Escaping Stigma: Strategic Responses of Foreign Companies in a Recently Stigmatized Market

ABSTRACT

A socially approved geographic market may become suddenly stigmatized because of events external to organizations that operate in it. Companies will need to decide whether to stay or leave this market to mitigate stigmatization by association. We develop a theory explaining how companies make such a choice. We propose that organizations decide to exit the market when the perceived costs of stigmatization outweigh the benefits from staying. This perception is shaped not only by organizations' features but also by stigmatizers' characteristics. We find support to our theory in event-history analyses of multinationals' exit announcements in the context of the current Russia-Ukraine military conflict that has stigmatized the Russian market as a place for foreign businesses.

INTRODUCTION

The first quarter of the year 2022 witnessed an astonishingly massive exodus of multinational companies from the Russian market. More than a thousand foreign companies announced their exit, whereas only a fifth of the multinationals previously operating in Russia decided to stay. This mass exodus was linked to the Russia-Ukraine military conflict that started on February 24, 2022. Both governments and citizens of many countries condemned the role of Russia in this conflict and pressured foreign companies operating in Russia to leave. This case is not unique. Similar dynamics unfolded in South Africa in the 1980s and in Burma in the 1990s, when hundreds of multinationals left these countries under pressures from the global public that condemned severe violations of local human rights. An important question is why so many companies succumb to these pressures, losing prior investments upon exit, while others do not. We suggest that geographic stigma is one key factor that can explain the mechanisms behind this process.

Geographic stigma is a type of categorical stigma, defined as a vilifying label that contaminates all organizations that are members of the same category, simply because of being associated with it (Piazza & Perretti, 2015; Vergne, 2012). Importantly, most research on categorical stigma focuses on industry stigma, such as the arms industry (Durand & Vergne, 2014; Sadri et al., 2023), men's bathhouses (Hudson & Okhuysen, 2009), and the marijuana industry (Khessina, Reis & Verhaal, 2021) but provides

little insight regarding geographic stigma. Different from industry stigma caused by a company's participation in a discredited industry, geographic stigma harms organizations operating in a vilified geographic market even when these organizations operate in socially approved industries (Besbris et al., 2018; Soule et al., 2014). Take for example the above case of the Russia-Ukraine conflict. The global community stigmatized multinationals staying in the Russian market regardless of the social approval of specific industries in which these companies operated in Russia. As a result, these companies faced a difficult dilemma between leaving the Russian market to avoid stigmatization (and losing prior investments and future profits in the process) and staying and facing likely vilification and associated penalties. But how do companies make such decisions?

We suggest that because both staying and leaving a stigmatized geographic market incur significant costs, companies rely on a cost-benefit analysis when making exit decisions. If the perceived risk and associated costs of stigma transfer are high, a company is more likely to leave the market, and if they are low, the company may decide to stay. Existing literature has shown that organizational characteristics, such as scale and scope, influence the degree to which companies are at risk of being stigmatized (Helms & Patterson, 2014; Piazza & Jourdan, 2018). However, much less is known about whether characteristics of the audiences responsible for stigmatizing the companies play a role as well. Recent studies suggest that these audiences are not homogeneous and may vilify the same companies and markets to a different extent (Khessina et al., 2021; Piazza & Augustine, 2022; Sadri et al., 2023). This should especially be true about stigmatized multinational markets which commonly attract the attention of audiences from different countries that are naturally heterogenous and diverse (Ritvala, Granqvist & Piekkari, 2020). Therefore, developing a predictive theory about companies' exit decisions from a recently stigmatized geographic market requires considering not only the characteristics of stigmatized companies, but also those of their stigmatizers.

Against this background we ask the following research question: What characteristics of a company and its key audiences influence how soon a company will decide to exit a recently stigmatized

geographic market? Answering this question has both theoretical and practical importance. From a theoretical perspective, understanding how companies respond to sudden geographic stigma adds to emerging knowledge seeking to explain how geographic vilification affects organizations operating in discredited geographic markets. We suggest that in such markets the choice of stigma mitigation strategy is shaped not only by characteristics of a company at risk for stigmatization, but also by characteristics of its stigmatizers. From a practical point of view, understanding how sudden geographic stigma affects companies may help managers make more informed decisions regarding stigma mitigation strategies.

To answer our research question, we draw on the organizational literature on categorical stigma (e.g., Sadri et al., 2023; Vergne, 2012), urban studies in geography stigma (e.g., Wacquant, 2007; Sharkey, Besbris & Friedson, 2016), and research on cross-national distances in international business literature (e.g., Zaheer; 1995; Lee, Shenkar & Li, 2008) to develop a novel theory predicting what types of companies will more likely perceive the risk and associated costs of stigmatization as high and, as a result, decide to exit a recently vilified geographic market. We focus on two types of factors that may drive a company's perception of stigmatization costs and its subsequent exit decision. First, we propose that companies with higher exposure to stigmatizing audiences are more likely to become a target for stigmatization. Organizational characteristics, such as firm visibility and brand strength, amplify this exposure and thus generate substantial negative consequences. Second, we argue that heterogenous stigmatizing audiences may shape the perception of stigmatization costs in dissimilar ways. We explain how home countries that are culturally and politically distant from the discredited geographic market become the stigmatizing audiences that amplify the perceived costs of stigmatization to a much greater extent than less distant home countries. Overall, our theory predicts that companies (a) with greater exposure to stigmatizing audiences and/or (b) from home regions that are culturally and politically distant from the stigmatized market are more likely to perceive the stigmatization risks and costs as high and, consequently, decide to exit the vilified geographic market sooner.

We test our theory in the context of the ongoing Russia-Ukraine military conflict. Russia's involvement in the conflict has been widely condemned by governments and citizens across multiple countries, leading to the stigmatization of Russia as a market for multinational companies. Foreign companies operating in Russia faced a credible risk of stigma transfer, leading to many companies announcing their exit from the Russian market soon after the conflict started in February 2022. Companies that chose to stay faced widespread public backlash, boycotts, and protests, and as a result, many of them reversed their initial decision. For example, French cosmetics retailer L'Occitane initially decided to continue its operations in Russia to protect local employees from "retaliation." This decision prompted intense criticism and social media outrage, with statements such as "I'll never want another L'Occitane product while their stores remain open in Russia" (Timmins, 2022). To mitigate the damage, L'Occitane reversed its decision and exited the market. Similar situations arose with companies like Japanese retailer Uniqlo and American fast food giant McDonald's.

An event history analysis of exit announcements of the 1,333 foreign companies that operated in Russia prior to the conflict supports our theory. Companies more directly exposed to stigmatizing audiences and companies from countries more politically and culturally distant from Russia decided to exit the Russian market sooner. The choice of a specific exit strategy was also shaped by both organizational and stigmatizer factors. Thus, these findings indicate that understanding how companies respond to the threat of stigma transfer in recently vilified geographic markets requires considering not only a company's features but also the characteristics of the audiences responsible for stigmatization.

We believe that our theory and findings may offer three key contributions. First, this paper advances the literature on categorical stigma (e.g., Durand & Vergne, 2014; Sadri et al., 2023) by developing a predictive theory that not only explains how geographic stigma operates in multinational markets but also offers a novel mechanism of stigmatizers' characteristics behind stigma transfer concerns. Second, this study adds to the literature on the intersection of strategy and international business (e.g., Kim, Kwak & Park, 2024; Adarkwah et al., 2024) by explaining how geographic stigma

shapes exit decisions of multinational companies and by explicating conditions behind this process. Finally, this study offers practical insights for managers dealing with sudden geographic stigma.

THEORETICAL BACKGROUND

Inspired by Goffman's seminal work on an individual's stigma (1963), organizational scholars have adopted the stigma concept for understanding vilified organizations. They define organizational stigma as "an evaluation held and often expressed by some social audience(s) that an organization or set of organizations is discounted, discredited, and/or tainted in some way" (Hudson, 2008: 254). Researchers commonly distinguish between event stigma and categorical stigma (Devers, Dewett, Mishina & Belsito, 2009; Vergne, 2012). Event stigma describes the devaluation resulting from an organization's discrediting actions, such as corporate fraud and other wrongdoings (Semadeni et al, 2008, Wiesenfeld et al., 2008). By contrast, categorical stigma originates from audience devaluation of a whole category of organizations, such as the arms and tobacco industries (Vergne, 2012, Grougiou, Dedoulis & Leventis, 2016). Organizations bearing categorical stigma receive negative evaluation not for their specific actions, but for the mere association with an industry or market recognized as engaging in contested practices (Piazza & Perretti, 2015).

The nature of a category defines the type of categorical stigma. Scholars have extensively studied industry stigma, defined as an undesirable and discrediting label that audiences attach to all organizations participating in the same industry (Vergne, 2012). Examples of stigmatized industries include nuclear power plants (Piazza & Perretti, 2015), the gambling industry (Grougiou et al., 2016), medical marijuana (Khessina et al., 2021), abortion clinics (Piazza & Augustine, 2022), and legal brothels (Ruebottom & Toubiana, 2021). A much less explored type of categorical stigma arises from an organization's participation in geographic markets vilified by crime, poverty, undesirable political actions, wars, and social disorder (Besbris et al, 2018; Soule et al., 2014). The key difference between industry stigma and geographic stigma is that in a vilified geographic market, an organization may engage in socially approved industrial activities but will still be stigmatized because of its business location. This happens

because the stigma of a vilified geographic market taints the organizations operating in that region by association.

Urban scholars were the first to explore geographic stigma (also known as place-based, spatial, and territorial stigma). They found that geographic stigma is often attached to marginalized urban spaces, like impoverished ethnic neighborhoods associated with crime (Wacquant, 2007; Sampson, 2012; Sharkey et al., 2016). Urban areas that suffered from declining investment, global labor outsourcing, and pollution, like Detroit, Michigan, are also often vilified, and their residents are stigmatized by association (Murphy, 2012; Keene & Padilla, 2014). Organizational scholars have added to this conversation by directing attention to geographic stigma at the country level and its effect on companies. For example, they showed that organizations operating in Burma in the 1990s, condemned as a military state severely abusing human rights, including torture, physical surveillance, rape, ethnic cleansing, and slavery (Marlay & Ulmet, 2001; White, 2004), were discredited because they were seen as supporting the state's inhuman policies (Soule et al., 2014).

A key finding in research on geographic stigma is that it taints organizations operating in a stigmatized regional market through stigma transfer (Besbris, et al. 2018). Relevant audiences either limit or completely withdraw their support and engagement with these organizations, either for ideological reasons or to avoid stigma transfer to audiences themselves (Hudson & Okhuysen, 2009; Khessina et al., 2021). Consequently, organizations in stigmatized geographic markets experience disapproval, discrimination, and exclusion that negatively impact their performance (Soule et al., 2014). For example, in our setting of the Russia-Ukraine conflict, investors punished foreign companies that decided to stay in Russia. The media reported that the stock performance of these companies deteriorated. Sonnenfeld et al. (2022) further showed that penalties imposed by financial markets on the companies that stayed in Russia were on the balance higher than losses from asset write-downs and lost revenues experienced by companies that left Russia.

The negative impact of stigma on organizational performance is especially strong if it is seen as controllable stigma that an organization can remove by stopping practices that cause its stigmatization (Summers et al., 2018). Consequently, whereas uncontrollable stigma might elicit sympathy, controllable stigma evokes anger and other negative reactions from audiences (Goffman, 1963; Crocker, Major & Steele, 1998). Audiences tend to perceive categorical stigmas as largely controllable because they see them as consequences of an organization's deliberate decisions and actions (Selznick, 1984). Thus, a strategy of choosing a geographical market to operate in, and later whether to stay or leave this market, is seen as being at a company's discretion. For this reason, in our setting, global consumers have held companies staying in Russia responsible, stating that "if the companies won't boycott Russia, boycott the companies" (Sonnenfeld & Tian, 2022). For example, Coca-Cola's decision to stay in Russia incited a mass boycott of the company on Twitter/X and offline, leading certain supermarkets to stop selling Coca-Cola products.

What remains not well understood is how organizations react to geographic stigma, especially in markets that used to be socially approved and became stigmatized recently. It is in a company's control to leave a stigmatized geographic market to avoid stigma transfer and its negative impact on performance. But this decision is costly, and some companies stay and risk vilification. We develop a theory to systematically explain and predict which companies stay and leave such markets as a part of their stigma mitigation strategy.

THEORY DEVELOPMENT AND HYPOTHESES

Stigmatization Risk in Recently Vilified Markets

When a company faces the risk of geographic stigma transfer, it is likely to rely on a cost-benefit analysis to decide how to deal with this risk. For companies staying in a newly stigmatized geographic market, the benefits arise from sunk costs and the learning experience of doing business in this market. In our empirical context, companies remaining in Russia derive benefits from developed networks of local partners, idiosyncratic knowledge of conducting business in this market, a loyal local customer base,

decreased competition, and so on. The costs of staying in a recently stigmatized market arise from the heightened risk of vilification and resulting tangible and social punishments, like what happened with companies that stayed in Russia after February 24, 2022. If either the potential or actual stigmatization costs of staying in the market outweigh the benefits, a company is likely to undertake a stigma mitigation strategy that may range from a partial to complete exit from the vilified geographic market depending on how high the estimated costs are. But how does a company decide whether the costs of stigmatization outweigh the benefits of staying in a stigmatized market? To answer this question, we develop a theory about the factors that prompt companies to make a market exit decision based on the estimated risk of stigma and its associated costs. We theorize about two broad types of factors that drive the estimated risk of stigma up: characteristics of stigmatized organizations and characteristics of stigmatizing audiences.

Stigmatized Organizations and Exit Decisions

When a geographic market becomes stigmatized, all organizations participating in it risk being stigmatized by association. Stigmatization is enacted by interested audiences, such as the government, consumers, investors, NGOs, and other relevant observers. For stigmatization to happen, interested audiences need to pay deliberate attention to a company to explicitly connect it to a vilified geographic market. Attention is a scarce resource (Ocasio, 1997). If the number of organizations participating in a stigmatized market is large, audiences may notice and actively react only to a limited number of companies. But what can draw this selective attention? We think the factors that expose a company to audiences in a prominent and direct way are more likely to attract audience attention, and as a result bring on stigmatization. We consider two such factors: an organization's visibility and brand strength.

Visibility. Visibility is commonly defined as an ability, quality, or state of being readily noticed; the degree to which something has attracted general attention (Merriam-Webster Dictionary). Organizations can be visible for a variety of reasons, including operation scale, sales volume, charity participation, and political contributions. One of the most common and powerful sources of organizational visibility is a company's size (Brammer & Millington, 2006).

Visibility is a double-edged sword. On the one hand, an organization's visibility is beneficial, because it attracts attention to the company and consequently helps it obtain greater material and symbolic resources (Hao & Li, 2021). On the other hand, visibility can become a liability when the company's actions do not meet audiences' expectations (Hendry, 2006). This happens because visible organizations are scrutinized more closely and punished more heavily for their actions by social movement activists and other involved observers (Chiu & Sharfman, 2011). For example, highly visible Wal-Mart, Inc. has been targeted by local anti-sprawl activists who protested opening new stores in their area and successfully prevented Wal-Mart from doing so. By contrast, less visible firms did not attract the activists' attention and were allowed to open their stores (Ingram, Yue & Rao, 2010).

The costs of visibility dramatically increase when an organization operates in a geographic market that has become stigmatized. This happens for three main reasons. First, audiences concerned with the discredited market are more likely to notice and penalize more visible organizations (Hendry, 2006; King, 2008). Second, activists that aim to solve social issues of the stigmatized market may seek out visible organizations on purpose to make them a target for anti-market campaigns on the assumption that if visible companies change their behavior, the rest of the market will follow (Bartley & Child, 2014). Finally, activists are more likely to succeed in making organizations change their behavior when they manage to attract the attention of many audience members to the social problem of the stigmatized market (King, 2008). This is easier to achieve by publicly criticizing highly visible organizations that many people either interact with or are at the very least aware of (Hendry, 2006). For example, in the context of the Russia-Ukraine conflict, when the highly visible French cosmetics retailer L'Occitane, Japanese retailer Uniqlo, and American fast food chain McDonald's were reluctant to exit Russia, they become an immediate target for activists that riled up global consumers to engage in intense outrage on social media, ultimately pushing these companies to exit the country. By contrast, the Slovenian footwear company Alpina Žiri and the Icelandic fishing gear manufacturer Hampidjan have avoided activist scrutiny due to

their limited visibility and were able to continue their operations in the Russian market without attracting much attention.

We argue that in a recently stigmatized market, more visible organizations are more likely to attract attention and, consequently, get punished by social activists and other interested audiences, making the costs of stigma from a decision to stay in such a market exceed the potential benefits. Consequently, more visible companies are likely to perceive stigmatization costs as higher than less visible organizations and, as a result, decide to exit the vilified market sooner to mitigate stigma transfer concerns. Typically, a company's exit from a foreign market starts with its public announcement of exit intention. Thus, we predict the following:

> ***Hypothesis 1a****: The announcement rate of exit from a recently stigmatized market will be higher for more visible organizations than for less visible ones.*

Brand. Concerns about potential devaluation of a company's brand are another important factor that increases the estimated costs of a company's stigmatization. A brand is the embodied persona of a company built through consumer perceptions and experiences with all products or services under the brand umbrella (John & Torelli, 2017). The more familiar target consumers are with the brand and the more favorably they perceive it, the stronger the brand is (Wymer, 2013). A strong brand generates a variety of benefits for its company. It increases customers' perceptions of an organization's quality and, consequently, their willingness to purchase its products (Dodds, 1991; Hoeffler, 2003). It serves as a barrier that deters an organization's potential competitors from entering its markets (Karakaya & Stahl, 1989). It is positively associated with shareholder value (Kerin & Sethuraman, 1998), share prices (Barth et al., 1998), and future cash flows (Aaker & Jacobson, 1994). By generating all these benefits to its company, a strong brand creates brand value (Aaker, 1992; Keller, 1993).

Building a strong brand requires significant resources and time, and so does brand preservation (John & Torelli, 2017). Strong brands are vulnerable to exposure to a crisis and thus can depreciate, negatively affecting customer relationships and financial assets (Keller, 2008). Additionally, when a

company does not promptly address a crisis, its brand suffers (Hegner, Beldad & Heghuis, 2014). A recently stigmatized market is one such crisis that may devalue a company's brand if the firm does not manage to adequately address it.

Occupying higher positions in the reputational hierarchy of a market, organizations with strong brands have more to lose than organizations with weaker brands when their position is threatened (McDonnell & King, 2013). This threat increases for companies that decide to stay in a recently stigmatized market. As a result, firms with stronger brands tend to perceive a disruptive event of recent market stigmatization as a crisis worthy of response. They are more likely to be concerned with brand preservation and exert greater efforts at doing so (John & Torelli, 2017). Therefore, if the market becomes suddenly stigmatized, companies with a strong brand tend to estimate potential costs from stigma transfer to their brand as high. Consequently, they are more likely to decide to exit the stigmatized market to preserve the value of their brand. Therefore, we predict the following:

> ***Hypothesis 1b:*** *The announcement rate of exit from a recently stigmatized market will be greater for organizations with stronger brands than for those with weaker brands.*

It is important to note that although some visible organizations can possess very strong brands, visibility and brand strength overlap only partially and are theoretically and empirically distinct. Theoretically, whereas visibility describes the extent to which a company stands out and attracts attention, a brand describes the company's persona. Empirically, some companies are visible in terms of size without possessing a strong brand. For example, in 2021, some organizations in the industries focused on materials (e.g., Holcim, Posco, Dow), utilities (e.g., E.ON, Veolia, Fortum), and energy (e.g., Trafigura, OMV, Bharat Peteroleum) were listed in the *Fortune Global 500* as the largest 500 organizations in the world in terms of revenues. However, they were not listed by *Brand Finance Agency* among the top 500 organizations with the most valuable brands. Similarly, a strong brand does not necessarily imply a large size. For example, although Rolex, Chanel, and EY were ranked among the top 500 valuable brands worldwide, they were not listed among the global 500 largest companies.

Stigmatizing Audiences and Exit Decisions

We argue that how a company perceives stigmatization risk and associated costs is shaped not only by its own features, but also by characteristics of its stigmatizers, defined as audiences that vilify the organization. Although the initial theorizing about stigmatizing audiences can be traced back to Goffman (1963), organizational scholars have directed their attention to this phenomenon only recently (Aranda et al., 2023). They found that different audiences may vary in how strongly they stigmatize the same organizations (Khessina et al., 2021; Piazza & Augustine, 2022; Zavyalova, 2025) and that these differences are potentially shaped by stigmatizers' moral dualism (Ferns, Lambert & Gunther, 2022), discursive strategies (Aranda, Vaara, Etchanchu & Guyt, 2024), and authority to impose punishments (Sadri et al., 2023). Yet, knowledge about stigmatizers in the organizational domain is only emerging. The mechanisms behind variance in stigmatizers' actions, especially in the international domain, are still not well understood and require further investigation.

In the multinational business context, there are two broad distinctive types of potential stigmatizers: home-country audiences (i.e., audiences residing in the country of a multinational company's headquarters location) and foreign-country audiences (i.e., audiences residing outside of the multinational company's home country). Home-country audiences tend to pay more attention to domestic multinationals than to companies originated in foreign countries (Fischer, Zeugner-Roth, Katsikeas & Pandelaere, 2022). As a result, if a multinational company violates social expectations, home-country audiences are more likely than foreign-country audiences to notice and react to such violations. Take, for example, Inditex – a multinational company from Spain that operated in Russia before the conflict started on February 24, 2022. The very next day after the beginning of the conflict, the search for "Inditex" in Google trends showed that the level of public interest in this company was the highest in Spain, being equal to 100 points. By contrast, it was only 16 points in the United Kingdom and less than 1 point in the U.S. Furthermore, stock prices for Inditex dropped by 16.5% on IBEX (the official index of the Spanish Continuous Exchange), but only by 9.3% on NASDAQ (American Stock Exchange). This heightened

sensitivity of home-country audiences to domestic multinationals operating in stigmatized foreign markets arises because they believe that a multinational company's global actions can tarnish not only its own reputation but also the image of its home country (Kostova & Zaheer, 1999).

Importantly, home-country audiences themselves comprise different types of stigmatizers, such as activists, governments, and general public/consumers, that may vary in their reaction to a vilified market. Activists play a key role in this process. By publicly articulating multinationals' transgressions, they attract attention and shape reaction of both home government and general population (Daudigeos, Roulet & Valiorgue, 2018). Overall, if any home-country audience concludes that domestic multinational companies violated its expectations by operating in a vilified foreign market, it will punish and pressure these companies to correct their behavior by attracting the attention of mass media (King, 2008), pushing for policy changes (McDonnell & Werner, 2016), and using other forms of social activism (Marquis, Toffel & Zhou, 2016).

Given that different audiences may stigmatize the same companies (and even markets) to a different extent (Khessina et al., 2021; Piazza & Augustine, 2022; Sadri et al., 2023), the important question is how various home-country audiences form perceptions about whether a multinational company violates their expectations by participating in a recently stigmatized market. We suggest that the answer to this question depends on the cross-national distance between a home country and a stigmatized host country. Home and host countries can be distant across a variety of dimensions, including cultural (Hofstede, 1980), political (Ghemawat, 2001), economic (Wu & Salomon, 2016), and geographic (Hutzschenreuter, Kleindienst & Lange, 2014). We focus on political distance and cultural distance because they are salient in our empirical context of military conflict. Political distance can predict the reaction of a home-country government towards a newly stigmatized host market, while cultural distance is a better predictor of the reaction of the home-country population.

Political Distance. Countries differ by their type of political system (Henisz, 2000; Henisz & Williamson, 1999; Whitley, 1992). In the international context, political distance is defined as the

difference between political and legal systems of the home and host countries and is often reflected in differences in voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption (Kaufmann, Kraay & Mastruzzi, 2006).

It is reasonable to expect that when the political distance between a home country and a country that hosts a recently stigmatized market is low, the governments in the two countries share similar political worldviews and buy into similar political systems and strategies. Consequently, the government in the home country is less likely to react negatively to events and actions that have led to the stigmatization of the host country. The home government is unlikely to participate in the stigmatization process (and may even do the opposite) and thus less likely to disapprove when home multinationals stay and continue operation in the contentious host country. For example, in the context of the Russia-Ukraine conflict, Belarus's government has not only endorsed the Russian market but has also been supportive of Belarusian companies that decided to stay in Russia. This is not surprising given that the two countries have similar political systems based on low government effectiveness, the rule of law, and regulator quality (World Bank, 2022).

By contrast, when the political distance between the two countries is large, the home-country government is unlikely to accept the home multinationals' decision to stay in the vilified host market. For example, characterized by high freedom of expression and free media the political system in the United Kingdom is vastly distant from Russian. Thus, it is not surprising that the UK government has condemned Russia's role in the conflict and pressured British companies to leave the Russian market. In March 2022, UK Chancellor Rishi Sunak publicly urged British companies to cease investments in the Russian market, stressing that there was "no case for new investment in Russia" and expressing support for companies like BP and Shell that had committed to divesting Russian assets (HM Treasury, 2022). To avoid the risk of stigmatization and associated pressures, British companies were likely to leave the Russian market. Therefore, companies from the more politically distant home countries are likely to perceive

stigmatization risk and associated costs as higher and decide to exit a newly stigmatized market sooner than companies from the politically proximate home countries. Therefore, we predict the following:

> ***Hypothesis 2a:*** *The announcement rate of exit from a recently stigmatized market will be higher for organizations with greater political distance between their home country and the stigmatized market than for those with smaller political distance.*

Cultural Distance. The official position of a home-country's government to either approve or disapprove of a contentious host market is not always shared by the home-country's general population. For example, after the Russia-Ukraine conflict started, the South Korean government initially approved continued operations in Russia, reflecting the two countries' historically strong economic ties. However, public sentiment diverged from the government's position. South Korean citizens criticized companies like Samsung for maintaining their presence in the Russian market. In response to growing public pressures, Samsung ultimately suspended its operations in Russia (Hess & Hong, 2023). This case indicates that when predicting the impact of stigmatizers on companies' exit decisions, it is important to consider that stigmatizers like government and general public may vary in their reaction and impact on companies participating in a vilified market.

Research suggests that the distance between the national cultures of the home and host countries can be used to predict the general public's stance on a stigmatized market (Soule et al., 2014). National culture is defined by the norms, values, and beliefs shared by a country's population (Hofstede, 1980; Trompenaars & Hampden-Turner, 1998). These shared norms and values shape the home-country public's attitudes and actions, including those towards multinational companies and stigmatized markets (Chatman & O'Reilly, 2016; Zaheer, 1995).

We argue that when the cultural distance between two countries is large, a home country's general population is likely to join the stigmatization process and punish domestic multinationals participating in a vilified market. This happens because distance in cultural values creates an effect opposite to the similarity-liking effect: audiences strive for separation from stigmatized organizations

when cultural distance increases (Elliott et al., 1982). As a result, a larger cultural distance makes the home-country's population both less understanding and less accepting of multinationals' continuous participation in the vilified host market (Hudson et al., 2022). Additionally, the public may fear that stigma will transfer from the host country to their home country through the multinational firms operating there, potentially tarnishing their home-country reputation (Aranda et al., 2023).

By exacerbating the general public's stigma transfer concerns, cultural distance between a company's home country and vilified host country can lead to domestic protests against the company's foreign operations (Soule et al., 2014). These protests intensify public perceptions of misalignment between the company's international practices and the home-country values, prompting citizens to demand the company to withdraw from the condemned host country (Kashlak, Chandran & DiBenedetto, 1998). Thus, when French petroleum company TotalEnergies continued its operations in Myanmar following the military coup on February 1, 2021, the vast cultural distance between French values on human rights and the realities in Myanmar led to public protests in France, as stakeholders feared that the stigma associated with the host country would tarnish France's reputation (Dunant, 2022).

In sum, a multinational company operating in a culturally distant host country is more likely to encounter increased scrutiny and protests from its home-country population as well as heightened pressures to exit the stigmatized host country to align with domestic norms and values. To avoid these costly consequences, multinational companies from more culturally distant home countries are likely to decide to exit a vilified host market sooner. Thus, we predict the following:

> ***Hypothesis 2b:*** *The announcement rate of exit from a recently stigmatized market will be higher for organizations with greater cultural distance between their home country and the stigmatized market than for companies with lower cultural distance.*

RESEARCH DESIGN

Research Setting and Data Sources

We test our hypotheses in the context of multinational companies' decisions to exit the Russian market since the beginning of the Russia-Ukraine military conflict on February 24, 2022. It is a highly

appropriate setting for testing our hypotheses. The conflict serves as a unique exogenous shock to companies operating in Russia, allowing us to observe how they respond to sudden, significant changes in the external environment independent of their prior decisions and strategies. Global community condemned Russia's role in the conflict and started to stigmatize the Russian market and multinational companies participating in it. As a result, companies were forced to either leave the market to avoid stigma transfer or stay and face the consequences. Table A1 in Appendix provides qualitative evidence of stigmatization of the Russian market as a place for multinational business (triggered by the conflict) as reflected in mass media and official information sources in different countries.

We obtained data on multinationals' exit decisions from Yale School of Management. Yale's research team has been monitoring multinationals' exit announcements and created a list of companies organized by four types of announced exit strategy (withdrawal, suspension, scaling back, and buying time) and one staying strategy (digging in). By June 23, 2022, 1,093 out of 1,333 companies (82%) in Yale's list announced that they would leave Russia. The list provides information on each company's home country (defined as the country of its headquarters location), type of exit announcement, and the industries of operation in Russia. We collected additional data on each company's exit announcement date from companies' newsletters, public announcements on social media and official websites, and magazine articles. Data on companies' size came from the 2021 *Fortune Global 500 List,* and data on companies' brand value came from the 2022 *Brand Finance Agency's Global 500 Ranking*. From World Bank, we obtained data on the Worldwide Governance Indicators (WGI). Hofstede's cultural dimensions data were sourced from the Culture Factor Group, a cultural analytics and strategy advisory organization. Data on European and U.S. sanctions were obtained from the official websites of the European Commission and the U.S. Department of the Treasury respectively.

Figure 1 shows the daily number of companies that announced their exit from Russia from February 24, 2022 (when the conflict started) to June 23, 2022 (the date by which over 80% of companies had decided to leave). We could not find the dates of exit announcements for 93 companies. Additionally,

there is missing data on cultural distance for companies from Sri Lanka, Monaco, Uzbekistan, and Liechtenstein and on age for one company. The final dataset includes 1,234 companies (996 of which had made an exit announcement by June 23, 2022) and 48,169 company-day observations.

[Figure 1 about here]

Operationalization of Variables

Dependent variables. Our "dependent variable" is the company-specific instantaneous rate of announcing exit from Russia between February 24, 2022, when the conflict began, and the end of our observation window on June 23, 2022. This includes announced exits by any of the four possible exit strategies. *Withdrawal* strategy involves a permanent exit from Russia without leaving any operational footprint in the country. During our observation period, twenty-two percent of the companies announced exit by withdrawal. *Suspension* strategy entails temporarily halting operations in Russia without complete withdrawal. This exit strategy was the most common, being chosen by thirty-five percent of companies. *Scaling back* entails ceasing certain business operations in Russia while continuing others. Twelve percent of the companies announced scaling back. Finally, *buying time* refers to postponing future investments and developments without halting the main business operations in the country. Twelve percent of the companies chose this strategy. Our main dependent variable measures the company-specific instantaneous rate of announcing its exit from Russia by any strategy. Additionally, for supplementary analyses, we created four finer-grained dependent variables measuring company-specific instantaneous rates of announcing each of the four specific exit strategies.

Independent variables. To test Hypotheses 1a and 1b, we created two variables to measure the extent of a company's exposure to stigmatizing audiences. *Company global visibility* is a dummy variable that takes a value of one if a company is included in the 2021 Fortune Global 500 List that ranks the world's largest corporations by revenue. Fifteen percent of companies in our data are included in this list, such as, Chevron, China National Petroleum Corporation, and General Motors. *Company global brand strength* variable is based on a company's rank in the 2022 Brand Finance Agency's Global 500 Ranking,

which ranks the five hundred most valuable brands in the world. We assigned the score of 500 to the first (i.e., highest ranked) company on the list, the score of 499 to the second company on the list, and so on. The score of one was assigned to the last (i.e., the lowest ranked) company on the list, and the score of zero to the companies not on the list. Fourteen percent of the companies in our data are included in this ranking, such as Amazon, Apple, and Samsung.

To test Hypotheses 2a and 2b, we created two variables measuring the political and cultural distance of each company's home country from Russia. We built the variable *home-country political distance* based on the six components reported in the Worldwide Governance Indicators (WGI) of the World Bank: voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, and control of corruption (Kaufmman, Kraay & Mastruzzi, 2006). We calculated the distance for each component as the squared difference between the home country and Russia, divided by the standard deviation of that component (Hutzschenreuter et al., 2014). The overall home-country political distance is the average of all component distances. In our data, the countries with the smallest political distance from Russia are Belarus (0.07), Egypt (0.25), and Uzbekistan (0.27), whereas the countries with the largest political distance from Russia are Finland (9.13), Singapore (9.4), and Denmark (9.6).

The variable *home-country cultural distance* from Russia is based on Hofstede's dimensions: power distance, individualism, masculinity, uncertainty avoidance, long-term orientation, and indulgence (Franke, Hofstede & Bond, 1991). Following Kogut and Singh (1988), we calculated the cultural distance for each dimension as the squared difference between the home country and Russia divided by the standard deviation of the dimension. The overall home-country cultural distance is the average of all dimension distances. In our data, the countries with the smallest cultural distance from Russia are Belarus (0.03), Ukraine (0.07), and Kazakhstan (0.22), whereas the countries with the greatest cultural distance are Cyprus (5.47), Denmark (5.50), and Egypt (5.99).

Control variables. We created several variables at the company and market levels to control for other factors that might affect a company's decision to exit Russia. To account that older companies are

more likely to leave Russia, because they tend to be more known and thus more likely to be stigmatized, the variable *company age* measures the number of years since the firm's founding. Companies with heavy assets in Russia may face higher exit costs than companies with light assets and thus can delay their decision to leave the Russian market. To account for this influence, the dummy variable *company asset heavy* takes the value of one if a company operates in an asset heavy industry: consumer staples, consumer discretionary, industrials, utilities, real estate, energy, or materials. Exit decision can be shaped by a company's geographic region of origin. We control for a company's region of origin with five dummy variables: *Africa, Americas, Oceania, Europe,* and *Asia* (serves as a reference category). Finally, exit decision can be shaped by the nature of industry in which a company has operated in Russia. Therefore, we built industry-specific dummy variables based on Yale's research team classification: communication services (4% of companies), consumer discretionary (19%), consumer staples (11%), energy (4%), financials (8%), healthcare (4%), industrials (25%), IT (13%), materials (6%), NGOs (3%), real estate (1%), and utilities (1%).

At the market level, we control for the influence of *U.S. and European sanctions* imposed on Russia by the American and European governments following the onset of the conflict. These sanctions increase costs and complexities of doing business in Russia for multinationals and, thus, can affect their decision to exit the market. We measure this variable as the cumulative number of sanction packages in effect by the day of the observation. We lagged this variable by one day to avoid simultaneity concerns. Next, a company's exit decision may be influenced by exit announcements of other multinationals operating in Russia, particularly those from either the same home country or the same industry, because of imitation and mutual accountability behavior (Guillén, 2002; Dai, Eden & Beamish, 2013). To control for this influence, the variable *exits same home country* counts the number of companies from the same home country as a focal company that announced leaving Russia during the previous three days, and the variable *exits same industry* counts the number of companies in the same industry as a focal company that announced leaving Russia during the previous three days.

Model Specification

Exit announcement rates are assessed using continuous-time event history analysis. A company is the unit at risk, and the "dependent variable" is the instantaneous rate of the company announcing its exit from Russia defined as:

$$r(t) = \lim_{\Delta t \to 0} \frac{P[t < T < t + \Delta t \mid T > t]}{\Delta t},$$

where T is a random variable for the time of the event of interest, t is the time elapsed since February 24, 2022, and $P(.)$ is the conditional probability of the company announcing its exit from Russia during the period $[t, t+\Delta t]$, given that the company has not announced it by time t. We use the continuous-time framework because it more accurately reflects the actual process we study, whereby companies can announce their exit at any moment in time.

We chose a semi-parametric *piecewise exponential* function to represent variation in the timing of company exit announcement to allow a flexible specification of exit announcement time-dependence (Carroll & Hannan, 2000: 136-138). We use the method of maximum likelihood as implemented with a user-defined routine in STATA (Sørensen, 1999). To estimate models with time-varying covariates, we constructed a split-spell data file breaking observed durations in day-long periods with the values of time-variant covariates updated every day. Since observations within specific companies are not necessarily independent, we calculated robust standard errors using Huber/White/sandwich estimator of variance with a cluster option on a company to relax the assumption of independence (Williams, 2000).

FINDINGS

Table 1 presents descriptive statistics for the key variables for companies that announced their exit from Russia and for those that decided to dig in, i.e., stay and continue business as usual. It reveals that the companies that announced their exit from Russia are on average more visible, have stronger brand, and have greater cultural and political distances between their home country and Russia, as

expected. Table 2 shows correlations between the variables. Most correlations are low, and a few correlations are moderate, suggesting that multicollinearity is not a concern.

[Tables 1 and 2 about here]

Table 3 provides estimates for testing our hypotheses. Model 3.1 is a baseline model and shows that control variables exhibit common effects. Models 3.2-3.3 test how a company's characteristics that shape its exposure to stigmatizing audiences affect its probability of exit announcement from Russia. Model 3.2 builds on Model 3.1 by adding the *company global visibility* variable. Its effect is significant and positive, as predicted. Companies with high global visibility have 50% higher probability of announcing exit from Russia compared to companies with low visibility. Thus, Hypothesis 1a is supported. Model 3.3 builds on Model 3.1 by adding the variable *company global brand strength*. Its effect is significant and positive, as predicted. When a company's global brand strength increases from zero to the mean value of 33.72, the probability of a company announcing its exit increases by 7%. Thus, Hypothesis 1b is supported.

[Table 3 about here]

Models 3.4-3.5 test for the impact of cross-national distances between a company's home country and Russia. Model 3.4 builds on Model 3.1 by adding the variable *home-country political distance*. Its effect is significant and positive, as predicted. It reveals that when the political distance between a company's home country and Russia increases from zero to the mean value of 5.04, the company's probability of announcing exit from Russia increases by 107%. Thus, Hypothesis 2a is supported. Model 3.5 builds on Model 3.1 by adding the variable *home-country cultural distance*. Its effect is significant and positive, as predicted. It shows that if the cultural distance between the company's home country and Russia increases from zero to the mean value of 2.66, the company's probability of announcing exit from Russia rises by 56%. Thus, Hypothesis 2b is supported. Model 3.6 is a fully saturated model that includes all four explanatory variables from Models 3.2-3.5. Company global visibility becomes marginally significant, but all other effects strongly hold further supporting Hypotheses 1b, 2a, and 2b.

Supplementary Analyses

To better understand the mechanisms underlying companies' exit decisions, we conducted additional analyses in which we distinguished between four different types of exit strategies: withdrawal (full permanent exit), suspension (temporal exit without complete withdrawal), scaling back (partial exit by ceasing certain operations), and buying time (postponing future investments without halting the main business operations). We treat these strategies as competing choices that a company selects from when it decides how to exit a r stigmatized market. Because a company chooses one exit strategy from the four possible, the competing-risks framework is the most appropriate for estimating these competing choices. We thus ran the competing-risks regressions using the method of maximum likelihood as implemented in *stcrreg* routine in STATA, based on the Fine-Gray subdistribution hazard model (Fine & Gray, 1999).

Results reveal that the characteristics of both companies and their home countries vary in their impact on the choice of exit strategy type. Model 4.1 shows that companies with higher visibility are more likely to choose partial exit strategies, such as buying time or scaling back. This probably happens because the large size of visible companies (often associated with larger sunk investments and costs) makes the full exit from the stigmatized market both more difficult and less economically desirable. By contrast, Model 4.2 reveals that companies with stronger global brands are more likely to choose more complete exit strategies, such as withdrawal or suspension. This finding is not surprising given that companies with very strong brands are less willing to risk brand devaluation by toying with partial exit strategies. Finally, Model 4.3 shows that companies from countries with higher political distance are more likely to announce either a withdrawal or suspension strategy, whereas Model 4.4 reports that companies from countries with higher cultural distance are more likely to choose a withdrawal strategy over any other. A likely reason is that companies from home-countries with large cultural and/or political distances are under greater pressure from stigmatizers to commit to more complete and permanent exit strategies.

[Table 4 about here]

Robustness Checks

Alternative observation period. One concern is that the fear of stigmatization might influence a company's decision to announce exit primarily at the very beginning of the military conflict. To address this issue, we conducted the analyses using an alternative observation window covering only the first week since the beginning of the conflict. All results hold.

Alternative sample. An additional relevant control is the economic importance of the Russian market for a company, measured as the proportion of the company's total revenues from operating in Russia. The higher this revenue proportion, the higher the exit costs. Because data on revenues in Russia is unavailable for many companies, we did not include this variable in our main analyses. However, as a robustness check, we analyzed the subset of firms for which this data is available. All results hold, except in the fully saturated home-country political distance becomes insignificant.

Matching. The central issue in our analyses revolves around a company's decision to announce exit from Russia. The companies that announce exit may differ in many ways from those that do not. To account for the possible selection issue, we used Coarse Exact Matching (CEM) analysis. First, we transformed our continuous explanatory variables into indicator (binary) variables (Brown, Greene, Swartz, Wilkinson & DeSantis, 2021). We recoded the non-zero values of the variable global brand strength as equal to one. We recoded the values of cultural and political distance variables as equal to one if these values were greater than the variables' respective means, and as equal to zero if otherwise. Then we ran CEM models to find counterfactual cases. For models testing for the effects of company features, we matched firms from the sample of controls that were from the exact same country, the exact same industry, and were equally asset heavy. For models testing for the effects of home-country features, we selected counterfactuals that were from the exact same industry, had an equally strong brand, had equal visibility, and were equally asset heavy. All results hold using the matched sample weighed by CEM.

Alternative controls. Since both cultural and political distances vary only by country, we could not include country dummies in Models 3.4-3.6 (and instead used regional dummies). In the robustness

check, in Models 3.1-3.3, we substituted regional dummies with country dummies. All results hold and are available upon request.

DISCUSSION

We started this paper by discussing the necessity of developing a theory predicting how companies respond when their geographic market of operation becomes suddenly stigmatized. Geographic stigma is common, especially in the international arena, yet it is not well understood. More knowledge is needed to explain companies' actions in settings like the recent global condemnation of the Russian market as a place for multinational companies that was caused by the Russia-Ukraine military conflict started in February 2022. Unfolding market stigmatization threatened the performance of multinationals and they had to decide whether to stay or leave the Russian market. We developed a theory explaining how companies make such decisions. Our theory suggests that an organization's response to the sudden stigmatization of its geographic market is driven by a cost-benefit analysis shaped by both the company's features and its stigmatizers' characteristics. We proposed two mechanisms behind this process: (1) companies with a more prominent exposure to stigmatizing audiences (e.g., companies with high visibility and strong brands), and (2) companies with key audiences distant (e.g., politically and culturally) from a stigmatized market, will perceive the stigmatization costs as high and will likely decide to exit a recently stigmatized market sooner.

We tested these mechanisms in the empirical setting of multinationals' decisions to stay or leave the recently stigmatized Russian market. Event-history analyses of multinational companies' announcements of exit from Russia produced three main findings. First, companies with higher visibility and a stronger brand (i.e., with the features that exposed them more prominently to stigmatizing audiences) announced their exit from Russia sooner. Second, companies from home countries with greater political and cultural distance from Russia (i.e., with more outraged and active stigmatizers) announced their exit at a faster rate as well. Finally, companies' features and home-country characteristics varied in their impact on the choice of a specific exit strategy, with companies that stood more to lose

(i.e., with stronger brands) and under higher social pressures (i.e., with greater home-country distances) choosing more complete and permanent exit strategies.

Our findings should generalize to other similar settings, i.e., geographic markets that became stigmatized because of military and political conflicts (e.g., Iran, Israel, Ethiopia). When, however, generalizing to dissimilar settings, one should keep in mind limitations related to our specific empirical setting. First, the previously socially approved Russian market became suddenly and dramatically stigmatized as a place for multinationals with the start of the Russia-Ukraine military conflict. This is different from vilified geographic markets that have been consistently discredited for many decades (e.g., Colombia has been stigmatized for drug production and trafficking). If such markets become "normalized" over time, multinationals may be under weaker pressure to exit. Second, the Russian market became stigmatized because of the military conflict, which is a very strong and salient factor for geographic stigmatization. It is different from many non-military and non-political factors that have a weaker impact on driving stigmatization (e.g., China is often stigmatized for unfair trade) and thus generate weaker pressures on multinationals to exit. Future research could establish the extent to which our theory generalizes to these types of settings.

Keeping these limitations in mind, this study makes several contributions. It adds to the literature on categorical stigma in three major ways. First, while this literature has accumulated impressive knowledge on industry stigma (e.g., Vergne, 2012; Piazza & Perretti, 2015; Khessina et al, 2021), geographic stigma has received little attention and as a result is not well understood. By explicating the mechanisms of organizational features and stigmatizer characteristics behind a firm's actions in a recently vilified geographic market, our theory expands the knowledge on geographic stigma. It helps predict how different types of companies will react to sudden geographic stigma: whether they will ignore it or choose a strategy to mitigate it, and what specific stigma mitigation strategy they will choose. Second, by explicating the factors driving a choice between four different exit strategies common in geographic

markets (i.e., withdrawal, suspension, scaling back, and buying time) we also add to research on stigma mitigation strategies (Hudson & Okhuysen, 2009; Hampel & Tracey, 2017).

Third, we contribute to the emerging research on heterogeneity of stigmatizers (Aranda et al., 2023; Sadri et al., 2023). Most prior research has treated stigmatizing audiences as homogenous in their actions and reactions to stigmatized firms (Thomson, 2018). By contrast, we treat them as heterogeneous and suggest that different types of stigmatizers shape stigmatization in distinctive ways. We theorize that stigmatizing audiences that are more politically and culturally distant from the vilified market will discredit companies staying in this market more strongly than less distant audiences. As a result, a company's decision to leave the discredited market will depend on whether its key stigmatizers are politically and culturally distant from that market.

Next, we contribute to the international business literature on multinationals' exit decisions (Dai et al., 2013). We show that when a host country becomes suddenly stigmatized, the costs of stigma transfer become an important consideration factor in multinational companies' decisions to stay or leave a tainted market. We not only propose that geographic stigma is an important driver of multinationals' exit decisions but also offer the two mechanisms of organizational features and stigmatizer characteristics to explain how geographic stigma affects companies' exit decisions and to predict their choice of a specific exit strategy.

Finally, this study has implications for managers operating in a suddenly stigmatized market. It suggests that to avoid high stigmatization costs, managers of companies with high visibility, a strong brand, and with stigmatizers politically and culturally distant from the host market must make exit decisions fast. They should select between partial and more complete exit strategies depending both on their specific organizational features and characteristics of their stigmatizes. In contrast, companies with low visibility, weak brands, and with stigmatizers politically and culturally close to the host market, because of facing low stigmatization costs can take more time to better plan their exit from a vilified market or even decide not to exit at all. Overall, by helping managers understand the mechanisms behind

organizational dynamics in recently stigmatized geographic markets, our study enables them to anticipate not only actions of activists, but also strategic responses from operating in such markets competitors as well as suppliers and buyers in the value chain. Consequently, this knowledge should help managers make more informed decisions when choosing a stigma mitigation strategy and facilitate the well-planned implementation of this strategy, thereby enhancing corporate resilience and long-term viability.

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Figure 1. Daily Number of Companies That Announced Exit from Russia from February 24 through June 23, 2022

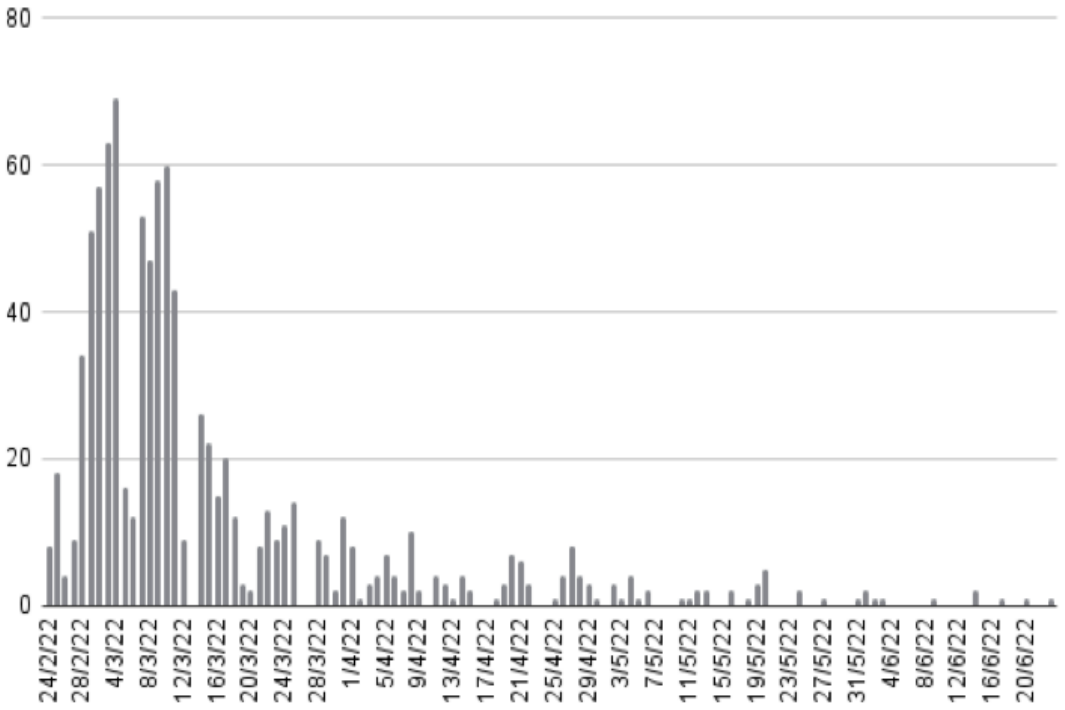

Table 1. Descriptive Statistics: Split-Spell File

	Companies that Announced Exit		Companies that Digged In		All Companies	
Variable	Mean	S.D.	Mean	S.D.	Min	Max
N of exits: same home country (t-1)	9.16	16.40	1.59	6.51	0	79
N of exits same industry (t-1)	9.33	11.64	3.62	7.94	0	49
Total sanctions (t-1)	4.23	1.91	6.39	1.53	1	8
Company age	7.63	6.20	6.83	5.18	0.1	56.8
Company asset heavy = 1	0.64	0.48	0.79	0.41	0	1
Company visibility = 1	0.17	0.37	0.14	0.35	0	1
Company brand strength	37.85	110.20	30.84	102.95	0	500
Home-country political distance	6.14	1.96	4.26	2.51	0.1	9.6
Home-country cultural distance	3.23	1.42	2.27	1.28	0.0	5.5
N of company-day observations	19,487		28,322		48,169	

Table 2. Correlations Between Key Variables

	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
1 Exits same home country (t-1)	1								
2 Exits same industry (t-1)	0.45	1							
3 Company age	0.02	0.04	1						
4 Company asset heavy = 1	-0.10	0.09	0.15	1					
5 Total sanctions (t-1)	-0.26	-0.38	-0.04	0.08	1				
6 Company global visibility = 1	-0.03	-0.05	0.09	-0.13	-0.01	1			
7 Company global brand strength	0.01	-0.02	-0.01	-0.13	-0.04	0.49	1		
8 Home-country cultural distance	0.41	0.11	0.01	-0.14	-0.21	-0.13	-0.05	1	
9 Home-country political distance	0.09	0.11	0.26	-0.01	-0.18	-0.11	-0.15	0.38	1

N of company-day observations = 48,169

Table 3. Piecewise Exponential Models: Effects of Characteristics of (a) Companies and (b) their Home Countries on the Announcement Rate of Exit by Any Strategy[1]

	Model (3.1)	Model (3.2)	Model (3.3)	Model (3.4)	Model (3.5)	Model (3.6)
Total sanctions (t-1)	0.24***	0.24***	0.25***	0.25***	0.25***	0.26***
	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)	(0.04)
Exits same home country (t-1)	0.01*	0.01+	0.01*	0.005+	0.004+	0.004
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Exits same industry (t-1)	0.01**	0.01**	0.01**	0.01**	0.01**	0.01***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Company age	0.002	-0.002	0.0001	-0.003	0.002	-0.01
	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Company asset heavy = 1	-1.02***	-1.05***	-8.02***	-0.89***	-0.91***	-8.66***
	(0.23)	(0.23)	(0.33)	(0.24)	(0.24)	(0.34)
Company global visibility = 1		**0.41*** **				**0.18+**
		(0.09)				**(0.10)**
Company global brand strength			**0.002*** **			**0.001*** **
			(0.00)			**(0.00)**
Home country political distance				**0.14*** **		**0.12*** **
				(0.02)		**(0.02)**
Home country cultural distance					**0.17*** **	**0.09***
					(0.03)	**(0.03)**
Time pieces[2]	yes	yes	yes	yes	Yes	yes
Industry dummies	yes	yes	yes	yes	Yes	yes
Region dummies	yes	yes	yes	yes	Yes	yes
N of companies	1,234	1,234	1,234	1,234	1,234	1,234
N of company-day obs.	48,169	48,169	48,169	48,169	48,169	48,169
N of exit announcements	996	996	996	996	996	996
Log-likelihood	-1,830.84	-1,822.50	-1,816.35	-1,800.21	-1,816.25	-1,780.41
(d.f.)	(21)	(22)	(22)	(22)	(22)	(25)

Notes:
[1] Robust standard errors in parenthesis; *** p<0.001, ** p<0.01, * p<0.05, + p<0.1; two-tailed tests
[2] The time pieces are [0,15), [15,30), [30,45); [45,).

Table 4. Competing-Risks Models: Effects of Characteristics of (a) Companies and (b) their Home Countries on the Announcement Rate of Exit by Specific Type of Strategy[1,2]

	Model (4.1)	Model (4.2)	Model (4.3)	Model (4.4)
	Type of Exit Announcement:			
	Withdrawal	**Suspension**	**Scaling back**	**Buying time**
Total sanctions (t-1)	17.22***	16.70***	16.76***	16.90***
	(0.11)	(0.11)	(0.17)	(0.18)
Exits same home country (t-1)	0.001	0.001	0.01	0.01
	(0.01)	(0.00)	(0.01)	(0.01)
Exits same industry (t-1)	0.02*	0.01	0.03*	0.03*
	(0.01)	(0.01)	(0.01)	(0.01)
Company age	0.00	-0.02+	0.02	-0.04*
	(0.01)	(0.01)	(0.01)	(0.02)
Company global visibility = 1	**-0.28**	**0.07**	**0.56***	**0.80****
	(0.23)	**(0.17)**	**(0.27)**	**(0.26)**
Company global brand strength	**0.002*****	**0.002*****	**0.001**	**-0.001**
	(0.00)	**(0.00)**	**(0.00)**	**(0.00)**
Home country political distance	**0.13****	**0.12*****	**0.06**	**0.10+**
	(0.05)	**(0.03)**	**(0.06)**	**(0.06)**
Home country cultural distance	**0.18****	**0.01**	**0.15+**	**0.07**
	(0.07)	**(0.06)**	**(0.09)**	**(0.11)**
Industry dummies	yes	yes	yes	yes
Region dummies	yes	yes	yes	yes
N of companies	1,234	1,234	1,234	1,234
N of company-day observations	48,169	48,169	48,169	48,169
N of exit announcements	286	433	141	136
Log-likelihood	-1762.14	-2,843.87	-969.00	-843.65
(d.f.)	(23)	(23)	(23)	(23)

Notes:
[1] Robust standard errors in parenthesis; *** p<0.001, ** p<0.01, * p<0.05, + p<0.1; two-tailed tests
[2] Company asset heavy control is omitted because of collinearity with some industry dummies