



Department of Business and Management

MSc. International Business Economics

CHALLENGES OF UK SMES EXPORTING TO THE EUROPEAN  
MARKETS IN THE POST-BREXIT PERIOD  
INSIGHTS FROM THE AUTOMOTIVE MANUFACTURING AND  
FOOD PRODUCTION SECTORS

Daniel Hrtan

Master Thesis


10<sup>th</sup> semester

2021



## STANDARD TITLE PAGE FOR PROJECTS

To be completed by the student(s)

Subjects: <b>(tick box)</b>	Project:	Thesis: x	Written Assignment:
Study programme:	Economics and Business Administration (International Business Economics)		
Semester:	10 <sup>th</sup> Semester		
Exam Title:	Master Thesis		
Group Number:			
Names + Student Nos of group member(s):	Name(s)	Student Number(s)	
	Daniel Hrtan	20173216	
Submission date:	1 <sup>st</sup> June 2021		
Project Title /Thesis Title	Challenges of UK SMEs exporting to the EU markets in the post-Brexit period: insights form the automotive manufacturing and food production sectors		
According to module description, maximum number of characters/words/pages of the paper	60 pages (144.000 characters)		
Number of characters/words/pages (Standard page = 2400 characters including Tables and Figures, excluding References, Appendices, Front Page, Table of Contents)	129.603 characters		
Supervisor (project/thesis):	Prof. Marin Marinov		
<p>I hereby declare that the work submitted is my own work. I understand that plagiarism is defined as presenting someone else's work as one's own without crediting the original source. I am aware that plagiarism is a serious offense, and that anyone committing it is liable to academic sanctions.</p> <p>Rules regarding Disciplinary Measures towards Students at Aalborg University:  <a href="http://www.plagiarism.aau.dk/Rules+and+Regulations/">http://www.plagiarism.aau.dk/Rules+and+Regulations/</a></p> <p style="text-align: center;">   <u>1<sup>st</sup> June 2021</u>  Signature and date </p>			

## Abstract

**Research Purpose:** The aim of the thesis was to investigate the impact of the consequences of Brexit (the UK leaving the EU, the Single Market, and the Customs Union and subsequent implementation of the EU-UK Trade and Cooperation Agreement after the transition period), on UK small- to medium-sized enterprises that export to the markets in the EU. The contextual focus of the paper was placed on the automotive manufacturing and food production sectors. The aim was to identify specific export barriers and factors hindering exporting, along with their impact on the internationalisation strategies of UK SMEs.

**Methodology:** Semi-structured interviews with export managers of randomly selected UK SMEs within their specific industries was the main method chosen for the paper. Thematic approach to analysis was implemented utilising the NVivo software for qualitative analysis.

**Findings:** The findings suggest that there are several export barriers and factors affecting exporting as a result of the new relationship between the EU and the UK. They relate to requirements of documentation of rules of origin, certificates, and other country- and product-specific barriers. Among the factors hindering exporting are logistic firms, which offer limited services at increased prices as they face new procedural barriers associated with the consequences of Brexit. All of the factors and barriers impact the UK SMEs' business development, their existing customers, and costs associated with exporting. UK SMEs need to balance between choosing alternative market entry modes in the EU or alternative markets outside the EU to diversify the risks and uncertainty associated with the new relationship. Some UK SMEs have taken specific steps in redefining their internationalisation strategy, mainly through exporting to the Middle East and Asia.

**Limitations:** The results of the thesis have several limitations. Firstly, from the context of the research, the findings are limited to their country-specific context, the UK. Secondly, the industry-specific context is also crucial and limiting as UK SMEs in other industries may encounter challenges that are different than those in this research. Lastly, the phenomenon of Brexit and

its consequences is recent and therefore may evolve over time to a different situation where the business environment may become more favourable to the UK SMEs or place them in a disadvantageous position.

**Keywords:** Brexit, EU-UK TCA, SMEs, exporting, export barriers, internationalisation, strategy,

## Acknowledgements

First and foremost, I would like to express my gratitude to my thesis supervisor prof. Marin Marinov, for his guidance and feedback throughout the process of the thesis development. The completion of the thesis would not have been possible without his support and encouragement.

I would like to extend my thanks to the professors and staff of Aalborg University, for their knowledge and friendly environment throughout my studies. They provided me with invaluable skills and competences for the future. Special thanks should also go to the export managers, who participated in the research, albeit confidentially. They provided me with deep insights into the research area and without their help, the thesis would not have come to its existence.

Finally, I am very grateful to my partner, family, and friends for their incredible support, encouragement, and patience throughout the thesis period.

# Table of Contents

<b>ABSTRACT .....</b>	<b>3</b>
<b>ACKNOWLEDGEMENTS .....</b>	<b>5</b>
<b>TABLE OF CONTENTS.....</b>	<b>6</b>
<b>LIST OF FIGURES.....</b>	<b>8</b>
<b>LIST OF ACRONYMS.....</b>	<b>9</b>
<b>1 INTRODUCTION .....</b>	<b>10</b>
1.1 PROBLEM AREA .....	12
1.2 PROBLEM FORMULATION .....	14
<b>2 LITERATURE REVIEW .....</b>	<b>17</b>
2.1 THEORIES OF INTERNATIONALISATION OF A FIRM .....	17
2.1.1 <i>SME Internationalisation</i> .....	21
2.2 EXPORTING .....	22
2.2.1 <i>Typologies of Export Barriers</i> .....	23
2.2.2 <i>Export Barriers and the EU-UK TCA</i> .....	25
2.2.3 <i>Responding to export barriers through redefinition of SME International Strategy</i> .....	26
2.3 CONCEPTUAL FRAMEWORK .....	27
<b>3 METHODOLOGY .....</b>	<b>31</b>
3.1 PHILOSOPHY OF SCIENCE.....	31
3.1.1 <i>Paradigm</i> .....	31
3.1.2 <i>Ontological Considerations</i> .....	32
3.1.3 <i>Epistemological Considerations</i> .....	33
3.2 RESEARCH METHOD.....	34
3.2.1 <i>Semi-structured interviews</i> .....	35
3.2.2 <i>Interview Guidelines Design</i> .....	35
3.3 DATA COLLECTION .....	36
3.3.1 <i>Sample Profiles</i> .....	37
3.4 RESEARCH RELIABILITY AND VALIDITY .....	38
3.5 THEMATIC APPROACH TO ANALYSIS .....	40
3.6 ETHICAL CONSIDERATIONS .....	42
<b>4 ANALYSIS .....</b>	<b>43</b>

4.1	BUSINESS ENVIRONMENT AFTER THE IMPLEMENTATION OF THE EU-UK TCA .....	43
4.1.1	<i>Export Process Changes</i> .....	44
4.1.2	<i>Impact on Existing Customers and Costs</i> .....	46
4.1.3	<i>Business Development</i> .....	48
4.2	BARRIERS TO EXPORTING .....	50
4.2.1	<i>Documentation Requirements</i> .....	50
4.2.2	<i>Rules of Origin</i> .....	51
4.2.3	<i>Logistics</i> .....	53
4.2.4	<i>Product-specific barriers</i> .....	55
4.2.5	<i>Country-specific barriers</i> .....	56
4.3	REDEFINING STRATEGIES OF INTERNATIONALISATION .....	57
4.3.1	<i>Alternative Markets</i> .....	57
4.3.2	<i>Alternative Modes of Market Entry</i> .....	59
<b>5</b>	<b>DISCUSSION</b> .....	<b>63</b>
5.1	REVISITING THE CONCEPTUAL FRAMEWORK .....	65
<b>6</b>	<b>CONCLUSION</b> .....	<b>68</b>
6.1	MANAGERIAL IMPLICATIONS .....	69
6.2	FURTHER RESEARCH .....	70
6.3	LIMITATIONS .....	70
	<b>BIBLIOGRAPHY</b> .....	<b>72</b>

#### **APPENDIX 1 – INTERVIEW GUIDELINES**

#### **APPENDIX 2 – INTERVIEW 1 (CHEMICO EXPORT MANAGER – AUTOMOTIVE MANUFACTURING)**

#### **APPENDIX 3 – INTERVIEW 2 (FOODGRAINCO EXPORT MANAGER – FOOD PRODUCTION)**

#### **APPENDIX 4 – INTERVIEW 3 (PETFOODCO EXPORT MANAGER – FOOD PRODUCTION)**

#### **APPENDIX 5 – NODES (NVIVO)**

## List of Figures

FIGURE 1 - THE BASIC MECHANISMS OF INTERNATIONALIZATION - STATE AND CHANGE ASPECTS (JOHANSON AND VAHLNE, 1977, P. 26)	
.....	18
FIGURE 2 - THE BUSINESS NETWORK INTERNATIONALIZATION PROCESS MODEL (2009 VERSION) (JOHANSON AND VAHLNE, 2009, P. 1424)	20
FIGURE 3 - TYPOLOGY OF EXPORT BARRIERS (OWN DEPICTION, BASED ON LEONIDOU'S (1995b) CLASSIFICATION	24
FIGURE 4 - CONCEPTUAL FRAMEWORK OF EXPORTING UK SMEs AND THE IMPACT OF EXPORT BARRIERS ON REDEFINITION OF INTERNATIONALISATION STRATEGIES (OWN DEPICTION)	30
FIGURE 5 - NODES OF THEMES (FROM NVivo)	41
FIGURE 6 - A PRIORI CONCEPTUAL FRAMEWORK	65
FIGURE 7 - A POSTERIORI CONCEPTUAL FRAMEWORK	66



## List of Acronyms

CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
EU	European Union
EU-UK TCA	European Union – United Kingdom Trade and Cooperation Agreement
INVs	International New Ventures
MNE	Multi-national Enterprise
SME	Small- to Medium-sized Enterprise
UK	the United Kingdom of Great Britain and Northern Ireland
US	the United States
TCA	see EU-UK TCA

# 1 Introduction

International business has undergone a significant transformation in the second half of the last century. The world has become more interconnected and interdependent due to tariff reductions, liberalisation of markets and trade rules. Since the 1980s, the globalised economy has been a crucial part of the international business research agenda (Buckley, 2002). By the turn of the millennium, globalisation had caused policy shifts towards market and economic integration and in combination with technological innovation increased the flow of economic activity across national borders (Dabic, Maley, & Novak, 2019). The global financial and economic crisis in 2008 had marked a departure from the trend of globalisation according to many scholars, with nationalism and protectionism on the rise in recent years (Ghauri, Strange, & Cooke, 2021). Many countries, particularly in the advanced economies, have not recovered to the levels of growth experienced in the pre-crisis period which could be partially explained by structural shifts in the global economy, technological innovations, and by unequally shared benefits of globalisation across various strata of societies (Perraton, 2019).

Since the global financial crisis, there have been several instances where the pre-crisis globalisation was challenged. For example, the election of President Trump in the United States led to a radical shift of international economic policy through the introduction of trade barriers on certain goods being imported to the US from China and the European Union, departing from the trends of multilateralism seen in the previous administrations. This was supposed to provide the means to cope with the US trade deficit, promote US exports and protect those who have not benefited from the globalised economy (Stiglitz, 2018). Another example is the contemporary multifaceted crisis caused by the Covid-19 pandemic. The limitations of the neoliberal globalisation have resurfaced through reimposing national borders as a response to the crisis in an effort to provide personal protective equipment and other medical supplies needed to cope with the health emergency (Marinova, 2020).

The withdrawal of the United Kingdom from the European Union, the Single Market and the Customs Union could be seen as another instance of reintroducing national borders and restrictions on trade. The UK membership in the European Union, that previously facilitated the free flow of goods, capital, services, and labour across national borders, has been replaced by the

EU-UK Trade and Cooperation Agreement (TCA) at the end of 2020. This agreement consists of a free trade agreement, a governance framework, a framework for security and other cooperation treaties regarding transport, aviation, sustainability, and fisheries (European Commission, 2020). However, new regulatory and non-tariff barriers restrict the trade flow between the UK and EU. The business environment, which UK firms find themselves in, has changed and they are faced with challenges in accessing the EU Single Market. One of the arguments for leaving the EU was the ability to negotiate new trade agreements with third countries and the UK has applied for the multinational Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) in addition to its ongoing negotiations with the United States, Australia, New Zealand, and many other countries (Jack & Rutter, 2021). At the moment, it would be premature to compare the extent to which the new trade agreements are going to substitute the access to the EU Single Market. In addition, it could be also challenging to measure the impact of the new TCA due to the pandemic as the economic impact of both events can be somewhat blurred. Nevertheless, the disruptions at the borders are certain, given the UK dependence on EU markets, the adjustments businesses face due to new customs and regulatory requirements, in addition to new IT systems and poor preparedness of firms for the change of trading relations (Tetlow & Pope, 2020). It could be also argued that Brexit and its consequences represent a challenge for businesses because it is linked to uncertainty with regards to their prospects of their products in international markets (Brown, Liñares-Zegarra, & Wilson, 2019).

Some of the more recent developments in connection with this, suggest that although there is a trade deal, it is not static, and the relationship could change over time. Particularly, the Covid-19 pandemic, coupled with the consequences of Brexit, further aggravates the situation, which leads to an undesirable impact on firms. It impacts enterprises from both the demand and supply side, as lockdowns limit the ability of companies to manufacture and the lower demand due to the consequences of Brexit hinders their ability to sell their products (Garnett, Doherty, & Heron, 2020). Another example is the dispute between the EU and the UK about the Covid-19 vaccines, where each side were threatening each other with invoking Article 16 of the TCA. The article states that each party could suspend any processes that would be causing any challenges or damage in terms of the economy, environment, or wider society (Lucas, 2021). Another instance

of a recent development is the row with regards to fishing where French fishermen have restricted access to fishing waters and have limited access in obtaining fishing licences. Moreover, in April 2021, the TCA was ratified by the EU Parliament and the President of the European Commission, Ursula von der Leyen, has sent a clear message to the UK Government when she stated: “the Agreement comes with real teeth – with a binding dispute settlement mechanism and the possibility for unilateral remedial measures where necessary.” (von der Leyen, 2021). Based upon these examples, it could be argued that although a trade deal has been agreed upon, the relationship is not stable and could change when faced with difficulties.

## 1.1 Problem Area

The UK’s withdrawal from the EU and its Single Market and Customs Union has changed the environment in which firms now operate. Additionally, the UK has withdrawn from the existing trade arrangements with other third countries, that have been agreed with the EU. The EU membership was replaced by the new TCA which has ended the frictionless trade between the UK and EU, increasing costs and bureaucracy for business (Cubells & Latorre, 2021).

This has created challenges for firms. In particular those importing and exporting to the EU are exposed to border disruptions and delays (Tetlow & Pope, 2020), but their impact is substantially industry specific. Although, all of the UK industries are going to be affected to some degree, some will face extensive difficulties in accessing their markets in the EU (Brown, Liñares-Zegarra, & Wilson, 2019). For sectors relying on a quick transportation of perishable goods across borders, such as food production sector, or those that are part of complex supply chains, such as the automotive manufacturing industry, will be significantly impacted. For the automotive manufacturing industry, 21 percent of value added is at risk and 15 percent for food products and beverages, which makes them among the most exposed industries after Brexit (Los, Chen, McCann, & Ortega-Argilés, 2017). There is a lack of studies that measure the impact of the new TCA on sectors in the UK, but a recent study by Cubells & Latorre (2021) measures the impact on the UK economy and its sectors in relation to the French economy and identified that non-tariff barriers impacts are quite substantial, especially in the case of agricultural, food production and motor vehicle manufacturing.

In the case of the automotive sector, which has benefited from the access to the EU Single Market, particularly SMEs are exposed to the risk that Brexit poses due to the embeddedness of firms in complex automotive supply chains (Bailey & De Propriis, 2017). The TCA ensures zero tariffs and zero quotas on all goods flowing between the EU and the UK, but under the condition of fulfilling the necessary requirement on 'rules of origin' (European Commission, 2020). This could be challenging to document and the amount of bureaucracy would perhaps lead to some businesses accepting tariffs instead of coping with the amount of paperwork necessary to prove the origin of their goods arriving to the EU, consequently, decreasing their competitiveness through increased costs (Morris, 2020).

The TCA introduces a variety of non-tariff barriers in the form of self-declaration of regulatory compliance and other certificates necessary for exporting to the EU (European Commission, 2020). In the food production sector, the new customs inspections, and procedures, including various animal and plant health requirements will mean delays at borders for goods that rely on a swift transportation to their markets of destination (Morris, 2020).

It could be argued that small and medium-sized enterprises (SMEs) are exposed to the risks and uncertainty associated with trading in the post-Brexit period due to their general lack of available resources to cope with uncertainty, shocks, and abrupt changes in their business environments. Additionally, uncertainty can deter SMEs to invest in future, hence limiting their abilities to take riskier decisions related to growth, e.g. innovation (Brown, Kalafsky, Mawson, & Davies, 2020). SMEs in the UK represent a significant part of the economy. In 2020, SMEs shared 52 percent of the national turnover and employed 61 percent of the UK workforce (Ward, 2021). SMEs are, therefore, critical for employment generation and there is some evidence that particularly those that export are more innovative and grow faster compared to their non-exporting counterparts (Do, Cowling, & Blackburn, 2015). This begs the question of how UK SMEs are going to respond to increased export barriers to the EU given their limited capabilities and resources in many cases. Are they going to change their strategic approach to internationalisation, or the burden of export barriers will prove to be too challenging to cope with and they will opt out for de-internationalisation?

Based on existing internationalisation theories, exporting tends to be one of the first steps in entering and engaging with foreign markets. There are many advantages with this market entry mode. For example, it is a relatively fast entry mode strategy for SMEs considering their size, organisational structure, and available resources (Sinkovics, Kurt, & Sinkovics, 2018). Moreover, exporting involves a low degree of business risk in comparison with e.g., foreign direct investment (Arteaga-Ortiz & Fernández-Ortiz, 2010) because firms do not need to invest into setting up operational facilities in a host country (Lu & Beamish, 2006). In addition, it offers a flexible market entry mode due to its ability to spread risk across various geographical areas, but at a cost of exposure to export barriers (Leonidou, 2004). Exporting as a market entry mode appears to be quite common in the context of UK SMEs as well. According to the Department for Business, Energy & Industrial Strategy (2020), about 20 percent of SMEs exported services and goods to foreign markets in 2019, of which 44 percent were in the manufacturing sector. At the same time 80 percent of exporting SMEs were selling their goods to the EU (excluding the UK).

Substantial number of SMEs in both the food production and automotive manufacturing sectors rely on the EU Single Market. If they do not redefine their internationalisation strategies, they risk going into administration in the worst case, or their profits are going to be impacted due to decreased volumes of exports going to the EU. This begs a question of how they are coping with the new business environment as a result of the TCA and how this impacts their decisions with regards to internationalisation strategies given the new barriers to international trade.

## 1.2 Problem Formulation

Based on the problem area above, the following problem formulation will be explored:

**How are UK SMEs in the automotive manufacturing and food production industries, exporting to the EU Single Market, coping with the export barriers in their business environment caused by the consequences of Brexit and how does it redefine their internationalisation strategies?**

The consequences of Brexit are the UK's departure from the EU Single Market and Customs Union, as well as the newly signed EU-UK TCA. As mentioned above, one of the first and

primary ways of how SMEs internationalise is through exporting. Given the new EU-UK TCA appears to place several export barriers on businesses, it is imperative to identify which export barriers UK SMEs face when exporting to the EU, both from the perspective of the EU-UK TCA itself, but also from the existing literature on export barriers. This will be then also confirmed or refuted by the participants in the research, and it will contribute to identifying the link between export barriers and how SMEs cope with them in their business environments. This will be the first step in aiding to solve the problem formulation.

- *RQ1: What specific export barriers are UK SMEs facing when accessing the EU markets?*

Since the study's aim is to provide insights into the differences between the two industries, the export barriers will be investigated from that perspective as well. The research will uncover where the sectors differ based on the specificities of their operations and products. The RQ1 and RQ2 are going to be addressed both from the existing literature and the EU-UK TCA, but also from direct answers from the research participants.

- *RQ2: What are the sectoral differences between these barriers?*

One of the key parts of the research is to gain an insight into the ways the exporting UK SMEs redefine their strategies when accessing international markets, with a particular focus on the EU markets. This will reveal how SMEs respond to the changes in their business environments, particularly with regards to the barriers stipulated by the EU-UK TCA. The RQ3 and RQ4 will contribute to the problem formulation in several ways. They will explore the approaches to strategies when SMEs access international markets and whether the redefinition occurs. Furthermore, it will help to reveal how they respond to the export barriers in order to link these two concepts together. The RQ3 and RQ4 will be addressed by directly asking participants of the research. First, openly whether their strategy towards the internationalisation was impacted and then how specifically they respond to the export barriers.

- *RQ3: How is the strategic approach to internationalisation of UK SMEs affected?*
- *RQ4: How are UK SMEs responding to the increased export barriers as a result of the EU-UK TCA?*

Lastly, as in the case of RQ2, the RQ5 will identify the differences between the strategic approaches of SMEs when accessing international markets. The research will uncover where the sectors differ based on the specificities of their operations and products and how other UK SMEs within these sectors can utilise their strategies when exporting.

- *RQ5: What are the sectoral differences in the strategic approaches to UK SME internationalisation?*



## 2 Literature Review

In this chapter, the reader is firstly presented with the theories of internationalisation of firms in general, but also from the perspective of SMEs. Given that SMEs tend to internationalise their operations through exporting due to their limited resources and capabilities, exporting is defined and discussed, including the barriers to export that exist and the impact they have on internationalisation strategies. In the following sections, the strategic approaches to internationalisation are explored as well, concluding with an a priori conceptual framework developed for the purpose of the thesis.

### 2.1 Theories of Internationalisation of a Firm

Internationalisation of a firm is a widely investigated area in international business research and there are many conceptualisations and interpretations of how firms internationalise their operations. Before analysing existing literature on internationalisation of firms, it is key to define what the concept entails. Most researchers have defined internationalisation as an outward movement of enterprise's operations, which can be in the form of exporting, franchise, licensing, and foreign production (Andersen, 1997). However, the movement can be inward too, for instance through overseas sourcing of ideas and skills (Hanf & Pall, 2009). Welch & Luostarinen (1988, p. 36) proposed a broader definition of internationalisation as: "the process of increasing involvement in international operations". This definition encompasses both inward and outward movements in the internationalisation process. It is also important to point out that the process of increasing involvement is not inevitable and the contrary may take place at any point, so-called de-internationalisation, where a firm withdraws from its international activities (Welch & Luostarinen, 1988).

There are several views on how firms internationalise their operations. Among the traditional approaches to internationalisation are the Uppsala model (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977) and the innovation model (Cavusgil, 1980), which suggest a gradual internationalisation of firms. On the other hand, there are firms that are not internationalising their operations gradually, but their internationalisation process is much more

rapid, for instance, international new ventures (McDougall, Shane, & Oviatt, 1994) or born global firms (Knight & Cavusgil, 1996).

Johanson & Wiedersheim-Paul (1975) categorised the internationalisation process into four steps based on four Swedish firms. Grounded in their analysis and assumptions, firms firstly start to operate in their domestic markets without any foreign market engagement. In the second stage of internationalisation, firms begin to penetrate international markets through exporting to geographical areas with close psychic distance (for example, areas with similar culture or language). In the third step, a sales subsidiary is established and in the final step, firms move their production abroad by setting up manufacturing facilities there. This conceptualisation of the internationalisation is presented as a process of stages that follow one another, although the authors admit that it does not mean that all firms go through each one of the stages.

Two years later, Johanson & Vahlne (1977) applied these principles of stepwise internationalisation and developed the Uppsala model of an incremental internationalisation process seen in the figure below.

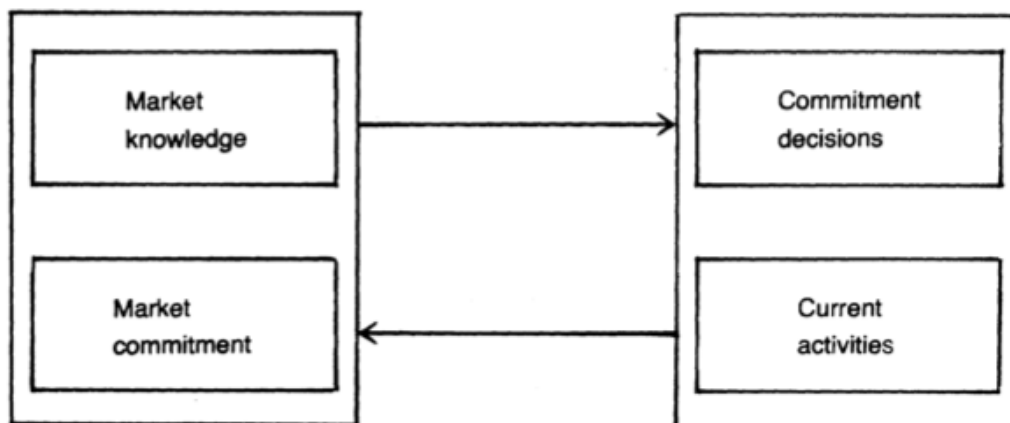


Figure 1 - The Basic Mechanisms of Internationalization - State and Change Aspects (Johanson and Vahlne, 1977, p. 26)

The Uppsala model explains the dynamic process of internationalisation based on the current state of the resource commitment to markets and the knowledge about them which both affect the decisions to commit more resources and the current performance of activities in foreign markets. These then in turn impact the market commitment and market knowledge.

Overall, the authors of the cyclical model argue that the more knowledge firms gain about their markets, the more committed to these foreign markets, they are (Johanson & Vahlne, 1977). The innovation model of internationalisation is also related to a stepwise gradual increase in international activities, but the emphasis is placed on innovation as the most important part of knowledge in firms. The authors of the theory argue that internationalisation occurs as a consequence of several innovations that happen within an enterprise and its management (Cavusgil, 1980).

This stepwise internationalisation process theory had been challenged by the emergence of rapidly internationalising firms (for instance, international new ventures (INVs) or born global firms), which failed to explain their existence. INVs internationalise their operations from their establishment in order to utilise the resources and sales that are potentially available in international markets (McDougall, Shane, & Oviatt, 1994). This is also the case of born-global firms, which are often labelled interchangeably with INVs due to their fast pace of internationalisation. Born global firms are characterised by their view of the world as their global marketplace and from the very onset of their inception, they internationalise their operations. They tend to be established by active entrepreneurs who apply innovative technology and new product ideas and sell them globally (Knight & Cavusgil, 1996). This is in a direct contradiction to the more traditional theories of internationalisation, where firms start by focusing on their domestic markets first.

Over three decades later, the Uppsala model of internationalisation process was revised due to changes in economic, technological and social aspects of business environments and changes in behaviour of firms (Johanson & Vahlne, 2009). Based on the updated model, the business environment is no longer viewed as a neo-classicist market of separate businesses and their customers, but more as a setting that is viewed as a network of relationships. Therefore, the original Uppsala model had to be revised, albeit on its original structure and mechanisms of state and change variables. The knowledge opportunities have become the most important part of knowledge, driving the overall process of internationalisation and replacing market knowledge in the previous model. Network position replaces market commitment due to the assumption that the internationalisation process is performed in a network. The commitment decisions are

now related to relationships within a network and current activities were expanded to learning, creating, and trust-building. The revised model, seen in the figure below, places and emphasis on networks and the knowledge creation within them (Johanson & Vahlne, 2009). The model was reorganised from the perspective of an autonomous firm toward network-based process involving many organisations (Welch, Nummela, & Liesch, 2016).

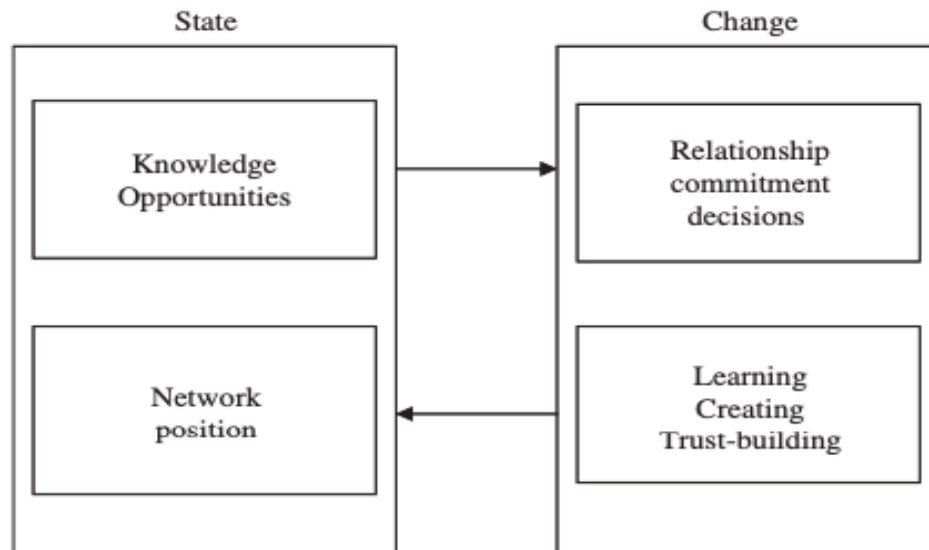


Figure 2 - The business network internationalization process model (2009 version) (Johanson and Vahlne, 2009, p. 1424)

There are also differences in internationalisation processes between small to medium-sized enterprises (SMEs) and large multinational enterprises (MNEs). They differ in their structures and behaviour. MNEs' advantages are related to the ownership and control of their internalised assets and capabilities, while SMEs advantages are in their ability to respond to changes in markets and flexibility to adapt (Knight & Liesch, 2015). Since SMEs structures are more flexible, they require to be studied separately from their larger counterparts (Julien, 1993). Therefore, the strategic approaches to internationalisation and the choices of market entry modes of SMEs can be different from MNEs.

### 2.1.1 SME Internationalisation

Before exploring the internationalisation processes of SMEs, it is essential to define what constitutes an SME in the context of this thesis. Small to medium-sized enterprises (SMEs) can be defined based on their number of employees or by certain amount of revenue. In the United States, definitions of SMEs can differ from one industry to another (Paul, 2020), but in the European context, an SME is characterised as a firm that has fewer than 250 employees and does not exceed EUR 50 million in its annual turnover or by EUR 43 million in its balance sheet total (European Commission, 2015). This thesis aligns with the European Commission definition, which does not differentiate between sectors and fits in the context of the studied UK SMEs.

As mentioned beforehand, SMEs differ from MNEs in many aspects and their processes and approaches to internationalisation can also be dissimilar due to their specific advantages related to resources and capabilities. SMEs internationalisation can occur, but not to the same degree as in MNEs, and is done mainly through exporting and other non-equity market entry modes (Knight & Liesch, 2015). SMEs that seek to internationalise in order to increase their growth and revenues and retain their position in their domestic markets, most commonly use exporting due to its low risk in comparison to other market entry modes (Ribau, Moreira, & Raposo, 2016). The contribution of exporting towards a firm's growth is demonstrated by broadening of firm's consumer base and increasing sales which consequentially provides for expanding production capacities in order to fulfil the demand from its foreign and domestic markets (Lu & Beamish, 2006). It is important to point out that SMEs internationalise in other ways than exporting, but it is perhaps due to their resources that they choose exporting because it does not require the same level of commitment as equity-based market entry modes.

Some SMEs in specific sectors can show different internationalisation patterns than those in other sectors, given their industry contexts. For example, knowledge-intensive enterprises show more rapid pace of internationalisation where they tend to start operating internationally, as well as domestically, from their inception. Whereas, traditional manufacturing firms tend to show more gradual pace of internationalisation, where they export to small number of markets and they tend to serve their domestic market first (Bell, Crick, & Young, 2004). The authors also

claim that the external environmental influences, such as international market conditions influence business strategy and internationalisation.

Therefore, the focus on exporting in this study is justified by this study as SMEs operating in manufacturing industries tend to prefer exporting as their first step in internationalisation. A study by Brown, Kalafsky, Mawson, & Davies (2020) investigated the impact of Brexit on Scottish SMEs and discovered that particularly growth-oriented and exporting SMEs considered Brexit as a key event of concern for their future international strategies and undermines their resilience. Another study by Fragkiskos (2019), investigated how Brexit impacts internationalisation of SMEs in Kent and concluded that Brexit is a major root of an economic uncertainty in SMEs, with exporters being the most pessimistic about Brexit.

## 2.2 Exporting

In broad terms, exporting can be defined as: “[...] the sale of goods or services produced by a firm based in one country to customers that reside in another country.” (Daniels, Radebaugh, & Sullivan, 2019, p. 409). When reflecting on the internationalisation theories discussed in the first subchapter, exporting tends to be a first step in the internationalisation process of firms in their engagement with foreign markets (Johanson & Vahlne, 1977). There can be many motives for beginning with this mode of market entry. Particularly in the context of SMEs, it represents a relatively easy and quick strategy, considering their size, organisational structure, and their available resources for internationalisation (Sinkovics, Kurt, & Sinkovics, 2018). Additionally, exporting involves a low degree of business risk in comparison with for instance foreign direct investment (Arteaga-Ortiz & Fernández-Ortiz, 2010). It does not require setting up operational facilities in a host country which could be otherwise considered as a substantial commitment of resources, exposing a firm to high investment risk (Lu & Beamish, 2006). Arguably, it does the opposite, spreading risks across different geographical areas and markets while improving organisational capabilities and revenue, encouraging further internationalisation (Leonidou, 2004). At the same time, exporting offers flexibility in a form of quick withdrawal in case of instability or fluctuations in foreign markets, or relatively quick change of geographic markets (Lu

& Beamish, 2006). On the other hand, it leaves a firm exposed to potential trade barriers that can suddenly occur in their business environments.

### 2.2.1 Typologies of Export Barriers

Export barriers deter firms from connecting with international markets and present problems and difficulties to firms that are already engaging in exporting (Morgan, 1997). Therefore, they have a significant impact on firm's decisions with regards to its strategy (Sinkovics, Kurt, & Sinkovics, 2018). Kahiya (2018) further expands on the adverse effects of export barriers on firms and argues that they: (1) deter non-exporting firms from internationalisation, (2) constrain further internationalisation of firms that engage with exporting; (3) encourage de-internationalisation of firms; and (4) discourage former exporting firms from re-establishing their connection with international markets. It could be argued that the consequences of Brexit represent all the above stated adverse effects on exporting. Firstly, firms that are not internationalised or have previously exported to international markets are deterred to do so as it could be more challenging due to the various factors that hinder their export potential. In the second point of Kahiya's (2018), it could have the opposite effect as UK firms notice increased barriers in the EU, they may opt out for other markets or change their market entry mode. Lastly, the third negative effect could be relevant for UK SMEs that have limited resources and capabilities to choose alternative market entry modes and hence, choose to de-internationalise.

One of the most common definitions of barriers to export is by Leonidou (1995a, p. 31): "Barriers to exporting are all those attitudinal, structural, operational, and other constraints that hinder the firm's ability to initiate, develop, or sustain international operations." Sinkovics, Kurt, & Sinkovics (2018, p. 1067) further developed and situated the former definition into the context of SMEs: "Export barriers can be defined as the structural, attitudinal, operational, and environmental factors that hinder or discourage firms, particularly SMEs, from initiating, increasing, or maintaining export activities." These definitions indicate that there are various typologies of export barriers based on where they stem from. Leonidou (1995b) has developed a typology of export barriers based on where they originate (see Figure 3). Export barriers are

placed along two sets of dichotomies as they can emerge internally or externally while being based either in a foreign or domestic market.

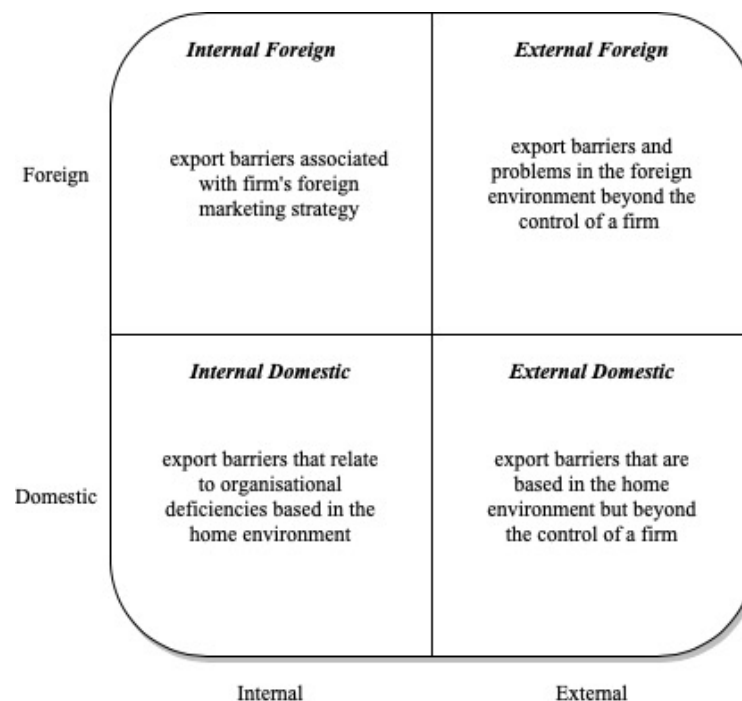


Figure 3 - Typology of Export Barriers (own depiction, based on Leonidou's (1995b) classification)

Internal export barriers are related to firm's capabilities, and organisational and resource deficiencies (Leonidou, 1995b). For instance, they can be termed as knowledge barriers where firms lack knowledge about export markets and about the potential of export assistance programmes from governments (Arteaga-Ortiz & Fernández-Ortiz, 2010). On the other hand, external export barriers are beyond the influence of a firm and stem from the environment in which a firm operates (Sinkovics, Kurt, & Sinkovics, 2018). For example, when a government introduces tariffs and other regulatory controls on goods and services entering their markets, it is considered as an external foreign barrier (Morgan, 1997). Another case of an external export barrier could be foreign exchange rate fluctuations, which can be unfavourable for a firm, and these can occur both on domestic and foreign market (Leonidou, 1995b). A type of an external barrier is so-called exogenous barrier that occurs as a result of uncertainty in international markets and are external, therefore, cannot be controlled by businesses as they result from



decisions of governments or other major market players (Arteaga-Ortiz & Fernández-Ortiz, 2010). These types of external barriers if they originate from the decisions of governments can be either of tariff or non-tariff nature. Non-tariff barriers are linked excessive bureaucracy and issues with transportation (Leonidou, 1995b).

### 2.2.2 Export Barriers and the EU-UK TCA

Export barriers and the impact they have on SMEs and their internationalisation strategies is multidimensional in the sense that many barriers are specific to their regional and market conditions (Narayanan, 2015). The majority of literature implies that when SMEs are faced with export barriers, they have 3 key effects: (1) preventing SMEs in internationalisation, (2) hinder performance in international markets and (3) encourage them to de-internationalise. However, Kahiya (2013) suggests that export barriers may also stimulate the choice of the pace of internationalisation, meaning that some SMEs can internationalise faster than others, albeit in their own industry-contexts. There are additional hindering factors to exporting that are potentially affecting the UK SMEs due to the consequences of Brexit. For example, their intentions to exporting are scaled down due to the outcomes of Brexit, where the UK businesses view the European markets as too uncertain to trade with and therefore can decrease the volume of trading with the EU markets. Uncertainty therefore could be one of the factors that hinders exporting (Brown, Liñares-Zegarra, & Wilson, 2019).

The type of export barriers that the EU-UK TCA created are exogenous and mainly non-tariff in both the automotive manufacturing and food production sectors. These two sectors face the biggest risk from Brexit as they heavily rely on EU supply chains and EU labour (EIU, 2021). As mentioned earlier, tariffs are only applied on goods that do not meet the requirements regarding their origin and regulatory requirements. The key issue for the automotive sector is the requirement on “rules of origin” where products entering the EU must have documentation declaring that they were manufactured in the UK or EU. If such documentations are missing, then the products are subjected to tariffs (EIU, 2021). The UK automotive manufacturing sector is embedded in EU supply chains and some individual parts enter and re-enter the EU several times

during its manufacturing process. With increased declarations and certificates of origin, the customs procedures add the time during which parts are being transported (Mariani & Sacerdoti, 2021).

At the same time, the food and agricultural products are among the most exposed, as almost two thirds of trade occur with the EU and firms trading with such products are highly integrated in the EU supply chains as well. Multitude of customs declarations and certificates create bureaucracy for firms and increasing their costs, which makes them less competitive on the international markets (EIU, 2021). Food and drink products are subjected to non-tariff barriers through sanitary and phytosanitary measures including controls of live animals and product of animal origin, controls of food of non-animal origin and controls of plants and plant products. The measures and checks for food and agricultural products, entering the EU markets, are in place to prevent the spread of diseases (Hallak, 2021).

These non-tariff barriers and other negative factors are challenging for SMEs as they increase the costs of products and consequently making them less competitive internationally. Therefore, SMEs need to find alternative internationalisation strategies to overcome such difficulties in accessing the EU markets.

### 2.2.3 Responding to export barriers through redefinition of SME International Strategy

There are several ways how SMEs can cope with the previously mentioned barriers, namely through refocusing their exporting efforts to alternative markets, where conditions are more favourable than when selling products to the EU or by applying a different market entry mode when accessing EU Single Market. One of the options is also to withdraw from international operations, so-called de-internationalisation.

As mentioned before, the business environment is continuously changing and this means that the UK Government may sign agreements with other countries, potentially opening markets for the UK SMEs. This would have a positive effect on exporting SMEs as barriers to markets, such as Japan, United States, Australia, New Zealand, and others, may decrease in the future (Jack &

Rutter, 2021). These new conditions would create favourable alternatives for SMEs that would like to diversify their markets to stay competitive.

Another approach as a response to the current challenges is an alteration of the market entry mode to the EU Single Market. Although SMEs and their characteristics, namely limited financial and human resources make them less likely to engage in a market entry mode of high commitment and risk, some of them may choose an alternative entry mode to international markets (Ribau, Moreira, & Raposo, 2016). There are several modes of foreign market entry, comprising of exporting, licensing, joint ventures, mergers and acquisitions, or establishment of wholly owned facilities abroad (Pan & Tse, 2000).

The last option is to withdraw from international operations, cease exporting to the EU and serve their domestic market in the UK. As Welch & Luostarinen (1988), mentioned the internationalisation process are not always inevitable and at any point, firm's may opt out of internationalisation. This may be the case of the UK SMEs in both industries, as the increased costs force them out of the international markets.

## 2.3 Conceptual Framework

The conceptual framework for the purpose of this thesis is based on SMEs that export to customers in the EU Single Market. Particular SMEs are embedded in their industry-specific context, in this case the automotive manufacturing and food production SMEs based in the United Kingdom. The implementation of the EU-UK TCA has introduced non-tariff barriers on the UK SME exporters, hindering their competitiveness through increased costs that they now need to endure in order to sell their products to customers based in the EU Single Market. These new export barriers may propel SMEs to redefine their approach to internationalisation strategies through consideration of alternative markets or market entry modes. The whole process of exporting is occurring in the wider macro-economic and political context. The conceptual framework is based on several propositions that have been explored throughout the theoretical background of this thesis.

Given the high integration of UK SMEs in the EU supply chains of both the automotive manufacturing and food production industries (EIU, 2021), the most common market entry mode

is exporting when trading with the EU. It could be explained by the previously existing conditions between the EU markets and the UK before Brexit as firms had benefitted from an open market environment where exporting, particularly for SMEs, had been common, coupled with its specific characteristics such as low cost, and low risk with comparison to other approaches to accessing international markets (Ribau, Moreira, & Raposo, 2016). The new EU-UK TCA has disrupted this environment (Mariani & Sacerdoti, 2021), through introduction of export barriers and therefore the proposition is that:

*Proposition 1: UK SMEs in both industries have been negatively impacted by the new relationship between the EU and the UK, resulting from the EU-UK TCA.*

It is indicated that new export barriers and consequent costs associated with exporting have increased as a result of the new requirements stipulated by the EU-UK TCA. Such requirements present an increased administrative burden for SMEs, as they are obliged to declare documentation specifying the origin of products, declarations, and veterinary checks in case of food products (EIU, 2021). Additionally, as demonstrated above, the export barriers and documentation differ from one industry to another and from one product to another, creating further challenges for UK SME exporters. Therefore, the following two propositions are presented:

*Proposition 2: The costs associated with exporting have increased impacting the resources of SMEs.*

*Proposition 3: The export barriers differ based on their product- and industry-specificities.*

The last three propositions relate to the redefinition of internationalisation strategies of UK SMEs in the automotive manufacturing and food production industries. Firstly, the export barriers are propelling the decisions to reshape their strategies when accessing international

markets, which leads them to make decisions about specific steps that alter their strategies. This could potentially mean that UK SMEs are looking for alternative markets when exporting their products (Jack & Rutter, 2021). Secondly, the approach to their market entry could alter when accessing the EU markets, including licensing, joint ventures, mergers and acquisitions, or establishment of wholly owned manufacturing and other facilities abroad (Pan & Tse, 2000). Lastly, there is the option to withdraw from their international operations, to de-internationalise.

Based on this, the following three propositions are drawn:

*Proposition 4: UK SMEs are facing barriers to exporting that influence their decisions and approach to their internationalisation strategy.*

*Proposition 5: UK SMEs are already taking specific steps in redefining their internationalisation strategies due to the EU-UK TCA.*

*Proposition 6: The response of UK SMEs towards the export barriers is based on alternative market entry modes towards the EU, alternative international markets, or by de-internationalising their operations.*

The conceptual framework has been developed particularly for the purpose of the study and therefore is limited to the context of UK SMEs exporting manufactured products to their customers in the EU Single Market, where both actors (UK SMEs and EU customers) are embedded in their own industry and national contexts. Exporting has been established as a focus as most SMEs tend to start with exporting as their market entry mode. However, although exporting has its benefits, it is subjected to export barriers, which can propel SMEs to redefine their approach to their internationalisation strategy.

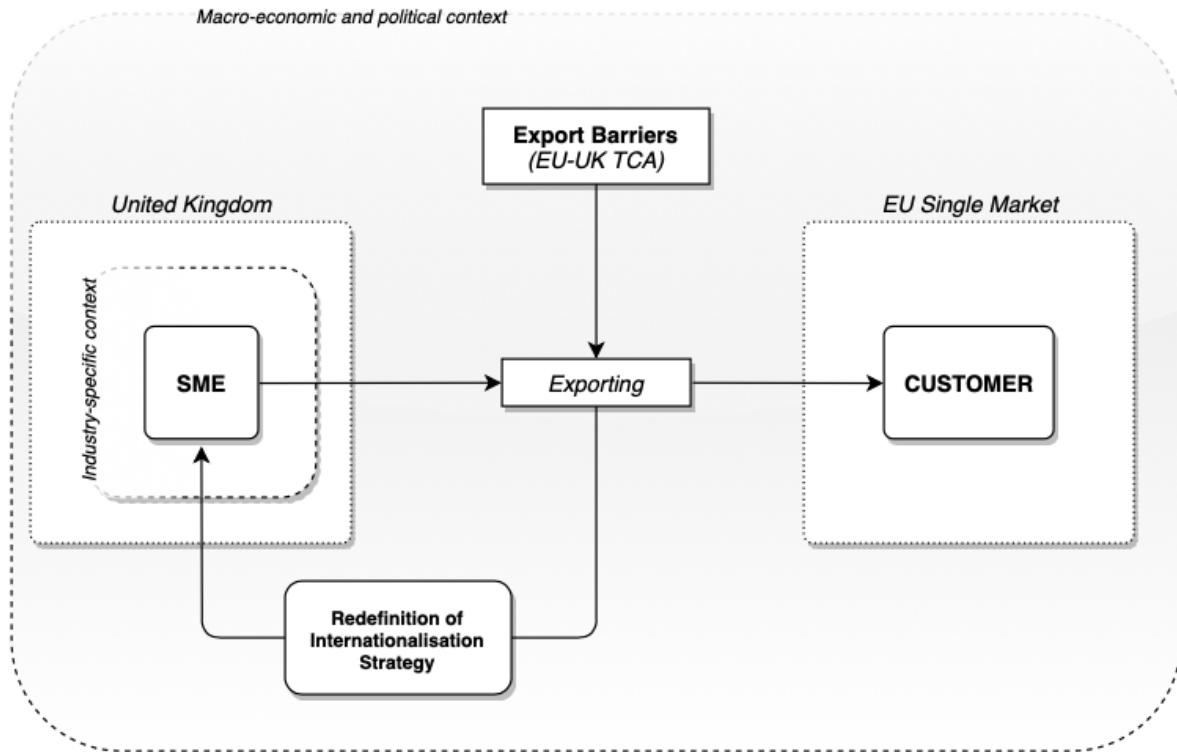


Figure 4 - Conceptual Framework of Exporting UK SMEs and the impact of Export Barriers on Redefinition of Internationalisation Strategies (own depiction)

The conceptual framework will be used to identify which export barriers are now placed on products that are exported to the EU Single Market because of the EU-UK TCA. Furthermore, it will serve as a map to explore how these barriers affect UK SMEs' exporting activities to the EU Single Market and how they respond to these barriers through redefining their strategic approach towards internationalisation. This could be done through refocusing on alternative markets outside of the EU, alternative market entry modes to the EU, or by withdrawing from international operations altogether.

### 3 Methodology

In the third chapter of the thesis, the reader will be informed about the methodological decisions with regards to the philosophy of science, including the paradigm with its underlying epistemological and ontological considerations. Moreover, the chosen research method is explored with its justification for semi-structured interviews and the methodology of how the interview guidelines were developed and structured. Data collection through interviews with export managers in food production and automotive manufacturing UK SMEs is discussed along with reliability and validity of the data. The last part of this chapter relates to the approach to analysis and themes that were explored in the data.

#### 3.1 Philosophy of Science

Philosophy of science relates to a paradigm and its ontological and epistemological considerations, which guides researchers' methodological decisions and approach to analysis.

##### 3.1.1 Paradigm

Through the consideration of questions and assumptions that relate to ontology, epistemology, and methodology, one is able to identify a paradigm which guides methodological decisions. Paradigm could be defined as: "a set of basic beliefs (or metaphysics) that deals with ultimate or first principles. It represents a worldview that defines, for its holder, the nature of the "world", the individual's place in it, and the range of possible relationships to that world and its parts [...]" (Guba & Lincoln, 1994, p. 107). In other words, a paradigm represents a collection of assumptions and understandings about a studied phenomenon and how researchers perceive reality and their place in it. In addition to that, paradigms explain the relationships between researchers and the knowledge that they create (Kuada, 2012).

There are various paradigms in philosophy of science, which guide decisions of scholars from one research to another. The author of the thesis argues that the postpositivist stance by Guba and Lincoln (1994) fits the purpose of this research due to several reasons. Firstly, the problem formulation at hand would be challenging to answer through a purely positivist stance due to the contemporaneity of the studied phenomenon and because it cannot be examined on

the same footing as natural sciences since the problem relates to experiences and decisions, not natural laws. Additionally, there is a limited existing literature that would enable a purely deductive approach by development of hypotheses that could be subsequently tested. There are perhaps many other underlying issues that UK SMEs face, other than the new relationship between the EU and the UK, such as the Covid-19 pandemic, which may shape their decisions with regards to their internationalisation strategy as well. This could lead to gaps in findings as the assumptions relating to the initial generation of hypotheses would potentially limit the richness of the collected data. Secondly, a purely constructivist worldview would not be appropriate either as the researcher would be interlinked with the objects of investigation (Guba & Lincoln, 1994), and since the export managers that were interviewed were chosen randomly, without any prior contact with the author of the thesis, it would not fit into this context.

Therefore, the researcher aligns with the postpositivist stance as the most appropriate for the purpose of this research and the position is elaborated upon in the following subchapters from, both the ontological and epistemological perspectives, as well as the consequent methodological choices.

### 3.1.2 Ontological Considerations

Ontology refers to: “a term used by philosophy of science scholars to describe the nature of what the researcher seeks to know (i.e., the ‘knowable’ or ‘reality’)” (Kuada, 2012, p. 58). The postpositivist ontology is based on critical realism and assumes that a reality exists, but it cannot be comprehensively understood due to human factor, where the mechanisms of a human mind are imperfect, hence limiting the understanding of reality (Guba & Lincoln, 1994). From the perspective of the author of the thesis, the reality is viewed as existing but cannot be very well understood as the phenomenon under investigation relies on individual human perceptions, decisions, and interactions. This means that although the research strives to capture the whole reality, it would be unwise to assume that it is possible to be captured and uncovered as a whole. It is also important to keep in mind that the problem at hand relies on personal experiences of individuals who are employed by a small to medium-sized firm, and therefore, their view of



reality from their own perspective could be influenced by other factors that shape their decisions and behaviour.

Critical realism departs from pure forms of both positivism and constructivism, precisely due to the ability of human mind to capture only a fraction of much profounder and extensive reality (Fletcher, 2017). It would be very challenging to claim that the whole truth could be discovered based on the large number of UK SMEs that would have to be observed in one way or another. In order to attempt that, the minimum condition would be to get in touch with the majority of them and try to capture their experience with the impacts of EU-UK TCA on exporting to the EU. Even if that would have been done, the whole reality would not be identified, precisely due to the factors mentioned earlier, such as the mechanisms of human mind. Therefore, the aim of this paper was to come as close to reality as possible while acknowledging that the whole truth may not be possible to identify and uncover.

### 3.1.3 Epistemological Considerations

Epistemology on the other hand refers to: “a term that describes the nature of knowledge and the means of knowing (i.e., ‘how we know what we know’ or what we conceive as a truth)” (Kuada, 2012, p. 59). The epistemology of the postpositivist paradigm is based on modified dualist or objectivist position. The author of the thesis aligns more with the modified dualist epistemology, since it aims to reduce one’s influence on the data as possible, while objectivity remains a: “regulatory ideal” (Guba & Lincoln, 1994, p. 110). Throughout the process, the author of the thesis did not have any prior contact with the export managers of UK SMEs as they were contacted randomly, which will be elaborated upon later. To certain degree, this approach randomised the individuals who would then confirm various aspects of the study independently.

From the epistemological perspective, postpositivists intend to explore whether findings and conclusions about a given issue fit into existing knowledge, which can then be considered as probable facts (Guba & Lincoln, 1994). The problem and the current knowledge about the behaviour of SMEs can be set into existing literature and knowledge since there are theories of internationalisation strategies. Furthermore, there is experience and theoretical underpinnings of how firms respond to trade barriers, which were explored in the previous chapter.

## 3.2 Research Method

Based on the ontological and epistemological considerations and the assumptions and questions that relate to a postpositivist paradigm, the method that was adopted for the purpose of this thesis are multiple qualitative semi-structured interviews.

The logic behind choosing a qualitative approach was based upon the aim of providing a holistic depiction of how UK SMEs cope with the changes in their business environment which consequently shape their decisions regarding the redefinition of their internationalisation strategy. The major reason behind choosing a qualitative study is the contemporaneity of the researched phenomenon, where a quantitative testing was not deemed to be the most appropriate due to arguments stated above, namely about the challenges relating to the development of potential hypotheses and the lack of existing empirical data and theoretical background. One of the benefits of a qualitative research is that it enables academics to uncover deeper processes and aspects on organisational, group and individual levels and helps them to understand how they transform and develop, potentially even over a period of time (Bluhm, Harman, Lee, & Mitchell). Furthermore, qualitative methods enable participants to describe the issues they find appropriate, which may lead investigators to issues and insights that they were not aware of before commencing the data collection (Kuada, 2012). This aspect is particularly critical in the context of the thesis since some other elements and their effects on internationalisation strategies of SMEs may be discovered that the author was not aware of before.

There are also some limitations of qualitative research relating when for instance collecting data from across different cultures or languages (Doz, 2011). In this case the focus of the study is on the SMEs based in the UK and therefore they are subjected to very similar conditions in the context of a particular country. Therefore, the issues in relation to contextual sensitivity are significantly reduced. On the other hand, there are other aspects of context in terms of sectoral and product differences, which are addressed through focusing on particular industries while also discussing issues originating from the nature of SME products when they export to the EU and other markets. Therefore, a subchapter was created (3.3.1 Sample Profiles), providing contextual

information about the sample regarding the interviewees' position within the SMEs, the SMEs products, and other background data about individual cases.

### 3.2.1 Semi-structured interviews

There are many classifications and typologies of interviews depending on their level of standardisation and the number of participants in an interview. Standardised interviews are too rigid for the purpose of this thesis since they require to collect data based on predetermined questions and topics, limiting researchers to divert in case they find something that does not fit in the pre-determined structures that were deducted from existing literature. Therefore, non-standardised interviews in a form of semi-structured composition were chosen as a method. The main rationale behind this is the ability to set a list of themes along with their guiding questions, which enables researchers to guide the conduct of the interview. This also allows a researcher to analyse the data based on themes (Saunders, Lewis, & Thornhill, 2019). The guidelines and the approach to their design is detailed in the next subchapter.

### 3.2.2 Interview Guidelines Design

The whole interview process was conducted in accordance with suggestions Bryman and Bell (2011), who claim that it is firstly necessary to formulate the objectives and purpose of a research, which has been done through the review of literature and existing theories of internationalisation. The second stage according to the authors is to design and plan the study, of which the development of interview guidelines is essential in ensuring the overall conduct of an interview is following a certain structure and themes. Through disclosure of interview guidelines that dependability of the research can be strengthened (Bryman and Bell, 2011), therefore the whole guidelines are appended in the Appendix 1 – Interview Guidelines.

The guidelines were designed around four focus areas in a chronological order, namely:

- 1) Changes in the business environment post-Brexit,
- 2) New barriers to exporting,
- 3) Redefining internationalisation strategies,
- 4) Overcoming barriers to exporting.

In the first topic of changes in the business environment post-Brexit, the interviewees were asked firstly in general how the EU-UK TCA affected their business, in order to start broadly, giving them the opportunity to raise those issues that they find substantial in the effects of Brexit. After that they were asked about more specific issues that are generally known, namely, increased costs, and their coping mechanisms as well as the effects on their clients in the destination markets in the EU.

The second topic was about specific barriers that were introduced on their products while giving them the opportunity to elaborate based on an example of a product that they export and how the consequences of Brexit changed their prospects for its market realisation. In the second question within this topic, the interviewees were asked about the differences among their product categories that they export, as well as elaborating in general the export conditions were changed.

In the third area of focus, the interviewees were asked about how these barriers propelled them to redefine their approach to internationalisation strategy, through considering other international markets while giving examples of markets that they consider as focal. The aim was to also identify whether the redefinition was about them only considering alternatives or whether they already took specific steps and the underlying reasons and arguments for them.

In the last section, that also closely relates to the previous topic, the interviewees were asked about their approaches to overcoming export barriers as a result of the EU-UK TCA. In this section, the focus is more specific since they were directly asked about alternative markets, or alternative market entry modes and their feasibility with regards to the resource-based view of their firm.

### 3.3 Data Collection

The qualitative data for the purpose of this research has been collected from export managers of UK SMEs. The underlying reasons for targeting export managers as key informants are their exposure to the contextual nuances regarding exporting and its barriers, and their influence on decision making within the SMEs. Additionally, export managers are key in identifying international market opportunities and shaping the strategy with regards to which

markets are the most fitting in terms of SME internationalisation strategy and its objectives (Miocevic & Crnjak-Karanovic, 2012). It is important to mention that setting the focus only on a particular position within a company encompasses some limitations. Firstly, some information that is gathered may be limited to a specific cognitive mindset of an export manager, where a director for instance would potentially view various aspects under investigation differently. However, through focusing on export managers, the comparability of qualitative data across the SMEs is enhanced to some degree in contrast to focusing on various positions within SMEs. Secondly, some export managers may have only a limited influence on the approach to internationalisation strategy, however all the export managers participating in the research have an influence on how their company's internationalisation strategy is defined, as they could answer questions with regards to this theme.

The main two channels of reaching out to export managers were LinkedIn direct messaging and contacting them via e-mails sent directly to SMEs that would fit the profile of exporters to the EU within the automotive and food products manufacturing sectors. Three export managers showed interest in participating in an interview. The interviews took place between the 1<sup>st</sup> April 2021 and 30<sup>th</sup> April 2021 and all of them were conducted online via Zoom or Microsoft Teams. In the next subchapter, profiles of both SMEs and their export managers is presented to establish the contextual background of each firm.

### 3.3.1 Sample Profiles

In order to retain confidentiality, that the interviewees requested, the names of enterprises and their export managers were given different names – ChemiCo, FoodGrainCo, and PetFoodCo. At the same time, all the descriptions and information about the companies that is going to be presented is identical to the real companies under investigation.

#### 3.3.1.1 ChemiCo

The first participating UK SME focuses on manufacturing in the automotive sector and supplies chemical products, such as lubricants and chemicals used in maintenance of engines, as well as silicones and polymers used in vehicle interiors. The company has between 200 and 250

employees and supplies its customers in the EU, but also globally. ChemiCo engages in exporting to the EU single market, and it has warehousing and some manufacturing facilities in the EU. The interviewee works as an export manager with particular focus on the EU area and the Middle East.

#### *3.3.1.2 FoodGrainCo*

The second UK SME and its export manager are in the food manufacturing industry. The company imports grains and other material from across the globe, from which they manufacture and package food products, for example snack bars, jars with tahini and ready-made sauces or falafel and quinoa mixtures. The company employs between 50 to 100 people and all the manufacturing facilities, headquarters and warehousing are based in the UK. The interviewee is employed on a position of export manager and focuses on all the markets that the enterprise exports to, including its business development.

#### *3.3.1.3 PetFoodCo*

The third UK SME also operates within the food manufacturing industry, with a focus on pet food production. This family-owned firm has between 50 and 100 employees and manufactures both meat-based (dog and cat food) and non-meat-based products (rat feed). Their production facilities are based in the UK and the raw materials for food production are sourced from the UK as well. The only product parts that are imported are packaging and labels, which the firm imports from the EU. The interviewee is employed as an export manager with focus on the whole globe as their export market.

### **3.4 Research Reliability and Validity**

It is important that any inferences drawn from data are validated, meaning that researchers need to ensure that their conclusions are credible, valid and reliable (Sekaran & Bougie, 2016). Typically, both reliability and validity are terms used in quantitative research, however, there are alternative methods of reliability and validity assessment in qualitative research (Bryman & Bell,

2011). For instance, Guba and Lincoln (1984) present alternative criteria, namely credibility, transferability, dependability, and confirmability.

Firstly, credibility, also termed internal validity, which according to Bryman and Bell (2011), refers to the match between researchers gathered data and the conclusions that they develop. In the case of this thesis, the inferences gathered from the data match both the theory and partially align themselves across the sample of interviewed participants. As, Bryman and Bell (2011) recommend triangulation of either methods or data sources to improve credibility of research, there were three interviewees participating in the research. In many cases, the interviewees' answers, and contributions to individual themes in the research match each other, independently of one another. As it is evident in the analysis chapter, where the interpretations of barriers and approaches to redefining internationalisation strategies match correspondingly.

Secondly, the alternative criterion of transferability refers to the extent to which the research findings can be generalised across various social settings (Guba & Lincoln, 1994). In other words, whether the research is externally reliable, hence can be replicated. In this case, the findings, although some may be generalised across all UK SMEs, are limited to those SMEs operating in the food products manufacturing and automotive manufacturing sectors. This is a significant limitation of the research and should be considered when reviewing the findings and analysis of themes. It is also crucial to highlight that not all UK SMEs are in the same position as various SMEs possess different capabilities and resources and when appropriate, this was pointed out throughout the analysis, meaning that solutions that were fitting for UK SMEs with corresponding available resources or capabilities.

Thirdly, dependability of qualitative research is on a par with reliability in quantitative research (Bryman and Bell, 2011). To ensure dependability, it is necessary to keep records of the research process and disclosing all the necessary notes, transcripts, and data. Therefore, all the past drafts of the thesis were kept, while disclosing relevant appendices, including interview guidelines and interview transcripts. This would ensure that if another researcher conducted the investigation, similar results would be obtained (Pandey & Patnaik, 2014).

Lastly, confirmability is connected to limiting researcher's bias towards the conduct and outcomes of the research (Guba & Lincoln, 1994). In this case, all interviewees were selected

randomly where no prior contact was, and no personal relationship exists between them and the author of the thesis. Additionally, as it will be discussed in the following chapter, a software programme was used to analyse the transcriptions to minimise the influence of the research on outcomes and inferences drawn from the data.

In summary, both reliability and validity were evaluated based upon Guba and Lincoln's (1984) alternative criteria and it could be claimed that the research is reliable and valid, while bearing specific limitations that will be elaborated upon in the conclusive chapter of the thesis. Additionally, research bias should also be addressed as any researcher's task is to minimise their bias and influence on their results. The author of the thesis believes that the consequences of Brexit and the impact it has on businesses is overall negative, while also admitting that there may be some positive aspects, such as diversification of markets and therefore spreading risks across various geographical areas. The data were however collected transparently and analysed through NVivo, which aimed to minimise personal influence on the results of the thesis.

### 3.5 Thematic Approach to Analysis

The approach of thematic analysis was used to examine the empirical data. Thematic analysis refers to: "a method for identifying, analysing, and reporting patterns (themes) within data." (Braun & Clarke, 2006, p. 79). It could be also seen as a process of categorisation, where units of data are coded into their corresponding theme that represents it or is related to it (Ghauri, Grønhaug, & Strange, 2020). Sinkovicz, Penz and Ghauri (2008) argue for the use of software for analysis of interview data, which should help to establish some degree of credibility of research. Therefore, NVivo 12 software for textual analysis was utilised, where each interview transcript was uploaded into the system and was analysed and parts of the transcripts were assigned to each theme, also called Nodes in NVivo, where it was deemed to be relevant. This has eased the comparative analysis, as each subtheme could be viewed across the sample, whenever interviewees were discussing similar aspects of investigation. Some aspects may have been left out throughout this approach as they would constitute only one sentence or would not be relevant to an overall theme, however all the transcriptions are disclosed in the appendices for transparency.



Braun and Clarke's (2006) stages for thematic analysis were adopted to track the procedure of the analysis. The authors firstly suggest getting familiar with the text so that one immerses themselves in the data. This was done through reading the interview transcripts several times through which some preliminary patterns were established. This was relatively easy since the interviews were conducted with guidelines that steered the conversation, however, some subthemes were already detected through this, for instance, the differentiated impact on business development and existing customer base in the food product manufacturing industry. Secondly, the authors suggest that the initial nodes need to be created. The main themes (called parent nodes in NVivo) were driven by the literature review and the conceptual framework, hence they were predetermined.

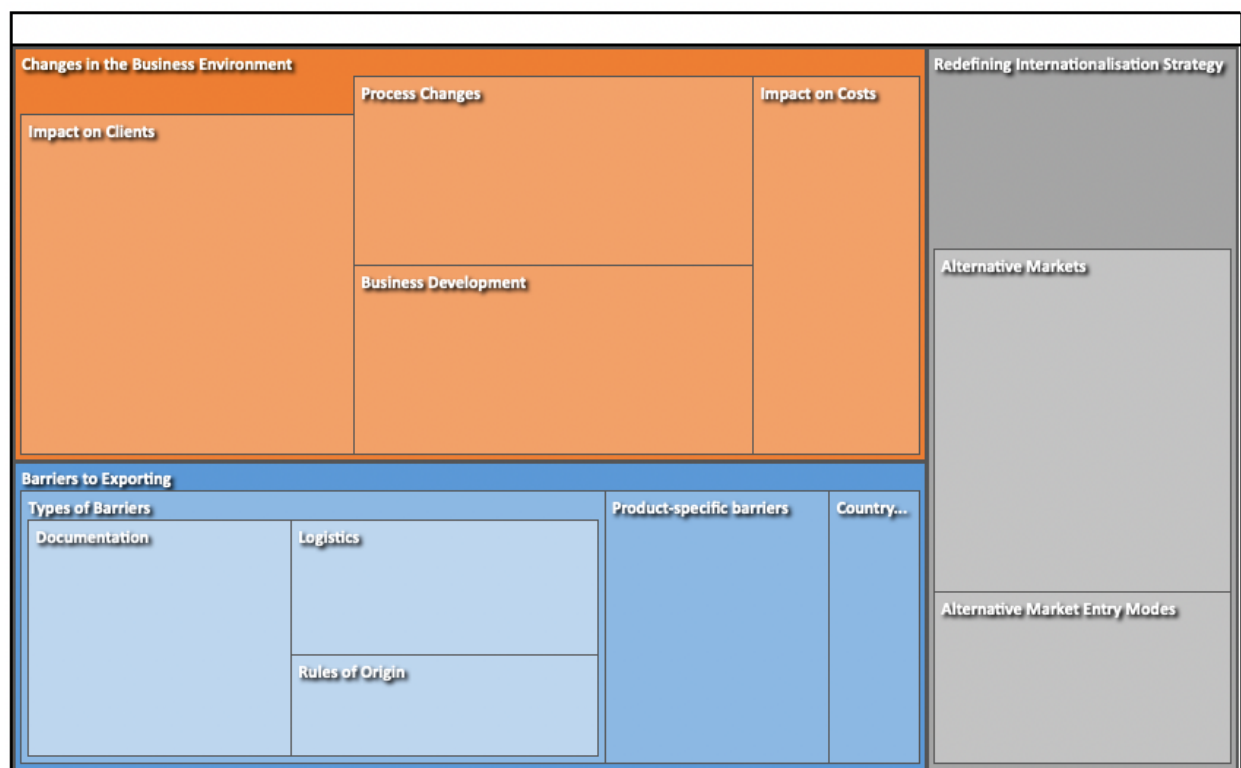


Figure 5 - Nodes of Themes (from NVivo)

Thirdly, the authors suggest that so-called child nodes (subthemes) are created, including its identification and relation to parent nodes. This was done by examining each transcript in NVivo and selecting each part of text that related to its corresponding child and parent node. Lastly,

nodes need to be reviewed, refined, and finalised. The final parent and child nodes are depicted in the figure below (generated in NVivo), where the relationships between them are also indicated. For a further overview of nodes and their structures, can be seen in Appendix 5 – Nodes.

### 3.6 Ethical Considerations

Since the research is based on interactions with individuals, there is a need to discuss the ethical principles upon which the research stands. According to Sekaran & Bougie (2016), every research that is based on the collection and analysis of primary data should keep the data confidential if requested by its participants. None of them should be forced to participate as well as the give informed consent to gather data. This research is guided by these principles, therefore, the names of the export managers are not explicitly stated and the names of the companies that they work for, were altered to fictional company names, as per their request. The export managers conditioned their participation in the research by the assurance from the researcher that their identity and firms that they work for remain confidential, since the topic may be sensitive for some.

## 4 Analysis

In this chapter, the collected data from semi-structured interviews with export managers of SMEs are presented and analysed. The changes in the business environment between the EU and the UK after the implementation of the EU-UK TCA are discussed along with its implications for future SME business development, impacts on costs, their clients, and changes to the process of exporting. In the second section of the chapter, the different barriers to exporting are explored both from the perspective of EU countries, but also product-specific barriers and their types. Lastly, the redefinition of SME international strategies is presented and how they cope with the changes of in the business environment through focusing on alternative markets and market entry modes.

### 4.1 Business Environment after the implementation of the EU-UK TCA

The business environment between the EU and the UK has changed significantly. Prior to Brexit, UK SMEs were benefitting from the free trade within the EU Single Market and Customs Union, where goods and services were flowing across borders nearly seamlessly without any substantial barriers. It appears now that many UK SMEs have undergone a significant change in the way they access the EU markets due to changes relating to the process of exporting. This has had an impact on their costs, their clients and business development. All the interviewees reflected on the changes to some extent, but PetFoodCo export manager described it in their own account from the perspective of preparedness:

I know the reasons for this is that when we had access to the single market, there were very little barriers to trade. This all of the sudden overnight changed. I mean we were quite prepared, but the main problem was the negotiations lasted so long and went for so long that it was difficult to fully prepare. And as much as we prepared, not all of our partners did. (PetFoodCo Export Manager, Appendix 4, p. 1).

This demonstrates that the process of exporting relies on several stakeholders that need to ensure the effectiveness of the procedures that take place, therefore, the changes relating to the overall process of exporting between the UK and the EU is analysed.

#### 4.1.1 Export Process Changes

The process of exporting has changed, and key issues appear to occur on the customer side in both the automotive and food products manufacturing, which the conceptual framework for the purpose of this thesis did not anticipate. Although the changes in the export processes are a result of the TCA, the expectation was that the issues occur on the side of the exporting SME and not their customers.

Any good that leaves the UK for the EU Single Market needs to be looked at from the perspective of where it has been manufactured. The EU-UK TCA conditions zero tariffs and zero quotas on all goods on the fulfilment of requirement associated with rules of origin (European Commission, 2020). Depending on the rules of origin of a particular product and whether that product fulfils the requirements stipulated by the EU, the goods that UK SMEs' customers import, may be subject to a tariff.

The changes in the process were demonstrated by the PetFoodCo export manager on an example of non-meat-based rat food going from the UK to Estonia who mentioned that the process has changed considerably: "I guess the way to look at this is sending something from Copenhagen to Aalborg or something like that you might as well compare that to sending something from Copenhagen to London before Brexit, because there wasn't any difference." (PetFoodCo Export Manager, Appendix 4, p. 7).

While post-Brexit, the process has changed in the following way. Firstly, the UK SME needs to apply for health certificates which incurs a cost. Additionally, all commercial invoices for customers in the EU Single Market had to be changed so that they comply with requirements at the border. Before the goods leave the warehouse, a vet needs to sign them off and be present upon loading to prove that the product is correct and legitimate. The next step is to place the goods in a container which needs to have a seal on with a tag that would prevent anybody going in, and in case of a groupage shipment, a pallet must have an unbreakable tie on. Then the goods

are ready to be shipped with all the necessary documentation that needs to be accompanied with the consignment. At the same time or before that, the customer in Estonia or the freight agent must notify the border post 24 hours before the consignment reaches the border. Once at the border, usually in Calais, the freight company needs to navigate the new procedures with regards to clearing the goods on the EU side. Once the consignment reaches Estonia, it must be signed off by local customs agents again and they may apply a tax or import duties, however in case of this particular product, that is wholly manufactured in the UK, it does not apply to (PetFoodCo Export Manager, Appendix 4).

These tariffs however apply to goods which are produced or imported from other locations than the UK or the EU, this also includes the material out of which they may be produced. The export manager of FoodGrainCo mentions additional costs associated with the exporting process changes, namely the export and import clearance, increased costs with regards to transportation, and VAT that needs to be paid upfront by the customers in the destination market. Additionally, they also mention the changes that relate to their commercial invoices to the EU customers, which must state the origin of the products as well (FoodGrainCo Export Manager, Appendix 3).

All the new documentation slows down the process of exporting to the EU, where goods are held up at the borders until the customers in the EU get the correct documentation that enables consignments to be cleared and sent further. The ChemiCo export manager, however, indicates that the processes are starting to speed up as individuals and institutions learn how to cope with the new changes: "But that is now easing because you know the process is being followed through now on a number of occasions. So, customers within Europe got familiar with it and there's a familiarity now in the process in order to get the goods." (ChemiCo Export Manager, Appendix 4, p. 2). Perhaps, it can be expected that over time firms and employees in both the UK and the EU will learn how to cope with the new processes and requirements, but they, nevertheless, hinder the process of exporting in terms of time spent at border checks and increased administrative burden that is associated with this market entry mode.

#### 4.1.2 Impact on Existing Customers and Costs

In this subchapter, the impact on current customers of the investigated UK SMEs and costs associated with exporting are analysed. It seems that the impact of the new business environment on their clients has been extensive, particularly in the changes related to the process of exporting, as mentioned earlier. The customers of the UK SMEs have been impacted from the perspective of new costs, but also their organisational capabilities to manage imports from third countries outside of the EU, as many of them had not been exposed to this type of trade before Brexit. All interviewees raised the issue of unpreparedness of their clients and how they have been affected by the changes.

The ChemiCo export manager pointed to new documentation that is required for clearing goods at borders, which their clients were not prepared for, even though it is their responsibility as importers to manage it: “a lot of these customers are not used to doing that. They're not used to have import agents clearing the goods, they're not used to the process. [...] We are seeing difficulties in the process for the local purchasing company and them being followed through on the process.” (ChemiCo Export Manager, Appendix 2, p. 1). The role of ChemiCo is to support their customers in the process but it is the clients who are liable to ensure that all local taxes and costs for the product are paid and in order.

Although the ChemiCo export manager appeared to be somewhat confident and positive about the situation and their current client base in the EU, although they admitted that it affects their competitiveness on the market:

Then that means obviously we lose the product potentially, but the moment we're not really seeing that. We are seeing difficulties in the process for the local purchasing company and them being followed through on the process. So, at the moment, in terms of the cost, it is not a big cost for exporters and sellers, the cost is for the buyer and the difficulties, but then again, it does make us less competitive. (ChemiCo Export Manager, Appendix 2, p. 2-3).

The export manager of FoodGrainCo (Appendix 3, p. 1) was also positive about the current base of loyal customers in the EU, because they continue to order as within the food manufacturing industry, their customers' clients need the products in their local supermarkets and shops: "Even with Brexit there's continuous business so in that aspect Brexit didn't change much on the current business." However, they were as in the previous case concerned about their competitiveness since the costs of exporting on their clients' side have increased.

Another challenge raised the FoodGrainCo export manager are the EU customers' perceptions of the UK since Brexit. Since the UK left the EU, they cannot state that their products are produced in the EU, which used to be the case of FoodGrainCo. Now, they have to state that the product is manufactured in the UK and some of their clients voiced concerns over the how these products would sell and that it may not be commercially sound for them to do so: "some of our customers are not comfortable to say that the product is made in the UK because some of them think OK it's actually the image of the UK in Europe is not good at the moment" (FoodGrainCo Export Manager, Appendix 3, p. 4). This concern is shared with the PetFoodCo export manager as well, where they find that their customers find that the outlook of EU customers is that the UK caused the new problems, and that makes them not to want to deal with UK businesses.

Another issue is about how their customers are affected are from the standpoint of freight and logistics, where freight companies are not willing to ship products through groupage which is a way of shipping where different customers of a freight company use one lorry that is shared with multiple customers whose goods are shipped either to the same destination or to a location that is on the way to a final destination. The freight companies facilitating these services in the UK refuse to do it due to delays at borders and increased costs: "The costs for the freight companies are far too much because they could have a truck up the road for three four five days. They have angry customers because some of the freight that was ok, hasn't made it in time." (PetFoodCo Export Manager, Appendix 4, p. 4). The way PetFoodCo copes with this is that they encourage their customers to order whole lorries when they place an order, which their export manager finds concerning as some of the smaller customers may not be able to do that due to cashflow problems or demand issues. Some of their customers were lost already, where the

margins on their products were so low that some of their customers in Poland for example dropped the PetFoodCo's products from their portfolio.

In summary, it could be said that the impact on the existing base of customers has not been so significant as some may have expected. The main issues and difficulties are associated with customer capabilities to manage export/import processes and documentation, lower competitiveness among their EU competitors, and logistics, specifically limited number of freight companies and their flexibility with shipping options. In general, the situation with current customers is stable, however some customers have been already lost due to increased costs associated with exporting post-Brexit.

#### 4.1.3 Business Development

Another aspect that was the conceptual framework did not anticipate were relating to the effect of the EU-UK TCA on business development and potential customers. The issue of business development has not been raised by the export manager of ChemiCo. They only discussed the existing customer base, although they mentioned the negative impact Brexit and the TCA have had on their competitiveness.

On the other hand, the food product manufacturing SMEs have emphasised that new business development and establishment of new links and partnerships with businesses across the EU have become significantly more difficult in comparison to the pre-Brexit period. For instance, the FoodGrainCo export manager emphasised that there was a noticeable difference in attitudes from the European potential partners and customers due to the uncertainty about the outcome of a future relationship between the EU and the UK: "new business development then yeah there was a massive decrease in new business, but this was not only because of the deal. [...] two years ago companies told me that 'you know what actually we don't know what's going to happen Brexit, so we are not considering any products from the UK'." (FoodGrainCo, Export Manager, Appendix 3, p. 1). The PetFoodCo export manager likewise mentioned that recruitment of new partners and business development in the EU has become difficult: "if we look at trying to recruit new partners and business in the EU, they are very hesitant because they know about Brexit and the problems. They usually say, why should we buy from a



UK company when we can buy from a let's say Danish company in Europe and have the free trade instead." (PetFoodCo Export Manager, Appendix 4, p. 3). The FoodGrainCo export manager had mentioned that it is mainly due to the new costs and the documentation associated with exporting, which was mentioned in the previous subchapter. Additionally, potential partners and customers were used to firstly test the products through a trial order to assess the attractiveness and demand for given products, whereas now they do not wish to undergo such process because it would mean that they would pay for some products that they would potentially not be interested in. They further elaborated: "Let's say we find a new partner in Italy for example normally the partner would like to test the products in the beginning and make a trial order and see how the flavours and which products sell the most." (FoodGrain Export Manager, Appendix 3, p. 2). The issue is that doing so, would already incur some cost and they may not be even interested in such products; therefore, they are discouraged to test a trial order.

An additional point towards business development was linked to capabilities of firms based in the EU. As mentioned in the changes to process of exporting, The PetFoodCo export manager discussed it from their perspective, because often if the EU businesses were internationalised, they were only trading internationally within the EU Single Market and Customs Union and hence lack the experience associated with more complex import and export procedures that now occur between the EU and the UK:

[...] many businesses in the EU only traded with other EU businesses, so they never dealt with a third country. I guess the way to look at this is sending something from Copenhagen to Aalborg or something like that you might as well compare that to sending something from Copenhagen to London before Brexit, because there wasn't any difference. But now post-Brexit, all the nuances and changes mean that these EU companies who were so used to this easy way of working, they just don't know how to deal with it. (PetFoodCo Export Manager, Appendix 4, p. 7).

In summary, all the interviewees agreed that the new relationship between the EU and the UK has had an impact on their competitiveness and business development. ChemiCo export

manager appeared to be more positive about the situation, but that may be perhaps due to their available resources and established network in the EU, whereas those in the food products manufacturing lack this as they only export to the EU. Both export managers at PetFoodCo and FoodGrainCo seemed to be concerned about the prospects of their products in the EU and their market realisation.

## 4.2 Barriers to Exporting

In the second part of the analysis chapter, barriers to exporting are identified and analysed. This subchapter is divided into two main parts, firstly, various types of export barriers relating to documentation requirements, rules of origin and logistics are discussed and secondly, more specific types of barriers are studied from the perspectives of particular products and countries within the EU.

### 4.2.1 Documentation Requirements

The first export barrier that could be incorporated into the conceptual framework of this thesis are requirements with regards to documentation. This is perhaps one of the most noticeable changes that resulted as a consequence of the EU-UK TCA, which all of the interviewees considered as a barrier when exporting to the EU. It has been briefly touched upon in the subchapter about the changes to the processes in exporting and as mentioned earlier, the ChemiCo export manager has mentioned it as the main obstacle to exporting, while saying that it is mainly the issue of the importer and their capabilities to deal with the problems: “We need documentation where we need proof of origin, proof that the goods come with different regulations and it is for the customer to understand what the customers need on the other end to help them import the goods.” (ChemiCo Export Manager, Appendix 2, p. 3) At the same time, they mentioned that when considering compliance with the EU regulations, there is not a problem for them as they comply with existing regulation and they do not intend to change their products in any way that would breach such regulations: “In terms of our compliance and how we comply with EU regulations, it’s still the same, the products are still the same. We still comply, we do not buy anything outside the EU or UK.” (ChemiCo Export Manager, Appendix 2, p. 3).

The export managers within the food products manufacturing were not so optimistic about the documentation and consider it an extensive barrier to exporting: “The extra documentation that is a huge barrier.” (PetFoodCo Export Manager, Appendix 4, p. 7). Export health certificates for instance were not needed before Brexit, and neither were sanitary documents of plant-based products that are now required. This means that the requirements are highly product specific.

This resulted, particularly in the beginning of the change to delays at border posts due to missing documents. The PetFoodCo export manager discusses it from the perspective of their Portuguese customer:

They were underprepared, they picked up an order from us and it got all the way to Portugal and it got checked by customs in Portugal and they wouldn't allow it to stay there so they sent it all the way back to Calais. It was because the lorry driver had gone through the wrong lane [...]. On top of that he also left the export health certificate which is a document which is required for meat-based products. He left it in the UK, so somewhere in Dover there was an export health certificate that should have been there. Even though we live in this digital age, the paperwork needs to travel for the consignment all the way. (PetFoodCo Export Manager, Appendix 4, p. 3)

This demonstrates that even one mistake in the process of exporting, which has become more difficult, can potentially lead to the inability to clear the goods in an appropriate manner. Some of the documentation requirements relate to the rules of origin, therefore, it will be explored in the following subchapter.

#### 4.2.2 Rules of Origin

The EU-UK TCA stipulates that all products imported to the EU need to fulfil the requirements of rules of origin which state that a product needs to have a certain amount of manufacturing and raw material produced either in the UK or in the EU to ensure level playing field among the EU and UK businesses.

This appeared to be more of an issue for the SMEs in the food products manufacturing industry than the automotive manufacturing sector. For example, the PetFoodCo export manager mentioned that a vast majority of their raw materials from which they produce final products is locally sourced or if not locally, then within the UK, therefore complying with the rules of origin. Packaging of their products is imported from Poland and Italy, therefore again, they comply with the regulatory requirements. One of the methods of coping with packaging import issues was stockpiling before the EU-UK TCA came into force to prevent delays in manufacturing:

Some of our packaging comes from Italy, some of it comes from Poland. With packaging the nature of it, you usually purchase large stocks of one time anyway, so we are talking tens of thousands of bags for each product. But my understanding is that we went even further than usual and really stockpiled. Raw material in terms of ingredients a lot of those are sources locally or if not locally then in the UK somewhere, but any materials that were coming from the EU, they were also stockpiled. (PetFoodCo, Export Manager, Appendix 4, p. 2).

On the other hand, the FoodGrainCo export manager was more concerned about the rules of origin, as many of their products contain raw materials, such as quinoa, chia seeds, or freekeh from Australia, the Middle East, and Peru. Consequently, their customers need to pay tariffs as the final products do not have sufficient processing in the UK that would justify zero tariffs when selling to the EU:

[...] before Brexit we were one of the three or four official importers of the product into Europe and we have the customers in Europe that we used to fulfil but now with rules of origin basically the same product that we import from Australia repackaged here in the UK and then sold to Europe and the customers have to pay tariffs because since the product is not by the rules of origin there isn't enough sufficient processing in the product that justifies preferential status when we sell to Europe. So, this is a big barrier for us. (FoodGrainCo Export Manager, Appendix 3, p. 3).

This could lead to lower competitiveness among some UK businesses that import raw materials from third countries outside the EU and the UK as the final price for the customer increases: “[...] then customers will have to pay tariffs, which makes the product that more expensive in the industry in Europe and then this way we lose competitiveness against our competitors.” (FoodGrainCo Export Manager, Appendix 3, p. 3). The new requirements regarding rules of origin represent a significant barrier when exporting to the EU, hindering competitiveness of UK SMEs, forcing them to rearrange their supply chains to alternative sources.

#### 4.2.3 Logistics

Another exporting barrier were logistical issues relating to freight agencies in the EU and the UK, which have now stopped offering certain services and increased their prices due to higher costs. This has also not been considered in the a priori conceptual framework, where a singular relationship between the UK SME and their customers was assumed, however the process of exporting relies on several stakeholder throughout the process of exporting. This export barrier did not appear to have such an effect on exporting of ChemiCo, since they do not only export to the EU, but have other market modes of entry. It could also be the case that they ship larger quantities of goods to the EU, where they manage to fill lorries and trailers to their full capacity.

In contrast, the food products manufacturing SMEs have seen logistics as one of the major export barriers for several reasons. Firstly, in general the number of them being on the market has decreased and those remaining in operation raised their prices: “There are less and less transport companies working in and out the UK. So, the fewer ones that are doing this job increased the prices. [...] less companies working between the EU and the UK. Less available space for pallets and that increases the costs. (FoodGrainCo, Export Manager, Appendix 3, p. 8). The manager further asserts that this is directly linked to Brexit, mainly because the freight companies are missing orders from the destinations where they head to: “Yeah, it is definitely due to Brexit, because the way transport companies work, they move the cargo from A to B and collect from B and then going back to A, so they need to have products also on the other side when they transport to keep the prices down.” (FoodGrainCo, Export Manager, Appendix 3, p. 8).

Secondly, those that remained to provide services between the EU and the UK, stopped offering certain services which used to be available before Brexit. For example, groupage order options are no longer available due to potentially delaying orders of other customers that would not cause the delay in the first place, leading to lower customer satisfaction:

And groupage works well if you want to send a few pallets to Denmark for example, so what the freight company would do is that they would collect five pallets from us, three from somebody else, and three from elsewhere and all these pallets would go to Denmark to a distribution centre and then they would go their separate way. So, with the groupage, the freight companies refuse to do it now because what happens is that if one consignment on that truck has a problem and gets held at the border, then all the others are also held. (PetFoodCo, Export Manager, Appendix 4, p. 4).

This has created a distinct disadvantage for smaller UK SMEs that ship smaller orders to their customer in the EU. Now, they are forced to order whole lorryloads of goods, which not all have resources for: “What we had to do is to encourage customers to take full truck loads, so instead of taking a few pallets they now have to take twenty-six. They had to more than quadruple the amount of product that they would usually take. They might not have cashflow for that, they might not have storage for it. They might not have demand for it. It’s all these small things that make quite big problems.” (PetFoodCo, Export Manager, Appendix 4, p. 4). It could be argued that it leads to some reluctance on their customers side since they would be less willing to purchase the products and rather choose a company in the EU, where a smaller amount could be ordered.

The main issues with logistics and the barriers that they represent has significant impacts on particularly those SMEs in the UK that dispatch smaller orders to their customers in the EU due to lower variety of services provided by freight companies, increased prices, and less availability. This could have an impact on the competitiveness of UK SMEs as the price offered to the final customer is higher than before Brexit.

#### 4.2.4 Product-specific barriers

Some of the export barriers caused by Brexit and the EU-UK TCA are highly contextual and product specific. Therefore, some of the examples of how they vary across different products or product categories is presented in this chapter.

There are differences in documentation requirements with regards to products and product types. For instance, if there are hazardous substances in a case of ChemiCo there are varying documents to prove that these substances are ordered by an appropriate person or company that is certified to operate with such substances: “So, it’s only about the documentation to clear that to make sure that the documents have had due diligence checks. To make sure that the customer we are selling to in Europe is approved to purchase that product.” (ChemiCo, Export Manager, Appendix 2, p. 4). This was the only product specific barrier for this SME, relating to corresponding documentation for each product and customer. The need for learning and developing new capabilities with regards to the process had been highlighted several times by the export manager.

In the food production manufacturing SMEs, the product-specific barriers were somewhat different. The concern about varying documentation was not the only one. In addition, the packaging now differs based on the destination to which they are exported, which used to not be an issue since UK manufacturing could use the Made in EU label. One way the FoodGrainCo went about this is their establishment of a trading company in Ireland, which allows them to have a European address on their packaging. In general, all their products are affected, but as previously mentioned some comply with rules of origin and some do not, which also needs to be specified on the packaging. Moreover, the PetFoodCo export manager stated that some products are easier to export than others, since each one of them requires different health certificates and documents based upon the presence of meat in a product: “The only problem we had is getting some feeding to Denmark because that has some different commodity code from the rodent food and that does require health certificate, but we have overcome that one and we got a certificate for now. [...] if the product has meat in it, it’s a real problem. There’s a lot of issues. If the product doesn’t have meat, as long as you are careful, you shouldn’t have any problems.” (PetFoodCo, Export Manager, Appendix 4, p. 6). These challenges related to requirements of

varying documentation based upon a product that SMEs export are pressuring UK SMEs to potentially employ additional staff to cope with increased administrative burden.

#### 4.2.5 Country-specific barriers

The last type of export barriers, that could be observed in the qualitative data, is linked to countries in the EU, as some of them interpret the new rules differently than others. This theme has not been observed in the ChemiCo export manager, as they did not mention anything about a differentiated approach of varying EU countries towards the new rules.

The food product manufacturing SMEs, on the other hand, have noticed different interpretations of the rules as the PetFoodCo export manager (Appendix 4, p. 5) highlights: “It’s different for every EU country, although it should be the same. Each country still has their different interpretations of the law and different procedures to follow.” They further elaborated the issues on an example of a Greek customer, where they used to send cat and dog food for years before Brexit and since the new regulations have come into force, they started to require that the products have Greek labels on them. This led to a holdup at the border post for couple of weeks where the customer was charged EUR 50 a day which incurred additional costs for them.

Another example is about disclosing full recipes that the Spanish health authorities started to require although other EU countries do not demand it: “I was asked by a distributor in Spain to disclose the full recipe for our products because they were saying that they need it for the Spanish Health and Safety Government Body, in order for them to be allowed to import the products to Spain. For instance, when we export to Lithuania, we don’t need any of that. In Poland, they were quite strict with the products and they said that for I think it was I can’t remember which ingredient, but the Polish government was saying that you can’t import this product from the UK. It is very difficult now; every country seems to have their own rules and for us as the administrative work has gone up exponentially.” (FoodGrainCo Export Manager, Appendix 3, p. 4-5).

Although there is a set of documentation and other requirements that are the same across the EU, some countries require additional specific documents or other obligatory checks for import of products from the UK. These new interpretations that have not been observed in other



countries lead to further complexity of trading with the EU customers which SMEs need to be aware of in order to avoid and mitigate for delays and increased costs.

### 4.3 Redefining Strategies of Internationalisation

There have been observed several ways of how the UK SMEs redefine their internationalisation strategy. They appear to be considering alternative markets outside of the EU to cope with the constraints on trade and business development there. Moreover, some are considering other modes of market entry when trading with the EU to overcome export barriers, however these have some significant impact UK SME resources.

#### 4.3.1 Alternative Markets

One of the ways the UK SMEs in both industries redefine their internationalisation strategies are efforts in seeking potential markets outside of the EU that would allow them to differentiate the destinations to which their products are exported. In general, it is still too early to assess which markets the SMEs are intending to further expand and develop their business in, but there are considerations to enter markets in the Middle East, Eastern Europe (non-EU countries), Asia and South America. However, it is essential to emphasise that these potential markets are dependent on trade deals that the UK Government would have to come into agreement with, which is also a concern of the export manager of ChemiCo (Appendix 2, p. 5) who pointed out: “If there are favourable trade deals that would make us more competitive, but like I said it is way too early at the moment. When a trade deal is signed with America then it may be something we look to target because then we’d have the lack of import duties which would make us more competitive but again, I would be speculating, [...] in terms of strategy at the moment there isn’t anything on our side because there is no trade deal yet with other markets that would make us to change something. We just operate as we have done before with new conditions that we needed to get used to.”

Although the alternative markets are dependent on new trade deals that would decrease the barriers to trade, there are already some patterns that have been observed in the behaviour of UK SMEs, particularly those in the food products manufacturing sector. For example, the

FoodGrainCo export manager (Appendix 3, p. 6) stated that their company has already taken specific steps towards redefining their internationalisation strategy through expanding to alternative markets in the Middle East and the US market: “we have taken some businesses in the Middle East and trying to get new business in the new markets as I said. Priorities are Japan, to continue to establish our brands in the Middle East and the US market.” One of the drivers for diversification of markets is their exposure in the EU market, to which FoodGrainCo sell between 60 to 70 percent of their product volumes. This has not been however only triggered due to the EU-UK TCA, the expansion to other markets was prompted by the uncertainty of a trade deal a year ago, coupled with the market exposure to the EU: “Last year, the strategy was to open new markets outside Europe, so I focused on Middle East where we are at the moment launching in UAE and Oman with one distributor, but I am still looking for a distributor for confectionary. Also, Eastern Europe and Russia and I am currently talking with 2 companies that would cover the Russia, Kazakhstan, and Belarus markets. Obviously, we focus on the southeast Asia. It’s one of our objectives is to launch in Australia and Japan.” (FoodGrainCo Export Manager, Appendix 3, p. 5). Similar patterns of diversification of markets have appeared at PetFoodCo, where the interest particularly in the Middle East seemed to be the focus as British and European products there, are in demand in according to the export manager. The main strategy in the Middle East, according to the PetFoodCo export manager (Appendix 4, p. 9), is to expand the existing customer base: “We already have quite a good base of customers and we are trying to expand that there really, so. If I gave you specific countries, that would be Saudi Arabia, Qatar, Bahrain. We have had some success in Kuwait. Since Brexit, we have taken a new partner there.”

Another geographic area of interest appeared to be Asia, where the current resources are not about specific steps, but rather research about potential business development there. For example, if there was no pandemic and its consequences of travel restrictions and lockdowns, the export manager of FoodGrainCo (Appendix 4, p. 9) discussed the options of travelling to particular Asian countries of interest where they would map the options for further expansion: “In Asia, we were looking there before Brexit, but Singapore, Malaysia, Vietnam, we spent a lot of time researching about it and if it wasn’t for Covid, we probably would go there and do some research on the ground. Obviously, we haven’t been able to do that, but I guess if you wanted

specific countries, that's where we have been looking and of course China." The main reason for the interest in China is similar as for the Middle East and that is that the local customers favour European and British products according to the PetFoodCo export manager. This was in direct contrast to the FoodGrainCo export manager, who did not consider the Chinese market as a market they would plant to enter to due to intellectual property and trademark concerns. Japan looked like a more attractive market to them based on the trade deal that was recently struck between the UK and Japan: "So, for example, the Japanese market, it is now much easier to export to Japan, so if you have a product that has a shelf life of more than 12 months, that market suddenly becomes more appealing, because you have the right product, so if it is plant-based products, it is something that some companies in Japan especially retailers they are looking for this type of product." (FoodGrainCo Export Manager, Appendix 3, p. 6).

The PetFoodCo export manager (Appendix 4, p. 9) admitted that, although it is challenging at the moment, one of the positive aspects of Brexit is that it forced them to explore alternative markets in which they could grow and expand to: "You can also consider Brexit as a positive because it has encouraged us to spend more time looking outside of EU." These patterns appeared across the SMEs which are either considering alternative markets outside the EU or are already taking specific steps and expanding there to cope with the challenges when exporting to the EU.

#### 4.3.2 Alternative Modes of Market Entry

Other ways of how to cope with the challenges in exporting to the EU is to consider alternative market entry modes to the EU, which would eliminate issues with regards to exporting mentioned earlier.

In the case of ChemiCo, the export manager (Appendix 2, p. 6) discussed their situation and mentioned that they already established a small distribution network across the EU and globally, but still export to the EU: "We already have some other ways of accessing the markets, because we don't only export, so we already do that because we are a small distribution company that serves globally and we have some networks abroad that we cooperate with, so we export where products are needed and that's it."

There has been a noticeable difference between the impact of size on decisions about market entry modes as the automotive manufacturing SMEs was comparatively larger than its food products manufacturing SME counterparts. The FoodGrainCo export manager highlighted that with the amount of exposure to the EU market, it would justify moving production to the EU, however due to the reluctance of the management and particularly the managing director, it has not happened yet, although it is one of strategic options they are considering: “So, at the moment our production is located in the UK, and what we should have done. And the reason why we haven’t done it is because it was a decision by the managing director not to do it. But with the amount of business we do with Europe, it would justify moving the production or not move but open a production facility in Europe.” (FoodGrainCo Export Manager, Appendix 3, p. 9). In particular, they are investigating the option to open a production facility in Poland, which would make their products 10 percent cheaper, while using the same suppliers of raw materials. Another way to overcome the export barriers is to have an appointed manufacturer in the EU that would produce part of their products, which they have observed with other small businesses: “There is for example a company that manufactures products from nuts, like peanut butter, and they have a manufacturer here in the UK and they have another one in the Netherlands that supplies Europe. Another example is a company to which we have sold a brand of a product in 2019 and they have a production facility in the UK and we as manufacturers still produce some of the products for them, but they have a huge manufacturing plant in Poland to supply the products to Europe.” (FoodGrainCo Export Manager, Appendix 3, p. 9).

In the case of PetFoodCo SME, the consideration to move their production or its part to the EU was never considered, mainly due to resource constraints:

“The company I work for, this was never a consideration, and it still doesn’t remain a consideration. [...] So, it does make sense [moving production to the EU] but not every business is capable of doing that, I mean if you spoke to, I don’t know in any town in the UK that are a one-man operation. He might be selling fishing rods to the EU that he makes, I mean there is no way that he can move the production over there, although we are a larger company, medium sized business, it is still a massive investment to move your production facilities or even just to hire a warehouse. It’s not necessarily the cost of the warehouse but you’ve got to manage your stock

and it goes out of date you know, we need a process around that, we need to make sure that we stick to certain regulations in terms of how the product is stored, the cleanliness. So, it's I guess it's an option, but it comes at a cost. So, I guess it's the best solution but it's not so straightforward."

As mentioned previously, rather than moving production facilities to the EU, the strategy is to explore alternative markets as they do not require so much investment in terms of marketing and time. While at the same time exploring the ways to export products that are not so demanding in terms of health certificates and other documentation to the EU, as per the example of non-meat-based products, such as rat feed that they ship to Denmark without any major issues: "I simply guess the strategy is don't spend more time on developing business in the EU, focus on the products that are working there and build on it." (PetFoodCo Export Manager, Appendix 4, p. 11).

In summary, moving production to the EU as an alternative market entry mode is highly demanding for SMEs that face resource constraints, particularly when paired with the impacts of the pandemic on sales. The PetFoodCo export manager (Appendix 4, p. 10) admitted that moving production to the EU would not be feasible at the current state of the situation: "I think without sitting down and doing the numbers and checking it all myself, I wouldn't be able to give you an accurate answer, but if I gave you let's say an uneducated answer, I would say probably it wouldn't be feasible, probably not." The FoodGrainCo export manager (Appendix 3, p. 9) also discussed the prospects of moving production to the EU and how demanding it would be on resources: "This way we would continue to supply our customers without paying the tariffs or any increases in transport or anything like that. So that is a good option if a company is willing to do it, but it is also demanding on resources so that was a contributing factor that made us decide not to do it yet, but personally I think it should be considered in the future, especially if the conditions become even more unfavourable."

Alternatively, there is an option to change the way of exporting to the EU in order to stay competitive by supplying customers directly instead of selling their products to wholesalers while at the same time absorbing some of the costs associated with export and import tariffs and other barriers discussed earlier: "One of the things that I am considering is to simplify the whole process

of getting the products to Europe. Do I need to change the route to markets? So traditionally my company, we used to work with the distributors and those distributors would supply their own customers in the markets and then retailers, whole sellers, petrol stations, small supermarkets, and all of that. So, thinking what can we do, can we supply retailers directly for example? So, when you do that, you cut the middleman, you can actually get a better price to this retailer.” (FoodGrainCo Export Manager, Appendix 3, p. 9) This approach could be particularly attractive if the absorption of costs while at the same time increasing the sales margin offsets the barriers that would otherwise be the responsibility of the buyer in the EU. In this way, the barriers regarding new business development and establishing new partnerships in the EU, could become easier for the buyer, therefore, they would be less hesitant to purchase their products.

## 5 Discussion

Based on the analysis, it is apparent that although there has been a deal struck between the EU and the UK, there are some significant challenges for UK SMEs that export to the EU. Both imports and exports of goods from and to the EU dropped by 30 and 40 percent, respectively, Brexit being cited as the major challenge (The Economist, 2021a). Some argued that this decrease is caused by the pandemic, however, when compared with imports and exports between the UK and the rest of the world, there has not been such a significant change in comparison to the EU-UK trade. Another important factor is that while the EU imposes tougher checks and requirements on goods going to the EU, the UK mostly waives these and lets imported goods into the country. Therefore, the more significant impact was felt by UK exporters rather than importers (The Economist, 2021b). This problem was raised by the PetFoodCo export manager, who claimed this as well towards the end of the interview, saying: “But one thing that is also interesting is when these barriers start to apply to the EU companies, at the minute there is not really any change for products arriving to the UK, from Denmark you could send goods to the UK and it would move through UK customs without much of a hassle but coming December they will start imposing them, because they will start to abide by certain rules and that’s going to cause chaos.” (Appendix 4, p. 11).

In this chapter, the results of the analysis will be discussed in relation to recently emerged studies similar to this one. Cubells & Latorre (2021) have mapped the immediate micro- and macroeconomic impact of the TCA, specifically the impact of non-tariff barriers in the UK, France and the rest of the EU. The authors argue that non-tariff barriers such as documentation and certificates are more damaging than tariff barriers and conclude that sectors, amongst which food and agricultural products and automotive industries are part of, is impacted the hardest. This is in accordance with the results of the thesis where export managers in both industries were concerned with the impact on their clients who have to learn how to cope with documentation requirements, and health and sanitary checks.

A discussion paper by Marshall, Jack, & Jones (2021) shows similar indicators to the results of this thesis, arguing that the impact of the TCA has been felt disproportionately across sectors. The export manager of the automotive manufacturing SME was more relaxed about the situation

and the impact Brexit has had on their operation, claiming they were expecting to be negatively affected, but these concerns have not materialised. Marshall, Jack, & Jones (2021) argue that the automotive industry has not been affected to such a degree as many were anticipating as firms within this sector stockpiled and hence were able to continue to manufacture their products. Some disruptions occurred due to confusion over who is responsible for documentation, which again is to some extent confirmed by the export manager of the SME in the automotive manufacturing sector, who mentioned that the difficulties occur mainly on the side of the importer.

On the other hand, the food production sector was impacted by significant disruptions, mainly due to the nature of its products, where perishable goods are difficult to stockpile. Additionally, the goods in the sector are subjected demanding paperwork and inspections compared to other industries (Marshall, Jack, & Jones, 2021). This was raised by the export managers in the industry, who mentioned that where they were able to stockpile (for instance, packaging, non-meat raw material), they did so, but their partners who they work for were prepared to a limited degree.

Moreover, many of the issues raised by the export managers are consistent with the claims in the Marshall, Jack & Jones' (2021, p. 7) article: „Some firms have struggled to access haulage services and faced prices inflated up to four times the normal rate, and automotive firms have resorted to air freighting parts to ensure production can continue. Some traders have also experienced inconsistent treatment by border staff – suggesting that new rules have not always been applied in a uniform manner.” Both issues were raised by the PetFoodCo export manager, who discussed the uncooperativeness of the French border check staff and the diversified approach by the EU countries, where the interpretation of the rules should be uniform, but is not the case in each country. Additionally, the problem of increased prices by the shipping companies seems to represent a major challenge for firms exporting to the EU as the costs associated with this market entry mode affects their competitiveness on the EU markets.

The conceptual framework developed from the existing literature on export barriers adapted for the purpose of this study needs to therefore be revisited given the empirical results and consistencies provided in the discussion chapter.



## 5.1 Revisiting the Conceptual Framework

The a priori conceptual framework was developed with the assumptions that were in the existing literature where two stakeholders are present – the UK SME operating within their industry and the customer based in the EU to which goods are exported from the UK to the EU Single Market. Post-Brexit, with the introduction of the EU-UK TCA, the exporting process has changed, and the trade deal has imposed export barriers, mainly in a non-tariff form, on goods going to the EU. It was further assumed that this could drive the UK SMEs to redefine their approach to international strategy, as seen in the figure below.

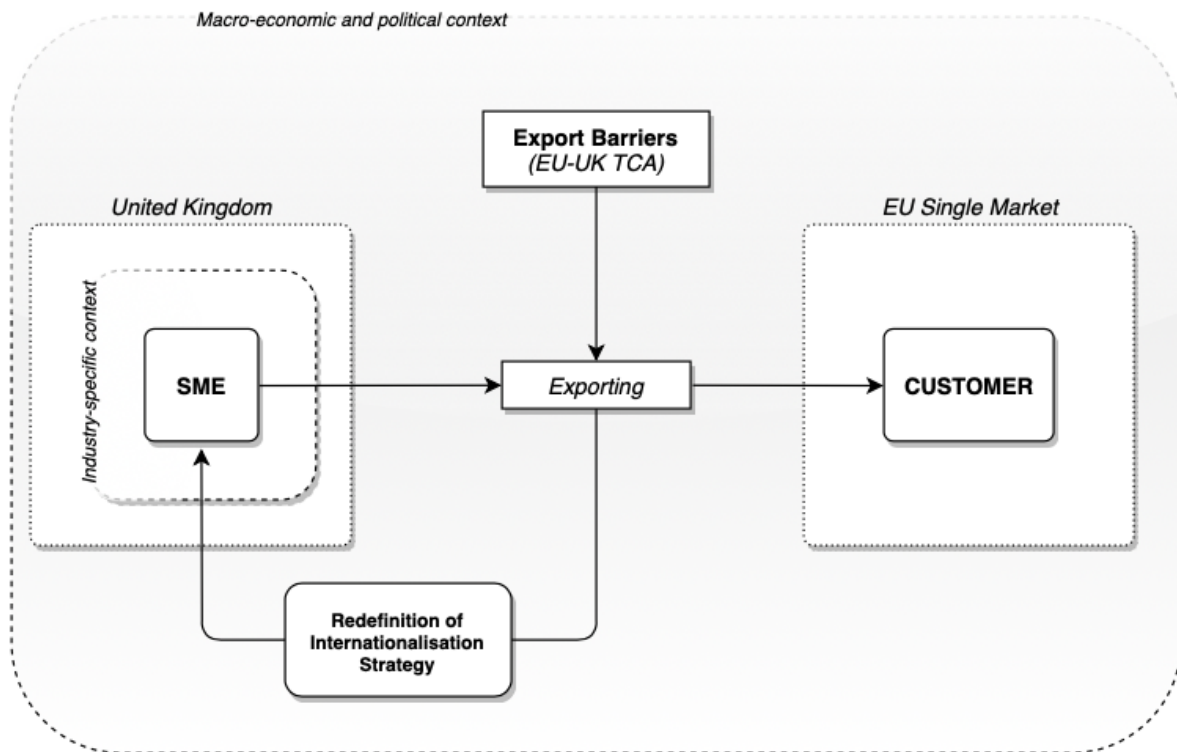


Figure 6 - A Priori Conceptual Framework

However, with the empirical data collected for the purpose of the study and the themes and patterns established in the analysis, it is needed to redefine the conceptual framework itself, as the export barriers do not impact only the SME, but various stakeholders across the supply chain. Firstly, it could be argued that the UK SMEs are looking to grow in markets outside the EU as a

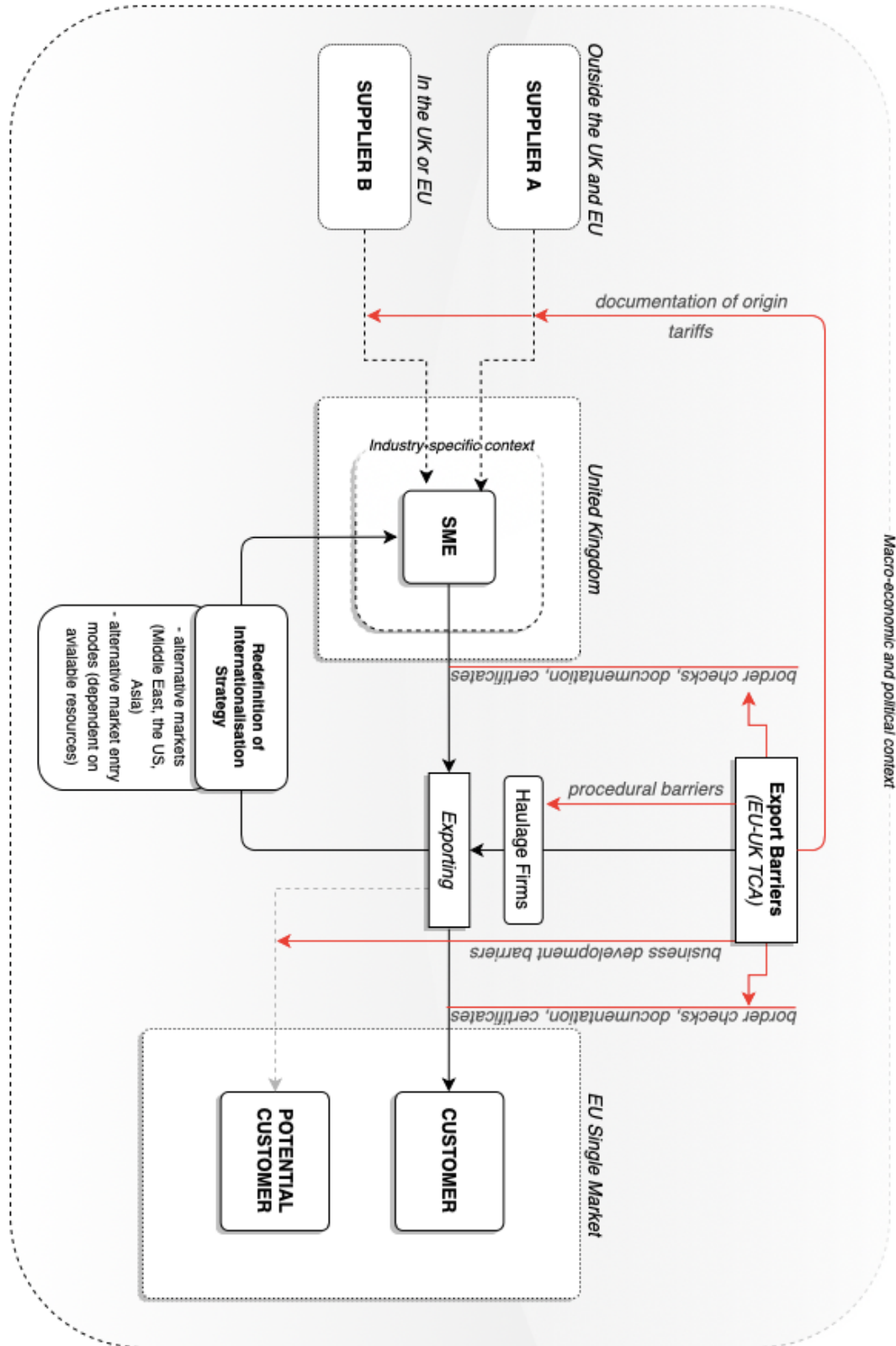


Figure 7 - A Posteriori Conceptual Framework

way to cope with the increased export barriers in the EU markets and depending on the availability of their resources, there could be some that choose to move their production to the EU in order to sidestep the export barriers. This has been incorporated into the conceptual framework.

Additionally, the suppliers of raw materials need to be considered when discussing export barriers as the EU-UK TCA requires companies to declare where those materials were sourced from. If they originate from the EU or the UK, then they need to have documentation proving their origin and if they do not fulfil the requirements, then a tariff is imposed. In addition to that, the border checks, documentation, health certificates and other documents were incorporated into the a posteriori conceptual framework. These are present on both the UK SME and their customer, depending on their arrangement of which company is responsible for individual documentation. Moreover, on the EU side another stakeholder called potential customer was included due to the difficulties that the export barriers represent for them and the reluctance to take on products from a UK company, which consequently affects the business development of UK SMEs. Lastly, another stakeholder of haulage firms was included as the new procedures at the borders have increased the prices and limited the services that they offer to the UK SMEs.

## 6 Conclusion

The implementation of the EU-UK TCA has resulted in a significant change in the business environment of British SMEs, particularly those exporting to the EU Single Market, where several export barriers have been created. The EU-UK TCA represents a change in the way the process of exporting is conducted, however, there are substantial divergencies between the product types and the origin of material that constitutes a product or a product type. There are various requirements with regards to documentation based on where a product comes from, what it is made from and which country it is shipped to, which creates a challenge for UK SME exporters. It negatively impacts them from the perspective of increased costs, but also from the standpoint of both existing and potential customers in the EU. As mentioned by export managers, the consequences of Brexit in general have placed them in a disadvantageous position, where potential customers show reluctance to test or accept their products, particularly in the food production industry.

As mentioned above, the requirements for UK SME exporters do not vary merely on the industry they operate in, but mainly on the type of product they export to the EU. It has been demonstrated how challenging the differences can be from one product to another. For instance, products containing meat appear to be more difficult to export than those that do not. However, the challenges are not rooted only in the types of products and the countries they are shipped to. The changes affect stakeholders in the whole supply chain that the UK SMEs are embedded in, ranging from the logistics companies that now offer limited services for increased prices, to the final customers who are mainly responsible for clearing the goods and ensuring that the product is received with appropriate documentation. It could be therefore said that the UK SMEs are placed in a disadvantageous position when exporting to the EU, which hinders their competitiveness.

Due to these difficulties and barriers, the UK SMEs appear to redefine their strategies when accessing international markets. The focus, especially of SMEs in the food production industry, is to find alternative markets, particularly in the Middle East, which is geographically closest, and the perception of the UK export managers is that their products seem to be respected and appreciated there. Regarding the alternative market entry modes in the EU, the export managers

have shown interest in moving production facilities, albeit partially, to the EU which would ensure lower production costs and the barriers to exporting would be therefore bypassed. In terms of sectoral differences between the strategic approaches to UK SME internationalisation, it cannot be concluded with certainty as the automotive manufacturing sector results are limited. However, it appears that those UK SMEs that were trading regionally within the EU are now propelled to export globally to markets in the Americas and Asia, as well.

As stated before, the export barriers and how UK SMEs cope with them is dependent on many variables. Firstly, the product types and the material that they are made from alters the requirements with regards to documentation. Secondly, each UK SME is embedded in the EU supply and value chains to varying degrees and therefore, they need to monitor this exposure and diversify their export markets. Lastly, there are varying levels of resource constraints, both financial and human, which limit the options of UK SMEs in the effort to choose an alternative market entry mode, such as moving production facilities to the EU.

This paper has contributed both theoretically and empirically to export barrier and internationalisation research. The purely theoretical a priori conceptual framework was created from existing literature on exporting and export barriers as well internationalisation strategy research. The a posteriori conceptual framework has been extended on the blueprint of the a priori framework, in combination with the empirical data that have been collected for the purpose of the research. The UK SMEs within the context of their industries and product types can cope with increased export barriers by focusing on alternative markets or alternative market entry modes.

## 6.1 Managerial Implications

The research has several managerial implications, both for export managers, but also executives in smaller SMEs. It is crucial for managers to monitor the level of exposure to the EU markets, both in terms of sales and customer volumes, and decide accordingly about alternative market entry modes or alternative markets outside of the EU, while considering their available resources. Managers should also pay attention to their existing customer base in the EU in the process of learning and developing new capabilities with regards to the overall export process,

which would over time ease the procedures as organisations and individuals gain new competencies. Managers should also be regularly updated about the activities of the UK Government which may decrease or eliminate export barriers in alternative markets over time.

## 6.2 Further Research

One of the avenues for future research that originated in the empirical data could be focused on SMEs in the EU and how they cope with the changes in the business environment caused by Brexit. Both from the perspective of exporting and importing EU SMEs and how they cope with the changes as export managers highlighted the impact the consequences of Brexit have had on customers that import their products and the difficulties they face when clearing the goods and increased costs associated with importing goods from the UK. Alternatively, other industries could be compared, for instance sectors that are more service oriented, rather than focused on goods, could be affected differently and as shown above, the export barriers depend on the type of product (or service) that is exported to the EU.

Another path for further research could be focused on the whole supply chain and its stakeholders, instead of analysing the export barriers on the firm level, as the barriers and changes in the business environment affect many stakeholders in value and supply chains. This would provide a holistic picture of the changes and effects they have on the efficiency and how costs affected individual stakeholders, where the effects may be differentiated from one to another.

## 6.3 Limitations

It is important to note that this study has its limitations. Perhaps, the most noticeable one is the origin of the empirical results, since the interviewees are employed by SMEs in the UK, the findings are highly country specific. As mentioned in the further research, a different research could be focused on the EU SMEs and how they cope with the changes when importing from the UK with the aim of revealing a more holistic picture of the overall impact.

One of the main limitations of the study is related to the fact that the phenomenon is relatively recent, and the empirical data were collected in a single point in time. Therefore, the

study only maps the immediate impact of the influence of Brexit in redefining international strategies of UK SMEs, which may change over time due to potential future developments about the relationship between the EU and the UK and new trade deals between the UK and third countries.

In addition, the industry-context of the SMEs is crucial to point out, since the interviewees work in enterprises within specific industries, particularly results from the automotive manufacturing sector are limited, as only one interview was conducted. Preferably, an additional one would be done to triangulate the data. Moreover, the behaviour of the SMEs in redefining their international strategies may be partially shaped by other elements, such as the pandemic, which occurs concurrently with Brexit. Despite its limitations, the research offers a valuable insight into how UK SMEs can redefine their strategies in international markets when faced with increased export barriers caused by events such as Brexit.

## Bibliography

- Andersen, O. (1997). Internationalization and Market Entry Mode: A Review of Theories and Conceptual Frameworks. *MIR: Management International Review*, 37, 27-42.
- Arteaga-Ortiz, J., & Fernández-Ortiz, R. (2010). Why Don't We Use the Same Export Barrier Measurement Scale? An Empirical Analysis in Small and Medium-Sized Enterprises. *Journal of Small Business Management*, 48(3), 395-420.
- Bailey, D., & De Propriis, L. (2017). Brexit and the UK automotive industry. *National Institute Economic Review*, 51-59.
- Bell, J., Crick, D., & Young, S. (2004). Small Firm Internationalization and Business Strategy. *International Small Business Journal*, 22(1), 23-56.
- Bluhm, D. J., Harman, W., Lee, T. W., & Mitchell, T. R. (n.d.). Qualitative Research in Management: A Decade of Progress.
- Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology*, 3(2), 77-101.
- Brown, R., Kalafsky, R. V., Mawson, S., & Davies, L. (2020). Shocks, uncertainty and regional resilience: The case of Brexit and Scottish SMEs. *Local Economy*, 35(7), 655-675.
- Brown, R., Liñares-Zegarra, J., & Wilson, J. O. (2019). The (potential) impact of Brexit on UK SMEs: regional evidence and public policy implications. *Regional Studies*, 53(5), 761-770.
- Bryman, A., & Bell, E. (2011). *Business Research Methods*. New York: Oxford University Press.
- Buckley, P. J. (2002). Is the International Business Research Agenda Running Out of Steam? *Journal of International Business Studies*, 33(2), 365-373.
- Cavusgil, T. S. (1980). On the internationalisation process of firms. *European Research*, 273-281.
- Cubells, J. F., & Latorre, M. C. (2021). Brexit deal done! A detailed micro- and macroeconomic analysis of its fallout. *Economics Systems Research*, 1-26.
- Cubells, J. F., & Latorre, M. C. (2021). Brexit deal done! A detailed micro- and macroeconomic analysis of its fallout. *Economic Systems Research*, 1-26.
- Dabic, M., Maley, J., & Novak, I. (2019). An analysis of globalisation in international business research 1993–2018: rise of the sceptics. *International Business Research*.
- Daniels, J., Radebaugh, L., & Sullivan, D. (2019). *International Business*. Harlow: Pearson.



- Department for Business, Energy & Industrial Strategy. (2020). *Longitudinal Small Business Survey: SME Employers (businesses with 1-249 employees) – UK, 2019*. Department for Business, Energy & Industrial Strategy.
- Do, H., Cowling, M., & Blackburn, R. (2015). *Barriers to Exporting: New insights into UK SMEs*. Zagreb: RESEARCH IN ENTREPRENEURSHIP AND SMALL BUSINESS.
- Doz, Y. (2011). Qualitative research for international business. *Journal of International Business Studies*, 582-590.
- EIU. (2021). *Brexit: Risk and resilience for business*. London: The Economist Intelligence Unit.
- European Commission. (2015). *User guide to the SME Definition*. Luxembourg: European Union.
- European Commission. (2020). *EU-UK Trade and Cooperation Agreement, A new relationship, with big changes*. European Commission. Retrieved from [https://ec.europa.eu/info/sites/info/files/brexit\\_files/info\\_site/6\\_pager\\_final.pdf](https://ec.europa.eu/info/sites/info/files/brexit_files/info_site/6_pager_final.pdf)
- Fletcher, A. J. (2017). Applying critical realism in qualitative research: methodology meets method. *International Journal of Social Research Methodology*, 20(2), 181-194.
- Fragkiskos, F. (2019). Impact of Brexit on the Internationalisation of SMEs in Kent. *Kent Academic Repository*.
- Garnett, P., Doherty, B., & Heron, T. (2020, June ). Vulnerability of the United Kingdom's food supply chains exposed by COVID-19. *Nature Food*, pp. 315-318.
- Ghauri, P., Grønhaug, K., & Strange, R. (2020). *Research Methods in Business Studies*. Cambridge: Cambridge University Press.
- Ghauri, P., Strange, R., & Cooke, F. L. (2021). Research on international business: The new realities. *International Business Review*, 1-11.
- Guba, E. G., & Lincoln, Y. S. (1994). Competing Paradigms in Qualitative Research. In *Handbook of qualitative research* (pp. 163-194).
- Hallak, I. (2021). *EU-UK Trade and Cooperation Agreement: An analytical overview*. Brussels: European Parliamentary Research Service.
- Hanf, J. H., & Pall, Z. (2009). *Is retailing really unique? Insights into retail internationalization using business theories*.

- Jack, M. T., & Rutter, J. (2021). *Managing the UK's relationship with the European Union*. Institute for Government.
- Johanson, J., & Vahlne, J.-E. (1977). The Internationalization Process of the Firm - A Model of Knowledge Development and Increasing Foreign Market Commitments. *Journal of International Business Studies*, 23-32.
- Johanson, J., & Vahlne, J.-E. (2009). The Uppsala internationalization process model revisited: From liability of foreignness to liability of outsidership. *Journal of International Business Studies*, 40, 1411-1431.
- Johanson, J., & Wiedersheim-Paul, F. (1975). THE INTERNATIONALIZATION OF THE FIRM - FOUR SWEDISH CASES. *The Journal of Management Studies*, 305-322.
- Julien, P.-A. (1993). Small Businesses As A Research Subject: Some Reflections on Knowledge of Small Businesses and Its Effects on Economic Theory. *Small Business Economics*, 5, 157-166.
- Kahiya, E. T. (2013). Export barriers and path to internationalization: A comparison of conventional enterprises and international new ventures. *Journal of International Entrepreneurship*, 11, 3-29.
- Kahiya, E. T. (2018). Five decades of research on export barriers: Review and future directions. *International Business Review*, 27, 1172-1188.
- Knight, G. A., & Cavusgil, T. S. (1996). The Born Global Firm: A Challenge to Traditional Internationalization Theory. *Advances in International Marketing*, 8, 11-26.
- Knight, G. A., & Liesch, P. W. (2015). Internationalization: From incremental to born global. *Journal of World Business*, 51, 93-102.
- Kuada, J. (2012). *Research Methodology*. Frederiksberg: Samfundslitteratur.
- Leonidou, L. (1995a). Empirical Research on Export Barriers: Review, Assessment, and Synthesis. *Journal of International Marketing*, 3(1), 29-43.
- Leonidou, L. (1995b). Export barriers: non-exporters' perceptions. *International Marketing Review*, 12(1), 4-25.
- Leonidou, L. C. (2004). An Analysis of the Barriers Hindering Small Business Export Development. *Journal of Small Business Management*, 42(3), 279-302.

- Los, B., Chen, W., McCann, P., & Ortega-Argilés, R. (2017). *An Assessment of Brexit Risks for 54 Industries: Most Services Industries are also Exposed*. University of Birmingham.
- Lu, J., & Beamish, P. (2006). SME internationalization and performance: Growth vs. profitability. *Journal of International Entrepreneurship*, 4, 27-48.
- Lucas, S. (2021). Brexit, Vaccine Nationalism, and the Future of the UK.
- Mariani, P., & Sacerdoti, G. (2021). *Trade in Goods and Level Playing Field*. DCU.
- Marinova, S. (2020). Disrupting Globalization Prospects for States and Firms in International Business. In M. Marinov, & S. Marinova, *Covid-19 and International Business: Change of Era*. Routledge.
- Marshall, J., Jack, M. T., & Jones, N. (2021). *The end of the Brexit transition period Was the UK prepared?* Institute for Government.
- McDougall, P. P., Shane, S., & Oviatt, B. M. (1994). Explaining the formation of international new ventures: the limits of theories from international business research. *Journal of Business Venturing*, 9, 469-487.
- Miocevic, D., & Crnjak-Karanovic, B. (2012). Global mindset - a cognitive driver of small and medium-sized enterprise internationalization. *EuroMed Journal of Business*, 7(2), 142-160.
- Morgan, R. E. (1997). Export stimuli and export barriers: evidence from empirical research studies. *European Business Review*, 97(2), 68-79.
- Morris, M. (2020). *The agreement on the future relationship: a first analysis*. Institute for Public Policy Research.
- Narayanan, V. (2015). Export Barriers for Small and Medium-sized Enterprises: A Literature Review based on Leonidou's Model. *Entrepreneurial Business and Economics Review*, 3(2), 105-123.
- Pan, Y., & Tse, D. K. (2000). The hierarchical model of market entry modes. *Journal of International Business Studies*, 21(4), 535-554.
- Pandey, S. C., & Patnaik, S. (2014). Pandey, Satyendra C., and Srilata Patnaik. "Establishing reliability and validity in qualitative inquiry: A critical examination. *Jharkhand journal of development and management studies*, 12(1), 5743-5753.

- Paul, J. (2020). SCOPE framework for SMEs: A new theoretical lens for success and internationalization. *European Management Journal*, 38, 219-230.
- Perraton, J. (2019). The scope and implications of globalisation. In J. Michie, *The Handbook of Globalisation* (pp. 50-76). Edward Elgar Publishing.
- Ribau, C., Moreira, A. C., & Raposo, M. (2016). SME internationalization research: Mapping the state of the art. *Canadian Journal of Administrative Sciences*, 35, 280-303.
- Ryan, A. B. (2006). *Researching and Writing your Thesis: a guide for postgraduate students*.
- Saunders, M. N., Lewis, P., & Thornhill, A. (2019). *Research Methods for Business Students*. Harlow: Pearson.
- Sekaran, U., & Bougie, R. (2016). *Research Methods for Business*. Chichester: Wiley.
- Sinkovics, R. R., Kurt, Y., & Sinkovics, N. (2018). The effect of matching on perceived export barriers and performance in an era of globalization discontents: Empirical evidence from UK SMEs. *International Business Review*, 27, 1065-1079.
- Sinkovics, R. R., Penz, E., & Ghauri, P. N. (2008). Enhancing the Trustworthiness of Qualitative Research in International Business. *Management International Review*, 48(6), 689-714.
- Stiglitz, J. E. (2018). Trump and Globalization. *Journal of Policy Modeling*.
- Tetlow, G., & Pope, T. (2020). *Brexit and coronavirus Economic impacts and policy response*. Institute for Government.
- The Economist. (2021a, March 13th). How Britain can benefit from Brexit. *The Economist*.
- The Economist. (2021b, March 13th). The cost of Brexit becomes apparent. *The Economist*.
- von der Leyen, U. (2021, April 27). Speech by President von der Leyen at the European Parliament Plenary on the EU-UK Trade and Cooperation Agreement. Brussels.
- Ward, M. (2021). *Business Statistics*. House of Commons.
- Welch, C., Nummela, N., & Liesch, P. (2016). The Internationalization Process Model Revisited: An Agenda for Future Research. *Management International Review*, 783-804.
- Welch, L. S., & Luostarinen, R. (1988). Internationalization: Evolution of a Concept. *Journal of General Management*, 14(2), 34-55.