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THE EFFECT OF BREXIT ON THE STRATEGIC CHOICES OF FINNISH COMPANIES OPERATING IN BRITAIN

The uncertainty strikes back

Master´s Thesis
in International Business

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1 INTRODUCTION

"One little thing, what would they do with the British Open [golf tournament] if they ever got out? They'd no longer have the British Open."
— Donald Trump asks the big question in a Wall Street Journal interview.

1.1 Brexit – an unexpected market disruption

The United Kingdom joined the European Economic Community (EEC) on 1.1.1973. In 2013, the former Prime Minister of the United Kingdom David Cameron promised on his "Bloomberg" speech, that a new referendum on Britain's EU membership will be held under re-negotiated membership criteria, if Cameron's Conservative Party wins the parliamentary elections in 2015. The party won the elections, and the European Union Referendum Act was adopted on 9.6.2015. The new law regulates, that a simple majority vote can determine the UK's position on EU membership. Prime Minister Cameron announced in early 2016 that the referendum will be held next June. In the referendum, Britain leaving the European Union was supported by 51.9% of the votes and to stay by 48.1% with a turnout of 72.2%. The British Government submitted an application for the resignation of the United Kingdom from the membership of the European Union on 29.3.2017 to the European Council. (The Finnish Parliament.)

The creation of the European Union has been advantageous to the companies and citizens in the member states through the harmonized and uniform market. For example, the adaptation of unified judicial systems has lead to the increase in trade, and through that in the increased welfare of the citizens. Now, Britain is willing to withdraw from the union and its benefits by executing Brexit. (Dumitru 2017.) Companies are facing big questions due to the unexpected nature of Brexit. Many publications have been made by consultants, industry bodies, economists and business leaders throughout the Brexit process about the impact of new tariffs and the possible restriction of movement of people. Especially multinational companies operating in Britain are unsure about the future, since thousands of jobs are seemingly under threat. This claim is backed up by the professional services firm EY, which said that the UK has lost 10500 finance jobs since the Brexit speculations began. Moreover, a large number of companies have confirmed to be moving to the continent. Also, a few studies have already shown other downsides of Brexit, such as recruiting can become more problematic, since EU workers are less willing to come to the UK due to Brexit news. Industries, such as the motor industry, have the threat of increase in tariffs, since it can cost an additional 4 billion pounds, if a "no-deal" Brexit is executed. (Independent.)

Trade between Finland and Britain has long roots. For a long time, forest industry was the corner stone of trade between Finland and Britain. Nowadays electronics, industrial products, as well as services and investments make up a large amount of the trade. In the peak years, export of Finnish products to Britain was over 4,5 billion euros. Due to the financial crisis exports have decreased and the Finnish British trade has developed less than exports in general. (Finnish Ministry of Foreign Affairs.)

In 2013, Britain accounted for 5.2 per cent of Finland's exports and 3,2 of imports. In 2013, Britain was Finland's sixth most important export partner and the eighth largest in imports. (Finnish Ministry of Foreign Affairs.) When it comes to Finnish companies in Britain, in 2014, out of 197 companies that operated in Britain, 99 were industrial companies, which accounts for 50% of the total. There were 39 companies in the commercial field, around 20%. In the forest and machine industry there were 19 in both, which account for 10% each. 15 companies operated in the electronics industry (7,5%), and 21 in the information and communications industry (10%). Strong, internationally operating stock listed companies' subsidiaries are the usual Finnish companies that operate in Britain. (Prime Minister's Office's publication 12/2017.)

1.2 Objective of the study

Brexit is a new and sudden market disruption that could not have been predicted even a couple of years ago. It has surely come as a surprise for many companies and it causes major changes in the EU. This kind of instability would be normal and predictable, for example in Russia, but in the case of Britain this is unique. This topic can be mirrored to other countries that possibly decide to follow Britain's footsteps and leave the EU in the future.

As Brexit is a new phenomenon, there has not been a great amount of research done on the subject yet. That is why the author decided to examine it. The author found one article of a similar nature that was published in December 2017 (Penn 2014: Brexit: Finnish Companies Breaking British Markets), so the subject is gaining popularity among the research field. The focus of the study is of strategic nature, since market disruptions force companies to change their behavior and make strategic decisions to adapt to the changing situation. Since Brexit was announced recently, the author has a great opportunity to study how companies react to market disruptions proactively and before the actual exit happens. The subject is limited to Finnish companies operating in Britain; currently there are around 200 (ETLA). There was no focus on the size of the case companies in this study, it is conducted on companies of different sizes in different fields.

The objective of the study is to discover *what kind of strategic decisions UK-based Finnish companies make because of Brexit*. There are four sub-questions that are related to the subject and answered in the study:

- How does Brexit affect the British market's attractiveness for Finnish companies?
- In what ways are Finnish companies prepared for market disruptions?
- What kind of opportunities and threats Brexit poses for Finnish companies operating in Britain?
- How does Brexit affect the market exit willingness of Finnish companies operating in Britain?

The study aims to answer these questions by combining interviews and insight from entrepreneurs and other strategic decision makers that are facing Brexit in the future with the knowledge and theories of previous research about the themes that arise from the interviews. Thus, the study is of qualitative nature and aims to give a managerial perspective on Brexit.

1.3 Structure of the thesis

The thesis starts with an introduction to Brexit and what implications it has on companies. Finnish-British trade and what kind of Finnish companies generally operate in Britain is briefly introduced. The objective of the study is stated, as well as the research question and the sub-question, after the introductory part. The next chapter is the beginning of the theory chapters; it introduces the theories in the thesis. The first part of the theoretical framework consists of the possible Brexit modes that are currently speculated. Next, opportunities and threats of market regulations are introduced. In the next chapter, chapter 3, market uncertainty, the management of uncertainty and strategic change management are discussed. This chapter contains the core theories of this thesis. Chapter 4 focuses on the last sub-question, and it includes the foreign market attractiveness and the foreign market entry strategies. After the part about entry, foreign market exit barriers are introduced, after which market exit strategies. The theoretical framework is formed into themes at the synthesis, and a model is constructed, which depicts how all of the theoretical chapters are intertwined in the study. The theoretical framework does not go deep in to a specific topic, but the idea is rather to introduce a variety of aspects and theories that a company might face when a market disruption arises. Also, the link between market entry and exit is analyzed in this thesis, thus the market entry chapter is introduced.

Chapter 5 Methods has been divided into sections that explain how the study was conducted. Qualitative research is chosen for the study, and it is explained in 5.1., as well as the chosen method case study. Parts about inductive study are included, as well as the philosophy of science perspectives found in this study. The process of case company selection is described in 5.2. to create transparency, and the part includes the introduction to each case company. How the sample was selected is also included in this section. The data collection methods and process is described in 5.3., as well as ethical choices related to it. 5.4. Evaluation and analysis of the study introduces the concepts of a quality research and how they are followed through the study, as well as the analytical tools used in the thesis; how qualitative research can be analyzed as well as the chosen analysis method, thematic analysis, and reasoning behind these decisions.

In part 6 Results and conclusion the sub-questions of the thesis form themes and the sub-headings of the chapter, thus a thematic approach has been taken to introduce the results from the interviews. 6.1 Summary of the main empirical findings answers the four sub-questions in the study with explanations from the theoretical framework in the same thematic approach as in chapter 6, and in the end of the chapter the research problem is answered. 6.2. Future research and limitations introduces topics that can be derived from this study to conduct further research. Also, criticism about the thesis is included in this chapter.

2 BREXIT MODES AND MARKET REGULATIONS

2.1 Modes of execution of Brexit

Brexit will surely have economic effects on both countries that are investigated in this study. The economic effects of Brexit can be divided in to two: the short term effects, which do not have any impact on how Brexit will be executed, and the long term effects, which will depend on how Brexit is executed. In the estimates made, the short-term impact of Brexit on UK's gross domestic product is between -1 and -6% (IMF 2016). In these estimates, the negative impact is mainly due to the increased uncertainty, which is expected to affect the risk premia of companies, and also households, in the form of loans. However, the impact of uncertainty is not easy to quantify and there is little empirical research on this subject. According to Bloom's (2009) empirical study, uncertainty causes companies to postpone their investments and reduce their recruitment. Alongside this short-term demand impact, the decline in investment caused by uncertainty will slow productivity growth, which only occurs over a longer period of time. (Research Institute of the Finnish Economy.)

As stated above, the long-term effects will depend on the mode of exit. By the end of 2017, there has been speculations about three different ways of implementing Brexit: the EEA model, the FTA model and the WTO model. Regardless of how exit from the European Union is performed, the gross production in United Kingdom will decrease. (Research Institute of the Finnish Economy.)

"Muhammad Ali didn't brief everyone in advance on the Rumble in the Jungle."
— Former U.K. ambassador Tom Fletcher defends
the government's decision not to reveal its Brexit hand.

The EEA (European Economic Area) members participate in the EU's internal market, but are not a full member of the EU. EEA contains the 28 EU member states and 3 members of EFTA (European Free Trade Association), which are Iceland, Liechtenstein and Norway. This model is also called the "Norway model", and it is the softest possible Brexit scenario. The four freedoms of EU also apply to EEA; the *free movement of goods* through elimination of barriers and custom duties, the *free movement of labor*, so people are able to live, work, study or retire in another country, the *free movement of services*, which allows the EU companies to establish services in other EU countries and provide services in other countries, and the *free movement of capital*, which permits the movement of investments, such as buying shares and purchasing properties between other member states without any restrictions on capital movements and payments. EEA members must contribute to the EU budget, but the agreement does not cover Common Agriculture and Fisheries Policies, Customs Union, Common Trade Policy, Common Foreign and Security Policy, direct and indirect taxation, and Police and Judicial Co-operation in criminal matters. The member countries can set their own policies regarding these issues. The main question with the EEA model is if an EEA member withdraws from the EU, will it automatically also withdraw from the EEA. (Brexit Financial).

The FTA (Free Trade Agreement) model reduces barriers between countries by decreasing or removing customs duties, when certain goods are imported. Quotas can also be set, such as setting out certain quantities of goods to which specific tariffs are applied. The UK would not be in the customs union in the FTA model, so customs checks and rules are applied to UK exports to the EU. Trade agreements can be negotiated with outside countries. “Shallow” agreements are the ones that mostly deal with border measures, and in contrast “deep” agreements also include rules and domestic policies, such as technical barriers to trade, services and trade related measures, which are more common nowadays. However, deep trade agreements do not remove barriers of trade as much as the EU single market. This type of trade agreement would be needed to be approved by the European Parliament, and probably by all the member states. Since the UK has not negotiated trade agreements while in EU, the capacity and experience to do so is likely very limited at the moment. (Brexit Financial 2.)

The WTO (World Trade Organization) is an intergovernmental organization that regulates international trade. It regulates trade between participating countries by providing an outline for negotiating trade agreements and a dispute resolution process designed to implement participants’ obedience to WTO agreements, which are signed by the representatives of member governments and ratified by their parliaments. The majority of topics that the WTO focuses on originate from the previous trade negotiations. They also help low-income countries to transit and adjust to WTO rules and disciplines by technical cooperation and training. (Brexit Financial 2.) The WTO option would let the UK to trade only under the WTO rules. It would allow the UK to strike deals around the globe, just like happened to China in 2002 after joining the WTO, allowing an explosive export growth. However, the UK is already a part of the WTO and operates through the EU, so they would need to apply tariffs and quotas to other countries’ products and to acquire its own schedules. Every time, for example, a raw material that is needed in assembling a product in Britain crosses the border, a tariff would be included. Many bilateral agreements are needed to avoid these extra tariff costs; the EU has almost 100 of them. Negotiations and modifications are needed to come to terms with the WTO model, and it acts as the hardest mode of Brexit. (Economist.)

The WTO model would let the UK be free from the EU legislation, so it imposes the fewest obligations. People from other EU countries would not have a free entry and no financial contributions to the EU budget are required in this model. However, the UK would become less price competitive compared to the remaining EU countries, especially the agriculture and motor vehicle industries, due to the tariffs. EU's tariffs have fallen over time, which means the advantage of being a EU member state is less advantageous. Also, since the referendum was announced, pound has depreciated, which can offset the decrease of the price competitiveness. Despite these facts, many studies have concluded that the WTO model would be the most costly to the UK. (Brexit Financial 2.)

ORGANIZATION	SCENARIO	EFFECT ON GDP, %	RANGE, %
CEP	Dynamic EEA/FT	-7,9	-6,3 – -9,5
	Static EEA	-1,3	(–)
	Static WTO	-2,6	(–)
HM TREASURY	EEA	-3,8	-3,4 – -4,3
	FTA	-6,2	-4,6 – -7,8
	WTO	-7,5	-5,4 – -9,5
OECD	WTO/FTA	-5,1	-2,7 – -7,7
NIESR	EEA	-1,8	-1,5 – -2,1
	FTA	-2,1	-1,9 – -2,3
	WTO	-3,2	-2,7 – -3,7
	WTO+	-7,8	(–)
PWC/CBI	FTA	-1,2	(–)
	WTO	-3,5	(–)
OXFORD ECONOMICS	FTA	-2,0	-0,1 – -3,9
OPEN EUROPE	FTA	-0,8 – +0,6	-2,2 – +1,6
ECONOMISTS FOR BREXIT	WTO	4,0	(–)
AVERAGE		-3,2625	

Figure 1 The long term effect of Brexit on UK's economy in 2030 (Miles 2016)

As seen in the table above, the prediction for the economic effects of Brexit on UK's economy are very negative. The EEA model is seen as the less damaging one, and the WTO as the most destructive for the economy.

"You don't need a piece of paper with numbers on it to have an economic assessment."
— David Davis tells the House of Commons Brexit committee that he cannot quantify the economic impact of Brexit.

Brexit will affect Finland through the combination of the decline of the British economy and the related global impacts. The effects on Finland are somewhat more favorable than in the other countries examined. The difference is due to the fact that Finland's price competitiveness improves more than other countries', and because the structure of the Finnish export market is based on the countries that benefit from Brexit, such as China and Russia, which increases the volume of exports compared to the average. (Research Institute of the Finnish Economy.)

2.2 Market regulations – opportunity or threat?

Depending on the way Brexit will be executed, there are several options how the regulatory changes can be perceived as an opportunity or threat. New economic regulations, in this case possible new market entry regulations, can create entry barriers to the market, which can be an advantage for the domestic market for keeping away competitors. (Mitnick 1981.) Also, domestic companies can perceive an economic regulation as an opportunity, since it can offer stability. The regulations can manage the market environment because of their ability of decreased uncertainty. (Pfeffer & Salancik 1978.)

Although there are advantages in economic regulations, they can have huge social disadvantages. Regulations can stop innovations and lead to an ineffective use of resources. Also, it is possible that only large firms or certain type of companies with certain knowledge are the ones that can reap the benefits of a more regulated market. (Mitnick 1981.)

One of the largest regulatory impacts that is likely to occur is that the trade between the UK and the EU, also including Ireland, will be recognized to be exports and imports. The customs duty will become payable, if a free-trade agreement with no, or low customs duty is failed to be negotiated. This will likely increase compliance formalities, as well as impair trade. (Brexit: Knowing the – – 2017.)

Protectionism is a regulative act where a country tries to reduce unemployment or capital losses by restricting imports. International trade is restricted by the promotion of particular types of industrial developments, which affects the internal distribution of incomes, or by exploiting the country's international monopoly power by improving the country's terms of trade. (Oxford Reference.) Protectionism has been historically seen as following the cyclical changes of economies; when a downturn occurs the unemployment rates increase, which triggers governments to insulate their domestic economy from imports. When the economic downturn is over, it is hard for the government to dismantle the policies, and often they persist even in good economic conditions. (Protectionism 1983.) According to a study by Kunc and Bhandari (2011), strategic decision development during economic and financial crisis are more of reactive nature. This is due to the fact that companies adjust their strategic decisions to respond to the short-term problems in their performance that are affected by the economic crisis.

According to a study by Daw (2014) protectionism can be criticized to harm the people it is supposed to be helping. Free trade is considered to be helping developing countries, because the removal of trade barriers facilitates competition. Although there is a vast amount of evidence about the advantages of free trade, the study found that under some circumstances emerging market protectionism can be beneficial, since it can increase effectiveness. Free trade was not shown to be able to reduce dominance in the international market. Also, if the emerging market is growing rapidly or is large in size, a tighter domestic policy might be more plausible for attaining a reduction in international dominance. If the country protects a strategic domestic industry, the government intervention could also potentially lead to improved international wellbeing.

3 STRATEGIC MANAGEMENT OF UNCERTAINTY AND STRATEGIC CHANGE MANAGEMENT

3.1 Strategic management of uncertainty

"If there's one thing that's certain in business, it's uncertainty."
-Stephen Covey

According to Mitnick (1981), there are three ways a company can act, if a regulation, in this case Brexit, is a threat to business, or if a company wishes to take an advantage of a regulation: exit, "voice" or be "loyal". Market exit can be the most viable decision, if the company is adversely affected by the new regulations. To "voice" means the company can try to affect a regulation by lobbying or litigation. The company can try to change the regulation or push more favorable interpretations of it. The "loyal" behavior means, that a company can try to just deal with the regulation. It is possible for the company to try to get comparative advantages from the regulation or exploit new markets created by it.

These options can be seen in the theoretical framework of this thesis; strategic change management is the coping mechanism, Mitnick's "loyal" way of acting, and it is the first part of the theoretical framework. Factors, such as foreign market uncertainty, have great impact on the way a company will react and try to cope with a market disruption. The different factors affecting the strategic decisions, as well as related strategic change management theories are introduced in the chapter 2. Market exit strategies are Mitnick's other way of coping with a new regulation. Market entry is included in the theoretical framework to build a comprehensive analysis of market attractiveness, factors leading to decision to enter a market, commit resources to the market, and decide whether or not to exit the market when adversity arises, so a company's foreign market penetration and life cycle is investigated in chapter 3.

Uncertainty refers to something that is unpredictable. Risk, on the other hand, refers to a possible loss, if the outcome of the occurrence is bad. This is one of the main management concerns in evaluating differing strategies. The two terms do not fully correlate. Environmental uncertainty and asset exposure a firm opts for in its pattern of investment are parts of a risk for a strategy. Uncertainty cannot be fully controlled or eliminated, but a level of desired risk can be controlled through acts, such as resource commitment in favored timing. However, low risk usually leads to low returns, managers do not opt to minimize risk, but to find a balance between risk and return. (Collis 1992.)

Uncertainty is a basic structural feature of the business environment, not just an irregular deviation from reasonable predictability. Current uncertain issue global firms are dealing with is the evolution and pace of introduction of new technologies, as well as the volatility of the global political and economic environment, which intrudes the business world. Competition's responses are probably going to be faster and more diverse, which creates powerlessness of managers. Strategic management of uncertainty is the tool managers can use to try to regain control and proactively choose the level of risk they choose. (Collis 1992.)

In the table below, generic approaches to uncertainty have been introduced; dedicated, incremental, insurance and opportunistic. The matrix explains when it is appropriate to use which strategic approach to uncertainty and how to organize and monitor each strategy when implementing them. Uncertainty unavoidably surrounds all strategic decisions, so by enabling managers to choose the desirable level of risk for a particular environmental uncertainty helps them to minimize the negative impacts and to capitalize the opportunities. (Collis 1992.)

Investment timing

		Now	Later	
Investment Breadth	Focused	**Dedicated**	**Incremental**	Higher cost
	Broad	**Insurance**	**Opportunistic**	Greater robustness

Increasing flexibility →
Less commitment/Preemption →

Figure 2 Generic approaches to uncertainty (Collis 1992)

Timing and investment breadth define the four approaches. The horizontal dimension, investment timing, can be divided to investing earlier or later. It is rarely necessary for a company to invest all its resources from day one to implement a specific strategy, but over a course of time. Investing earlier on, however, possesses a greater risk whereas investing later can lead to a situation where the uncertainty is already resolved. Delaying a strategic decision increases flexibility, but this comes with a cost of a possible loss of opportunity. (Collis 1992.) The investment breadth axis refers to the range of future options that are kept open. The focused strategic approach could be used by a company that invests in research and development to develop a single product. The broad approach could be a company investing more flexibly, in a way that it is easy to change the course of the investment and that the company is not very committed to the investment. Investing to a power plant, for example, is a more focused investment, since the company is very committed to it. (Ghemawat 1991.)

The Insurance approach decreases risk by committing to multiple different investments that have a possibility under all foreseeable future eventualities to bring a return. Even if the uncertainty is resolved and some of the investments become redundant, they were worthwhile, since the outcome of the situation could have been different. After on it might have been favorable for an investment to have not been made, but a company might want to choose a possible favorable outcome earlier on. The Dedicated approach is different from the Insurance approach in a sense that it invests everything on one uncertain outcome. No safety nets are used and all bets are put on one specific strategy that is formulated for one hoped-for future scenario. The risk is very high if the outcome is not the one expected, but it maximizes the payoff if it is. (Collis 1992.)

The Incremental approach means that the strategic decisions are postponed until when it is absolutely necessary to follow a strategy or until the key uncertainties have reduced greatly. The approach includes three key parameters that define the development of the strategy: the due date of each investment, the performance criteria which indicate if the project should continue or not, and a plan when and how different uncertainties can be solved. Investments made at each stage support only a single intended strategy, so this is a narrow investment approach, and cancellation is the only alternative to continuation. (Collis 1992.)

A research by Johanson and Vahlne (1977) also conducted that companies use an incremental internationalization approach to minimize risks. Foreign operations are gradually expanded first to the most culturally similar countries. The operations are gradually expanded by first exporting, then by setting up local subsidiaries and eventually establishing production facilities. An incremental process allows the company to learn throughout the internationalization, thus allowing a decrease of uncertainties.

The fourth approach, the Opportunistic, can be almost seen as a contradiction to strategy. The strategy is not predetermined, but it is adopted and changed when uncertainties are resolved or new opportunities arise. This can be seen as an entrepreneurial approach, where the organization stays flexible to changes and responsive to the uncertainties. It aims to exploit unanticipated opportunities when they come, and that is why investments should be minimized and contracts avoided or kept short-term. The difference between the Incremental and Opportunistic approach is that the Opportunistic strategy requires broad investments, which pursue many different future opportunities. Great investments should not be made until an opportunity is identified, after which a rapid commitment of resources is crucial to compensate for a late market entry to the competitive field. (Collis 1992.)

According to Rhee & Cheng (2002), organizations with higher levels of organizational slack (excess resources), are more likely to take an Opportunistic approach, since they can interact with the uncertain environment more aggressively. Also, they can experiment with different strategies, since the legitimacy of the experimentation will be questioned less (Singh 1986). In a sense higher levels of slack protect from downside risks. On the other end, firms with low levels of organizational slack are very cautious in their expansion efforts and strategies to keep uncertainty and risk at low levels, so they apply the Incremental approach. Firms with low level of organizational slack are more impacted by foreign market uncertainties. (Rhee & Cheng 2002.)

3.2 Strategic change management

Whether a company will be prosperous depends on its ability to respond to environmental changes. Growing competition has lead companies to expand their operations internationally, which is not exactly risk free. Domestically and internationally operating firms have different kind of challenges; uncertainty of unfamiliar international markets has a higher impact on international companies. The way a company responds to foreign market uncertainty affects its ability to thrive in the global economy and its success in internationalization. (Rhee&Cheng 2002.) Resources are distributed unevenly between companies, and according to resource based theory, the ones that have the most in amount and variety are the ones that can best initiate new strategies in response to environmental change. A resource rich company has a better chance to respond to strategic opportunities. (Barney 1991.)

Every firm has a competitive strategy, which can be explicit or implicit. The strategy can be evolved implicitly though different departments of the organization or explicitly through a planning process. (Porter 2008.) Strategic management models have traditionally focused on developing sound strategies, by the means of forecasting, planning and control. Flexibility in these models has been ignored. Organizations have to pursue strategies for purposes of consistency, but they have to be able to discard their competencies, if the environment changes. It can be risky to rely on conventional strategic management approaches, when the environment becomes fast-moving, undefined and numerous. (Volberda 2006.)

Strategic flexibility is a constructive friction between change and preservation. It can be perceived between learning and unlearning, administration and entrepreneurship and the company’s dynamic capabilities. Strategic flexibility can be recognized also as a managerial task, which involves creation of competences for situations that are of unexpected disturbance. It can also be distinguished as an organization design task. Four types of flexibility are distinguished based on the variety of the company’s capabilities, as well as the speed of response: steady-state, operational, structural, and strategic flexibility. In this study’s context, the three strategic management models in the article, that can be used for change, are of more relevance; linear model, adaptive model and interpretative model. (Volberda 2006.)

The linear model is still the most common in the literature of processes of strategic management. In this model strategy formulation comes before strategy implementation, and the emphasis is on the planning of “what to do”, rather than in finding what capabilities the organization might have in the future. The thought behind this model regarding change is, that the organization thinks where they need to change the firm’s position in the environment. The model assumes that a thorough analysis can be conducted before any action is taken; a complete access to information is assumed, and the management has a considerable amount of power. The implementation of a formulated strategy is assumed to be problem free, thus if the uncertainty of an environment is very high, it could be beneficial to refrain from using the linear model. (Volberda 2006.)

Adaptive model of strategic management includes preparedness strategies, where the strategic management can be depicted as disorderly, messy and disjointed. Nevertheless, when strategies emerge and management responds to them, the organization stays flexible, open and responsive. Flexibility can be seen as a strategic asset, with which it is possible to respond to unexpected environmental changes. (Volberda 2006.) According to Mintzberg and Waters (1985, 271), this kind of behavior is important in situations where the environment is very unstable or complex. It offers the management an opportunity to act before everything is clear. Competences cannot always be assessed on paper, but rather can be tested by taking action to see where the strengths and weaknesses truly are.

The idea in the interpretative model is that the management needs to develop strategic schemas for the company, that will allow it to adapt or create competitive change. The company needs to make sense of their environment and know what they actually need to adapt to. Interesting schemas can stimulate interesting environments, which in turn can introduce new interesting strategic initiatives. Flexibility in this model means that strategic schemas must be broad enough to let strategic initiatives emerge, but narrow enough to keep counterproductive actions, such as change resistance, under control. (Volberda 2006.)

Causation and effectuation can be seen as a mean of an organization to be flexible to change. According to Sarasvathy (2001): “causation rests on a logic of prediction - effectuation on the logic of control.” The causation and effectuation processes are different; in causation a particular effect is taken as given and the focus is on the selection of means to create the wanted effect, whereas in effectuation the set of means is taken as given and the focus is on selecting the possible effects, which can be formed with the set of means. An example is a chef who is assigned to cook a meal. If the chef follows a menu, buys the ingredients accordingly and prepares the meal as planned, the process is causational. However, if the chef is asked to search the cupboards for potential ingredients and cook a meal with the existing utensils, the chef is forced to imagine possible menus, select one and then prepare it, it is a process of effectuation. (Sarasvathy 2001.)

"For the Austrian chancellor to even refer to it is quite absurd. As for saying there's going to be no free lunch for Britain, we paid so much into the EU budget over the years, we pretty much bought the damned restaurant."
— Tory MP Iain Duncan Smith is upset at then Austrian Chancellor Christian Kern for saying Britain will be charged €60 billion in a divorce bill.

Causation and effectuation can occur simultaneously, intertwining and overlapping in different contexts of actions and decisions. From an entrepreneurial perspective, effectuation allows the entrepreneur to generate one or numerous imaginable effects regardless of the goal they started with. The effectuation process enables the entrepreneur to realize several possible effects, although only one or a few might move to implementation. Decision makers are able to change, shape and construct goals using the effectuation process, and exploit contingencies as they arise. (Sarasvathy 2001.)

According to a study by Welter and Kim (2018) companies that used effectuation outdid the companies using causation in both risky and uncertain contexts until the entrepreneur can predict the future by >75% of the time. These results propose that effectuation is a dominant decision-making strategy until the future can be predicted with a very high probability. Using causation as the decision-making strategy improves the firm performance dramatically when the future can be predicted with higher than 75% accuracy. Thus, bounded rationality is a more suitable frame when effectuation is applicable, it leads to higher performance if the entrepreneur has a hard time predicting the future.

4 FOREIGN MARKET ENTRY AND EXIT

4.1 Foreign market entry

4.1.1 Market attractiveness

Porter's five forces is a well known measurement of market attractiveness. The forces, entry of competitors, threat of substitutes, bargaining power of buyers, bargaining power of suppliers and rivalry among competitors, are evaluated to measure a markets attractiveness. The two forces that affect the market attractiveness the most are the possible reactions of firms that are already in the market and structural entry barriers, which can include economies of scale, access to distribution channels, government policies and product differentiation. Industries that are characterized by slow growth, high fixed costs, high concentration levels, commodity products and firms that have high importance in their strategic position have a higher probability of retaliation by incumbent firms. The most attractive markets have some instability; rising entry barriers, low levels of information diffusion and new industries are more probable of having a slow retaliation by incumbent firms. (Porter 2008.)

In order to survive in international markets, international firms have to consider the culture of the foreign country. One great obstacle in decision making concerning the development of international operations is that companies lack sufficient knowledge of the foreign market. The biggest reason for insufficient foreign market knowledge boils down to differences between culture and language, which constitute as the main characteristics of international operations. Also, much of the knowledge is obtained through direct experience, since the knowledge can be experimental or tacit. (Johanson & Vahlne 1977, 26-28.) Factors that influence culture can be the root of problems in internationalizing firms, and they have to find ways to cope with their influence. (Cateora 1993).

One famous culture related study is by Hofstede (1980). The study established four different dimensions that cultures can be categorized in; strong and weak power distance, certainty and uncertainty avoidance, masculinity and femininity, and collectivism and individualism. The power distance index measures to what extent the less powerful members of organizations and institutions accept and expect the power to be distributed unequally. The individualism versus collectivism sees how integrated the members of a society are into groups. Uncertainty avoidance refers to which extent a society tolerates uncertainty, and societies that score high in this category usually rely on laws and guidelines and are less accepting to differing ideas. Masculinity versus femininity observes how masculine features, such as assertiveness, preference for achievement and heroism, or feminine features, such as preference for caring, cooperation and modest features, are preferred in a country. In a feminine society the feminine features are equally distributed with men and in masculine societies women can be more competitive and emphatic, but less emphatic than men. (Hofstede 1984.)

Hofstede later expanded the four dimensions with long-term orientation versus short-term orientation and indulgence versus restraint. Long-term orientated country refers to a country where the past is connected with the current and future challenges, whereas a short-term oriented country honors traditions and steadfastness is appreciated. Indulgence versus restraint measures how easily simple joys are fulfilled in a country; indulgent countries allow free gratification on basic human desires and encourage to enjoy and have fun, whereas restrained societies control gratification and they regulate it with strict social norms. (Hofstede 1991.)

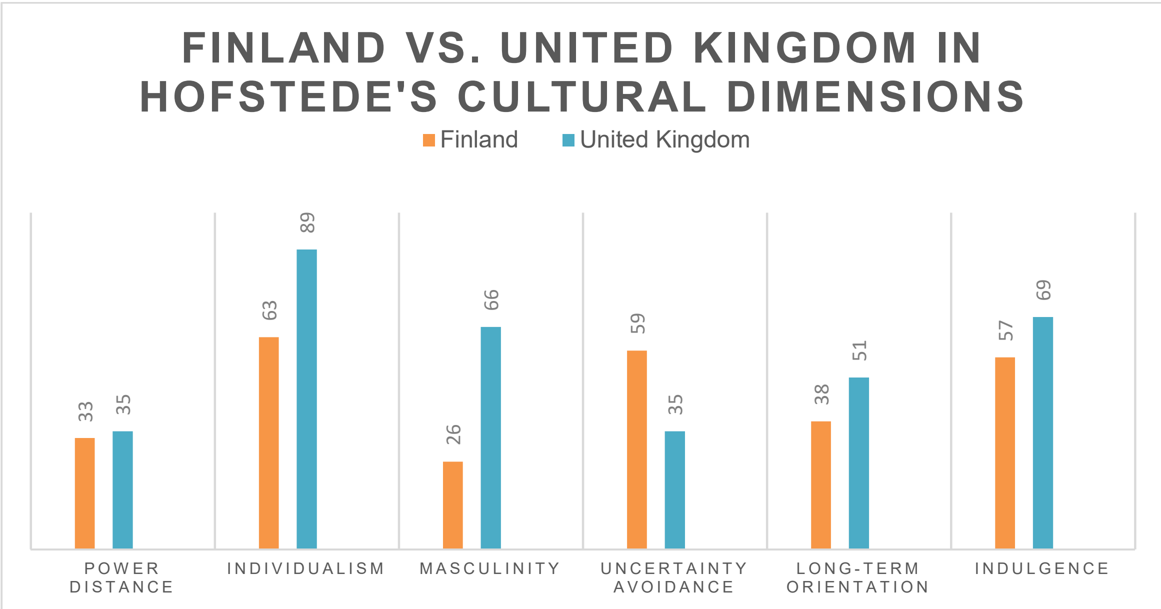

Figure 3 Cultural comparison between Finland and United Kingdom (Hofstede Insight)

A study conducted between 1984 and 2003 of 83 multinational companies showed, that there are several factors of political risks that affect foreign direct investment. The results show that government stability, internal and external conflict, corruption and ethnic tensions, law and order, democratic accountability of government, and quality of bureaucracy are highly significant determinants of foreign investment inflows. (Busse & Hefeker 2007.) If the political risks of a host country are really high, the amount of foreign direct investments on a multinational company can be at risk.

4.1.2 Market entry strategies

Different studies have found that international expansion can be influenced by host country characteristics (Benito & Gripsrud 1992). MNEs (Multinational enterprises) evaluate their unique skills and assets to develop a firm-specific strategy for a particular host market. The host country's unique demand defines the best seeming structure or level of internationalization after taking into consideration the relevant sources of competitive advantage. The strategic choice guides the company in governance structure, resource allocation, environmental interaction and in many other aspects. Some of the key aspects is for the firm to evaluate which products are offered in which market segments, and in which foreign markets. (Tallman 1991.)

Location-specific advantages are understood by the eclectic theory as an important factor to understand international expansion process. (Dunning 1998) Some typical location-specific advantages are market growth and per capita income, but possibly more important advantages market opportunities are relative costs of production. (Grosse & Behram 1992).

International new ventures (INVs) are an important and growing category of start-ups. INVs are defined as business organizations that pursue competitive advantage from the use of resources and sales in several countries. Their market strategies have been studied to a very limited extent, despite their importance to firms with global vision from the beginning. (McDougall, Oviatt & Shane 1994.) A few firms that have been interviewed for this study fall to the category of an INV, hence the theoretical part of INV strategies.

INVs face trouble because of their restricted resources and they usually have a fast plan of internationalization. They also need to decide which markets to pursue with which market entry strategy. The two generic market strategies are diversification or concentration strategies. Diversification can be a viable strategy, if the objective is to obtain a high rate of return while maintaining a low level of resource commitment. Concentration strategy, on the other hand, works if the company is specializing and developing scale economies, and the profits are more long-term. Diversification strategies are more flexible and possible entry modes include exporting or licensing, and the concentration strategy requires higher commitment entry modes. Adaption of products and services is required in a concentration strategy, whereas standardizing the product offering is key in diversification strategy. Also, the risks are different in each strategy; risk of underinvesting in each market is a downside of the diversification strategy and leaving important markets to competitors is a risk of the concentration strategy. (Ghauri & Kirplani 2015, 85-87.) The world is said to be becoming more homogenous, which means that international firm can survive of standardized products and brand names, as opposed to a modified, localized product selection (Omar & Porter 2011.)

A study of 700 UK-based companies investigated if different variables influence the direct foreign market entry strategies, standardization and modification. The study concluded that competition and political risk are negatively significant in relation to the degree of standardization. Conversely, economic development and international experience were positively significant in relation to the degree of standardization. The remaining variables, firm size and culture differences, had no effect on the degree of standardization. The direct foreign market entry strategies mean strategies that exclude joint ventures, licensing, mergers and acquisitions, and other market entry strategies that are not direct. (Omar & Porter 2011.) In relevance to the Ghauri and Kirplani's (2015) article, the standardization entry strategy can be seen as a part of the INV diversification strategy.

The organization's entry strategy is directly affected by the political situation of the country (Omar & Porter 2011). According to Delios and Henisz (2003), the current political situation is important when choosing an entry strategy, but also political change and political processes have to be considered in the international expansion strategy. Anderson and Gatignon (1986) stated that if political instability is found in the surrounding environment, the risk can be controlled by selecting low control entry strategy modes. These help the international firm to increase strategic flexibility and to avoid high resource commitment, and also to avoid market exit. If the foreign market has a high level of risk, and the company has an accrual of firm-specific assets, high level control is needed. In the case of a high risk host country, numerous empirical studies have conducted that companies generally try to avoid a high-control entry mode. High control entry modes are however chosen if the company has a relatively solid position, such as a wholly owned subsidiary, when dealing with the host government, which allows the company a more flexible position to standardize their product (Benito 1996).

Joint ventures are selected as an entry mode when an international firm faces an unstable political environment. This entry mode can reduce the company's financial exposure and the company can be treated as a domestic firm, which allows it to adopt a modification strategy, rather than a standardization. (Chaudhari 1998.)

A study by Musso and Francioni (2014) explored the relationship between international market selection and entry mode selection of SMEs and found out that the firm size and experience have a strong relationship with the use of systemic and active approach to market selection and entry mode. Lack of information, limited expertise and scarce resources are limiting factors in their international development, which leads the SMEs to operate under high uncertainty and bounded rationality. This is why they might not behave based on rational choice. SMEs have different limitations than larger companies, such as acquiring information at a low cost. The model implemented by the company must have room for testing and learning, rather than being fully rational and systematic. Also, the internationalization needs to be based on organizational processes, which enable adaptation and learning of strategies to the firm's experience (Vissak, Francioni & Musso 2012).

4.2 Foreign market exit

4.2.1 Market exit barriers

One of the possible reactions of companies to Brexit can be a market exit. If a company loses its competitive effort in variety, quality, innovation or customer service, it is possible for it to exit the market by compounding the loss to consumer welfare (Guiltinan & Gultlach 1996). According to Karakaya (2000), companies exit markets to avoid further losses or to improve their financial situation. There are several factors that contribute to the decision of leaving, or not leaving, a market. If the market conditions are bad, such as transportation facilities, financing and utilities, such as telephone services, a company might consider moving to another location. Competition is another major reason. Businesses that are not as competitive as the rivals are forced to exit a market or go out of business. Sometimes the market exit happens because of forces that are beyond managers decision, such as a decline in demand forces. Changes in demographics, psychographics and customer tastes force companies to exit markets. (Karakaya 2000.)

Also, the degree of market exit can vary. Companies can exit partially by closing a single product or a product line, or to a larger extent by closing a branch or a division. The exit situation does not affect the fact that all market exit situations have an effect on the company's customers, employees, distributors and suppliers. Market exit can also be a more viable option if a company is in the decline stage and would need substantial new investments to keep afloat. Managers rather formulate an exit strategy than commit new resources in a mature market. (Karakaya 2000.)

Barriers to exit are the main reason a company would remain in a market with low profit or even loss. Nargundkar, Karakaya and Stahl (1996) identified six major barriers to exit: forward vertical integration, backward vertical integration, cost of divestment, marketing fit, operating fit and number of years' association of the business unit with the firm. This extensive review of literature found that executives consider forward and backward vertical integration to be the biggest barriers of exit. These factors were followed by cost of divestment and operating and marketing fit. The number of years the unit is with the firm was found only to be significant with products that have reached the maturity stage of the product life-cycle.

Also, commitment to business partners in a market can act as a market exit barrier, although it is not listed in the six major barriers found in the Nargundkar, Karakaya and Stahl (1996) study. If a company has committed to two or more parties, the market exit barrier is higher. According to Gundlach, Achrol and Menter (1995) especially long-term commitments influence negatively the decision to divest, as well as the credibility of the commitment.

Market exit in the business-to-business market is somewhat different than in the consumer market, mainly because of different buyer-supplier relationships. The decision of product elimination requires careful consideration of the effects of customer relationships. In industrial product elimination process the key factors are marketing, financial and managerial consideration and consideration of external pressures and external resources. (Avlonitis 1984.)

Also, barriers of exit are different in the business-to-business market compared to consumer markets. In business-to-business markets the sunk costs and amount of invested capital tend to be higher, so the switching costs are bigger making the magnitude of the barriers higher than in the consumer markets. (Karakaya 2000.) An industry analysis by Rosenbaum and Lamort (1992) also conducted that sunk costs reduce exit rates to some extent. Markets without sunk capital costs have higher exit rates than markets that have sunk capital costs.

Companies' resource commitment increases, as it progresses from exporting goods towards other stages in the expansion process, such as setting up local subsidiaries and then production facilities. The risk in international business depends how easy it is to use committed resources on other purposes. Firms face lower sunk costs, if the invested resources have a high level of recoverability. (Rhee & Cheng 2002). If a firm operates in a field that requires lots of investments in unrecoverable assets, in order to reduce the risk of sunk costs they can try to produce a stream of benefits in a long term. Investments that are traded easily or have efficient secondary markets are more recoverable. (Rivoli & Sarolio 1996.) A study conducted by Park, Yul Lee and Hong (2011) on 61 Korean firms with 500 foreign subsidiaries conducted that the companies that came later to an international market have a greater chance of survival than pioneers in the market, due to latecomers have stronger resource commitment. However, since the pioneers had greater competitive advantage than the latecomers, the pioneer subsidiaries had a better survival rate.

4.2.2 Market exit strategies

If the barriers of exit are not too high, the company has to decide which exit strategy is the most viable option for them. According to Hawkey (2002, 36), this is the first step in an exit strategy, and the decision should be made in the point of maximizing the owner's equity. There are several different exit modes for a private company:

1. Family succession; selling to a family member
2. MBO (Management Buy Out); selling to an internal management or employees
3. MBI (Management Buy In); selling to outside management
4. A public listing; a flotation on the stock market
5. Franchising the business operations (second stage is selling the franchisor business)
6. "Trade sale"; sale to a third party
7. Mergers; merging of sole traders or small businesses in the same industry
8. Liquidation; ceasing to trade, closing down

Some of these exit strategies are introduced below, as well as other exit strategies from other sources. The introduced strategies were picked by the author on the basis of which kind of companies agreed on the study's interviews, and which would be the most likely to happen taking into consideration the companies' type. For example, there were no family businesses and franchising would not work for the company types.

Employee or business-owner exit

If a company is relatively small and does not have a lot of staff, an employee or business-owner exit is possible. The defection of key personnel can lead to market exit of a business unit or possibly to a closing of a business. Employees changing employers can also cause trouble if the staff is low in numbers. (Karakaya 2000.)

Harvesting

According to Feldman and Page (1985) harvesting can be seen as a company purposefully letting the share drop in order to maximize short term earnings and cashflow. This happens by freeing working capital and operations. They argue that harvesting is a controlled mean of market exit, which can be used in three different scenarios: if the product is expected to reach a decline in its product life-cycle, if the product is in the growth stage and it is suffering from a weak competitive position or if a company is experiencing a weak cash flow and wants to increase it by sacrificing a strong product. The term also means to reduce investment or withdraw all marketing support; it can be used when a sales decline is anticipated. Furthermore, the strategy can be used in partial market exit (product or production line) or in larger scale (branch or division), which were described by Karakaya (2000).

Liquidation

Liquidation is an act when a company terminates its operations if the company is no longer essential to its owners, is being operated in an unlawful or inappropriate fashion or is insolvent. The company is divided between the shareholders and creditors in the priority order. (Gronow 2010.) There are two types of liquidation, that are affected by information asymmetries: positive and negative. Positive liquidation occurs primarily from the high liquidation value, and hence, the lower-cost firm, which receives the higher liquidation value, goes into liquidation earlier. High running costs are the primary cause of negative liquidation; the higher-cost firm goes into liquidation earlier. Information asymmetries delay high-cost firm's positive liquidation as well as accelerate its negative liquidation. (Nishishara & Shibata 2017.)

Initial Public Offering

Initial public offering (IPO) is a first sale of stock by a private company to the public. Before going public, companies usually have a very limited amount of shareholders, that commonly are founders, family and friends, as well as professional investors, such as venture capitalists. Once the company stops being private, stricter rules and regulations will apply concerning financing and accounting. IPOs often raise considerably larger amounts of capital compared to other methods, for example Alibaba raised 25 billion US dollars over its listing in the stock exchange in 2014. Trading in the open markets also means greater liquidity and usually helps the company get lower interest rate on debt. Also, mergers and acquisitions after IPOs are easier to arrange, if a secondary offering has been made, since stock can be issued as part of the deal. (Investopedia IPO.)

Mergers and acquisitions

Mergers and acquisitions are commonly motivated by a desire to achieve revenue and profit growth by adding product lines or through market expansion. The secondary motive is usually savings through cost efficiency. Majority of mergers and acquisitions are horizontal; they combine two or more companies within the same industry. (Mahabubur & Lambkin 2015.) Mergers and acquisitions can be used as a form of expanding knowledge base, resources and capabilities (Ferreira 2007, 162-179).

An empirical analysis by Bayar & Chemmanur (2012) analyzed reasons why companies choose either mergers and acquisitions or initial public offerings as an exit mode. Companies that operate in industries that do not have a dominant market player are more likely to go public rather than to be acquired. Secondly, companies that operate in industries with larger private benefits of control, and also companies that are harder to value by initial public offering market investors are more likely to use initial public offering rather than be acquired. Thirdly, initial public offerings are more likely than acquisitions for venture backed firms, which are characterized by higher sales growth prior to exit.

Friendly Sale

Friendly sale, also known as trade sale, is the most widely used method for market exit, where the company is sold directly to a new owner in its current state. Most businesses in most industries are suitable for this exit method. If the business is a smaller one, it is possible for the owner to do the sale themselves without a broker or a third party. Funding for the purchaser, retentions (keeping a specific amount of the money from the seller until it is proven that the business can retain its customers or clients) and earn outs are some of the problems a seller might face when selling a smaller business. (Hawkey 2002, 39-41.)

4.3 Synthesis of the theoretical framework

The author has created a theoretical framework, that includes different theories and themes that can be linked to the research about Brexit. All of the theoretical chapters can be linked together in the context of this study. The first table categorizes different themes in the study with the first one being market entry with the factors that lead to it, market attractiveness and market entry modes. Market disruptions are the second theme, they are claimed to create business opportunities and threats, and market uncertainty. Strategic management theories include the management of uncertainty, which is possibly created by a market disruption, and the strategic change management. Market exit is the last theme of the theoretical framework; it is a possible reaction to the market disruption, and includes the factors that prevent it (market exit barriers) and the possible ways of executing it, the market exit modes.

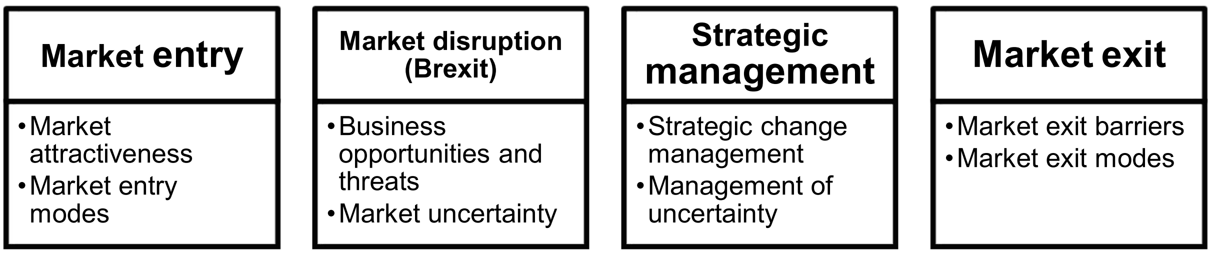

Figure 4 Themes of the study

Below is a more in depth model of the theoretical framework and how the themes and factors are linked. All of the factors are put into a possible chronological order from the company's perspective.

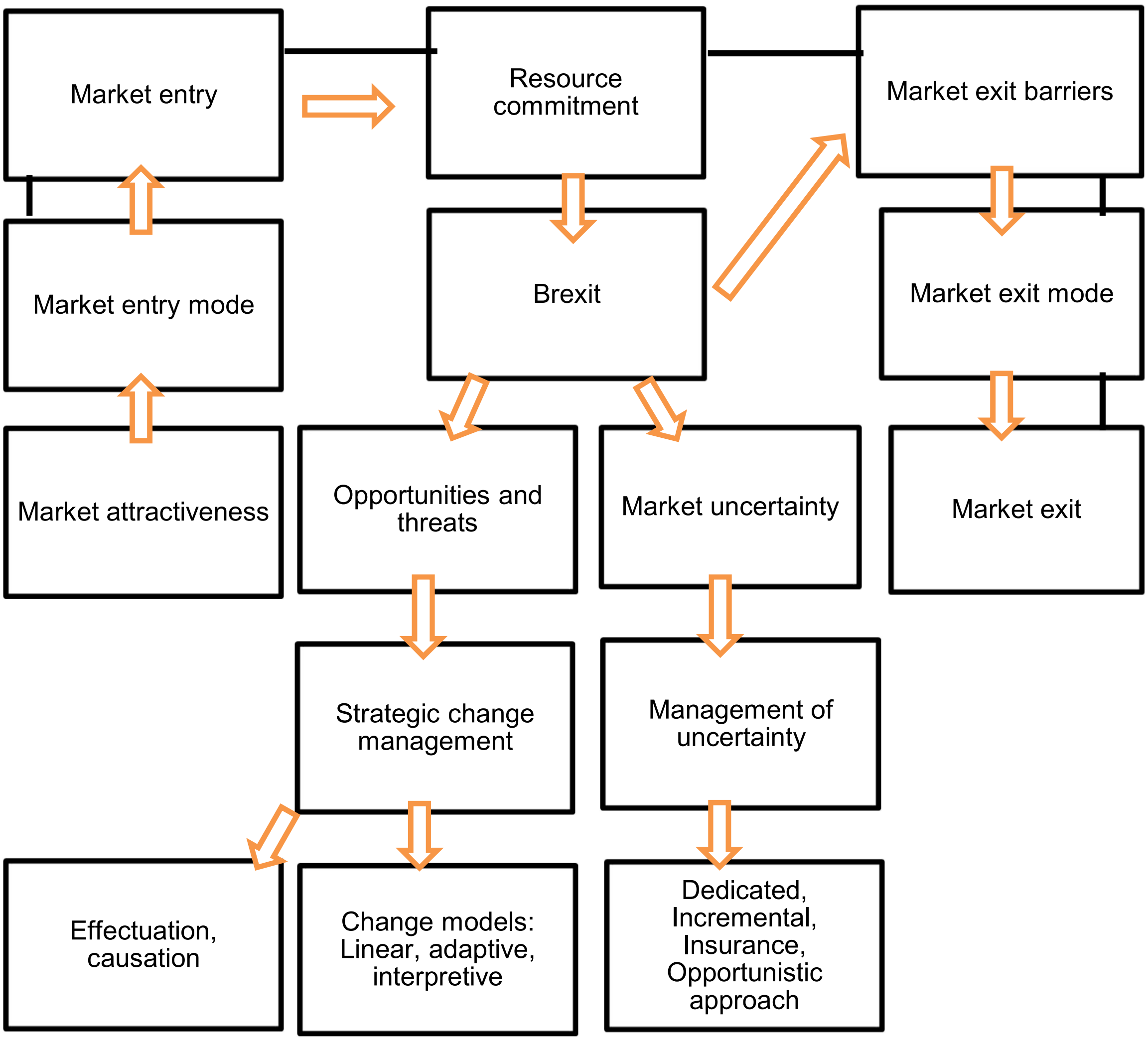

Figure 5 Synthesis of the theoretical framework

The black line drawn between market entry mode → market entry → resource commitment → market exit barriers → market exit mode → market exit is also of significance; it represents the research question about the link between market entry and market exit. In the theoretical chapters a link is found between the market entry and resource commitment, and then later between resource commitment and market exit; some entry modes require a higher level of resource commitment, and resource commitment is seen as one of the main market exit barriers. Hence, the author tries to establish a link between the case companies' market entry, commitment to the market and then the decision of leaving, or not leaving the market in the case of a market disruption.

5 METHODS

5.1 Research approach

The research is a qualitative research. Qualitative research can be used for reflexive and critical view about business and its processes. In qualitative research the researcher should ask why they are conducting the study, what are they doing and what are the presumptions. This research style is reflexive, which means the researcher sees how the decisions that are made during the process shape the research findings. Also, qualitative research draws from different philosophical disciplinaries and has many methods of data collection and analysis. (Eriksson & Kovalainen 2008, 3-4.)

All forms of qualitative research have the presumption that the researcher is the primary instrument for data collection and analysis. The researcher needs to monitor and understand how different "subjectivities" may shape the outcome of the study. Apart from this shortcoming, the advantages are that the researcher is able to process information quickly, clarify and summarize material as well as explore unanticipated and unusual responds. (Merriam 2014, 15). Since the phenomena studied is a new one and has unexpected outcomes, the researcher came to the conclusion that qualitative research is the most suitable one because of the responsiveness it offers. The lack of studies on the subject makes it impossible to predict research outcomes, thus responsiveness and flexibility are key factors in conducting the study.

The study can be categorized as being an inductive study. Lack of an existing theory that explains the phenomena forces the researcher to gather data to form concepts, theories or hypotheses. In an inductive research information is gathered to form themes, and the researcher learns in the field as the research process progresses. (Merriam 2014, 15.) The theoretical framework of the study is built inductively through learning from the interviews. It allows the researcher to focus on the theories and concepts the case subjects bring forward without limiting them.

From the philosophy of science perspective interpretivism can be used to describe the study. Interpretive reality is assumed in this research, it assumes that there is no single observable reality, but reality is socially constructed. The researcher constructs the reality rather than finds the truth, hence the terms interpretivism and constructivism are used interchangeably in research in general. The purpose of interpretivist research is to *understand, describe* and *interpret,* rather than change, like in critical research or question or problematize, like in postmodern research. (Merriam 2014, 8-11.) If the author has not understood the answers exactly as the interviewees meant, the interpretation difficulties could have an effect on the outcome of the research. However, the author does not feel that there are many aspects left for interpretation. The constructivist features can also be seen as there are semi-structured questions to which interviewees respond with their best knowledge of their own constructed reality, rather than a with the one true reality that can be objectively observed.

This study follows the case study method. Case studies can be categorized in to two different types; the first one tries to derive wide-ranging conclusions from a limited amount of cases, the second one attempts to arrive to specific conclusions based on the analysis of a single case study (Strauss & Glaser 1970). Stake (2000, 437-438) has identified three types of case studies: the intrinsic, instrumental and collective case study. In the intrinsic case study the subject itself is the focus in the study and no generalizability is tried to be reached or theories to be made. In the instrumental case study the subject is studied in depth, but the focus might be somewhere else. The case is studied to provide insight about a matter or to revise generalization. The last type, collective case study, includes several study subjects and the goal is to investigate a general phenomenon. Thus, the case study type in this thesis is a collective case study with multiple case subjects. The goal is to investigate a general phenomenon, strategic decisions when a market disruption emerges, from the point of view of multiple cases, in this case companies. If the research includes many different cases, the interpretation of the results is more likely to be more compelling. Including many findings to a research increases the external validity and generalizability of the study. (Merriam 2014, 50.)

The research questions are understood and solved through the case. The case helps to find out what can be learned by studying the case and its relations to its historical, economic, technological, social, and cultural context. In business research, a case can be a customer, manager or an employee; one economic actor. The insight from the case will be reported as an experience in specific economic and business context, and also as an analysis and interpretation of the events, actors and actions. (Eriksson & Kovalainen 2008, 115.) In this study the data collection method is a case study with a limited amount of cases. The economic actor is a company with a representative interviewee.

The advantages of case studies include its "potential to investigate complex social units consisting of multiple variables of potential importance in understanding the phenomena". It offers a rich and holistic view of real life situations. Insights drawn from case study can be used to formulate hypotheses for further future research, thus it plays an important role in advancing a field's knowledge base. The approach is selected based on the nature of the research problem and questions. (Merriam 2014, 50-51.) As Brexit is happening in the future the case study approach is a suitable method to advance the knowledge base of this field. Multiple case companies are used to try to understand the effect Brexit has, and also of what importance it has to companies.

According to Yin (1984) there are three types of uses for case studies: exploratory, descriptive and explanatory. In business research researchers tend to limit case studies to the explanatory use. This means for example a pilot study that can be used as a foundation for formulating more detailed questions or testable hypothesis. Kjellén and Söderman (1980) on the other hand point that the further uses of case research is to generate theory and as a means for initiating change. This study can be used as *explaining, understanding* and *describing* the effect Brexit has on the strategic choices of Finnish companies operating in Britain.

Case research seeks to gain a holistic view of a specific phenomenon or series of events. The criticism of case research stems from the idea that it is an inferior method for methods that are based on random statistical samples and a large amount of observations. All of the case study types have faced criticism, descriptive as being merely a description, exploratory being a low status method and explanatory is looked upon with skepticism by mainstream scientists. (Gummesson 1988, 75-78.) Statistical samples with a large amount of observations is not a suitable approach or this research, since the study has to be conducted inductively because of the lack of a compelling theoretical framework. In-depth and responsive interviews are used to reach the goal of understanding and describing the phenomena.

5.2 Case selection and introduction

The cases selected in this study are chosen based on the non-probability, purposeful sampling to understand, discover and gain insight on the research subject. The process of case selection started when the author contacted Finpro and the Finnish embassy in Britain for a possible list of Finnish companies that operate in Britain, since these companies fill the purposeful criteria and can offer a lot of insight to the study. Finpro helps Finnish SME’s to internationalize and tries to get more investments to Finland (FinPro webpage). Finpro never answered, but the embassy forwarded the author’s email to the Finnish British chamber of commerce and the author got a list of their partners. The list contained many Finnish and British companies, so the author had to pick the Finnish ones that had operations in Britain. After eliminating unsuitable companies, which are the ones that did not have any operations in Britain or were not Finnish, there were around 24 appropriate companies left to be approached for an interview.

The data collection process is explained in the next chapter, but the four companies that were selected in the study are introduced next. Company 1 offers different software solutions for businesses and real estate. They have a subsidiary in Britain, but there are currently no staff. The interviewee himself moved to Britain when the subsidiary was opening at the beginning of 2015, but has returned to Finland. One of the company's software products is the market leader in Finland and is used widely in various real estate. They sell the same software in the UK, as in Finland.

The idea of Company 2 was to create an international platform for a variety of city, tourist and event guides. They do not just license, they also offer customers the content to the tutorials or websites. Most of their customers are Finnish cities, shopping centers, travel agencies, airlines and other communities that are co-operating with the event field. In Britain, they have just started cooperating with a business like "Citycon" that builds shopping centers. They will make guides to malls and their neighborhoods. The project is new and they have a pilot version going on in Cardiff.

Company 3 offers a gamified workout application for working breaks, and it is available on mobile and on web browser. It reminds the users to exercise during the working day and includes short training videos that are two to three minutes in length. Because of the gamification, the user can track through the application how much colleagues have exercised during the working day and the users can also challenge each other. The most active users are rewarded monthly with fitness related prizes, such as foam rollers, activity bands and various gift vouchers. Companies can compete against each other in the league, which offers them a possibility to create a positive brand image, as well as increase the employer image. The company sells licenses to the application and operates in the business-to-business market. Company 3 has users in 11 countries, which mostly are through Finnish companies that have branch offices around the world. Currently they have one big British customer with 200 users, and also Finnish companies that have subsidiaries or branches in Britain.

Company 4 is a cornerstone company in the Finnish forest industry. They made a strategic choice around 10 years ago to stop producing paper because of the decreasing demand, and instead focus on the pulp and consumer board production. The shift to pulp and paper board production is partially due to the fact that online shopping has become extremely popular and it uses packaging materials. The company also has operations in wood industry. Nowadays, their products include, for example, cardboard, consumer packaging materials, tissue paper and they have various famous brands. In 2014 the company announced that they will invest in a 1,2 billion euro bioproduct factory that will be built to Finland, and since then it has been a symbol of hope for the fading economic growth. The parent company is a co-operative company, which is owned by around 100000 Finnish forest owners, and they own more than 50% of the Finnish forests combined. The owners sell wood to the company to be used as raw materials for various purposes. The company also has production in Britain; they have planing mills on the wood production side. Half of the UK revenues are generated by their own production in Britain. The other side is generated through sales; factories in Finland and other locations in Europe produce and sell products, such as pulp, plywood and tissue paper to Britain.

5.3 Data collection

Empirical data can be put to two categories; primary and secondary data. Primary data is empirical data collected by the researcher by interviewing, observing or asking participants to draw, write or somehow present something. Secondary data already exists somewhere in either textual or visual form. (Eriksson & Kovalainen 2008, 77-78.) The data type used in this research is purely primary data, which was gathered by interviews.

Interviewing has been seen as a central resource in engaging with issues that concern contemporary social sciences, as well as the society in general (Atkinson & Silverman 1997). In qualitative research the popularity of interviewing is overwhelming (Eriksson & Kovalainen 2008, 79). Seale (1998) recognized two types of major interviewing traditions: the interview data as a resource and the interview data as a topic. If the interview data is seen as a resource, the reality is reflecting the interviewees reality, whereas if the interview data is seen as a topic, the reality has been constructed jointly by the interviewee and interviewer. The author saw the data as a resource throughout the interview process, and did not try to construct a reality jointly with the interviewee.

Interviews are a way of getting access to a topic in an economical way, in the sense it saves time and money. They can also be an economical mean to getting access to topics that are usually not available for analysis, it can get people to "think out loud" about different issues. (Atkinson & Delamont 2010.) The author decided to use the interviewing method mainly because of the economical time and money saving factors; if time is money the author is broke from both perspectives. The "thinking out loud" factor is also important in a new subject, it is possible that the interviewees had not thought about questions the author presented before.

The type of the interviews was semi-structured; they integrate fixed questions and include the possibility to explore more in depth on the areas that the interviewer or the interviewee think are the most important. The interview type has also negative sides, such as giving too much freedom to the interviewee to spend on irrelevant subjects and the decreased reliability when the approach is not consistent. (Brewerton & Millward 2001.) The interview questions in this study were mostly semi-structured to let the interviewee bring in aspects they feel are the most important regarding the issue. To decrease the negative sides, the author tried to steer the interview back to the subject if the interviewee started to derail. Luckily there were no strict time restrains on any interviews, so small derailing did not have an impact on the interview. This is also called an informal research setting; the topic is left for interpretation and exploration, and finds what is relevant to the participant. Insight, that the researcher might not have anticipated, is a strength compared to a formal research setting. (Eriksson & Kovalainen 2008, 84.)

The question type also has an impact on the research results. Leading questions like *what* and *how* specify the objects and events of the study, which is chosen by the qualitative researcher to research and analyze. In order to describe reality as it naturally is, these questions need to be asked in content of meaning through social interaction and as mediated by culture. Researchers that seek answers to questions like *how* identify meaning-making practices and temporarily set meaning aside. (Gubrium & Holstein 1997, 14.) Many *how* and *what* questions were used to specify the object of the study, and to limit the answers of the interviewees to correspond to the research problem.

Ethics is also part of the data collection process. Before collecting data for a research, following ethical guidelines and gaining ethics approval from the academic bodies is what ethics has been largely associated with. Protection, confidentiality and anonymity are secured by asking for approval from the research subject, and the nature of the study needs to be explained. Yet, ethical considerations are much more wide-ranging than that; they pass through the whole qualitative research process and are both empirical and theoretical. The researcher also has to protect themselves from possible contractual disagreements and legal consequences by not signing possible funders' restriction agreements and then breaking them. (Birch, Miller, Mauthner & Jessop 2002, 1-18.) In this study, ethical guidelines were followed by first asking the interviewee if it is possible to interview them for a master's thesis study. After agreement, possible wish for anonymity was asked, and as some hoped for anonymity, all company names are changed for clarity. As the interviews were recorded, the recordings are only available for the author to prevent information leak. Also, the study is not commissioned by any company and no agreements have been made with any party about writing this thesis, so no contractual disagreements should arise.

The data collection process started when the author started to contact people through email from the companies that were suitable for the study from the Finnish British chamber of commerce's list of partners. The contacted person was usually the CEO, but sometimes the management assistant, if the contact information of the CEO was not available. The emailed request also contained the information that the person to be interviewed should preferably be in charge of their British operations, or is the one best educated about them. The first day the author sent 8 requests to randomly picked companies from the list and got 4 positive replies the next day. The other 4 never answered back. In case these agreed 4 interviews would reach a data saturation, the author did not send out any more requests. Two of the interviews were set to be face to face, two on phone. The date of the interviews was set between October and November 2017.

One of the companies, however, informed the author that the interviewee does not have time to be interviewed. Another set of 7 requests was sent after receiving the information. The requests were sent to companies of similar size of the cancelled company. One company informed they are willing to participate, and the interview was set to take place in December 2017.

Due to the fact that some companies wanted to stay anonymous, all the company names have been erased and called Company 1-4. The table below includes all the interviewed companies, the year established, their operating field, amount of employees and the length of the interview.

Company	Established	Line of Business	Amount of Employees	Length of Interview
Company 1	2005	Web and mobile software, security etc.	31	24:23
Company 2	2015	Event listing, software	~5	14:52
Company 3	2015	Occupational well-being, application	7	22:16
Company 4	1934 (the co-operative company)	Forest industry	9100	36:19

Figure 6 Company interviews

The initial thought was to introduce Brexit briefly in the beginning of each interview, but the author decided against it to ensure that the briefing does not affect the current strategic stand about Brexit. The first interview was a face to face interview at the company's office in the evening. The interviewee was their UK country director. Before the interview there was an agreement of asking about the company’s strategic stand regarding Brexit for a thesis. In the interview, the interviewee mentioned aspects at the earlier questions to later questions, so the author had to modify the interview as it progressed. The interviewee answered the questions extensively, some off-topic matters were discussed, but not much control was needed.

The second interview was a telephone interview with the company’s CEO, since they were abroad. The starting point was the same as in the first interview, the author told the interviewee that they are to be asked about strategic choices regarding Brexit for a thesis. The interview was faster, maybe because it was not face to face. However, the author got answers to the questions and there needed to be even less control than in the first interview.

The third interview was also a phone interview due to the tight schedule of the interviewee. The interviewee is a co-founder and CEO of the company. The interview was agreed on through email with the interviewee knowing they are participating in a master's thesis study. All questions were answered and no leading questions were needed.

The fourth interview was in the company's office with the company's CFO. The interviewee was informed about the nature of the study. In the middle of the interview, and also in the end, the interviewee consulted another staff member of the company through phone to get a wider perspective on the issue. Some of the interview questions were not fully applicable (4 a. How attractive did you see the British market before going there?), since the company has operated in the market for 80 years, so the market has changed tremendously. All questions were asked and a solid picture of the company's operations was formed.

The author recorded the interviews with a cell phone, and also wrote notes in the face-to-face situation. The author transcribed the interviews straight after each interview. The tapes were clear, although some words were a bit hard to understand.

5.4 Evaluation and analysis of the study

According to Lincoln & Guba (1985), trustworthiness is important in evaluating a qualitative study's worth, and it can be found in four different ways; by establishing **credibility, transferability, dependability** and **confirmability**. **Credibility** is the confidence in the truth of the findings, and it can be established by for example triangulation, prolonged engagement and member checking. As the study is of qualitative nature, triangulation is used for reliability and validity. Triangulation refers to an effort to try to combine different ways of looking at a situation, which is called method triangulation, or different findings, which is called data triangulation. Qualitative researchers believe that by triangulating data, by having a cumulative view of data taken from different contexts the researcher can triangulate the truth by seeing where the different data intersects, and this may improve the reliability of the study. However, it can be hard to effectively combine data stemming from different methods. It increases the scope of the research, but on the other hand raises problems on how to map a data set on another. (Silverman 2009.) In order to reach data triangulation, the author interviewed many companies. However, the author uses only interviews for the research, so methodological triangulation cannot be found in the study, but as Silverman (2009) stated, it can be problematic to map data gathered with different methods. Theoretical triangulation is achieved when many theoretical perspectives are examined in the data (Patton 1999). The author gathered many different theories to build a theoretical framework, thus fulfilling the theoretic triangularization condition. It is also possible to attempt to clarify conflicting research results through different theories, and this broadens the perspective of the study.

Member checking is the act of testing the data, analysis interpretations and conclusions with the members that originally gave the data. It is used to enhance validity and according to Lincoln and Guba (1985), it is the best tool to establish credibility. Member checking can be done both formally and informally. It allows the member to correct errors and wrong interpretations, asses suitability of the data and confirm different aspects of the data. (Lincoln & Guba 1985.) In this study member checking is done when the study is finished from the authors perspective; the study will be sent to the interviewees for a check. If errors or misinterpretations are detected, the author will correct them before print.

Transferability means that the findings of the study can be applied to other contexts. Transferability can be enhanced by thick description, which is the act of explaining a phenomenon in appropriate detail, hence enhancing the external validity. (Lincoln and Guba 1985.) The author has tried throughout the study to describe phenomena and the processes in a detailed way. Nothing is left for interpretation or described in a wrongful way.

Dependability means that the findings are consistent and that they can be repeated. It can be enforced by external audit; a researcher that is not part of the research process sees if the research process, findings, their accuracy and conclusions are supported by the data. (Lincoln and Guba 1985.) As the study is a master's thesis and a part of the learning curriculum of a university, supervisors oversee the process of writing this study. They will assess the process and product of this study.

Confirmability is the degree of neutrality or how the findings of the study are shaped by the interviewees point of view, motivation and interest, and not the researchers. It can be checked by confirmability audit, audit trail, triangulation and reflexivity. (Lincoln and Guba 1985.) Triangulation is explained further up in the text and confirmability audit is conducted by the supervisors of this thesis. Reflexivity is used to avoid biases. The background of the researcher affects what they choose to investigate, from which angle, with which methods and to come to which conclusions (Malterud 2001, 483-484). The author might have had an opinion regarding the researched issue, but only portrays facts from credible sources to back up any claims about the phenomenon. The author does not have any preference of methods used or any desire to have a certain outcome of the study, thus is neutral, and the findings are shaped by only the interviewees.

Generalizability is closely related to validity (Taylor & Bogdan 1984, 7). It evaluates whether the observations of a study can be generalized to similar situations. Generally, the more observations there are of similar kind, the more generalizable they are. Case study generalization has to be approached differently compared to statistical analysis; generalizing from statistical samples by random sampling from a large data set is different than from a case study. (Gummesson 1988, 78.) Thus, generalization is not the number one priority of this thesis, but to some extent some research findings could be mirrored to similar situations.

Qualitative inquiry has been associated with subjectivity. Critics claim that qualitative research is nothing more than a set of subjective impressions, unsupported by hard data or rigorous research procedure. The researcher is a subject on their own, alongside with those studied. Key question in qualitative research is how to embody matters that cannot be accurately described by an objective observer. (Gubrium & Holstein 1997, 12.)

Thematic analysis is one of the most common ways of analyzing qualitative research (Guest 2012). The method examines, pinpoints and shows patterns, which can be called themes, within data. It offers a theoretically flexible and accessible approach to qualitative research. There are six phases in doing thematic analysis: getting familiar with the data, producing initial codes, finding themes among the codes, reviewing themes, defining and naming themes and lastly producing the final report. (Braun & Clarke 2008, 83-93.) The author uses these steps to produce a thematic analysis of the interviews, and finds it to be the best way of analyzing the data because of broad and possibly varying answers.

6 RESULTS AND CONCLUSION

The results and conclusion chapters are both divided to follow the sub-questions of the thesis, and lastly the research problem is answered in both parts.

How does Brexit affect the British market's attractiveness for Finnish companies? The reason the interviewed companies entered the British market varies, as well as the attributes they saw as attractive. Company 1 entered the market via a subsidiary; the British subsidiary emerged when the company won a competition organized in an event that enabled state aid and access to the UK market with a new subsidiary. Before the victory hey had already visited a fair in Britain, and thought that Britain was closer than the United States and it would be easier for them to go there because of EU legislature. The company has been operating since March 2015 in the British market.

Company 2's interviewee said that they went to the market due to the fact that the headquarters of multiple companies are located there, especially because of the many European tourism companies. It is good to be located in a place where many business decisions are made, and the market is organically very big. The interviewee feels that Britain's market is very attractive and competitive; if you make it there you can make it also elsewhere. The company has been operating in the British market for 2.5 years and a subsidiary was established in the beginning of 2017. Companies 1 and 2 both concluded that Britain is a big market and there are many potential customers, which is attractive.

Company 3 conducted a market analysis before going the British market. Owners and investors of the company had some previous experience with the market, which was one of the reasons to go to Britain. Also, the company wants to expand to the USA, and they thought first going to another English-speaking country, which is closer, would help in achieving this goal. The market is also big enough, but the language was one of the main criteria. In hindsight, they would say that the British and American markets are very different. They started going to the British market a year ago with an intermediate company, that booked meetings with potential customers, but they soon realized the model was not working. Instead, representatives started to make monthly trips to Britain to meet potential clients and to go to fairs, which earned them a couple of clients.

Company 4's parent company has been in Britain for around 80 years, and the sawmill industry has been Finland's first export business, so the trading relationships are very long, from the 1800s, hence what attracted the company to the British market remains a mystery.

The companies had different perspectives on how the Brexit news has affected the market attractiveness. According to Company 1, Brexit news has not affected the attractiveness of the market; they have big clients in Finland who have subsidiaries in Britain, and it is possible to get new users through them, and therefore the attractiveness has not been affected. With Word of Mouth it is possible to survive on the British market.

The Company 2's interviewee said, that the attractiveness of the British market may be affected if companies' headquarters or functions are moving away from Britain. If more protectionist features appear on the market, it affects its attractiveness. Now that Britain is still part of the EU, there is less bureaucracy and, for example, opportunities for different EU project programs. EU money is also distributed in Finland, but Britain may have even better startup programs. Company 2's interviewee lives in London themselves, because they feel the presence in the market is important because of the high protectionism.

"It is easier to do business with local operators when you have a local company, a subsidiary. Brussel's travel organization told us, that they are not willing to co-operate with other than Belgian companies. The EU is said to be a really open market, but in the end, it is not, ***protectionism is very strong*** *and that is why you need to be local."*
(CEO of a Finnish event listing company 2017)

Company 1's representative also stated that it is also possible that after Brexit there is less desire to co-operate with foreign companies, but on the other hand, most of the competitors in the field are from outside the UK at the moment.

The Company 4 interviewee said that the market is "softer" because of Brexit. Local businesses, as well as the British consumers, have to deal with uncertainty. Overall demand is lower than before in Britain, although the economic situation is positive and the economic growth is synchronized in all continents. The finance sector is huge in London, and as many banks consider moving their operations elsewhere, for example to Frankfurt, the impacts on tax returns and such are very vast.

Unlike other interviewees, Company 3 did not see the British market as very attractive. They saw it attractive because of the reasons listed before, but mainly because the market is big. Company 3 felt like Company 4, that the news about Brexit affected the market's attractiveness in a sense that it created uncertainty, and because of that, many companies started to withhold their investments and purchases. Also, the exchange rate is not favorable in the British market anymore., thus affecting the market attractiveness negatively.

In what ways are Finnish companies prepared for market disruptions? The interviewed companies have different overall strategies; Company 1 does not have any overall strategy for Britain, or even in the Finnish market. The strategy is evolving, getting feedback from sales and develop it accordingly. For example, they had not done a market research before going to Britain and the EU's interpretation of some laws were somewhat different than their Finnish equivalents, so they had to develop in that sense.

Like Company 1, Company 3 also has an evolving, light strategy; they book meetings with customers and see what the end results are. Based on those, they have discussions with their channel partners to further develop their operations. The operations in Britain were still in the piloting phase, so no heavy strategy was involved, although they had made a market analysis. The occupational well-being industry is still in its infancy in Britain, compared to Finland and the Nordics. The company could have tried to prepare for such risk, but had not.

"There are so many political risks in the world, it is hard to predict which, if any, escalate. And what it will be we need to observe in ***a crystal ball****, no one will know it for certain."*
(CFO of a large Finnish forest company 2017)

According to Company 4, companies have to be prepared to act quickly when a threat manifests; when Brexit speculations started, Company 4 immediately prepared an action plan with a current state analysis with possible scenarios of Brexit, and where to steer sales if Brexit decreases demand of their products in the British market. Company 2's interviewee also stated that they were not prepared for Brexit-like market failures in their strategy.

What kind of opportunities and threats Brexit poses for Finnish companies operating in Britain? Both of the Companies' 1 and 2 interviewees said Britain was a much stiffer, more bureaucratic and more conservative market, for example, compared to Finland or Sweden. Technology is not necessarily exploited, says the Company 1's interviewee, and the communication takes place at a slower rate, for example through e-mail. The security sector is also very conservative and companies are reluctant to change. Also, the lack of manager information on corporate websites makes it difficult and slows down, for example, sales work.

For these reasons, the Company 1's interviewee said Brexit would also bring opportunities for their business, because they operate in the software industry.

"The British people don't like change. In a sense we are selling change in the form of software. If the British people get more used to change because of Brexit, and the resistance to change reduces, it would affect the atmosphere in general.
(CEO of a Finnish software company 2017)

The companies found more negative than positive sides that Brexit can enforce; Company 2 concluded that if in the future there are problems with operating the company or personnel, it is likely that they have to think where to relocate. The business environment needs to be considered, with different startup hubs, such as Barcelona, Lisbon, Malta or Berlin being viable options. According to Company 4, currency risk is one of the risks involved when selling products to the British market. However, their production in Britain is not under the same risk.

"It is unfortunate that this [Brexit] is only a negative thing, we don't find anything positive about it. And that is such a harmful thing, that ***the country and its citizens are the ones suffering the most; it is a paradox****. We don't recognize any optimistic features from the business perspective, no opportunities.*
(CFO of a large Finnish forest company 2017)

Company 4's interviewee also stated other negative sides that Brexit speculations have already affected, such as the foreign exchange market, as the value of pound weakened against euro and other currencies. This weakens the competitive position of euro-zone producers in Britain, since it is more expensive for British companies to buy from other euro countries. Either the British consumers need to accept euro price increases, or the producers need to accept decreases in their selling prices and overall profit margins. Also, uncertainty has increased because of the ongoing speculations about Brexit and how it will be executed.

How does Brexit affect the market exit willingness of Finnish companies operating in Britain? The importance, including profitability and commitment to a market can have an impact on the market exit willingness, so first the importance and commitment to the British market is introduced from the interviewees' perspectives, and later their market exit willingness.

Company 1 and 2 reported that they were committed to the British market and considered it an important market. Company 1's interviewee says the operations are profitable, even though the operating costs are high and, for example, accounting is a full "farce" in Britain, really bureaucratic. Company 2 also tells that the operations will be profitable after the first project.

Of Company 4's total turnover of roughly 5 billion euros the British market accounts for around 5%. Earlier, when the company had operations in paper production, the share used to be as high as 10%, but as the paper production was seized and divested, the relative importance of Britain has also declined, but still is fairly significant. Europe is their main market and Britain part of it; it is one of their biggest export countries. As the European market is already in the maturity stage for their products, they search growth from outside Europe, from the USA and China. The increased supply of the bioproduct factory that is under construction will be targeted to the Asian markets, particularly China. The company has very long customer relationships in the market, which are based on mutual trust; the clients are reliable and solvent, and the company supplies them with the best quality products in time, thus they are very committed to the market.

Unlike other companies, Company 3 does not regard Britain as an important market. They are more Finland-oriented. They are committed to the market in a very low level, but still the market is profitable. Although they want to internationalize, they understood that they need to make a better market analysis and have more resources when they are aiming at international growth. Currently they are making customer analysis, so that they can provide better service to the right target customers after gaining enough resources to go to international markets.

Company 1 stated that market access to Britain is difficult, yet they are closing their British subsidiary. They feel that it is easier for a software company to operate under one company. In this way, the company saves its operating costs, since sales and marketing are operated from Finland. The disadvantage of a subsidiary in another country is that communication becomes harder. If salespeople and product developers are under the same roof, solving problems is much faster and easier than if the sales department was located in London. However, it is possible that sales need to be relocated to Britain. The company also often mentions to potential customers that they are a Finnish company, as their best references are from Finland, which also advocates them to shut down their subsidiary in Britain. However, the decision to close the British subsidiary has nothing to do with Brexit, it is due to various other reasons.

If Company 2's fears become real, that their staff cannot continue in Britain or the business otherwise becomes more complicated to operate, they would relocate their branch office away from London. They would probably continue under the British business, but from another country without the local staff. This avoids the challenges of invoicing as a foreign company.

Company 3 said Brexit did not come in an optimal time with all the uncertainty involved, since one of their key internationalization staff member had to go on a sick leave. The internationalization process to Britain, and to other countries, was put on hold. The attempt to expand in the British market was very short-lived, but internationalization is still one of the company's goals, but first they will focus on the Finnish market. They are strengthening their Finnish operations and thinking about the internationalization strategy, and if they want to continue to expand to Britain or start to pursue a new market.

*"Brexit was **one factor** leading to the decision of not further investing in the British market. If Brexit was the only reason, the decision might not have been the same, but it certainly did not support investing in the market."*

(CEO of a Finnish occupational health company 2017)

Instead of closing the company, Company 4 would opt for a friendly sale of their UK operations. Factories' closure costs are huge and it would affect the company's balance sheet, as well as there might be environmental obligations and redundancy costs, thus the choice of a friendly sale. Also, cash flows would be negative for a long period of time when these obligations are handled. Regardless of future political decisions, the company would not leave the British market, since they would continue to sell their products, such as tissue paper and packaging cardboard. They are only speculating about their UK operations, what might happen after hard consideration in the worst case scenario.

What kind of strategic decisions UK-based Finnish companies make because of Brexit? Company 1 saw some opportunities in Brexit, if the atmosphere changes to a more open to change one in general. However, they have not made strategic decisions to take advantage of a more change positive market, and they do not think that they need to do so in a company of their size. Nevertheless, they know some other companies that were forced to make strategic decisions:

> *"Brexit has affected the British market by decreasing the general willingness to invest. No one knows what Brexit will bring along, so there is necessarily no eagerness to invest in new software. No one has mentioned it, since they have been talking as British firms to British firms.* ***One Finnish company I know had to quit because of Brexit; they threw their hands in the air and went bankrupt."***
>
> (CEO of a Finnish software company 2017)

At the moment, Brexit has had no effect on Company 2's activity. The interviewee, however, thinks that if Brexit makes it harder for foreign staff to stay in Britain, this obviously affects the business and strategic decision should be made.

Company 3 sees Brexit in a neutral way; it does not affect the company that much. Brexit's effects are much harsher for companies that have personnel in Britain, for example consulting companies. Strategic decisions should be made, if it affects the field the company operates in. If Company 3 would launch a new product, they would need to make strategic choices. Although Brexit does not have a straight impact, it impacts the company through changing exchange rates, which affects the demand. It is cheaper to buy from Britain now, than from euro countries.

As Company 3's internationalization was put on hold, they need to think which markets they are targeting in the future. The interviewee stated that Brexit will be taken into consideration when formulating an internationalization strategy; they will try to push marketing supported models with different business partners.

If Brexit is executed as "hard Brexit", the impact will be stronger to Company 4's business, because pound would weaken even more, according to many estimates. Margins and sales would go down in this scenario and the company is forced to search growth in other markets. It is possible that the market goes towards a price parity. Uncertainty still has the main influence on business, since it affects the British market in a way that it becomes "softer".

All of the companies 1-4 wonder whether Brexit will happen at all, and that definitely has an impact on the lack of strategic decisions. Company 2 is waiting for Brexit to happen and the interviewee feels it is too early to make strategic decisions based on hypothetical situations. The interviewee says that the Chamber of Commerce probably sends out information that they should react to, if the situation changes.

6.1 Summary of main empirical findings and conclusion

The summary of the main empirical findings is divided in to the sub-questions of the thesis. The sub-questions are answered after each one, and in the end the answer to the research question *what kind of strategic decisions UK-based Finnish companies make because of Brexit* acts as a summarizing part of the sub-questions and the whole thesis.

How does Brexit affect the British market's attractiveness for Finnish companies? Porter's (2008) five forces listed market attributes that can be seen attractive for companies. Company 2 interviewee mentioned that the British market is very competitive, which is one of the forces, rivalry among competitors. According to Porter the most attractive markets have rising entry barriers, but Company 2 stated that the attractiveness of the market suffers, if protectionist features appear because of Brexit. Also, Porter stated government policies to be a possible attractive attribute, Company 2 mentioned that Britain has excellent startup programs, and thus supports Porters theory and is a very attractive market.

As Johanson & Vahlne (1977) stated that insufficient foreign market knowledge boils down to differences between culture and language, only Company 3 mentioned the English language for being an attractive attribute and thus being a reason for going to the British market. Also, Cateora (1993) stated that culture can be the root of problems of internationalizing firms, but none of the interviewees mentioned the cultural similarities as being an attractive attribute of the British market. As the table from Hofstede Insight, which compares Finland and Britain from Hofstede's cultural dimensions' perspective, shows, the countries are relatively similar in culture. The biggest difference is on the scores on masculinity, and thus is surprising that the companies did not mention being a culturally similar market as an attractive factor.

Company 2 mentioned that the level of bureaucracy is lower now that Britain is still part of the EU, thus making the market more attractive. A study conducted by Busse and Hefeker (2007) also found the level of bureaucracy to be of significance in foreign direct investment inflows. The market is more attractive when the level of bureaucracy is lower.

In what ways are Finnish companies prepared for market disruptions? All of the companies conducted that they are not prepared for a Brexit-like disruption in their strategy. However, Company 1 and 3 stated that they are following an evolving strategy;

they listen to their customers and partners and develop their actions based on the feedback. In Volberda's (2006) strategic change management framework this can be seen as the adaptive model. This can be a very beneficial strategy, since the organization stays flexible, open and responsive in a highly uncertain environment. However, Company 4 stated that their reaction to Brexit is going to be an action plan with a current state analysis, with possible scenarios of Brexit and how to act if sales to Britain plummet. In Volberda's framework this is more like the linear model; they are focusing in "what to do" in every scenario of Brexit, and are changing their position in the environment. Through extensive analysis they assume a thorough access to information, through which they can implement an action plan. Hence, the level of preparedness of Finnish companies to market disruptions is quite low and reactive to the evolving situation. As Kunc & Bhandari (2011) stated, companies have a more reactive approach to strategic decision development during financial crisis. In a sense Brexit forces companies to act in a crisis environment, thus the reactive strategies explained by the interviewees.

What kind of opportunities and threats Brexit poses for Finnish companies operating in Britain? As Mitnick (1981) stated, regulations can have huge social disadvantages, lead to lower level of innovation and lead to a situation where only large companies can benefit of the more regulated market. This can be a possible threat to Britain; lower level of innovation because of, for example, higher entry barriers can create social injustice since resources are used more ineffectively. For Finnish companies, market entry to Britain can become more difficult, but companies that already have a subsidiary in Britain can have an advantage of decreased competition in the future. Brexit can also offer British companies a more protected environment from competitors, depending on how the new regulations are going to be.

As Pfeffer and Salancik (1978) stated, regulation can be an opportunity for the domestic companies. The market can become more protected from outside competition. The European Union is said to be a very open market, but Company 2 said that the British market has a high level of protectionism already, since many British companies are willing to cooperate only with other British companies. Leaving the EU will probably make the level of protectionism even higher and so Brexit could make the competition for foreign companies harder in Britain, thus being a threat to Finnish companies. Also, relocating personnel because of possible changes in the working permits is a viable threat; companies have to consider alternative cities where to operate.

As Mitnick's (1981) article stated, there are several opportunities regarding regulative changes. Interview with Company 1 revealed that they see some opportunities regarding Brexit. If the general environment becomes more open to change in Britain, it can be an advantage to a company that sells change to companies, for example in a form of new software. This was the only opportunity stated in the interviews.

How does Brexit affect the market exit willingness of Finnish companies operating in Britain? Johanson and Vahlne (1977) conducted that companies expand to most culturally similar countries first. None of the companies mentioned cultural similarities as being the reason for expanding to Britain. Company 2 entered since they saw the market very attractive and entered with a subsidiary, they also stated that as the protectionism is high, it is beneficial to be a local company, which also according to Chaudhari (1998) reduces the company's financial exposure. Also, Company 2 mentioned that they would not want to start invoicing as a foreign company if their staff needs to be relocated to another city, so according to Chaudhauri (1998) a joint venture would allow the company to be treated as a local company in an unstable political environment.

The study by Musso and Francioni (2014) saw that SMEs internationalize their businesses under lack of information, limited expertise and scarce resources, which can be seen in Company 3's internationalization process; their attempt to go to the British market with an intermediate was not fruitful. They operated under high uncertainty, and also their lack of information can be seen as the interviewee said that in hindsight the British and American markets are very different and they will do better market research before further internationalizing.

Companies 1, 2 and 4 said that they are committed to the market, which was a market exit barrier by Karakaya (2000). On the other hand, Company 1, 2 and 3 are not forward or backward vertically very integrated, which are the main barriers to exit. The cost of divestment would not be very high in the case of Company 1, since they do not have staff in the UK currently. Company 3 stated that they are not very committed to the market, which would enable them to exit the market easier.

In Mitnick's (1981) framework of the opportunities of exit, "voice" or being "loyal", the interviewed companies chose the being loyal option; market exit strategies were not mentioned by the Companies 1-3. None of the companies are going to exit the British market as an answer to Brexit. Company 1 is going to stop running their ltd, but that has nothing to do with Brexit. Company 3 has halted their expansion in the British market, but Brexit was just one factor affecting this decision; since one of their key personnel had to go on sick leave, this situation is more like a business-owner or employee exit as mentioned in the study by Karakaya (2000).

Company 4 is in the maturity stage of the market, which would fit the description of market exit through harvesting (Feldman and Page 1985), and according to Karakaya (2002), an exit strategy is rather formulated than new resources invested in a mature market. Rather, Company 4 stated that in a worst-case scenario and after hard consideration they would opt for a Friendly Sale exit strategy. The reason for the friendly sale is that other modes would have more negative consequences to the business.

None of the interviewed companies were in the process or thinking of even partially exit the market. Partial exit would mean closing a single product or a product line, or to by closing a branch or a division (Karakaya 2000).

No link between the market entry mode and the market exit mode was established based on the interviews. Market entry modes varied between companies, and since only Company 4 mentioned possible market exit mode, no links can be perceived.

What kind of strategic decisions UK-based Finnish companies make because of Brexit? Companies 1 and 2 can be categorized to be follow a diversification strategy; the interviewees said their strategies are very flexible and that they are not very resource committed to the market. Anderson and Gatignon (1986) stated that to avoid market exit in a politically unstable environment, the company should stay flexible and avoid high resource commitment, which is what Companies 1 and 2 are doing. Also, their products are standardized, which is a feature of the diversification strategy by Ghauri and Kirplani (2015). They have a low level of resource commitment in Britain, since they don't have many workers there. The downside of this strategy is that it is possible for a company for underinvesting to the market. But as Omar and Porter (2011) stated, the world becoming more homogenous the standardization of products can be the new winning criteria for certain kinds of companies. As the same study states that political risk is negatively significant in relation to the degree of standardization, the companies are better off, according to this theory, in the British market with a standardization strategy as the political risk is increasing.

According to Company 1, the general willingness to invest has decreased because of the increased uncertainty. At the moment, Brexit does not affect Company 2, only if staff needs to be relocated in the future. Company 3 sees Brexit in a neutral way; it does not affect the company that much. Strategic choices should be made, if it affects the field the company operates in. However, they see Brexit as one factor of leading them to stop further investing in the market. Company 4 says that if Brexit is executed as hard Brexit, possibly as the WTO model, the impact will be stronger on them. The weakening of pound and dropping margins would force the company to find growth from other markets. Brexit creates uncertainty, which has the biggest impact on businesses.

Mitnick's (1981) article also states that to benefit from regulation and deregulation, a company has to make strategic decisions under considerable amount of uncertainty. All of the interviewees concluded, that making any strategic decision regarding Brexit is too early or makes no sense because everything is still very uncertain. All of the interviewees were very suspicious if Brexit is even going to happen, thus the strategic indecisiveness. According to Bloom (2009) uncertainty causes companies to postpone their investments and reduce their recruitment, and this statement can be seen in all of the interviews as indecisiveness on how to act regarding the British market.

In the article by Collis (1992), four generic approaches to uncertainty were introduced; dedicated, incremental, insurance and opportunistic. Based on the interviews, all of the companies can be concluded as following the opportunistic strategy regarding Brexit. The strategy is not predetermined and can be adopted and changed when uncertainties are resolved and opportunities arise, so the organization stays flexible to changes and responsive to uncertainties. Unanticipated opportunities can be exploited and great investments are postponed until opportunities are identified. Rhee & Cheng (2002) stated that companies with low levels of organizational slack are more affected by foreign market uncertainties, but in this case all of the companies listed very similar effects on their companies. Company 4, which is the biggest one and could be thought to have the most organizational slack, was the only one stating that a market exit is possible, so the statement by Rhee & Cheng (2002) is not applicable in this context. Also, Barney (1991) stated that a resource rich company has a better chance on responding to strategic opportunities, but none of the companies have yet responded to strategic opportunities that Brexit possibly has to offer.

Although Company 1's interviewee pointed a possible business opportunity, no proactive strategic changes are going to be made. All of the companies are going to see what is going to happen and how Brexit will turn out. If strategic decisions are going to be needed, they are going to be made later on. Company 2 concluded that if in the future there are problems with operating the company or personnel, it is likely that they have to think where to relocate. Company 3 sees that strategic choices should be made, if it affects the field the company operates in, such as consults. This can be seen as the Sarasvathy's (2001) effectuation approach to strategic change management decisions regarding Brexit. The approach enables the companies to change, shape and construct goals and exploit contingencies as they arise. Like in the example of chefs cooking a meal, the companies are now searching their cupboards for ingredients and utensils and are imagining possible menus; they are making scenarios about Brexit and how to adapt or exploit it with current available resources. If Welter and Kim's (2018) study is to be believed, the companies should follow this strategy up until the future can be predicted by >75% accuracy. This means the Brexit negotiations should move forward to a state where managers around the globe are certain how their businesses are affected, and moreover be convinced that Brexit is actually happening.

6.2 Future research and limitations of the study

Sorrow and sadness
Unite Remainers more
Stronger together

— POLITICO’s Ryan Heath asks former European Council President Herman Van Rompuy to summarize his new report on Europe’s future in haiku form in our EU Confidential podcast.

This study focused on the strategic decisions of Finnish companies operating in Britain. A similar study, but with different host country focus could have very contrasting results. Foreign companies from countries that do not belong to the EU, but operate in Britain can have different perspectives on, for example, market exit barriers and their level of uncertainty.

It is possible that the results to the study would be very different, if the study was conducted later on in the Brexit process, or after the actual exit. As the main focus in the interviews were that the interviewees are not certain if Brexit is even going to happen and thus not many strategic decisions have been made, the research results could be different when, or *if*, Brexit happens. A study conducted later this year could yield very different results.

Three of the four interviewed companies were in the software industry, so if the study was conducted on more diverse fields, the perspective could be different. The limiting factor was the partner list of the Finnish British chamber of commerce, which included many technology related firms. The fourth interviewed company was nevertheless from a very different field and had the same answers, thus the author decided that data saturation was reached. Inclusion of more companies would have increased the transferability, validity and credibility of the research.

The study could have been conducted as a mixture of qualitative and quantitative research; in-depth interviews with companies, and a more general survey to many Finnish companies that operate in Britain could have been sent to research their perspective and possible strategic decisions about Brexit. The companies that have different answers on the survey compared to the answers given in this study could have been asked to give an interview, allowing the study to have multiple perspectives and a higher quality research.

Brexit as a market disruption needs more research due to its uniqueness and freshness. The impacts are really hard to predict from many different perspectives, and the actions companies take between the announcement of Brexit and its execution are a very restricted time frame. Brexit forces companies to adapt to a new market situation, thus is a fruitful field for many further research topics.

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INTERVIEWS:

Company 1: Recorded face to face interview with the UK country director of a software company 19.10.2017

Company 2: Recorded telephone discussion with the CEO of an event listing company 20.10.2017

Company 3: Recorded telephone discussion with the CEO of an occupational health care application company 8.11.2017

Company 4: Recorded face to face interview with the CFO of a forest industry company 4.12.2017

APPENDIX

The question frame used in the interviews

1. Please, tell about the company in general.

2. What kind of operations does the company have in the British market?

3. How important is the British market for your business?
    a. How committed are you to the British market? (How big the British market is of your turnover / total activity)?
    b. Is operating in Britain profitable?

4. Why did your company go to the British market?
    a. How attractive did you see the British market before going there?
    b. How long have you operated in the British market?
    c. How did you go to the British market (organic / mechanical growth)?
    d. How has the Brexit news affected the market's attractiveness?

5. Were you prepared for a market disruption, like Brexit, in your strategy?
    a. If yes, how?

6. How does Brexit affect your business?
    a. In which market, UK and / or other markets?

7. Do you consider Brexit as a threat or an opportunity (both or neither) for of your business? Why so?
    a. Have you made strategic decisions based on this view? What kind?
    b. Should strategic decisions be made? Which direction should the decisions take?

8. Have you thought about reducing your operations, halting your expansion, or exiting the market due to Brexit? Why?
    a. If you leave, how? Why this way?
    b. Why is exit the best option?
    c. Where? Back to Finland?