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Strategic Actions in Response to Uncertainty

A Study Examining the Strategic Responses to Brexit in the Banking and Automotive Industries

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Abstract

The purpose of this thesis was to identify the strategic actions taken by multinational firms in the banking and automotive industries in response to Brexit, complementing the development of Brexit-based literature. A secondary purpose was to present the actions' relation to previous theoretical and categorical models concerning strategy, facilitating a categorical model for further instances of similar uncertainty. After an extensive external analysis consisting of news articles and company publications, empirical industry-specific categories were proposed. Utilizing theories and previous models, these categories were further developed into common, more theoretical categories. These four categories, named "Stay put", ”Plan and prepare", "Move" and "Alternate" are proposed to enable more general conclusions regarding strategy under political uncertainty. Suggestions for further research include additional industries, further effects and future cases to be observed in a similar context.

Keywords: Brexit, banking industry, car industry, strategy, uncertainty

Abbreviations: The UK (the United Kingdom), the EU (the European Union), Brexit (the leaving of the European Union by the United Kingdom)

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1. Introduction

1.1. Introduction to Brexit

The interest of this study is to observe and categorize company reactions to the British vote to leave the European Union in 2016, also called Brexit. Brexit is regarded as one of the most radical instances of European anti-integration and microeconomic exposure to anti-integrative forces on a global scale (Inglehart & Norris, 2016). A brief introductory chapter will be conducted in order to understand its implications in a wider context.

It can be argued that free trade has been greatly bolstered since the end of World War II by initiatives such as the GATT agreement in 1947, later leading to the establishment of the World Trade Organization in 1995, the creation of the European Community in 1957, now known as the European Union (EU), the NAFTA trade deal between the USA, Canada and Mexico in 1994 and so on (Sbragia, 2010). According to World Bank data (Appendix 1), trade tariffs, which can be seen as the most noticeable indicator of protectionism (Love & Lattimore, 2009), have indeed held an evenly decreasing trend since the year 2000. Simultaneously, the world has been going through a transformation and established a megatrend, namely globalization, that has arguably turned it into more of a common entity than ever (Nester, 2006). This has facilitated wide-spread competition and the formulation of global strategies and value chains among companies that go beyond regional, national or even continental borders (Millberg & Winkler, 2013). Industries have converged around global leaders, brands have established positions around the world and companies' supply chains have been dispersed and developed so much so that for example all the different parts of a car or an aeroplane can be transported from different countries while still achieving growing manufacture rates (Fujita & Thisse, 2006). The development can more or less be seen enabled as the result of the lowering of major global trade barriers.

The EU especially is a highly ambitious project that has attempted to combine the interests of tens of European economies into an integrated unit with common governance and a single market of European goods and services (European Union, 2020). However, also contradicting views have appeared. Recently, there have been indications of growing wariness towards free trade and even open negativity when it comes to free trade and globalization working against the interests of individual nations and/or individual people. In the EU, negative attitudes towards economic and political integration have become more frequent during recent years as differences in national performance and divergence of political goals within the region have been publicly argued upon, affecting citizens' opinions and changing the emphasis of political discourse and research (Hobolt & De Vries, 2016). In addition, the labour market in developed countries is in general under pressure from lower-wage global counterparts that can handle the more routine tasks more cost-efficiently, causing decreases in wages or even extinction of certain jobs, as observed in the US by Oldenski (2014).

The significant push for freer trade and its mentioned effects have indeed naturally left behind perceived losers also in the EU. These groups of people can be seen to represent the factors behind Brexit. In the UK, the exposure to the more inexpensive Eastern European labour market has been cited as one of the motives among the people in the UK voting to leave the European Union (Colantone & Stanig, 2016). Furthermore, previous electoral results in the UK already indicated voting patterns that could be considered protesting against the various underlying effects of free trade and globalization of the economy, such as competitiveness-related regional welfare differences, that was suggested by Fetzer (2019) to also be among the factors behind people voting "leave" in the Brexit referendum. Without going into further detail on the motives behind Brexit, it can quite clearly be argued that it is fundamentally interlinked with globalization, free trade and competition.

1.2. Brexit and Uncertainty

Free trade is one of the founding principles of the European Union and together the EU countries form the world's largest trading block (Europa, 2020). Therefore, an EU member state like the UK leaving the Union can be viewed as a major setback for free trade, especially considering that the UK is one of Europe's largest markets and an important driver in EU's economic performance and productivity (Romei, 2018). Additionally, in 2018 the EU was the United Kingdom's largest trading partner, accounting for 45% of UK exports and 53% of imports (House of Commons Library, 2019). Taking all factors into account, it is clear that Brexit can be a shock to the European economy. The range of its effects is difficult to predict as it goes beyond national trade and also covers the companies that need to navigate the new regulations. The UK is also a big enough economy to shape the global environment, especially as a precedent case of stepping away from a major trade pact.

Brexit is estimated to lead to macroeconomic damage for the UK according to HM Treasury (2016). Regardless of the way things will settle after the decision, should it lead to the UK being a member of the European Economic Area, a bilateral free trade partner with the EU or outside of agreements merely as a member of the WTO it is predicted that the GDP per household will come up short of previous numbers. Ever since 2016 when the UK had its referendum over Brexit until 2020, there has been a lot of uncertainty regarding what it would look like and when it would happen. At the time of the writing this paper the timetable of the exit of the UK has been finalized and is supposed to happen on the 31st of December 2020 (GOV, 2020). It still remains unclear exactly what Brexit will mean in terms of trade and which of the proposed scenarios will come true, as the negotiations are ongoing (Europa, 2020).

What is clear however is that Brexit is a major source of concern and uncertainty for multinationals as the implications of doing business in the UK in the future have become more difficult to predict. The access to the European single market, intra-European supply chains and even trade relations with some of the EU's trading partners are under threat (Steinberg, 2019). Uncertainty is something that tends to be perceived negatively among businesses (PWC, 2017) which makes Brexit an interesting topic to observe from the viewpoint of strategy. The interest of this study is to evaluate and categorize the actions of firms in the face of all the circumstances surrounding Brexit and attempt to identify the underlying strategic elements. The study will focus on a sample of relevant companies derived from the Fortune Global 500 list in the automotive and financial services industries.

1.2. Purpose of the Thesis

1.2.1. Problematization, Purpose, and Motivation

The purpose of this study is to link the Brexit-related uncertainty to concrete strategic actions, either planned or implemented by global multinationals that do business in Great Britain or have other sorts of links such as supplier contracts that facilitate their use as a research subject. The supply of research on the effects of Brexit on individual companies is not very broad, an issue discussed by Fernandez-Pacheco Theurer, Lopez Ruiz & Latorre (2018). The study's goal will thus also be to complement the development of Brexit-related literature by creating a qualitative evaluation of strategic choices that companies have made explicitly in response to the Brexit issue. The goal will be to propose an empirically and theoretically grounded framework of categories that will address the Brexit situation and also carry implications for further utilization among similar future instances.

The range of data has been narrowed down to two sectors of particular interest, financial services and automotive sectors, with a continued narrowing down to commercial banks and car manufacturers. This choice was based on an evaluation of significance and expected weight that Brexit has or will have on the respective industries. The evaluation has been made based on predictive external sources and by studying and comparing industry characteristics. The technical choice factors have been discussed further in the methodology chapter.

However, to present the motivational factors for the chosen industries, first of all, the financial services sector is of special interest for this study due to London frequently ranking second after New York on the Global Financial Centers Index (Longfinance, 2020). An advantage and a reason London has reached this position as a major financial hub is its access to the EU market. Using a so-called "bank passport" it is enough for a bank to be authorized in one EU member state to conduct business in all of the EU. If banks in the UK will be allowed to keep these passports after Brexit is unclear and the access to the EU market for banks authorized in the UK is therefore uncertain (Lannoo, 2016). How financial firms respond to this is not only interesting in its own right but it will also determine the future status of London as a financial hub. As the definition of the financial sector is quite broad, this study will focus on the bank industry (commercial and savings), which includes several firms on the Global 500 list, many of which have operations in London.

The car industry has been cited as a “star performer” in Great Britain as its output has been constantly increasing since 2010 (Bailey & De Popris, 2017). The global trend in the industry is to continuously turn more towards the emerging markets as both the source of supplies and final products, also citing complexity and cost issues as reasons for restructuring the industry in Europe as price pressures leave “little margin for error” and narrow down profits (McKinsey & Company, 2013). With this in mind, the British performance in the car industry has seemingly been quite remarkable, gathering up significant investment and benefitting from a skilled worker base and access to the European single market (Bailey & De Popris, 2017). However, Brexit is a possible cause of significant cost and regulation changes when it comes to the supply chain as well as Great Britain losing its position as a “gateway” to the European market. This leads to companies rethinking their approaches from the view of for example cost differences in sourcing from the EU versus Britain, the importance of the British market and manufacturing expertise and regulatory barriers to the component supply (Bailey & De Popris, 2017). Hence, the factors surrounding the industry provide a fruitful environment for investigating the reactions of individual companies and attempt to insert it into a theoretical context.

It is important that the responsive actions that are analyzed are explicitly derived from Brexit due to that there being a wide range of possible reasons for altering business strategies. The firms of interest must also have significant operations either within or with the UK, a decision which was made in order to better conduct an academically valuable exploration of the more immediate effects of Brexit, even though it also might have implications on the global level as a predecessor of European disintegration after decades of integrative effort. The decision was also made to incorporate structure into the data gathering process as the approach will carry a lot of methodological responsibility, basing itself upon a wide range of available data that requires case-specific categorization and systematic processing. Methodological aspects will be more accurately defined and discussed in chapter 3.

1.2.2. Research Questions

As guidance in reaching the goals of this study, the main research question has been formulated as follows:

1. What actions have multinational banks and car manufacturers operating with or within the UK taken or planned in direct response to the uncertainties resulting from Brexit?

As an additional point of interest, the categorization of such actions is attempted, as guided by the following second research question:

2. How can the actions of banks and car manufacturers be categorized utilizing a common framework of theories and in relation to previous categorical models?

2. Literature Review and Theoretical Framework

This section will present and discuss previous literature related to the effects of political uncertainty on company decisions as well as previous Brexit-related literature that will complement and motivate the research goals in demonstrating a knowledge gap regarding the Brexit matter in this type of context. In addition, an extended theoretical framework is presented, which includes the discussion of previous iterations of categorization models for uncertainty strategies as well as potential underlying factors and determinants that shape company reactions.

2.1. Political Uncertainty in Decision Making

Political uncertainty is a frequent encounter for multinationals as the global environment is still very much affected by cultural differences, bilateral tractions and plainly differing political interests of different countries. The cultural environment has generated a lot of accomplished research with Hofstede's cultural dimensions model paving the way towards more complex attempts to decipher the elements of culture and its relation to the success of expansive multinationals (Tung & Stahl 2014). Culture is also very much related to institutions. Arregle et al. (2013) proposed an expansion to the cultural approach by switching the focus to institutions, identifying regulatory challenges and political balance as an important factor behind investment and internationalization decisions. What is perhaps more interesting regarding the scope of this research is that the results of Arregle et al. (2013) implicate that the strength of general policies and institutions is a decisive factor on the regional level but when it comes to the country level, capital availability becomes the most important variable for multinationals. This is something to consider, especially when analyzing financial service companies' behaviour as their cruciality for the British economy seems to be elevated in this context. Additionally, studies on emerging markets frequently indicate that restrictive state policies and favourable treatment of domestic companies are common obstacles for multinationals (Bremmer, 2014). In developing markets, political risk has also been linked to capital flight, the effect of invested capital "fleeing" the country in the case of noticeable turmoil (Lensink, Hermes & Murinde, 2000). The UK is clearly not an emerging market, but the Brexit referendum and its aftermath represent their own sort of political uncertainty, which can be considered quite unique in the global context as there are very few precedent cases and none in the case of a country leaving the EU single market. The linkage to company actions is thus an interesting point of research.

As Brexit is essentially an instance of uncertainty based on a single political decision - the common vote that resulted in the “leave” option - a somewhat related phenomenon would be the moderation and postponing of investments around election years, as studied by Julio & Yook (2012). They argued that companies tend to reduce investment expenditure during election years due to the uncertainty involved in the future direction of a country. Chen, Cihan & Jens (2016) found similar results by studying merger & acquisition activities under electoral uncertainty in the US, indicating that companies tend to tone down their activities during election years both risk and capital-wise. In the case of Brexit, this kind of uncertainty is still ongoing four years after the initial “leave” referendum due to the lengthy discussions regarding the content of the exit pact and the future of free trade. This study will not attempt similar evaluations of strictly numerical data, but incorporating investment behaviour as one qualitative factor of definitive actions is certainly not beyond interest. Due to the somewhat varying characteristics of Brexit in this context, we believe our approach will complement the development of literature regarding the issue.

2.2. Brexit in Previous Literature

Considering the recency and ongoing nature of Brexit, an initial hypothesis would likely tell one that the range of literature around the subject would not be particularly exhaustive. However, the keyword “Brexit” gives a respectable 254 000 hits on Google Scholar, which can not be considered a scarce number. What it is a clear indication of is that Brexit is a widely interesting topic that can be covered from a variety of angles. Some of the most cited examples on Google Scholar include its role as an observation of perceived “winners and losers” of globalization by analyzing voting patterns by social class (Hobolt, 2016), the example it set in the case of political populism’s rise in the Western world (Inglehart & Norris, 2016) and an OECD-conducted review of its economic consequences, which further demonstrates the macroeconomic uncertainty and effects on national trade (Kierzenkowski et al. 2016).

Fernandez-Pacheco Theurer et al. (2018) argued that while the Brexit implications on national trade have been researched frequently, company investments and FDI have not been as widely covered, possibly due to difficulties with modelling investment as a variable due to its high level of volatility and reactiveness that does not always comprise rational and conventional thinking. The study itself remarked that British multinationals have a lot of investment outside the EU as well, especially in the USA, which might help them weather the effects of the shock of Brexit, even though the companies would lose the preferential treatment of those of an EU country inside the EU. However, the scope of the research considered only the UK's domestic multinationals and while investment is a major part of strategy, there are other aspects to consider as well, such as pricing and location decisions and exposure to risk, which are of interest to this study.

Another valuable article by Oyamada (2020) attempted to research the production patterns of multinationals in the wake of Brexit, which colludes closer to this paper's subject of interest. The author utilized his creation of the extended knowledge-capital model that comprises firms, countries and goods that are tied in together to form production patterns. To give an example of the quite complex model, a firm might produce for a target market via inward FDI, supply components of a non-market country via vertical integration, produce and export by itself from a non-market country, use a country as an export platform for trade within a free trade zone and so on, depending on the characteristics and endowments of the markets in question. In Oyamada's model (2020), this type of data was gathered together as a case-specific prediction of production patterns in different scenarios. The model has been applied to the case of Brexit. What it revealed is that a market the size of the UK would be served nonetheless among some multinationals, which is why inward as well as outward FDI might even increase after Brexit as import tariff rates might be pushed up, encouraging domestic production within the markets. What it, however, will lead to is a decrease in welfare as, according to the prediction, the demand for skilled labour in for example administrative duties increases and pushes down the relative price of unskilled labour, which causes a decrease in overall disposable income. The UK will also lose its position as an export platform inside the EU, causing some multinationals to base production elsewhere and consequently causing shrinkage of demand for unskilled labour, which also has a hampering effect on welfare.

The work by Oyamada (2020) is borderline between a microeconomic and macroeconomic approach. It gathers up general data of company types and makes a prediction of how things might turn out for the economy of the UK in a broader sense. It can be considered an expansion of the work by Fernandez-Pacheco Theurer et al. (2018) as an evaluation of FDI effects, which is why they also share similar gaps when it comes to strategic research, especially considering Brexit as an ongoing issue that has most likely sparked varying types of reactions from companies with differences in timing and gravity, a phenomenon also observed and presented by Alonso, Kok & O'Brien (2019). When it comes to Oyamada's (2020) findings, their applicability in the real world context will surely be researched later after the situation has settled.

Alonso, Kok & O'Brien (2019) attempted to bridge the gap between theory of company adaptation, strategy and Brexit with a focus on winery entrepreneurs of Italy and Spain. What is notable is that they as well took the approach of Brexit and company reactions being sparsely cross-examined, leaving a knowledge gap in academic literature. The study utilized two approaches, the entrepreneurial action theory and the dynamic capabilities approach, which were also constructed into a common framework (see appendix 2), using subject interviews as the base of arguments. Furthermore, Barron & Boutary (2020) leaned on a similar approach and proposed an important link to emotions when it comes to decision-making in the case of uncertainty, finding, for example, past experiences of crisis situations as determinants for either an optimistic or pessimistic approach to Brexit among small business owners. What is interesting, as our research is focused on a wider base of multinationals than either of the presented precedent studies, are the linking elements between larger global multinationals and smaller businesses that are similarly working under Brexit uncertainty but with a different magnitude of operations. Similarly to previous instalments of empirical political environment uncertainty studies, both of the studies are important interpretation tools even though the scope of this work would be different.

An additional interesting piece of work is the BREXIT 2016 compilation of papers conducted by a group of authors working under a mandate of the London School of Economics (Breinlich et al. 2016). The papers have been written before the Brexit referendum, which offers an interesting look at the predictions laid out before the issue truly had crucial and concrete repercussions. To point out the most relevant predictions regarding the areas of interest for this study, it is predicted (Breinlich et al. 2016, p. 27-28) that among the automotive industry, a free trade disagreement with the EU will most likely lead manufacturers to move their production elsewhere due to problems with cost and coordination, cutting the production by 12%, whereas the situation of no introduced tariffs will still cut production numbers by 2% or 36 000 cars, which demonstrates the scale of British production. When it comes to financial services, Breinlich et al. (2016, p. 29-30), predict that there might be concerns regarding the status of London as a financial services hub in the future, causing the leverage of intra-EU financial centres such as Frankfurt to strengthen among multinational operators, even though the effects on individual companies strategies are not explicitly discussed. These predictions have left a gap to be filled with an empirical observation in today's context where Brexit is indeed happening. Even though every fact is not finalized, we believe an initial attempt can be made.

2.3. Categorization of Uncertainty Strategy

The attempts of categorizing different strategies are numerous and there is no dominant theory that is applicable for all situations. Especially for a specific event such as Brexit, there is no theory that perfectly covers the different strategic actions a company could take. However, there are theories that are useful for analyzing strategy, including Brexit related strategy. This chapter will present the theories that will be used when analyzing the data as well as during the subsequent creation of Brexit-specific strategy categories.

2.3.1. The Five "Generic" Responses to Environmental Uncertainties

Business strategy research is a broad and diversified field covering different industries and different levels of management. Although not much research specifically focusing on the banking and automotive industries concerning Brexit has been conducted, there is much literature trying to tackle the relationship between uncertainty and strategy. Miller (1992) proposed what he refers to as the “five generic” responses to environmental uncertainties. These five responses or strategies that a firm can take are; “Avoidance”, “Control”, “Cooperation”, “Imitation”, and “Flexibility”. It is important to note that these strategies are supposed to cover many risks and uncertainties, not only ones that are associated with Brexit. Nevertheless, it can be a useful tool to explain the strategic actions made by companies. “Avoidance” refers to when a firm considers the situation to be too much of a risk and can result in actions such as divestments or postponement of market entry. It is possible to imagine that an “Avoidance” strategy could be identified with firms from both the automotive and the banking industry in the UK after Brexit, especially in the case of divestments since a decision not to enter a market might be more difficult to identify. The second generic strategy according to Miller is “Control”. This strategy refers to actions such as vertical integration and horizontal mergers and acquisitions. In other words, it is a more aggressive strategy attempting to take advantage of the uncertainty and gain market power. A “Cooperation” strategy is when firms decide to team together in the form of for example joint ventures or long term contracts with suppliers. Within the automotive industry, cooperation is not uncommon, a recent example is a collaboration between the Volvo Group and Daimler Truck in the development of fuel-cell technology (Frangoul, 2020). The fourth of Miller's strategies is “Imitation”. This strategy concerns imitating products or processes as well as following competitors into new markets. The former might not be as relevant for political risks such as Brexit since it relates more to firm-specific uncertainties. The final generic strategy is “Flexibility”. It is about making your firm more flexible to the external environment, an example is diversification in terms of production abroad. With production in many countries, a flexible firm could relatively cheaply move production from an uncertain country or region and is not dependent on one country. Therefore, many multinationals follow a "Flexible" strategy per definition (Kogut, 1993).

2.3.2. Ben Laker and Thomas Roulet's Strategies for Political Uncertainty

Although useful to get a better idea of the nature of the actions taken by the bank and automotive industry regarding Brexit, the five generic responses are quite broad. There are theoretical models more specifically suited to uncertainties created by Brexit, however, due to Brexit being a relatively recent phenomenon so are strategic models surrounding it. One recent theory by Laker & Roulet (2019) focuses solely on political uncertainty and is applicable to the case of Brexit. It acknowledges that uncertainty risks such as Brexit can be different depending on industry and that every firm needs to evaluate the nature and severity of the uncertainty. The second thing a firm should do according to Laker & Roulet (2019) is to consider the market it is operating in, is it a growing or steady (declining) market. Based on this, the authors identify four possible strategies, two for a steady market and two for a growing market. If a firm perceives the market to be steady and is facing a limited political uncertainty, the best approach according to the authors is to adopt a "Hedging" strategy. This can mean cutting some costs or moving some functions to safer locations but the actions are not too expensive and often reversible. However, if the firm perceives the political uncertainty to be too great, a "Salvaging" strategy is preferred. A "Salvaging" strategy is when a firm cuts down significantly on costs and tries to avoid selling off essential assets as far as possible with the hope of continuing to do business when the uncertainty is over. If successful the firm will still be present in the market when the uncertainty is over while competitors hopefully are fewer than before the uncertain times. If a "Salvaging" strategy is implemented, it means that the firm expects the impact of the uncertainty to be severe but also that they can weather the storm and come out operational when it is over.

In a scenario where a firm instead perceives a market to be growing, there are two different recommended strategies according to Laker & Roulet (2019). The first is the "Rebalancing" strategy which is to be employed when there are minor uncertainties. In some ways, it is similar to the "Hedging" strategy but it is more offensive. The idea is that a firm can move some assets and operations to locations with higher growth. An example from the article is Dyson who moved its headquarters to Singapore to take advantage of the growth in the Asia market (Laker & Roulet, 2019). Fast-growing markets are likely to offer more opportunities and as a result, the actions by companies can be more radical. The last strategy, the “Shifting” strategy is a more radical one compared to the “Rebalancing” strategy and should be considered when a firm faces high uncertainty in a fast-growing market. It means shifting (moving) operations away from the uncertain region with the aim of not being exposed to the uncertainty at all.

2.3.3. Strategic Responses to Regulatory Uncertainty by Hoffman

A third researcher who has contributed to the categorization of strategies is Volker Hoffman. In his collaborative work with Christian Engau on regulatory uncertainty, the authors presented four strategic categories covering a total of 14 approaches (Engau & Hoffman, 2011). The term “regulatory uncertainty” is defined as a firm’s “inability to predict the future state of the regulatory environment” (Hoffman et al, 2008). It is therefore evident that the strategies presented can be useful in analysing a firm’s responses to Brexit. The approaches observed by Engau & Hoffman (2011) can be divided into four groups of categories: “Avoid”, “Reduce”, “Adapt” and “Disregard”. An “Avoid” category includes the approaches: postponement, stabilization and withdrawal. In both name and meaning, this strategy is reminiscent of Miller's (1992) “Avoidance” strategy. An example of an “Avoid” strategy is exiting uncertain markets and instead focusing on predictable environments. The approaches investigation, simplification and influencing form the second strategy category which is “Reduce”. This is described as collecting information, reducing the number of uncertain factors as well as manipulating actors that constitute uncertainty. The “Adapt” category includes an even greater number of approaches: internal design, integration, cooperation, flexibility and imitation. Internal design refers to changing organizational structures while Integration is recognised by mergers and acquisitions. The other three approaches all share names as well as meaning with the “Cooperation”, “Flexibility” and “Imitation” strategy of Miller (1992). This demonstrates that concepts can be agreed on, but the categorisation of strategies can still differ between research. The final category is “Disregard” which includes the approaches substitution, no-regret moves and business as usual. These types of strategies essentially mean disregarding the uncertainty for whatever reason. It could be replacing uncertain decision criteria with detailed analysis or simply making moves that should be advantageous regardless of the outcome of the uncertainty.

2.3.4. Summary of Strategic Categories for Uncertainty

As displayed above there have been several attempts at categorising strategies for handling uncertainty. Although all strategies presented in this chapter have different names, they sometimes have similar meanings. For example, the "Avoidance" response by Miller (1992), the "Shifting" category by Laker & Roulet (2019) and the "Avoid" strategy by Engau & Hoffman, (2011) all describe the same general strategy. They describe a response that is moving away from the uncertain market. The fact that some actions are covered in more than one set of research could be an indication of its importance. Both Miller (1992) and Engau & Hoffman, (2011) mention categories like "Control" and "Adapt" that involve investments. There is also a group of strategies consisting of "Reduce" by Engau & Hoffman (2011) and "Hedging" by Laker & Roulet (2019) that overlap somewhat in terms of their definitions. These strategies mainly concern minor actions in order to prepare for potential risks. It represents what could be considered a middle ground in regard to responses to uncertainty. Finally, there is one approach to uncertainty that is easy to ignore or forget and that is the strategy of staying put and not responding in any significant manner. This approach is covered by the "Disregard" strategy by Engau & Hoffman (2011).

2.4. Determinants of Strategic Action

There are nearly an infinite amount of options to discuss and measure when it comes to the underlying elements of strategy and there is generally no consensus of what the definition of strategy is (Chaffee, 1985). This study will formulate its categorical strategic model according to a variety of different main facets of strategy, focusing mostly on the competitive environment and organizational characteristics. In order to create a generalizable model, the theoretical frame as well will be kept on a general level.

2.4.1. Competitive Advantage

2.4.1.1. Organizational Strategy

Strategy in relation to the success of an organization can be defined in various ways. In Grant (2016, p. 5-8), a successful strategy was characterized as a combination of clearly defined goals, a thorough understanding of the external competitive environment and the full recognition and utilization of resources at hand. Mintzberg (1972) defined strategy as "a pattern in a stream of significant decisions", further claiming that the pattern can be cognitively created by a managing body (intended) or observed later (unintended). The McKinsey Seven S's management model divided strategy into seven elements that need to align with each other in the organization for the strategy to be successful: strategy and purposes, structure, systems and processes, style, staff, skills and shared values (Peters & Waterman 1982, cited in Higgins, 2005) Higgins (2005) also expanded the model with the addition of an eight "S" - strategic performance, which is achieved as the beneficial end result of the organizational alignment.

Strategy can further be divided into corporate and business strategy, in which corporate strategy covers the choice of industries, markets and resource allocation, whereas business strategy includes the choice of operating strategies within a target market and in relation to the competitive forces (Grant, 2016, p. 18). All in all, the underlying goal of strategy-making is to create success for the company, which is achieved through competitive advantage (Grant, 2016). Competitive advantage can exist for example in the firm's resources and in its unduplicatable characteristics, such as its sources of human capital, knowledge and its decisions of capital allocation, which may allow it to achieve stronger performance than its competition (Barney, 1991). Competitive advantage can however also fall under pressure at any time due to unanticipated changes in the economic environment, which might affect the valuations of different resources and thus the long-term applicability of the advantage at hand (Barney, 1991). In order for the competitive advantage to be sustained, the firm is required to react efficiently (Barney, 1991).

2.4.1.2. Dynamic Capabilities

Dynamic capabilities form a framework of strategic theory that focuses on understanding the processes of learning and knowledge generation within the firm as well as those that facilitate renewal, change and strategic movement (Wang & Ahmed, 2007). In general terms, dynamic capabilities are understood as a source of competitive advantage, comprising elements that determine the survival of certain firms over others in the long term as uncertainty and market dynamism constantly change the landscape of operations, even more so in the globalized world of today, as argued by Teece (2012). They can be perceived as higher-level capabilities reached only via constant rethinking and reacting while simultaneously retaining what is characteristic to the firm, forming a continuum of fruitful and persistent strategic choices (Wang & Ahmed, 2007). According to Teece (2012, p. 1396), dynamic capabilities can be grouped into three: "(1) identification and assessment of an opportunity (sensing); (2) mobilization of resources to address an opportunity and to capture value from doing so (seizing); and (3) continued renewal (transforming)."

Even though dynamic capabilities require all-around coordination in the firm, they often lay on the shoulders of individual entrepreneurs and the top management level of the firm as it is where major decisions are most usually made, which consequently means leaning a lot of responsibility and value on the skills of the management (Teece, 2012). Alonso, Kok & O'Brien (2019) previously linked the dynamic capabilities approach to the entrepreneurial action theory (see appendix 2). This underlined the role of the individual entrepreneur in capturing the benefit from organizational dynamic capabilities in situations of heightened uncertainty. Entrepreneurial action can be linked with decisions made under uncertainty as prior knowledge, attention and reaction, as well as desirability and evaluation of different opportunities, are all natural elements of decision-making among those responsible (McMullen & Shepherd, 2006). However, the link is somewhat more difficult to establish in the case of multinationals, which are generally more complex organisations than traditional firms that conduct business on a smaller scale (Teece, 2014). Depending on organizational characteristics such as size and cultural factors, organisational inertia that acts as an obstacle to the dynamic change can also be encountered (Kelly & Amburgey, 1991) Thus, the organizational processes in learning, applying and communicating knowledge, such as the ability to form a flexible reaction to an encountered issue, are in the centre of attention when it comes to strategic decisions. A successful multinational is generally required to develop its asset alignment so that joint solutions to uncertainties are formed regardless of the organizational complexity or environmental dynamics (Teece, 2014).

2.4.2. Market and Company Characteristics

2.4.2.1. Michael Porter's Five Forces Model

Michael Porter's five forces model is a widely adapted indicator of market characteristics when it comes to the competitive landscape in an industry, also utilized in analyzing individual firms' behaviour in relation to the market (Simkin & Dibb, 1998). Porter's model first published in 1979 consists of five different factors: competitive rivalry, threat of substitutes, buyer power, supplier power and the threat of new entrants (Porter, 2008). Competitive rivalry refers to the competition among existing firms in the industry. It can be measured by the number of competitors or and their size. If competitors are roughly equal in terms of market share and power, Porter (2008) believes it will result in increased rivalry, thus implicating a competition between strategies. The threat of substitutes concerns the ease of which customers can replace the product or service of the industry by different means. A substitute for air travel can be videoconferencing for example. If the threat of substitutes is high, it can lead to decreased profitability within an industry (Porter, 2008). The negotiating strength of buyers is covered by the buyer power force. If the negotiating power of the industry's buyers is high it should affect their profitability negatively, this can be the case for example if the buyers are few, buy in large quantities or are price sensitive. Supplier power instead concerns itself with the negotiating power of the suppliers to the industry. If suppliers are powerful, they can charge higher prices and capture more of the value, which in turn will lead to lower profitability for the industry (Porter, 2008). Finally, the threat of new entrants refers to how easy it is for new firms to establish themselves in the industry. An industry where this is considered high is the hairdresser industry since it requires relatively small investments, while in the railway industry it is typically low due to high capital requirements (Porter, 2008). When the threat of new entrants is high, the profitability of the industry can suffer because of the potential new competitors a profitable industry might attract, whereas when it is low, the companies can be enabled to fortify their competitive position by barriers such as branding and preferred access to distribution channels. Although a popular theory, it has also been the subject of criticism. Coyne & Subramaniam (1996) points out that the model is dependent on three questionable assumptions concerning industry structure, the source of advantage and the level of uncertainty. The last assumption of uncertainty being constant is especially relevant for this study and it is important not to use Porter's model by itself without complementary theories.

2.4.2.2. Competitive Strategy Under Uncertainty

Wernerfelt & Karnani (1987) proposed a guiding theoretical framework for strategic decisions. The theory acknowledges the role of uncertainties which challenged previous conceptions on strategic planning and its effectiveness. The acknowledgement of uncertainty has found support and conventional methods of strategic planning have been heavily criticised (Mintzberg, 1994). In the theory by Wernerfelt & Karnani (1987), uncertainty is divided into four types: demand uncertainty, supply uncertainty, competitive uncertainty and externalities. Demand uncertainty concerns the characteristics of the target market, especially in emerging situations where the market dimensions are not settled and the size and value of demand are unclear. Supply uncertainty is based on the availability of technologies or other elements such as internal expertise that might impact company willingness to tie in resources to certain markets or products, whereas the uncertainty stemming from competition includes unpredictability regarding the endeavours of competing firms and their strategic choices. Finally, externalities concern the effects of outside elements beyond the previously covered factors, such as the effects of political decisions and social pressure.

The theory identifies two main trade-offs between acting and waiting and on the other hand focusing and maintaining flexibility (Wernerfelt & Karnani, 1987). Acting early under uncertainty is hypothesized to be preferred when first-mover advantages (Lieberman & Montgomery, 1988) are significant or the company is not particularly risk-averse, whereas waiting for the situation to unfold first is preferred under risk-wariness and in the case of non-occurrence of major first-mover advantages. The focus or flexibility trade-off, on the other hand, is proposed to lean towards the focus strategy, meaning focusing resources on the market, whenever significant economies of scale can be realized or the organization has low risk-aversion (Wernerfelt & Karnani, 1987). Consequently, flexibility is preferred if risk-aversion is high and economies of scale seem not to be realizable. Furthermore, acting early is preferred when the competition is at a high level. When it comes to the size of the companies, larger firms can afford to wait for the uncertainty to settle and remain flexible, whereas relatively smaller companies should prefer to make more radical moves on the market in the search for profitability (Wernerfelt & Karnani, 1987). The created model forms a game theory-like structure where industry circumstances and competitive positions affect whether companies take a waiting, focusing or flexibility approach.

3. Methodology

3.1. Grounded Theory Method

The nature of this research is qualitative and our methodology was centred mostly around the grounded theory method. Grounded theory is a tool to formulate new theory via inductive reasoning, meaning that the research and its results are not based on hypotheses made beforehand. Instead, it is based on hypotheses and ideas discovered during and especially after a thorough collection and analysis of data (Corbin & Strauss, 1994). It aims to develop and reason connections between concepts through theoretical and empirical means, which is why it was used in this research context to create links between companies' actions concerning Brexit, existing theory and knowledge on the elements and defining factors of strategy. This formulated the research goal as we as authors were aiming for a thorough understanding of empirical data to the extent where a new theoretical aspect could be proposed.

The grounded theory method fits into the research context due to its implications of focusing on relevant and usable data and running the gathering and analysis processes in parallel, rather than collecting a determined amount of general data as the starting point without much consideration about its usability (Charmaz & Belgrave, 2007). This helped us "analyze as we go" and form a finite sample of interesting companies already while scanning for data. What is also notable is that the eventual categories that form the base of the eventual final analysis are derived from the data according to the authors' interpretation and not by strictly relying on previously drawn concepts and hypotheses (Charmaz & Belgrave, 2007). This, on the other hand, helped us put interpretation at the centre of attention since the dynamics of company strategies under uncertainty might not be explicitly identified and inserted into existing frameworks due to complexity (Kurtz & Snowden, 2003). We believe this kind of approach is preferable for the type of case as Brexit is - dynamic and unpredictable. Focusing on the relevance of the research subjects from the start and discarding irrelevant companies also helped us reach our scheduling goals as time and energy was not wasted on unproductive research.

3.2. Research Data

3.2.1. Choice of Evaluated Companies

The use of the Fortune Global 500 list was a part of our intention to incorporate structure into the research strategy, which has a risk to end up somewhat unstructured in the grounded theory context due to its open-endedness when it comes to the methods of data collection and analysis (Suddaby, 2006). The Global 500 list was chosen to base the research on due to the common statistical methodology. All in all, the evaluation of which company is globally significant within which method of observation was not the main purpose of the study, instead we looked for a single validative source to find companies that can be considered as belonging to the group.

Since the Global 500 list is by definition a global list and does not only consider companies that have operations in the UK, the choice of data source could be criticized for lack of local focus. However, keeping in mind that Brexit is essentially a major detriment to the EU and might hamper the global context of free trade in general and thus company policies also beyond the area of initial impact, we decided not to limit our initial data observation inside any national borders. The intention was to utilize the parallel process of the grounded theory method to gather and analyze data simultaneously.

3.2.2. Choice of Evaluated Industries

For closer evaluation, we settled on the automotive and financial services sectors after research on the industries presumed to be the most affected by an abrupt exit from the EU and a shock in the free market system, utilizing the predictive work of Breinlich et al. (2016) and Ghemawat (2017), both claiming that the industries would be among those most affected, with transport products bearing significant tariff costs and financial services being significant due to the role of the London financial market.

As particularly valuable guidance, the collaborative effort between consultants from Oliver Wyman and Clifford Chance studied the additional cost effects of tariffs and regulation at the industrial level in both the UK and the EU, finding that the most absolute impact inside the UK would be carried by the financial services industry especially due to the global ties of the London financial market, and on the other hand by the automotive industry within the EU, presumably due to the large amount of previously intra-EU trade (Oliver Wyman & Clifford Chance, 2018). These claims were considered encouraging and validating in the choice of industry. The sectors were narrowed down to the car manufacturing level in the automotive sector and commercial banking inside the umbrella of financial services to create a further structured and attainable research goal.

3.2.2. Data Gathering Method

Our method for data-gathering built upon the idea of collecting as relevant data as possible, which is why we utilized Google searching based on keywords as the next step. The main keyword we used was “Brexit” along with the company name. Cross-complementing search results from both information sources such as magazines and web journals as well as first-hand company sources were analyzed as far as possible. The approach was pointed towards recent sources that depicted the situation as of after the referendum in 2016 up to present day. Other similarly used keywords were “Great Britain” and “UK”. The goal was to find explicit links between actions - either planned or implemented - and Brexit.

All sources utilized were required to clearly identify the link either verbally, such as through direct quotes from company executives, or otherwise clearly and unambiguously, such as published statements where a causal relationship was identified or through paraphrasing an otherwise unreachable source of data, such as an investor conference call. Finding multiple sources where similar observations could be made was preferred but not required - the explicit link was ruled to be a priority. This can be seen as a limitation where the data gathered would be proven inaccurate. The range of available data varied, which is a related possible limitation. This is most likely due to different communication strategies between firms (Beretta & Bozzolan, 2004) or an indicator of insignificance of the UK marketplace. Companies that lacked available data were discarded rather than attempted to be analyzed with inadequate knowledge, which also somewhat mitigated the risk of presenting inaccurate data. We believe the criteria used were restricting enough so that this type of situation could be avoided.

As initially presumed, the Global 500 list included several companies that were indeed affected by Brexit and the rejection rate with the criteria presented did not turn out to be very high. Out of the 24 car manufacturers on the list, 17 were found to be usable for the analysis. In the case of financial services companies, 19 were rejected out of 54. The rejected companies lacked explicit links to the Brexit situation or had not communicated anything Brexit-related in their public relations.

In table 1 below the number and type of sources used for the empirical data is displayed. In bald text the total quantity and percentage for each source category is shown. These categories are Company sources, News sources and an “Other” category to include those sources that do not fit into the other two. The total number of sources are displayed at the bottom of the table. News sources make up 50,5% of the sources used and mainly consists of articles from Reuters and Financial times. The company sources used stand for 40,8% of the total number of sources used and consists of 28 different annual reports and 10 statements or webpages. The remaining 8.7% concerns sources used mainly for the industry overview.

Table 1. Table of Sources of Utilized Data

Type of source	Quantity	Percentage
Company sources	**38**	**40,8%**
Annual and earnings reports	28	
Company statements or websites	10	
News Sources	**47**	**50,5%**
Reuters	17	
Financial Times	8	

Bloomberg	3	
Nikkei Asian Review	3	
CNN	2	
Press Trust India	2	
BBC	1	
Independent	1	
Autocar	1	
The Guardian	1	
Mirror	1	
FleetEurope	1	
The Korea Times	1	
The Irish Times	1	
The Globe and Mail	1	
Business Insider	1	
Automotive News Europe	1	
Business Korea	1	
Other	**8**	**8,7%**
SMMT	5	
House of Commons Library	1	
Mordor Intelligence	1	
Autovista Group	1	
	Total = **93**	

3.3. Discussion on Categorization

An essential step of the analysis was coding the companies' endeavours into understandable and decomplex yet valid categories. The coding and categorization processes required special attention. Even though the codes are self-created by interpreting the base data, they need to be concise and an accurate representation. The scientific description of coding in qualitative methods has been analyzed by Maxwell & Miller (2008). They argued that categorization is almost always based on the concept of similarity and creating larger patterns from differing data segments, also insisting that a contiguity approach based on connections within the data segments could involve more scientific value and prevent loss of context-specific connections. O'Reilly, Paper & Marx (2012) on the other hand suggested that the main tenets of the grounded theory approach would include theoretical sampling, a continuous grouping of similar data and creation of subcategories before an eventual larger grouping that facilitates the creation of new theory through the discovery of "core categories".

With the seemingly colliding views on categorization in mind, the mutually exclusive distinct categories were designed to combine both approaches by first of all making a distinction between the industries in the initial categories, which was also made due to the differing implications between a manufacturing and service industry when it comes to the physical structure and capital requirements. This allowed us to focus context-specifically on both case industries. Second of all, theoretical sampling was utilized in identifying the sub-categories within the industries. In practical terms, initial gathered evidence on banks pointed towards differences in approach based on the home region of banks, which was supported in further empirical data, as banks from certain regions generally followed strategies that could be fit into similar categorical contexts and thus forming a base for an underlying factors analysis in similarity and also in difference. In the car manufacturing industry, a comparison based on the home region was attempted, and even though some similarities could be identified, adequate generalizable evidence was deemed lacking and restricted by the number of observable companies being lower than in the banking industry. As an example of regional similarities, the majority of South Korean as well as

Japanese, jointly Asian, manufacturers, which imported cars to the UK from locations in the EU or outside signalled similar strategies of non-significant action. However, a company among this region which had production in the UK - Toyota in this case - presented a defined strategy on the issue. Thus, instead of regional comparison, car manufacturers were evaluated in their productional presence in the UK, as evidence pointed to similar and more radical steps generally being taken when more significant capital was tied in the market in the form of production facilities.

In the theoretical context, the approach to categorization was not considered as undermining the value of incorporating similar strategic and uncertainty theories to both industries in the Brexit environment. On the contrary, it allowed a more accurate presentation of industry-specific data before making theoretically grounded assumptions on the situation as a whole. In supporting the analysis, a framework of known strategic theory, as well as previously known uncertainty strategy categorization models, were utilized in making conclusions that went beyond the initial observation. We finally formed a “core of the core” in categories by forming our own proposal of categories that can be generalized to both industries. This consequently formed the basis of our grounded theory proposal.

4. Empirical data

4.1. Banking Industry

4.1.1. Overview of the Industry in the UK

Financial services is a major part of the UK economy, accounting for 6,9 % of economic output in 2018 and employing 1 116 000 people (House of Commons Library, 2019). Compared to the automotive industry, measuring the market share in the UK lacks the same meaning as some banks with offices in London can be focused more on the EU market thanks to passporting. According to Mordor Intelligence (2020), the domestic UK market has four big banks accounting for 75% of UK current accounts and 85% of business accounts and employ around 560 000 people. These banks are HSBC, Barclays, Royal Bank of Scotland and Lloyds Banking Group all of which except the Royal Bank of Scotland are included in this study. This is due to the Royal Bank of Scotland not being on the fortune 500 list. Indeed as the banks in this study conduct varied financial activities in the UK, it is difficult to analyze as meaningful market share statistics as with the automotive industry. However it is apparent that banks with a small presence in the UK tend to choose less severe actions as a result of it. The Westpac group is an example of this stating: “As Westpac’s business and operations are based predominantly in Australia and New Zealand, Westpac expects that the direct impact of the UK’s departure from the EU is unlikely to be material to Westpac” in their 2019 annual report (Westpac, 2019).

4.1.2. Data Findings

Some immediate takeaways regarding the banking industry were that most banks have taken action, especially the non-European ones. Another finding to note is that few have chosen a strategy involving investments in the UK. Within the banking industry, a pattern can be identified, which implicates that banks from the same regions tend to follow somewhat similar strategies. This, in turn, might be Miller's “Imitation” strategy seen in action (1992). Regardless of why banks from the same regions display similar strategies, it is useful in terms of providing a structure to the data. For the sake of clarity as well as the large quantity of banks the data will thus be presented regionally.

4.1.2.1. American Banks

American banks seem to have prepared for Brexit by expanding their presence in the EU, ensuring that they will have access to the EU market even in the event of a "hard Brexit". This has been easier for some than others. For example, Wells Fargo already had an existing authorized bank in Ireland and an asset management entity in Luxembourg. Although it had to establish a broker-dealer in France, thanks to an existing diversified European presence it was somewhat prepared for Brexit (Wells Fargo, 2019). For Bank of America, Brexit preparations were more extensive and resulted in the creation of a new banking entity with headquarters in Dublin as well as a new broker-dealer for the EU in Paris, both of these entities were created in 2018 (Bank of America, 2020). Also, Citigroup has established a new entity in the EU by moving its EU trading hub to Frankfurt (Morris, 2019).

Even if the American banks had different prerequisites to each other when the UK voted to leave the EU their plans following the vote have been, with few exceptions, largely similar. Most of them have had the UK as their EU headquarters and to ensure continued service to their clients they now have had to create or expand their presence in other EU countries. For some banks like JPMorgan Chase & Co with approximately 17 000 employees in the UK (JPMorgan Chase & Co, 2019) this can become a great undertaking. However, it did not have to establish any new entities in the EU due to Brexit as they already had legal entities in Germany, Luxembourg and Ireland. Brexit does still mean preparing these EU offices and moving "certain employees" away from London (JPMorgan Chase & Co, 2019). Goldman Sachs honestly stated in their 2019 annual report that their strategies regarding Brexit, such as letting their German bank subsidiary assume certain functions, will take time and money. A risk that Goldman Sachs mentioned is that even if it moves some functions to the EU, it will be at a disadvantage compared to banks with already extensive and established EU networks since these competitors might not experience the same effect from Brexit (Goldman Sachs, 2019). An additional US bank that has not established new entities due to Brexit but still has had to move employees or functions is U.S. Bancorp. This bank stated in its annual report (2019, p. 54) that it has “migrated certain business activities to the appropriate jurisdictions” in response to Brexit. Morgan Stanley is a bank that so far has been reported moving around 200 people to its Frankfurt location (Sims, 2017). However more drastic actions might become a reality if necessary as it is also stated that “it is currently unclear what the final post-Brexit structure of our European operations will be.” in its annual report (Morgan Stanley, 2019, p. 21).

One of the American banks that stand out from its peers is Capital One, which has not expanded outside of the UK at all. The situation of Capital One is somewhat different since the UK is the only EU market where it is present, even prior to Brexit. Its access to the rest of the EU is therefore of less importance and the only worry expressed in its annual report regarding Brexit is that it could lead to “increased market volatility and global economic deterioration resulting from an uncontrolled Brexit could have a negative impact on credit conditions in the U.K. and negatively affect our business and financial condition” (Capital One, 2019, p. 18). However, there are no mentions of actions to mitigate this risk. There are other examples of banks that have chosen not to take any significant action but none of them American.

4.1.2.2. European Banks

European banks are in a quite special position compared to banks from other regions. As Brexit has made many banks situated in London worried about their continued access to the EU this is typically not a concern for European banks as most of them already have networks on the continent. Therefore, there is not really a need to branch out and expand into the rest of the EU. Instead monitoring the situation and preparing for different outcomes seems to be the most common approach by European banks. An example of this is the Spanish bank Banco Santander which following the Brexit referendum created steering committees and working groups. Their tasks were to “i) monitor the Brexit process; ii) develop contingency plans; and iii) escalate and take decisions to minimise potential impacts on our business and customers.” (Banco Santander, 2019, p. 396). BNP Paribas has employed a similar strategy, establishing teams to assess the situation and prepare for different scenarios. BNP Paribas (2018) seems comfortable with this strategy and expresses confidence stating: “Regardless of the outcome of the Brexit negotiations, we will have in place the right capabilities to minimise disruption for our clients, our operations and our staff ". The German DZ bank has not announced any significant actions regarding Brexit (DZ Bank; 2016; 2017) and stated in its 2018 annual report that "it is not anticipated that Brexit will have any material negative impact on the financial position or financial performance of the DZ BANK Group or DZ BANK" (DZ Bank, 2018, p. 91). UniCredit Group has not presented any significant actions either, referring to its business structure as the reason why Brexit will not be a major problem for it. It has a "multi hub" structure which according to the UniCredit group (2018) can be leveraged to react to any Brexit outcome. The Italian bank Intesa Sanpaolo has created an extensive contingency plan but not made any efforts to leave the UK and has instead applied to operate as a third-country branch in the United Kingdom (Intesa Sanpaolo, 2019). The final European bank that has not made actions as a result of Brexit is the Dutch Rabobank. In its 2019 annual report, the bank only mentions Brexit as a macro risk and has previously mentioned that it has tried to prepare its customers but not instigated any structural changes or movement of staff (Rabobank, 2019; 2018; 2017).

Those European banks who have done more than just monitoring and preparing tend to implement smaller changes in their organisations. An example is the French bank Crédit Agricole that is planning to move around 20 employees away from London and told Reuters that the impact of Brexit on its activities in London would be "very limited" (Landauro, 2018). HSBC Holdings which is based in Britain has decided to change the structure of its operations and is also reported to have moved a small number of jobs (White, 2019). The structural change includes a shift of ownership from its London-based entity to their French one regarding its Polish and Irish subsidiaries. HSBC France will acquire branches in Belgium, the Czech Republic, Ireland, Italy, Luxembourg, the Netherlands and Spain as well according to Reuters (White, 2018). The way the Swiss UBS group has handled the uncertainty of Brexit is by merging its British entity with its German subsidiary (UBS, 2019) this includes moving assets of 32 billion euros and some staff from London to the EU (Neghaiwi, 2019). The final example of a European bank that has chosen to staff or functions away from the UK is the Dutch ING group. The bank has because of Brexit and the risk of losing access to the EU market moved staff to

Brussels, “ING has made the decision to move a number of EU-related trading operations to a location within the EU. Brussels was chosen due to its existing infrastructure” (ING, 2019, p. 15).

Two European banks in a different situation than their peers are Barclays and Lloyds Banking Group since they are British banks. As they are based in the UK they have had to expand to the EU in a similar fashion as the American banks. Barclays by expanding its Irish subsidiary (Barclays, nd.) and Lloyds Banking Group by establishing a subsidiary bank in Berlin with a branch in the Netherlands and a branch for payment services in Berlin as well as an investment firm in Luxembourg (Lloyds Banking Group plc, 2019). The French bank Société Générale has also created a new entity in the EU due to Brexit. Specifically, a hub in Paris to clear derivatives (Landauro, 2018).

4.1.2.3. Canadian and Australian Banks

The Commonwealth countries of Canada and Australia have 7 banks on the Global 500 list that met the requirements for this study. Out of the four regions presented, the Canadian and Australian banks are the least similar to each other. There are ones such as the Commonwealth Bank of Australia and National Australia bank that have taken extensive action in response to Brexit. The Commonwealth Bank of Australia is doing so by planning to move around 50 of its staff to the Netherlands and has reportedly applied for a banking license in the country (Martin, 2018). The National Bank of Australia is reported to plan a similar move by setting up a unit in Paris (Nainan, 2019). Among the banks that have not set up new entities in the EU are the three Canadian banks: Toronto-Dominion bank, Bank of Nova Scotia and Bank of Montreal. The Toronto-Dominion bank has planned a new EU trading hub in Dublin, expected to employ around 10 people (Finch, 2017). The Bank of Nova Scotia (2019, p. 113) monitors the situation closely, stating: “The Bank continually monitors developments to prepare for changes that have the potential to impact its operations in the UK and elsewhere in Europe and is developing and revising its contingency plans accordingly”. In addition to this it is reported to have moved some loans to Dublin as well as appointing a new head of corporate banking for Ireland but since it already had a presence in Ireland before Brexit, the bank of Nova Scotia does not expect to having to expand much into the EU because of Brexit (Posadzki, 2019). Just as the Bank of Nova Scotia, the Bank of Montreal also has a presence in Ireland, which will become its EU hub after Brexit (Brennan, 2019). The Bank of Montreal seems confident in being able to continue operations, stating “We are prepared to serve our clients, counterparties, employees and suppliers under any scenario, including a no-deal Brexit” (BMO, 2019, p. 71). Finally two banks from Australia have decided not to make any significant actions regarding Brexit. These banks are Westpac and the Australia & New Zealand Banking Group. Westpac (2019, p. 21) stated that it “expects that the direct impact of the UK’s departure from the EU is unlikely to be material to Westpac” since it only has a minor presence in the UK. In contrast to Westpac, the Australia & New Zealand Banking Group chose inaction although it saw Brexit as an uncertainty factor (ANZ, 2016) because it already has an European branch network and therefore felt confident in being able to access the EU market after Brexit (ANZ, 2019).

4.1.2.4. Asian Banks

The Asian banks in this study stand out as they include two banks that have chosen to invest in the UK. These are the Korean bank KB Financial Group as well as the State Bank of India. KB Financial Group did this by turning its London subsidiary into a branch of the group in 2018 and reaffirmed that it plans on staying in London despite Brexit in 2019 (Hyong-ki, 2019). In addition to this, the KB Financial Group also established an investment banking unit in London in 2019 (Young-sil, 2019). The State Bank of India has also displayed faith in the UK market by transforming its operations in the UK into a subsidiary (Khanna, 2018). This includes a capital commitment of 225£ million and the regional head of SBI UK is reported stating: “The launch of our UK subsidiary shows our commitment to operating in the UK market. Many banks primarily see the UK as the gateway to Europe and are fazed by the impact of Brexit. Our calculus is different. We see London as the ideal launch pad for a global presence and have full faith that, despite Brexit, London will remain the premier international financial centre.” (Khanna, 2018). The three Japanese banks appear to have chosen a different strategy and have displayed more caution concerning the UK market. The Mizuho Financial Group and the Sumitomo Mitsui

Financial Group are categorized as expanding to the EU market away from the UK. The Mizuho Financial Group expanded to the EU by establishing a subsidiary in Frankfurt (Mizuho, 2020). The Sumitomo Mitsui Financial Group also chose Frankfurt for its two new subsidiaries in 2019 (SMBC, 2019). Finally, Mitsubishi UFJ Financial Group also decided to move some functions away from the UK but on a smaller scale. The bank has had a subsidiary bank in the Netherlands since 1972 (MUFG, 2018). Therefore no new subsidiary had to be created due to Brexit but it is expected to move some staff from London to Amsterdam (Arnold, 2017).

4.1.3. Industry Specific Categories

The categories for actions were chosen after the collection of the data in order to create the best suited categories. It was quickly realised that a category for firms that took action to mitigate the effects of Brexit on their operations was needed. At the same time, it was also clear that the extent and character of these actions could vary greatly between firms, which led to the conclusion that two different categories indicating action was needed, one indicating extensive action and another minor action. It was decided that firms that created new entities within the EU due to Brexit would be differentiated from those with already existing subsidiaries or branches in the UK but that still relocated staff. The category "Created new entities in the EU" refers to firms that have established new entities or clearly expanded and upgraded the status of current ones due to Brexit. An example from this category is Bank of America that has established a new EU broker-dealer in Paris as well formed a new banking entity in Ireland through a merger (Bank of America, 2020).

The category "Movements of staff or functions away from the UK" refers to firms that have moved some staff but without establishing new entities in the EU. Some examples are JPMorgan Chase & Co (2019) that has prepared its existing EU entities for an increased workload and moved "certain employees" to EU entities. Another example is the Mitsubishi UFJ Financial Group which already had a subsidiary in the Netherlands that it could enforce instead of having to establish a new one (Arnold, 2017).

There were also firms that have not made any apparent actions directly linked to Brexit, which led to the creation of the "No significant action" category. The reason for why the word "significant" was included was because some firms were stating things such as that they were monitoring the "Brexit process" (Banco Santander, 2019, p. 396), "working closely with all relevant regulatory bodies" (BNP Paribas, 2018) and that they employed suitable countermeasures to "avoid or reduce legal or other uncertainties" (DZ Bank, 2018, p. 91). All of these examples, as far as this study can tell, did not lead to any movement of staff or functions from or to the UK. They will, therefore, be considered and categorized as "no significant action".

Finally, there were a low number of banks that indicated investments into the UK. These banks deserve their own category. The self explanatory name of this category is "Invested in the UK". It is imported to note that the investments are for the UK as firms moving away from the UK could be seen as investing in the EU. An example of this is the Korean KB financial group because of its investment in a new investment banking unit in London (Young-sil, 2019).

In table 2 below the actions of banks in response to Brexit are visualized. The categories of actions can be found in the top row, the firms are in the far-left column and an X marks their action. Furthermore the firms have been colour-coded to make their region of origin easier to identify. The company's position on the Global 500 List is also presented in parentheses, the situation as of 1 May 2020.

Table 2, Banking Industry Data Categorized

Banks	No significant action (including applying for necessary authorisation to work from the	Movements of staff or functions away from the UK	Created new entities in the EU	Invested in the UK

	UK)			
American banks				
JPMorgan Chase & Co (41.)		X		
Bank of America Corp. (58.)			X	
Wells Fargo (69.)			X	
Citigroup (71.)			X	
Goldman Sachs Group (204.)		X		
Morgan Stanley (218.)		X		
Capital One Financial (387.)	X			
U.S. Bancorp (486.)		X		
European banks				
Banco Santander (85.)	X			
crédit Agricole (91.)		X		
HSBC Holdings (99.)		X		
BNP Paribas (104.)	X			
Société Générale (174.)			X	
Deutsche Bank (239.)	X			
UBS Group (274.)		X		
ING Group (310.)		X		
Intesa Sanpaolo (315.)	X			
Barclays (320.)			X	
Lloyds Banking Group (353.)			X	
Credit Suisse Group (360.)		X		
DZ Bank (392)	X			
Unicredit Group (425.)	X			
Rabobank Group (483.)	X			
Asian banks				
Mitsubishi UFJ Financial Group (166.)		X		
Sumitomo Mitsui Financial Group (209.)			X	
State Bank of India (236.)				X
Mizuho Financial Group (350.)			X	

KB Financial Group (434.)				X
Canadian and Australian banks				
Toronto-Dominion Bank (295.)		X		
Commonwealth Bank of Australia (373.)			X	
Bank of Nova Scotia (398.)		X		
Westpac (433.)	X			
Australia & New Zealand Banking Group (457.)	X			
National Australia Bank (479)			X	
Bank of Montreal (497.)		X		

4.2. Car Manufacturing Industry

4.2.1. Overview of the Industry in the UK

In 2018, the automotive industry as a whole generated a turnover of £82 billion, provided 823 000 jobs and produced 1 519 440 vehicles in the UK (SMMT, 2019). By market share calculated via new vehicle registrations for year-to-date 2020[1], the leading manufacturer is Volkswagen (23,09%), followed by BMW (9,74%), Ford (9,05%), Daimler (Mercedes-Benz) (7,06%) and Toyota (6,46%) (SMMT, 2020[2]). When it comes to production within the UK, Tata Motors is the leading manufacturer with 449 304 cars produced under its Jaguar and Land Rover brands, followed by Nissan with 442 254, BMW with 234 183, Honda with 160 676 and Toyota with 129 070 cars produced (SMMT, 2019).

Historically by accounting the years of Brexit uncertainty, the industry reached production of 1 722 698 in 2016 and 1 671 166 units in 2017, thus indicating a percentage change of -3,0% between 2016 and 2017 and -9,1% between 2017 and 2018, respectively (SMMT, 2018a;

[1] As of 5 May 2020
[2] Data applied, sub-brands taken into account.

SMMT, 2019). The majority, approximately 80% of the output was exported (SMMT, 2018a; SMMT, 2019) Accurate numbers on imports are difficult to identify. Some conclusions can be drawn from market shares when considering production plants in the UK. In this case, Daimler is the leading imports-only manufacturer. However, considering the notion that Volkswagen only produces the luxury brand Bentley in the UK (Volkswagen Group, 2020), which accounts for merely 0,08% of its combined market share, it can be argued to remain as the leading brand also in imports, followed by Daimler (7,06%), KIA (4,60%) and Hyundai (2,83%) (SMMT, 2020).

4.2.2. Data Findings

Our findings indicate that nearly all relevant companies have taken at the least cautious or planned actions to mitigate the effects of Brexit in their operations. The actions range from abandoning UK production to crafting contingency plans as well as only minor reactions. What was hypothesized and eventually identified a pattern is that actions taken have a tendency to depend on production facilities in the UK. Thus, the results will be presented grouped by whether or not companies conduct production in the UK

4.2.2.1. Car Manufacturers With Production in the UK

The market leader Volkswagen has discussed the Brexit issue in its annual reporting (Volkswagen Group, 2019, p. 169), broadly claiming that "Volkswagen Group would be adversely affected by a disorderly Brexit and by other trade policy measures such as tariffs or non-tariff trade barriers." The company also performed inventory optimization ahead of a previous risk of a disagreeable negotiation between the UK and the EU (Wissenbach & Taylor, 2019). Toyota, which is the second-largest manufacturer globally after Volkswagen and has production in the UK, has voiced concern over a "no-deal" Brexit. Toyota's European CEO Johan Van Zyl has proposed that under a loss of competitiveness due to trade barriers, its withdrawal from the UK "should be on the agenda as well" (Fukao, 2019). Furthermore, due to Toyota's just-in-time inventory system, its vice president Shigeki Tomoyama has stated that should some components not be able to arrive on time from the EU, this would halt production on its whole plant (Inagaki, 2019). The company took minor preventive action in 2019 by pausing production when the initial, later postponed, separation of the UK from the EU was scheduled (Satake, 2019).

Ford Motor, which previously produced 1,3 million engines in two locations in the UK, abandoned one of its factories as an allegedly non-Brexit related action (Riley, 2019). However, its European chairman, Steven Armstrong has previously been quoted as saying “We love being in Britain, but it has to be competitive and if it’s not competitive then we’ll have to take whatever actions we’ll need to take to protect the business” (Sterling, 2019). A similar approach has also been taken by Honda Motor, which will close its British plant in 2021, similarly as an alleged non-Brexit related action (Pitas & Tajitsu, 2019), yet disputed to indirectly be related to Britain’s loss of EU trade benefits after Honda’s home country Japan settled on a moderation of tariffs with the EU (Vincent, 2019). Neither Ford nor Honda have explicitly discussed Brexit in their recent annual reporting. Another Japanese manufacturer, Nissan’s European chairman has been quoted as follows regarding the company’s production plant in the UK: “Should Britain fail to reach a free-trade agreement with the European Union, a resulting 10 percent tariff on cars and parts could not only spell the demise of the plant … but also of Nissan’s entire European strategy” (Patel, 2020). Previously in 2019, Nissan changed its plans to build a new SUV model in the UK due to Brexit-related uncertainty (Pitas & McLellan, 2019). In addition, Nissan has also been alleged, based on insider information, of having a contingency plan of centering its European operations in the UK more strongly after Brexit as an attempt to gain a stronger market share in its most successful European market, which has however been denied by company executives (Campbell & Inagaki, 2020).

Particularly radical actions have been taken by General Motors, which abandoned its production and presence in the UK market and in fact also in Europe completely by selling its Opel and Vauxhall brand and facilities to Peugeot/PSA Group in 2017, with CEO Mary Barra citing the changes in the geopolitical landscape as a reason behind the decision (Isidore, 2017). The decision was made in reaction to the company predicting yearly losses of $300 million as a result of Brexit (Waldmeir & Campbell, 2017), even though the matter was not explicitly commented on in available company publications. Peugeot/PSA Group has since implied a Brexit-related vulnerability to its yearly income with a one percent change in the euro - pound sterling exchange rate causing a loss of 40€ million due to its previously acquired operations in the UK (PSA Group, 2019). Peugeot has also signaled a condition to its continued production in the UK being that a trade agreement is reached in which its profitability is not affected, according to chief executive Carlos Tavares (Campbell & Keohane, 2019). Chief executive Tavares has also later claimed that the company would seek compensation for continued production under unfavourable trade terms that would cause added costs when importing parts from Europe (Jolly, 2020).

BMW Group, another domestic producer in the UK, has informed that its output will be reduced under similar circumstances of a disagreement in free trade terms (Sachgau, 2019). Later, a company spokesperson has been quoted noting that its Mini brand, which currently utilizes the UK as a production and export hub, would not be dramatically affected by tariffs below 5 percent, nevertheless also stating a delay in new model production is imminent before the trade negotiations are finished (Taylor, 2020). In its annual reports, Brexit is widely covered as an example in contexts of global uncertainty and currency risks as well as changes in consumer behavior that might affect its future business outlook negatively (BMW Group 2020; 2019; 2018).

The UK's most significant producer of cars, Tata Motors, has signaled major concern over the Brexit uncertainty, releasing a statement in 2018 that called for "... greater certainty to continue to invest heavily in the UK and safeguard our suppliers, customers and 40,000 British-based employees" (Tata Motors, 2018), also citing losses of £1,2bn in the case of an unfavourable trade agreement. Furthermore, in its post-referendum annual reporting, the company has frequently cited the global economic and geopolitical environment as a major business risk in a broader sense and also named Brexit as a precise source of risk due to its scale of operations in the UK (Tata Motors 2018; 2017). In the most recently published annual report, the company informed of conducting a strategic scenario analysis that has weighed the results of a "no-deal

Brexit" on its capital funding, signaling sufficient funds to offset liabilities in the scenario (Tata Motors, 2019, p. 111), even though the CEO Ralf D. Speth is quoted as stating "an increasingly protectionist global trade agenda and ongoing Brexit uncertainty impact our ambitions for sustainable competitive growth" (Tata Motors 2019, p. 6) The company prepared for a possible abrupt Brexit without a trade agreement in October 2019 by planning to stop production for a week and change shift patterns for a cut in output at its production plants in the UK (Pitas, 2019). A week-long production stop was carried out even though the final Brexit was postponed, with CFO Adrian Mardell citing Brexit as a major disruptor and a significant risk that will affect the company's profitability (Gibbs, 2019).

4.2.2.2. Car Manufacturers Without Production in the UK

One of the leading importers, Daimler, withdrew a plan on starting production in the UK, after the Brexit referendum, as informed by chief executive Dieter Zetsche (Morrison, 2018). In its previous annual reporting, Daimler has also noted concerns over turbulence in the European market stemming from Brexit negotiations and uncertainty that might impact household spending and thus the financial performance of the company in its main market (Daimler 2017, p. 158; 2018, p. 146). South Korean importer Hyundai has stated possible difficulties to its business from tariffs between the EU and the UK due to operating production in Slovakia, an EU country (Nakajima & Moriyasu, 2019). What has also been stated by its vice president Lee Bo-sung is that Hyundai "may have an edge compared to global automakers which have their production lines in the U.K" (Nakajima & Moriyasu, 2019). Another South Korean manufacturer KIA, as well as Hyundai, has conducted significant bilateral trade with the UK due to the countries' free trade agreement (SMMT, 2018b), which was renewed to cover post-Brexit time in 2019 (BBC News, 2019). KIA has not given accurate company comments on Brexit, stating it to be too early to commit to any certain strategy regarding trade barriers (Trinkwon, 2019).

French automaker Renault has noted some Brexit-related concerns in annual reporting and most recently claimed broadly that Brexit will have an impact on the company's financial performance due to loss of economic stability (Renault Group, 2019). A statement made in 2016 by its CFO

Clotilde Delbos implies that it would not withdraw from the market under but raise its prices accordingly with the possible heightened costs (Jacobs, 2016). However, further comments on possible actions could not be identified.

Swedish manufacturer Volvo and the Japanese Suzuki Motor have not noted Brexit-related concerns in annual reporting, Volvo owning a market share of 2,49% and Suzuki of 1,29% in the British market (SMMT, 2020). Volvo's chief executive, Håkan Samuelsson has stated that a divergence from the established EU regulatory base would be costly for manufacturers, including Volvo, and would most likely be leading to a narrowed down selection of cars in the UK market, a notion preceded by governmental claims of possible British-only technological regulations (Campbell, 2020). Suzuki informed of a plan to cut costs and favor local procurement after the initial Brexit referendum under a "major impact" that Brexit would have on its operations, however the details of the plan were not communicated (Tajitsu & Coates, 2016).

Mazda Motor and Subaru, the last two Japanese manufacturers on the Global 500 list, have published somewhat statements on Brexit, with Mazda's UK chief executive Jeremy Thomson stating that "as a distributor we have always had to account for a tariff in our business model so if one is imposed on UK car imports it would level the playing field" (Goodwin, 2019). Subaru UK's managing director Chris Graham, on the other hand, has stated that "I don't think it (future after Brexit) will look any different if we are in or out of the European Union, that's our view as an importer", also noting that its products are shipped from Japan (Curry, 2019). When it comes to annual reporting, Mazda noted in 2019 that its economic performance has indicated a recovery trend despite disrupting factors, in which context Brexit is named (Mazda Motor, 2019, p. 38), demonstrating European sales trends that have remained stable. No mention of Brexit was found in Subaru's annual reporting.

4.2.3. Industry-specific Categories

The data extracted from the observation presented that concrete and definable actions were either planned or implemented by a slight majority of the companies, 11 out of 17, whereas overall concern was voiced by 15 out of 17 companies. Mazda and Subaru were identified as the outliers that gave published comments on Brexit but did not express concern. Eventually, four categories were formed: 1. no noticeable concern, no noticeable actions, 2. voiced concern, no major divesting actions, 3. planned and/or defined divestment and 4. implemented divestment.

In creating the industry-specific categories, some generalizing considerations were required in forming an accurate representation. The first step was defining the range of actions through data observation. The key findings at this point indicated somewhat similar tendencies among the companies to voice concern and present possible disruptions to company operations, especially when it comes to financial performance and especially noticeable in annual reporting. This observation lacked dimensions of comparison. Thus, the second step was defining divestment as the core of the taken actions, which was done based on the additional, more concrete data observed, since the majority of companies indicated divesting measures as a reaction to a possible unfavourable Brexit outcome, for example, Ford implying a need for protecting the business in the case of a drastic outcome (Sterling, 2019), and Volvo signaling a reduction in its car selection (Campbell, 2020). As a result, companies that remained broad and did not signal precise divesting actions were ruled into category 2, in which concern was voiced but major actions were not taken or defined. This category included Volkswagen, which informed of an inventory optimization strategy under the 2019 threat of an abrupt separation of the UK from the EU (Taylor, 2019), which was ruled a minor action and not divestment or a defined plan of divestment. Divestment was split into two mutually exclusive categories, one in which divestment was planned and defined publicly and one in which divestment was implemented. The definition of implementation was thus another key issue, yet somewhat straightforward in the end since sufficient additional data could be gathered in each case to support a thorough and comprehensive picture of whether the planned measures were implemented, except in the case of Suzuki, which had signaled cost cuts in 2016 (Tajitsu & Coates, 2016), but had not returned with results or concrete actions. Despite this, Suzuki was ruled in category 3, but with possible limitational considerations.

Furthermore, regarding the distinction between planning and implementation, Daimler informed of a withdrawal of a potential production investment due to the Brexit situation (Morrison, 2018), whereas Nissan informed of a withdrawal of an already established plan to produce an SUV in the UK (Pitas & McLellan, 2019). This distinction can be considered a borderline case between the two divestment categories, where in Nissan's case the investment was already published and thus the divestment implemented and on the other hand in Daimler's case the unpublished plan was withdrawn and later commented on. For the sake of clarity, it was ruled after further similar cases were not encountered that Daimler's actions did not facilitate a new category and would instead be considered a plan or more accurately a definition of divestment actions taken, thus belonging in the third category.

Honda and Ford posed another challenge for categorization regarding the explicit connection of an action to Brexit, which was a prerequisite for a valid observation. Even though the companies did not directly confirm the link to Brexit of in Honda's case the implemented gradual shutdown of a production facility (Pitas & Tajitsu, 2019) and in Ford's case the closing of one of its engine plants in the UK (Riley, 2019), additional evidence was observed and ruled a strong enough indicator so that an interpretive link could be sufficiently reasoned.

The data has been compiled into a graphical presentation, which depicts the situation as of 1 May 2020. In addition to the core categorization, the companies have been color-coded by their productional presence in the UK as was the situation before the Brexit referendum. The company's position on the Global 500 List is also presented in parentheses, the situation as of 1 May 2020.

Table 3, Car Manufacturing Industry Data Categorized

Car manufacturers	No noticeable concern, no noticeable actions	Voiced concern, no significant divesting actions	Planned and/or defined divestment	Implemented divestment	Production in the UK
Volkswagen (9.)		x			YES
Toyota Motor (10.)			x		YES

Ford Motor (30.)				x	YES
General Motors (32.)				x	YES
Honda Motor (34.)				x	YES
BMW Group (53.)			x		YES
Nissan Motor (66.)				x	YES
Peugeot (96.)			x		YES
Tata Motors (265.)			x		YES
Daimler (18.)			x		NO
Hyundai Motor (94.)		x			NO
Renault (143.)		x			NO
KIA Motors (227.)		x			NO
Volvo (253.)			x		NO
Suzuki Motor (357.)			x		NO
Mazda Motor (389.)	x				NO
Subaru (440.)	x				NO

5. Analysis and Results

5.1. Analysis of Empirical Results in Theory

For analytical clarity, the groups of companies in each industry will be continued to be sequentially presented according to their home regions in the case of the banking industry and according to productional presence in the UK in the case of the car manufacturing industry. This section will consider the theoretical framework in analyzing the underlying factors of strategy as observed in the empirical data gathering process.

5.1.1. American Banks

Regarding the actions of the American banks, it is clear that most of them have reacted by either moving staff and functions or even created new entities in the EU, more so than their European counterparts. The potential reasons for this are numerous and one possibility is that their existing business structure was especially unprepared for Brexit. Many American banks used the UK for conducting business in the EU, so when Brexit happened, their hand might have been forced since continuing as usual would not have been possible. The external uncertainty and the high number of competitors on the international banking market would, according to (Wernerfelt & Karnani, 1987) explain why they had to act to stay competitive. However, this also applies to European banks that generally have not been as eager to act. What the theory proposed by Wernerfelt & Karnani (1987) might be missing in this case is the different circumstances between banks, some have existing networks within the EU and others do not.

Although it is not a perfect description, categorization made by previous research can be applied to the firms to offer a better understanding of the motives behind their actions. Among Miller's five generic responses, the actions taken by American banks mostly seem to fit the description of the "Avoidance" strategy. Their expansion to other locations within the EU has consequently led to divestments within the UK. According to Miller (1992), an "Avoidance" strategy is suitable when a firm considers the risk in a geographic market to be unacceptable. As many American banks are deciding to move parts of their operations away from the UK market, it is reasonable to assume this is an opinion that they share. However, it is important to note that no American bank has relocated all of its UK operations. From the perspective of Laker & Roulet (2019) the American banks seem to have mainly adopted “Shifting” strategies. That is moving a significant part of their activities to safer locations (EU). This strategy is seen as proactive and aims at lowering risk by limiting exposure to the uncertain market. None of the American banks in this study has expressed plans of leaving the UK entirely, which means they do not follow the “Shifting” strategy completely but most of its characteristics are still there.

It could be argued that some American banks like Goldman Sachs show signs of what Miller refers to as Flexible strategy or what Hoffman (2011) calls an “Adapt” strategy. These strategies refer to a firm's ability to adapt to changes. Some American banks have demonstrated this ability thanks to their existing locations within the EU, which has made it easier for them to adapt to Brexit. It is something that is hard to implement after an event like Brexit, as it is often too late. Goldman Sachs was, thanks to its existing European network outside of the UK, relatively prepared for Brexit and was able to move some functions from the UK to its German subsidiary (Goldamn Sachs, 2019). Although a successful example of a flexible strategy, it is possible that it was simply a by-product of a general market expansion and not a deliberate move by Goldman Sachs in an event of the UK leaving the European Union. The actions by many American banks can also be seen as a sign of strong dynamic capabilities as they have been seemingly swift with moving functions or even creating new entities as a result of a changing economic environment (Barney, 1991).

5.1.2. European Banks

European banks have seemingly taken fewer significant actions in response to Brexit. Once again, this could be because they are in a relatively favourable position compared to banks from other regions, due to European banks typically having existing networks in the EU. Their situation could be considered a competitive advantage. This was brought up by the American bank Goldman Sachs that expressed concern over banks with advantage due to existing networks in the EU and that by moving more functions to the EU, it exposes itself to higher operational, regulatory and compliance costs all of which could negatively affect their liquidity and profitability (Goldman Sachs, 2019). From Porter's point of view, this could be an indication that the barriers of entry to the EU banking market are quite high, benefiting those already established in the market (Porter, 2008). It should come as no surprise that establishing new entities in the EU or even moving staff or functions there does come with costs, and firms that can carry on without having to engage in the actions mentioned will have an advantage over those that do.

Many European banks seem to be acting in line with something that resembles the “Disregard” strategy by Engau & Hoffman (2011). However, it would be incorrect to say that these banks completely ignore the situation and treat it as business as usual. Many of the banks have expressed their concern and shown awareness regarding Brexit, just that it has not resulted in any significant actions. Even though there are many European banks that have shown signs of a “Disregard” strategy, the European banks are not homogenous and there are some that have moved staff and created new entities due to Brexit.

The idea of dynamic capabilities (Barney, 1991) is interesting in the case of European banks since many of them have chosen not to act. It is an important aspect since it is not only believed to lead to competitive advantage but also be an inherent source in itself (Teece, 2012). As it concerns a firm's ability to adapt to changing environments, it is fair to assume that firms that have displayed change possess dynamic capabilities. Whether the changes made will be effective and lead to competitive advantage is beyond the scope of this study but it is apparent that they have at least tried and must have gone through the first step of “identification and assessment of an opportunity” explained by Teece (2012, p. 1396). It is, therefore, possible that the European banks that have not made any significant actions in response to Brexit might lack dynamic capabilities. However just because some banks have evidence of dynamic capabilities in the form actions regarding Brexit does not mean that it is something passive banks lack. It could be that banks that have not acted still have assessed opportunities but concluded that the best action is to stay put.

5.1.3. Canadian and Australian Banks

Canadian and Australian banks form the least coherent group and they represent a diverse set of strategies. Companies that implemented extensive changes to their operations in the form of new entities are, according to Wernerfelt & Karnani (1987), likely not to be risk-averse and might be looking for a first-mover advantage. In terms of the banking industry, Brexit represents external uncertainty since it is something political out of the realm of supply, demand and competitive uncertainty. If those banks who have moved are not risk-averse, Wernerfelt & Karnani's (1987) theory suggests that those that have not acted yet such as Westpac and Australia & New Zealand Banking Group might be. Of course, it could also be because these to Australian banks have a very limited presence in the UK but it should be worth noting that not any of the Australian or Canadian banks in this study have any major presence in the UK. Thus, potentially it is more of a question of the nature of the firm itself. If a risk-averse approach to Brexit will be a winning concept or not, time will tell.

In terms of existing categories of strategies that fit the actions of Canadian and Australian banks, there are several to choose from. It could be seen that banks such as Westpac and Australia & New Zealand Banking Group are following the "Disregard" strategy by Engau & Hoffman (2011) since they have chosen not to move functions or establish new EU entities. However, as already mentioned the motives of staying put can be plentiful and the exact motives of these two banks, in particular, are outside the scope of this study. The rest of the Canadian and Australian banks have acted by moving away from the UK which means that they to various degrees could be linked to the "Avoidance" strategy by Miller (1992), the "Avoid" strategy by Engau & Hoffman (2011) and the "Shifting" strategy by Laker & Roulet (2019). The banks most suited for these categories are most likely the Commonwealth Bank of Australia and National Australia Bank since they have gone further than the three Canadian banks Toronto-Dominion Bank, Bank of Nova Scotia and Bank of Montreal by creating new entities in the EU because of Brexit. For the Canadian and Australian banks, there could be an additional political or historical aspect potentially affecting their decisions regarding Brexit. Both nations are a part of the

Commonwealth and have a more shared culture and history compared to other countries represented in this study. Whether this aspect has affected the banks in their decisions regarding Brexit is difficult to conclude, but banks such as Westpac that have decided to stay put seems to take pride in being the "the oldest surviving foreign bank in the UK." (Westpac, n.d). Statements like this is a reminder that there can be many and sometimes unexpected factors behind strategic decisions.

5.1.4. Asian Banks

The Asian banks in this study stood as they included two banks that have responded by investing instead of divesting in the UK when faced with uncertainty. There are plenty of potential reasons behind the investments by the State Bank of India and KB Financial Group. When thinking of strategies that imply investments the "Control" response by Miller (1992) and "Adapt" strategy by Engau & Hoffman (2011) comes to mind. While they both can be seen as aggressive strategies aimed at gaining market shares, they are also associated with integration and mergers and acquisitions. This has not been the nature of the bank's investments in the UK. Instead, the investments might resemble more of a "no-regret move" which is a part of the "Disregard" strategy by Engau & Hoffman (2011). It means that the firm considers the action to be a good move regardless of the outcome of the uncertainty, which in this case is Brexit. The statement by the regional head of SBI UK saying "Our calculus is different. We see London as the ideal launch pad for a global presence and have full faith that, despite Brexit, London will remain the premier international financial centre." Khanna (2018) seems to support this. Of course, there were only two Asian banks out of five in this study that chose the route of investment, the other three decided to divest from the UK. This demonstrates the role of a firm's perception of the uncertainty on their subsequent action. Laker & Roulet (2019) make sure to press the importance of this and all their recommended strategies concerning uncertainty are based on the firm's perception of it. In practice, this means that even firms with seemingly similar situations can act differently to uncertainty.

It is a fair assumption to make that all firms in this study seek competitive advantage since it can lead to higher profitability (Grant, 2016). Brexit represents an unanticipated change in the economic environment and can, therefore, affect the valuation of a firm's resources and in turn their current competitive advantages (Barney, 1991). This is where the idea of dynamic capabilities comes into play. Dynamic capabilities refer not only to a way of changing in order to sustain competitive advantage, but it is also considered a source of competitive advantage in itself (Teece, 2012). As this concept concerns a firm's ability to change to developments in the economic environment it is easy to assume that the firms that have changed by investing or moved functions away from the UK, such as the Asian banks in this study, have good dynamic capabilities. However, according to the description of dynamic capabilities by Teece (2012, p. 1396), one of the clusters of activities and adjustments is "identification and assessment of an opportunity" or "sensing". While it is clear that the Asian banks have done this it is less clear if they have done it well and it is also possible that banks that have not acted in any significant way still engaged in the search of opportunity but concluded that staying put was the optimal strategic choice. The mere fact that companies have responded in such different ways to Brexit is an indication that the optimal action is not clear or that it differs significantly from firm to firm. Either way a firm with strong dynamic capabilities should have an advantage in this situation and many firms in this study has displayed proof of changing.

5.1.5. Car Manufacturers With Production in the UK

It can be stated that the tendencies of producing car manufacturers are an indication of a competitive global environment as the majority of these companies have either implemented or clearly defined contingency plans for the case of Brexit. If Porter's (2008) model of five forces is utilized in analyzing some general foundations, the level of competitive rivalry comes down to relative market power. As observed, no company holds a significant majority of the consumer market in the UK, even though Volkswagen Group's with its several significant brands can be identified as a market leader. The Western European car industry as a whole is facing competitive pressure from emerging markets in a global sense (Vosta & Kocourek, 2017) In addition, production in the UK does not seem to correlate with market performance in the UK, as the most prolific producers, Nissan and Tata Motors, do not appear in the top five in UK market share, also taking into account the fact that 80% of output in the UK is exported (SMMT, 2019; 2018), which is an indication that the market is more utilized as an exporting platform.

Furthermore, as far as Wernerfelt & Karnani's (1987) theory is concerned, the Brexit situation seems to gather together all four forms of uncertainty in how the companies' have perceived the situation, for example with BMW (BMW Group, 2019) presenting changing consumption patterns as a business risk (demand uncertainty), whereas Toyota (Inagaki, 2019) identified their just-in-time production methods being under pressure (supply uncertainty). In addition, competitive uncertainty can be perceived in how many companies are worried about their competitiveness and often link planned actions to a possible abrupt loss of it (Sterling, 2019; Tata Motors, 2018) and uncertainty stemming from externalities is very imminent in the Brexit situation, as it is by definition an outside factor political decision.

If Porter's (2008) model is even further utilized, it can be claimed that suppliers and buyers have significant power on the market as well, stemming from the identified uncertainties. Keeping in mind that the UK is mostly an export platform for the producing companies (SMMT, 2019; 2018), there is a threat of suppliers avoiding the market as well as consumer buyers postponing investments in new cars, in addition to distributors in the export markets facing possible additional tariff costs as well. Thus, production in the UK might not be desired in the tariff-inducing scenarios of Brexit. This hypothesis is supported by the tendencies of some companies to act swiftly in a way described by Wernerfelt & Karnani's (1987) model. However, in this situation, the action is performed in a reverse manner, where first-mover advantages realized in moving out of the market rather than in the market can be seen as a driving force behind the observed risk controlling actions. In this sense, also the non-active role of Volkswagen can be seen as an indicator of Wernerfelt & Karnani (1987) in action, indicating the flexibility of market leaders to wait rather than act quickly. Nissan, on the other hand, forms a possible interesting case of a less risk-averse market follower attempting to make a radical move and point their focus to the market with its alleged plan of centring resources into gaining market share in the UK (Campbell & Inagaki, 2020), as also proposed by Wernerfelt & Karnani (1987).

In previously proposed categorization frameworks, the behaviour of most companies in this group is split between the types of approaches described by the "Reduce" category by Engau & Hoffman (2011) or the somewhat similar "Hedging" approach by Laker & Roulet (2019) and second of all the "Avoidance" and "Avoid" categories identified by Miller (1992) and Engau & Hoffman (2011), respectively and depending on the view of the observer. In general, nearly all car manufacturers with production in the UK have attempted to rethink their operations either in preparation or by implementing the changes as well. The contingency plans of companies such as Peugeot and Tata Motors were found to be noticeably centred and dependent upon the financial effects of an unfavourable trade agreement, signalling the use of information gathering techniques as defined by Engau & Hoffman (2011), for example through the use of scenario analysis in the case of Tata Motors (Tata Motors, 2019). What Laker & Roulet's (2019) "Hedging" category might be missing in interpreting this situation are the capital requirements among producers that cause a movement away from the market to possibly be irreversible and in fact a major rather than a minor action, pointing more towards the relevance of the "Reduce" category by Engau & Hoffman (2011) instead. As a definitive example regarding the avoidance categories, General Motors's radical actions of abandoning the European market altogether (Isidore, 2017) certainly point towards total avoidance of uncertainty, However, the other production movers such as Honda and Ford have not fully abandoned the market and will remain as sellers and distributors, which might in fact reduce the suitability of the "Avoid" or "Avoidance" categories in this context. It can be argued that these companies might as well fit into the "Reduce" category. All in all, the previously established frameworks have weaknesses when it comes to interpreting the situation.

Finally, the nuances in the differing strategies of companies are an indicator of their different organizational cultures. Even though most companies have seemingly reacted in a similar way, the motivations and especially the next steps might vary, as observable by Nissan's alleged contingency strategy (Campbell & Inagaki, 2020), which might in fact fall under the “Salvaging” or “Rebalancing” categories by Laker & Roulet (2019) in the long run. Concluding remarks about the dynamic capabilities or the ampleness of their decision modes of these companies should be made with caution. However, what can be stated is that a company that trusts its dynamic and organizational capabilities might be able to withstand uncertainty for longer, as high strategic performance and the continuous observation of challenges and possibilities are generally related (Teece, 2012, Higgins, 2005). In addition, the short term loss of competitive advantage might not be irreversible under these premises, also making different types of strategies possible with a long term scope (Barney, 1991). As Mintzberg (1972) presented, the definitive factor in strategy is the continuous pattern.

5.1.6. Car Manufacturers Without Production in the UK

An initial hypothesis would tell that manufacturers without production in the UK would be more flexible and in general have more freedom in interpreting the situation for the best of their business due to the lack of capital investment in physical production facilities. Categorically, this seems to be correct in the sense that none of the observed companies was found to be having implemented divesting actions. In previous categorical models, this type of approach would point towards the “Disregard” strategy defined by Engau & Hoffman (2011) due to the lack of implemented actions. Especially the South Korean Hyundai and KIA and perhaps even more strongly Mazda and Subaru have taken a “Disregard” strategy either due to favourable trade relations (Nakajima & Moriyasu, 2019; SMMT, 2018b) or due to market positions (Goodwin, 2019; Curry 2019). In a larger scheme of things, the planned actions such as the cutting of consumer product variance by Volvo (Campbell, 2020) or the raising of prices by Renault (Jacobs, 2016) could be an indication of the “Reduce” strategy by Engau & Hoffman (2011) with the risk reduction strategy, in this case, being on hold waiting for implementation. The flexibility involved in this situation might fit under Miller’s (1992) “Flexibility” strategy but its definition is not necessarily the best fit for the Brexit situation as flexibility as understood by Miller might not in fact be a choice but a necessity for globally successful multinationals in risk mitigation (Kogut, 1993).

The competitive implications of strategic choices should include the notion that if similarly observed in Wernerfelt & Karnani's (1987) model, the companies not having production in the UK are already "first movers" out of the market and thus might realize a competitive edge if the unfavourable scenarios of Brexit create a trend of market abandonment. As on the other hand evident in no companies presenting more actual investment on the UK market in this group, or in fact among car manufacturers in general as of now, the first-mover advantages in radical market grasping actions on the British market can be perceived as lacking. However, total abandonment of the consumer market does not seem to be the plan of any of the companies either. In any case, the industry environment in Great Britain might somewhat lack the threat of new entrants as defined by Porter (2008) from a production standpoint. This eases the competitive pressure on the producing manufacturers in the UK, should they conclude on their behalf that continued production is viable, but the Brexit uncertainty also increases global competitive pressure as an unprofitable consumer market is a significant concern for Daimler (Daimler 2017, p. 158; 2018, p. 146) and Volvo (Campbell, 2020), even though the major physical capital risk is lacking as non-producers.

From a dynamic capabilities standpoint, the companies without production in the UK might be missing some obstacles regarding resource mobilization (the "seizing" stage) and on the other hand gaining some benefit in the freedom of opportunity assessment (the "sensing" stage) in not being as tied to the market as the producers (Teece, 2012). This does not, however, remove the requirement to keep on scanning the business environment for opportunities to gain a competitive advantage (Grant, 2016). It can be stated that the South Korean manufacturers KIA and Hyundai, which benefit from favourable trade relations between South Korea and the UK, the continuity of which has already been established (BBC News, 2019), are among the most competitively advantageous companies in the Brexit situation as of now. Strategic performance is traditionally measured as a multi-dimensional product, consisting of organizational variables centred around the skill sets and structures as well as communicational patterns of the organization (Higgins, 2005). Especially in the case of KIA, the company has externally presented a somewhat passive approach (Trinkwon, 2019) even after ranking in the top 5 among import brands in the UK, which might be an indication of trust in its capabilities to interpret the market situation and be able to swiftly construct a consensual strategic approach in a complex multinational environment, as described by Teece (2014). However, only hypothetical conclusions can be made as it can similarly also be an indication of lacking the “sensing” capabilities (Teece, 2012) and thus ending up with non-optimal strategies. The identified outliers of the data, Mazda and Subaru, pose a further challenge for hypothetical conclusions. These companies lack any communicated concern, which can indeed also be considered a strategy of its own and a possible sighting of a “business as usual” approach (Engau & Hoffman, 2011), where the UK market might not be considered crucial for company performance. These companies’ combined market shares of 1,52% in the UK might support this view (SMMT, 2020).

5.2. Categorical Clusters Proposal

The further interpretation of empirical data will be conducted by proposing categorical clusters based on identifiable similarities of the initially observed industry-specific categories. The categories in both industries have been grouped by combining the characteristics of each category with a consideration of the industry environment. A brief statistical evaluation is also conducted. The hypothesized categorical clusters are the following:

1. No significant action (including applying for necessary authorization to work from the UK) (banking industry) + Voiced concern, no significant divesting actions (car industry)
    - This grouping gathers together companies in both industries that have reacted to the situation with relatively minor actions or no actions at all.
    - Representatives found in the following groups of companies: European banks (46,6%), Canadian and Australian banks (28,6%), American banks (12,5%), car manufacturers with production in the UK (11,1%), car manufacturers without production in the UK (37,5%)
    - Most significant cluster for: European banks, car manufacturers without production in the UK (tied with cluster 2)

2. Movements of staff or functions away from the UK (banking industry) + Planned and/or defined divestment (car industry)
    - This grouping gathers together the companies in the car industry that have not yet moved away or made divesting actions in the UK but have instigated planning procedures for a future force majeure situation, and the companies in the banking industry that have begun similar risk mitigation with minor steps.
    - Representatives found in the following groups of companies: American banks (50%), Canadian and Australian banks (42,9%), European banks (33,3%), Asian banks (20%), car manufacturers with production in the UK (44,4%), car manufacturers without production in the UK (37,5%).
    - Most significant cluster for: American banks, Canadian and Australian banks, car manufacturers with production in the UK (tied with cluster 2), car manufacturers without production in the UK (tied with cluster 1)

3. Created new entities in the EU (banking industry) + Implemented divestment (car industry)
    - This grouping gathers together the companies that have already taken significant actions to mitigate the uncertainty related to Brexit.
    - Representatives found in the following groups of companies: American banks (37,5%), Canadian and Australian banks (28,6%), European banks (20%), car manufacturers with production in the UK (44,4%).
    - Most significant cluster for: Car manufacturers with production in the UK (tied with cluster 2)

4. (Outlier grouping) Invested in the UK (banking industry) + No noticeable concern, no noticeable actions (car industry)
    - This outlier grouping gathers together the few companies that have noticeably chosen an alternate path to the situation in both industries.

- Representatives found in the following groups of companies: Asian banks (40%), car manufacturers without production in the UK (25%)
- Most significant cluster for: Asian banks.

What needs to be noted is that the industries have their own distinctive characteristics, rendering a straight-forward clustering difficult. For example, the banking industry as a service industry is characterized more by capital dynamics (Berger, 2003), than the car manufacturing industry, which requires such physical capital investment that it is by definition a more stationary industry (Chanarron, 1998). Especially when it comes to the second cluster, this notion was taken into account in relation to analytical clarity by interpreting minor movements of human or intellectual capital in the banking industry to be of roughly the same gravity as the communication of initial planning procedures for movement of capital in the car industry, as both were seen as signalling preparatory measures. An additional notion is that the fourth cluster has not been based on interpretive similarity and instead based on similarity in alternativity related to other companies in the industries. Without wholly discarding the data, the purpose of the cluster is to present a possibility of further clusters if the research strategy is expanded beyond our confines.

5.3. From Clusters Into Categories

In accordance with the theoretical implications identified in section 5.1., the proposed clusters will be developed forward into core categories that present possible motivations behind company behaviour, which is an extended view from the similarities between the initially observed industry-specific categories. All the gathered data is not revisited in this section, its purpose is to create general conclusions. Appendix 3 provides the full listing of companies by category.

5.3.1. Stay Put

This strategic grouping is formed by the members of categorical cluster 1. Comprising of a majority representation (>33,3% if cluster 4 is considered an outlier) of European banks and car manufacturers without production in the UK, this category gathers together the companies that generally seem to have reasons to believe not to be as greatly affected by any Brexit situation that it would require major actions. Its name indicates a tendency to stay static in the larger scheme of things. Among European banks, a natural explanation is the mitigation of risks due to the banks' home region and the resulting competitive advantage. As Brexit by definition concerns the implications of future financial relations between the EU and the UK, banks from Europe generally remain vulnerable only in the relationship of the UK market with markets outside the EU as they seemingly already have sufficient ties and branches in what will remain the future EU market. This does not seem to be a significant concern for many and banks such as BNP Paribas (2018) and DZ Bank (2018) have communicated a lack of negative impacts of the situation. This category is related to the "Disregard" category identified by Engau & Hoffman (2011) but the notion of concern makes it somewhat different.

Car manufacturers without production in the UK have possibly benefitted from a lack of vulnerability of significant capital investments in the UK market. This has facilitated a non-active approach among some operators, some of which such as KIA and Hyundai might even be in a favourable position in the future, as observed. The third representative company, Renault, suffers from a lack of available data regarding the issue, even though the Brexit impacts have been briefly commented on (Renault Group, 2019). It could thus also be hypothesized that these companies lack the "sensing" dynamic capabilities as defined by Teece (2012) and lack a reaction due to it. However, empirical evidence also points towards the utilization of calculative measures especially in how Hyundai has addressed the issue (Nakajima & Moriyasu, 2019). Further conclusions would require the Brexit agreement to be finalized and further reactions to be observed as a result.

Finally, the outlier companies that represent this category among the groups whose main representation is in the other clusters most likely have reasons related to their organizational capabilities or simply their position on the market to act in a way that is not as active as the majority of peer companies. This strategy points towards high levels of competitive rivalry as defined by Porter (2008), which brings a deeper strategic level of competition to the forefront. The outlier companies might perceive their strategic performance and dynamic capabilities strong enough and to remain competitive under uncertainty and in reaction to possible obstacles (Teece, 2012; Higgins, 2005). For example, Volkswagen can be hypothesized to benefit from its somewhat dominant market position among car manufacturers in addition to its limited production in the UK, enabling it to take a more passive route of action. Similarly, Capital One among American banks already has existing major entities in the new EU area and has not communicated any mitigating actions regarding Brexit as a presumably causal relation (Capital One, 2019).

5.3.2. Plan and Prepare

Cluster 2 forms this category grouping. Majority representation is reached among American banks, Canadian and Australian banks, car manufacturers with production in the UK and car manufacturers without production in the UK. This category includes those with a more active approach than a mere communication of concern. These companies have also defined and communicated their contingency plans and other drafts of possibly implemented actions to the public. In the case of banks, some minor implemented actions have already been taken as well, consisting of staff movement and functional rethinking, signalling preparatory measures for a possible more forcing situation. The name of this category leans towards preparation. It could also be called "Adapt", a name already used by Engau & Hoffman (2011). However, considering the ongoing nature of the Brexit situation, we believe that adapting to the final results of Brexit has not been completely initiated as of yet among these companies. Thus, this name signals the preliminary nature of the taken steps. Alternatively, also the "Reduce" strategy proposed by Engau & Hoffman (2011) could fit in this context as an interpretive example, where the reduction of uncertainty is attempted by active, yet non-implementing means.

The theoretical base for this category can again be formed by the vulnerabilities and perceived strengths of the companies. Some American banks in this category are notably open about their weaknesses regarding the situation. For example, Goldman Sachs (2019) has communicated a vulnerability based on moving its operations to the new EU area, which would require significant resources and time. This might be an indication of the lack of the "seizing" dimension of dynamic capabilities as organizational elements hinder the reactional processes (Teece, 2012). However, remaining in a preparatory phase can also give a message of the situation being under control, which is the strategy that for example the Bank of Montreal (2019) has communicated. This would in fact signal that the capabilities of the firm would be sufficient to maintain its competitive position (Barney, 1991).

In general, car manufacturers lack optimism regarding the situation. Even when productional capital is not tied to the UK market, manufacturers such as Daimler (2018, p. 146) have signalled worries of competitiveness in regards to the wider European consumer market, which might suffer from Brexit's consequences. Some of the more worrying outlooks include Tata Motors' (2018), which has appealed for an optimized Brexit agreement to keep its British production on track. All in all, an industrial borderline can be identified in how none of the car manufacturers in this category show real optimism regarding the Brexit situation. It can be stated that when physical rather than financial capital is under threat of anti-free trade measures, it requires a rethinking of supplying and distribution methods on a wider scale, especially among multinational and complex organizations (Teece, 2014). This is evident in how many of the car manufacturers in this category have prepared for previous instances of final Brexit by minor actions of gathering supplies and cars into the UK market (Wissenbach & Taylor, 2019; Satake, 2019; Pitas, 2019) and simultaneously communicated a temporary relief from these kinds of actions, perhaps signalling an even stronger weakness in "seizing" the situation by dynamic capabilities (Teece, 2012) than the worried banks. This view is partly supported by the actions of the main group of outliers, European banks, one-third of which belong to this category, as some of these companies have commented on limited vulnerabilities even when making preparatory changes (Landauro, 2018; White, 2019). Thus, the motives and reasons to remain in a preparatory phase can be considered various especially when the industry environments are combined.

5.3.3. Move

This category is formed by cluster 3 and contains those firms that have already implemented major actions in alleviating the risk of uncertainty and possible harming conclusions related to Brexit on their operations. A majority representation is reached by American banks and car manufacturers with production in the UK. The name of this category is somewhat definite but it, in fact, includes different ranges of movement from completely away from the UK market as General Motors did or the establishment of new major entities in the EU without abandoning the UK as done by many of the banks. This category is supported by what Miller (1992) defined as "Avoidance" and what Engau & Hoffman similarly named "Avoid". In regards to the varying range of the state of avoidance among the firms, however, the definitions are not completely similar.

It could be stated that these companies are characterized by good dynamic capabilities, as demonstrated by their abilities to implement substantial reactions to the Brexit situation while it is ongoing and thus "seizing" an opportunity (Teece, 2012). However, this could be somewhat of a simplified overall conclusion. The end results of uncertainty are unpredictable by definition and it is also clear that Brexit could not be easily predicted (Hobolt, 2016). Many companies have benefitted from existing networks and organizational emphases and thus been able to react more swiftly than peers that have not had such advantages and might have been forced to stay in preparation, especially among car manufacturers. For example, Tata Motors conducts a significant portion of production in the UK for its traditional British brands Jaguar and Land Rover, which could hamper its dynamics in competitiveness (Tata Motors, 2018), whereas Honda with limited organic ties to the UK market might have been more eager to close its only UK production plant and conduct trade with EU countries from elsewhere (Vincent, 2019). In this case, the advantageous dynamic capabilities would be case-specific.

When it comes to banks, the main motivation to create new entities in the EU has seemingly and quite logically been to mitigate the UK's possible financial isolation from the EU market (Bank of America, 2020; Morris, 2019). The first-mover advantages of this type of scenario as defined by Wernerfelt & Karnani (1987) would be tied with a lack of risk-wariness. This is supported by what Goldman Sachs (2019) has mentioned related to not taking major steps outside of the UK that the existing networks of competitors in the EU would make it tough to gain a competitive advantage. However, it could also be stated that the risk of staying only tied within the UK would also be considered substantial, as demonstrated by Bank of America's substantial new entities in the EU (Bank of America, 2020). Thus, these contradicting views present a firm-specific consideration of the strengths of the companies as defined by Higgins (2005) as well as what are perceived to be the unduplicatable elements of success and sustained competitive advantage (Barney, 1991). In conclusion, this category demonstrates a lack of trust in capturing competitive advantage in the future UK market more strongly than the other categories.

5.3.4. Alternate

This category is unpredictable by nature and lacks elements for a valid generalization, such as an adequate representation among the data and is in fact constructed by two varying approaches - investment and showing no concern or taking action. It is formed by the firms in cluster 4, which consists of the two banks out of 35 and the two car manufacturers out of 17 that had notably taken an alternative approach to the Brexit issue and formed their own industry-specific categories. These types of actions however interestingly clearly signal the occurrence of the "Control" strategy category by Miller (1992) and the "Disregard" category by Engau & Hoffman (2011) in the Brexit context in small numbers.

This category can be seen as signalling a strong trust in the UK market and its possibilities even when Brexit is finalized, as indicated especially by the State Bank of India (Khanna, 2018). In addition, it might signal trust in the company's internal capabilities in interpreting the situation and demonstrate utilization of the "seizing" dimension of dynamic capabilities (Teece, 2012). What it could also signal is that the UK is not among the most crucial markets for companies, as on the other hand hypothesized to be the rationale behind Mazda's and Subaru's passive strategies in addition to a lack of capital ties. However, the results of representing this category as linked to strategic performance (Higgins, 2005) are unknown until the benefits of strategic choices are later observed in the finalized Brexit context. All in all, this outlier category might be an interesting future research subject, should the range of observed data and an expanded research strategy enable it. As of now, the category remains one of which only limited conclusions can be drawn.

5.4. Limitations

To present possible limitations related to the chosen analysis structure, it is first of all required to note that the generalization of industry groups' behaviour carries somewhat of a risk of misinterpreting the situation, which is also related to the interpretive nature of the grounded theory approach (Suddaby, 2006). As is indicated by the gathered empirical data, the approaches to the situation differed strongly within the observation groups. When identifying the clusters, none of the clusters could be considered unambiguously the choice of all companies within the groups. This naturally demonstrates the role of strategy as a source of firm-specific competitive advantage as well as the different organizational complexities (Grant, 2016). If approaches were similar, the research environment would lack analytical variety.

The generalization of the different industries into singular entities of categorization was based upon a coding strategy that looked to identify common characteristics in what we believe was more accurately coded within the industry environments. The reasoning for this was to develop a categorization model that could cover several industries in one and be expanded beyond the industries of interest for this research. However, this can be seen as an ambitious strategy and the theoretical framework could be criticized for its somewhat merely suggesting thematics demonstrated in how watertight conclusions regarding dynamic capabilities or relative strategic performance could not be drawn. This limitation could be alleviated with a more focused research strategy.

Furthermore, when it comes to both groups of car manufacturers, the allocation between clusters showed a high level of ambiguity and the presence of companies in the clusters was found to be evenly tied in multiple cases. When on the other hand observing within the clusters, ambiguity was encountered as well in how even though the companies would fall under similar definitions of industry-specific categories, the approaches and motivational factors were in fact different. This limitation was intended to be dispelled with the theoretical commentary of the empirical data in section 5.1. However, a study of interpretive nature cannot go beyond its guidelines of making reasoned proposals rather than identifying a definitive truth (Charmaz & Belgrave, 2007). Thus, the eventual categories can be considered hypothetical and up for future observation and validation just as the previous categories regarding the subject were presented in a validating sense in this study.

6. Conclusions and Implications for Future Research

6.1. Concluding Results

The goal of this study was to observe the behaviours of multinational companies in answering ongoing uncertainty that is beyond their control. The purpose was to complement previous research in uncertainty and strategy, especially in a political context. This was carried out by focusing a grounded theory research approach on a singular recent case of such uncertainty - Brexit, which was also identified to be a precedent case of uncertainties stemming from political decisions with global implications. What is characteristic of Brexit is that it has led to several years of speculation and enlightened guessing (Frick, 2019) due to the end results not being clearly predictable. As presumed, this has led to actions being taken by multinationals that feel vulnerable to the effects of the different possible results in securing their advantages. Thus, the more precise interests of this study were to first of all form a picture of the range of actions taken and analyze the underlying strategic components. In addition, a common categorization of these actions was attempted in relation to the theoretical framework and previous categorical models related to strategies under uncertainty. To restrict the scope of the research and in order to conduct a structured analysis, a thorough observation was limited to the successful multinationals of the car manufacturing (automotive) and banking industries. The observed companies were identified by utilizing the Fortune Global 500 list and two research questions were formed.

1. What actions have multinational banks and car manufacturers operating with or within the UK taken or planned in direct response to the uncertainties resulting from Brexit?

It is fair to conclude that the actions have been diverse as they ranged from withdrawing from the European market completely to investing more in the UK market. If an underlying theme is to be identified, it would be concern, as concern over the situation was communicated among nearly all observed companies. This is most likely considered a necessity among multinationals linked to the situation, the performance of which carries natural implications for global financial markets as does Brexit itself (Dhingra et al. 2016; Davies & Studnicka, 2018). However, it was the following steps that varied. Whereas some companies presented contingency plans in various levels of detail up for implementation in the case of an unfavourable outcome, some had already reacted by moving away from the source of risk, should it be the EU or the UK. In addition, some rare occasions of investment in the UK among the banks studied were identified along with a stance of not displaying any level of concern among car manufacturers. In general, across the two industries, there was no dominant action or strategy that was identified. However, although no company naturally had acted or done the exact same thing in response to Brexit as another, the creation of a core of industry-specific categories showcasing the general actions was successfully performed utilizing a structured coding process (see section 4. and tables 2 & 3).

2. How can the actions of banks and car manufacturers be categorized utilizing a common framework of theories and in relation to previous categorical models?

The industry-specific categories formed the base for analyzing this question. The categories identified in the data coding process were further analyzed in trying to find the theoretical implications of the differences between companies. The framework that was utilized consisted of strategic theories that addressed the industry environment as well as the individual characteristics of strategically successful firms. It was proposed that a tendency to act quickly might be related to strong dynamic capabilities aligning with a favourable competitive position. Similarly, a passive strategy was linked to organic risk mitigation and competitive advantage factors. On the other hand, the choice to remain actively in a preparatory phase was found to possibly indicate organizational trust in the company's reactiveness or contrarily signal of a willingness to react but having no immediate possibility due to internal or external factors. The analysis was kept on a broad level in order to achieve enough of ground for a core categories proposal among the two different industries, with ambitions for enabling the scaling of the proposed model further in the future (O'Reilly et al. 2012).

During the analytical process, three previous categorical frameworks were evaluated in addressing the Brexit situation and how companies have reacted. Without addressing their empirical suitability in other situations, these models were found to have weaknesses substantial enough in the Brexit context that a novel category proposal was facilitated to more accurately grasp its characteristic elements. However, some possible overlapping similarities were identified and discussed. Finally, the concluding results of this study consist of three theoretically and empirically grounded categories - "Stay put", "Plan and prepare" and "Move". The fourth category - "Alternate" - is a hypothetical outlier based upon observed occurrences requiring further and more focused research for concluding remarks.

6.2. Future Research Possibilities

This study has dealt with strategy in response to Brexit and strategy under political uncertainty in general. The research field was found to be surprisingly underutilized in previous literature. This together with the fact that Brexit is still relatively recent and as of writing this study still not finalized means that there are many possibilities in terms of further research as well. The research strategy of this study was intentionally interpretive, leaving the conclusions open and up for extending validation. Additionally, since this study focused mainly on the banking and automotive industry it could be valuable to research other industries. This could potentially enable broader generalizations on strategy in response to Brexit. When it comes to generalization on possible further occasions of similar political uncertainty, the validity of the identified categories could be an interesting subject up for further empirical testing. We believe that the generalizable elements of the categories are enough of a ground for this type of extension.

Since the strategies and actions were identified to be diverse, it would, of course, be interesting to study the actual effectiveness of the different approaches, both in the categorical context as well as individually. This could potentially be done by revisiting the firms observed in this study to see how their strategies turned out. Unfortunately, the success of a complex multinational firm does not necessarily mean that their Brexit strategy was successful so it might be difficult to measure. Nonetheless, finding which strategies are successful is a natural end goal of strategy research. Therefore this approach is still interesting and might be possible either by studying the companies in detail or by looking for statistical differences between the categories in terms of suitable key performance indicators.

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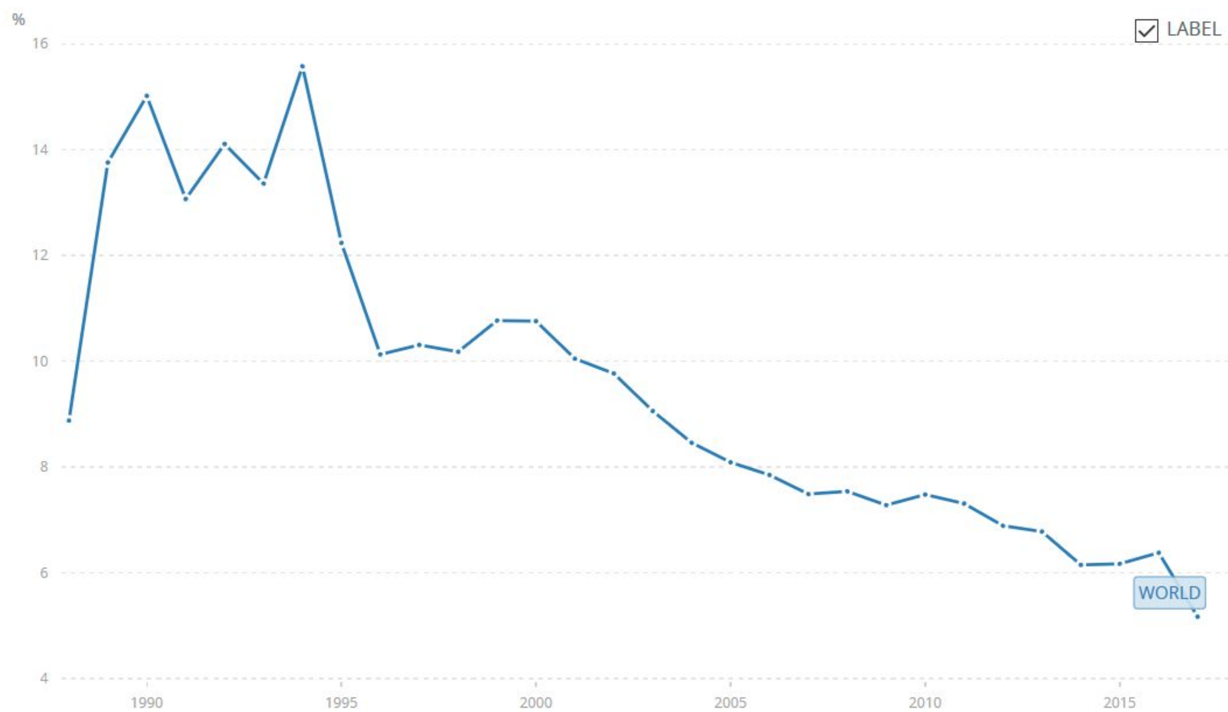
Appendix

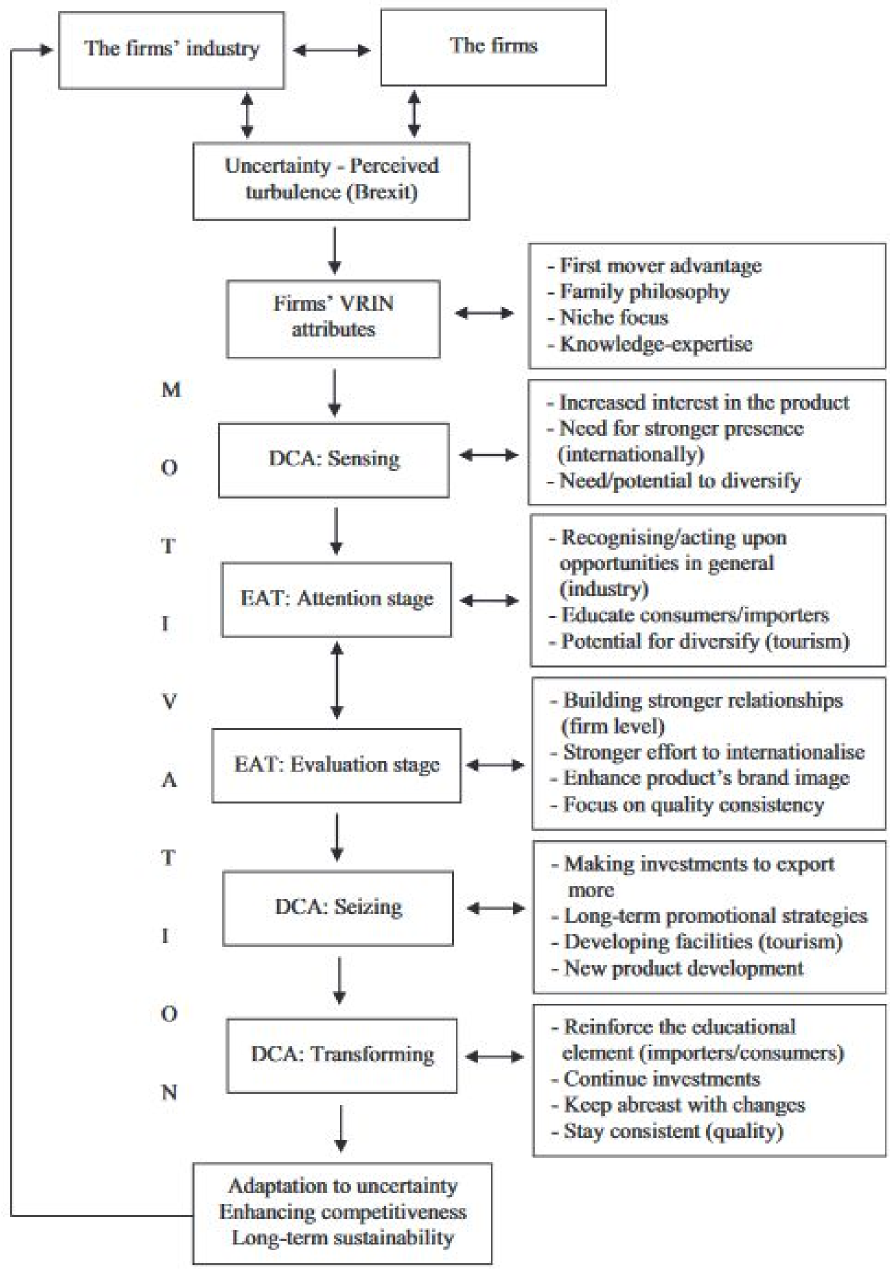
Appendix 1

World Bank data chart "*Tariff rate, applied, simple mean, all products (%)*" as of 28 April 2020. Available online: https://data.worldbank.org/indicator/TM.TAX.MRCH.SM.AR.ZS



Appendix 2

Common constructed framework of EAT (entrepreneurial action theory) and DCA (dynamic capabilities approach) as presented by Alonso, Kok & O'Brien. (2019).



Sources: Eisenhardt and Martin (2000); McMullen and Shepherd (2006); Mitchell and Shepherd (2010); Teece (2007, 2014a); Teece *et al.* (1997)

Appendix 3

This table gathers together the individual companies in terms of the proposed categorical model.

Stay put	Plan and prepare	Move	Alternate
Capital One Financial	JPMorgan Chase & Co	Bank of America Corp.	KB Financial Group
Banco Santander	Goldman Sachs Group	Wells Fargo	State Bank of India
BNP Paribas	Morgan Stanley	Citigroup	Mazda Motor
Deutsche Bank	U.S. Bancorp	Société Générale	Subaru
Intesa Sanpaolo	crédit Agricole	Barclays	
DZ Bank	HSBC Holdings	Lloyds Banking Group	
Unicredit Group	UBS Group	Mizuho Financial Group	
Rabobank Group	ING Group	Commonwealth Bank of Australia	
Westpac	Credit Suisse Group	National Australia Bank	
Australia & New Zealand Banking Group	Mitsubishi UFJ Financial Group	Sumitomo Mitsui Financial Group	
Volkswagen	Toronto-Dominion Bank	Ford Motor	
Hyundai Motor	Bank of Nova Scotia	General Motors	
Renault	Bank of Montreal	Honda Motor	
KIA Motors	Toyota Motor	Nissan Motor	
	BMW Group		
	Peugeot		
	Tata Motors		
	Daimler		
	Volvo		
	Suzuki Motor		