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The Corporate Honesty Effect and Its Boundary Conditions: B2B Firms' Communications on Withdrawal from Russia

Djavlonbek Kadirov[a], Ahmet Bardakcı[b], Davronbek Kodirov[c], Abdulaziz Aliev[d], Shaxnoza Ergashxodjaeva[d], and Ziyodulla Khakimov[d]

[a]School of Marketing and International Business, Victoria University of Wellington, Wellington, New Zealand; [b]Department of Business, Pamukkale University, Denizli, Türkiye; [c]Department of Philosophy, Bukhara State University, Bukhara, Uzbekistan; [d]Department of Marketing, Tashkent State University of Economics, Tashkent, Uzbekistan

ABSTRACT

Purpose: Against the backdrop of the Russia-Ukraine conflict and ensuing industrial turmoil as well as the pressure of stakeholder sentiments, numerous U.S-based multinational B2B firms announced about their intent to withdraw from the Russian market. This study aims to probe the veracity of this form of corporate communication, exploring the corporate honesty effect by juxtaposing the stated withdrawal intentions against the actual scale of divestment.

Methodology/approach: We identify 241 cases of response to the Russia-Ukraine conflict pertaining to U.S-based multinational B2B corporations. This includes 34 cases of no withdrawal (i.e., no communication) and 207 cases of announcements about the firm's intent to withdraw from Russia. For these cases, we calculate the actual scale of withdrawal (Actual Divestment Index) based on the data from Federal Tax Service of Russia and the Central Bank of the Russian Federation. Considering Actual Divestment Index as a fractional measure, we conduct fractional logit regression analysis, where the effect of the withdrawal communication on Actual Divestment Index is interpreted as the corporate honesty effect.

Findings: Controlling for variables such as firm size, leverage, return on assets, institutional ownership, entry mode, and industry, the analysis reveals that the scope of intended withdrawal – reflected in the stages of no action, non-essential pullout, suspension, partial core, and full core withdrawal – is positively associated with the observed level of divestment. The findings further show that firms with larger corporate resources, higher profitability, and deeper local market exposure exhibit a greater level of corporate honesty.

Research implications: This study builds on the MFHB framework (Cooper et al., 2023) that differentiates several distinct dimensions of corporate honesty. Our research applies these dimensions to formulate an operational definition of corporate honesty which emphasizes the fidelity to the firm's communicated intent, situationally activated in response to external pressures and emergent socio-political sentiments, in the context of established domestic/international business relationships. Also, we contribute to the current body of knowledge on corporate honesty by introducing a method of measuring the corporate honesty effect.

Practical implications: Marketing managers of multinational B2B firms must endeavor to maintain the stakeholder perceptions of corporate legitimacy by constantly monitoring the level of corporate honesty effect, specifically during the time of war-induced disruptions and turmoil in B2B markets. Managers of B2B firms with larger resources, better profitability, and deeper market exposure can leverage their advantageous position to further highlight and promote their actual performance in this aspect to assuage the concerns and negative sentiments of stakeholders.

Originality/value/contribution: This research contributes to theories of corporate honesty by contextualizing the concept of corporate honesty within the framework of communication-action congruence. This is done in relation to the strategic divestment communications and actions undertaken by B2B multinational firms in a market embroiled in moral turmoil during a geopolitical conflict. Our alternative operationalization of corporate honesty facilitates a quantifiable assessment of this construct, offering an alternative methodology to evaluate the integrity of corporate communications vis-à-vis actual organizational action in crisis contexts. Our findings about the boundary conditions of the corporate honesty effect contributes to a nuanced understanding of the phenomenon within the domain of sociopolitical corporate activism, ethical business practices, and international market dynamics.

CONTACT Djavlonbek Kadirov ✉ djavlonbek.kadirov@vuw.ac.nz 🏛 School of Marketing and International Business, Victoria University of Wellington, Rutherford House, 1109, 23 Lambton Quay, Pipitea Campus, P.O. Box 600, Wellington 6140, New Zealand

Introduction

The onset of the active phase of the conflict between Russia and Ukraine in February 2022 has precipitated widespread economic turmoil, manifested in inflationary pressures, supply chain disruptions, economic contraction, negative stock returns, and food insecurity across the global landscape (Ben Hassen and El Bilali 2022; Liadze et al. 2023; Martins and Cró 2023). This conflict has engendered significant societal and economic repercussions and incited expectations of appropriate corporate response on the part of the main stakeholders of publicly traded multinational B2B corporations (Glambosky and Peterburgsky 2022). The sanctions by the U.S. government to minimize the involvement of firms operating in strategic industries in Russia, negative stakeholder sentiment regarding investing and operating in a morally contentious market perceived to be the aggressor's economic base, and a surge in socio-political anti-aggressor activism across various industry sectors have compelled corporations to reassess their operational engagement with their Russian partners (Balyuk and Fedyk 2023).

Multinational corporations that opted to maintain their market presence in Russia have encountered a barrage of criticism emanating from diverse quarters, including media outlets, activists, scholars, and digital advocacy platforms, notably the Yale School of Management's Chief Executive Leadership Institute (CELI) dataset initiative and the Kyiv School of Economics (KSE) Institute's web initiative (Mylovanov et al. 2023; The New York Times 2022; Sonnenfeld et al. 2022). Amidst this backdrop of intensified scrutiny and advocacy for moral business conduct (Evenett and Pisani 2022), numerous corporations have publicly declared their intention to disengage from the Russian market, reflecting a strategic pivot influenced by both moral considerations and the imperative to align with prevailing socio-political sentiments (Balyuk and Fedyk 2023; D'Arco, Marino, and Resciniti 2023; Glambosky and Peterburgsky 2022).

Multinational firms' announcements regarding their exit from markets embroiled in moral controversies pertains to the domain of ethical marketing communication. In this context, the pivotal question is whether such communication is strategic, that is if it is merely a rhetorical reaction to the prevalent stakeholder sentiment, or an honest commitment, reflecting the true intention to curtail the business in a morally contentious market (Cooper et al. 2023; Fassin and Buelens 2011). In this context, in consistence with the multidimensional framework of honest behavior (MFHB) framework proposed by Cooper et al. (2023), we define corporate honesty as an organization's fidelity to its communicated intent in the context of established domestic/international business relationships and the corporate strategy situationally activated in response to external pressures and emergent socio-political sentiments.

The exploration of corporate honesty necessitates a thorough examination of both the extent and determinants underpinning this phenomenon, particularly within the turbulent backdrop of war-induced disruptions in B2B markets. It is important to research corporate honesty because this organizational competence is highly valued by both stakeholders and shareholders (Brambilla et al. 2021; Cooper et al. 2023). In addition, honesty is greatly appreciated and given significant importance in inter-organizational relationships (Blodgett, Dumas, and Zanzi 2011; Chance, Cicon, and Ferris 2015). The lack of corporate honesty might negatively affect the perceptions of corporate legitimacy in society and damage the firm's reputation among its international partners and stakeholders.

Contributing to theories of corporate honesty, this research contextualizes corporate honesty within the framework of communication-action congruence, particularly in relation to the strategic divestment actions undertaken by B2B multinational firms in a market embroiled in moral turmoil during a geopolitical conflict. Corporate honesty, in this analytical schema, is operationalized through the examination of congruence between a corporation's announcement regarding its intention to withdraw from a contentious market, and the tangible contraction of its corporate assets, revenues, and the number of employees within the host country, assessed within the conflict year relative to the benchmark of the pre-conflict period. This operationalization facilitates a quantifiable assessment of corporate honesty, offering a rigorous methodology to evaluate the integrity of corporate communications vis-à-vis

actual organizational action in crisis contexts. In the context of the general withdrawal announcements (WCom), despite the "no control" model indicating a positive association between the communication about withdrawal intent and the extent of actual divestment, the "control rich" model dissipates the illusion of corporate honesty, thus indicating the absence of association. However, the actual divestment returns on the scope of communicated withdrawal, reflected in progressing through the stages of no action, non-essential pullout, suspension, partial core, and full core withdrawal (CIWS), are positive and significant. This finding supports our conjecture of corporate honesty that is manifested in the consistency between the intended withdrawal scope and actual divestment. We also find that corporate resources (firm value), corporate profitability (return-on-assets), and local market exposure (the proportion of assets in the host country) moderate this relationship, such that the corporate honesty effect is amplified for firms with larger resources, better profitability, and deeper market exposure. These findings about the boundary conditions of corporate honesty contribute to a nuanced understanding of the phenomenon within the domain of sociopolitical corporate activism, ethical business practices, and international market dynamics.

Corporate honesty framework

The American Psychological Association defines honesty as truthfulness, uprightness, and integrity, while the Oxford English Dictionary refers to honesty as the individual quality/virtue of being free of deceit and embracing truthfulness as well as sincerity. Acknowledging these definitions, however, we transcend the simplistic binary of truth-telling and lying. Following Cooper et al. (2023), we conceptualize honesty as a multifaceted communicative behavior, a confluence between antecedent communication and subsequent reinforcing actions, enacted in turbulent environments characterized by intricate interdependencies among the firm, its direct partners, and a broader set of stakeholders. We define corporate honesty as the organizational fidelity to its communicated intent, carefully calibrated in the context of business relationships and commitments both locally and internationally and

activated in response to external pressures and emergent socio-political sentiments with a view of maximizing the firm's long-term societal legitimacy.

Within the sphere of corporate communications, the organizational objective is to cultivate legitimacy among stakeholder constituencies (Acuti, Bellucci, and Manetti 2024; Silva 2021; Vestergaard and Uldam 2022), with legitimacy conceptualized as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed systems of norms, values, beliefs, and definitions (Suchman 1995, 574). The pursuit of legitimacy, however, is fraught with challenges, as evidenced by instances wherein corporations engage in the practice of overpromising, such that they precipitate a dissonance between communicated intent (words) and observed practice (deeds) (Guo et al. 2022; Jahdi and Acikdilli 2009). Most often, legitimacy involves some sacrifice in the form of costs and the loss of business, while the desire to appear morally decent without incurring associated costs is a tempting strategy (Batson, Collins, and Powell 2006). Thus, corporate honesty turns into a trade-off between two types of legitimacy: the business legitimacy within the host market in light of established business commitments and B2B partnerships and the societal legitimacy at the home/international markets where stakeholders demand drastic measures (Li et al. 2024; Zeng and Xu 2020).

Fassin and Buelens (2011) identify the absence of honesty in corporate communications as a manifestation of corporate hypocrisy. Wagner, Lutz, and Weitz (2009) further articulate this concept, positing corporate hypocrisy as the stakeholder's perception of incongruence between an organization's communicative actions and its observed conduct. Recent research has explored stakeholders' perceptions of corporate hypocrisy as the difference between what companies say and do (Chen et al. 2020; Tiwari et al. 2023). Such a perspective, however, merely represents the extreme end of a broader honesty-dishonesty continuum. The sense of honesty within corporate contexts is not binary but exists along a spectrum, wherein the strategic intent to cultivate an appearance of legitimacy is entangled with the efforts to attenuate perceptions of misconduct as defined by societal norms and standards, thus engendering a complex interplay of various shades of

honesty (Cooper et al. 2023). Recent research has recognized the different shades of honesty by classifying corporate hypocrisy as moral, behavioral, and attributional (Wagner, Korschun, and Troebs 2020). The communication of a clear action intent from the onset determines the judgments of honesty and hypocrisy (Cooper et al. 2023; Wagner, Korschun, and Troebs 2020). The nuanced understanding suggests that corporate honesty can be empirically assessed by measuring the disparity between what an organization professes in its communications and what is manifested in its conduct under the impact of broader environmental pressures within a specific context (Fassin and Buelens 2011; Wagner, Lutz, and Weitz 2009).

The multidimensional framework of honest behavior (MFHB) proposed by Cooper et al. (2023) encompasses four facets of organizational honesty: honest content, honest disclosure, honest delivery, and intellectual honesty. Honest content refers to the imperative for accuracy and truthfulness in the information communicated, necessitating a rigorous adherence to factual correctness in the dissemination of information, whereas honest disclosure pertains to the transparency and openness of the communicator, who endeavors to avoid strategic omissions and foster an environment of trust and credibility. Honest delivery focuses on the manner of communication, emphasizing the importance of sincerity, respectfulness, and fairness in the conveyance of information. Finally, intellectual honesty involves a deep commitment to self-scrutiny, the ongoing refinement of one's beliefs and assumptions, and a dedication to evidence-based reasoning. This facet also involves the willingness to modify one's stance in light of new evidence or more compelling arguments.

In the context of the Russia–Ukraine war, a multinational B2B firm's announcement about its withdrawal intent reflects a complex interplay between several facets discussed in the MFHB framework (Cooper et al. 2023). The assessment of corporate honesty is not straightforward in this case. On the one hand, the announcements provide *honest content* because the firm acknowledges a) its presence in a market perceived to be problematic; b) the need to withdraw from this market; c) the urgency of the matter. This is an indication of corporate activism, an attempt to address current stakeholder sentiment in Western markets irrespective of financial consequences (D'Arco, Marino, and Resciniti 2023; Glambosky and Peterburgsky 2022). Also, there might be an expectation that the negative response by investors may not be persistent (Glambosky and Peterburgsky 2022). On the other hand, the *honest delivery* facet is undermined due to the partisan involvement of news agencies, government, and activist groups such as Yale's CELI and Ukraine's KSE datasets. In this regard, instead of focusing on rational logic, the manner of delivery has emphasized one-sided stories supporting the assumed superior morality of fully exiting from and harming the Russian economy, which is reminiscent of political propaganda and thus defeats the principle of honest delivery (D'Arco, Marino, and Resciniti 2023).

However, the crux of the matter is the way B2B firms define "withdrawal" in their communications, thus, indicating differences in *honest disclosure*. In contrast to the notion of general withdrawal action, researchers also discussed different grades of withdrawal reflected in corporate communications (Glambosky and Peterburgsky 2022; Kiesel and Kolaric 2023; Sonnenfeld et al. 2022). Withdrawal scope encapsulates a continuum of strategic choices ranging from no action to complete withdrawal. The taxonomy of these actions comprises discrete stages with varying depth: no withdrawal, buying time/wait, scaling back, suspension, partial withdrawal, and full withdrawal (Kiesel and Kolaric 2023; Sonnenfeld et al. 2022). The relatively weaker withdrawal options involve suspending non-essential activities, suspending new investment, stopping advertising, and suspending support functions, whereas the stronger commitment involves an intent to withdraw core business assets, sell local factories and other manufacturing assets, and derecognize the firm's share in a joint venture (refer to Table 2). Research shows that withdrawal announcements specifying substantial commitment of tangible resources are perceived to be more authentic (D'Arco, Marino, and Resciniti 2023).

Accordingly, the *intellectual honesty* facet of the MFHB framework (Cooper et al. 2023) is reflected in the firm's diligence of reinforcing its withdrawal communication with the actual tenacity of implementing the intended changes. The robust assessment of corporate honesty hinges on the interplay between the three honesty facets (content, delivery,

disclosure) vis-à-vis intellectual honesty. Research shows that firms tend to make sure that their withdrawal communication is not perceived as inauthentic or "cheap talk" (D'Arco, Marino, and Resciniti 2023). Hence, the positive association is expected between the withdrawal communication and the actual level of divestment, which would indicate the confirmation of the corporate honesty effect (Figure 1). Moreover, Sonnenfeld et al. (2022) shows that different levels of withdrawal induce different reactions from stakeholders, which is symptomatic of firms' awareness and strategical commitment to withdrawal strategies that vary in scope. For example, investors deem the full withdrawal strategy superior to the stay/wait strategies (Kiesel and Kolaric 2023; Tosun and Eshraghi 2022). Hence, the greater the intended scope of withdrawal, the greater is the actual rate of divestment.

H1a: A multinational B2B firm's communication about its withdrawal from a morally contentious host market (compared to the absence of such communication) is associated with a greater rate of actual divestment.

H1b: The intended scope of withdrawal from a morally contentious host market reflected in a multinational B2B firm's withdrawal announcement is positively associated with the rate of actual divestment.

Corporate resources, specifically, those that are linked to firm size, allow B2B firms to deal with withdrawal issues in a more straightforward manner. Larger firms compared to smaller firms have better resources to deal with crises during turbulent times (Rasoulian et al. 2023). Larger firms tend to have an advantage in terms of economies of scale, and they would be less susceptible to the economic damage of fixed withdrawal cost. Moreover, the investors of larger firms tend to positively respond to the announcement of withdrawal (Martins and Cró 2023; Martins, Correia, and Cró 2023; Sun and Zhang 2023). Furthermore, research shows that firm size positively affects corporate moral action such as charitable giving (Amato and Amato 2007; Useem 1988). Therefore, it is logical to assume that larger firms would be better positioned to manage the stakeholder desired curtailment of resources in a problematic market. The larger firms' resources, such as their dominant market position, corporate reputation, and access to withdrawal expertise (Rasoulian et al. 2023) would drive these companies to sincerely engage in divestment.

H2a: B2B firms' corporate resources moderate the corporate honesty effect, such that the effect is amplified for firms with larger resources.

H2b: B2B firms' corporate resources moderate the effect of intended withdrawal scope on actual divestment, such that the effect is amplified for firms with larger resources.

Corporate asset profitability, measured in the form of return-on-assets (ROA), constitutes the capability of a firm to accrue revenues over its operational expenditures per unit of assets (Alarussi and Gao 2023). Corporate profitability indicates the efficiency of using assets, which in turn signals the firm's financial viability and sustainability over time (Kuo, Lu, and Ganbaatar 2023). Firms that better manage their assets and possess greater cash resources act
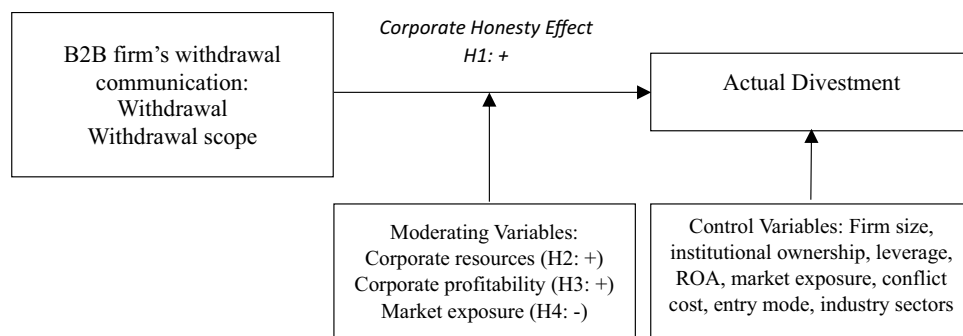

Figure 1. Theoretical framework.

confidently when dealing with the issues of asset reduction in a morally contentious market (Alam, Devos, and Feng 2023). Moreover, the slack resources theory predicts that firms with considerable resources (including financial resources) would be more likely to respond to external stakeholder pressures such as moral action (Amato and Amato 2007; Xiao et al. 2018). Furthermore, profitability means the existence of a robust financial position that would help the firm in dealing with adversities of withdrawal (Wiklund, Baker, and Shepherd 2010). Profitable firms are less affected by negative stock market reaction to withdrawal; therefore, they would be more likely to implement planned withdrawal (Martins and Cró 2023).

H3a: B2B firms' corporate profitability moderates the corporate honesty effect, such that the effect is amplified for firms with greater profitability.

H3b: B2B firms' corporate profitability moderates the effect of intended withdrawal scope on actual divestment, such that the effect is amplified for firms with greater profitability.

Multinational B2B firms with significant market exposure in Russia face a precarious situation because of the conflict. The escalating external pressures advocating for market exit are juxtaposed against the market logic of profit maximization, primarily attributable to the prohibitive costs associated with divestment (Lu, Huang, and Li 2022). This dichotomy places the firm in a complex quandary, wherein, despite public declarations of intent to exit the Russian market, there exists a weak impetus to implement stringent withdrawal strategies. Balyuk and Fedyk (2023) clarify this phenomenon, suggesting that the interplay between the imperative to adhere to external calls for withdrawal and the pragmatic considerations of the financial/strategic repercussions results in a nuanced approach to market exit strategies. Song (2022) discusses the real option perspective. From this perspective, the idiosyncrasy and irreversibility of local investments forces firms to stay in a local market, especially at the times of uncertainty (Song 2022). Hence, the more localized products, processes, and workforce are, the more entrenched is the firm in a local market. Consequently, firms navigate into difficult strategic

decision-making, where the path to actualizing withdrawal is tempered by a calculus of cost, strategic implications, and the overarching goal of maintaining corporate integrity and stakeholder trust amidst geopolitical tensions.

H4a: B2B firms' local market exposure moderates the corporate honesty effect, such that the effect is attenuated for firms with greater market exposure.

H4b: B2B firms' local market exposure moderates the effect of intended withdrawal scope on actual divestment, such that the effect is attenuated for firms with greater market exposure.

Method

Operationalization of variables

To test the hypotheses, we collect relevant secondary data from different sources (Table 1). Actual Divestment Index (ADI) refers to the extent of observed divestment of a B2B firm from Russia within the period of 2021–2022. To derive this index, we first identify three proxies from the databases of Federal Tax Service of Russia and the Central Bank of the Russian Federation. These are as follows: 1) the difference between the number of staff employed in the firm's Russian subsidiaries and offices in FY2021 (before the conflict started) and the same in FY2022 (the year of the conflict); 2) the difference between the total assets of the firm's subsidiaries and offices in Russia in FY2021 and FY2022; 3) the difference between the total revenue of the firm's subsidiaries and offices in Russia in FY2021 and FY2022. We standardize these proxies by dividing each value by the variable's standard deviation. Then, we use a principal component factor analysis with Varimax rotation and save the factor scores. These three proxies load on a single component where the eigenvalue is 1.72 and the variance explained is 57.49% (the component loadings were 0.62, 0.79, and 0.84 respectively). Then, we subtract a constant (the maximum positive value) from all factor scores and divide the scores by the maximum minimum number. This results in a standardized variable (ADI) expressed as the percentage of the highest degree of business divestment in Russia. For this index, the interpretation of the

Table 1. Operationalization of variables.

VARIABLE	OPERATIONALIZATION/DEFINITION	SOURCE
Actual Divestment Index (ADI)	The change in the firm's assets, revenue, and employees in the host market before and during the conflict, expressed as the percentage of the highest degree of divestment (here, ADI =100% means full divestment, ADI = 0% the minimum level of divestment.	Federal Tax Service of Russia; Central Bank of the Russian Federation
Withdrawal Communication (WCom)	The instance of whether the firm has communicated its withdrawal intention from Russia after the conflict has started: Yes = 1; No = 0.	CELI dataset; KSE Institute; news sources
Communication about Intended Withdrawal Scope (CIWS)	A continuous variable indicating the scope of the firms' withdrawal ranging from no withdrawal to complete withdrawal. Adapted from Sonnenfeld et al. (2022),	CELI dataset; KSE Institute; news sources; Corporate 10-K reports
Corporate Resources (firm size)	Natural logarithm of total assets.	Compustat
Corporate Profitability (return on assets - ROA)	Firm's income before extraordinary items/total assets.	Compustat
Market Exposure	The percentage of total assets in Russia calculated as [Total Assets in Russia in FY 2021/Total Assets for All Markets in FY 2021].	Federal Tax Service of Russia; Central Bank of the Russian Federation; Compustat
Institutional Ownership	The percentage of institutional stock ownership in 2021.	Refinitiv Eikon
Leverage	Firm's long-term debt/total assets.	Compustat
Conflict cost	Reported costs (e.g. asset write-downs, impairment costs) associated with the Russia-Ukraine conflict. This variable is standardized as a percentage of the largest amount reported by the sample.	Corporate 10-K reports
Entry Mode: Wholly Owned subsidiary	A binary variable indicating whether the MNEs' primary market entry mode in Russia prior to withdrawal is wholly owned subsidiary (Yes = 1; No = 0).	News sources Corporate 10-K reports Companium.ru
Industry dummies	An industry dummy defined as the major economic division reflected in the firm's primary two-digit GIC code: energy, consumer discretionary, consumer staples, healthcare, financials, information technology, telecom services, and materials. The industry group "industrials" is dropped for identification purposes.	Compustat

levels are as follows: ADI = 100% means full divestment, whereas ADI = 0% means the minimum degree of divestment.

Moreover, we identify the U.S.-based multinational B2B firms operating in Russia based on the Yale CELI database. We cross-checked the information with these firms' corporate 10-K reports and the mass media sources of these firms' announcements regarding their response to the Russia–Ukraine conflict. This enables us to identify 241 cases of the B2B firms' response to the conflict. These firms' primary businesses pertain to 39 industries defined by the two-digit Standard Industrial Classification (SIC) codes. The dataset is comprised of 34 cases of no withdrawal (i.e., no communication) and 207 cases of communication (i.e., announcements) about the intent to withdraw from Russia. This binary action is captured by the Withdrawal Communication (WCom) variable (refer to Table 1).

In addition, we scan the content of the communications and identify the scope of the withdrawal approach. Adapting the method of creating a continuous withdrawal scope variable from Sonnenfeld et al. (2022), we create the Communication about Intended Withdrawal Scope (CIWS) variable that comprises different steps with different intended intensities. CIWS

ranges from no withdrawal to weaker withdrawal options (e.g. non-essential, suspension) to stronger (e.g. partial, complete) withdrawal response (Table 2).

Moderating and control variables

Corporate resources (firm size), corporate profitability (ROA), and market exposure represent firm-related control factors, while these variables' interactions with WCom and CIWS are entered in the model as moderating effects. We calculate corporate resources (firm size) by taking the natural logarithm of the firm's total assets. Firm size significantly affects a firm's divestment rate because past research shows that larger firms face higher exposure to external stakeholder pressures than small firms (Udayasankar 2008). Due to their better organizational architecture, larger firms tend to be better equipped with advanced internal systems to quickly respond to complex socio-political issues (Brammer and Millington 2006). Evidence suggests that firms with large resources are less affected by the negative market response to withdrawal (Martins and Cró 2023; Martins, Correia, and Cró 2023; Sun and Zhang 2023).

Table 2. Typology of withdrawal strategies.

CIWS levels	Labels	Definition	Examples of withdrawal descriptions	Yale's CELI Classification	KSE Institute's Classification
1	No withdrawal	Continues its business operations with not much change	actively monitoring the situation continue to monitor future developments operating with minimum inventory	Digging in	Stay
2	Non-essential pullout	Withdraws or suspends its non-essential and non-core services and businesses	pause/limit new investments ceased pursuing new business suspend non-essential activities suspend clinical trials stop advertising and promotion activities reposition brands	Buying time	Wait
3	Suspension	Suspends business operations that can be possibly revived in future	suspend business operations suspend all sales/services block users and subscriptions suspend support functions suspend shipments and purchases temporarily closed stores	Suspension	Suspension
4	Partial core withdrawal	Withdraws some of core business	sell some of its subsidiaries exit from some of its businesses wind down its business in some industries or sections limit selection of main products block some accounts in the country retain its minority share in a joint venture	Scaling back	Scaling back
5	Complete core withdrawal	Exits the market by withdrawing the most of its core businesses	complete withdrawal/exit sell its factories in the country derecognize its investments divest its minority share in a joint venture face a complete ban from the Russian government	Withdrawal	Exit/Withdrawal

Corporate profitability is measured as return-on-assets (ROA), which is calculated as the ratio of a firm's income before extraordinary items to its total assets. Profitability affects socio-political divestment initiatives because greater levels of profit stimulate a stronger commitment to moral action (Amato and Amato 2007; Xiao et al. 2018). Moreover, profitability determines the way abrupt events affect firms' situation and performance (Martins, Correia, and Cró 2023; Song, Yeon, and Lee 2021). We define market exposure as the extent to which the firm is entrenched in the Russian market. It is calculated as the ratio of the firms' total assets in Russia in FY 2021 to the firm's total assets for all markets in FY 2021. Market exposure is a significant determinant of divestment (Balyuk and Fedyk 2023; Lu, Huang, and Li 2022). Market exposure is the indication of the "the stake in the war," where the larger the stake, the less the likelihood of withdrawal (Lu, Huang, and Li 2022). The effect of market exposure on divestment is underscored by the profit-maximization logic, which would not be dependent on corporate activism or moral action (Lu, Huang, and Li 2022).

In addition, we control for several other important factors. These include institutional ownership, leverage, conflict costs, entry mode, and industry dummies (refer to Table 1). The firm-specific factors such as institutional ownership and leverage significantly impact shareholders' reaction to firms' withdrawal announcements (Martins, Correia, and Cró 2023; Martins, Correia, and Gouveia 2023). Hence, managers are likely to consider the relative level of these factors. Moreover, institutional investors hold significant power which enables them to exert pressure on withdrawal decisions (Schnatterly, Shaw, and Jennings 2008). Similarly, firms with stronger leverage tend to be more resilient in the face of abrupt events such as pandemics or war (Martins, Correia, and Cró 2023; Song, Yeon, and Lee 2021). Conflict costs refer to the specific costs such as asset write-downs and impairments costs the firms have reported in their 10-K reports in relation to the Russia–Ukraine conflict. The estimation of potential impairment costs impacts managers' withdrawal decisions (Sonnenfeld et al. 2022). If managers estimate the costs of

withdrawing as significant, they might prefer weaker withdrawal options, and vice versa (Balyuk and Fedyk 2023).

Findings

Descriptives and correlations

The descriptive statistics and correlations are presented in Tables 3 and 4. The mean divestment rate is 23.3%, while the media is 21.5%.

Table 4 presents the correlations between continuous variables identified as independent variables. The correlations between these variables are low ($r < 0.5$) except the correlation between CIWS and corporate resources is moderate ($r = 0.625$). We conduct a multicollinearity analysis that has indicated that the VIF scores are smaller than 5 which means that the model is unlikely to suffer from multicollinearity issues.

Corporate honesty effect based on WCom

Because the dependent variable (ADI) is a percentage index, we conduct fractional logit regression analysis using the frm package in R (Papke and Wooldridge 1996; Ramalho, Ramalho, and Coelho 2016; Ramalho, Ramalho,

and Murteira 2011). Here, the effect of WCom on ADI reflects the corporate honesty effect because a positive significant coefficient indicates the congruence between the firms' withdrawal communication and the actual rate of divestment (Table 5).

The Model_1_1 with no controls reveals a positive effect of WCom on ADI ($\beta = 0.179$, $p < 0.01$), where the average marginal effect is significant ($dy/dx_{WCom} = 0.032$, $p < 0.01$). However, this effect becomes insignificant once the control variables are included (Model_1_2). Since the marginal effect is also insignificant ($dy/dx_{WCom} = 0.002$, $p = 0.872$), we reject Hypothesis 1a.

The Model_1_3 shows that the moderating effect of corporate resources is positive and significant ($\beta = 0.065$, $p < 0.10$; $dy/dx_{int1.1} = 0.011$, $p < 0.10$), thus lending support to Hypothesis 2a. Hypothesis 3a is also supported: we find that corporate profitability amplifies the corporate honesty effect ($\beta = 1.624$, $p < 0.05$; $dy/dx_{int1.2} = 0.286$, $p < 0.05$). However, we reject Hypothesis 4a. Although the effect is significant, it is in an opposite direction ($\beta = 6.970$, $p < 0.01$; $dy/dx_{int1.3} = 1.22$, $p < 0.01$). Evidence suggests that the corporate honesty effect is amplified rather than attenuated for the firms with greater local market exposure.

Table 3. Descriptives.

Variables	Mean	Std. Deviation	Minimum	25th percentile	Median	75th percentile	Maximum
ADI	0.233	0.090	0	0.213	0.215	0.227	1
WCom	0.859	0.349	0	1	1	1	1
CIWS	3.129	1.383	1	2.000	3.000	5.000	5.000
Corporate resources (firm size)	9.775	1.552	5.548	8.697	9.789	10.795	15.136
Institutional ownership	0.826	0.129	0.342	0.751	0.843	0.908	1.105
Leverage	0.335	0.310	0	0.201	0.288	0.394	3.110
Corporate profitability (ROA)	0.066	0.078	−0.204	0.035	0.064	0.101	0.306
Conflict Cost	0.003	0.007	0	0	0	0.003	0.075
Market exposure	0.010	0.022	0	0.001	0.003	0.009	0.198
Entry mode: Subsidiary	0.859	0.349	0	1	1	1	1

Table 4. Correlations.

	1	2	3	4	5	6	7	8
ADI	1.000							
CIWS	0.120	1.000						
Corporate resources (firm size)	**.232**	**.625**	1.000					
Institutional ownership	**.209**	**.255**	**.140**	1.000				
Leverage	−0.115	−0.072	0.008	**−.329**	1.000			
Corporate profitability (ROA)	−0.019	0.016	−0.018	**−.198**	0.092	1.000		
Conflict cost	**.141**	**.137**	0.081	0.081	0.018	**.174**	1.000	
Market exposure	**.367**	0.086	**.161**	**.209**	−0.047	0.036	−0.052	1.000
Entry Mode: Subsidiary	−0.042	−0.043	−0.082	**−.173**	0.113	−0.006	−0.002	**.201**

Note: Bold font represents the significance at α < 0.05.

Table 5. The corporate honesty effect (WCom➔ADI) and its determinants.

	Model_1_1 No Controls DV = ADI; N = 241		Model_1_2 Control-Rich DV = ADI; N = 241		Model_1_3 Moderators Included DV = ADI; N = 241	
	Coef	Robust SE	Coef	Robust SE	Coef	Robust SE
Constant	−1.349***	0.023	−1.557***	0.320	−1.046***	0.274
WCom	0.179***	0.043	0.011	0.070	−0.733**	0.344
WCom x corporate resources					0.065*	0.035
WCom x corporate profitability					1.624**	0.715
WCom x market exposure					6.970***	2.277
Corporate resources (firm size)			0.036	0.034	−0.012	0.029
Institutional ownership			−0.144	0.175	−0.052	0.156
Leverage			−0.088*	0.049	−0.093*	0.050
Corporate profitability (ROA)			1.010*	0.575	−0.346	0.439
Market exposure			−1.507	2.060	−6.892***	2.024
Conflict costs			22.214**	11.281	23.586**	10.917
Entry mode: Subsidiary			0.015	0.063	−0.029	0.062
Industry: Energy			−0.234	0.151	−0.287**	0.142
Industry: Consumer Discretionary			0.148**	0.073	0.112*	0.068
Industry: Consumer Staples			−0.415**	0.167	−0.443***	0.173
Industry: Healthcare			−0.071	0.067	−0.073	0.063
Industry: Financials			0.054	0.200	0.037	0.193
Industry: Information Technology			0.127*	0.073	0.121*	0.070
Industry: Telecom Services			−0.010	0.130	−0.032	0.124
Industry: Materials			−0.003	0.123	0.014	0.122
LL	−130.62		−129.34		−129.21	
Information Criterion: AIC	265.23		292.69		298.41	
Marginal Effect of WCom	0.032***	0.008	0.002	0.012	−0.129**	0.061

Notes: *$\alpha < 0.10$; **$\alpha < 0.05$; ***$\alpha < 0.01$.

Corporate honesty effect based on CIWS

Table 6 presents the effect of CIWS on ADI and the effect's boundary conditions. The no controls model (Model_2_1) exhibits a positive effect between CIWS and ADI ($\beta = 0.084$, $p < 0.01$), where the average marginal effect is substantial and significant ($dy/dx_{CIWS} = 0.015$, $p < 0.01$). This suggests that an increase in withdrawal scope leads to the average increase in the actual withdrawal rate by about 1.5% if the controlling variables are not included.

The inclusion of the control variables (Model_2_2) lends further support to Hypothesis 1b. The effect of CIWS on ADI is positive and significant ($\beta = 0.040$, $p < 0.05$), where the average marginal effect of CIWS is 0.007 ($p < 0.05$). This shows that an increase in the intended withdrawal scope would lead to the 0.7% increase in the actual withdrawal rate.

Based on evidence from Model_2_3, we find support for Hypotheses 2b and 3b. The moderating effects of corporate resources and corporate profitability are positive and significant ($\beta = 0.039$, $p < 0.01$; $dy/dx_{int2.1} = 0.007$, $p < 0.01$ and $\beta = 0.389$, $p < 0.05$; $dy/dx_{int2.2} = 0.068$, $p < 0.05$). However, an intriguing finding here is the strong positive moderating effect of market exposure on the CIWS-ADI association ($\beta = 0.039$, $p < 0.01$; $dy/dx_{int2.3} = 0.546$, $p < 0.01$). This indicates that, contrary to the conceptual expectation, the corporate honesty effect is amplified by market exposure.

Robustness checks

To investigate the robustness of the findings, we first implement fractional probit regression to test if the link function in the model (logit compared to probit) has any effect on the findings (Appendices 1 and 2). The results indicate that the effect of Wcom on ADI is not significant (Probit Model_3_2: $\beta = 0.007$, $p = 0.862$; Marginal Effect = 0.002, $p = 0.862$), thus confirming the original finding. In contrast, the effect of CIWS on ADI is positive and significant (Probit Model_4_2: $\beta = 0.023$, $p < 0.05$; Marginal Effect = 0.007, $p < 0.05$), which is also consistent with the logit model. Further investigation based on the cauchit, loglog, and complementary log–log fractional link function models (not reported in Appendix) (Ramalho, Ramalho, and Murteira 2011) has also confirmed the original findings.

In addition, we calculate two alternative measures of ADI. ADI2 is calculated by computing the

Table 6. The corporate honesty effect (CIWS➜ADI) and its determinants.

	Model_2_1 No Controls DV = ADI; N = 241		Model_2_2 Control-Rich DV = ADI; N = 241		Model_2_3 Moderators Included DV = ADI; N = 241	
	Coef	SE	Coef	SE	Coef	SE
Constant	−1.462***	0.056	−1.599***	0.320	−0.445	0.349
CIWS	0.084***	0.021	0.040**	0.019	−0.389***	0.111
CIWS x corporate resources					0.039***	0.012
CIWS x corporate profitability					0.389**	0.193
CIWS x market exposure					3.110***	1.070
Corporate resources (firm size)			0.032	0.033	−0.076*	0.042
Institutional ownership			−0.182	0.173	−0.144	0.167
Leverage			−0.086*	0.047	−0.061	0.050
Corporate profitability (ROA)			0.952*	0.570	−0.140	0.794
Market exposure			−1.239	2.009	−8.411***	2.483
Conflict costs			21.193*	11.402	19.563*	11.073
Entry mode: Subsidiary			0.006	0.059	−0.004	0.057
Industry: Energy			−0.201	0.155	−0.254*	0.142
Industry: Consumer Discretionary			0.147**	0.072	0.109	0.069
Industry: Consumer Staples			−0.394**	0.166	−0.430**	0.176
Industry: Healthcare			−0.022	0.070	−0.038	0.067
Industry: Financials			0.063	0.200	−0.048	0.177
Industry: Information Technology			0.125*	0.071	0.102	0.067
Industry: Telecom Services			0.011	0.123	−0.040	0.088
Industry: Materials			0.008	0.119	−0.018	0.113
LL	−130.69		−129.29		−129.01	
Information Criterion: AIC	264.81		292.59		298.03	
Marginal Effect of WCom	0.015**	0.004	0.007**	0.03	−0.068***	0.019

equally weighted average of the three standardized focal factors: the 2021–2022 difference in the number of staff employed in Russia, the 2021–2022 difference in the total assets in Russia, and the 2021–2022 difference in the total revenue from the Russian market. We also add the fourth factor, the 2021–2022 difference in profit generated in Russia. AD3 represents the equally weighted average of these four standardized focal variables. The logistic fractional regressions with these dependent variables (Appendices 3–6) add further confidence in the original findings. The effect of WCom on either ADI2 or ADI3 is not significant, whereas the effect of CIWS on ADI2 ($\beta = 0.041$, $p < 0.05$; Marginal Effect = 0.007, $p < 0.05$) and ADI3 ($\beta = 0.038$, $p < 0.05$; Marginal Effect = 0.007, $p < 0.05$) is significant.

Furthermore, to investigate if the CIWS effect might be biased by endogeneity of the focal variable, we apply the GMM estimator-based logistic factional model with unobserved heterogeneity and endogeneity (GMMz) proposed by Ramalho and Ramalho (2017). For this purpose, we calculate the instrument LocationCasesIV that comprises the number of withdrawal cases within the state where the firm's headquarters is located. We argue that this factor is a good instrument since it represents environmental pressure on the firm as well as the location isomorphism to urgently communicate a withdrawal decision. The application of frmhet package in R revealed that if CIWS is defined as an endogenous factor and LocationCasesIV is entered as an instrumental variable (Appendix 7), the CIWS effect on ADI is still positive and significant ($\beta = 3.185$, $p < 0.05$).

Discussion and contributions

This research investigates the instances of withdrawal announcements by U.S.-based B2B multinational corporations seeking exit from the Russian market. It aims to shed light to the association between the communication about withdrawal intent and the actual extent of divestment executed. Although the test of Hypothesis 1a discloses no substantial linkage between the communicated intentions of withdrawal and the factual magnitude of divestment activities in Russia, the test of Hypothesis 1b provides some evidence for the existence of the corporate honesty effect: an increase in intended withdrawal scope on average leads to 0.7% increase in ADI.

These findings are of importance in the domain of marketing communication ethics, particularly as

it pertains to the scrutinization of corporate honesty – a construct pivotal to the integrity of B2B and corporate-stakeholder dynamics (Blodgett, Dumas, and Zanzi 2011; Brambilla et al. 2021; Chance, Cicon, and Ferris 2015; Cooper et al. 2023). This discourse not only foregrounds the significance of corporate honesty within industrial relational milieus but also ventures to contribute to the theoretical delineation of corporate honesty amidst the backdrop of external institutional turmoil and external pressures. Incorporating the MFHB framework delineated by Cooper et al. (2023), which segments corporate honesty into four distinct dimensions – honest content, honest disclosure, honest delivery, and intellectual honesty – this article endeavors to expand upon this schema. It achieves this through the application of these dimensions in formulating an operational definition of corporate honesty. The definition emphasizes an organization's fidelity to its communicated intent in the context of established domestic/international business relationships situationally activated in response to external pressures and emergent socio-political sentiments (Wagner, Korschun, and Troebs 2020). This refined conceptualization of corporate honesty is tailored to resonate within the spheres of business engagements and obligations, both at local and international levels. Corporate honesty is not a matter of simply telling truth, but it is about being dynamically responsive to external stimuli and evolving socio-political sentiments, with an overarching aim of bolstering long-term societal legitimacy (Li et al. 2024). By extending the MFHB framework to encompass these broader operational dynamics, this article not only enriches the theoretical underpinnings of corporate honesty but also situates it as a critical foundation of ethical business practice, underscored by a commitment to maintaining fidelity in communicated intentions amidst the challenges posed by external pressures and socio-political changes.

Moreover, we recognize that an alternative explanation of the incongruency between the announced withdrawal intent and actual divestment can be offered based on managers' financial considerations. For example, an early (compared to late) withdrawal action is punished by investors (Glambosky and Peterburgsky 2022). Hence,

firms might interpret this as a signal of stakeholder disapproval and minimize the extent of divestment. However, this argument does not preclude the assessment of corporate honesty. Based on the definition of corporate honesty proposed in this article, we maintain that honesty is about maintaining consistency with the communicated intent in the face of the pressures the firm might endure subsequently, including those pertaining to profit-maximization motives. Once the stakeholders are informed about the withdrawal decision, the corporate honesty judgment arises not in spite of but because of financial considerations mitigating the moral action (Wagner, Korschun, and Troebs 2020). This said, however, we find that the corporate honesty effect is exhibited in greater divestment for firms with the greater intended scope of withdrawal.

The consistent pattern that emerges from the data regarding the boundary conditions of the corporate honesty effect is that this effect markedly amplified for firms with better resources, higher profitability, and deeper market exposure. Due to the advantageous access to requisite resources, relevant expertise, and investor support (Martins and Cró 2023; Martins, Correia, and Cró 2023; Rasoulian et al. 2023; Sun and Zhang 2023), larger firms appear to be better positioned to maintain communication consistency, and thus to reap the benefits of corporate honesty during turbulent times. In addition, B2B firms with more favorable financial performance and cash flow demonstrate a closer alignment between their stated exit commitment and their operational divestment actions (Alam, Devos, and Feng 2023). This finding confirms the expectations of the slack resources theory (Amato and Amato 2007; Xiao et al. 2018).

We reject the original hypothesis of a negative moderation effect of market exposure on the corporate honesty, although the main theoretical expectation is that increased entrenchment in a local market could potentially incentivize firms to engage in strategic legitimacy building without substantial operational action (Balyuk and Fedyk 2023; Suchman 1995). Contrary to this expectation, empirical evidence reveals that enhanced market exposure serves to amplify the corporate honesty effect. This paradoxical outcome can be elucidated through several mechanisms. Firstly, it is plausible

that B2B firms with extensive market exposure experience amplified institutional pressure to actualize a meaningful divestment action (Evenett and Pisani 2022; Mylovanov et al. 2023). This pressure arises not solely from the external stakeholders but also from an internal recognition of the strategic importance of maintaining a consistent and ethical market presence (Liu et al. 2022). The visibility associated with significant market exposure escalates the stakes of reputational risks, thereby incentivizing firms to align their actions closely with their communicated intentions to avoid the dissonance that can lead to long-term stakeholder distrust (Wagner, Korschun, and Troebs 2020). Secondly, greater market exposure may afford firms a more nuanced understanding of their Russian operational landscape, thereby enabling them to gain better strategic agility and deeper knowledge on opportunities for divestment (Meyer et al. 2023; Tarba et al. 2023). The enhanced operational insight of deeply involved firms might have facilitated decision-making regarding which aspects of the business can be adjusted or withdrawn from the morally contentious market without jeopardizing key strategic objectives.

Disclosure statement

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Appendices

Appendix 1. Fractional probit regression results: the corporate honesty effect and its determinants

	Model_3_1 No Controls DV = ADI; N = 241		Model_3_2 Control-Rich DV = ADI; N = 241		Model_3_3 Moderators Included DV = ADI; N = 241	
	Coef	Robust SE	Coef	Robust SE	Coef	Robust SE
Constant	−0.820***	0.013	−0.927***	0.184	−0.627***	0.163
WCom	0.104***	0.025	0.007	0.040	−0.427**	0.199
WCom x corporate resources					0.038*	0.020
WCom x corporate profitability					0.930**	0.410
WCom x market exposure					4.019***	1.356
Corporate resources (firm size)			0.020	0.020	−0.008	0.017
Institutional ownership			−0.087	0.102	−0.032	0.090
Leverage			−0.052*	0.029	−0.054*	0.029
Corporate profitability (ROA)			0.570*	0.326	−0.210	0.259
Market exposure			−0.899	1.191	−4.034***	1.215
Conflict costs			13.131*	6.935	14.025**	6.705
Entry mode: Subsidiary			0.006	0.036	−0.019	0.035
Industry: Energy			−0.131	0.087	−0.163**	0.082
Industry: Consumer Discretionary			0.087**	0.044	0.066*	0.041
Industry: Consumer Staples			−0.233**	0.092	−0.247***	0.094
Industry: Healthcare			−0.040	0.039	−0.040	0.036
Industry: Financials			0.031	0.117	0.022	0.113
Industry: Information Technology			0.074*	0.043	0.070*	0.041
Industry: Telecom Services			−0.004	0.075	−0.018	0.072
Industry: Materials			0.002	0.072	0.011	0.071
Log-Likelihood	−130.62		−129.34		−129.25	
Information Criterion: AIC	265.23		292.69		298.50	
Marginal Effect of WCom	0.032***	0.008	0.002	0.012	−0.129**	0.060

Notes: * α < 0.10; ** α < 0.05; *** α < 0.01.

Appendix 2. Fractional probit regression results: The corporate honesty effect and its determinants based on CIWS

	Model_4_1 No Controls DV = ADI; N = 241		Model_4_2 Control-Rich DV = ADI; N = 241		Model_4_3 Moderators Included DV = ADI; N = 241	
	Coef	Robust SE	Coef	Robust SE	Coef	Robust SE
Constant	−0.886***	0.032	−0.950***	0.185	−0.284	0.204
CIWS	0.049***	0.013	0.023**	0.011	−0.227***	0.066
CIWS x corporate resources					0.023***	0.007
CIWS x corporate profitability					0.224**	0.113
CIWS x market exposure					1.801***	0.643
Corporate resources (firm size)			0.017	0.019	−0.045*	0.024
Institutional ownership			−0.109	0.101	−0.084	0.096
Leverage			−0.050*	0.027	−0.036	0.029
Corporate profitability (ROA)			0.535*	0.323	−0.099	0.458
Market exposure			−0.757	1.165	−4.896***	1.463
Conflict costs			12.522*	7.014	11.628*	6.769
Entry mode: Subsidiary			0.001	0.034	−0.004	0.032
Industry: Energy			−0.111	0.089	−0.146*	0.083
Industry: Consumer Discretionary			0.087**	0.043	0.067	0.042
Industry: Consumer Staples			−0.222**	0.092	−0.240**	0.096
Industry: Healthcare			−0.011	0.041	−0.020	0.039
Industry: Financials			0.037	0.117	−0.029	0.103
Industry: Information Technology			0.073*	0.042	0.059	0.039
Industry: Telecom Services			0.007	0.071	−0.022	0.051
Industry: Materials			0.008	0.069	−0.008	0.065
Log-Likelihood	−130.41		−129.33		−129.05	
Information Criterion: AIC	264.81		292.67		298.11	
Marginal Effect of CIWS	0.015***	0.004	0.007**	0.003	−0.068***	0.020

Notes: * α < 0.10; ** α < 0.05; *** α < 0.01.

Appendix 3. WCom: Fractional logit regression with ADI2 (controls included)

DV=ADI2	Coefficient	Robust std. error	Marginal effect	Delta-method std. error
WCom	0.017	0.067	0.003	0.011
Corporate resources (firm size)	0.026	0.032	0.004	0.005
Institutional ownership	−0.135	0.165	−0.022	0.027
Leverage	−0.082*	0.047	−0.014*	0.008
Corporate profitability (ROA)	0.927*	0.511	0.154*	0.086
Market exposure	−1.146	2.108	−0.190	0.349
Conflict costs	23.664**	11.601	3.931**	1.915
Entry mode: Subsidiary	0.023	0.061	0.004	0.010
Industry: Energy	−0.244*	0.150	−0.04 × 1	0.025
Industry: Consumer Discretionary	0.146**	0.074	0.024**	0.012
Industry: Consumer Staples	−0.375**	0.154	−0.062**	0.025
Industry: Healthcare	−0.054	0.062	−0.009	0.010
Industry: Financials	0.083	0.190	0.014	0.032
Industry: Information Technology	0.124*	0.068	0.021*	0.011
Industry: Telecom Services	−0.017	0.117	−0.003	0.019
Industry: Materials	−0.019	0.122	−0.003	0.020
Constant	−1.594***	0.307	NA	NA

Appendix 4. WCom: Fractional logit regression with ADI3 (controls included)

DV=ADI2	Coefficient	Robust std. error	Marginal effect	Delta-method std. error
WCom	0.024	0.061	0.005	0.012
Corporate resources (firm size)	0.018	0.026	0.004	0.005
Institutional ownership	−0.141	0.153	−0.027	0.030
Leverage	−0.101**	0.047	−0.020**	0.009
Corporate profitability (ROA)	0.925**	0.471	0.180**	0.092
Market exposure	−0.433	1.734	−0.084	0.337
Conflict costs	20.632**	10.714	4.009**	2.071
Entry mode: Subsidiary	−0.019	0.062	−0.004	0.012
Industry: Energy	−0.156	0.177	−0.030	0.034
Industry: Consumer Discretionary	0.103	0.070	0.020	0.013
Industry: Consumer Staples	−0.470***	0.168	−0.091***	0.032
Industry: Healthcare	−0.044	0.059	−0.009	0.012
Industry: Financials	−0.027	0.124	−0.005	0.024
Industry: Information Technology	0.136**	0.065	0.026**	0.013
Industry: Telecom Services	−0.079	0.067	−0.015	0.013
Industry: Materials	0.003	0.104	0.001	0.020
Constant	−1.163***	0.242	NA	NA

Appendix 5. CIWS: Fractional logit regression with ADI2 (controls included)

DV=ADI2	Coefficient	Robust std. error	Marginal effect	Delta-method std. error
CIWS	0.041**	0.019	0.007**	0.003
Corporate resources (firm size)	0.022	0.031	0.004	0.005
Institutional ownership	−0.172	0.163	−0.029	0.027
Leverage	−0.080*	0.045	−0.013*	0.008
Corporate profitability (ROA)	0.871*	0.507	0.145*	0.085
Market exposure	−0.875	2.061	−0.145	0.341
Conflict costs	22.641**	11.731	3.759**	1.936
Entry mode: Subsidiary	0.014	0.057	0.002	0.010
Industry: Energy	−0.212	0.154	−0.035	0.025
Industry: Consumer Discretionary	0.146**	0.073	0.024**	0.012
Industry: Consumer Staples	−0.354**	0.152	−0.059**	0.025
Industry: Healthcare	−0.006	0.066	−0.001	0.011
Industry: Financials	0.091	0.190	0.015	0.032
Industry: Information Technology	0.122*	0.066	0.020*	0.011
Industry: Telecom Services	0.003	0.110	0.001	0.018
Industry: Materials	−0.009	0.118	−0.002	0.020
Constant	−1.636***	0.308	NA	NA

Appendix 6. CIWS: Fractional logit regression with ADI3 (controls included)

DV=ADI2	Coefficient	Robust std. error	Marginal effect	Delta-method std. error
CIWS	0.038**	0.018	0.007**	0.003
Corporate resources (firm size)	0.015	0.026	0.003	0.005
Institutional ownership	−0.174	0.153	−0.034	0.030
Leverage	−0.098**	0.046	−0.019**	0.009
Corporate profitability (ROA)	0.875*	0.467	0.170*	0.091
Market exposure	−0.185	1.709	−0.036	0.332
Conflict costs	19.655*	10.840	3.817*	2.096
Entry mode: Subsidiary	−0.028	0.060	−0.005	0.012
Industry: Energy	−0.126	0.179	−0.024	0.035
Industry: Consumer Discretionary	0.102	0.068	0.020	0.013
Industry: Consumer Staples	−0.452***	0.163	−0.088***	0.031
Industry: Healthcare	−0.001	0.064	0.000	0.012
Industry: Financials	−0.021	0.124	−0.004	0.024
Industry: Information Technology	0.134**	0.064	0.026**	0.012
Industry: Telecom Services	−0.061	0.066	−0.012	0.013
Industry: Materials	0.011	0.102	0.002	0.020
Constant	−1.203***	0.244	NA	NA

Appendix 7. Fractional logit regression based on GMMz estimator with CIWS as endogenous factor and LocationCasesIV as an instrument

	Coefficient	Robust std. error	t	p-value
Constant	2.558	2.548	1.004	0.315
CIWS	3.186	1.328	2.399	0.016
Corporate resources (firm size)	−0.899	0.357	−2.519	0.012
Institutional ownership	−2.325	1.688	−1.377	0.168
Leverage	−0.522	0.873	−0.599	0.549
Corporate profitability (ROA)	1.935	2.260	0.856	0.392
Market exposure	−1.853	6.362	−0.291	0.771
Conflict costs	23.799	34.333	0.693	0.488
Entry mode: Subsidiary	0.238	0.534	0.446	0.656
Industry: Energy	1.616	0.878	1.840	0.066
Industry: Consumer Discretionary	0.121	0.779	0.156	0.876
Industry: Consumer Staples	1.408	1.243	1.132	0.257
Industry: Healthcare	2.906	1.028	2.826	0.005
Industry: Financials	1.006	0.770	1.306	0.191
Industry: Information Technology	−0.317	0.575	−0.551	0.582
Industry: Telecom Services	1.003	0.792	1.267	0.205
Industry: Materials	1.735	0.823	2.109	0.035