

AN OVERVIEW OF REASONS FOR THE EXODUS OF MULTINATIONAL BANKS AND CORPORATIONS FROM THE RUSSIAN MARKET OVER RUSSIA'S INVASION OF UKRAINE

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Introduction

The brutal Russian invasion of Ukraine is being fought on many fronts, including the economic front. Sanctions and export controls are already having a significant impact on international business in Russia, and have prompted non-sanctioned companies to reconsider their operations in the country. An unprecedented multinational banks and corporations exodus from Russia has been witnessed since Russia attacked Ukraine on February 24.

Problem statement and its relation to important scientific or practical tasks. Russia launched an unprovoked invasion of Ukraine on February 24, occupying its territory from various directions. As the entire Ukrainian nation has joined the battle for democracy and independence, most OECD nations, including the United States, Australia, Canada, South Korea, Japan, the United Kingdom, and the European Union, have imposed harsh sanctions against Russia. Trade penalties, financial restrictions, asset freezes, and travel bans are among the most popular tools in the foreign policy toolkit right now. They are designed to harm the economy of the target country by creating artificial frictions in the flow of products, capital, and people. They guarantee a customized solution with fine-tuning options and a rapid return to normalcy. Following Russia's invasion of Ukraine, an increasing number of multinational banks and corporations have decided to avoid doing business with Russia. Along with complying with Western sanctions against Russia, businesses are more cognizant of the possible hazards to their reputations if they continue doing business as usual in the country, with some citing their own corporate responsibility principles as justification for pulling back. The following article

Analysis of recent researches and publications, which have initiated problem solution, the author relies on. The theoretical basis of our research rests on three pillars. The first one is represented by Thomas Friedman's «Golden Arches» theory of conflict prevention. Friedman proclaimed «when a country has a middle class big enough to support a McDonald's, it becomes a McDonald's country, and people in McDonald's countries don't like to fight wars; they like to queue for burgers. The question raised by the McDonald's example is whether there is a tip-over point at which a country, by integrating with the global economy, open-

ing itself up to foreign investment, and empowering its consumers, permanently restricts its capacity for troubleshooting and promotes gradual democratization and widening peace»¹. Friedman believes that this is due to the fact that economically connected countries have far too much at stake to wage a war. In other words, the «Golden Arches» theory claims that countries with economies capable of supporting fast-food franchises have a middle class that is more concerned with maintaining peace and commerce with its neighbors than with inciting war.

Articles that explore the effect of «corporate sociopolitical activism» on financial and other types of multinational banks' and corporations' performance form the second pillar. Historically, banks and corporations have not engaged in social and political conversations for fear of potentially alienating customers. Corporate neutrality, on the other hand, has come under fire in today's conditions. In the view of many consumer organizations, remaining ambiguous on sensitive issues is increasingly more of a flaw than a virtue.

In recent years, multinational banks and corporations have been more involved in corporate sociopolitical activism (corporate political advocacy) by taking stands on divisive social issues. The field of corporate sociopolitical activism literature is gaining attention as multinational banks and corporations increasingly take positions in support or opposition to social and political problems. Nooshin L. Warren in his study collected data on 300 corporate activism events from 142 publicly held U.S. corporations in 39 industries between 2011 and 2016. The study concludes that corporate activism that resonated with customers' political ideas improved sales, and the benefits lasted for a long period².

Nuria Villagraa, Abel Monfortb, and Mariano Méndez-Suárezc in their research examine a corporate activism action targeting a company and conducted through a corporate boycott. The research has analyzed the stock market performance of the target (Facebook) and the sponsor companies after the «Stop Hate for Profit» cam-

¹ Friedman, Thomas L. The Lexus and the Olive Tree. *Anchor Books*. 2000. pp. 252–253.

² Nooshin L. Warren. Boycott or Buycott: The Aftermath of Corporate Activism. *NIM Marketing Intelligence Review*. Vol. 13, No. 2, 2021. pp. 33–37.

paign³. Sophie Dubuisson-Quellier employs a specific case study of environmentalist organizations using a «shame-on-you prize» strategy to press multinational corporations to be regulated in order to hold them accountable for the unethical activities of their suppliers and subcontractors⁴. Jessica Vredenburg, Sommer Kapitan, Amanda Spry, Joya Kemper in their study martial the dispersed literature around the marketing dimensions of corporate sociopolitical advocacy to inform the concept of brand activism, and create a typology of corporate activism based on an exploratory study⁵.

Finally, the third pillar is represented by scientific articles which analyze, assess, and identify reputation risk for multinational banks and corporations. There has been a growing interest in the trust and reputation-related topics across industry sectors for several years. Corporate social responsibility, regulatory compliance, solid financial results, innovation, communication, and brand identity are just a few of these sectors. Recent scientific researches have proven a causal relationship between these areas and reputation: sustainability leads to trust, and trust leads to a positive business reputation, which creates revenue and profitability. This reinforces the intuition that keeping stakeholders' trust as the backbone of business reputation and other intangible assets, which are ultimately the drivers of profitability, is critical. For a long time, researchers and practitioners alike have been fascinated by the potential influence of a company's reputation. However, because of the mysterious nature of reputation, experts have been unable to conduct further in-depth research on the topic. Given the significant globalization of business over the last decade, it may be claimed that the relationship between a company's corporate reputation and performance needs to be reconsidered from an international viewpoint. Due to a lack of data on international enterprises, the existing research has concentrated entirely on U.S. firms up to this point.

Javier Aguilera Caracuel, Jaime Guerrero-Villegas, and Encarnación García-Sánchez use a sample of 113 US Multinational corporations in the chemical, energy, and industrial machinery sectors during the period 2005-2010 to sheds light on the debate between corporate social responsibility and the reputation of multinational corporations in a very diverse transnational context in which multinational corporations must meet the

needs of stakeholders at both local and global levels⁶.

The findings of the research by Ernest H. Hall Jr. and Jooh Lee show that there is a link between company performance and reputation, emphasizing the necessity of reputation management as a vital strategic asset. They point out that building and keeping a positive reputation should pay off. Companies having a stronger reputation may be able to charge higher costs for their products and services. Customers' choices and purchasing behavior are likely to be influenced by a positive reputation. A good reputation can also reduce or eliminate competitive competition within an industry, as well as boost a company's social standing⁷.

Identification of previously unresolved matters of the generic problem the article deals with. As pressure builds on multinational banks and corporations to halt operations in Russia, the «Golden Arches» theory of conflict prevention is given a new life. The theory should be reconsidered after Russia waged a war against Ukraine, despite the presence of McDonald's within the borders of both states.

Following the United States and its allies' lead in imposing economic and other sanctions last week, a number of big corporations and organizations have already shown their opposition to the invasion in various ways. Thus, the Russian invasion of Ukraine triggers unprecedented levels of corporate sociopolitical activism, which we attempted to study in the following article.

The value of company's reputation, and its importance to company's financial future has garnered the attention of scholars over the years. The current study aims to see how reputational risks impact the decision of multinational banks and corporations to leave the Russian market.

Goal statement (task statement). The central goal of this article is to determine the main reasons for the exodus of multinational banks and corporations from the Russian market over Russia's invasion of Ukraine even before the imposition of sanctions by the governments of the home countries. To achieve this goal, the following tasks are set and solved: to reconsider the «Golden Arches» theory amidst Russia's war on Ukraine; to draw parallels between the current situation when multinational banks and corporations have been disengaged from Russia and the earlier campaign to divest from companies doing business with apartheid South Africa, and other totalitarian states.

³ Nuria Villagraa, Abel Monfortb, and Mariano Méndez-Suárezc. Firm value impact of corporate activism: Facebook and the stop hate for profit campaign. *Journal of Business Research*. Volume 137, December 2021, pp. 319-326. DOI: 10.1016/j.jbusres.2021.08.052.

⁴ Sophie Dubuisson-Quellier. Anti-corporate activism and market change: the role of contentious valuations. *Social Movement Studies*, Taylor & Francis (Routledge), 2021, 20 (4), pp. 399-416. DOI: 1080/14742837.2020.1731448ff.

⁵ Jessica Vredenburg, Sommer Kapitan, Amanda Spry, Joya Kemper. Brands Taking a Stand: Authentic Brand Activism or Woke Washing? *Journal of Public Policy & Marketing*. Vol. 39, 2020. DOI: 10.1177/0743915620947359

⁶ Javier Aguilera-Caracuel, Jaime Guerrero-Villegas and Encarnación García-Sánchez. Reputation of *multinational companies: Corporate social responsibility and internationalization* *European Journal of Management and Business Economics*. Vol. 26, No. 3, 2017. pp. 329-346 URL: DOI 10.1108/EJMBE-10-2017-019

⁷ Ernest H. Hall Jr. and Jooh Lee. Assessing the Impact of Firm Reputation on Performance: An International Point of View. *International Business Research*; Vol. 7, No. 12; 2014. 14 p. URL: <http://dx.doi.org/10.5539/ibr.v7n12p1>

Presentation of research material with full justification of findings

1. A historical perspective of the divestment movement

Certain parallels can be seen between the current sanctions being imposed on Russia over Ukraine invasion as well as multinational banks and corporations having been disengaged from Russia and the earlier campaign to divest from companies doing business with apartheid South Africa. The moral imperative presented by apartheid's injustices, echoed by scores of individuals and civil society groups around the world, prompted investment institutions, mutual funds, and retirement funds to sell stocks in companies with investments or ties to South Africa, causing major multinational banks and corporations to close and/or sell out of their South African operations.

In the second half of the twentieth century, the global boycott of South Africa's apartheid regime was the largest of its kind. This divestment movement is recognized as assisting in the 1994 end of the systemically racist administration. It was a key part of the anti-apartheid sanctions campaign, and it proved to be a powerful weapon against the apartheid state and those who supported it⁸.

Historically, American banks have had minimal difficulty financing South Africa. Loans were made in four categories: (a) directly to the South African government; (b) directly to government agencies or firms; (c) indirectly through other bank branches, such as Barclays; and (d) trade-related loans issued to American corporations operating in South Africa. U.S. banks had \$4.6 billion in outstanding loans to South Africa as of March 1, 1984.

While banks have provided the necessary funds, American corporations have provided apartheid with the most strategic technological and industrial backing. IBM, Burroughs, NCR, Control Data, Hewlett Packard, Wang Labs, Mohawk Data Science, Sperry Rand, Computer Sciences Corporations, 3M, Kodak, and Tron Systems were among the US businesses that control over 70% of the computer market in South Africa. The IBM computer utilized by the Department of the Interior facilitates the racial classification system that underpins apartheid. It also allowed for the efficient tracking of South Africans' movements for security reasons. Internal security, the nuclear industry, transportation, defense, and police, as well as security forces unlawfully occupying Namibia and operating in Angola, all used computer technology⁹.

⁸Rayne McKechnie, and Tamzin Ractliffe. *The Divestment Campaign: A just response to climate inaction*. 2015. 24 p. URL: https://71o0w1yurlr3bozjw1hac3st-wpengine.netdna-ssl.com/files/2015/10/DivestmentReport_Oct15_web.pdf

⁹Harrington, J. C. *South Africa: A Case for Total Divestment*. *Berkeley Planning Journal*, 2(1). 1985. p. 146-169. URL: <http://dx.doi.org/10.5070/BP32113205>

Divestment began to affect South Africa after 200 multinational corporations, including General Motors, IBM, Ford, General Electric, Kodak, and Coca-Cola, declared their entire and collective withdrawal from South Africa in protest against apartheid in the 1980s as it had become too expensive to continue operating there.

The anti-apartheid divestment movement was crucial for two reasons. First, to emphasize the moral imperative for individuals and groups to reject apartheid, and second, to reveal apartheid as intrinsically unsustainable and damaging to the majority of people and the country. As a result, the divestment campaign gave ordinary people around the world the ability to speak out against a repressive and unjust system, put economic and social pressure on those who invested in it, and join a larger movement for change¹⁰.

2. Reputational costs for multinational banks and corporations choosing not to leave Russia

Hundreds of Western businesses have garnered praise for withdrawing from Russia, even if that entails a hit to their sales and profits. Hundreds of companies announced divestments of Russian assets, or suspended their local operations to answer or pre-empt calls to do so from their shareholders, customers, employees, and governments. The vast majority of the almost 750 multinational corporations that have withdrawn, discontinued, or reduced back activities in Russia as of April 25, are based in Europe or North America. Here are some examples of the businesses which have announced suspending operations, or exiting the Russian market:

- Consumer goods and retail: Adidas, British American Tobacco, Canada Goose, Fast Retailing, H&M, Ikea, Marks & Spencer, Nestlé, TJX, Unilever.
- Energy: BP, Equinor, Exxon Mobil, Shell.
- Finance: American Express, Bain, Boston Consulting Group, Citigroup, Deloitte, EY, Deutsche Bank, Goldman Sachs, KPMG, JPMorgan, Mastercard and Visa, McKinsey & Company, PWC. Société Générale, Western Union.
- Food: Carlsberg, Heineken, Little Caesars, Mars, McDonald's, PepsiCo, Restaurant Brands International, Starbucks, Yum Brands.
- Media: Bloomberg, Netflix, Sony, The Walt Disney Company, Warner Bros.
- Tech: Apple, Asos, Cogent, Ericsson, IBM, Intel, LG, Lumen, Microsoft, Nokia.
- Travel and logistics: Airbus, Amadeus, American Airlines, Boeing, Delta Air Lines, DHL, FedEx, Hilton, Hyatt, Sabre, United Airlines, UPS.
- Manufacturing: Caterpillar, Hitachi, Renault, Stellantis.

¹⁰Rayne McKechnie, and Tamzin Ractliffe. *The Divestment Campaign: A just response to climate inaction*. 2015. 24 p. URL: https://71o0w1yurlr3bozjw1hac3st-wpengine.netdna-ssl.com/files/2015/10/DivestmentReport_Oct15_web.pdf

- Luxury retailers including: Chanel, Hermès, Kering, LVMH ¹¹.

The extent to which these companies have distanced themselves from Russia varies. Many have either left the nation entirely or temporarily halted all business, sales, services, or supplies. Others on this list have only suspended a portion of their business with Russia or have stated that they would not engage in any new business or investments with Russia.

Multinational banks, like multinational corporations, are under mounting pressure to take an ethical stance against President Vladimir Putin's war on Ukraine. And their chief executives have now joined the ranks of those condemning the 24 February invasion of Ukraine, which range from asset owners to asset managers to corporates.

On 4 March, Ukraine's finance minister wrote to banks urging them to isolate the Russian Federation and Republic of Belarus by exiting these markets.

According to Bloomberg data, a dozen banks, including Raiffeisen Bank International AG, Citigroup, and Deutsche Bank, have a combined exposure to Russia of nearly \$100 billion. Firms have emphasized, however, that any impact to their Russian businesses will be easily absorbed by their balance sheets.

Given the swift business response to the invasion – which was frequently ahead of and more substantial than international government sanctions and comments – there has been mounting criticism on brands that did not act decisively and quickly ¹².

Banks, especially American ones, are loath to leave countries when the political winds shift, preferring to stick around to support their clients that operate there. That impulse has kept banks in places like China and Saudi Arabia, where opportunity has outweighed human-rights concerns.

The reasons given by brands for temporarily halting operations in Russia are numerous and varied. A complex, overlapping number of variables is at work, ranging from taking a moral, political, and human stance in support of Ukraine and its people to more practical, business-driven issues including logistical, supply chain, and production difficulties, rising costs, and trade circumstances. IKEA, for example, mentioned both human impact and supply chain disruption as grounds for stopping operations in Russia in their statement.

One of the most important considerations for the exodus of multinational banks and corporations from the Russian market is reputation: doing «business as usual» in a war-mongering country carries a significant reputational risk.

Reputation is one of the most valuable assets of multinational banks and corporations, but also one of the most difficult to maintain. Multinational banks and corporations are facing higher reputational risks as a result of changes in the environment (the expansion of global media and communication channels, and decreased customer loyalty). Because of its compounded character, reputation risk is known as the «risk of all risks». The incident that triggers the reputation risk usually also triggers another business risk. The majority of risk managers are concerned about reputation risk because reputation is viewed as a primary source of competitive advantage. As a result, reputation risk oversight has become a primary board function, while mitigation techniques are primarily the responsibility of organizational management. Reputation risk varies from most other risks in that it has the ability to have both negative and positive repercussions, depending on how effectively it is managed ¹³.

Businesses with a solid, positive reputation retain customers and create market contentment, employ and keep top staff, cultivate long-term vendor connections, attract new buyers, acquire lower-cost financing, and dissuade future competitors from entering the business. These enterprises have greater costs and market valuations because the investor expects them to make a long-term profit and prosper in the future. Reputation establishes a framework for trust, trade, and reciprocity among social actors, hence legitimizing involvement. Faith establishes generally accepted standards of behavior and aids in the regulation of acts that are considered aberrant, disloyal, malfeasant, or immoral by the relevant stakeholders. By developing, among other forces, trust and generating the kinds of reputations that people either aspire for or care about – exalted, neutral, indifferent, poor, and dubious – reputation also leads to the ethical regulation of human behavior ¹⁴.

Multinational corporations have been under growing pressure in recent years to improve their social, political, and environmental performance. Governments have demonstrated a willingness to hold businesses accountable for criminal violations. Activists have honed their skills in creating both powerful and humiliating protest movements. Despite being huge organizations themselves, the global media has shown a willingness to spotlight corporate failure.

Royal Dutch Shell has been the most forward-thinking in this area. Royal Dutch Shell realized that its reputation had suffered serious damage after numerous service station protests linked to its operations in apartheid South Africa, accusations of complicity in the execu-

¹¹ URL: https://www.coalitionforukraine.com/consumer_goods.

¹² Harry Wilson, Matthew Boyle, and Srinivasan Sivabalan. Wall Street Is Scrambling for the Exits in Moscow – and Billions Are at Stake. *Bloomberg*. 2022. URL: <https://www.bloomberg.com/news/articles/2022-03-23/these-wall-street-banks-are-leaving-russia-with-billions-on-the-table>

¹³ Dominik Heil. Reputation Risk. *The International Encyclopedia of Strategic Communication*. 2018. 6 p.

¹⁴ Haitham Nobanee, Maryam Alhajar, Ghada Abushairah, and Safaa Al Harbi. Reputational Risk and Sustainability: A Bibliometric Analysis of Relevant Literature. *Risks* 9: 134. 2021. URL: <https://doi.org/10.3390/risks9070134>

tion of a group of Nigerian community activists, and a long-running battle with Greenpeace over the seadumping of the Brent Spar oil storage facility. It has spent tens of millions of pounds rehabilitating its soiled reputation since the late 1980s. It established a non-profit foundation dedicated to sustainable energy and other socially conscious projects, for example. This project started with a £30 million budget¹⁵.

Companies rarely took a statement on social or political problems until recently. That didn't change much until the 2000s, when LBGQT rights were under attack and prominent corporations like Walmart came out against legislation that would have enabled discrimination. Since then, there has been an uptick in businesses adopting proactive positions on issues ranging from climate advocacy to racism to abortion and voting rights.

In the aftermath of the police killing of George Floyd in Minneapolis in 2020, for example, hundreds of CEOs signed a pledge against racial discrimination and founded an organization dedicated to diversity, equity, and inclusion. Dell, American Airlines, Southwest Airlines, and AT&T CEOs come out against a Texas law intended at making it more difficult for citizens to vote in 2021.

Others have acted more forcefully. Uber and Lyft said they would cover the cost of defending its drivers if they were sued under a Texas legislation that allows anyone to sue someone who assists someone in getting an abortion. In 2016, PayPal and the NCAA withdrew their operations from North Carolina after the state approved legislation restricting LBGQT rights. Consumers increasingly want firms to live up to the ideals they preach in their press releases, according to surveys, and large corporate groups like the Business Roundtable have begun pressing corporations to focus on creating value for all stakeholders, not just shareholders.

Companies are likely to leave since doing business with Russia carries a major reputational risk. Due to the Russian government's and economy's corruption and criminality, this risk existed long before the invasion of Ukraine.

The reputational risks associated with doing business in Russia will remain high, and are expected to rise as a result of reports of major civilian casualties in Ukraine and the ensuing public outcry from employees and the broader public in other nations.

As hundreds of multinational corporations pull out of Russian operations, reputation management experts describe the considerations and risks of corporate action in response to the invasion of Ukraine. In a country that is waging a war, the reputational risk of maintaining «business as usual» is significant.

¹⁵ Terry O'Callaghan. Disciplining Multinational Enterprises: The Regulatory Power of Reputation Risk. *Global Society* 21(1), 2007, pp. 95-117. URL: DOI:10.1080/13600820601116583

But at the same time, firms that moved quickly have earned reputational rewards for leaving, coupled with the fear of not wanting to be the last one there and have all of the international community, all of the ESG people, all of the stakeholders, all of the shareholders, piling upon them as the last one standing¹⁶.

While the decision to halt operations is frequently characterized as a trade-off between reputation and money, in today's multistakeholder, interconnected world, damage to reputation is increasingly likely to result in a monetary impact. While some businesses, particularly those in the consumer packaged goods industry, have a good understanding of how their positions on social and political issues influence consumer decisions and thus revenue, others have a long way to go in developing models to quantify the impact of reputation on the bottom line.

The Russian invasion of Ukraine has brought risk, reputation, and money into sharp focus. Suspending relationships may be a pretty simple option for many businesses. Given the size of the Russian economy, only a small amount of money could be involved. Furthermore, the reputational risk of continuing business – as well as the advantage of declaring a withdrawal – could be substantial. Even if this is a simple example, businesses should follow a consistent strategy for selecting whether and how to dissolve commercial relations, which can serve as a precedent for future challenging cases. They should also use this situation as a springboard to examine their risk management and business planning processes to ensure that they are taking into account the possibility of governmental law and human rights violations¹⁷.

Professor Jeffrey Sonnenfeld wrote in *Fortune*: «Despite the cost of abandoning major investments and the loss of business, there is a strong reputational incentive to withdraw. Companies that fail to withdraw face a wave of U.S. public resentment far greater than what they face on climate change, voting rights, gun safety, immigration reform, or border security. A new Morning Consult survey reveals that over 75% of Americans demand corporations cut business ties with Russia after the invasion of Ukraine. These results show rare and equal support across parties and among independents»¹⁸.

¹⁶ John E. Katsos, Jason Miklian. How to Navigate Reputational Risks in the Ukraine Crisis. 2022. URL: <https://www.brinknews.com/how-to-navigate-reputational-risks-in-the-ukraine-crisis/>

¹⁷ Paul Washington. Merel Spierings. Cutting Ties with Russia (Part 1): A Guide to Decision-Making Now and in the Future. 2022. URL: <https://www.conference-board.org/topics/geopolitics/cutting-ties-with-russia>

¹⁸ Jeffrey Sonnenfeld. The Great Business Retreat matters in Russia today – just as it mattered in 1986 South Africa. 2022. URL: <https://fortune.com/2022/03/07/great-business-retreat-matters-russia-sanctions-1986-south-africa-putin-ukraine-world-politics-jeffrey-sonnenfeld/>

3. Russia boycott as the result of corporate sociopolitical activism

Organizations have long attempted to sway the policies, practices, and laws of the countries in which they operate. Given the government's regulatory stance, corporate communications teams have traditionally been tasked with assuring and maintaining a favorable operating environment through lobbying, agenda framing, and other traditional outreach methods. Corporate political action has long been a tool in the toolbox of organizational communicators. However, corporations are increasingly participating in a different type of political participation: corporate social advocacy. Unlike corporate political activity, which focuses on ensuring a favorable regulatory or political environment and thus serves ancillary corporate objectives, corporate social (or, more confusingly, corporate political advocacy) refers to how businesses participate in the political process for non-ancillary reasons, such as supporting one side or the other of proposed legal or policy changes that have no direct impact on their operations¹⁹.

Nonmarket actions of firms, such as political activity and social responsibility, including charity, have received more attention in the management literature. While these efforts may be assumed to be carried out with the goal of increasing a company's competitive position or reputation, companies have recently increased their support for or opposition to a wide range of politically contentious social problems with no direct performance purpose. These «sociopolitical concerns» are difficult, emotionally charged, and institutionally contested societal issues, which are substantially distinct from corporate social responsibility and business political activity²⁰.

Corporate sociopolitical activism, which exploded last year in reaction to environmental, social, public health, and political challenges, such as pandemic, racial injustices, hunger, poverty, unemployment, natural disasters, crime, is now turning its attention to foreign matters, including Russia's invasion of Ukraine. Multinational corporations and banks around the world have expressed their solidarity with Ukraine on an unprecedented scale. In many cases, multinational banks and corporations chose to leave Russia before any authority ordered them to. Even before the sanctions took full effect or the complete package of restrictions was implemented, the private sector was making decisions to divest, remove investments, and reduce its exposure to Russia. While corporations have grown accustomed to «de-risking» or «over-compliance» with international

sanctions, the aggression against Ukraine has resulted in a new level of corporate activism.

The more multinational banks and corporations go, the less economically viable it is for others to stay, as the cost of conducting business in Russia is increasing. It's becoming more difficult to obtain the goods and services required to keep the firm afloat. The number of people who can afford or use a company's products or services is shrinking all the time.

Companies will most likely be unable to generate any money in the Russian market in the future, and even if they do, they will be unable to bring that money back into their home countries' financial systems²¹.

More specifically, research has identified three major factors that typically drive a company's decision to pursue corporate activism: employee beliefs, consumer pressure, and the CEO's personal involvement or conviction. It's not always clear what is driving corporate decisions to suspend operations in Russia, but it seems as if all three factors are at play.

IKEA, for example, announced a «pause» in Russia and a pledge of 20 million euros to humanitarian aid for individuals displaced by the conflict, citing the support and safety of its employees. McDonald's announced it would temporarily close its restaurants in Russia after the hashtag #BoycottMcDonalds trended on Twitter in protest of the fast-food chain's presence there. After a Ukrainian official requested it on Twitter, Tesla CEO Elon Musk promised to offer Ukraine with free satellite internet.

But, in the end, deciding whether or not to break ties with a country – even if only temporarily – is not the same as taking a stand against anti-trans legislation. Nonetheless, the speed with which the United States and other Western companies have abandoned Russia is unprecedented in our lifetimes. It also denotes that the decision was a foregone conclusion.

For one thing, the invasion of Russia has elicited significant condemnation in the West. Even before the conflict, the public's opinion of Russia in Western countries was extremely negative.

And states with close commercial links to Russia, such as Germany, have harshly condemned its actions and joined unprecedented penalties. Around 80% of Germans either agreed with their government's decision to censure Russia and supply arms to Ukraine, or believed it went too far.

In the end, the Russian market isn't that significant for American banks and corporations. For example, American banks' exposure to Russia represents less than 1% of the almost \$17 trillion banking assets²².

¹⁹ Borden, Jonathan. Consumer Attachment and Corporate Social Advocacy: Leveraging Political Behaviors to Bolster Organization-Public Relationships. 2019. Dissertations – ALL. 1111. URL: <https://surface.syr.edu/etd/1111>

²⁰ Michael Nalick, Matthew Josefy, Asghar Zardkoohi and Leonard Bierman. Corporate Sociopolitical Involvement: A Reflection Of Whose Preferences? *Academy Of Management Perspectives*. Vol. 30, No. 4. 2016. pp. 384-403.

²¹ Belinda Luscombe. Hundreds of CEOs Came Out Against Russia. *Their Involvement Could Change War Forever*. 2022. URL: <https://time.com/>

²² Mayra Rodriguez Valladares. Banks' Exposures to Russia Are Much More Transparent Than Those Of Non-Banks. 2022. URL: <https://www.forbes.com>

The general public is almost evenly divided on many hot-button social topics like trans rights and gun regulation, so taking a stand might lose a large number of customers. However, many corporations were likely more concerned about the risks to their brand if they did nothing in response to Russia's invasion of Ukraine. With so many other companies departing, it's possible that it appeared more important to explain why they're leaving to shareholders and customers back home than to explain why they're staying²³.

²³ Douglas Schuler, Laura Marie Edinger-Schons. Why Apple, Disney, IKEA and hundreds of other Western companies are abandoning Russia with barely a shrug. 2022. URL: <https://the-conversation.com/>

Conclusions

Soon after Russia invaded Ukraine, the Russian economy has been isolated and put under pressure, hundreds of multinational banks and corporations have withdrawn from the country. The civilized world created political support for the imposition of unprecedented sanctions on Russia. As of April 25, 2022, approximately 750 multinationals have either suspended or scaled down their dealings with Russia, many of which are among the biggest in the world in terms of revenue. Multinational banks and corporations learned that doing business in or with Russia is so poisonous that the best plan is to cut relations with Russia as quickly as possible.

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