long-term considerations (Dhingra et al., 2016; Driffield & Karoglou, 2019). Given the finalised EU-UK trade agreement, tariffs may become more of a burden than initially predicted. In this case, foreign firms may seek to invest more FDI into its UK operations in order to reduce associated tariffs costs. Depending on the flexibility of its operations in the UK market, existing investments and resources, a company may seek to invest more or less into the market due to Brexit. Though it is likely that this effect will be negative, at least in the short-run as companies seek solutions.

When it comes to the actual outcome of Brexit, the TCA could be said to resemble that which Van Reenen (2016) classified as “Hard Brexit”. That is to say, the UK is no longer a part of the European single market. Having said that, we cannot see significant negative effects on the overall EU-UK relations as of now. Even as recently as 2021, the EU stood for 44.1% of all imports into the UK and 45.5% of all exports from the UK (HM Revenue & Customs, 2021). It is, however, possible that this may change in the long-term.

A study by the European Committee of Regions (2022) outlines, more precisely, the potential consequences of the TCA on membership firms acting in the UK. Although this study is aimed at a more detailed understanding on regional levels, it also discusses the overall consequences. One of the main points outlined refers to potential rise in costs for the EU. Some of the products are still under grace period, however it is possible that their costs will rise in the future. Likewise, services were not included in the TCA and remains an uncertainty to be considered. Other negative effects on the EU include reduced mobility of workers and students into and out of the UK, higher costs for SMEs and reduced EU export to the UK. However, this study by the EU also indicates some asymmetry on the impact of Brexit, it may create new opportunities for certain markets and sectors while having more or less negative impact on different regions of the EU (European Committee of Regions, 2022).

## **2.2 General Concepts**

### **2.2.1 The strategic management process**

The strategic management process gives a broader overview of how firms formulate and implement strategies. It is described by Hill and Jones (2010) in five main steps; Identify mission and goals, analyse external environment for opportunities and threats, analyse internal environment for strength and weaknesses, select strategies based on preceding steps and lastly, strategy implementation. The first step can be summarised as goal setting and reflect upon the principal values of each firm. Analysis of external environment, internal environment and selection of strategies is considered strategic formulation whereas the last step is strategic implementation (Figure 4). According to Hill and Jones (2010), strategic implementation is a continuous process. Managers must periodically evaluate and control each factor to ensure that the plan is consistently followed while being prepared to make changes should the business environment change to affect the suitability of the planned and implemented strategy. Each step of the strategic management process interacts with each other and changes to one step often affect other parts (Hill & Jones, 2010). In this thesis, we are particularly interested in the strategic formulation process, though we do account for goal setting and strategic implementation as they are interconnected to some extent.

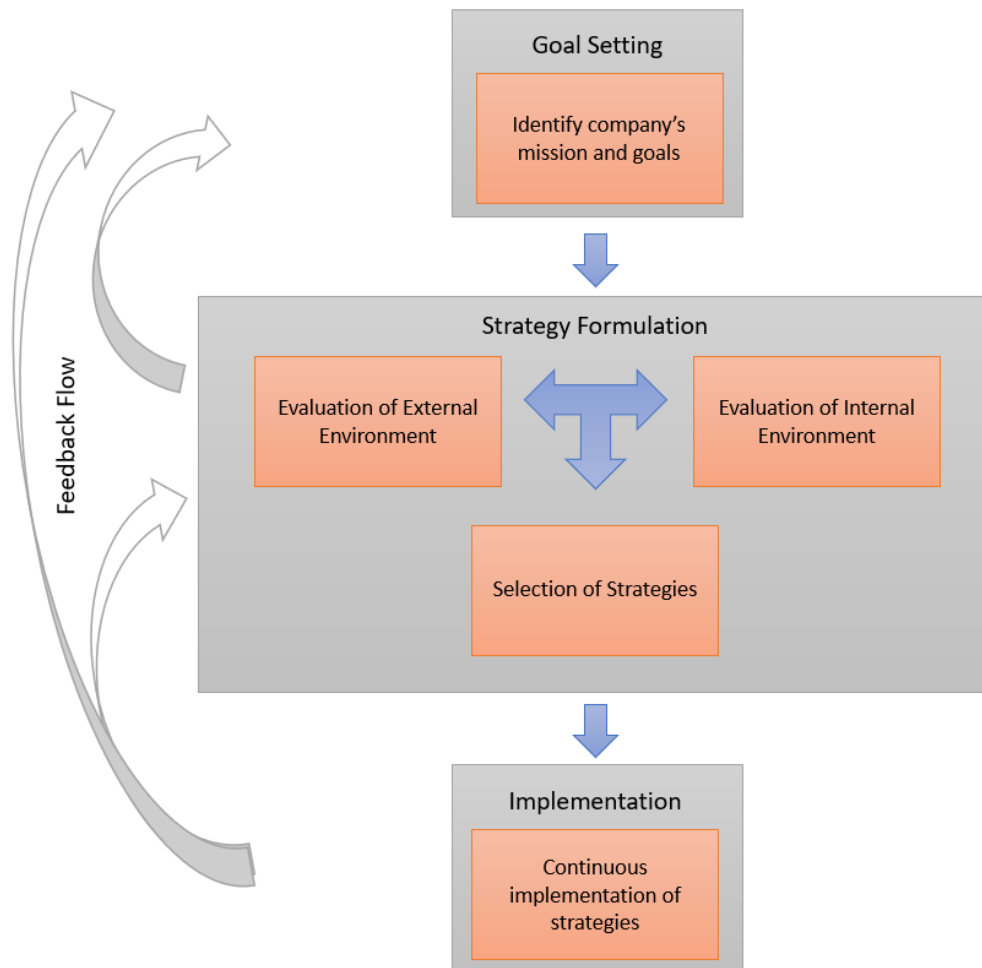


Figure 4: Strategic Management Process Model  
Based on model presented by Hill & Jones  
(2010), p.13

### 2.2.2 Further on strategic planning

We have previously distinguished between traditional and contemporary understanding of strategy by stating that traditional planning is centred around making the most accurate prediction of the future while contemporary planning builds its strategy upon the unpredictability of the world. One of the challenges firms are facing when strategising under the assumption of an unpredictable world, is the range of possible outcomes and what-ifs scenarios. It is this challenge that laid the foundation for Scenario Planning, a method developed to provide firms with a way to limit the range of outcomes (Hill & Jones, 2010). The scenario planning process is generally described in four stages; 1. To identify driving forces involved, 2. To identify critical uncertainties, 3. To develop plausible scenarios and 4. To discuss implications and paths (Ringland, 1998). Most relevant to this study is the third



stage, to develop plausible scenarios. There are several ways to map plausible scenarios depending on the situation and number of key factors identified; however the method of development is generally the same, differing mostly in visual presentation. It could be said that Van Reenen's (2016) speculative study on the possible outcomes of Brexit, i.e. Hard/Soft Brexit (Figure 3) is a form of scenario planning which was generally accepted to be most likely at the time.

Another complication to contemporary strategic planning is the idea that strategy is an emergent process rather than a deliberate one. The former refers to strategies which arise from unplanned actions while the latter implies deliberate planning and actions. Henry Mintzberg (1987) presented the idea that realised strategy is the sum of deliberate and emergent strategy rather than simply the direct result of intended strategy. While a firm may seek to realise all of its planning, certain parts of the strategy will not be realised either through changing plans or circumstances. These unrealised strategies are replaced or modified into what we call emergent strategies. This theory has become a fundamental assumption within contemporary strategic planning and has underscored the role and importance of flexibility in strategy.

Generally, it can be said that when facing uncertainty, firms must choose whether to act early, to potentially gain future competitive advantages, or wait for the certainty of the future, even with risk of falling behind competitors. Furthermore firms must choose, if wishing to gain competitive advantages, whether to increase its flexibility to handle this uncertainty or undertake the risks of making the unfavourable investments (Wernerfelt & Karnani, 1987). These are some of the decisions managers must make in order to competitively conduct business in this so-called unpredictable world and the combination of these decisions are what ultimately lead to a firm's strategy.

Additionally, the role of individual managers in strategic planning should not be underestimated. It is through these individuals that a planned strategy is communicated to employees who are then responsible for executing them. Depending on their personal opinions and goals, certain parts of a planned strategy may be emphasised or neglected, diverging to some extent from the planned strategy proposed by top-level executives (Hill & Jones, 2010).

### 2.2.3 Objective and perceptual uncertainty

Many scholars have observed in their studies the importance of distinguishing between objective and perceptual uncertainty when discussing environmental uncertainties (Downey & Slocum, 1975; Aldag & Storey, 1975; Milliken, 1987). Objective uncertainty builds upon the idea that by quantifying certain factors, we are able to form an understanding of the actual state of the environment and the degree of uncertainty in that environment. Meanwhile, perceptual uncertainty centres around the view that the unknown state of an environment can not be objectively observed and it is more important to understand these uncertainties through the eyes of observers (Aldag & Storey, 1975; Milliken, 1987).

In this thesis, where the focus lies on how uncertainties affect firms' decision-making, we place more importance on the perceived uncertainty as it is not necessarily the uncertainty itself that is significant, rather it is the understanding of uncertainty and how that may affect firms.

## 3. THEORETICAL FRAMEWORK

### 3.1 Perception of Uncertainty

How a firm reacts and strategises under uncertainties depends upon the perceived source and level of uncertainty. As discussed previously, the main difference between objective environmental uncertainty and the perceived environmental uncertainty is a firm's internal values and how these factors have shaped the firm's interpretation of its surrounding environment. Therefore, we will be using Mintzberg's (1987) position and perspective to discuss how these may influence a firm's perception of uncertainty and strategic outlook.

Further, we will be using two different theories to identify and discuss the perceived source and level of uncertainty from the perspective of each case company in order to understand how it may affect the strategy-making process. These two theories are; Wernerfelt and Karnani's (1987) four sources of strategic uncertainty and the four levels of uncertainty presented by Courtney, Kirkland, Viguerie (1997).

#### 3.1.1 Position & perspective

The external environment and values of a company are prerequisites for decision-making and strategy. The interaction of these two factors are reflected in what Mintzberg (1987) defines as position and perspective. Position, refers to how a company, either by preselection or by a series of actions, relates to the external environment. It can, for example, be how a company reacts to competition or how they choose to act in accordance to institutional policies.

According to Mintzberg (1987) position makes it possible to consider a firm as a part of a larger environment or one of many actors.

Perspective, on the other hand, refers to the internal organisation and culture of a company, the way they see themselves and the world (Mintzberg, 1987). For example, a company that prides itself on being a trendsetter in the industry is more likely to invest in new technological development and take on the risks associated with those early adaptations (Mintzberg, 1987). That is to say, perspective is the shared outlook and world-view taken by individuals within a firm to influence how they act as an entity.

To summarise, these two factors, position and perspective, are the setting and mindset of a firm. Where a firm sees itself on the market and how they interpret information, threats and

opportunities from the external environment. As such, these two factors can be used to understand how and why firms may interpret and perceive uncertainty differently.

### 3.1.2 The four sources of strategic uncertainty

The second theory that will be discussed is Wernerfelt and Karnani's (1987) four sources of strategic uncertainty. In their article, they identified four sources of strategic uncertainty; demand, supply, competitors and externalities. Demand uncertainty relates to the most basic concepts of customer demand and market size (Wernerfelt and Karnani, 1987). This is the most common type of uncertainty during the early-life cycle of an industry, but it is also common experienced after a big market change. Supply uncertainty may stem from weaknesses in internal operation and supply chain, but also from external factors such as technological changes. This is perhaps the only type of uncertainty that companies can influence. As exemplified by Wernerfelt and Karnani (1987), the success of a new technological development will often depend on the industry's collective willingness to invest and adapt. Competitive uncertainty refers not only to the internal circumstances of competitors, but also who those competitors are and which resources and networks are available to them. Lastly, there are uncertainties derived from externalities, such as social pressure and governmental intervention.

Wernerfelt & Karnani (1987) argues that by identifying the source of uncertainty, a firm will be able to decide when, how and with what focus to act under uncertainty. The logic tree derived from this discussion will be presented as a supporting theory under section 2.3 "Strategising under uncertainty".

### 3.1.3 The four levels of uncertainty

Courtney et al. (1997) argues that most uncertainties facing companies emerge as factors that though currently unknown to the companies are, in fact, knowable as long as the correct analysis are applied. Those uncertainties which remain thereafter are referred to as *residual uncertainties* and could be sorted into four different levels (Figure 5).

In the first level, known as “Clear-Enough Future”, managers are able to gain enough information to form a strategy regardless of existing uncertainties, rendering these uncertainties irrelevant. The information required may be difficult to obtain however they are inherently knowable and organisations have the choice to render these uncertainties insignificant for strategic decision making.

The next level, “Alternate Futures”, is characterised by a future which falls under a few predictable discrete scenarios. This kind of uncertainty can often be found in firms facing potential legislative changes where two outcomes are equally possible and the strategy preferable would be wholly different depending on which of these unfold. A firm facing uncertainties on this level is not likely to implement a strategy until an outcome has been decided as the value of any chosen strategy will differ greatly depending on the final outcome.

Level three, “A Range of Futures”, describes uncertainties that emerge when the outcome may fall anywhere within a continuum bounded by range, that is to say, there are no discrete scenarios, but rather a range of outcomes constrained by certain factors. This level is commonly found when firms enter new markets or introduce new products. For example, a firm will often be unable to determine the exact costs of a new venture, however they may predict that it will fall somewhere within a broad range and must strategies with those factors and uncertainties in mind.

Lastly, “True Ambiguity” happens when several different factors are uncertain and interact to create an environment that is virtually unpredictable. It must, however, be said that this level is principally transitory in nature and unlikely to remain as markets and industries under such problematic circumstances generally seek stabilisation, at least to a certain extent.

By categorising the sources and level of uncertainty, we will be able to analyse the strategic choices of companies based on their perception of the situation and level of uncertainty involved.

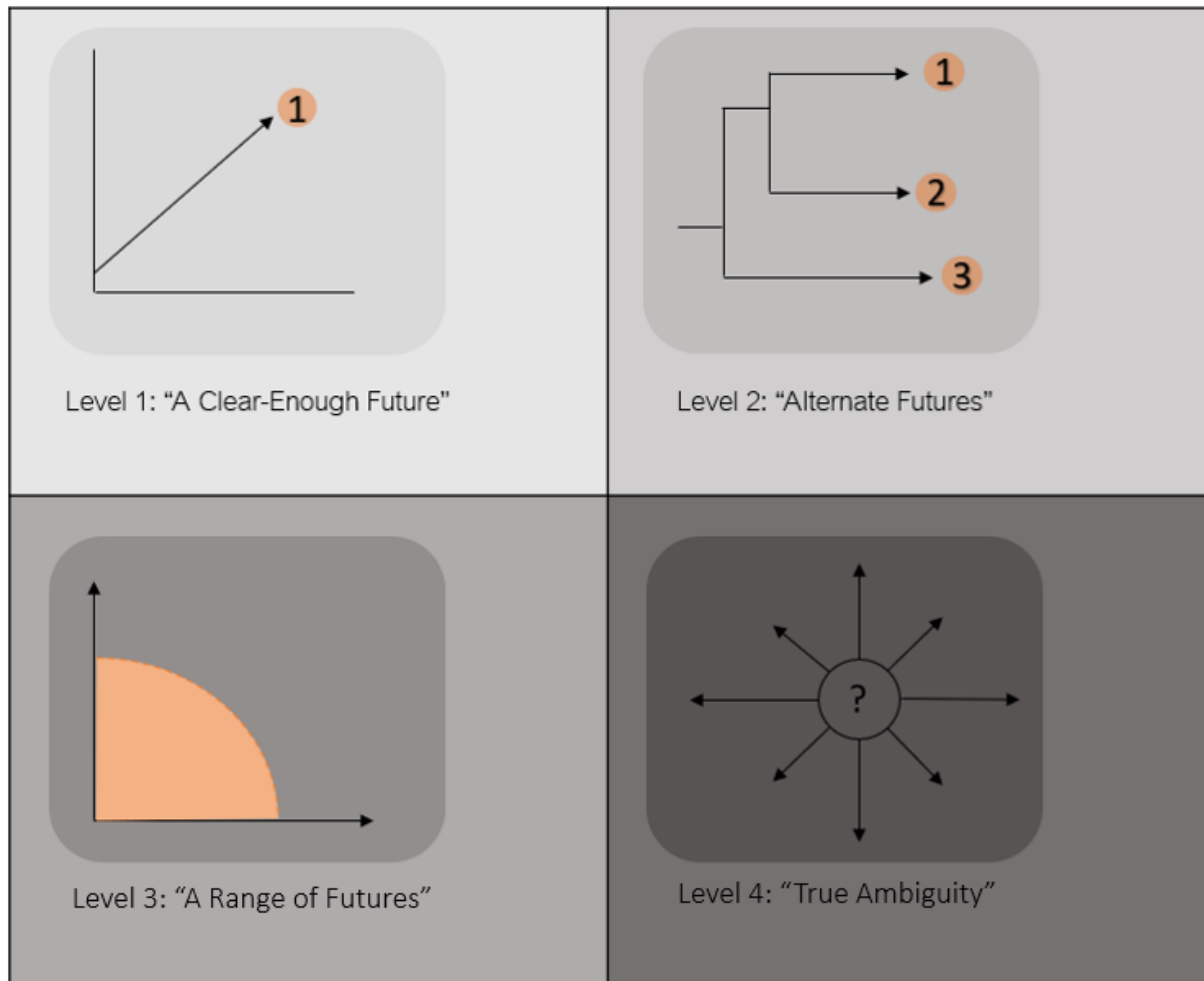


Figure 5: The 4 Levels of Uncertainty  
Based on model as shown in Courtney et al., (1997)

## 3.2 Strategising Under Uncertainty

### 3.2.1 Posture & portfolio

Further expounding on their categorisation of uncertainty, Courtney et al. (1997) suggests that the responses of firms facing strategic uncertainty could be organised based on two factors; strategic posture and portfolio of action. The response chosen by a firm not only depends on the level of uncertainty, but also the management culture within the firm which ultimately signifies that firms may react differently even within the same level of uncertainty.

Strategic posture refers to a firm's worldview and its desired position in that world; it is essentially a firm's attitude in relation to its environment. Courtney et al. (1997) identified the three main strategic postures a firm can take as; shape the future and lead the industry, adapt to the future and focus on flexibility or act with reservation and invest just enough to keep pace with the rest of the industry (Figure 6).

Portfolio of action refers more to what is essentially the level of risk-taking a firm generally engages in. Firms' that only invest when all expected outcomes are positive make "no regret moves" while those that take more risks for greatest possible return make "big bets" (Courtney et al., 1997). By combining these two factors, posture and portfolio, we are able to analyse the underlying reason why firms make certain strategic choices.

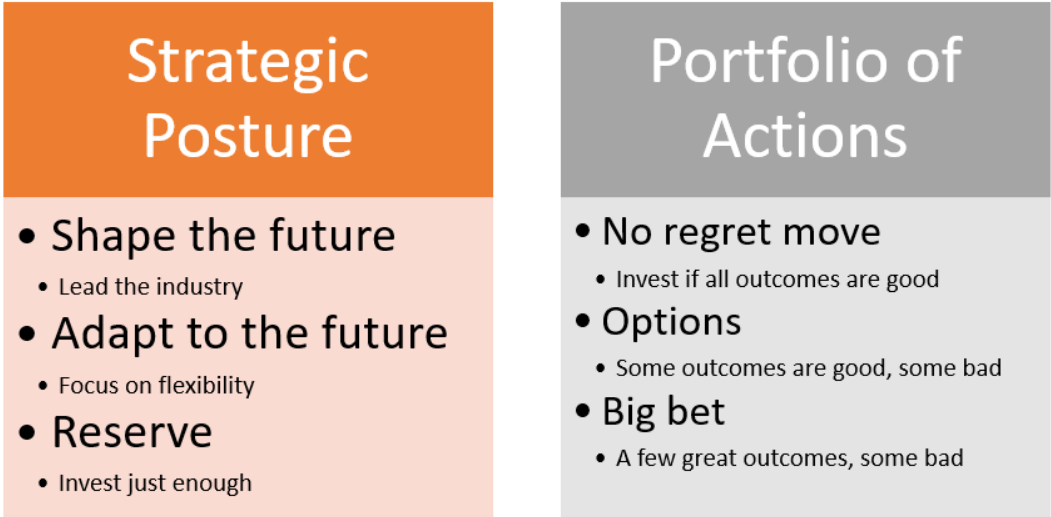


Figure 6: Strategic Posture & Portfolio of Actions  
Based on Courtney et al. (1997)

### 3.2.2 Decision-making logic tree

Using their model for four sources of strategy and underlying factors, Wernerfelt and Karnani (1987) developed a logic tree (Figure 7) for when, how and with what focus a firm should act under strategic uncertainty. The model proposes that a firm should act under uncertainty if the first move advantage is essential in the industry or if the firm has a preferred alternative outcome and has the ability to influence the realisation of that outcome (Wernerfelt and Karnani, 1987). Further it is suggested that firms with greater risk-aversion should not act

under these circumstances unless it is to avoid future risks. In the next level, it is suggested that firms must choose whether to bet on one scenario or spread the risks across several possible outcomes (Wernerfelt and Karnani, 1987). This step is essentially what Courtney et al., (1997) described as a portfolio of action. In the last step, firms must choose what to focus on if this is their preferred portfolio of action. Here, Wernerfelt and Karnani (1987) suggest that the choice of focus should depend upon two factors; firstly a firm's relative position compared to competitors and secondly, the expected profitability of these choices (Wernerfelt & Karnani, 1987). This logic tree further aids in the understanding of a firm's decision-making process when strategising under uncertainty.

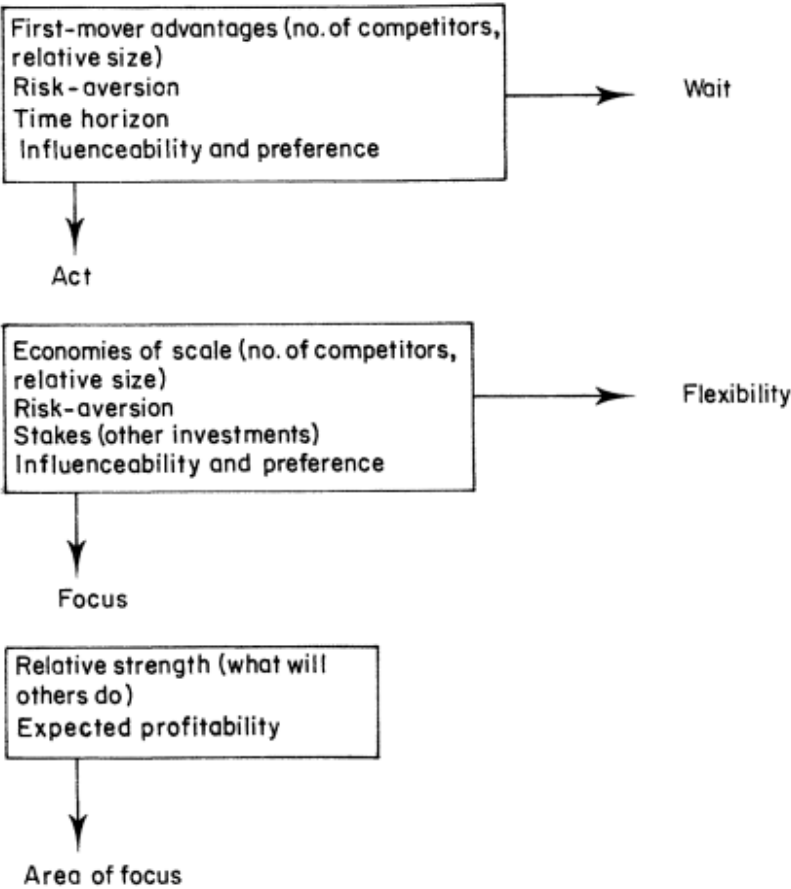


Figure 7: Decision-Making Logic Tree  
As shown in Wernerfelt & Karnani (1987), p.193



### 3.2.3 The four responses to institutional uncertainty

Focusing more on external uncertainties relating to institutional complexity and pluralism, Kraatz & Block (2008) adds another perspective to the subject by proposing four ways in which organisations could respond to conflicting institutions. Of the four presented responses, the last two are particularly interesting. The first of these being that organisations may seek to distance itself from its institutional environment by creating its own institutional principles to provide a defence against uncertainties that may emerge from external institutional complexity. In the context of firms, this could perhaps be related to the organisational standardisation which firms adopt in order to neutralise itself to be flexible in function with the differentiating rules, regulations and desire of each market (Cavusgil, Knight, Riesenberger, 2019). The second of those responses proposed by Kraatz & Block (2008) refers to how organisations may seek to compartmentalise certain functions in order to independently comply with conflicting institutions. In a business environment, this could refer to the way firms choose to establish local subsidiaries and management in various markets in order to comply with local standards and needs for adaptation (Cavusgil et al., 2019). It is important to note here that this study by Kraatz and Block (2008) is more concerned with how organisations in general may respond to institutional complexity and does not necessarily imply an international business context. It can there be applied upon the organisation of firms only to a certain extent and we will be using this theory in order to gain additional understanding of the underlying factors involved in the strategic decision of each firm.

## 3.3 Analytical Framework

To answer the research question, we must first establish each company's perception of uncertainty. That is to say, to what extent and how did the company feel the effect of a lack of predictable future outcome. To do this, we will discuss the source and level of uncertainty primarily using; "Four Sources of Uncertainties" (Wernerfelt & Karnani, 1987) and "Four Levels of Uncertainties" (Courtney et al., 1997). From there, we can analyse how a firm's perceived level and type of uncertainty interacted with their nature, which is interpreted using Mintzberg's (1987) Position and Perspective, to affect their strategic planning. The actual strategic planning part will be interpreted using one main theory and two supporting theories. The primary theory is Posture & Portfolio (Courtney et al., 1997) which gives insight into

why each firm reacted and strategised the way they do. The supporting theories, Decision-Making Logic Tree (Wernerfelt & Karnani, 1987) and the Four Responses to Institutional Uncertainty (Kraatz & Block, 2008) provides an underlying foundation for the analysis of certain specific choices which may be beyond the scope of the primary theory. This two stage analytic framework has been visualised below for ease of understanding (Figure 8)

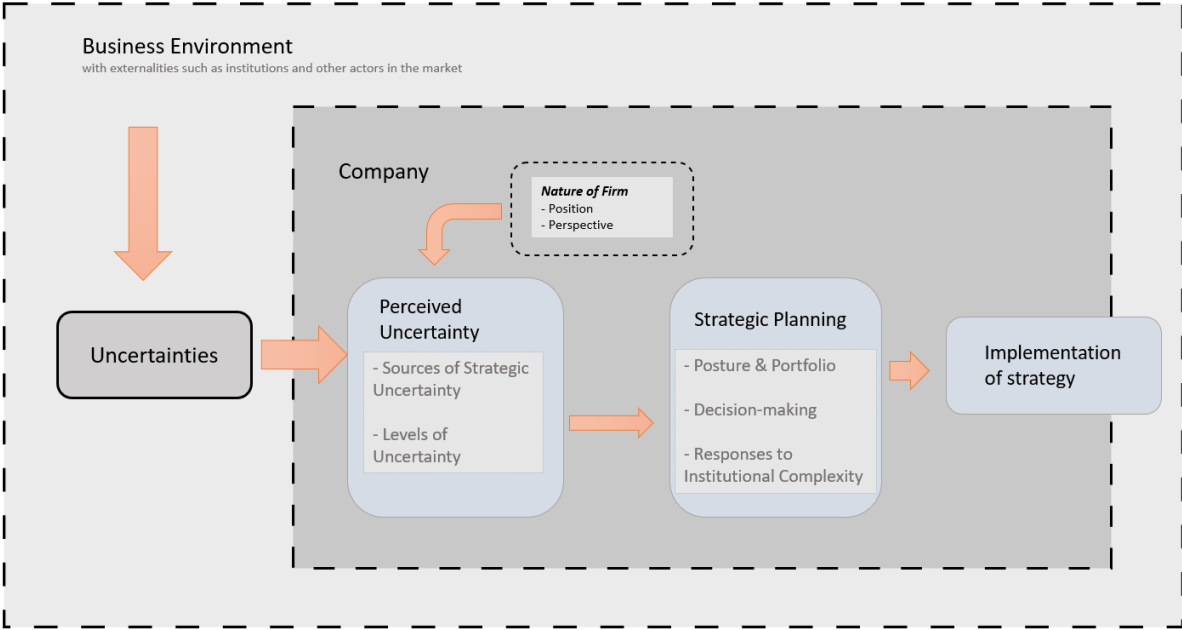


Figure 8: Analytical Framework  
 Authors' own compilation

## 4. METHODOLOGY

### 4.1 Deductive approach

All research methodology is about the logic between theory and data, and the research methodology can be used as a way of understanding, interpreting, and explaining the research area (Loseke, 2017). Loseke further argues that the decision on what kind of research approach a study should have is of great importance. There are different kinds of research approaches, the two most commonly being a deductive and an inductive approach. However, this research will take a deductive approach; this method starts with a theory, then develops hypotheses based on that theory, and finally collects and analyzes data to evaluate those assumptions. The primary distinction between inductive and deductive thinking is that inductive reasoning seeks to develop a hypothesis, whereas deductive reasoning seeks to test an existing theory (Loseke, 2017). Hence, the deduction approach suits our thesis the most since it combines empirical findings with previous theory and research. Besides, it allows us to alternate between different theoretical frameworks, which could result in further developed concepts (Loseke, 2017).

### 4.2 Qualitative research

A research method can be defined as the strategy or method in collecting data or evidence for an analysis in order to grasp different concepts or better understand a topic. The two most common methods are the quantitative method, and the qualitative method (Kumar, 2014). The suitability of each method depends on your purpose. If it is to find correlation and quantify the extent of variations in scenarios, then a quantitative method might be the more suitable option. However, if your aim is to explore and analyse the variations in these occurring situations, then a qualitative approach will be more suitable (Kumar, 2014). Since our purpose is to examine how institutional changes have affected Swedish forestry firms and their strategic process, a qualitative research method is more suitable in this case. By using a qualitative method, we are able to gain a deeper understanding of the subject by collecting and assessing the individual experiences described by our respondents. A quantitative approach would ignore companies' unique settings and experiences, which would hinder our ability to gain a better understanding of our research subject (Quinlan, 2011).

We would say that conducting interviews with respondents from various enterprises was advantageous in our situation in order to obtain multiple dimensions and viewpoints on how sudden institutional changes, such as Brexit, have affected the firms. We would therefore argue that interviews provide a more accurate and genuine picture of the situation.

### **4.3 Research design**

When performing a study, it is necessary to expand on the topic of the study's methodology. The research design provides a guide on how the data is collected, and the purpose is to avoid situations where the empirical data collection does not match the research question (Patel & Davidson, 2019). Since this thesis investigates and discusses the effects of uncertainties on large enterprises, we are compelled to ask questions such as “why” and “how”. Due to our research question being of an exploratory character, a research design that examines complex relationships between factors and a social setting is of advantage (Patel & Davidson, 2019). Thus, a case study design presents itself as the most suitable approach for this thesis. We therefore have an opportunity to examine and explore the relationship between Brexit and how firms handle the effects and the consequences. Besides, case studies are a flexible approach to research methodology, meaning it can be theory building or theory testing as an approach to discover a research question (Patel & Davidson, 2019).

We also wanted to go for a multiple-case study, a strategy where we collect data from more than one case (Yin, 2014). This due to the fact that having multiple cases usually is seen as more robust and compelling as it provides a clearer result. When looking at the research question as well, studying multiple firms behaviour and perception, provides a better analysis and a deeper understanding (Yin, 2014).

### **4.4 Data Selection**

When targeting the companies that we wanted to assess, we needed to establish certain criteria which had to be fulfilled so that the companies were relevant for us to have in our study. This as the main goal of the screening procedure is to properly identify the cases before you start the collection of the data (Patel & Davidson, 2019). Bearing this in mind, we looked at the following criteria when searching for the companies:

- Large enterprises

The case companies in this thesis have to be of a large character in order to get below the surface and see the ambiguous effects. With large enterprises, we use a commonly used definition from Eurostat, the statistical office of the European Union, and they define it as 'companies with more than 250 employees' (Eurostat, 2016).

- Internationalised (Exporting to UK)

We chose this as one of the criteria due to our research question discussing the relationship between Swedish companies operating on a British market. By screening through different companies, we chose the ones that fulfilled the criteria, but also had the time and were interested to be involved and interviewed.

Based on the sampling criterions that we selected, four companies and two expert interviews were chosen, and will be introduced here. Due to ethical reasons, all respondents were offered anonymity, but only two of the respondents and one of the companies chose to be anonymous in this study. Following is a figure listing all the respondents we interviewed (Figure 9).

Setra	<ul style="list-style-type: none"><li>• Respondent X, a top-management staff in the European Division</li><li>• Interview Date: 13 April 2022</li></ul>
Södra	<ul style="list-style-type: none"><li>• Andreas Jonasson, Marketing manager for <a href="#">Södra Woods</a></li><li>• Interview Date: 22 April 2022</li></ul>
Company Y	<ul style="list-style-type: none"><li>• Respondent Y, Marketing manager</li><li>• Interview Date: 25 April 2022</li></ul>
Arctic Paper	<ul style="list-style-type: none"><li>• Kaj Hansson, Group HR-manager; led Brexit Project</li><li>• Interview Date: 16 May 2022</li></ul>
Kommerskollegium	<ul style="list-style-type: none"><li>• Christopher Wingård, Senior trade policy advisor</li><li>• Interview Date: 20 April 2022</li></ul>
Skogsindustrierna	<ul style="list-style-type: none"><li>• Christian Nielsen, Market analyst</li><li>• Interview Date: 13 April 2022</li></ul>

Figure 9: Respondents and companies  
By authors' own compilation

## **4.5 Data Collection**

Data collection is the key point of any research project, and therefore, choosing the right method is a vital step in the process. To complement the case study approach, we have chosen to collect data through interviews. Interviews are a great way of exploring and understanding research subjects' opinions and experiences (Bell, Bryman, Harley, 2019), which is beneficial in our case where we look at how firms have perceived and responded to the uncertainties of Brexit.

To complement our interviews, data was obtained from online databases. These databases are filled with valuable and useful information that helps our thesis reach another dimension (Bell et al., 2019). The data collection can be divided into two different categories: primary data and the secondary data. In the first category, we discuss the qualitative information that we have obtained when conducting interviews at our case companies. The second category, secondary data, includes all additional information that we have found through articles, web pages etc.

### **4.5.1 Primary data**

Interviews, being one of the most important sources of information in case studies (Yin, 2014) we thought would provide us with the best coverage of what we wanted to know about the companies in regard to our research questions. When choosing the interviewee, our desire was to interview a member in the top management. This in order to get a detailed insight into the company and its strategic management process during the entirety of Brexit.

When planning for the interviews, it was clear to us that the right questions were needed. As Denscombe (2014) states, the questions need to satisfy your needs in regard to the life of information you are seeking, but it also has to be of a friendly and nonthreatening character, this to ease any tension. A combination of how, why and what-questions are asked, this in order for the interviewee to provide us with relevant information. In general, open questions were the preferred alternative, which results in unique and individual answers depending on the respondents interpretations (Denscombe, 2014).

The interviews were conducted with a semi-structured approach. A semi-structured interview can be seen as a combination of a structured- and unstructured interview, meaning that the interviewer has the possibility to ask follow-up questions and let the respondent further explain their perspective, according to Merriam and Tisdell (2016). This type of interview usually follows an interview guide with already predetermined questions, but this can be seen as a foundation that can be built upon. By using a semi-structured interview, it enables a natural dialogue between the interviewer and the interviewee, where the interviewee has the possibility to provide more reliable and proficient answers (Quinlan, 2011).

Four interviews were performed with companies all involved in the Forestry industry and with a connection to the UK market. To be able to comprehend the eventful environment that these companies act in, two expert interviews were performed with representatives from Kommerskollegium (The National Board of Trade Sweden) and Skogsindustrierna. The interviews were conducted through video-meetings and we transcribed the interviews, as to ensure that there were no mistakes when we were assessing the data. After performing the interviews, transcriptions were made, highlighting the most relevant data. A preliminary version of the thesis was sent to each of the respondents to give us feedback on if any errors were made. This to eliminate the risk of potentially misinterpreting the interviewees and creating wrongful assumptions. No major changes were made to the presentation of collected data thereafter and original materials relating to the interviews were then discarded to ensure that the data would not be used for any other purposes.

#### 4.5.2 Secondary data

In addition to our primary data, interviews, we have selected a number of secondary data ranging from published academic articles and books to databases and online resources. These refer to data which have previously been interpreted by another researcher or entity (Patel & Davidson, 2019). The main benefits of secondary data are that it enables the collection of wasteful amounts of information within a short time frame and aids in understanding existing research on the topic and research question (Ghauri & Grønhaug, 2010). It is important however to exercise caution when employing secondary data as it is possible to create a form of confirmation bias where a researcher only studies data that supports the hypothesis and suggested outcome (Patel & Davidson, 2019). Source criticism is an important tool when using any secondary source as it may aid in understanding and detecting any potential bias or inaccuracy, as well as evaluating the validity of the documents (Ghauri & Grønhaug, 2010). In

this thesis, secondary data has been used to aid in establishing the research question and in the understanding of previous literature on the topic. Further, databases have been used primarily to underscore the relevance of the research question as well as aiding in understanding how the experience described by some of the companies correlated with the statistics gathered.

#### **4.6 Data Analysis**

The empirical data acquired during the qualitative interviews was analysed using the thematic analysis method. Thematic analysis is a method of analysis that is primarily relevant to our thesis. Thematic analysis, according to Bell et al. (2019), is an approach with minimal rules that includes determining a theme by looking for repetitions, metaphors, transitions, and parallels and differences, among other things. The goal of the study was to find and analyse trends in the qualitative data. The approach was chosen based on the nature of the thesis, which placed a high value on the participants' ideas and perceptions. Thematic analysis allowed for more freedom in interpreting qualitative data while also allowing for a more organised structure. Thematic analysis was claimed to be deductive since we had a preconceived notion of the themes that would be identified within the qualitative data collected prior to the interviews.

#### **4.7 Quality of the Study**

When assessing the quality of a study, it is important to consider the different aspects that could affect the study while conducting research by choosing a well considered research design. This is important as it reduces the chances of getting contradictory answers which could affect the thesis (Patel & Davidson, 2019). Furthermore, while writing a thesis, it is of great importance to acknowledge the reliability and the validity of the study as these are central to determining the quality of the research. The very purpose of doing this is to evaluate one's approach, analyse strengths and weaknesses so that the reader understands what has been done throughout the process.

However, when conducting research, certain aspects can possibly impair the quality of a study. For example, at some of the interviews, both authors were not present, which could affect the quality in some cases. Despite this, we attempted to ensure the quality of the study by discussing and analysing each interview together. We should also note that because this study was conducted by two researchers, the researcher triangulation is improved.



Triangulation is the idea that using more than one method, one case or source of data to study a phenomena. This eliminates data interpretation and analysis errors, as well as the ability to correct each other in the event of misinterpretations (Yin, 2014).

Another aspect is regarding the results that we put forth. By only assessing a couple of companies, a general picture is presented, but can in some cases be slightly problematic to apply since we only studied a limited number. It should however be said that this does not imply that the study is without any substance or value.

In order to avoid unethical behaviour, we have carefully read how various procedures and methods can and should be carried out. Our research aims to deliver neutral, value-free information in a methodical manner with transparency and clarity. To do so, we conducted a thorough study of the literature and sources, as well as a consideration of our technique of choice. People who took part in our study were treated fairly and ethically. Transparency has been achieved by always displaying the underlying justifications for our decisions, as well as the usage of literature and ideas to back up our claims. Our research has been well-organised throughout, with all data and materials being kept and shared electronically. We have clearly stated how we arrived at our results and how the empirical study was carried out.

We take full responsibility for the results presented in this thesis. For ethical reasons, we have not altered any data collected and sought to represent the most accurate view-point as described by each respondent. Each part of this study has been discussed, analysed, and reviewed by both authors to consolidate the validity and reliability of this thesis. It can also be added that the work has been equally distributed between us both.

#### **4.8 Research Ethics**

Something that needs to be talked about is the work regarding maintaining good research practice throughout the work, and about issues that might arise when conducting research. As Bell et al. (2019) says, it is vital for business researchers to consider ethical considerations as an integral part of the research process and to continually revise them throughout the study. This study is therefore based on the European Code of Integrity of Research which is based on four basic principles (ALLEA, 2017):

**Reliability:** It is about ensuring the quality of the study that is done, and this is reflected in the design, method, analysis, discussion, etc.

**Honesty:** Here we work to develop, implement, and review the research in an open, fair, and objective way, this to give the reader an honest and complete picture of the subject.

**Respect:** There must be respect for all parties involved in the study, whether it is colleagues, research participants, the environment in which one works, society.

**Responsibility:** We are responsible for the entire study, from idea to publication. We have been responsible for supervision, work and for further consequences of launch.

This approach laid the foundation from our research practice and we applied this strategy methodically throughout our working process. If we take a deep dive into the ethical work itself, there were three main areas that we centred our discussion around. The first area was about how we worked with our research participants. The idea was that our prospective research participants would be given correct information about our study to decide whether they wanted to participate in it. To achieve this, we provided all the necessary information at first contact with our participants and emphasised to respondents that the participation was voluntary. At the beginning of each interview, our respondents were given the possibility to abstain from being recorded. Though a voice-recording would ensure a more accurate representation and simplify the process to avoid misinterpretations, we emphasised the importance of consent and ensured that the respondents could make their choice freely. As such, no recordings were made unless consent was explicitly given by respondents.

The next area concerned aspects of privacy. An upcoming problem in many studies is that participants may feel harmed due to the nature of the questions or the interview. Often, these feelings are based on thoughts that certain questions delve into private realms or might cover topics that could be seen as sensitive (Bell et al., 2019). We therefore treated each case sensitively and individually. We ensured that each respondent was aware that they could withdraw from the study at any moment without being questioned. By doing so, we were able to build trust with each respondent which benefited our thesis and increased the transparency. The third area focused on preventing deception in the study. Deception occurs when researchers present their research in a different way than it should (Bell et al., 2019). For us to

achieve our goal of presenting a true and correct study, the results and summaries from the interviews were sent to each of the respondents who could notify us if any misinterpretations were made and needed to be changed. Each respondent was given approximately two weeks to notify us of any misinterpretations after receiving a preliminary version of this thesis.

## 5. EMPIRICAL FINDINGS

### *Companies*

#### **5.1 Setra Group**

Setra is one of Sweden's largest wood industry companies; the company primarily focuses on processing forest raw materials into climate-friendly products such as glulam, planed, and different components for construction and housing (Setra, 2022). The company also has a subsidiary in the UK called Setra Wood Products which mainly handles production, sales and distribution activities. The company has a turnover of about 4 billion SEK every year, around 65 percent of the sales consist of exports to Europe, North Africa, the Middle East, Asia and Australia (Setra, 2022). The respondent from Setra Group, Respondent X, is one of the top management officers for their European division.

##### 5.1.1 Perception of uncertainty

When describing the Brexit negotiation process, the respondent stated that it was highly difficult to get an overview of the situation. They anticipated great changes to the industry, however, with the amount and variety of speculations within the industry, it was challenging to sort the plausible from the unlikely scenarios. This vast amount of information was described by the respondent as overwhelming and of mixed quality. According to the respondent, some of the reports they received were ambiguous and contributed with more questions rather than answers and it could be difficult to discern which theories were more likely than others.

Furthermore, the respondent expressed dissatisfaction towards multiple actors whose purpose is to simplify the trading process around the region. "I understand that with the progress of Brexit, of course, several industries would face fatal consequences, but I still think that authorities and organisations should in some way alleviate the situation" (Respondent X, Personal Interview, 13/4-2022).

##### 5.1.2 Strategising under uncertainty

When it comes to actions taken to prepare for Brexit, the respondent emphasised information gathering as an important part. Though it was difficult to navigate through this wealth of

information and speculations, Setra deemed it highly important to access the latest updates in order to make informed decisions. For this task, the firm not only invested its own personnels, but also employed external consultants and held discussions with major actors in the industry.

According to the respondent, although the firm did expect certain changes, there was a certain reluctance to act upon what would essentially be speculations, albeit informed ones. Any major decisive actions would have required investments and may have back-fired in the end. Generally, Setra felt that the risks involved were too high and instead chose to wait for the outcome of Brexit.

### 5.1.3 Implications of Brexit

The respondent explained that the TCA, for the most part, resulted in additional administrative work for the company. Changes in regulations and tariffs meant that Setra needed to adapt their internal system to accommodate new forms. In addition to this, the labelling of their products needed to be changed. At the turn of the year 2022/2023, a new law change will result in companies that export their products to the UK having to label it differently than what they have done in previous years (Kommerskollegium, 2022). The respondent added that this change has not resulted in any major effects in their day-to-day operations however as the requirements for these labels were generally compliant with the previous EU standards (Respondent X, Personal Interview, 13/4-2022). For Setra, the financial effect of Brexit did not only occur with these changes however, rather the firm had invested significant resources towards information gathering prior to the TCA. According to the participant, the overall Brexit process has resulted in one million SEK additional costs for the company; this, excluding the costs for consultants, additional man-hours and lectures attended (Respondent X, Personal Interview, 13/4-2022).

The respondent further explained that the transformation itself has been facilitated with ease thanks to their subsidiary in the UK which has made this possible. Another reason why the after-effects of the TCA were not affecting them is, according to the respondent, due to the product's simplicity. According to Respondent X, when trading with products such as wood and timber, the process itself is relatively simple. A product is transformed from raw materials in a factory then shipped to a port in the importing country where it is unloaded and ready for use. Compared to many other industries this is relatively straightforward and there are a limited number of steps that could potentially be affected. In this way, there are fewer steps

that can be affected. The respondent concluded, however, that the actual effects of Brexit were altogether minor compared to what the company had feared in the beginning of the process.

Thereafter, the respondent added that the effects of Brexit could have been overshadowed by the recent success of the industry the past couple of years. The respondent also added that though there are some remaining uncertainties regarding the agreement that needs to be cleared up, it is within the UK's interest to resolve these problems in a way that satisfies exporters in the market. These uncertainties are unlikely to affect the attractiveness of the UK as a market however as it is one of the most important markets in the industry (Respondent X, 2022).

To conclude, the company was relatively unaffected by the agreement TCA, according to Respondent X. Though there were some additional administrative burdens placed on the company, there appeared to be relatively minor additional work compared to what the companies had feared in the beginning of the Brexit process (Respondent X, 2022).

## **5.2 Södra**

Södra is an economic association representing 53 000 forest owners to convert their resources into renewable, climate-smart products in order to create profitability (Södra, 2022). Södra engages in over 40 different markets with focus on Northern Europe and its biggest single market is the UK which is responsible for approximately 30% of Södra's revenue (Södra, 2022). To further underscore the importance of the UK market to Södra, a local distributing company was acquired in 2016 (Jonasson, Personal Interview, 22/4-2022). Our interviewee, Andreas Jonasson, is the marketing manager for Södra Wood which primarily handles wood products across different markets.

### **5.2.1 Perception of uncertainty**

According to Jonasson, though Brexit may have been unexpected, there was a basic understanding that harmony would be restored in the long-run regardless of short-term concerns. This depended mostly on the belief that regardless, "the UK would still need to import their wood products somehow" (Jonasson, Personal Interview, 22/4-2022). This sense of security centred around the general understanding that although there are great demands of

wood products such as building material, the UK does not have enough natural resources to fulfil these needs.

Having said that, Jonasson expressed that there were some concerns and uncertainties regarding the immediate short-term consequences of Brexit, “there were discussions of possible delays and queues through the borders which could potentially affect our distribution channels to customers” (Jonasson, Personal Interview, 22/4-2022). Furthermore, Jonasson also expressed that there were some concerns regarding the potential conflicts between the markets after Brexit. Mostly, in administrative terms, but also in that the product requirements and standards may not be harmonised after Brexit. This could potentially affect the way products are made and distributed. Nonetheless, at the time prior to the TCA, these concerns were rather intangible and speculative in nature.

### 5.2.2 Strategising under uncertainty

Jonasson described how Södra, mostly concerned about the potential border delays, chose to establish a company in Ireland. Prior to Brexit, the UK distribution company was also responsible for the rather substantial sales Södra had into Ireland.

To fully appreciate why this UK distribution company was seen as insufficient with the potential outcomes of Brexit, we will hereafter briefly outline the conundrum of the Irish border which was one of the major debates at the time. To summarise the matter, for the UK to fully exit the European Union, a border would need to be established between Northern Ireland and the Republic of Ireland, the latter remaining a part of the EU. This would on the other hand, be in direct conflict with the Good Friday Agreement, established between the UK and the Republic of Ireland, to avoid any hard borders on the island of Ireland. This was a major debate in the Brexit question and even now, over a year after the TCA, there are some on-going disagreements on the matter (Institute for Government, 2021).

Ireland is a relatively important market for Södra and potential delays would have been most undesirable. Jonasson remarked that it was thereby important for Södra to connect the manufactured goods in Sweden and Irish customers directly without going through the United Kingdom, thus securing a distribution channel should the conflicts between the UK and the Republic of Ireland escalate further. Aside from this, Södra also engaged services by a third party in order to organise the administrative paperwork in the transition period. This was in

order to smoothen the process at the border and minimise any immediate consequences of the TCA on the company and its distribution to customers. These were in effect the two most important preparations by Södra during Brexit.

### 5.2.3 Implications of Brexit

In general, Jonasson felt that the actual effects of Brexit were a lot less impactful than expected. In fact, aside from some administrative issues, he felt that the effects of Brexit were minimal. Although he believes these effects were diminished by the preparations described above, Jonasson still believes that the effects of Brexit were in general more minor than expected prior to the TCA. Having said that, he confirms that it is likely that the transition for Södra has been aided by having local distribution companies in both the UK and Ireland. Andreas Jonasson does not necessarily believe that the UK has any incentives towards protectionism and therefore feels that the market is relatively secure even in the long-term after Brexit. However he reiterates that it is “important for [the forest industry] to maintain a level of harmonisation” (Jonasson, Personal Interview, 22/4-2022).

In sum, the uncertainties surrounding Brexit led Södra to establish a new subsidiary in preparation for institutional conflicts. As for the actual effects of established TCA, Jonasson felt that the consequences were minimal relative to prior expectations and was mostly limited to administrative concerns.

## 5.3 Company Y

Company Y is a Scandinavian industrial group that manufactures sustainable products and services for the construction industry. In 2021, the Group had sales of NOK 14.8 billion and approximately 3,300 employees (Respondent Y, Personal Interview, 25/4-2022). The company has 33 production companies spread over 41 production sites in Norway and Sweden, and are divided into three divisions: Timber, Wood and Building Systems. They also own a company in the UK which handles mostly sales and manufacturing tasks. The English market is the biggest in size after the Nordic countries, standing for 7-800 millions in revenue each year (Respondent Y, Personal Interview, 25/4-2022). The respondent from the company, referred to as Respondent Y, is the marketing manager for one of the divisions.



### 5.3.1 Perception of uncertainty

When discussing the reaction and the thoughts prior to the TCA, Respondent Y explained that they were worried about the outcome of Brexit. Rather than any specific factors of uncertainty, the respondent expressed that it was the existence of uncertainties themselves that weighed on the company. The respondent further explained that this stemmed from the fact that depending on where the actual outcome landed on the speculated Soft Brexit/Hard Brexit scenarios, Company Y could be affected greatly.

The respondent further explained that there was a legitimate concern in the company, even throughout the industry. However, what eased the situation for them was the basic understanding that regardless of the TCA, the UK would still have a demand for wood products (Respondent Y, Personal Interview, 25/4-2022).

### 5.3.2 Strategising under uncertainty

According to Respondent Y, the company prepared for the different scenarios by developing different strategies that were needed depending on the outcome, according to the respondent. This was of great importance due to the vital role the UK market had for the company. Some of the factors Company Y considered at the time was how loss of revenues, in the worst case scenario, could be supplemented by exploring other potential markets. As it has been said, the UK was the single largest market for Company Y, a significant loss of revenue there could be devastating.

Respondent Y further remarked that the first couple of months were the hardest for the firm. There were three major problems that affected the company: The first one being technological issues in their document management. "When the deal was established, new administrative procedures were required, as new documents were needed, and this adjustment took time for us" (Respondent Y, Personal Interview, 25/4-2022). However, the respondent explained that this problem was overcome fairly quickly due to a cooperation with another company which handles their administrative tasks. This, together with previous experience selling products to companies in Norway, a country outside of the EU, helped the company to overcome this obstacle.

The second problem was in regards to the preparedness of the shipping companies and other actors who were involved in the daily tasks of the company. This was a massive threat that was being assessed prior to the TCA, according to the respondent. The respondent further explained that it could have massive consequences, the company would potentially not be able to deliver the products to the customer, which could result in customers shutting down. When looking at this in a long-term perspective, losing sales due to underperformance in supplying, is a huge financial and strategic risk that needs to be taken into consideration.

”You could clearly see that the change was new for everyone, and you noticed the effects when the products were to be delivered. For example, the ports had major problems; a product that could usually whiz through the port would now be stuck for a very long time”  
(Respondent Y, Personal Interview, 25/4-2022).

And the last problem, maybe the one with the most impact, was that an incredible number of truck drivers disappeared from the market which greatly affected the company’s ability to deliver products to customers. According to Respondent Y, this was not something the company had considered and as a result it took about a year for the management team to establish new operational routines and for these routines to function in practice.

### 5.3.3 Implications of Brexit

According to Respondent Y, the TCA has resulted in more administrative work which has complicated the daily work a bit, but the operations are currently running smoothly with no bigger impact from the TCA.

If we look at the future for the industry in the long-term, then Respondent Y is expressing concern towards the idea that the UK might choose to run their own standards, for example the new CE-22 standard. As the UK is no longer a member of the EU, they have gained the rights to maintain their own standards and requirements on products entering the country. Although these are currently harmonised with the EU standards, this could be changed in the future. Something that Respondent Y remarks as a remaining uncertainty relating to institutional changes in Brexit. When discussing the company’s future ambitions for the British market, the respondent explained that the hope is to be able to continue having the UK as their main market, and that it would be a great mistake not to explore further the possibilities of developing the operations in the British market.

To conclude, the strategy Company Y employed in relation to the uncertainties of Brexit, mostly pertained scenario planning and evaluation of possible plans that could be implemented depending on a number of outcomes. Following the TCA, the company faced three main challenges, two of which were considered in the preparation and one that was more unexpected.

## **5.4 Arctic Paper**

Arctic Paper is a manufacturing and sales company specialised in paper and paper packaging. With centuries of Swedish papermill legacy, it is today registered in Poland with extensive operations in both, including a papermill in Poland and two more in Sweden (Arctic Paper, 2022). The company has been listed on NASDAQ since 2012 and employs roughly 1200 people. Though not one of its biggest markets, Arctic Paper has extensive business operations in the UK, including a distribution company in London (Arctic Paper, 2022). Representing Arctic Paper in this interview is Kaj Hansson who is Group HR-Manager and IT-director for the Arctic Paper Group. He is also part of the Leadership Council and was responsible for leading the preparatory work in relation to Brexit (Hansson, Personal Interview, 16/5-2022).

### **5.4.1 Perception of uncertainty**

According to Hansson, faced the emerging uncertainties in relation to Brexit with a sense of anticipation rather than concern. When the issue emerged, it became increasingly clear that adjustments would need to be done in order to adapt to the situation in a timely manner. A “Brexit Team” consisting 11 members was set up in the beginning of 2019 in order to analyse and discuss Brexit, while also recognizing the driving factors of uncertainties involved. This to identify potential danger areas and minimise the impact it could have on their operations. The driving factors were categorised as; sales, currency, logistics and administrative (Hansson, Personal Interview, 16/5-2022).

Hansson described that *sales* concerned, for example, how customer demand would be affected, meanwhile *currency* was primarily about how the pound (£) would be affected by this major world market change. Due to the company being rather reliant on the British market, a currency change could therefore result in crucial revenue losses due to increasing transaction costs. *Logistical* forces included among other things potential tariffs and borden

regulation changes. According to Hansson, the main threat for the company was transportation delay and the complications that would come with it. The company had been affected by shortages of multiple drivers and trucks, which could result in further logistical expenses. Lastly, *administrative* uncertainties involved potential changes and challenges involving different certificates and requirements for the product to be accepted into the market (Hansson, Personal Interview, 16/5-2022).

#### 5.4.2 Strategising under uncertainty

The overall mission of the Brexit Team was to; “Identify risk areas and implement necessary measures in order to minimise the impact of Brexit on sales and distribution to customers.” (Hansson, Personal Interview, 16/5-2022). According to Hansson, assigned to this project was a team, consisting initially of 11 representatives from different departments of the company, however this number did increase at certain periods of the process. Also aiding in this process was the information delivered by HM Revenue & Customs, an UK institution working closely with the government on border and tariffs. The team also received some information from a major consulting company and kept in close contact with institutions in Poland and Sweden, where the manufacturing process is conducted.

Hansson explained that the company worked a lot on distinguishing itself from the rest of their competitors. Hansson argued that if they could outperform their competition during the Brexit process, it would be beneficial to them. He believed it would increase Arctic Paper's consumers' trust in the company and it would be greatly appreciated. Hansson went on to explain that strategising based on this idea could give them a competitive advantage on the British market, if their competitors handled Brexit poorly, because paper demand would continue to exist in the UK even after Brexit.

The team had regular meetings where each representative would discuss their work, for example, the legal team would describe their findings, development and potential course of actions in legal terms. This process, according to Hansson, was organised and planned according to the worst case scenario, which at the time was perceived to be “hard brexit”. Finally, a report was delivered to all customers in the UK. Hansson further states that Arctic Paper works with many major companies as customers, but also many smaller businesses which may not have the resources to invest in researching Brexit changes. It was therefore extremely important for Arctic Paper that this information was shared to all customers.

### 5.4.3 Implications of Brexit

Following the official implementation of the TCA, the immediate effect could be seen in the form of logistical challenges caused by delays and general ambiguity at the borders in regards to what was needed. Hansson explains that for Arctic Paper these challenges were minimised and receded within the month. Though there was an increased administrative burden for each papermill which has affected the overall operation of the company, the preparatory work meant that Arctic Paper was aware of what needed to be done and could conduct their business as usual. In that way, the only persisting effect of Brexit has been this increased administrative work which the company has already adapted to. Hanson also remarked that though the preparatory work by the Brexit Team has aided the company in this market change, Arctic Paper also benefited from previous experience working with markets outside of the EU.

To summarise, Arctic Paper focused on the preparedness of the company due to the various outcomes from the TCA. Identifying potential danger areas and adjusting were two key strategic decisions that the company made in order to minimise the impact Brexit could have on the company. Hansson further explained that an administrative burden is basically the only effect the TCA has had on the company's operations.

### *Expert Interviews*

#### **5.5 Kommerskollegium (The National Board of Trade)**

”Kommerskollegium” or the National Board of Trade is a Swedish government agency for foreign trade, the EU's internal market and trade policy (Kommerskollegium, 2022). They work to reduce and prevent trade barriers, analyse trade developments, and provide Sweden's representatives with decision-making material before, during and after trade negotiations. Kommerskollegium is also working to make it easier for companies in developing countries to participate in international trade. The respondent from Kommerskollegium was Christopher Wingård, a senior trade policy adviser specialising in school and origin-issues, but who also worked as one of two coordinators during the Brexit-negotiations.

### 5.5.1 Potential risks for the industry

The UK is one of Sweden's most important trade partners in the world. This, according to Wingård, meant that the outcome of Brexit was a subject of great interest for Swedish firms. A no-deal scenario would have had a substantial impact on the Swedish economy and the loss of income would be critical.

When discussing the thoughts prior to the TCA, Wingård explained that from the time the deal was proposed until everything went through, this took an extremely long time and it affected all actors, industries that were involved. Wingård pointed out the fact that the UK, probably the EU's largest partner, would have an immense effect on daily trade in Europe, which was one of the main concerns throughout the time prior to the TCA.

When discussing the Forestry industry in further detail, Wingård believed that there were two different categories of companies. The first category included companies that were extremely well prepared, that had devoted a lot of resources reviewing their contracts and discussing with their suppliers. The other category included companies who did not even consider the effects that the TCA could have until "two weeks before".

### 5.5.2 Outcome of Brexit

When discussing the general effects of the TCA on trade both in the UK and in the EU, Wingård states that there has been a significant effect on trades. However, he means that it is still too early to confirm the size of the impact. This, according to Wingård, is partially due to the limited timeframe, but also due to the effects of the COVID-19 pandemic which reached its peaks around the same time as the establishment of the TCA. Despite this, Wingård is convinced that the impacts of Brexit on trade has been negative even if to a lesser extent.

Wingård added further that because the negotiations were more time-consuming than expected by either party, there were insufficient preparations made for this change. In practice, the UK was initially unable to accommodate all the sudden changes, there was an increased load on small ports that were not prepared, new IT systems required, and a lack of infrastructure. All this resulted in extreme hassle and severe delays for many companies that would deliver goods to their customers.

One aspect that Wingård believes may have simplified the transformation of Swedish companies is connected to the history that Swedish companies have traded with companies in the Norwegian market, a country outside of the EU. "We are used to trade with countries outside of the EU, especially with Norway. Many companies have therefore benefitted immensely from that knowledge and those routines. I therefore believe that this could have helped Swedish MNE's transform the operations" (Wingård, Personal Interview, 20/4-2022).

### 5.5.3 Long-term consequences of the TCA

Wingård is of the idea that the future for the UK after Brexit is still uncertain. This since the agreement will continue to be discussed for a long time to come and the end result is still unclear. In some situations there are even examples of cases where the UK does not follow the agreement, for example in regards to Northern Ireland where there are still many points of contention. Based on this, Wingård suggested that there is a possibility that the number of complaints against the deal will increase in the coming years.

When asked the question whether the UK market attractiveness might diminish due to the TCA, Wingård believes that the UK will still be seen as one of the leading markets. "When it comes to the future of the UK market, there is no doubt about the value the market still holds, the UK is still considered one of the world's largest economies (Wingård, Personal Interview, 20/4-2022)." However, if the decision was to establish a factory and the choices were between somewhere in England or somewhere else in the EU, for example Amsterdam, Paris or Rome, then Wingård believes that some companies might go for the European choice, the more "safer option".

Finally, Wingård concludes that it has become more complicated for Swedish companies to import and export to the UK. There are and will be more customs procedures imposed at the border and permits and certificates that a company has today may not be applicable in the future. These changes have introduced a whole new set of administrative demands for firms.

## 5.6 Skogsindustrierna (Swedish Forest Industries)

Skogsindustrierna is an organisation that seeks to represent companies within the Swedish forest industry. Its main function is to research and gain a deeper understanding of the

industry and market both nationally and globally (Skogsindustrierna, 2022).

Skogsindustrierna also works in various ways to further communication and discussion between its member companies, other companies both locally and internationally, as well as a link between the Swedish forest industries and various institutions such as governmental institutions, EU etc. (Skogsindustrierna, 2022). From Skogsindustrierna we interviewed Christian Nielsen who is the market analyst for their wood products (Timber etc).

### 5.6.1 Potential risks for the industry

According to Nielsen, though there were some levels of concern before and during the finalisation of the EU-UK agreement in 2020-21, most of it was established from the media, while the companies themselves seemed to have accepted the situation and reacted in a more relaxed manner.

“I think there was a general consensus that it would be fine and be resolved in one way or another” (Nielsen, Personal Interview, 13/4-2022).

The reason for this relative calmness, according to Nielsen, depended on two variables; First, the processes of Brexit had at that point been on-going for around four years and the initial sense of the crisis had since faded to acceptance. Secondly, the UK is a big export market for Swedish forestry firms and while the Swedish market is somewhat reliant on the UK market, the UK market is also dependent on Swedish suppliers.

“The UK is an island with relatively limited forest coverage. They have a great demand, but no ways to satisfy them. In that way, the UK is almost more reliant on us. It is therefore in the interest of the UK to resolve potential emerging problems” (Nielsen, Personal Interview, 13/4-2022).

Furthermore, any potential increase in financial burden connected to Brexit is likely to fall more on the consumers and importers rather than the exporting companies themselves. This is in accordance with existing theories on supply and demand (Cavusgil et al., 2019). Having said that, it is mostly dependent on the global supply-demand balance rather than specific regional markets. Christian Nielsen exemplified this by saying that during the pandemic, it has been the UK market that has “driven the price globally”, however given the current situation, it is likely to shift towards Central European and American prices (Nielsen,



Personal Interview, 13/4-2022). In order to satisfy their demand for wood products, “the UK will have to give competitive prices as consumers” (Nielsen, Personal Interview, 13/4-2022).

### 5.6.2 Outcome of Brexit

The TCA, according to Christian Nielsen, was met with limited reaction as “[the Swedish forestry industry] was relatively unaffected by the agreement” (Nielsen, Personal Interview, 13/4-2022). Though there were some additional administrative burdens placed on the companies, they appeared to be relatively minor compared to what the companies had feared in the beginning of the Brexit process. There were also some apprehensions in regards to potential delays in deliveries, but Scandinavian firms remained less affected in comparison to its Central Europe counterparts.

“Central Europe firms often logistically transport their goods by roll-on/roll-off vessels which was affected by some delays in the transition period. Meanwhile, Scandinavian companies often use dedicated ports which were not as severely affected” (Nielsen, Personal Interview, 13/4-2022). This became an advantage for Nordic firms during the initial implementation period.

Though Nielsen does not see a future where the UK market attractiveness will diminish, he does not think Brexit has had any positive effects on the industry. Having said that “the negative effects have been insignificant” in relation to expectations that arose at the beginning of Brexit in 2016/17 (Nielsen, Personal Interview, 13/4-2022).

### 5.6.3 Long-term consequences of the TCA

In terms of potential long-term consequences, there are a few factors to be considered. Firstly, the UK is currently in the process of finalising their new certifications for wood. The new UK CE certification in its current state appears very similar to the current one used by the EU according to Nielsen. However, what will happen in 5-10 years? Nielsen is of the idea that in the future these certificates will diverge further from each other and potentially require firms to adapt two different processes for the same product in order to gain both. This is a form of institutional complexity that could complicate the organisation of firms in the industry. Furthermore, there are still a lot of uncertainties for firms regarding these new certificates,

however it is in the UK's interest to resolve these problems in a way that satisfies exporters in the market, according to Nielsen.

On an international, policy-making level, Nielsen sees a risk in the UK's retirement from the EU. The UK has been an important voice regarding forestry policies and regulations. "They have been an ally and shared many common interests with Sweden against France and Germany and this balance will now be changed" (Nielsen, Personal Interview, 13/4-2022). Generally speaking, Sweden and UK lean more towards individual market control of forests, meanwhile Central European states have been more inclined towards centralisation and EU governance. This is, however, something that can only be left to the future.

## 6. ANALYSIS

### 6.1 Perception of Uncertainty

When analysing the strategic process employed by firms to overcome the uncertainties in connection to Brexit, we must first understand what world-view they had at the time these uncertainties emerged. This so that we may understand the impact of these uncertainties from their perspective. As mentioned previously, many firms and industries expected the outcome of Brexit to fall under one of the two scenarios, most often referred to as Soft Brexit or Hard Brexit. This, in accordance with the opinion presented by many studies (Van Reenen, 2016; Sampson, 2017) at the time. Previous studies on Brexit posits that the UK is an important market for the continent and its departure from the EU single market could be economically detrimental for the EU as well as the UK itself (Van Reenen, 2016; Tetlow & Stonajovich, 2018). Christopher Wingård from the National Board of Trade Sweden, expressed similar views, stating that as the UK is an important trading partner for Sweden and the immense effect of this potential change on the daily trade in Europe was a major source of concern on a national level (Wingård, Personal Interview, 20/4-2022). Further he stated that, as the negotiations proceeded for many years without visible progress, the possibility of a no-deal scenario became more significant. A no-deal scenario could have substantial impact on the entire Swedish economy and the potential loss of income for firms trading with the UK would be consequential.

Christian Nielsen presented another view in his interview, stating that the drawn out negotiation process partly led to the relatively calmness which seemed to settle over Swedish forestry firms at the end of the negotiation period (Nielsen, Personal Interview, 13/4-2022). Interviews with representatives from our case companies indicated similar sentiments. Two of the four companies, Company Y and Södra implied that the drawn out negotiation process meant that they were less invested in the issue for a time before the TCA. Meanwhile, Respondent X indicated in their interview that, for Setra, the concern regarding the outcome of Brexit did not necessarily increase or decrease, rather persisted throughout the negotiation period. It must be said that the COVID-19 pandemic emerged during the second half of the negotiation years and was another source of uncertainties during those years. It could have contributed to a shift in focus for firms.

Nielsen further remarked in his interview that the consistent demand for wood within the UK, meant that many forestry firms in Sweden believed it was in the UK's interest to resolve any potential issues in order to secure the availability of wood in the region. This view was similarly described by all four of the case companies. The respondents we interviewed from those companies indicated that this belief had lessened the level of concern they may have had for the long-term consequences. However, they still felt some level of uncertainty regarding the immediate effects of Brexit on logistics and administration.

Looking at Mintzberg's position and perspective (1987), we can understand that the three firms which indicated a belief in the UK's reliance on the Swedish forestry industry showed a greater degree of security regarding their position in the market. Firms which feel secure in their positioning generally display more confidence in their reactions towards changes in institutions. That is to say, these firms are more likely to consider changes in externalities to be manageable. Perspective, however, is more difficult to analyse. This is mostly due to complex interaction between position and perspective. An underlying perspective, which is essentially company culture, will shape a firm's deliberate strategy and choices; however the realised strategy of a firm will also change its perspective to some extent. We can, however, superficially say that Setra, in general, displayed a more cautious approach to uncertainties and thereby prioritised information gathering in their decision-making. Södra and Company Y indicated throughout interviews a stronger emphasis on flexibility. Meanwhile, Arctic Paper seems to take a more assertive stance when managing these emerging uncertainties, quickly forming a team to strategise.

Having said that, regardless of their security in position and perspective, all our case companies identified similar sources of uncertainties, or rather factors of concern. Potential logistical and administrative challenges as a result of institutional changes was a great cause for concern. This is primarily because depending on outcome these could greatly influence firms' distribution channels. Sales was another factor identified by the majority of our case companies. This is not necessarily out of concern for reducing demand, but rather if potential increase in administrative and logistical costs could influence the firms' competitiveness compared to other major exporting nations. Supply uncertainties were the only source of uncertainty not indicated by any case company. This is likely due to the fact that firms in the

forestry industry generally do not depend on any suppliers in importing countries and most supplies are sourced directly by the firms.

Though they identified similar types of uncertainties, it must be said that the perceived level of uncertainty described by each firm differed from each other. Rather than having distinct outcomes in mind, Setra interpreted the future to have a range of possible outcomes. This level is characterised by a range of conceivable outcomes that is clearly limited, but also impossible to define as a complete list of possibilities (Wernerfelt & Karnani, 1987). At this level of uncertainty, companies must identify a few number of “most-likely” scenarios and limit their consideration to those in order to form any kind of strategy at all. This can be especially demanding for firms like Setra that are more cautious in their nature as the range of possibilities can be viewed as overwhelming. Furthermore, it is a challenging level of uncertainty for firms to strategise under as there is no specific outcome to plan for.

In Södra’s case their sense of security in position, i.e. their belief that the UK had incentives to resolve potential problems, allowed them to focus on a few forces and outcomes that would be most relevant for the firm. This meant that the perceived level of uncertainty from Södra’s point-of-view was closer to level two than three. That is to say, rather than a range of possible futures, Södra was able to scale these down to only a few possible futures. This may not have changed the level at its core, but it changed the way Södra reacted and interacted with these uncertainties. Similarly, Company Y were able to limit their apprehension regarding the outcome of Brexit to a certain extent by focusing on the outcomes which were most commonly thought to be plausible at the time Hard Brexit and Soft Brexit (Figure 3). Although they did not necessarily use the same factors, both of these companies inadvertently acted according to the recommendations given by Wernerfelt and Karnani (1987) when encountering a level three uncertainty by limiting their view of possible outcomes to limited scenarios.

Arctic Paper was generally most successful in limiting their perceived level of uncertainty. By identifying and focusing on four driving factors uncertainties, Arctic Paper essentially created a crude form of scenario planning which limited the number of outcomes to be considered during the planning process to a great extent. This process also meant that the “Brexit team” that Arctic Paper setup could focus their attention on the sources and nature of those key uncertainties. While it could simply be said that they emerge from externalities, their nature is

often more nuanced. Taking lofictical forces for example, it is very plausible that some form of institutional complexity would affect the borders regardless of future outcome, but to what extent can the effect of these be influenced by the company and should Arctic Paper take any action to affect the future outcome? Generally, this puts Arctic Paper in the best position for strategic planning and decision-making.

## **6.2 Strategic Planning Process**

We have previously discussed Mintzberg's (1987) perspective and position and how these may aid in understanding the way the internal values of a firm may influence its world-view and strategic planning. Courtney et al. 's (1997) posture and portfolio is a similar categorisation model that is aimed specifically to understand a firm's strategic planning culture. Respondent X, from Setra, emphasised the importance the firm placed on information gathering and discussions within the industry. These are characteristics of firms that tend to adopt a reserved strategic posture. Firms with a reserved posture also have a tendency to match the industry's benchmark with just enough commitment to never fall behind competitors while also not taking any decisive actions that are deemed unnecessary. These are traits that can be interpreted from the way Setra chose to focus on its external environment and how other actors respond and interpret changes. This choice of action also shows that the firm leans towards the "no regret move" in terms of Portfolio of action. This means that the company is less likely to invest in uncertain outcomes that may result in negative consequences. The overarching attitude here can be interpreted as exercising caution before a most-likely outcome can be predicted or seen. If this strategic posture and portfolio is reflective of Setra's overall values in decision-making and strategising then it would explain Setra's reluctance to invest and commit to a strategy under a high level of perceived uncertainties.

Moreover, based on the assumption that Setra perceived Brexit uncertainties as a level 3, their decision to wait is supported by Wernerfelt and Karnani's (1987) model for decision-making logic. This model posits that a firm should only act under major uncertainties if the firm, for example, has the first-mover advantage or if it is a form of risk-aversion. According to this model, Setra could stand to lose more than gain from early action in this situation.

Södra, which emphasised the importance of flexibility, adopted a strategic posture that was mostly reserved, but made key decisive actions that gave them options in the issues which

mattered the most to the company. This allowed the company the option to adapt to the future should the outcome not be favourable for those particular aspects. A key strategic decision Södra made was to establish a new company in Ireland to create an alternative distribution channel directly between its home market and the Irish market without being caught in the institutional conflicts between the Republic and the UK. This decision gave them flexibility in that should the conflicts between these two nations escalate, their investment will pay-off and their distribution channel would not be at risk. If no conflict comes out of it, then they will have the option to evaluate and see if they want to keep this new company or revert to their previous route of distribution. In general, their strategic process can be described as mostly reserved with emphasis on keeping options available with higher degree of investment.

Given that institutional complexity was Södra's area-of-focus, we can use Kraatz and Block's (2008) suggested responses to institutional uncertainty to understand their decision from another perspective. The establishment of the Irish firm can be seen as a way to compartmentalise the functions at risk (i.e. distribution) to facilitate compliance to a single institution, the Republic of Ireland, rather than several.

Although Company Y similarly emphasised flexibility, their strategic posture and portfolio of action differed from Södra. Respondent Y described how the firm developed different strategies based on the different outcome scenarios they could foresee using the Hard Brexit/Soft Brexit scenarios. A few of those, involving strategies that could be used to replace potential loss of revenue should the worst-case scenario become reality. Based on the perspective described by Respondent Y, we understand the strategic posture of Company Y to be closer to what is defined by Courtney et al. (1997) as "Adapt to the future". This posture focuses heavily on flexibility of action and readiness to adapt to the changes in the market once an outcome has been decided. Combining this with the lack of actions often adopted by companies with a "no regret move" attitude; we understand that Company Y's overall response to uncertainties, at least in this specific case, leans toward being prepared for several outcomes without investing too much resources into the unknown.

It must be said however that though Company Y focused on remaining flexible and ready for adaptation to the new market environment, interpreting this as being the firm distancing itself from uncertain institutions in the way that is described by Kraatz & Block (2008). This could be a long-term effect of this implemented strategy if Company Y seeks to neutralise itself to

comply with rules and regulations as EU and UK standards diverge in the future, however it is too early to speculate on the matter as of now. It does seem from the future outlook expressed by Respondent Y during the interview that the company will maintain a perspective and position that is flexible to adaptations when facing changes as many uncertainties remain in the UK market following the TCA.

When it comes to Arctic Paper, by identifying and categorising key driving factors of relevant uncertainties and outcomes, the “Brexit Team” is able to derive more nuanced scenarios for future outcomes. This process is further optimised by working in smaller teams responsible for a certain key factor or uncertainty. Arctic Paper is a company with a relatively long legacy which may have shaped their position and perspective in regards to Mintzberg’s (1987) view on the business environment. The firm has faced many market changes and challenges in the past and seems to pride itself on the ability to innovate and transpose their business operation through external challenges. Their commitment to always stay one step ahead of sustainability developments in the industry is a testament of this world-view (Arctic Paper, 2022).

Having considered this, it is perhaps not a surprise that the strategic planning process employed by Arctic Paper exhibited traits of a company that has adopted a “Shape the future” strategic posture and works to lead developments in the industry (Courtney et al., 1997). This combined with a portfolio of action that focused on taking preparatory actions which would have positive effects even in the worst-case scenario meant that; Arctic Paper’s overall strategy was to gather information and make adaptations which did not require any major investments, but could still influence the effect of future outcomes positively.

To more concretely exemplify this, we can look at how Arctic Paper chose to send documents detailing the results of their investigation in order to prepare customers for potential delays in the borders, as well as the possibility of increased costs. This may not directly affect the sales uncertainties, however it is the extent of actions that can be taken by the company to potentially influence the impact should the worst-case scenario come to fruition. Another example would be the preparatory work Arctic Paper did in order to prepare each of their paper mills for increased administrative burden. The motivation here is to minimise the delays and confusion that could arise from institutional complexity at the borders as an immediate consequence of Brexit.



### **6.3 Evaluation of Strategy**

When it comes to the actual consequences of Brexit, following the implementation of the TCA, all the respondents we have interviewed expressed that the outcome was better than expected. Generally, compared to the level of uncertainties felt by firms and the industry as a whole, the actual realised effects were minor. Even the challenges which emerged as immediate consequences to this sudden institutional change were relatively easy to overcome as they were mostly resolved by the UK as some of our respondents had expected. For these reasons, it is difficult to evaluate the strategies implemented by each firm. We can, however, speculate that the preparatory work Setra conducted may have affected the ease of their transition period in the sense that this process allowed the firm to come in contact with many major actors within the industry, both in the Swedish- and British market. With that said, their ease of adaptation when facing these problems may as well be attributed to the relative simplicity of their value chain which could lead to comparatively straight-forward emergent issues. For Södra, the distribution firm established in Ireland in combination with the outcome of Brexit meant that the firm did not experience any significant consequence from Brexit. Not even to the relatively minor extent described by Setra. The same could be said in the case of Arctic Paper who implemented several changes as described.

According to Respondent Y, Company Y encountered three main challenges as a result of the TCA. First were expected technological issues in connection to the new administrative procedures. These were handled soon after the outcome was confirmed by cooperating with another company which handled parts of Company Y's administrative tasks. The second challenge they encountered was in regards to the preparedness of other actors in the market who were involved in the day-to-day operations of the company. Though they had expected this, as the matter involved other actors and institutions, Company Y had limited influence on the outcome and could strategise to improve it, only to mitigate the effect somewhat. Lastly, Company Y had not accounted for the loss of truck drivers in the market. This was an indirect effect predicted by a "Hard Brexit" scenario that the firm had not focused on until the aftermath of Brexit hit the industry. The surprise factor involved combined with the limited options the firm had to improve the situation meant that it took over a year before the company settled into a new routine. In general, it can be said that Company Y had the

flexibility to handle some of the more obvious effects while other underlying issues were more difficult to overcome.

Another more all-encompassing factor that should be considered when analysing the outcome of firms' strategic process is the relevance of previous experience dealing with similar institutional conflicts. Many of the firms we interviewed remarked that the experience they had accumulated by conducting trade with regions outside of the EU single market has been beneficial in preparing for Brexit. The effect of institutional changes and conflicts is less pronounced for companies that are, or have experienced, conducting business in markets where the institutional setting is similar to the potential outcome of the institutional changes they are facing. In this case, firms that have conducted business in markets of the EU are less affected by the potential outcomes of Brexit.

#### **6.4 Summary of Analysis**

Starting from perception of uncertainty, we can summarise that firms have perceived emerging uncertainties to varying degrees. Although the objective uncertainty existing as a result of Brexit may be the same, firms' perception of these uncertainties will vary based on how these firms view their own position in the market in relation to other actors. Further, these can also be dependent upon which factors each firm has identified as most decisive for their business operations from their perspective. In this thesis, firms that do not see these uncertainties as a threat to their position in the market are also able to take necessary decisions to limit their perception of the potential outcomes of Brexit. That is to say, the more secure firms perceive their position in the market, the more scenarios they are able to discard as a possibility. As such we see some correlation between firms perspective and position and their willingness to take on the risk of limiting potential outcomes.

Likewise, we can say that firms that are able to limit their outcomes into a select number of scenarios are able to analyse the business environment more clearly which leads to the formation of more conclusive strategies. Whether they choose to implement these strategies immediately or wait for a decisive outcome depends upon the combination of their strategic posture and portfolio of actions. That is, their decision-making pattern and the level of risk taking they are willing to engage in. Further, we find that the consequences of Brexit have been milder than expected according to all the respondents we have interviewed, especially from the perspective of Swedish forestry firms. This could be due to three factors, their

implemented strategies, the actual outcome of Brexit i.e. the nature of the TCA and/or their previous experiences with conflicting institutions from trading with regions outside of the EU. It is difficult to generalise which exactly of these three factors is the most or least relevant, however it is most likely a combination of all these factors.

## 7. CONCLUSION

### 7.1 Answering the Research Question

Reflecting on the analytic framework we have derived (Figure 8), we can see that the business environment determines the overall externalities affecting firms. Changes in the business environment can therefore be said to inherently affect firms to some extent. The existence of institutions and regulatory bodies within a market make up a significant part of the business environment, therefore when Brexit happened and these institutions were expected to change, a variety of uncertainties emerged for all actors within the market, including companies.

For many Swedish forestry firms, the UK represents a vital market for continuous success of the industry. Thus, when the UK expressed their intention to leave the EU, and thereby the EU single market, uncertainties regarding the future inspired many firms to plan during the negotiation process when the final agreement had not been finalised. These circumstances generated the research question which is;

*”How do Swedish multinational forestry firms respond to uncertainties associated with sudden institutional changes?”*

To summarise our findings, we found that each firm experiences the uncertainty of Brexit to different degrees. For some, these uncertainties seemed manageable while others were overwhelmed by the range of speculations and possibilities. Firms’ interpretation of the existing institutional uncertainties depended greatly on their perceived position and perspective. In this thesis, we found some correlation between the security of market position as perceived by firms and the degree to which these firms were willing to limit possible future outcomes. That is to say, when firms do not experience institutional uncertainties as a threat to their position in the market relative to other actors, such as competitors, they are more willing to make bolder assumptions and thus are able to limit their scenarios more.

The perceived level of uncertainty seems to depend to some extent upon the nature and perspective of each firm i.e. their world-view, outlook on externalities within their business environment and their self-perceived position within this environment. In this case, the level

of uncertainty existing in the external environment seems to be at the level Courtney et al. (1997) defined as “A Range of Futures”. Uncertainties are categorised into this level when there is a limited, but indistinguishable range of outcomes. It is a level that can be challenging to strategise under due to lack of distinct scenarios and Courtney et al. (1997) recommends firms facing this level of uncertainty to eliminate and limit their perceived outcomes to form scenarios that can be used as basis for strategic planning. Three of the four case companies inadvertently went through this scenario planning process by either focusing on key-factors or a few most likely outcomes. These firms were then able to form more detailed strategies for different outcomes.

It must be said however that the implementation of their strategies depended greatly on their strategic posture and portfolio of actions. In this thesis, we found that reserved firms that displayed tendencies to avoid risk-taking decisions, were less likely to implement their strategies before the TCA was established. That is to say, if a firm has the tendency to avoid making risky investments, even if they form structured strategies to counter uncertainties, it does not necessarily follow that these strategies would be implemented before a decisive outcome has been decided. On the other hand, firms that value leadership over the industry are more willing to take decisions early on based on their most likely scenarios even if their investment may prove redundant. This was also something that could be seen with firms that prioritised flexibility in their strategic planning.

Additionally, our finding also supported the Decision-Making Logic Tree presented by Wernerfelt and Karnani (1987) and the responses to institutional uncertainty as presented by Kraatz and Block (2008). Although we do not analyse our findings with regards to these two theories as extensively as the other theories, we can at least say that the results do not suggest any contradiction between the theories we have employed. For instance, Kraatz and Block’s (2008) responses to institutional uncertainty was not necessarily formulated for the international business context, it did not contradict, for example, the posture and portfolio presented by Courtney et al. (1997). These are, in essence, our findings regarding how Swedish forestry firms have responded to the emerging uncertainties associated with a sudden institutional change.

## **7.2 Implication of Research**

The interaction between uncertainty and strategy is a subject that has been studied widely over the years. Even so, it is a nuanced subject that can be interpreted and studied from a wide variety of perspectives. The effect institutional uncertainty has on a firm's strategic planning process is in itself somewhat understudied. Furthermore, though the forestry industry is an important part of the Swedish economy, it is not widely studied compared to other industries in the country such as the auto vehicle industry. This thesis could therefore contribute to filling a research gap.

Additionally, this thesis also contributes to the understanding of how different driving factors interact to influence the way firms strategise. The emphasis of *perception* of uncertainty rather than just uncertainty underscored the relationship between firms' internal assessment and strategy formulation leading to a certain way to take action and respond to uncertainty.

In more practical terms, this thesis has presented some methods firms employed in order to respond to uncertainty. This could be used by other firms within the industry to reflect upon their own reaction to Brexit and inspire an internal assessment as to why firms are making certain decisions.

## **7.3 Limitations of Thesis**

The most significant limitation was time, which required us to establish limits on the number of companies interviewed and the format of the interview. This resulted in material from four companies and six interviews, the majority of which were conducted via digital meetings. Though conducting a qualitative study with fewer case companies allowed us to gain a more in-depth insight into each firm, this limited number of case companies also affected the extent to which these findings could be generalised to apply to the entire industry. Furthermore, the case context of choice, Brexit, happened only a year ago which does not allow for more analysis on the effect of each firm's implemented strategy. Another major limitation is the lack of direct questions and limited context given to respondents. This was an intentional choice made in order to not influence respondents towards a certain type of answer, but get a natural account of the entire Brexit process. This, on the other hand, meant that we did not always get a straightforward answer. Finally, the fact that we only interviewed one person

from each company may have limited our perspective to one manager's view of the events rather than the company's.

#### **7.4 Recommendations for Future Research**

As mentioned previously, there are many research gaps and areas that could be explored further. The limitations of this thesis highlight some of these possible research areas. Our recommendation for future research on topic of uncertainty and Swedish forestry industry are as follows;

*Investigate the influence of importers' perspective on the strategy planning process of an exporting firm in relation to institutional uncertainties.*

The presence of institutional uncertainties represent a major challenge at the core of the external business environment. Institutions, as actors in a market, set the framework for how business should be conducted in that market, both for firms and consumers. Institutional uncertainty can therefore be considered a multifaceted problem that can be analysed from many view-points. Importers' perspective was entirely excluded from this thesis due to our limitations. It is therefore our recommendation that future research be conducted on the effect of institutional changes on importing firms. This would contribute with the increased understanding as to how institutional changes influence different actors existing in a market.

*Conduct this same research with focus on small and medium-sized enterprises (SMEs).*

In this thesis, we have chosen to solely focus on MNEs and the impact of major institutional changes on their strategic process. Although international business is often associated with large corporations and major business, recent technological developments have led to the growth of the e-commerce industry. This industry in particular includes many SMEs exporting and importing products across the globe. Even in the Swedish forestry industry, we have seen many small, family businesses engaging in international trade. It is with these reasons that we believe a similar research should be conducted on the influence of uncertainties on SMEs.

*Investigate the role played by managers and individuals in firms when strategising under conditions of sudden uncertainty.*

In this thesis, we have centred our discussion around the overall values of firms. However, as

we have mentioned, managers and individuals have great influence on the strategic process, as well as the overall culture of a firm. In many firms, strategic management and projects are conducted by a group of employees under the directions of a single manager using their interpretation of the company's mission and goals. It would thereby be interesting to explore the role of individual managers and employees and how they may influence a firm's uncertainty perception and strategic decisions under these circumstances.



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## Appendix A: Interview Guide for our Companies

### **General Information**

Company name:

Name of the interviewee and position:

Briefly describe firm activities?

1. Can you describe the company's relation to the UK?
2. What kind of business operations do you have in the UK?

### **Time prior to the Trade and Cooperation Agreement/Perception of uncertainty**

3. What was your reaction prior to the TCA?
4. Were you worried about Brexit? If not, then why?
5. What were you most concerned about?

### **Strategising under uncertainty**

6. How did you work with the possible outcomes that could happen?
7. Did you make any preparations prior, and did they match your expectations?
8. Did you receive any help or support from any major (governmental) institutions?

### **Implications of the Agreement**

9. Has the agreement affected your company's current operations?
10. What part of the agreement would you say has affected the most?
11. Were there any changes that you as a company were not prepared for/expecting?

## Appendix B: Interview Guide for our Experts

### **General Information**

Organisation name:

Name of the interviewee and position:

Briefly describe organisational activities?

1. Can you describe the organisation's relation to the UK?
2. What kind of operations do you have in the UK?

### **Time prior to the Trade and Cooperation Agreement/Perception of uncertainty**

3. What was your reaction prior to the TCA?
4. Were you worried about Brexit? If not, then why?
5. What were you most concerned about?

### **Outcome of Brexit**

6. How did you work with the possible outcomes of Brexit?
7. Did the outcome of Brexit (as defined by the TCA) match your expectations?

### **Long-Term Consequences of the TCA**

8. How do you think the TCA will affect the trade between the EU and UK in the future?  
- What about Sweden-UK?
9. What part of the agreement would you say has affected the operations of Swedish firms the most?  
- Do you have any opinion regarding the effect on forestry firms specifically?
10. Were there any changes that you did not expect?