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ORIGINAL PAPER

Self-Interest over Ethics: Firm Withdrawal from Russia After the Ukraine Invasion

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Abstract

Drawing on contrasting theoretical perspectives of self-interest and utilitarian/ethical motivations, we examine the degree to which a company's pace of departure from Russia after the Ukraine invasion is driven by its exposure to the Russian market. Moreover, we investigate whether firm-level political and non-political risks influence the propensity to delay or expedite the exit/withdrawal process. Contrary to utilitarian expectations advocating for ethical exit decisions irrespective of exposure and risks, firms with higher Russian exposure were less likely to exit sooner, indicating a prioritization of business interests over ethical imperatives. This self-interest effect was further amplified by heightened political risks but attenuated by non-political risks. These findings remained consistent across various model specifications, with limited discernible variations based on firm characteristics such as ranking, COVID-19 exposure and risk, past idiosyncratic volatility, or family ownership and control. In addition, an examination of post-exit effects on profitability, risk, cost of capital, and liquidity revealed no statistically significant relationships. Our study highlights the prevalence of self-interest motivations over utilitarian principles, as firms with substantial Russian exposure prioritized safeguarding their business interests in the aftermath of the Ukraine invasion, even at the potential cost of ethical and social responsibility imperatives.

Keywords Russian invasion · Ukraine · Self-interest · Utilitarian/ethical · Survival analysis

Introduction

The Russian invasion of Ukraine on February 24th, 2022, precipitated a profound shift in the global business landscape, compelling corporations to re-evaluate their involvement in Russia (Aliu et al., 2022). Amidst this tumultuous environment, firms confronted a pivotal decision: whether to prioritize self-interest or adhere to ethical considerations in their response to the crisis (Ratten, 2023). The tension between self-interest and ethics is deeply rooted in the enduring debate within the realm of moral philosophy (Donaldson & Preston, 1995). Utilitarianism, as articulated by Bentham (1789) and John Stuart Mill (1863), is a consequentialist ethical theory positing that the morally correct action is the one that generates the greatest good for the greatest number of people. In the domain of business ethics, utilitarianism suggests that firms should base decisions on the overall consequences for all stakeholders, rather than exclusively focusing on self-interest (Audi, 2007; Jones & Felps, 2013). The shareholder theory, advanced by Milton Friedman (1970), presents a contrasting perspective, contending that the primary responsibility of a firm is to maximize shareholder value within the boundaries of the law.

The tension between these two perspectives emanates from their conflicting priorities and stakeholder considerations. A utilitarian approach would prioritize the broader ethical implications of a firm's actions, such as the potential harm caused by indirectly supporting or enabling the Russian regime's aggression or the potential benefit of preserving economic stability and employment in Russia. Conversely, shareholder theory would prioritize the financial implications of withdrawal, such as the potential loss of revenue, assets, or market share, and the impact on shareholder returns. The tension between consequentialist ethical theories and shareholder theory underscores the trade-offs

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between prioritizing broader societal well-being and ethical considerations, as advocated by consequentialist theories, and the pursuit of self-interest and shareholder value, as emphasized by shareholder theory.

The examples of BP, Shell, Renault, and Nestlé illustrate the contrasting approaches taken by firms in navigating the tension between self-interest and ethics in the aftermath of the Ukraine invasion (Bamiatzi et al., 2024). Energy giants BP and Shell swiftly announced their exit from the Russian market, despite having significant investments and exposure in the country. BP's chairman described the move as the company's response to the Russian government's horrific decisions (Burke, 2024; Mnif et al., 2022). Similarly, Shell stated that its decision to withdraw from Russia was a principled response to the invasion (Shell Global, 2023). These actions exemplify a utilitarian approach, where the firms prioritized ethical concerns and minimized harm over their financial self-interest in the Russian market. In contrast, other firms initially hesitated to withdraw, prioritizing self-interest over ethical imperatives. Renault, which derives a significant portion of its profits from its Russian subsidiary AvtoVAZ, initially resisted calls for withdrawal, citing the potential impact on its employees and the local economy (Financial Times, 2022). Similarly, Nestlé, despite facing public pressure and calls for boycotts, initially maintained its operations in Russia, emphasizing the importance of ensuring food supply to the local population (Pope, 2022). These decisions reflect a shareholder theory perspective, where firms prioritize financial considerations and the pursuit of self-interest over broader ethical concerns.

The purpose of this study is to investigate how US firms navigate the tension between self-interest and ethics in their decision to exit or withdraw from Russia following the Ukraine invasion. In considering the invasion in the context of its business implications, we ask whether the speed of exit or withdrawal is contingent on the utilitarian or shareholder value theory. We further examine if heightened Russian exposure prolongs the delay in withdrawal or exit and if political and non-political risks at the firm level contribute to this delay (Ahmed et al., 2022; Hassan et al., 2019; Timbate & Asrat, 2024). Russian exposure pertains to a business entity's involvement, operations, and investments in the Russian market (Goncharova & Goncharov, 2023; Mattsson & Salmi, 2013). Political risk refers to the potential impact of political factors on a business's operations, assets, or profitability. In contrast, non-political risk encompasses risks including economic, financial, cultural, and environmental elements, which can impact a business's operations independently of political influences (Hassan et al., 2019).

Our predictor variable, designated as 'Exposure in Russia,' is a measure an index measure of the following indicators: revenue in the Russian Federation (RF) in millions of U.S. dollars, assets, capital in Russia in million USD, number of staff employed in the RF, and taxes paid in Russia in millions of USD. A multinational oil company like BP had high exposure through its significant stake in oil and gas production units in Russia. Political risk refers to the potential impact of political factors on a business's operations, assets, or profitability, and non-political risk encompasses risks including economic, financial, cultural, and environmental elements, which can impact a business's operations independently of political influences. The threat of additional sanctions against Russia following the invasion of Ukraine represented a political risk for companies operating there, as it could severely impact their ability to conduct business. Economic volatility in Russia, such as rapid currency devaluation, represents a non-political risk that could affect a company's profitability and operations. Exit refers to a firm's voluntary decision to liquidate or sell an active operation in a foreign market. Finally, our dependent variable is Days to the announcement of exit/withdrawal since the day of the invasion. For example, if a company announced its decision to leave Russia on March 8, 2022, its "days to announcement" would be 12 days (counting from the invasion date of February 24, 2022).

The evaluation of firms' perspectives on exit or withdrawal decisions could be conditional on the level of exposure in Russia (Benito, 2005). For firms with lower exposure, a strategic commitment to ethical principles and moral considerations becomes apparent. The decision to reduce operational presence under lower exposure reflects a proactive stance, distancing from situations that violate fundamental ethical norms or societal expectations. In contrast, firms with higher exposure in Russia may gravitate toward prioritizing self-interest and economic factors (Aidis et al., 2008; Puffer et al., 2010). The rationale behind maintaining higher exposure is rooted in the pursuit of financial stability and profit maximization, reflecting an inclination toward risk mitigation and market dominance. The sustainability of higher exposure is rationalized by the pursuit of self-interest for long-term market advantages.

The influence of prioritizing self-interest becomes more pronounced when coupled with higher political and non-political risks (Gu et al., 2023; Hassan et al., 2019). As political risk escalates, businesses may perceive a growing imperative to safeguard their interests. The inherent nature of political risk, encompassing factors like legislative changes, geopolitical instability, and governmental policy shifts, often compels firms to adopt a self-centric stance as a strategic imperative (Abdurakhmonov et al., 2022, 2023; Raj, 2021). With increasing political risks, businesses are driven to protect their financial stability, market standing, and overall economic interests, prioritizing self-interest over broader ethical considerations. Similarly, the escalation of non-political risks, referred to as business risks (Cavusgil et al., 2020; Karabag, 2019; Kobrin, 1979), further amplifies the

sway of self-interest in ethical decision-making processes. We label business risk as a non-political risk for consistency. As a framework, prioritizing self-interest provides a lens through which businesses justify decisions that prioritize their interests in the face of multi-faceted risks.

The shareholder–utilitarian dichotomy discussed in this paper is especially salient in this context, as U.S. firms grapple with the competing pressures of maximizing shareholder value and considering the broader societal impact of their actions. Our study contributes to the literature on business ethics by providing empirical evidence on firms' decision-making processes during a major geopolitical event. We extend the understanding of how firms balance financial considerations with moral imperatives in a context where the costs and benefits of withdrawal are highly salient. Moreover, by examining the role of exposure, political risks, and non-political risks, we shed light on the contingencies that shape firms' responses to ethical dilemmas in international business. The study deepens our understanding of how firms balance ethical factors and profit motives in withdrawal decisions (Chang et al., 2019; Gorsira et al., 2018). The study enhances our understanding of the interplay between ethical frameworks, business decisions, and geopolitical challenges, contributing valuable insights to the literature on firms' ethical choices in complex global upheavals.

In examining the ethical dimensions of firm withdrawal decisions from Russia, we draw upon the literature on ethical theories in business contexts. Particularly relevant to our study was the distinction between utilitarian and stakeholder approaches to ethical decision making. Rodgers and Gago (2001) examined how cultural and ethical factors influence managerial decisions through their Throughput Model. Building on this foundation, Rodgers et al. (2015) explored how Corporate Social Responsibility (CSR) enhanced control systems can influence organizational behavior and outcomes. Their work underscored the importance of considering both the immediate and long-term consequences of business decisions, a perspective particularly salient in the context of firm withdrawal from politically volatile markets.

These theoretical insights enrich our understanding of the ethical calculus facing firms in the wake of the Russian invasion of Ukraine. While utilitarian approaches might prioritize the greatest good for the greatest number, potentially justifying continued operations to support local employees and communities, stakeholder theories emphasize the broader network of relationships and responsibilities that firms must navigate. This tension was evident in our empirical findings, where firms with higher exposure in Russia demonstrated a lower hazard of withdrawal, suggesting a complex balancing act between immediate stakeholder interests and broader ethical imperatives. By integrating these theoretical perspectives, we aimed to provide a more comprehensive framework for understanding the ethical dimensions of firm withdrawal decisions in times of geopolitical upheaval.

Second, the study attempts to make a foray into the ethical decisions of international business, revealing insights into how both firm-level political and non-political risks shape the timing of exit decisions (Dai et al., 2023; Hassan et al., 2019), aligning with the research on business ethics scholarship on competing needs of the interplay between ethical considerations and strategic imperatives in the decision-making processes of firms facing heightened exposure and risks (Kucera, 2015; Liu et al., 2019). Examination of Russian exposure adds a valuable contextual layer to the broader literature on conducting business in emerging markets. The focus on Russia provides a real-world case study that offers practical insights into the challenges and opportunities associated with geopolitical factors. Third, for the broader business ethics and international business literature, this study significantly advances business ethics theory by challenging conventional paradigms and enriching our understanding of ethical decision making in the complex context of geopolitical events (Lu, 2023; Ma et al., 2012). It prompts a shift by contrasting observed firm behaviors with ethical expectations, acknowledging the situational factors that increase the scope of self-interest prioritization (Sama, 2006; Velamuri & Venkataraman, 2013).

Theoretical Background and Hypotheses Development

Russia initiated an invasion of Ukraine on February 24, 2022, marking an escalation of the ongoing Russo-Ukrainian War that commenced in 2014 (Boungou & Yatié, 2022). The invasion stands as the most significant attack on a European country since World War II. In response, economic sanctions from Europe, the U.S., and other allies, already in motion days earlier, intensified significantly. Globally, this operation was widely condemned as an unprovoked assault on a sovereign state and an emerging democracy. On February 27, Russian banks were denied access to the SWIFT international payment system, and bans on Russian aircraft were imposed by the U.S., EU, and Canada (Dias et al., 2022; Wang et al., 2022). Subsequently, travel bans and asset freezes were implemented on Russian oligarchs by the EU, the U.S., Canada, Japan, and others (Makkonen & Mitze, 2023).

The geopolitical upheaval and subsequent global condemnation of Russia triggered a cascade of consequences for firms engaged in business within the region. Despite exit announcements not adversely affecting returns, firms chose to limit their Russian presence due to operational and reputational pressure (Mol et al., 2023). Examining corporate activism during the 2022 Russian invasion of Ukraine,

Glambosky and Peterburgsky (2022) find a negative market reaction to divestment announcements, especially for firms fully withdrawing from Russia. Despite initial losses, companies recover within two weeks, and the study notes that early-acting corporate activists experience stock declines, while late-acting ones do not. Relatedly studies have focused on the impact of the invasion on business and society (Lim et al., 2022), supply chains (Ozili, 2022), international business and ethics (Ratten, 2023), among others.

Amid the evolving conflict in Ukraine, US businesses operating in Russia have made diverse decisions, opting to sever ties, close operations, or scale back investments (Lim et al., 2022). Aligned with these sovereign actions, some multinational corporations engaged in penalizing Russia for its aggression, with some completely exiting the market, others suspending operations, and some scaling back their businesses. Amidst the evolving geopolitical landscape, the focus has been on the economic dimensions, specifically examining decisions made by companies that continued operations in Russia during the turbulent weeks following the invasion, along with the financial market reactions to these corporate announcements (Mol et al., 2023).

The focus of this study on U.S. firms operating in Russia is motivated by several factors that underscore the unique characteristics of this context and its relevance to the broader research question. The complex history of geopolitical tensions, economic sanctions, and diplomatic challenges between the United States and Russia (Dembinski & Polianskii, 2021; Weber & Schneider, 2022) creates a particularly challenging environment for U.S. firms navigating the ethical and strategic implications of the conflict in Ukraine (*Financial Times*, 2022). The significant presence of U.S. firms in the Russian market, characterized by substantial investments, operations, and partnerships (Turak, 2022), provides a rich setting to examine the factors influencing exit decisions, such as political risk, non-political risk, and strategic positioning. Furthermore, the U.S.-Russia context embodies the tension between economic interests and moral obligations (Archer, 2016; Kim, 2016), making it particularly relevant to the study of ethical decision making in international business.

Shareholder–Utilitarian Dichotomy

The examination of economic dimensions, coupled with the diverse decisions made by corporations, calls for reflection on utilitarian ethics—weighing the overall consequences and well-being of stakeholders against a backdrop of complex geopolitical dynamics. The ethical considerations are particularly significant, as many companies choose to maintain their presence in Russia, driven by factors beyond mere legal mandates, but as a decision grounded in assessing the overall impact on stakeholders (Cherkasova & Sosnovskikh, 2020). Utilitarianism, a moral framework focused on maximizing overall utility or well-being, illuminates the complex ethical trade-offs these corporations must navigate for various stakeholders—be it shareholders, employees, customers, or the communities impacted by their operations (Glambosky & Peterburgsky, 2022; Jones & Felps, 2013). The unequivocal condemnation of the invasion as an unprovoked assault on a sovereign state resonates with utilitarian principles that emphasize respect for human rights and minimizing harm. The decisions to sever ties, close operations, or curtail investments in Russia can be seen as ethical imperatives to minimize potential harm to stakeholders stemming from the conflict, economic sanctions, and geopolitical tensions. The decisions of multinational corporations to penalize Russia for its aggression align with the utilitarian notion of promoting overall well-being and acting as responsible global citizens.

However, the shareholder theory perspective may provide a partial explanation for firms not exiting or withdrawing from Russia (Ozili, 2022). The shareholder theory brings to light a contrasting view—one that centers on maximizing shareholder value as the guiding principle for decision making (Jones & Felps, 2013). From this standpoint, the primary focus is on actions that maximize the financial interests or well-being of the shareholders. In the context of the decisions made by multinational corporations, the shareholder theory would assert that these entities are acting in the best interest of their shareholders. The core focus is on actions that maximize shareholder value. In the decisions made by multinational corporations not to withdraw from Russia, the shareholder theory would posit that these entities are acting to protect shareholder interests (Glambosky & Peterburgsky, 2022; Lim et al., 2022). Maintaining business operations in Russia might be perceived as a strategic move to safeguard corporate profitability, ensure continuity, and possibly capitalize on opportunities in a challenging market. Through the lens of shareholder theory, corporations, driven by the pursuit of shareholder value, may perceive opportunities for continued profitability or strategic advantages that outweigh potential ethical concerns associated with operating in a geopolitically tense environment (Kim, 2016; Liu et al., 2019). Amidst the tension between utilitarian ethics and shareholder theory, we posit that the degree of exposure in Russia can elucidate the preference for maximizing shareholder value over considerations of overall stakeholder well-being.

Hypotheses Development

Scholars have used different terms to call attention to the exit phenomenon, such as de-internationalization, divestment, withdrawal, failure, closure, disengagement, liquidation, total sales, and sell-off (Spathis et al., 2002).

De-internationalization refers to any voluntary or forced actions that reduce a firm's engagement in or exposure to current cross-border activities (Kuiken et al., 2020; Mandrinos et al., 2021). We use the term 'market exit' and adopt Sousa and Tan's (2015) definition: Exit refers to a firm's voluntary decision to liquidate or sell an active operation in a foreign market. The process of exit or withdrawal from a foreign market can be conceptualized as a sequential, two-step decision (Spathis et al., 2002; Tan & Sousa, 2015). The first step involves the decision to leave the market, which is based on a comprehensive assessment of the strategic, financial, and ethical implications of continuing operations in the face of geopolitical crises or other adverse events. Once the decision to exit has been made, the second step concerns the timing of the actual departure, which may be influenced by factors such as the urgency of the situation, the complexity of the firm's operations in the market, and the potential costs and risks associated with a rapid or delayed withdrawal (DeTienne & Cardon, 2012; Miyakawa et al., 2021). However, the timing of the actual exit may vary depending on the firm's exposure in the market, its strategic priorities, and its assessment of the political and non-political risks associated with a prolonged presence or a hasty withdrawal.

Our proposed theoretical framework is presented in Tables 1 and 2 and Fig. 1. The conceptual model in this study focuses on the relationship between a firm's exposure in Russia and its decision to exit or withdraw from the market in the face of geopolitical crises. Exposure in Russia refers to the extent of a firm's investments, operations, and commitments in the country, which can be measured by factors such as revenue, assets, capital, number of employees, and taxes paid (Ahn & Ludema, 2020; Filatotchev et al., 2001; Samaha et al., 2014). The main effect in the model suggests that higher levels of exposure in Russia will be negatively associated with the likelihood of a firm announcing its exit from the market. In other words, firms with greater exposure to Russia may be more reluctant to withdraw, as they have more at stake and face higher potential costs associated with exiting (Tan & Sousa, 2015). The main effect is then hypothesized to be moderated by political and non-political risks, which are expected to strengthen the negative relationship between exposure and exit, as firms with higher exposure may be more sensitive to these risks and more likely to prioritize their interests over broader ethical considerations (Dai et al., 2023).

Exposure in Russia and the Hazard of Withdrawal

Based on the discussion of loss aversion reducing prosocial (utilitarian) behavior, we expect that firms with higher Russian exposure may prioritize self-interest to delay or withdraw from Russia. Driven by the pursuit of their interests, these firms would carefully navigate the legal and contractual landscape while weighing ethical considerations for stakeholder well-being. Companies may find themselves balancing legal obligations and ethical responsibilities toward stakeholders, using a self-interest lens to justify fulfilling legal obligations (as withdrawal was not legally required for private firms). However, considerations of the impact on the local economy and societal well-being in Russia may also factor into their self-interested assessment. The loss framing driving delays in withdrawals or exits is based on the following reasons.

Companies engaging in international business, particularly those with substantial exposure to the Russian market, face increased geopolitical and economic risks (Makkonen & Mitze, 2023; Ratten, 2023).

From a rational self-interest perspective, the prospect of loss calls for prioritizing their well-being. Companies with higher exposure often find themselves deeply committed, both financially and strategically, impacting their willingness to exit. Substantial investments in infrastructure, partnerships, and market adaptations become sunk costs that companies are hesitant to write off, as it would go against their self-interest. Admitting strategic missteps and incurring financial losses associated with withdrawal creates a formidable barrier to acting against self-interest.

Moreover, the complexity of stakeholder relationships across countries further exacerbates the challenge from a self-interest perspective (Ahmed et al., 2022). Companies embedded in local supply chains have networks they are compelled to maintain to avoid disruptions that could harm their interests. Unraveling these relationships poses risks to the entire value chain, compelling companies to endure challenges rather than undergo the upheaval of exit that could undermine their self-interest (Berry, 2013). Market-specific expertise built over time in understanding consumer behavior, regulations, and cultures becomes a competitive advantage that serves self-interest.

Firms may prefer weathering adverse conditions by leveraging their expertise rather than starting anew elsewhere. Long-term strategic commitments in Russia, including contractual agreements, partnerships, and alignment with the local economic and political landscape, further contribute to the hesitancy to exit from a self-interest perspective (McDonald et al., 2008; Westphal, 2020). Sudden withdrawal carries legal risks and could damage corporate reputation, undermining self-interest. Maintaining a positive image aligns with self-interest, discouraging exits despite unfavorable conditions. Based on the above discussion, we hypothesize that:

Hypothesis 1 Exposure in Russia lowers the hazard of the announcement of exit.

Table 1 Theoretical background and rationales: Conceptual framework

Ethical dilemma	Utilitarian perspective	Shareholder theory perspective
Balancing stakeholder interests and financial considerations	Firms must weigh the potential benefits of maintaining operations, such as preserving employment and economic stability for local stakeholders, against the broader ethical implications of indirectly supporting the Russian regime's actions. The utilitarian approach calls for considering the overall impact on the well-being of all affected parties	Firms prioritize the financial implications of withdrawal, such as potential loss of revenue, assets, or market share, focusing on protecting shareholder interests and pursuing long-term profitability. The shareholder theory perspective emphasizes the fiduciary duty to make decisions that maximize shareholder value
	Example: BP, despite having significant investments and exposure in Russia, swiftly announced its exit from the Russian market. BP's chairman described the move as the company's response to the 'Russian government's horrific decisions,' prioritizing ethical concerns and minimizing harm over financial self-interest	Example: Renault, which derives a significant portion of its profits from its Russian subsidiary AvtoVAZ, initially resisted calls for withdrawal, citing the potential impact on its employees and the local economy. This decision reflects a shareholder theory perspective, where the firm prioritized financial considerations and the pursuit of self-interest over broader ethical concerns
Assessing the consequences of continued presence or withdrawal	Firms evaluate the ethical imperative to withdraw to minimize potential harm to stakeholders stemming from the conflict, economic sanctions, and geopolitical tensions. The utilitarian decision-making process involves weighing the consequences of continued presence against the potential to mitigate harm through withdrawal, considering the net impact on well-being	Firms, driven by loss aversion, may be reluctant to withdraw despite higher risks, as exit could result in substantial financial losses, sunk costs, and the forfeiture of strategic market positions. The shareholder theory perspective highlights the importance of carefully weighing the costs and benefits of withdrawal to minimize losses
	Example: Shell, recognizing the ethical implications of continued presence in Russia, stated that its decision to withdraw was a principled response to the invasion, prioritizing the minimization of harm to stakeholders affected by the conflict over financial self-interest, despite having significant investments in the country	Example: Nestlé, despite facing public pressure and calls for boycotts, initially maintained its operations in Russia, emphasizing the importance of ensuring food supply to the local population. This decision reflects a shareholder theory perspective, where the firm prioritized self-interest and financial considerations over broader ethical concerns, given its substantial exposure to the Russian market
Navigating political risks and moral obligations	Heightened political risk prompts firms to consider the potential harm caused by indirectly enabling or supporting the Russian regime's aggression through continued business presence. The utilitarian perspective emphasizes the moral imperative to minimize harm and prevent further suffering, even in the face of political risks	Firms prioritize evaluating political risks in terms of their potential impact on financial performance, market position, and competitive advantages. The shareholder theory perspective focuses on managing political risks to safeguard the financial interests of company owners and maintain shareholder value
	Example: ExxonMobil, recognizing the ethical implications of continued presence in Russia amidst heightened political risks, announced its exit from the Sakhalin-1 oil and gas project, emphasizing the moral imperative to minimize harm and prevent further suffering, despite the potential financial losses associated with the decision	Example: Burger King, which operates in Russia through a joint venture, faced challenges in exiting the market due to its complex franchise agreement. Despite the political risks and moral obligations, the firm initially maintained its presence, focusing on managing the potential impact on its financial performance and competitive position, aligning with the shareholder theory perspective

Table 1 (continued)

Ethical dilemma	Utilitarian perspective	Shareholder theory perspective
Managing non-political risks and stakeholder well-being	Firms assess non-political risks, such as reputational damage or operational disruptions, in terms of their potential to exacerbate harm to various stakeholders affected by the geopolitical crisis. The utilitarian approach calls for considering the ripple effects of these risks on the well-being of employees, customers, suppliers, and local communities Example: Visa and Mastercard, recognizing the potential reputational damage and operational disruptions associated with continued presence in Russia, decided to suspend their operations in the country. This decision aligns with the utilitarian perspective, as the firms considered the ripple effects of non-political risks on the well-being of various stakeholders, including employees, customers, and the broader global community, despite the financial implications of the move	Firms evaluate non-political risks, such as economic uncertainties or market disruptions, based on their potential to affect shareholder returns and long-term financial viability. The shareholder theory lens focuses on how these risks may impact the firm's ability to generate profits and maintain a strong market valuation Example: Uniqlo, a Japanese clothing retailer, initially maintained its operations in Russia, citing the potential impact of market disruptions on its financial performance and shareholder value. This decision reflects the shareholder theory perspective, as the firm prioritized managing non-political risks to safeguard its ability to generate profits and maintain a strong market valuation, despite the potential reputational risks and consequences for stakeholder well-being

Moderation Effects of Political Risk

The moderation effects of political risk on withdrawal decisions involve the tension between utilitarianism, which considers the overall societal impact and stakeholder well-being, and the shareholder perspective focused on protecting the firm's self-interest. Political risks pertain to uncertainties arising from political factors that can adversely impact a firm's operations and profitability across borders. At the firm level, political risk stems from external conditions beyond managerial control, introducing uncertainty into production and investment strategies (Ahmed et al., 2022; Chang et al., 2019). Politically risky environments constrain firms financially, and they respond by increasing cash reserves to mitigate adverse effects on investments (Chang et al., 2019). Unlike conventional business risks, political risk is challenging to predict and cannot be diversified through portfolio strategies (Hassan et al., 2019).

This hypothesis examines how a firm's exposure in the Russian market and the level of political risk interact to influence the delay in withdrawal decisions. From a utilitarian viewpoint, heightened political risk coupled with increasing Russian exposure may prompt firms to consider the broader consequences of withdrawal on stakeholders in Russia and the potential to exacerbate instability. Conversely, through the shareholder lens, elevated political risk combined with high exposure could motivate firms to prioritize self-interest by delaying withdrawal to protect investments and mitigate losses.

The institutionalist paradigm (Aidis et al., 2008; Puffer et al., 2010) suggests that institutional conditions shape risks for multinational firms operating across borders. As exposure increases in contexts with higher political risk, like Russia, for firms it enhances loss aversion from the self-interest perspective, as institutional instability threatens investments. However, the utilitarian view may emphasize the potential to minimize harm to stakeholders by maintaining presence during periods of heightened risk.

Firms facing elevated political risk may adopt coping strategies to adapt (Henisz & Zelner, 2010; Sallai et al., 2024). Economic factors, like sanctions or policy changes associated with political risk, can impose significant costs and disruptions. Delaying withdrawal becomes a strategic consideration for firms aiming to avoid premature exit costs, such as writing off investments or reallocating resources—aligning with self-interest. However, the utilitarian perspective may advocate for more decisive action to minimize potential harm to stakeholders from prolonged exposure to unstable conditions.

Ultimately, understanding this dynamic between political risk, exposure, and withdrawal timing has implications for corporate strategy. It highlights the need for context-specific approaches that balance self-interest with stakeholder

Table 2 Theoretical background and rationales: Hypotheses rationale

Framework	Framing perspective	Political risk considerations	Non-political risk considerations	Context of Ukraine invasion: firms' decision to leave Russia
Utilitarianism	Gain Framing (Maximizing Overall Well-being)	Firms consider how their presence in Russia during heightened political risk could contribute to overall societal stability and well-being, such as maintaining employment and economic activity. This aligns with the utilitarian principle of promoting the greatest good for the greatest number	Non-political risks, such as economic factors, are evaluated based on their potential impact on overall stakeholder well-being. Firms may consider how their continued presence could mitigate broader economic harm, reflecting the utilitarian goal of maximizing utility and minimizing suffering for all affected parties	Firms weigh the potential benefits of maintaining operations, such as preserving employment and economic stability for local stakeholders, against the broader ethical implications of indirectly supporting the Russian regime's actions. The utilitarian calculus involves assessing the net impact on overall well-being, considering both the positive and negative consequences of the decision to stay or leave
	Loss Framing (Minimizing Harm)	Heightened political risk prompts firms to consider the potential harm caused by indirectly enabling or supporting the Russian regime's aggression through continued business presence. The utilitarian perspective emphasizes the moral imperative to minimize harm and prevent further suffering	Firms assess non-political risks, such as reputational damage or operational disruptions, in terms of their potential to exacerbate harm to various stakeholders affected by the geopolitical crisis. The utilitarian approach calls for considering the ripple effects of these risks on the well-being of employees, customers, suppliers, and local communities	Firms evaluate the ethical imperative to withdraw to minimize potential harm to stakeholders stemming from the conflict, economic sanctions, and geopolitical tensions, prioritizing broader ethical considerations over financial interests. The utilitarian decision-making process involves weighing the consequences of continued presence against the potential to mitigate harm through withdrawal
Shareholder theory	Gain Framing (Maximizing Shareholder Value)	Firms driven by shareholder value prioritize evaluating political risks in terms of their potential impact on financial performance, market position, and competitive advantages. This perspective aligns with the shareholder theory's emphasis on maximizing returns for company owners	Non-political risks, such as economic uncertainties or market disruptions, are assessed based on their potential to affect shareholder returns and long-term financial viability. The shareholder theory lens focuses on how these risks may impact the firm's ability to generate profits and maintain a strong market valuation	Firms focus on the financial implications of withdrawal, such as potential loss of revenue, assets, or market share, prioritizing the protection of shareholder interests and the pursuit of long-term profitability. The shareholder theory perspective emphasizes the fiduciary duty to make decisions that maximize shareholder value, even in the face of geopolitical challenges
	Loss Framing (Avoiding Financial Losses)	In the face of heightened political risk, firms prioritize protecting investments and mitigating potential financial losses associated with political instability or sanctions. The shareholder theory perspective underscores the importance of preserving shareholder wealth and minimizing losses	Firms evaluate non-political risks, such as operational challenges or legal liabilities, in terms of their potential to lead to significant financial losses or undermine shareholder value. The shareholder theory approach emphasizes the need to manage these risks effectively to safeguard the financial interests of company owners	Driven by loss aversion, firms may be reluctant to withdraw despite higher non-political risks, as exit could result in substantial financial losses, sunk costs, and the forfeiture of strategic market positions. The shareholder theory perspective highlights the importance of carefully weighing the costs and benefits of withdrawal, with a focus on minimizing losses and protecting shareholder value in the long run

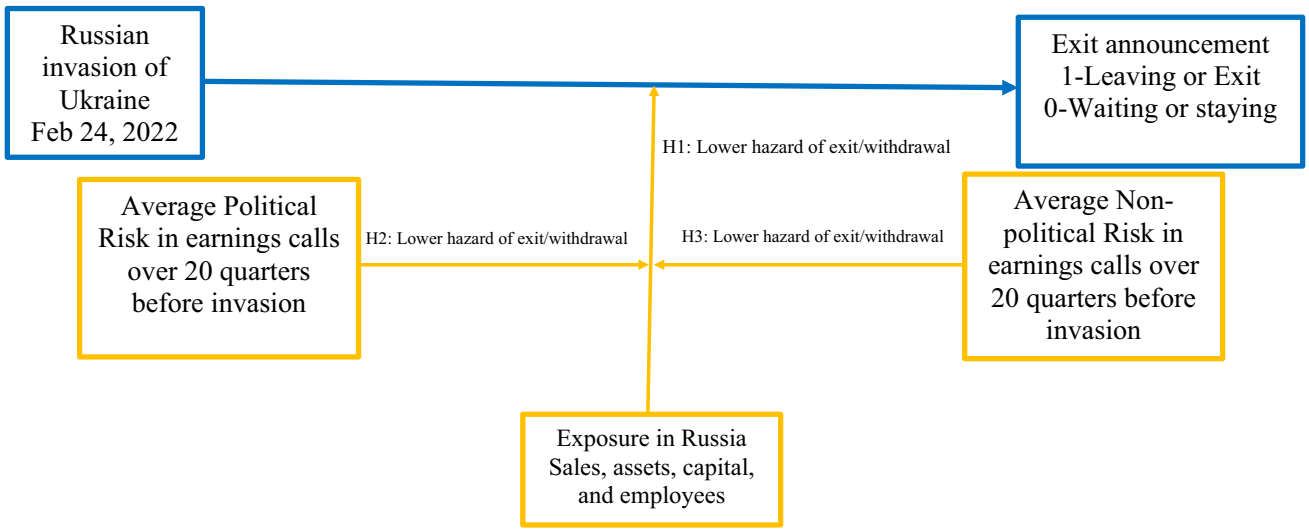


Fig. 1 Conceptual model

well-being, going beyond traditional risk assessments. Based on the shareholder perspective, we propose:

Hypothesis 2 The relationship between a firm's exposure in Russia and the hazard of announcing its exit will be moderated by political risk, such that the negative relationship between exposure and exit will be stronger when political risk is high.

Moderation Effects of Non-political (or, Business) Risk

Non-political risks encompass a wide range of uncertainties that can impact a business beyond the realm of political factors, including economic, financial, social, environmental, and technological elements that influence success or failure (Hassan et al., 2019). For firms with extensive exposure in Russia, these non-political risks introduce a complex web of ethical considerations, forcing them to weigh the interests of various stakeholders against their self-preservation imperatives (Boesso & Kumar, 2016; Neville & Menguc, 2006).

An example is the case of IKEA, a Swedish multinational furniture retailer with an extensive presence in Russia. In response to the escalating geopolitical tensions and economic sanctions, IKEA suspended its operations in Russia, citing concerns for the safety of its employees and customers (*IKEA Global*, 2022). However, the company faced significant challenges in managing its exit, as it had substantial investments in local manufacturing facilities, supply chains, and real estate. IKEA's experience highlights the strategic risks and sunk costs associated with high exposure in Russia, which can make withdrawal decisions more complex and costly, even in the face of mounting non-political risks.

From a utilitarian perspective, which focuses on maximizing overall societal welfare (Mill, 1863), the economic factors within non-political risks present a significant concern. The potential for substantial financial losses resulting from divestment decisions can have far-reaching consequences for a wide range of stakeholders, including employees, suppliers, and local communities (Ehsan et al., 2020; Ekeledo & Sivakumar, 2004). Firms operating under a utilitarian framework may feel compelled to consider the ripple effects of their actions on these stakeholders, recognizing that the economic fallout from withdrawal could lead to job losses, supply chain disruptions, and broader societal instability (Wan et al., 2021; Welch et al., 2022).

However, the shareholder theory view, which prioritizes the interests of a firm's owners above all else (Friedman, 1970), aligns more closely with the concept of loss aversion (Riepe et al., 2022). Under this perspective, firms may display a reluctance to exit the Russian market despite facing higher non-political risks, as the prospect of financial losses and the erosion of their strategic positioning takes precedence over broader stakeholder considerations. The shareholder theory lens emphasizes the importance of preserving shareholder value and maintaining a competitive edge, even in the face of mounting non-political risks (Sallai et al., 2024).

Furthermore, non-political risks often involve long-term strategic uncertainties surrounding key relationships and resource commitments in the Russian market (Chang et al., 2019; Sallai et al., 2024). Firms with substantial exposure to Russia may have cultivated deep ties with local partners, suppliers, and customers, and the prospect of severing these relationships can introduce significant strategic risks (Abdurakhmonov et al., 2022). From a utilitarian standpoint,

preserving these stakeholder relationships could be seen as essential for maintaining overall societal stability and well-being, as the sudden withdrawal of a major foreign firm could lead to economic disruption and social upheaval (Jones & Felps, 2013).

However, the self-interest view, which aligns with the shareholder wealth maximization model (Jensen & Meckling, 1976), may prioritize the economic and strategic value of enduring higher non-political risks to protect investments and market position. Firms operating under this perspective may be more willing to weather the challenges posed by non-political risks to avoid the substantial costs associated with withdrawal, such as the loss of sunk investments, the forfeiture of future revenue streams, and the reputational damage that could result from a hasty exit (Velamuri & Venkataraman, 2013).

Weighing these competing ethical perspectives, we expect that higher levels of non-political risk facing firms with substantial Russian exposure would motivate them to delay exit or withdrawal decisions. The utilitarian goal of promoting broader stakeholder well-being and minimizing societal disruption may clash with the self-interest preservation imperatives emphasized by the shareholder theory view. Firms may find themselves torn between the ethical considerations of contributing to overall social stability and the financial and strategic pressures to protect their interests in the face of mounting non-political risks.

Hence, we propose the following hypothesis:

Hypothesis 3 The relationship between a firm's exposure in Russia and the hazard of announcing its exit will be moderated by non-political risk, such that the negative relationship between exposure and exit will be stronger when non-political risk is high.

Sample and Methods

To discern the elements influencing firms' decisions to exit the Russian market, we draw on data from four distinct but complementary sources. Initially, we turn to two public websites, Leave Russia Organization (*#LeaveRussia*, 2023) and Yale Russian Business Retreat (Yale CELI List of Companies, 2023), which serve as rich depositories for firms either continuing with their Russian operations or announcing an exit or reduction in their presence. Our data collation window from these websites spans from September 23, 2023, to October 09, 2023. We merge these data with quarterly Compustat quarterly and further merge with data on political and non-political risk data from Hassan et al. (2019). After matching and based on casewise deletion our sample includes 206 US firms. Our study draws upon quarterly data from Compustat for the period spanning from September 23, 2023, to October 09, 2023. The choice of quarterly data enables a more granular analysis of firms' exit decisions, capturing the dynamic nature of the geopolitical environment and the evolving strategic responses of firms operating in Russia. The sample consists of 206 U.S. firms that had a presence in the Russian market at the time of the invasion. Among these firms, approximately 65% (134 firms) announced their exit or withdrawal from Russia during the period of analysis, while the remaining 35% (72 firms) either continued their operations or had not announced their exit by the end of the observation period.

Measures

Dependent Variable—Days to the Announcement of Exit/Withdrawal Since the Day of Invasion

Our dependent variable is 'Days to the announcement of exit/withdrawal since the day of the invasion.' The measure aligns closely with the event study methodology, widely acknowledged for its efficacy in capturing the impact of sudden events on firm behavior (e.g., Balyuk & Fedyk, 2023; Basnet et al., 2022; Glambosky & Peterburgsky, 2022). Second, using a time-to-event variable is compatible with survival analysis techniques such as Cox proportional hazards models (Cox, 1972). We code the time announcement of leaving or exiting as 1 and the censored variable 'waiting or staying.'

Predictor Variable—Exposure in Russia

Our predictor variable, designated as 'Exposure in Russia,' is a measure an index measure of the following indicators. All these indicators were sourced from the Kyiv School of Economics (KSE) Institute and made available through LeaveRussia.org (Mylovanov et al., 2023). If an item is not reported it is coded as zero, and we take the log of the item. The five indicators are as follows. First, revenue in the Russian Federation (RF) is in millions of U.S. dollars (in million USD). Higher revenue in a specific market often signifies greater dependence and, thus, increased hesitance to exit that market (Clarysse et al., 2011). Assets reflect the investment and infrastructure a firm has in a given market. Prior research indicates that a high asset specificity could make exit decisions more costly and therefore less likely, especially in politically volatile markets.

Third, the capital in Russia is in million USD. Capital investment is a direct reflection of a firm's long-term commitment to a market. Studies on Foreign Direct Investment (FDI) have consistently found that capital deployed impacts not just entry but also exit strategies in international markets (Buckley, 1996; Buckley & Tse, 1996). Fourth, the

number of staff employed in the RF. Human resources are not merely numbers but a form of 'social capital' affecting a firm's strategic choices in complex markets. Higher staffing levels can symbolize a psychological and social commitment to the market making exit more complex and less immediate (Florin et al., 2003; Kostova & Zaheer, 1999). Lastly, taxes paid in Russia in millions of USD represent a firm's obligations. □□□

The selection of these components is grounded in extant literature that suggests a multi-faceted understanding of 'exposure' to be more predictive of a firm's international strategies, particularly in volatile or high-risk environments (Bergbrant et al., 2014; Desai et al., 2008). By encompassing various aspects like revenue, assets, capital, human resources, and tax commitments, 'Exposure in Russia' provides a measure of a firm's vested interests and obligations in the Russian market.

Moderator Variables—Average Political and Non-political Risk

We use the mean (20 quarters (5 years) of earnings calls) of political and non-political risk. Drawing on data from Hassan et al. (2019), instead of following the straightforward text-classification algorithms generally used in computational linguistics, the authors adopt a rigorous approach, somewhat akin to what is referred to as a pattern-based sequence-classification method. To establish a firm-specific, time-varying political risk measure, Hassan et al. (2019) leverage quarterly conference calls conducted by publicly listed firms, where financial analysts and other market participants engage in discussions on current affairs with senior management. Using a machine-based algorithm on the transcripts of these calls, Hassan et al. identify the percentage of the conversation dedicated to political matters.

The algorithm identifies political word combinations (bigrams) by comparing training libraries of political texts with non-political ones. Subsequently, the transcripts of earnings calls are processed to count these political bigrams in the proximity of synonyms of risk. Political risk is defined by Hassan et al. (2019) as the proportion of the earnings call dedicated to political topics and is computed as the sum of political bigrams in the vicinity of risk synonyms divided by the total number of bigrams. By stipulating that political bigrams are used in close association with risk synonyms, as demonstrated by Hassan et al., political risk can be isolated from mere political exposure. A variance decomposition of political risk shows that only 0.81 percent of the variation is explained by time fixed effects, and sector and sector-by-time fixed effects only account for another 4.38 percent and 3.12 percent, respectively (Boldin & Wright, 2015; Wetterich, 2013). The remaining 91.69 percent represents firm-level variation: 19.87 percent is permanent differences across firms (between-firm variation), and 71.82 percent changes over time (changes within firms in a given sector) (Boldin & Wright, 2015; Wetterich, 2013). Non-political risk is measured using the same steps but for non-political topics of risk related to business.

Control Variables

To lower confounding, we use the following control variables. The log of assets proxies for the scale and magnitude of a firm's operations, which can influence its ability to manage and absorb the impact of geopolitical events such as withdrawal from Russia post the Ukraine invasion. Leverage, measured as the ratio of debt to equity, represents the financial structure and risk-taking capacity of a firm, as increased leverage may amplify the negative financial consequences of geopolitical shocks (Yuen & Yuen, 2022). A higher cost of capital raises the financial stakes for firms, making the process of withdrawing more expensive and potentially limiting their ability to secure funds for restructuring or exploring alternative markets (Desai et al., 2008). Investor perceptions and stock prices may be adversely affected, further impacting financial resources. Conversely, a lower cost of capital enhances financial flexibility, providing firms with greater resources to manage the financial implications of withdrawal or to invest strategically in other opportunities. The cost of capital, therefore, plays a pivotal role in shaping the financial landscape and constraints that firms navigate when responding to geopolitical events (Apergis et al., 2018). Understanding this dynamic is crucial for a comprehensive analysis of the financial considerations influencing withdrawal decisions in the aftermath of significant geopolitical developments.

The COVID-19 exposure of the firm by Hassan et al. (2019) is included as a control variable to account for the challenges posed by the global pandemic. The measure is the mean of quarterly earnings calls measured before the invasion. Firms with higher COVID-19 exposure may face heightened operational disruptions and financial stress, impacting their decision-making process regarding withdrawal from Russia. The ratio of free-cash flow to operating cash flow (FCF-to-OCF) is included to control for a firm's ability to generate free-cash flow relative to its operating cash flow, providing insights into its financial flexibility and sustainability, both critical factors during periods of geopolitical uncertainty.

The interest coverage ratio is included as a control variable to evaluate a firm's capacity to meet its interest obligations, and thus, its financial health. A lower interest coverage ratio may indicate financial vulnerability, potentially affecting the firm's strategic choices in response to geopolitical events. Asset turnover is considered to understand the efficiency of asset utilization, which can influence a firm's financial performance and resilience during

geopolitical transitions. R&D/Sale and Advertising/Sale ratios are included to gauge a firm's commitment to innovation and marketing efforts, respectively. These ratios reflect strategic investments in the long-term competitiveness and brand positioning, factors that may be influenced by geopolitical developments. Finally, the Staff/Sale ratio is incorporated to account for variations in the firm's labor intensity, as workforce considerations can impact the feasibility and consequences of a withdrawal from the Russian market.

Results

Tables 3 and 4 present the sample descriptives. An average firm had about 139 days to announcement, with the range from 1 to 571 days. Notably, the exit from Russia is negatively correlated with the duration of days to announcement since the invasion (−0.270*) and business exposure to Russia (−0.168*). In addition, business exposure to Russia is negatively correlated with political risk (−0.531*) and positively correlated with non-political risk (0.043).

Cox Regression constructs a predictive model designed for time-to-event data, which is days to the announcement of exit or withdrawal. The specification for the Cox regression model is as follows:

$$h(t|x) = h_0(t) + \exp(\beta_1 X_1 + \beta_2 X_2 \cdots + \beta_p X_p,$$

where $h(t|x)$ represents hazard function at time t, given covariates x, $h_0(t)$ representing baseline hazard function, and β_1, β_2 …. β_p denotes coefficients of covariates X_1,X_2…X_p. The hazard ratio is derived from the exponentiated coefficients (exp(β)). It signifies the proportional change in the hazard rate for a one-unit increase in the predictor variable. A hazard ratio greater than 1 indicates an increased risk, while a hazard ratio less than 1 suggests a decreased risk. The standard errors are clustered by a two-digit SIC code.

In Table 5, we present our estimates for Cox regression. To assess and compare the performance of our models, we calculated pseudo-R2 coefficients following the framework outlined by Steyerberg et al. (2010) that allows the evaluation of incremental improvements in model fit and explanatory power as we added predictors and interaction terms. The results indicated a consistent improvement in model fit across specifications, with Model 6 demonstrating the best performance (Pseudo R2 = 0.0378, Log Likelihood = − 587.4). The final model, which included all main effects and interaction terms, provided the highest explanatory power for firm withdrawal decisions. The most substantial improvements in model fit occurred with the addition of the Business exposure to the Russia variable (Model 2) and the interaction terms (Model 6), underscoring the importance of these factors in explaining firm behavior during the geopolitical crisis. While the overall Pseudo R2 values were relatively modest, they were consistent with expectations for survival analysis models in complex, real-world settings (Steyerberg et al., 2010). These results supported our choice of Model 6 as the primary specification for interpreting the effects of exposure, political risk, and non-political risk on firm withdrawal decisions.

Hypothesis 1 proposed that higher exposure in Russia will lower the hazard of exit or withdrawal. In model 2, a hazard ratio less than 1 (in this case, 0.918) implies a lower hazard of exit or withdrawal. In Fig. 2a, the dashed line represents firms with higher exposure, and the solid line represents firms with lower exposure. Since the start of invasion (from day 0 at the origin), the hazard of exit is consistently lower for those with higher exposure.

Table 3 Descriptives: Summary statistics

	Mean	SD	Min	Max
Exit from Russia	0.65	0.478	0	1
Days to announcement since the invasion	139.529	174.637	1	571
Business exposure to Russia	2.835	3.508	− 0.133	14.439
Political risk	− 0.123	0.800	− 0.987	4.337
Non-political risk	− 0.175	0.728	− 1.014	3.904
Log of assets	9.221	1.544	4.4	14.505
Leverage	0.045	10.767	− 125.609	25.836
Cost of capital	0.786	1.952	0.003	20.414
COVID-19 exposure of the firm	0.27	0.179	0	1.429
FCF-to-OCF	0.518	0.869	− 9.522	0.994
Interest coverage ratio	106.253	1555.390	− 3660.252	21,941.295
Asset turnover	0.757	0.418	0.034	2.803
R&D/sale	0.063	0.093	0	0.597
Advertising/sale	0.024	0.042	0	0.2
Staff/sale	0.035	0.108	0	0.587

Table 4 Descriptives: Pairwise correlations

	Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
1	Exit from Russia	1.000													
2	Days to announcement since the invasion	−0.270*	1.000												
3	Business exposure to Russia	−0.168*	0.203*	1.000											
4	Political risk	−0.043	0.059	0.047	1.000										
5	Non-political risk	−0.039	0.043	0.001	0.531*	1.000									
6	Log of assets	−0.058	0.149*	0.336*	0.313*	0.097	1.000								
7	Leverage	−0.019	0.093	0.037	0.024	−0.004	−0.027	1.000							
8	Cost of capital	−0.004	−0.050	−0.026	0.035	0.010	−0.079	−0.011	1.000						
9	COVID-19 exposure of the firm	−0.066	0.020	0.117	−0.004	0.038	−0.047	0.021	0.003	1.000					
10	FCF-to-OCF	−0.030	0.009	0.053	0.031	0.029	0.214*	0.071	0.010	0.007	1.000				
11	Interest coverage ratio	−0.098	0.000	−0.052	−0.018	0.092	−0.021	−0.001	−0.026	0.106	0.041	1.000			
12	Asset turnover	−0.061	−0.070	0.019	−0.204*	−0.107	−0.456*	−0.041	−0.054	0.033	−0.044	0.001	1.000		
13	R&D/sale	0.086	0.019	−0.150*	−0.071	−0.086	−0.206*	0.082	−0.097	0.039	−0.144*	−0.070	−0.163*	1.000	
14	Advertising/sale	0.147*	−0.095	−0.067	−0.158*	−0.175*	−0.113	0.054	−0.061	−0.053	0.077	0.122	−0.014	0.122	1.000
15	Staff/sale	0.169*	−0.109	−0.043	0.392*	0.211*	0.269*	−0.116	−0.085	−0.169*	−0.004	−0.020	−0.130	−0.210*	−0.126

$N = 206$

***$p < 0.01$, **$p < 0.05$, *$p < 0.1$ (two-tailed)

Table 5 Cox regression

	DV = Days to exit/withdrawal announcement since the invasion					
	(1)	(2)	(3)	(4)	(5)	(6)
Business exposure to Russia [H1]		0.918**	0.914**	0.905**	0.932*	0.918**
		(0.0359)	(0.0353)	(0.0357)	(0.0364)	(0.0360)
Political risk			0.836	0.907		1.124
			(0.130)	(0.0702)		(0.167)
Non-political risk			0.932		0.694***	0.671**
			(0.172)		(0.0864)	(0.111)
Political risk × business exposure to Russia [H2]				0.930**		0.884**
				(0.0315)		(0.0426)
Non-political risk × business exposure to Russia [H3]					1.101**	1.142***
					(0.0471)	(0.0553)
Log of assets	0.867**	0.940	0.975	0.997	0.944	0.989
	(0.0626)	(0.0645)	(0.0717)	(0.0604)	(0.0617)	(0.0635)
Leverage	0.997	0.998	1.000	1.000	0.998	0.998
	(0.00398)	(0.00438)	(0.00473)	(0.00451)	(0.00441)	(0.00501)
Cost of capital	1.020	1.022	1.029	1.029	1.028	1.033
	(0.0425)	(0.0422)	(0.0450)	(0.0445)	(0.0427)	(0.0466)
COVID-19 exposure of the firm	0.783	0.969	1.087	1.142	0.968	0.986
	(0.411)	(0.411)	(0.429)	(0.417)	(0.380)	(0.358)
FCF-to-OCF	0.942	0.921	0.922	0.895	0.949	0.912
	(0.170)	(0.169)	(0.183)	(0.163)	(0.195)	(0.183)
Interest coverage ratio	1.000	1.000	1.000	1.000	1.000	1.000
	(0.000354)	(0.000311)	(0.000289)	(0.000309)	(0.000239)	(0.000258)
Asset turnover	0.882	1.011	0.982	1.051	0.919	0.983
	(0.251)	(0.273)	(0.259)	(0.279)	(0.239)	(0.260)
R&D/sale	1.712	1.254	1.375	1.663	1.169	1.602
	(1.035)	(0.835)	(0.892)	(1.088)	(0.718)	(1.056)
Advertising/sale	128.9***	161.3***	130.5**	279.0***	133.4**	342.0**
	(222.2)	(308.0)	(269.0)	(592.3)	(285.9)	(851.8)
Staff/sale	19.54***	15.16***	25.87***	28.46***	15.05***	19.75**
	(19.57)	(13.97)	(30.20)	(32.00)	(14.50)	(23.69)
Observations	206	206	206	206	206	206
Log likelihood	−597.9	−593.8	−592.1	−591	−590.8	−587.4
Pseudo R2	0.0206	0.0273	0.0300	0.0319	0.0322	0.0378

The standard errors are clustered by a two-digit SIC code

***$p < 0.01$, **$p < 0.05$, *$p < 0.1$

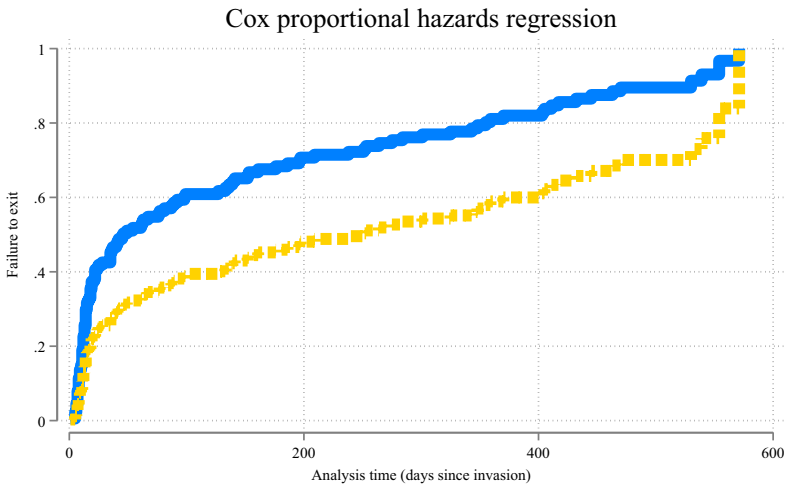
Hypothesis 2 proposed that those with higher exposure and higher political risk will delay their exit or withdrawal from Russia. Model 4, and in Fig. 2b indicate that those with higher exposure and higher political risk are less likely to exit or withdraw.

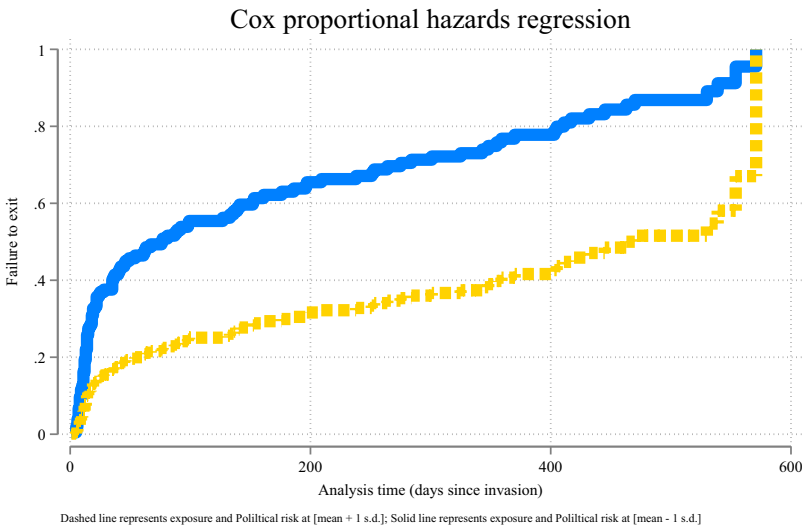
Hypothesis 3 proposed that those with higher exposure and higher non-political risk will delay their exit or withdrawal from Russia. Model 5, and in Fig. 2c indicate that those with higher exposure and higher non-political risk are less likely to exit or withdraw. We note that though the interaction term has a hazard ratio above 1, the net effect plotted in the figure is consistent with the proposed hypothesis. Overall, all three hypotheses are supported.

Robustness Checks

Alternate Survival Models

The Cox regression model does not require an assumption of the baseline hazard function, making it particularly advantageous in scenarios where the underlying hazard function is





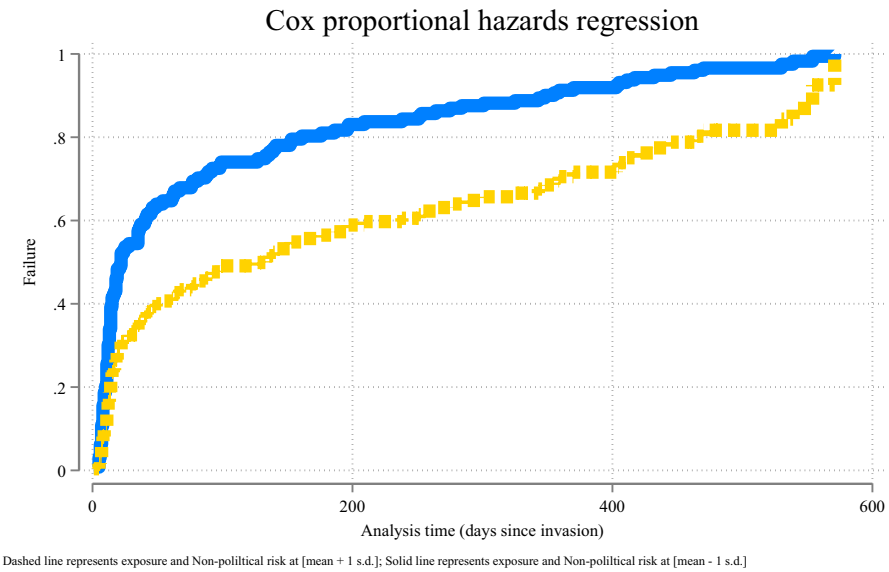


Fig. 2 Hazard plots. **a** Hypothesis 1, hazard of exit or withdrawal. **b** Hypothesis 2, hazard of exit or withdrawal based on political risk. **c** Hypothesis 3, hazard of exit or withdrawal based on non-political risk

complex or unknown. While Cox regression presents these merits, alternate failure time models, such as the Weibull, Accelerated Failure Time, Exponential, and Gompertz models, each offer unique advantages. The Weibull regression allows modeling for both increasing and decreasing failure rates. The accelerated failure time Weibull model provides a direct interpretation of the effect of covariates on survival times in terms of acceleration or deceleration. The Exponential model, characterized by a constant hazard rate, serves as a baseline for comparison and is particularly useful when the hazard remains constant over time. The Gompertz model, on the other hand, models for hazard rate accelerates or decelerates exponentially with time. In Table 6, we find that the estimates are consistent with the main analysis.

Table 6 Alternate survival models

Variables	(1) Weibull	(2) Weibull accelerated failure time	(3) Exponential	(4) Gompertz
Business exposure to Russia [H1]	0.933*	1.105*	0.920**	0.933*
	(0.0341)	(0.0575)	(0.0385)	(0.0347)
Political risk	1.175	0.794	1.263	1.186
	(0.174)	(0.168)	(0.226)	(0.187)
Non-political risk	0.617***	1.992**	0.542***	0.590***
	(0.114)	(0.542)	(0.122)	(0.121)
Political risk × business exposure to Russia [H2]	0.880***	1.201***	0.848***	0.877***
	(0.0385)	(0.0690)	(0.0415)	(0.0413)
Non-political risk × business exposure to Russia [H3]	1.163***	0.806***	1.205***	1.173***
	(0.0538)	(0.0527)	(0.0685)	(0.0592)
Log of assets	0.961	1.058	0.942	0.964
	(0.0597)	(0.0939)	(0.0714)	(0.0643)
Leverage	0.995	1.006	0.993	0.995
	(0.00480)	(0.00696)	(0.00619)	(0.00541)
Cost of capital	1.042	0.943	1.054	1.046
	(0.0489)	(0.0619)	(0.0684)	(0.0543)
COVID-19 exposure of the firm	0.945	1.084	1.043	0.855
	(0.362)	(0.593)	(0.478)	(0.346)
FCF-to-OCF	0.966	1.051	0.951	0.981
	(0.174)	(0.270)	(0.224)	(0.219)
Interest coverage ratio	1.000	1.000	1.000	1.000
	(0.000305)	(0.000428)	(0.000846)	(0.000452)
Asset turnover	0.937	1.097	0.948	0.938
	(0.250)	(0.419)	(0.296)	(0.268)
R&D/sale	1.712	0.464	1.735	1.881
	(1.162)	(0.448)	(1.655)	(1.265)
Advertising/sale	457.2**	0.000158**	1,164**	651.6**
	(1,166)	(0.000541)	(3,211)	(1,758)
Staff/sale	33.45***	0.00663***	101.9***	46.90***
	(37.78)	(0.00941)	(127.7)	(61.41)
ln_*p*	0.700***	0.700***		
	(0.0486)	(0.0486)		
gamma				0.996**
				(0.00146)
Constant	0.0330***	131.1***	0.00746***	0.0106***
	(0.0242)	(122.8)	(0.00607)	(0.00769)
Observations	206	206	206	206

The standard errors are clustered by a two-digit SIC code

***$p < 0.01$, **$p < 0.05$, *$p < 0.1$

Does Firm Ownership and Control Matter?

Family firms, motivated by enduring reputation considerations, stakeholder relationships, and a dedication to ethical consistency, are inclined to favor deontology over ethical egoism in the decision to withdraw from Russia, despite higher exposure. Deontology's emphasis on moral duties resonates with the aspiration for lasting ethical values, mirroring the cultural and ethical identity intrinsic to family businesses. Adhering to principles in challenging situations sustains reputational integrity and cultural coherence, reinforcing the family firm's legacy and commitment to stakeholders. Conversely, ethical egoism's self-interest focus may jeopardize reputation and cultural identity, underscoring deontology as a more suitable ethical framework for family firms navigating withdrawal decisions, particularly in the face of heightened exposure.

Using data on family firms from NRG metrics, we test whether family firms with higher Russia exposure are more likely to exit. The measure of family firm = 1, if the largest controlling shareholder who holds at least 10% of the voting rights is a family, an individual, or an unlisted firm (unlisted firms are often closely held and therefore considered under family control). In our sample 28 firms (14.07%) were family firms. The results in model 1 of Table 7 show no significant effect for family firms, suggesting that family firms are no more or less likely to exit or withdraw faster.

Past Idiosyncratic Volatility

In the context of the Fama–French four-factor model, which incorporates market risk, size, value, and momentum factors, past idiosyncratic volatility can be particularly relevant when explaining the speed of exit from Russia, especially under higher exposure. Idiosyncratic volatility represents the firm-specific risk component. Past higher firm-specific volatility could imply increased uncertainty and risk, prompting firms to expedite their exit to mitigate potential losses. Rapid exit under uncertain conditions could be a strategic response to manage idiosyncratic risk and ensure the preservation of firm value.

We use the average of firm idiosyncratic volatility over 20 quarters before the invasion. In Table 7 model 2, we find that no effect for this interaction.

Extent of COVID-19 and COVID-19 Risk

Russian invasion started at the tail end of the COVID-19 pandemic and firms can be influenced by the extent of COVID-19 exposure and risk. Based on Hassan et al. (2019), a firm's exposure to the COVID-19 shock is measured as the proportion of discussion in earnings calls dedicated to this event. Their method is previously validated for assessing exposure to political risk, Brexit, climate change, and other significant shocks, enabling us to refine our exposure measure. COVID-19 exposure is the overall sentiment (mean) and the level of risk (variance). We take the mean of exposure and risk over 20 quarters before invasion. If the firm associates a higher level of risk with its operations in Russia due to the pandemic, there may be a strategic inclination to minimize exposure and mitigate potential negative consequences. COVID exposure and risk considerations are integral to resource allocation decisions. Firms facing heightened exposure may have allocated resources judiciously, factoring in the potential challenges posed by the pandemic, including considerations related to workforce safety, supply chain disruptions, and changes in consumer behavior. The financial implications of COVID-19, coupled with the firm's exposure level in Russia, play a crucial role. Higher exposure may magnify financial risks, making withdrawal a more attractive option if the firm perceives that staying in the Russian market poses heightened financial challenges due to the pandemic. In models 3 and 4 in Table 7, we do not find any effect of these factors.

Firm Ranking

We examine whether a firm's inclusion in the Global 500 or its status as a Top 100 firm influences the speed of exit or withdrawal and holds significance in the context of higher exposure. Firms with greater visibility and international reach, as denoted by their inclusion in global rankings, may navigate withdrawal decisions differently. The assessment allows for an exploration of whether these factors act as accelerators or decelerators of exit or withdrawal, shedding light on the dynamics at play when firms with substantial global influence consider withdrawing under heightened exposure conditions. In models 5 and 6 in Table 7, we find no effects.

Collectively assessing the results presented in Table 7 through the proposed theoretical lenses offers some evidence to support the theoretical approach. Specifically, hazard ratios below 1 for Business exposure to Russia [H1], Political risk, and its interaction with Russian exposure [H2] suggest that firms with higher stakes in the Russian market were less likely to exit sooner, indicating a prioritization of self-interest over ethical considerations and a willingness to tolerate political risks. Conversely, the hazard ratio above 1 for the interaction of Non-political risk and Russian exposure [H3] implies that firms were more inclined to exit when faced with non-political risks that could directly threaten their self-interest. While the high hazard ratio for Top 100 firms hints at potential ethical motivations among the largest, most visible companies, this effect is counterbalanced by the lower hazard ratio on its interaction with Russian exposure. These findings collectively support the examination of

Table 7 Cox regression, alternate explanations

Variables	(1) Are family firms more likely to exit sooner	(2) Fama–French 4-factor model	(3) COVID exposure	(4) COVID risk	(5) Global 500	(6) Top 100	(7) State dummies
Business exposure to Russia [H1]	0.920**	0.914	0.930	0.916	0.911**	0.905**	0.926
	(0.0349)	(0.0766)	(0.0506)	(0.0549)	(0.0410)	(0.0357)	(0.0451)
Political risk	0.840	0.747*	0.835	0.837	0.875	0.841	1.125
	(0.129)	(0.119)	(0.131)	(0.133)	(0.137)	(0.128)	(0.220)
Non-political risk	0.956	0.969	0.935	0.930	0.940	0.926	0.640***
	(0.169)	(0.190)	(0.174)	(0.173)	(0.171)	(0.173)	(0.0976)
Family firm	0.843						
	(0.287)						
Political risk × business exposure to Russia [H2]							0.862**
							(0.0578)
Non-political risk × business exposure to Russia [H3]							1.178***
							(0.0596)
Idiosyncratic volatility (mean of 20 quarters before the invasion)		9.920					
		(52.77)					
Idiosyncratic volatility × business exposure to Russia		0.850					
		(0.961)					
COVID-19 exposure			0.930				
			(0.050)				
COVID-19 exposure × business exposure to Russia			0.944				
			(0.114)				
COVID-19 risk				51.48			
				(361.9)			
COVID-19 risk × business exposure to Russia				0.912			
				(1.336)			
Global 500					1.659		
					(0.715)		
Global 500 × business exposure to Russia					0.993		
					(0.0777)		
Top 100						6.332***	
						(4.160)	
Top 100 × business exposure to Russia						0.879	
						(0.0698)	
Controls included	Included	Included	Included	Included	Included	Included	Included
State dummies included							Included
Standard errors clustered by	*SIC2*	*SIC2*	*SIC2*	*SIC2*	*SIC2*	*SIC2*	*SIC2*
Observations	199	157	206	206	206	206	204

***$p < 0.01$, **$p < 0.05$, *$p < 0.1$

self-interest as a competing hypothesis to the initially proposed self-interest and utilitarian approaches in explaining exit decisions.

Inclusion of State of Headquarters Dummies

The inclusion of state headquarters dummies in the analysis of U.S. firms' withdrawal from Russia is pertinent. Firstly, it allows for the consideration of potential regional variations in the decision-making process. Different U.S. states may have distinct economic, political, and cultural ties with Russia, influencing firms' strategies and responses to heightened exposure. Additionally, the inclusion of state headquarters dummies helps control for any state-specific factors that might impact withdrawal decisions. Economic conditions, regulatory environments, and geopolitical considerations can vary across states, and accounting for these differences ensures a more accurate assessment of the influence of exposure on withdrawal decisions. In model 7, in Table 7, we find estimates consistent with the main inferences.

Financial Outcomes After Four Quarters from Exit or Withdrawal

We test whether firms exiting or withdrawing from Russia suffered more in terms of performance, risk, or liquidity. We examined the effects of the following measures one year after exit or withdrawal. We use quarterly Compustat data to more precisely measure four quarters after the date of announcement. For financial performance we use idiosyncratic volatility, Return on Assets (ROA), Return on Sales (ROS), Return on Equity (ROE), and Return on Capital Employed (ROCE). For liquidity and efficiency outcomes we include the cost of capital, industry-adjusted SG&A to sales, advertising to sales, quick ratio, and current ratio. In Table 8, we do not find a strong statistically significant relationship between the effects of exit and withdrawal on profitability, risk, cost of capital, or liquidity.

Discussion

Based on survival analysis, our findings show that higher exposure in Russia correlates with a lowered hazard of exit or withdrawal, and higher political and non-political risk further lowers the hazard of exit or withdrawal. The inferences are robust to alternate survival specifications. No discernible effects are noted based on firm ranking (Top 100 or Global 500), COVID-19 exposure and risk, past idiosyncratic volatility, or family ownership and control. Examining exit effects on profitability, risk, cost of capital, and liquidity yield no statistically significant relationships. These results underscore the robustness of identified relationships across various specifications and outcomes.

The prioritization of self-interest over utilitarian considerations by firms with higher Russian exposure can be explained through the lens of prospect theory (Kahneman & Tversky, 1979) and the concept of loss aversion. Firms with substantial investments in Russia face the prospect of significant financial losses in the event of withdrawal, which may outweigh potential ethical gains in their decision-making calculus that is further reinforced by the institutional weaknesses perspective (Khanna et al., 2010), which suggests that firms operating in emerging markets like Russia often develop unique capabilities and relational assets to navigate institutional weaknesses. These assets are typically market-specific and non-transferable, increasing the perceived cost of exit. Moreover, the concept of escalation of commitment (Staw, 1981) provides additional insight into why firms with higher exposure may delay withdrawal. Having invested considerable resources in the Russian market, decision makers may become psychologically committed to their current course of action, interpreting withdrawal as an admission of failure. To illustrate these dynamics, consider the case of Renault, which initially resisted calls for withdrawal due to its significant stake in AvtoVAZ, Russia's largest automaker. Renault's CEO, Luca de Meo, stated, they have been working in Russia for many years now, and have plants and people they were responsible for (Carey & Guillaume, 2022). This statement reflects both the financial stakes and the perceived responsibilities to local stakeholders that can complicate ethical decision making.

Conversely, firms with lower Russian exposure face fewer financial and operational barriers to exit, potentially allowing ethical considerations to play a more prominent role in their decision making. For instance, BP's rapid exit announcement, despite significant investments, suggests that lower relative exposure to the Russian market enabled a more ethically driven response. The interplay between exposure levels and ethical decision making underscores the complex nature of corporate responses to geopolitical crises. While utilitarian ethics might advocate for decisions that produce the greatest good for the greatest number, our findings suggest that the reality of corporate decision making in such contexts is often more nuanced, with self-interest considerations potentially overshadowing broader ethical imperatives, particularly for firms with higher levels of exposure.

Theoretical Implications

The study delves into the tension between utilitarianism, which emphasizes overall societal well-being, and shareholder theory's focus on maximizing profits and self-interest in international business. Focused on firms with heightened

Table 8 Cox regression, future outcomes at four quarters after withdrawal

Variables	(1) Idiosyncratic volatility ($t+4$)	(2) ROA ($t+4$)	(3) ROS ($t+4$)	(4) ROE ($t+4$)	(5) ROCE ($t+4$)	(6) Cost of capital ($t+4$)	(7) Industry-adjusted SG&A efficiency ($t+4$)	(8) Advertising to sale ($t+4$)	(9) Quick ratio ($t+4$)	(10) Current ratio ($t+4$)
Exit/withdrawal	0.995	1.001	1.003	1.125	1.021	0.0234*	0.845*	0.999	0.809	0.749
	(0.00487)	(0.0138)	(0.00846)	(0.118)	(0.0204)	(0.0509)	(0.0765)	(0.00110)	(0.216)	(0.229)
Political risk	0.992**	0.993	1.010	0.935	0.988	0.667	1.473***	1.003	0.968	0.960
	(0.00372)	(0.00971)	(0.00813)	(0.0561)	(0.0273)	(1.040)	(0.197)	(0.00254)	(0.0690)	(0.0804)
Non-political risk	1.003	1.008	0.987	1.254**	1.038	9.127	0.749*	0.998	0.754*	0.717**
	(0.00482)	(0.00910)	(0.00979)	(0.119)	(0.0327)	(18.52)	(0.113)	(0.00189)	(0.112)	(0.115)
Business exposure to Russia	0.998***	1.004**	0.999	1.000	1.003	0.815	0.995	1.000	1.000	1.006
	(0.000557)	(0.00179)	(0.00213)	(0.0102)	(0.00315)	(0.140)	(0.0170)	(0.000261)	(0.0104)	(0.0117)
Political risk × business exposure to Russia	1.001	1.001	1.000	1.021	1.001	0.872	0.992	1.000	1.006	1.005
	(0.00136)	(0.00215)	(0.00233)	(0.0143)	(0.00371)	(0.203)	(0.0217)	(0.000424)	(0.0164)	(0.0149)
Non-political risk × business exposure to Russia	1.000	0.996*	1.000	0.955**	0.992	0.697	1.040	1.000	1.068*	1.078*
	(0.00101)	(0.00211)	(0.00223)	(0.0201)	(0.00571)	(0.165)	(0.0299)	(0.000227)	(0.0371)	(0.0404)
Log of assets	0.993**	1.000	1.012	1.001	1.012	0.867	0.940	1.000	0.822***	0.794***
	(0.00268)	(0.00709)	(0.00891)	(0.0348)	(0.0113)	(0.327)	(0.0510)	(0.000559)	(0.0548)	(0.0454)
Leverage	1.000**	1.000	1.000	0.983**	1.000	1.003	1.008**	1.000	1.000	1.002
	(0.000156)	(0.000250)	(0.000199)	(0.00641)	(0.000565)	(0.0110)	(0.00339)	(6.25e-05)	(0.00415)	(0.00405)
Cost of capital	1.001	1.014***	1.004**	1.021*	1.017***	1.071	0.995	1.000	0.991	1.000
	(0.00127)	(0.00125)	(0.00138)	(0.0104)	(0.00326)	(0.260)	(0.0151)	(0.000549)	(0.0212)	(0.0346)
COVID-19 exposure of the firm	0.968*	1.017	0.993	1.069	1.117	0.336	1.657*	1.007	0.959	1.284
	(0.0171)	(0.0210)	(0.0220)	(0.311)	(0.120)	(1.628)	(0.418)	(0.00829)	(0.128)	(0.299)
FCF-to-OCF	0.983**	1.052***	0.996	1.151***	1.077***	2.380	0.988	1.001	0.748***	0.694***
	(0.00643)	(0.00527)	(0.00410)	(0.0248)	(0.0205)	(1.719)	(0.0421)	(0.000522)	(0.0568)	(0.0375)
Interest coverage ratio	1.000**	1.000***	1.000	1.000*	1.000	1.000	1.000	1.000**	1.000***	1.000***
	(6.27e−07)	(1.03e−06)	(7.89e−07)	(7.27e−06)	(2.50e−06)	(0.000132)	(1.30e−05)	(3.17e−07)	(1.27e−05)	(1.32e−05)
Asset turnover	0.999	1.058***	1.316***	1.298**	1.104***	0.107*	0.970	1.001	0.602***	0.633***
	(0.00872)	(0.0179)	(0.0441)	(0.144)	(0.0369)	(0.128)	(0.151)	(0.00222)	(0.105)	(0.106)
R&D/sale	1.034	1.082	0.889***	1.346	0.974	6.744e+07	0.271*	1.004	9.381***	4.689*
	(0.0332)	(0.142)	(0.0349)	(0.401)	(0.194)	(8.806e+08)	(0.205)	(0.0136)	(5.795)	(4.059)

Table 8 (continued)

Variables	(1) Idiosyncratic volatility ($t+4$)	(2) ROA ($t+4$)	(3) ROS ($t+4$)	(4) ROE ($t+4$)	(5) ROCE ($t+4$)	(6) Cost of capital ($t+4$)	(7) Industry-adjusted SG&A efficiency ($t+4$)	(8) Advertising to sale ($t+4$)	(9) Quick ratio ($t+4$)	(10) Current ratio ($t+4$)
Advertising/sale	1.012	1.022	0.988	1.072	0.986	2.98e−05	0.0915**	2.680***	1.637	0.662
	(0.0591)	(0.0903)	(0.149)	(0.668)	(0.133)	(0.000257)	(0.105)	(0.0831)	(3.355)	(1.293)
Staff/sale	1.006	1.086	0.925	1.028	1.195	13.18	10.25	0.997	1.753	0.817
	(0.0205)	(0.0776)	(0.0441)	(0.282)	(0.175)	(27.52)	(19.24)	(0.00492)	(0.614)	(0.383)
Constant	1.189***	1.027	0.906	0.940	0.885	1.437	2.117	0.998	39.27***	79.82***
	(0.0377)	(0.0659)	(0.0822)	(0.306)	(0.119)	(10,214)	(1.202)	(0.00467)	(31.88)	(50.43)
Observations	155	196	197	181	196	194	185	196	187	187
R-squared	0.288	0.390	0.788	0.110	0.313	0.052	0.286	0.908	0.365	0.379

The standard errors are clustered by two-digit SIC code

***$p<0.01$, **$p<0.05$, *$p<0.1$

exposure in Russia, it uncovers a reduced hazard of withdrawal, highlighting the predominance of self-interest over utilitarian ethical considerations in strategic decision making. Within the complex landscape of international relations, where geopolitical, economic, and ethical factors converge, prioritizing self-interest emerges as a central theme (Hillman et al., 2004). The observed lower withdrawal risk among highly exposed firms implies a prioritization of strategic self-interests over immediate ethical concerns during geopolitical crises, challenging assumptions about firms upholding broader utilitarian principles of societal welfare (Dai et al., 2017; DeBerge, 2023; Klaus et al., 2023). The pragmatic decisions observed underscore the delicate balance between ethical deliberations and operational realities in global markets. Shareholder theory surfaces as an influential lens, emphasizing self-interest over utilitarian stakeholder considerations in navigating international complexities. These findings contribute to ongoing discussions about the interplay between self-interest and ethical decision making amidst geopolitical upheavals, prompting a reevaluation of assumptions.

The research enhances our understanding of risk management in international business by revealing that firms facing elevated political and non-political risks are more likely to delay withdrawal from Russia underscoring the necessity of strategic decision making that concurrently weighs foreign exposure alongside firm-level risks, balancing self-interests with stakeholder impacts (Hagelin & Pramborg, 2004; Jankelová, 2017; Min & Yang, 2019; Neely et al., 2017). The study highlights the critical role of political and non-political risks in influencing strategic decisions for specific foreign markets, where geopolitical, economic, and societal factors intersect (Charpin et al., 2021; Jean et al., 2018). It emphasizes the importance of business agility in responding to evolving risk landscapes across multiple dimensions.

The finding that withdrawal decisions have no significant impact on financial metrics like profitability, risk, cost of capital, and liquidity raises important questions. The inferences from the finding prompt further examination into the complex relationship between ethical decision making and short-term financial performance, challenging prevalent assumptions about the immediate financial implications of ethical choices in international contexts (Durach et al., 2023; Smith et al., 2007; Zheng et al., 2022). The departure from expected links between withdrawal decisions and financial metrics calls for a better understanding of the factors shaping the relationship between ethics and financial outcomes (Chun et al., 2013; Margolis & Walsh, 2003). Furthermore, it warrants exploring whether the absence of immediate financial impact reflects the resilience of ethical practices or indicates more complex, latent repercussions yet to unfold.

The findings also necessitate reconsidering how ethical considerations are integrated into strategic decision-making

processes (Baskaran et al., 2019; Chikeleze & Baehrend, 2017). Beyond evaluating financial and operational factors, businesses must explicitly consider the ethical implications of strategic choices, particularly in response to geopolitical events (Sonenshein, 2009). It demands a balanced approach that skillfully navigates the delicate equilibrium between self-interest and broader ethical responsibilities. While the immediacy of a crisis may propel firms toward self-preservation, as demonstrated in the results, the study encourages adopting a more farsighted perspective.

Balancing self-interest with ethical responsibilities entails recognizing the potential long-term consequences of crisis-driven decisions. It requires weighing short-term gains against the enduring impact on reputation, stakeholder relationships, and societal contributions (Decoster et al., 2021; Joosten et al., 2014; Stevens, 2002; Tseng & Fan, 2011). Acknowledging these potential long-term consequences amplifies the significance of ethical decision making in the global arena. Firms must look beyond immediate gains and losses to consider the lasting effects of their actions on their standing in the global marketplace. The study prompts businesses to acknowledge that ethical decisions during crises can have far-reaching implications, influencing not only their immediate operational landscape but also their sustained viability and reputation on the global stage.

Our study contributes to the growing body of research on international exit and divestment by examining firm withdrawal decisions in the context of a major geopolitical crisis. While previous research has primarily focused on economic and strategic factors driving international exit (Berry, 2013; Soule et al., 2014), our findings highlight the complex interplay between economic self-interest and ethical considerations in shaping these decisions. By demonstrating that firms with higher exposure to the Russian market were less likely to exit quickly, despite potential ethical imperatives, we extend Boddewyn's (1979) framework on foreign divestment motives. Our results suggest that in times of geopolitical crisis, the strategic misfit motive for divestment may be overshadowed by concerns about financial losses, even when ethical considerations might dictate otherwise.

Furthermore, our analysis of political and non-political risks as moderating factors builds on the work of Dai et al. (2022) on the impact of political risk on exit decisions. We show that these risks can have differential effects, with political risks amplifying the negative relationship between exposure and exit likelihood, while non-political risks attenuate it. Our findings also contribute to the debate on the ethical dimensions of international business decisions (Kolk, 2015). By examining how firms balance financial self-interest against ethical imperatives in a high-stake geopolitical context, we provide empirical evidence that enriches theoretical discussions on corporate social responsibility and stakeholder theory in international business.

Practical Implications

As observed in the Ukraine invasion context, firms grapple with balancing self-interest against broader ethical imperatives. The study advocates a holistic approach considering immediate self-preservation and the enduring consequences of decisions. In navigating ethical complexities in global business landscapes, firms must strike a balance ensuring survival during turbulence while maintaining resilience and reputation within the broader ethical discourse. The implications extend across various spheres, offering insights for business leaders, policymakers, and consumers.

For business leaders, strategic risk management is paramount. Understanding that higher exposure can mitigate withdrawal hazards, executives should adopt strategies considering foreign exposure and domestic risks simultaneously when managing ethical decisions. Long-term strategic planning, anticipating geopolitical challenges, is crucial as firms manage exposures prompting prioritization of ethical concerns over profits. Policymakers, recognizing geopolitical events' impact on businesses, should consider policies providing stability during crises. Collaborative risk mitigation efforts involving policymakers and business leaders can contribute to a more resilient economic environment. Incentivizing ethical practices through policies can align business interests with societal values. Consumers can positively reinforce ethical practices by making informed choices and supporting transparent, ethical companies. Consumer advocacy raises awareness and encourages responsible corporate behavior. By promoting corporate responsibility and ethical standards, consumers contribute to shaping a business landscape aligned with societal values.

Limitations and Directions for Future Research

While shedding light on withdrawal decision dynamics post-Ukraine invasion, certain limitations warrant acknowledgment. The contextual specificity raises questions about generalizability across geopolitical crises and industries. Future research should conduct comparative analyses unveiling s across scenarios. Survival models, though informative, may not fully capture withdrawal decision complexities. Incorporating additional statistical methods or qualitative approaches could offer a more comprehensive understanding. The confined timeframe around the Ukraine invasion limits temporal scope; extended examination could provide insights into decision evolution over time. Qualitative explorations through interviews or case studies can unveil firm decision-making processes. Integrating behavioral aspects of firm decision makers can uncover how cognitive biases or psychological factors influence withdrawal decisions. One limitation is the lack of detailed ownership structure and decision-making process data. Distinguishing utilitarian

based from family-run businesses could provide additional motivational insights for Russia's exit/withdrawal decisions. However, lacking this data, the focus on exposure, political risk, and non-political risk still offers a valuable perspective on decision-making processes.

While our analysis focused primarily on internal factors influencing exit decisions, future studies could explicitly examine the impact of external pressures, including media influence, peer effects, and stakeholder activism. Although our measures of business exposure and various control variables capture aspects of firms' embeddedness and commitment in the Russian market, more direct measures of these factors could provide additional insights. Our ability to fully account for firms' degree of internationalization was limited by the constraints of international sales data reporting variation by region and/or products for U.S. firms; more comprehensive data on firms' global operations could enable a richer analysis of how international diversification affects exit decisions during geopolitical crises. Future research could benefit from incorporating detailed data on local partnerships, supply chain integration, and market-specific investments. Additionally, while our survival analysis approach was well suited to examining the timing of exit decisions, alternative methodological approaches, such as event studies or qualitative case analyses, could offer complementary insights into the decision-making processes and consequences of market exit in response to geopolitical events.

We acknowledge that our study's focus on internal factors, while informative, does not capture the full complexity of firms' decision-making processes in response to the Russian invasion of Ukraine. External pressures from the international community, media, and peer firms likely played a significant role in shaping these decisions. These pressures can create substantial reputational risks and compliance concerns that influence a firm's withdrawal from the market. Our analysis of political and non-political risks partially captures some of these external influences, but we recognize the need for a more explicit examination of these factors. For instance, consumer-facing companies like McDonald's faced intense public scrutiny regarding their Russian operations. In announcing the company's exit, CEO Chris Kempczinski stated, 'Our values mean we cannot ignore the needless human suffering unfolding in Ukraine' (Turak, 2022).

The interplay between internal strategic considerations and external pressures likely shapes firms' responses to geopolitical crises in complex ways. While firms with higher exposure to the Russian market may face greater internal resistance to withdrawal due to potential financial losses, they may simultaneously experience heightened external pressures due to their more visible market presence. Future research could explicitly examine the impact of these external pressures on firm exit decisions. Potential avenues for investigation include analyzing media influence, peer effects, stakeholder pressure, and changes in the regulatory environment. Such studies would provide a more comprehensive understanding of corporate decision making in response to geopolitical crises, enhancing both theoretical insights and practical guidance for business leaders and policymakers navigating complex international environments.

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Data availability This study utilizes data from three sources. The firm withdrawal data are publicly available and accessible without restrictions. The firm-related characteristics data are confidential andcan be accessed through the Wharton Research Data Services (WRDS) platform and NRG Metrics.

Declarations

Conflict of interest We wish to confirm that there is no known conflict of interest associated with this publication.

Research Involving Human and Animals Rights Not applicable.

Informed Consent Not applicable.

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