

How Can a Firm Suppress Shareholders' Punitive Reaction to Its Disengagement from a Geopolitically Uncertain Market?

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Abstract

Increased geopolitical tensions have raised firms' uncertainty about some geographical markets; in response, firms may announce their disengagement from these markets. Such announcements may lower the firm's future revenue and thus elicit negative reactions from shareholders. The authors theorize managers can frame announcements to impress shareholders and suppress their punitive reactions. Specifically, in the context of firms' announcements of disengagement from Russia following its invasion of Ukraine, the authors show that an announcement's market emphasis (i.e., mentions of product-market activities and stakeholders) is positively related to the shareholders' reaction. Further, the announcement's social emphasis (i.e., mentions of employees, environment, and community) and a delay in announcing the disengagement weakens the market emphasis's positive association with shareholder reactions. This research highlights that linguistic framing in disengagement announcements can shape shareholders' reactions to such announcements.

Keywords: activism, sociopolitical issues, disengagement, exit, event study, stock return, Ukraine, Russia, impression management, linguistic framing

INTRODUCTION

Conflicts among countries and regions have made some geographical markets uncertain for business (Caldara and Iacoviello 2022; Ganesan and Mallapragada 2024; Kovalenko, Rangaswamy, and Sorescu 2023; Luo 2024). Examples include the anti-apartheid activism in South Africa (1984–1990), the U.S. designation of some countries as “State Sponsors of Terrorism” (2003 onward), the wars between Israel and Hamas/Hezbollah (2023–2024) and between Russia and Ukraine (2022–2024), the tensions among countries in South and East Asia (1950s onward), the conflicts in the Middle East (1980s onward), and the polarization and discontentment in South America (1960s onward). In response to the rising geopolitical uncertainty, some firms have announced their *disengagement*, defined as a corporate decision to exit a geopolitically uncertain market (Bamiatzi et al. 2024; Hart, Thesmar, and Zingales 2024; Tsoungkou et al. 2024). For example, many firms have withdrawn from (1) South Africa during apartheid (Rotberg 1987), (2) Russia after it invaded Ukraine (Ganesan and Mallapragada 2024), and (3) Israel after the outbreak of the Israel–Hamas war (Wrobel 2023). Such disengagement

spans a continuum, from canceling future investments and scaling down existing operations to selling all assets (Luo 2024; Sethuram and Gaur 2024).

On the one hand, a firm's disengagement announcement signals a drop in its future sales revenue and—by extension—shareholders' wealth and therefore, shareholders may react punitively (e.g., Meznar, Nigh, and Kwok 1994; Wright and Ferris 1997). On the other hand, disengagement announcement allows the firm to save the resources required to manage the issue (Posnikoff 1997) and become attractive to government customers and socially conscious investors (Meznar, Nigh, and Kwok 1994), eliciting a positive shareholder reaction (e.g., Kiesel and Kolaric 2023; Posnikoff 1997). Of course, the competing explanations may cancel out, yielding an insignificant effect (e.g., McWilliams and Siegel 1997). We reason that, on average, shareholders will perceive the disengagement costs to outweigh disengagement benefits and thus react punitively (Meznar, Nigh, and Kwok 1994). We take this average effect as our starting point and ask: *How can a firm's managers suppress shareholders' punitive reaction to the firm's disengagement from a geopolitically uncertain market?* Answering this question is important because a firm's value to shareholders is its *raison d'être* (Rhee 2017). Further, as our literature review documents (see a subsequent section and Table WA1), academics and practitioners know little about how managers can mitigate shareholder penalties.

We propose that a disengagement announcing firm can use *linguistic framing* to manage its announcement's impressions on shareholders (Augusta and DeAngelis 2020; Chen and Hwang 2022; Fiss and Zajac 2006; Guo, Sengul, and Yu 2021; Rhee and Fiss 2014). Simply stated, a firm can mention its product-market activities and stakeholders (i.e., customers, suppliers, and rivals) in the announcement content. We use the term "market emphasis"¹ for such

¹ Like the word "market" in market orientation and market-based assets, "market" in "market emphasis" refers to product-market, not labor/financial markets.

mentions. Alternatively, or in combination, it can mention its societal activities and stakeholders (i.e., employees, environment, and community) in the announcement text. We use the term “social emphasis” for such mentions. Formally, a disengagement announcement’s *market emphasis*² (*social emphasis*³) is the firm’s emphasis on its product-market (societal) activities and stakeholders. Announcements with market emphasis may highlight the difficulty of obtaining supplies (e.g., Merck), packaging (e.g., PPG), customer service (e.g., Hapag Lloyd), product development (PepsiCo), logistics (e.g., Mitsubishi Electric), and distribution (e.g., Twin Disc) (see Web Appendix WG for example announcements). In contrast, announcements with social emphasis highlight the firm’s societal activities and stakeholders, such as aiding employees and their families (e.g., Konica Minolta Group), condemning the environmental impact of the war (e.g., Kinross), and promoting a safe and secure society (e.g., Yokohama Rubber).

We expect a disengagement announcement’s market emphasis (social emphasis) to be associated positively (negatively) with the shareholders’ reactions. In addition, emphasizing social emphasis simultaneously with market emphasis can send an unclear message to shareholders, causing them to be concerned about managers’ true motives behind the disengagement. Therefore, the announcement’s social emphasis can weaken the positive association between the announcement’s market emphasis and shareholder reactions. Lastly, we anticipate that the greater the delay in announcing disengagement, the weaker the positive

² Two reasons drive our use of the word “emphasis” instead of orientation. First, our conceptualization and, by extension, measurement of market emphasis includes Narver and Slater’s (1990) dimensions of customer orientation and competitor orientation. We also include supplier orientation (Gligor, Kashmiri, and Golgeci 2024; Noble, Sinha, and Kumar 2002) and thus cover the firm’s views on all three product-market stakeholders. Thus, our conceptualization and measure differ slightly from market orientation’s. Second, market orientation is one of a firm’s multiple strategic orientations. We measure emphasis at announcement, not firm level, and thus chose “emphasis” to avoid confusing our readers.

³ Social emphasis is distinct from corporate social responsibility (CSR) (Fritz 1996; Gabler, Lander, and Richey 2021). Social emphasis involves the firm mentioning its societal activities and stakeholders in public disclosure. However, CSR integrates social, environmental, and ethical considerations into its operations and stakeholder interactions. We thank a *JM* reviewer for articulating this distinction.

relation between market emphasis and shareholder reactions. In contrast, the delay will attenuate the negative relation between social emphasis and shareholder reactions.

We use the context of Russia's invasion of Ukraine on February 24, 2022. We sample disengagement announcements from 487 public firms whose stocks are traded in (1) the United States or (2) one of the 24 other countries. Next, we use the event study method, which allows us to measure each stock's cumulative abnormal return (CAR) to the announcement. This return's mean and median values are -1.07% and $-.70\%$ (in the $[-3,3]$ event window), amounting to a loss of about US\$281 million and US\$91 million for the average and median firms in our sample, respectively. The finding thus supports the intuition that, on average, shareholder reaction is punitive.

Next, we test our hypotheses by estimating a cross-sectional regression. Our sample includes 224 public firms that had product-market exposure to Russia but did *not* announce their disengagement. We include these firms in the Heckman first-stage selection regression to control for the potential bias caused by the nonrandom/strategic characteristic of the announcement. Estimates from the second-stage regression suggest that a disengagement announcement's market emphasis is positively associated with shareholder reactions. However, the announcement's social emphasis is unassociated with shareholder reactions. Moderation tests report that the announcement's social emphasis and a delay in announcing disengagement weaken the market emphasis's positive main effect on shareholder reactions. Our regression results are robust to (1) three alternate windows for CAR, (2) Skiera, Bayer, and Schöler's (2017) alternate measure of shareholder reaction, and (3) two alternative methods for correcting potential self-selection bias.

We contribute by theorizing and empirically demonstrating that managers can use linguistic frames to shape shareholders' impressions of the firm's announcement of disengagement from an uncertain market (Fiss and Zajac 2006; Guo, Sengul, and Yu 2021; Rhee and Fiss 2014). More concretely, the firm can use market emphasis (Narver and Slater 1990; Noble, Sinha, and Kumar 2002; Saboo and Grewal 2013), social emphasis (Fritz 1996; Gabler, Lander, and Richey 2021), or both when announcing its disengagement from geopolitically uncertain markets. Such emphases—individually and when combined with a delay in announcing the disengagement—can exert differential influences on shareholders' short-term reactions to disengagement announcements. Therefore, our research positions market and social emphases as linguistic frames, extending prior research's focus on the performance implications of these emphases (e.g., Narver, Slater, and MacLachlan 2004; Saboo and Grewal 2013).

Additionally, we extend the nascent evidence on firm disengagement from a geopolitically uncertain market (Luo 2024; Sethuram and Gaur 2024). The prior empirical evidence on shareholder reactions to disengagement announcements is marginal (Sethuram and Gaur 2024) and mixed (e.g., Posnikoff 1997; McWilliams and Siegel 1997; Wright and Ferris 1997). We show that shareholder reactions vary by how the firm linguistically frames the announcement (Rhee and Fiss 2014). Managers can use this evidence to frame the announcements and moderate shareholder reactions strategically.

SHAREHOLDER REACTIONS TO CORPORATE ANNOUNCEMENTS OF DISENGAGEMENT FROM A GEOPOLITICALLY UNCERTAIN MARKET

The literature has considered three events that raised a geographical market's uncertainty triggered by geopolitics, thus leading to corporate disengagement from those markets. These events include (1) U.S. firms' exit from South Africa to help expedite the end of apartheid, (2) U.S. firms' departure from countries that the U.S. Department of State classified as sponsors of

terrorism, and (3) firms' disengagement from Russia to signal their disapproval of Russia's invasion of Ukraine.

The three events represent country-level markets beset with geopolitical uncertainty. However, they are dissimilar in two ways. First, the events differ in whether the uncertainty is the outcome of a predominantly social issue (e.g., apartheid in South Africa) or a government action (e.g., Russia's invasion of Ukraine, the U.S. federal government's list of state sponsors of terrorism). Second, the corporate response could be driven by callouts from stakeholders (e.g., shareholder divestment) or managerial conscience (Ganesan and Mallapragada 2024; Kovalenko, Rangaswamy, and Sorescu 2023). Next, we summarize the empirical evidence on these three events.

Corporate Disengagement from South Africa

The first event characterizes the pressure on U.S. firms during the 1980s to help end apartheid in South Africa. Although U.S. firms and their stakeholder groups agreed that apartheid should end—like the broader disapproval of Russia's invasion of Ukraine—C-level officers and directors were divided on how corporate disengagement from South Africa could help expedite apartheid's demise (Meznar, Nigh, and Kwok 1994). Despite the lack of clarity, hundreds of U.S. firms disengaged from South Africa.

On the one hand, disengagement hurt a firm's sales and prevented it from salvaging its assets (Meznar, Nigh, and Kwok 1994). Therefore, the intuitive hypothesis is that shareholders reacted negatively. On the other hand, once the firm announced its disengagement, protestors removed it from their "hit lists," allowing the firm to save the resources it expended to manage the issue (Posnikoff 1997). Additionally, the firm became attractive to government customers and socially conscious investors (Meznar, Nigh, and Kwok 1994). In such cases, the benefits

outweighed the costs, and shareholders rewarded the firm (Meznar, Nigh, and Kwok 1994). Consistent with the two-sided arguments, the empirical evidence is split, with some studies reporting a negative average reaction (Meznar, Nigh, and Kwok 1994; Wright and Ferris 1997), others positive (Posnikoff 1997), and still others documenting no reaction (McWilliams and Siegel 1997). This conflicting evidence led Meznar, Nigh, and Kwok (1998, p. 729) to conclude that “the question of the impact of announcements of withdrawal from South Africa on shareholder wealth has not been entirely resolved.” The mixed evidence thus falls short of guiding managers on whether they should exit a geopolitically uncertain market.

Corporate Disengagement from Designated “State Sponsors of Terrorism”

The second shock relates to the U.S. Department of State designating some countries as “State Sponsors of Terrorism”.⁴ Currently, four countries have this designation: Cuba, North Korea, Iran, and Syria. Countries formerly on this list include Iraq, Libya, South Yemen, and Sudan. This designation represents the broader phenomenon of governmental resolutions restricting trade with countries that violate international standards. U.S. firms operating in countries that received this designation came under stakeholder pressure to exit these countries (Ganesan and Mallapragada 2024). For example, U.S. state pension funds and university endowment funds—two important institutional shareholders—started divesting from firms operating in designated countries. Such divestment was a tactic to influence these countries’ attitudes toward their violation of international norms (Connelly et al. 2010). In response to such pressures, several U.S. firms exited the designated countries. Interestingly, these firms received a reward from their shareholders in the short term (Breuer, Felde, and Steininger 2017); however, firms that chose to stay received abnormally positive stock returns in the long term (Breuer,

⁴ <https://www.state.gov/state-sponsors-of-terrorism/>

Felde, and Steininger 2017). The theoretical insight is that shareholder reactions may not be consistent over time (Guo and Yu 2024).

Corporate Disengagement from Russia

The third shock is Russia's invasion of Ukraine on February 24, 2022. Table WA1 in Web Appendix A summarizes the empirical evidence on shareholder reactions to firm announcements of disengagement from Russia. Like the evidence on firm withdrawal from South Africa, the evidence on disengagement from Russia is split.

Choy, Lai, and Wan (2023), Glamboosky and Peterburgsky (2022), and Kovalenko, Rangaswamy, and Sorescu (2023) have reported that shareholders punish firms that *leave* Russia. In contrast, Kiesel and Kolaric (2023) found that firms that announced their exit experienced positive reactions, whereas firms that chose to stay received no impact. Interestingly, Tosun and Eshraghi (2022) found that shareholders penalize firms that *stay* in Russia. Balyuk and Fedyk (2023) have found that U.S. firms' exit announcements elicit an insignificant reaction from their shareholders. We attribute the divergent evidence to the authors' (1) theoretical reasoning, (2) events of interest, and (3) methodological focus.

First, prior research has suggested distinct theoretical explanations for shareholders' reactions to disengagement announcements. On the one hand, disengagement from a geopolitically uncertain market signals a loss of future revenue and, by extension, a loss of shareholder value (e.g., Wright and Ferris 1997), eliciting shareholder penalty. On the other hand, announcing disengagement from uncertain markets will lower the odds that protestors will publicly denounce and boycott the firm, thus enabling the firm to save resources that would have been expended to manage the issue. Additionally, the firm may become attractive to government customers and socially conscious investors (Posnikoff 1997). Of course, the two opposite

theoretical perspectives may cancel each other out, leading to insignificant shareholder reactions (McWilliams and Siegel 1997).

Second, some authors' event of interest is the onset of the war, not a firm's disengagement announcement. Consequently, these authors have measured the impact of the event on the stock market-level returns rather than firm-specific returns (Boungou and Yatié 2022; Diaconășu, Mehdian, and Stoica 2023).

Third, prior studies also vary in methodological choices. Some (e.g., Tosun and Eshraghi 2022) have not conducted an event study or estimated a cross-sectional regression to explore heterogeneity in firm-specific returns (e.g., French, Gurdgiev, and Shin 2023; Pajuste and Toniolo 2022; Sonnenfeld et al. 2022). Others have checked neither sample-selection bias nor confounded announcements (e.g., Balyuk and Fedyk 2023; Basnet, Blomkvist, and Galariotis 2022; Berninger, Kiesel, and Kolaric 2022). Among the studies that have explored heterogeneity in firm-specific returns, some have used longer event windows with few covariates (Berninger, Kiesel, and Kolaric 2022; Huang, Ryan, Wang, and Zhang 2024). The set of commonly explored heterogeneity-explaining covariates includes the level of disengagement (Basnet, Blomkvist, and Galariotis 2022; Kovalenko, Rangaswamy, and Sorescu 2023), corporate social responsibility (CSR) performance scores (Basnet, Blomkvist, and Galariotis 2022; Choy, Lai, and Wan 2023), delay in disengagement announcement (Balyuk and Fedyk 2023; Kovalenko, Rangaswamy, and Sorescu 2023), the country or industry of sampled firms (Basnet, Blomkvist, and Galariotis 2022; Berninger, Kiesel, and Kolaric 2022; Huang, Ryan, Wang, and Zhang 2024), and the firm's stock returns when Russia invaded Ukraine (Kiesel and Kolaric 2023; Kovalenko, Rangaswamy, and Sorescu 2023). We control for these and other relevant variables and thus

attempt to reconcile the divergent evidence while focusing on the impression management tactics that a firm can use to mitigate shareholder penalty.

Summary

Three points summarize the prior literature on these three shocks to the geopolitical certainty of a market. First, the dominant evidence from this literature is that shareholders react punitively to disengagement announcements. Therefore, we expect corporate announcements of disengagement from Russia to elicit—on average—a negative reaction from shareholders because the disengagement can harm a firm’s short-term revenue and shareholders’ wealth. Second, shareholder reactions change over time. They may react punitively in the short term but become accommodating in the longer term. Third, the literature lacks evidence of how managers can mitigate shareholders’ punitive reactions. Consequently, using as context firms’ disengagement from Russia, we theorize how the linguistic framing of disengagement announcements can shape the shareholders’ punitive reactions.

HYPOTHESES

Shareholders lack information about firms (Connelly et al. 2011; Guo and Yu 2024). Therefore, they must make investment decisions based on “surrogate indicators of quality as effective sources of information cues” (Sanders and Boivie 2004, p. 169; see also Qian et al. 2021; Schijven and Hitt 2012). One such cue is managers’ linguistic *framing*⁵ of an announcement (Fiss and Zajac 2006; Guo, Sengul, and Yu 2021; Pan et al. 2018; Rhee and Fiss 2014). Research has shown that linguistic framing in public communication can shape shareholders’ impressions of a firm (Bolino et al. 2016; Chen and Hwang 2021; Guo and Yu 2024).

⁵ Frames are “schemata of interpretation that guide attention by selecting and highlighting some aspects of an event to make them more salient” (Rhee and Fiss 2014, p. 1737).

Market Emphasis and Social Emphasis as Linguistic Frames

A firm can frame its announcement from two vantage points, emphasizing (1) its product-market activities and stakeholders or (2) societal activities and stakeholders.

First, several countries in the West imposed sanctions on Russia in response to its invasion of Ukraine (Maloney and Gryta 2022). For example, Western governments removed Russian banks from the SWIFT system facilitating international payments (SWIFT 2022). Russian aircraft and ships were banned from U.S. ports (Shepardson 2022) and most European airspace (Partridge 2022). Some governments even imposed surcharges on firms that earned revenues from Russia (Temnycky 2022). These governmental sanctions imply that firms have trouble sourcing supplies, making payments, and distributing their offerings in Russia (Gershkovich, Boston, and Kantchev 2022; Stiff 2023). Relatedly, staying in Russia may be fraught with political uncertainty. A firm's disengagement announcement can emphasize the difficulty of conducting business in Russia. For example, AAK AB stated, "It has become very difficult to secure compliance to sanctions related to logistics and trade flows as well as third parties" (AAK 2022, p. 1). Relatedly, the firm can mention consumer backlash in its announcements. For example, U.S. consumers were less willing to buy French-sounding products when the relationship between the U.S. and France deteriorated in 2003 (Pandya and Venkatesan 2016) (see Web Appendix WG for concrete examples). We use the term *market emphasis* for disengagement announcements' mentions of product-market stakeholders (specifically, customers, suppliers, and rivals) and activities (e.g., sourcing supplies and distributing products).

Second, some firm announcements mention societal activities and stakeholders. Specifically, firms may reference the problems their employees and families face due to geopolitical conflicts, condemn the environmental impact of the war, and emphasize their efforts

to provide safety and security to the community. These firms believe disengaging from Russia is a social imperative even though their Russian markets may not have been directly disrupted. For example, in its disengagement announcement, McDonald's Corporation reasoned that "continued ownership of the business in Russia is no longer tenable, nor is it consistent with McDonald's values" (McDonald's Corporation 2022, p. 1) (see Web Appendix WG). We use *social emphasis* to refer to disengagement announcements' mentions of societal stakeholders (specifically, employees, environment, and community) and activities (e.g., promoting employee welfare and community safety).

A firm's product-market activities and stakeholders directly impact its financial performance. Therefore, we contend that the more the announcement mentions product-market activities and stakeholders, the stronger the shareholders' interpretations that the firm is disengaging to minimize potential negative implications for its shareholders' wealth (Bhagwat et al. 2020; DesJardine, Zhang, and Shi 2023). More concretely, the announcement's market emphasis may lead shareholders to infer or assume that the managers have analyzed the costs and benefits of continuing (vs. discontinuing) operations in Russia and concluded that discontinuing is an economically wiser decision, helping the firm avoid future losses. A disengagement announcement with market emphasis will lower the firm's costs of managing the issue, particularly activists' threats of boycotting the firm (Hydock, Paharia, and Weber 2019). As a result, the announcement's market emphasis would be positively associated with shareholder reactions.

A firm's societal activities and stakeholders do *not* directly influence its financial performance (Hydock, Paharia, and Weber 2019). Therefore, the greater the announcement's social emphasis, the stronger the shareholders' interpretation that the managerial decision was

triggered by nonmarket reasons instead of preventing immediate financial losses (Bhagwat et al. 2020; Ganesan and Mallapragada 2024). Thus, a disengagement announcement's social emphasis will be negatively associated with shareholder reactions to the announcement. However, we acknowledge a competing perspective: A firm's customers and employees may interpret its disengagement announcement as a sacrifice, which is a testament to its values. As a result, shareholders may believe that the announcement's social emphasis may improve the firm's outcomes in product and labor markets (Ganesan and Mallapragada 2024; Tsoungkou et al. 2024). In addition, social emphasis can help a firm avoid a public relations crisis (Ganesan and Mallapragada 2024) and strengthen its long-term competitiveness (Vishwanathan et al. 2020). These explanations suggest that the announcement's social emphasis may not necessarily elicit shareholders' punitive reactions. However, research has shown that these gains are uncertain and polarizing (Hydock, Paharia, and Weber 2019; Mukherjee and Althuisen 2020; Weber et al. 2023). Therefore, shareholders will likely interpret social emphasis' costs to outweigh its benefits (Meznar, Nigh, and Kwok 1994), leading to a negative association between social emphasis in disengagement announcements and shareholder reactions.

*H₁: The **market emphasis** in a firm's announcement of disengagement from a geopolitically uncertain market is **positively** associated with the firm's shareholders' reaction to the announcement.*

*H₂: The **social emphasis** in a firm's announcement of disengagement from a geopolitically uncertain market is **negatively** associated with the firm's shareholders' reaction to the announcement.*

Social Emphasis Weakens Market Emphasis' Positive Association with Shareholder Reactions

A disengagement announcement's social emphasis could bolster consumers' and employees' perceptions of the firm (Ganesan and Mallapragada 2024). Thus, high social emphasis may lend a "halo" to an announcement characterized by high market emphasis, leading

shareholders to interpret the announcement as rationally holistic. This logic suggests that social emphasis may strengthen market emphasis' positive effect on shareholders' punitive reaction to disengagement announcements. Alternatively stated, social emphasis may generate a negative effect unless paired with market emphasis (Bhagwat et al. 2021).

However, we argue that a disengagement announcement's social emphasis can *weaken* the positive association between the announcement's market emphasis and shareholders' punitive reaction to it. Accounting research has shown that shareholders respond negatively to linguistically complex disclosures (e.g., Bushee and Huang 2024), particularly when the information relates to uncertainty (e.g., You and Zhang 2009). The evidence suggests that shareholders are likely to interpret a disengagement announcement's *dual* emphasis as obfuscation rather than as complementary information (Bushee and Huang 2024). Consider disengagement announcement A, which unambiguously mentions the firm's product-market activities and stakeholders. Now, juxtapose announcement A with its counterpart B, where the firm mentions product-market *and* societal activities and stakeholders. We reason that shareholders will find announcement A more informative and less complex than announcement B (Miller 2010). Thus, the complexity of a dual emphasis announcement can lead to a stronger punitive reaction. These reasons lead us to predict:

H₃: A firm's social emphasis in its announcement of disengagement from a geopolitically uncertain market weakens the positive association between the announcement's emphasis and shareholders' reaction to the announcement.

Delay's Weakening of Market Emphasis' Positive Association with Shareholder Reactions

Firms differ in terms of not only *how* they frame their disengagement in announcements but also *when* to announce the disengagement. For example, on February 25, 2022, TSMC—the world's largest semiconductor manufacturer—led the global computer chip industry by announcing halting its sales to Russia. Similarly, on February 28, 2022, Swedish automaker

Volvo Cars announced the suspension of its car shipments to the Russian market, thus becoming the first international carmaker to announce disengagement from Russia (Reuters 2022a). Other firms announced their disengagement when the costs of conducting business with Russia grew. For instance, Dell waited until August 27, 2022, to announce that it had closed all its Russian operations (Reuters 2022b), and Kia Corporation announced on October 25, 2022, that it was considering winding down its exposure in Russia (Automotive News 2022). Next, we explore how the delay in announcing disengagement moderates the main effects of the linguistic frames of market emphasis and social emphasis.

As reasoned in H₁, a high level of market emphasis can suppress shareholders' punitive reactions. A delayed announcement with high market emphasis may indicate that managers have taken the time to carefully prepare for the exit (Basnet, Blomkvist, and Galariotis 2022; Glamboosky and Peterburgsky 2022; Woolridge and Snow 1990). However, a delay could indicate that managers were ill-prepared to manage the event and waited to assess its product-market consequences. Therefore, shareholders may react punitively toward a reactive (vs. proactive) disengagement announcement characterized by high market emphasis. For instance, Kia Corporation announced disengagement *after* its suppliers or customers exited the market (Automotive News 2022). Thus, although Kia exhibited high market emphasis in its disengagement announcement, the associated delay suggested that the firm did not actively pursue safeguarding shareholders' interests and was instead forced out of the market (Dalton et al. 2007; Jensen and Meckling 1976). In contrast, if a firm announces disengagement early and the announcement emphasizes the product market, shareholders may perceive that the firm has proactively undertaken actions to protect the former's interests.

*H4: A firm's **delay** in announcing disengagement from a geopolitically uncertain market weakens the **positive association** between the announcement's **market emphasis** and shareholders' reaction to the announcement.*

Delay's Strengthening of Social Emphasis' Negative Association with Shareholder Reactions

H₂ suggests that a disengagement announcement's social emphasis is negatively associated with shareholders' reactions. Next, we reason why a delayed announcement with social emphasis is worse for the firm than its early counterpart—a hypothesis consistent with the preceding discussion on a delayed announcement with market emphasis performing worse than its early counterpart.

As time passes and geopolitical conflict takes a greater toll on local communities, the firm faces greater social and political pressure to disengage as a geopolitical conflict persists (Posnikoff 1997). This pressure may come from customers, suppliers, employees, and communities (Ganesan and Mallapragada 2024; Pajuste and Toniolo 2022). Specifically, these stakeholders could perceive a delayed announcement but with social emphasis as reactive and inauthentic rather than proactive and responsible (Ganesan and Mallapragada 2024). Under such a scenario, if firms exhibit strong social emphasis in their disengagement announcements, stakeholders may perceive that the firm is forced to disengage, and they may not believe that the social emphasis is authentic. Relatedly, the longer the firm takes to make a disengagement announcement with social emphasis, the weaker its anticipated rewards from these stakeholders. Thus, the firm's shareholders are less likely to consider these potential rewards when reacting to a late (vs. early) disengagement announcements with strong social emphasis.

*H5: A firm's **delay** in announcing disengagement from a geopolitically uncertain market strengthens the **negative association** between the announcement's **social emphasis** and shareholders' reaction to the announcement.*

METHOD

Sample Construction

We obtained our list of firms and their disengagement announcements (if made) from three sources: (1) The Chief Executive Leadership Institute at the Yale School of Management (hereafter, the Yale Institute, for brevity), (2) Kyiv School of Economics (KSE) Institute, and (3) The Good Lobby's and the Progressive Shopper's Ukraine Corporate Index (hereafter, The Good Lobby, for brevity).⁶ We obtained the list on August 8, 2023, thus considering about 17 months following Russia's invasion. We aim to measure stock returns to disengagement announcements by firms whose common stock is traded on a major U.S. or non-U.S. stock exchange. Because the Yale Institute and the KSE Institute provide a list of firms that did *not* disengage, we used these firms for the Heckman selection model. Next, we followed five steps to select our "announcement sample." The above three sources provided us with a population of 1,980 announcements. First, we excluded announcements from sports and nonprofit organizations, such as Fédération Internationale de Football Association (FIFA). This step led us to 1,894 announcements.

Second, we searched for the names of the remaining firms on Compustat and Yahoo! Finance to determine whether the firm was publicly traded. Of the 1,894 announcements, 1,003 were made by private firms (i.e., either the stock was not publicly traded in any country, or the stock prices were not available at the time of announcement), and we thus excluded these announcements from our sample. This procedure led to 891 announcements by 813 firms. Seventy-eight firms made between one and six announcements about their subsidiaries' disengagement on the same date or very close dates. We kept the first announcement from such

⁶ <https://airtable.com/shr9NqGkVIMjSqOZM/tbldUvNp7cLAmH8Lh>, <https://leave-russia.org>, and <https://www.thegoodlobby.eu/ukraine-corporate-index/>, respectively.

firms—that is, we excluded their announcements after the first. This exclusion led to 813 announcements by 813 firms—that is, one announcement per firm.

Third, the data file from the Yale Institute listed the dates of most (but not all) announcements. We supplemented the Institute’s effort by reading the press releases and newsroom section on the website of each of the 813 firms. We also searched the Nexis Uni (formerly, LexisNexis® Academic) database and popular news sources, such as the *Wall Street Journal*, *New York Times*, *Reuters*, and *Bloomberg*. At the end of this step, we had the exact date for each of the 813 announcements. Of these 813 announcements, 298 were made by 298 U.S. firms listed on either Nasdaq or the New York Stock Exchange (NYSE), and 515 announcements were made by 515 firms listed on stock exchanges across 45 countries in Europe, Asia, Africa, Oceania, South America, and North America (excluding the United States).

Fourth, following prior research (Boyd, Chandy, and Cunha 2010; Warren and Sorescu 2017), for each announcement, we checked for the presence of any confounding news specific to the focal firm five days before and five days after the focal disengagement announcement. We considered confounding news of CEO appointments, earnings conference calls, and new product announcements. Of the 813 announcements, 141 were confounded—that is, they had at least one confounding firm-level news in the $[-5,5]$ window centered on the date of the focal disengagement announcement—leaving us with a sample of 672 announcements. We report robustness to including confounded announcements—that is, a sample of 813 announcements.

Fifth, for each of the 672 firms, we checked Compustat North America and Compustat Global on whether the database reports data on the announcing firm’s main and control variables for the year 2021 and/or 2022 (e.g., current assets, book value of equity, and sales). 185 firms did not have the data for these variables. This procedure resulted in 487 announcements by 487

firms, 208 of them traded on either the New York Stock Exchange or Nasdaq, and 279 public firms traded on stock exchanges in 24 countries (Table WB1 lists the names of countries in our sample). We report robustness to the inclusion of the 185 announcements. The 487 public firms in our sample operate in 53 industries based on their two-digit standard industrial classification (SIC) codes. The industries with a substantial number of firms in our sample are Business Services (73), Industrial and Commercial Machinery and Computer Equipment (35), Chemical and Allied Products (28), and Electronic and Other Electrical Equipment and Components (36), with 66, 52, 46, and 35 announcements, respectively (Table WB2 lists the names of industries and the number of firms in each industry in our sample). Table 1 reports the measure and source for each variable in our specification.

Table 1: Variable Key

Note: We list our variables in the following order: (1) the two outcome variables that measure shareholders' reaction to the announcement in the short-term of [-3,3] (daily) and the longer-term of [0,12] (monthly) event windows, (2) explanatory variables and moderator, (3) announcement-specific control variables, (4) announcing firm-specific control variables, (5) control variables specific to the announcing firm's country of headquarters or stock exchange, and (6) the one excluded variable in our first-stage Heckman selection regression. Zero in the short-term window refers to the date of announcement, whereas zero in the longer-term window refers to the month of announcement. Asterisk suffixed to names of financial ratio variables indicates winsorization at the 1st and 99th percentiles.

Variable	Measure and Data source	Logic and Reference research
<i>Outcome variables</i>		
Shareholders' short-term reaction	<p>The sum of abnormal stock returns to the stock of disengagement-announcing firms on each of the seven days in the event window of [-3,3]</p> <p>Source: CRSP, Compustat Global, Bloomberg (MSCI Country Indices)</p> <p>Method: Event study</p>	CAR captures shareholders' short-term reaction to the news that may materially affect the firm (Wiles et al. 2010).
Shareholders' long-term reaction	<p>The abnormal returns on the portfolio of disengagement-announcing firms during the 13-month event window of [0,12]</p> <p>Source: CRSP, Compustat Global, Bloomberg (MSCI Country Indices)</p> <p>Method: Calendar-time portfolio</p>	<p>Calendar-time portfolio (CTP) return captures the long-term impact on the equity value of (a portfolio of) firms that decided to disengage with Russia.</p> <p>Feng, Morgan, and Rego (2017); Fotheringham and Wiles (2022); Homburg, Theel, and Hohenberg (2020); Kovalenko, Sorescu, and Houston (2022)</p>
<i>Three explanatory variables (i.e., variables of theoretical interest)</i>		
Market emphasis (in the announcement)	<p>We count the terms shared in the focal announcement and the product-market dictionary. Next, we divide this number by the number of terms in the announcement text. <i>Term</i> in the product-market dictionary refers to n-grams and, thus, includes unigrams, bigrams, and so on.</p> <p>See Web Appendix G (Table WG1) for examples of disengagement announcements with low and high market and social emphasis values.</p> <p>Sources for the dictionary of terms related to product-market activities (e.g., buying, selling) and stakeholders (i.e., customers, suppliers, and rivals): Armstrong et al. (2017); Bhandari et al. (2020); Bhattacharya, Misra, and Sardashti (2019); Feng, Patel, and Xiang (2020); Homburg, Theel, and Hohenberg (2020); Jedidi et al. (2021); Kashmiri, Nicol, and Arora (2017); Key and Keel (2020); Noble, Sinha, and Kumar (2002); Pride et al. (2017); Reed (2014); Saboo, Chakravarty, and Grewal (2016); Srivastava, Kashmiri, and Mahajan (2023); Wang, Gupta, and Grewal (2017); Zachary et al. (2011)</p>	<p>A firm's disengagement announcement's market emphasis is the firm's emphasis on its product-market activities and stakeholders. Announcements with market emphasis may highlight the difficulty of obtaining supplies (e.g., Merck), packaging (e.g., PPG), customer service (e.g., Hapag Lloyd), product development (PepsiCo), logistics (e.g., Mitsubishi Electric), and distribution (e.g., Twin Disc) (see Web Appendix WG for example announcements).</p>

Social emphasis (in the announcement)	<p>We count the terms shared in the focal announcement and the social emphasis dictionary. Next, we divide this number by the number of terms in the announcement text. <i>Term</i> in the social emphasis dictionary refers to n-grams and, thus, includes unigrams, bigrams, and so on.</p> <p>See Web Appendix G (Table WG1) for examples of disengagement announcements with low and high market and social emphasis values.</p> <p>Sources for the dictionary of terms related to a firm’s societal activities (e.g., aiding employee well-being, promoting a safe and secure community) and stakeholders (i.e., employees, environment, and community): Olsen et al. (2016); Pencle and Mălăescu (2016)</p>	<p>A firm’s disengagement announcement’s social emphasis is the firm’s emphasis on its societal activities and stakeholders. Announcements with social emphasis highlight the firm’s societal activities and stakeholders, such as aiding employees and their families (e.g., Konica Minolta Group), condemning the environmental impact of the war (e.g., Kinross), and promoting a safe and secure society (e.g., Yokohama Rubber).</p>
Moderator		
Delay (in announcing the disengagement)	<p>The natural logarithm of 1 + the number of days between February 24, 2022, and the date when the focal announcement was made.</p> <p>See Web Appendix G (Table WG2) for examples of disengagement announcements with short and long delays.</p> <p>Source: Nexis Uni, other news sources, and press releases</p>	<p>Later (vs. early) announcements may suggest that the firm has understood the benefits and costs of disengagement and crafted a well-thought-out disengagement plan minimizing the potential damage. Thus, we expect the delay to impact the shareholders’ reaction to the disengagement announcement <i>positively</i>.</p>
Four announcement-specific controls		
Strength of disengagement	<p>Five levels: Digging in (Group 0), Buying time (Group 1), Scaling back (Group 2), Suspension (Group 3), and Withdrawal (Group 4)</p> <p>In the Heckman selection regression, “Digging in” is our proxy for the firm choosing not to disengage, whereas the other four levels indicate disengagement. In the second-stage regression, “Buying time” (i.e., the weakest level of disengagement) serves as our base level.</p> <p>Sources: Yale Institute, KSE Institute, The Good Lobby, and Progressive Shopper</p>	<p>The shareholder’s reactions to disengagement become more negative when firms choose a stronger level of disengagement.</p>
Announcement sentiment	<p>The number of positive terms in the announcement text minus the number of negative terms, divided by the total number of terms in the announcement text.</p> <p>Sources of dictionaries: Abrahamson and Park (1994); Henry (2008); Loughran and McDonald (2011)</p> <p>Software program: https://www.knime.com/ (Chung and Low 2022)</p>	<p>The shareholder’s reactions to disengagement become less negative when the announcement’s sentiment (net positivity) increases.</p>
Upstream	<p>We count the times the terms supply, vendor, parts, components, production, manufacturing, investment, divestment, and project appear in the focal</p>	<p>We conjecture that shareholders may react differently if the firm’s disengagement concerns its upstream (i.e., not customer-facing) activities.</p>

announcement. Then, we divide this number by the total number of terms in the announcement text. Finally, we multiply this number by one hundred.

We count the number of times the terms licensing, distribution, logistics, shipment, franchise, (alliance or business) partner, store, export, sale, selling, and (close) office appear in the focal announcement. Then, we divide this number by the total number of terms in the announcement text. Finally, we multiply this number by one hundred.

We conjecture that shareholders may react differently if the firm's disengagement concerns its downstream (i.e., customer-facing) activities.

13 Firm-specific controls (in the year before the disengagement announcement)

CSP rating	The focal firm's social responsibility performance (CSP) rating in the year before the announcement (2021 or 2022). Source: Refinitiv ESG	The announcing firm's prior CSP rating sets shareholders' expectations that the firm may make decisions based on stakeholders' concerns and not necessarily shareholders' interests. Such expectations may be positively associated with their reaction.
#Public statements on invasion	The number of public statements the firm made on the war before its disengagement announcement. Source: KSE Institute, firm's websites	The higher the firm's number of statements on war, the lower the surprise in the firm's subsequent disengagement announcements and, thus, the less negative the shareholder reaction.
Firm-specific risk environment	Natural logarithm of 1 + the number of incidents that involved the focal firm and related to (1) supply chain and marketing risks, (2) abuse of human rights, and (3) violation of national legislation. Source: RepRisk	The riskier the firm's informational environment, the more likely the firm is to announce disengagement (for the first-stage Heckman regression). Also, we expect the risk level of the firm's information environment to negatively impact the shareholders' reaction (Wong and Zhang 2022).
Dependence on Russia	= 1 if the firm separately reported its revenue from the Russian market in its annual report in year $t - 1$ (where t is the year of announcement) or KSE Institute reported revenue from the Russian market for the firm, and 0 otherwise. Source: Mergent Online and KSE Institute	The more the firm's business depends on Russia, the more pressure it would receive to announce disengagement (for first-stage Heckman regression) (Basnet, Blomkvist, and Galariotis, 2022). Shareholders may react more harshly if the firm depends (vs. does not depend) upon Russia for sales revenue.
Profitability*	Ratio of net income (NI) to total assets (AT) Source: Compustat	Profit boosts the firm's slack to cope with revenue loss due to disengagement from Russian business operations. Therefore, we expect profitability to suppress shareholders' negative reactions (Fang, Palmatier, and Steenkamp 2008).
Firm size	The natural logarithm of the number of employees (EMP) Source: Compustat and Mergent	Larger firms are less impacted by disengagement from a geopolitically uncertain market (Rao, Chandy, and Prabhu 2008; Vadakkepatt, Shankar, and Varadarajan 2021). Therefore, we expect the firm's size to increase the odds that it will announce disengagement. Shareholders' reactions to disengagement become less negative as firm size increases.
Financial leverage*	Ratio of the firm's sum of long-term (DLTT) and short-term debt (DLC) to its market capitalization, where market capitalization is the product of stock price and the number of outstanding shares ($CSHO \times PRCC_C$) Source: Compustat	We expect a firm's financial leverage to boost its odds of disengagement (King, Loncan, and Khan 2021). Further, shareholders' reactions to disengagement become more negative as the firm's financial leverage increases (Homburg, Vollmayr, and Hahn 2014).

Sales growth*	The natural logarithm of the current year's sales (SALE) _t divided by the last year's sales (SALE) _{t-1} Source: Compustat (for U.S. firms) and Worldscope (for non-U.S. firms)	On average, shareholders' reactions to disengagement are less negative when firms have higher sales growth (Tuli, Bharadwaj, and Kohli 2010).
Manufacturing (vs. service)	= 1 if the firm operates in one of the two-digit SIC codes of 20-39, and 0 otherwise (service).	Manufacturing firms incur higher sunk costs than their service counterparts (Vadakkepatt, Shankar, and Varadarajan 2021) on announcing disengagement from Russia. Thus, shareholders' reaction to disengagement becomes more negative for manufacturing firms compared to service counterparts. Because the United States has led the state sanctions against Russia, we expect U.S. firms to be more likely to disengage than their non-U.S. counterparts.
USA	= 1 if the firm's common stock is traded on a U.S. exchange (specifically, NYSE or NASDAQ) and 0 otherwise.	Also, shareholders in U.S. firms react more unfavorably than those in non-U.S. firms to disengagement (Cheah, Chan, and Chieng 2007). Two competing logics guide whether shareholders will be more punitive toward a B2B or B2C firm.
B2B	= 1 if the firm operates in a business-to-business (B2B) industry (where we define industry by four-digit SIC codes) and 0 otherwise (Srinivasan, Lilien, and Sridhar 2011). Examples of B2B SIC codes: 2221 (broadwoven fabric mills), 2861 (gum and wood chemicals), 2754 (commercial printing, gravure), and 7311 (advertising agencies) Examples of B2C SIC codes: 2095 (roasted coffee), 2384 (robes and dressing gowns), 7011 (hotels and motels), and 7241 (barber shops)	On the one hand, because B2B (vs. B2C) firms have stronger and deeper ties with their suppliers and customers, they stand to lose more from their disengagement. Thus, we expect shareholders' reactions to disengagement to become more negative towards B2B firms compared to their B2C counterparts. On the other hand, some consumer sectors—e.g., those sensitive to the prices of agricultural products/commodities—are expected to be impacted more severely during the war (Yudaruddin et al. 2023). Thus, we expect shareholders' reactions to disengagement to become more negative for B2C firms than for B2B ones. We control for the invasion's initial impact on stock prices. At the onset of the invasion, the market may have penalized firms with greater exposure to the Russian market in the expectation of an eventual disengagement.
CAR to invasion _[-10,0]	The sum of abnormal stock returns to the firm on each of the eleven days in the [-10,0] window, ending with the date when Russia invaded Ukraine. Source: CRSP, Compustat Global, and Bloomberg (MSCI Country Indices) Method: Event study	On the one hand, the initial reaction may alleviate the negative abnormal return to the disengagement decision. On the other hand, disengagement by such firms may still be punished more severely due to a larger expected revenue loss (Basnet, Blomkvist, and Galariotis 2022).
Precedence	The number of firms (in the sample) in the same 2-digit SIC industry that announced disengagement before the focal firm. Source: Yale Institute, The Good Lobby, and KSE Institute	The prior announcement by industry peers (with the same two-digit SIC code as the focal firm) may attenuate the surprise in the focal firm's announcement and thus weaken the shareholder reaction (Lim, Tuli, and Dekimpe 2018; Warren and Sorescu 2017).

Three variables specific to the focal firm's country of headquarters or country of stock exchange

Sanction	<p>= 1 if the firm announced its disengagement decision after its country of headquarters' sanction decision and 0 otherwise.</p> <p>Source: Russia Sanction database by Atlantic Council https://www.atlanticcouncil.org/blogs/econographics/russia-sanctions-database/</p>	<p>The country's sanction of Russia may raise the odds of the firm announcing a disengagement. The sanction lowers shareholders' surprise and, thus, their reactions.</p>
Country-level CSR sentiment	<p>The average sentiment of all corporate social responsibility-related news involving firms in the country of the focal firm's stock exchange in the year before the disengagement announcement (2021 or 2022). The values range from -1 to +1, indicating negative and positive sentiments. Thus, higher values indicate positivity.</p> <p>Source: RavenPack Analytics</p>	<p>The average sentiment of CSR-related news in the country of the focal firm's stock exchange sets shareholders' expectations. When the average sentiment of CSR-related news in the country of the focal firm's stock exchange is negative (positive), shareholders' reactions to disengagement become less negative (more negative).</p>
Country-level news volume	<p>The natural logarithm of 1 + the sum of the number of invasion-related news in the country of headquarters from the month before the invasion until the day before the disengagement announcement.</p> <p>Source: RavenPack Analytics</p>	<p>News coverage of the invasion may set shareholders' expectations such that a higher volume could dampen shareholders' negative reaction to the focal disengagement announcement.</p>
<i>Excluded variable for the first-stage selection (Heckman) regression</i>		
Political disagreement	<p>Consider firm i headquartered in country c.</p> <p>We measure political disagreement between c and Russia by Euclidean distance between c's estimated ideal point of votes (yea, abstain, nay) in the United Nations General Assembly and Russia's estimated ideal point of votes. We estimated these points using voting data from 2022 for firms that had reason to disengage with Russia but did not announce disengagement. For a firm that announced disengagement in year t (where $t = 2022$ or 2023), we used voting data from year $t - 1$.</p> <p>We obtained the ideal points and computed the Euclidean distance between the two points from Bailey, Strezhnev, and Voeten (2017). The higher the distance, the greater the divergence between c's and Russia's foreign policy.</p> <p>Source: Voeten, Strezhnev, and Bailey (2009) and Bailey, Strezhnev, and Voeten (2017)</p>	<p>Votes are mostly symbolic and indicate a country's national interest in global affairs (Stone 2004). Moreover, countries that vote together (differently) are likely to have a good (bad) relationship and share close (distant) views and understanding about global issues (Bertrand, Betschinger, and Settles, 2016).</p>

Event Study Method

We used the event study method (Brown and Warner 1985; McWilliams and Siegel 1997) to measure shareholders' short-term reaction to a firm's announcement of disengagement from Russia. That is, the announcement is our event of interest. The event study method assumes that an unexpected event that may materially affect a firm can lead its shareholders to instantly update their expectations about the firm's future earnings (Van den Broek, Langley, and Hornig 2017). The updated expectations are reflected in a change in the price of the firm's common stock (Fama 1970).

Following Sorescu, Warren, and Ertekin's (2017) advice, we used the market model⁷ to estimate the *expected* return on the date when a firm announced its disengagement from Russia. Following event studies that sample firms from multiple exchanges (e.g., Klöckner, Schmidt, and Wagner 2022), we used Morgan Stanley Capital International's (MSCI's) country-specific index to measure the (value-weighted) market return for our sampled firms (MSCI 2022).⁸ For example, consider a disengagement-announcing firm whose stock is traded on the Tokyo Stock Exchange. We used MSCI's index for Japan to compare the focal firm's stock return to the announcement relative to the Japanese market.

The market model assumes a linear relationship between a firm's expected return on date t , r_{it} , and the return for the market index m , r_{mt} (Brown and Warner 1985):

$$r_{it} = \alpha_i + \beta_i \times r_{mt} + \varepsilon_{it} \quad (1)$$

For each event i , we considered a 255-day estimation window that ends 42 trading days before the event/announcement date. Next, we estimated the coefficients in Equation (1) using the ordinary least squares (OLS) estimator. We computed the focal firm's *abnormal return (AR) to the announcement* as the actual return minus the expected return.

⁷ The alternatives are the market-adjusted model, the Fama-French three-factor model, the Fama-French-Carhart four-factor model, and the Fama-French five-factor model. Because we sample firms in 25 countries, data for Fama-French and Fama-French-Carhart factors were unavailable.

⁸ The MSCI index of a country measures the performance of the large and mid cap segments of the market in the respective country.

On the one hand, shareholders may become aware of the firm's decision a few days before the official announcement (McWilliams and Siegel 1997). Such leakage means that shareholder reaction may manifest a few days *before* the announcement. On the other hand, shareholders may continue to update their expectations a few days *after* the announcement. We account for this plausibility by computing the AR for each day in the eleven days centered on the date of announcement/event—that is, five days before the event (to account for leakage), the day of the event (day 0), and five days after the event (to account for the delay in shareholders updating their expectations).

Lastly, we compute the cumulative abnormal return (CAR) for fifteen event windows in the above eleven-day period: $[-5,0]$, $[-3,0]$, $[-4,0]$, $[-2,0]$, $[-1,0]$, $[0,1]$, $[0,2]$, $[0,3]$, $[0,4]$, $[0,5]$, $[-1,1]$, $[-2,2]$, $[-3,3]$, $[-4,4]$ and $[-5,5]$. For each window, CAR is the sum of ARs for all days in the window. As discussed later, we chose the window that produces a strongly statistically significant CAR while mitigating the odds of confounding. This window happens to be $[-3,3]$.

Regression for Explaining the Variation in CAR

The event study allows us to determine whether the mean CAR to firm announcements of disengagement from Russia is statistically different from zero. Next, we explain the variation in the CAR by the *Market emphasis* (H_1), *Social emphasis* (H_2), the interaction of *Market emphasis* and *Social emphasis* (H_3), and the moderation of the two main effects by *Delay* (H_4 and H_5). Our specification includes other covariates that may impact the shareholder reaction.

$$CAR_{i,t}(-3,3) = \beta_0 + \beta_1 Market\ orientation_i + \beta_2 Social\ orientation_i + \beta_3 (Social\ orientation_i \times Market\ orientation_i) + \beta_4 (Delay_i \times Market\ orientation_i) + \beta_5 (Delay_i \times Social\ orientation_i) + \beta_6 Delay_i + \Gamma \times \mathbf{Z}_{i(t-1)} + \Theta \times \mathbf{Y}_{c(t-1)} + IMR_{i,t} + \varepsilon_{i,t} \quad (2)$$

Subscripts i , t , and c index firm, year (2022 or 2023), and country of headquarters of firm i or country of the stock exchange where i 's common stock is traded, respectively. $CAR_{i,t}(-3,3)$ is the cumulative abnormal return for the $[-3,3]$ window of the stock of firm i that made a disengagement

announcement in year t . $Z_{i,t-1}$ is the vector of announcement-specific and announcing firm-specific control variables. $Y_{c,t-1}$ is the vector of control variables specific to the announcing firm's country (of headquarters or stock exchange). IMR_{it} is the *inverse Mills ratio* (IMR) that is estimated from Equation 3 below and ε_{it} is the normally distributed error term. We correct the standard errors to account for the estimated (and not observed) nature of IMR. β_1 - β_5 are regression parameters for the hypothesized variables, β_6 is the regression parameter for the moderator, and Γ and Θ are the vectors of regression parameters for the control variables.

Descriptive Statistics

Table WB3 provides descriptive statistics for variables in our specification. Table WB4 provides Pearson bivariate correlation coefficients. We checked the variance inflation factor (VIF) for each explanatory variable. The highest VIF is 4.13, and the average VIF is 1.95. Thus, multicollinearity is likely not a concern (Hair et al. 2010).

EVENT STUDY RESULTS

We tested whether the mean value of CAR (hereafter, the mean CAR) significantly differs from zero for the sample of 487 announcements. Table WC1, Panel A reports the mean and median AR for each day in the $[-5,5]$ eleven-day period. Table WC1, Panel B reports the mean and median CAR for fifteen event windows spanning this period.

Figure WC1 depicts the mean CAR around the event date. The CAR decreases a few days before the event date and continues to drop up to four days after the event. "Researchers typically compute CARs for various windows that include the event date and select, for cross-sectional analysis, the window with the most significant t -statistic" (Sorescu, Warren, and Ertekin 2017, p. 193). Therefore, we consider the CAR in the fifteen windows from Day -5 to Day $+5$. Following recent research (Beckers et al. 2018; Feng, Morgan, and Rego 2020; Sadovnikova, Kacker, and Mishra 2023), we choose the $[-3,3]$ window for three

reasons. First, CAR $[-3,3]$ is strongly significant across multiple tests (both parametric and nonparametric; see below). Second, it includes the event date plus three days before and three days after it, thus capturing the potential information leakage and delay in shareholders updating their expectations. Third, compared with longer windows, $[-3,3]$ is less likely to include confounding events. We report robustness to shorter windows of $[-2,2]$ and longer windows of $[-4,4]$ and $[-5,5]$ (Table WE4).

The mean and median values of shareholder reaction are negative and statistically significant (mean $CAR_{[-3,3]} = -1.07\%$ and median $CAR_{[-3,3]} = -.70\%$), amounting to a loss of about US\$281 million and US\$91 million for an average and a median firm in our sample, respectively. Table WC1, Panel B reports parametric (cross-sectional error t and CDA t) and nonparametric (Rank test Z and Wilcoxon signed rank) tests for $CAR_{[-3,3]}$. Each of the two t -statistics is negative and significant (cross-sectional error $t = -3.801$, $p = .004$; CDA $t = -3.593$, $p = .0002$). Rank test Z and Wilcoxon signed-rank statistics are also negative and significant for the $[-3, 3]$ window (Rank test $Z = -3.257$, $p = .0008$; Wilcoxon = -10883 , $p = .0002$), suggesting that the mean CAR is robust to nonnormality, asymmetry of the return distribution, and the presence of outliers. The evidence thus supports our base expectation that—on average—shareholders view a firm’s disengagement from Russia as a loss of future earnings and thus penalize the firm for this decision.

A firm’s disengagement varies on its strength. Therefore, we coded each disengagement announcement on four levels of strength (using the firms in the “Digging in” category for the Heckman selection model; Table WD1). Web Appendix C reports the coding method and the mean CAR by the four levels of disengagement strength. Consistent with intuition, we find that the stronger the disengagement, the more punitive the shareholders’ reaction (though the magnitude of reaction drops slightly for the strongest level of disengagement in our sample) (Table WC2).

Next, we turn to the focus of our research—examining the cross-sectional variation in shareholders’ firm-specific punitive reactions to disengagement announcements because of the announcing firm’s different levels of market and social emphases in such announcements.

REGRESSION RESULTS

Model-Free Evidence

We use bar graphs and correlation coefficients to obtain model-free evidence for associations between our two explanatory variables—*Market emphasis* and *Social emphasis*—and *CAR*. The bar graph in Figure WB1 illustrates the model-free relation between *Market emphasis* and *CAR*. The insight is that as we move from observations on the lowest quartile of *Market emphasis* to the highest (that is, left to right on the X-axis), the mean $CAR[-3,3]$ becomes less negative. Further, Table WB-2 reports that the Pearson correlation coefficient between *Market emphasis* and *CAR* is $.103, p < .10$. So, the model-free evidence is consistent with our H_1 . Figure WB2 shows that *Social emphasis* does not vary in a specific direction as we move from left to right on the X-axis. Further, the correlation coefficient between *Social emphasis* and *CAR* is $.013, p > .10$, suggesting that the data do not support our H_2 .

Results from Cross-Sectional Analysis: Controlling for Self-Selection Bias

Firms that announce their disengagement may systematically differ from those that choose to stay silent. Because we sample firms that announced their disengagements, our sample may be beset with self-selection, potentially biasing our estimates. We use the two-stage Heckman (1979) method to control for the potential bias.

We identified the relevant set of firms from three sources: (1) Yale Institute’s list, (2) KSE Institute, and (3) Mergent Online database. Combining the names from the Yale Institute’s list, KSE Institute’s list, and Mergent Online’s search results led us to 598 distinct firms that had exposure to Russia but did not disengage. After checking the availability of information on all our control variables, we ended

up with 224 public firms that chose not to withdraw. Therefore, our first-stage regression uses 711 (487 + 224) observations as the sample.

The first-stage regression includes 11 variables (listed in Table WD1) that could impact the probability of a firm's disengagement from Russia. The first-stage specification also needs an additional variable (called the excluded variable) that influences the disengagement decision but not the shareholders' reaction. Consider firm i headquartered in country c . This firm had reason to disengage with Russia but chose not to. Our excluded variable is the level of *political disagreement* between country c and Russia. Web Appendix D describes the data source and measurement of political disagreement. We used the probit model to estimate the following equation, with the DV coded as 1 if a firm disengaged and 0 otherwise.

$$Pr_{it}(\text{Disengagement} = 1|X) = \Phi(X);$$

$$X = \alpha_0 + \alpha_1 \text{Political disagreement}_{i(t-1)} + \Gamma \times Z_{i(t-1)} + \Theta \times Y_{c(t-1)} + \omega_{it} \quad (3)$$

$\Phi(\cdot)$ is the cumulative standard normal distribution function, $Z_{i(t-1)}$ and $Y_{i(t-1)}$ are subsets of control variables (excluding announcement-specific controls) from Equation (2), and ω_{it} is the error term. The sample includes 487 firms that disengaged and 224 firms that did *not* disengage. We obtained the estimated inverse Mills ratio (IMR) from Equation 3 to control for any systematic differences between the firms that announced disengagement and those that did not. We include the IMR in Equation 2 to test H_1 - H_5 . Estimates from the first-stage regression (Table WD1) show that political disagreement increases the firm's likelihood of disengaging with Russia—a finding consistent with intuition. The following variables are associated with higher odds of disengagement: riskiness of the firm's environment, dependence on the Russian market (for revenue), and sales growth. In contrast, financial leverage lowers the odds of disengagement. Also, manufacturing firms are less likely to disengage than service (nonmanufacturing) firms. Lastly, the volume of news about the invasion/war is negatively associated with the firm's odds of disengaging. The chi-square for the likelihood ratio is 418.51, which is significant at $p < .001$, suggesting that the model strongly fits the data.

Cross-Sectional Regression

The CAR in the window $[-3, 3]$ is our dependent variable (DV). We estimate equation 2 to test our hypotheses. We mean-center the continuous explanatory and moderator variables for ease of interpretation of interaction terms (Wies, Bleier, and Edeling 2023). Table 2 reports estimates from five regressions.

Model I is the main-effects-only model. Other than the control variables and the IMR from the first-stage regression, Model I includes the explanatory variables for the two linguistic frames of the disengagement announcement: that is, *Market emphasis* and *Social emphasis*; corresponding to our H_1 and H_2 , respectively. Model II is Model I plus *Social emphasis* \times *Market emphasis* (for our H_3). Model III is Model I plus *Delay* \times *Market emphasis* (for our H_4). Model IV is Model I plus *Delay* \times *Social emphasis* (for our H_5). Last, Model V—our full specification—is Model I plus all three interaction terms.

We use estimates from Model V to report the associations of *Market emphasis* (i.e., H_1 , which expects a positive β_1), *Social emphasis* (i.e., H_2 , negative β_2), *Market emphasis* \times *Social emphasis* (H_3 , negative β_3), *Delay* \times *Market emphasis* (i.e., H_4 , negative β_4), and *Delay* \times *Social emphasis* (i.e., H_5 , negative β_5).

Market emphasis' estimated coefficient is positive and significant (Model V: $\beta_1 = .152, p = .004$). The coefficient means that the higher the announcement's focus on the product market, the less punitive the shareholders' reaction, thus supporting our H_1 . For an average firm in our sample, an announcement with a 23.4% market *emphasis*⁹ nullifies the shareholders' punitive reaction. *Social emphasis*'s coefficient is negative but statistically insignificant (Model V: $\beta_2 = -.030, p = .449$). Thus, we do not find statistical support for our H_2 .

Table 2: Estimates from Cross-Sectional Regression (Heckman Second Stage)

Note: p -values in brackets. Two-tailed tests. Standard errors in parentheses.

	Model I	Model II	Model III	Model IV	Model V
DV =	CAR _[-3,+3]	CAR _[-3,+3]	CAR _[-3,+3]	CAR _[-3,+3]	CAR _[-3,+3]

⁹ More precisely, when 23.4% of the terms in the announcement are in the product-market dictionary. The threshold for *Market emphasis* is calculated as $-\alpha/\beta$, where α and β are the intercept and coefficient estimate, respectively, from the unconditional regression of CAR_[-3,3] on *Market emphasis*.

Market emphasis	0.131 [.012] (0.052)	0.145 [.005] (0.052)	0.137 [.009] (0.052)	0.134 [.010] (0.052)	0.152 [.004] (0.052)
Social emphasis	-0.038 [.341] (0.039)	-0.027 [.487] (0.039)	-0.039 [.322] (0.039)	-0.041 [.298] (0.039)	-0.030 [.449] (0.039)
Social emphasis × Market emphasis		-0.940 [.027] (0.426)			-0.919 [.031] (0.425)
Delay	0.009 [.002] (0.003)	0.010 [.001] (0.003)	0.009 [.003] (0.003)	0.008 [.005] (0.003)	0.009 [.003] (0.003)
Delay × Market emphasis			-0.065 [.048] (0.033)		-0.060 [.090] (0.035)
Delay × Social emphasis				-0.034 [.232] (0.028)	-0.010 [.753] (0.031)
Scaling back	-0.018 [.125] (0.012)	-0.017 [.150] (0.012)	-0.017 [.135] (0.012)	-0.018 [.128] (0.012)	-0.016 [.162] (0.012)
Suspension	-0.009 [.340] (0.010)	-0.009 [.338] (0.010)	-0.010 [.322] (0.010)	-0.009 [.340] (0.010)	-0.010 [.323] (0.010)
Withdrawal	-0.018 [.064] (0.010)	-0.018 [.064] (0.009)	-0.017 [.080] (0.010)	-0.016 [.085] (0.010)	-0.016 [.086] (0.009)
CSP rating	-0.013 [.442] (0.017)	-0.012 [.480] (0.017)	-0.015 [.366] (0.017)	-0.013 [.421] (0.017)	-0.014 [.399] (0.017)
Announcement sentiment	-0.073 [.276] (0.067)	-0.101 [.138] (0.068)	-0.067 [.322] (0.067)	-0.068 [.316] (0.068)	-0.093 [.174] (0.068)
Upstream	-0.001 [.588] (0.001)	-0.001 [.344] (0.001)	-0.001 [.080] (0.001)	-0.001 [.587] (0.001)	-0.001 [.397] (0.001)
Downstream	-0.001 [.298] (0.001)	-0.001 [.589] (0.001)	-0.001 [.393] (0.001)	-0.001 [.296] (0.001)	-0.000 [.703] (0.001)
#Public statements on war	-0.005 [.392] (0.006)	-0.006 [.371] (0.006)	-0.005 [.390] (0.006)	-0.005 [.411] (0.006)	-0.006 [.375] (0.006)
Firm-specific risk environment	-0.001 [.718] (0.003)	-0.001 [.690] (0.003)	-0.001 [.793] (0.003)	-0.001 [.828] (0.003)	-0.001 [.792] (0.003)
Dependence on Russia	0.007 [.504] (0.010)	0.006 [.571] (0.010)	0.007 [.447] (0.010)	0.007 [.485] (0.010)	0.006 [.508] (0.010)
Profitability	0.002 [.960] (0.035)	0.005 [.896] (0.035)	0.001 [.969] (0.035)	0.002 [.959] (0.035)	0.004 [.905] (0.035)
Firm size	0.003 [.259] (0.003)	0.003 [.220] (0.003)	0.003 [.234] (0.003)	0.003 [.278] (0.003)	0.003 [.205] (0.003)
Financial leverage	-0.004 [.421] (0.005)	-0.003 [.446] (0.004)	-0.003 [.461] (0.004)	-0.004 [.411] (0.005)	-0.003 [.481] (0.004)
Sales growth	-0.002 [.889] (0.015)	-0.002 [.896] (0.015)	-0.005 [.754] (0.015)	-0.003 [.836] (0.015)	-0.005 [.756] (0.015)
Manufacturing	-0.012 [.068] (0.007)	-0.012 [.070] (0.007)	-0.012 [.074] (0.007)	-0.012 [.071] (0.007)	-0.012 [.076] (0.007)
USA	-0.010 [.349] (0.010)	-0.009 [.370] (0.010)	-0.008 [.452] (0.010)	-0.010 [.315] (0.010)	-0.008 [.459] (0.010)
B2B	0.019 [.001] (0.006)	0.020 [.001] (0.006)	0.019 [.001] (0.006)	0.020 [.001] (0.006)	0.020 [.001] (0.006)
CAR to invasion_[-10,0]	-0.036 [.341] (0.037)	-0.033 [.382] (0.037)	-0.036 [.328] (0.037)	-0.035 [.349] (0.037)	-0.033 [.371] (0.037)
Precedence	-0.000 [.893] (0.000)	-0.000 [.755] (0.000)	0.000 [.998] (0.000)	-0.000 [.879] (0.000)	-0.000 [.852] (0.000)
Sanction	0.020 [.105] (0.012)	0.021 [.086] (0.012)	0.023 [.060] (0.012)	0.021 [.092] (0.012)	0.024 [.049] (0.012)
Country-specific CSR sentiment	-1.775 [.265] (1.591)	-1.833 [.247] (1.584)	-1.733 [.274] (1.585)	-1.653 [.299] (1.592)	-1.758 [.266] (1.581)
Country-specific news volume	0.000 [.919] (0.002)	0.000 [.984] (0.002)	-0.000 [.944] (0.002)	0.000 [.971] (0.002)	-0.000 [.876] (0.002)

Intercept	0.451 [.283] (0.420)	0.465 [.266] (0.418)	0.437 [.295] (0.418)	0.418 [.319] (0.420)	0.443 [.288] (0.417)
IMR	0.009 [.526] (0.015)	0.010 [.484] (0.015)	0.010 [.480] (0.015)	0.010 [.481] (0.015)	0.012 [.433] (0.015)
Wald Chi-square	68.49 [<.0001]	73.98 [<.0001]	72.95 [<.0001]	70.08 [<.0001]	78.51 [<.0001]
Adj R-squared	.074	.081	.079	.075	.085
# Observations	487	487	487	487	487

Social emphasis × *Market emphasis*' coefficient is negative and significant (Model V: $\beta_3 = -.919$, $p = .031$), supporting our H₃ that the firm's social emphasis in its disengagement announcement weakens the positive association between the announcement's market emphasis on shareholder reactions. Figure 1A depicts the interaction effect graphically. The red dashed line reports the slope of *Market emphasis* on shareholder penalty for announcements with the median value of *Social emphasis*. The slope of *Market emphasis* on CARs is more positive for announcements with lower *Social emphasis* scores (the blue line with the diamond symbol) than for announcements with higher *Social emphasis* scores (the green line with the triangle symbol).

Delay × *Market emphasis*' coefficient is negative and marginally significant (Model V: $\beta_4 = -.060$, $p = .090$), supporting our H₄ that delay in announcing the disengagement weakens the positive association between *Market emphasis* and shareholder reactions. Figure 1B depicts the moderation effect. It shows that high *Market emphasis* in the disengagement announcement mostly helps firms with a *Delay* at or below the median value compared to firms with a high *Delay*.

Figure 1A: Association between *Market Emphasis* and Shareholder Reactions at Different Percentiles of *Social Emphasis*

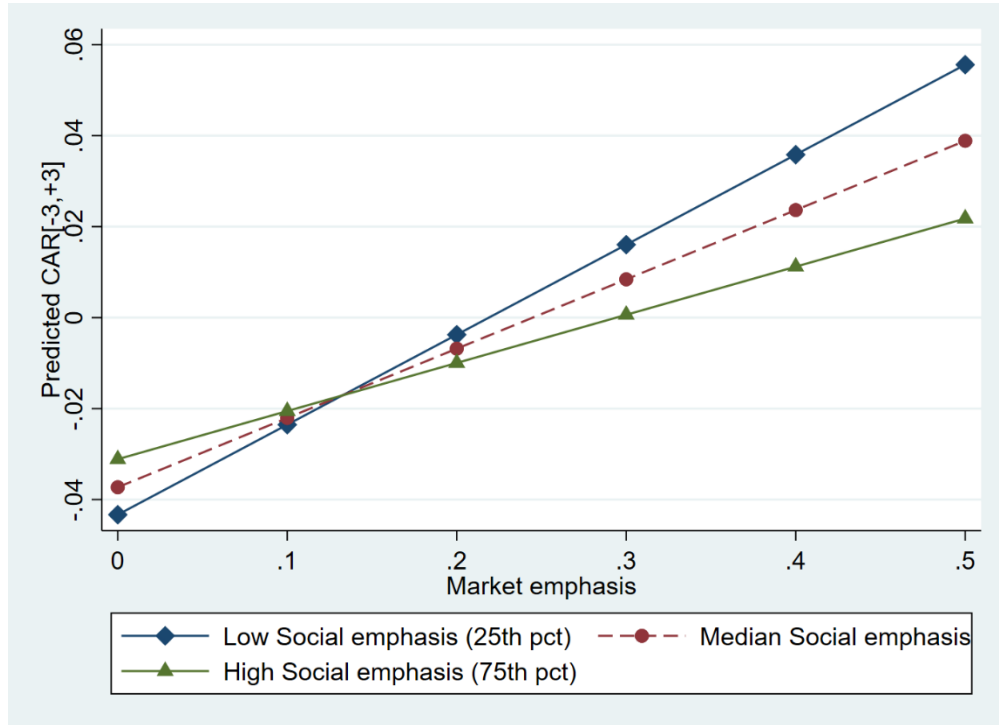
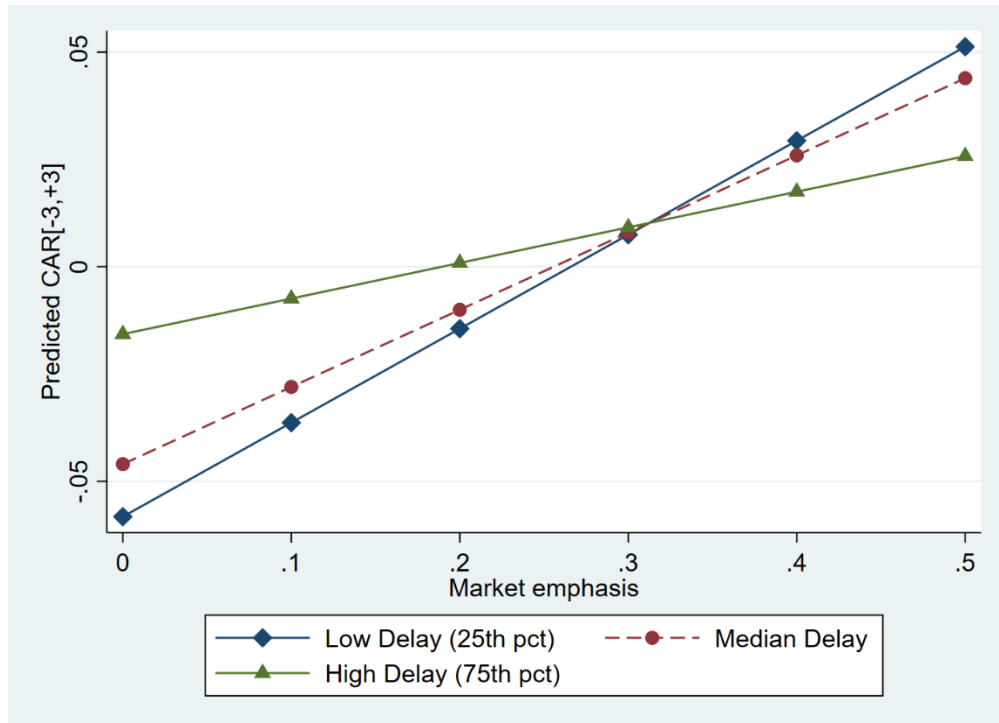


Figure 1B: Association between *Market Emphasis* and Shareholder Penalty at Different Percentiles of *Delay*



The *Delay* \times *Social emphasis*' coefficient is negative but statistically insignificant ($\beta_5 = -.010$, $p = .753$). Thus, we do not find statistical support for our H₅ that the firm's delay in announcing the disengagement strengthens the negative association between *Social emphasis* and shareholder penalty.

ROBUSTNESS CHECKS

Robustness to the Inclusion of Confounded Announcements and Announcements with Missing Data on Covariates

The results of our event study are robust to the inclusion of (1) 141 confounded announcements (announcement sample = 487 + 141 = 628), (2) 185 announcements for which Compustat did not provide data for the regressors (sample = 487 + 185 = 672), and (3) both (sample = 487 + 141 + 672 = 813). Tables WE1, WE2, and WE3 in Web Appendix E present the results. Because our focus is on the cross-sectional variation in CAR, we next report the robustness of our regression results.

Robustness to Alternate Event Windows

We use CARs for three alternate windows to ensure that our results are robust to the choice of window (e.g., Homburg, Vollmayr, and Hahn 2014). Specifically, we use the windows of [-2,2], [-4,4], and [-5,5] to ensure that using the windows shorter or longer than our main window of [-3,3] yields similar results. The results (in Table WE4) with these alternate measures of the DV are largely consistent with those reported in Model V of Table 2.

Robustness to an Alternate Measure of Shareholders' Short-Term Reaction

A firm's stock price reflects the sum of the value of its operating business and the value of its nonoperating assets, minus the value of its debt. Skiera, Bayer, and Schöler (2017) reasoned that because marketing events impact the value of the firm's operating business only, a more valid measure of shareholders' reaction is the CAR divided by the effect on the firm's leverage. The new measure reflects shareholders' valuation of the impact of the firm's announcement on its operating business. We examine

the robustness of our results to Skiera, Bayer, and Schöler's (2017) measure. Our findings with this alternate DV (Column I of Table WE6) are qualitatively similar to those reported in Model V of Table 2.

Robustness to Two Alternate Methods of Correcting for Potential Self-selection Bias

Our main analysis uses the Heckman two-stage method to correct for potential bias caused by the self-selection of observations in our sample. We next test whether our results are robust to two alternate methods of correcting for this bias.

The first method uses a control function and considers four different levels of decision (as opposed to a binary decision): (1) *Buying time*, (2) *Scaling back*, (3) *Suspension*, and (4) *Withdrawal*. We estimate a multinomial logistic regression in the first stage (with the same regressors we use in the Heckman first-stage regression). Table WE5 reports the estimates from the multinomial logit regression in the first stage (Column I to Column IV for four levels of disengagement, with the "Digging in" category as the base). The second-stage specification includes the residuals, the indicator variables for the levels of disengagement, and covariates. The estimates (Column II of Table WE6) are largely consistent with those reported in Model V of Table 2.

The second approach follows Homburg, Vollmayr, and Hahn (2014) and uses the multinomial logistic selection model proposed by Dubin and McFadden (1984). This method suggests that because the levels of disengagement are mutually exclusive, we do not need to allow for correlated choices, and a multinomial logistic regression suffices. The first stage of this method uses the same set of regressors as the Heckman regression. We use the predicted conditional probabilities for each level of disengagement given the conditional probabilities of all other choices (from the first stage) to calculate the selection correction terms (i.e., the multinomial logit equivalents to the Heckman's inverse Mills ratio) λ_1 for *Scaling back*, λ_2 for *Suspension*, and λ_3 for *Withdrawal* (Bourguignon, Fournier, and Gurgand 2007; Dubin and McFadden 1984). Specifically, for each firm i , $\lambda_{ij} = J \cdot \ln(p_{ij}) + \sum_{k \neq j} p_{ik} \cdot \ln(p_{ik}) / (1 - p_{ik})$, where

p_{ij} is the predicted probability that the firm chooses the level of disengagement j , and J is the total number of disengagement levels. Next, our second-stage regression includes the three lambdas to control for the selection bias (Li and Prabhala 2006). The estimates from this method (Column III of Table WE6) are largely consistent with those reported in Model V of Table 2.

Supplementary Analysis: Shareholders' Longer-Term Reaction

We measure the longer-term consequence of firms' disengagement from Russia using the calendar-time portfolio (CTP) approach (Kovalenko, Sorescu, and Houston 2022; Sorescu, Shankar, and Kushwaha 2007). We consider the [0,12] window to conduct our long-term event study using the CTP method. This 13-month window allows us to measure the long-term effect of disengagement announcements.

Table WF1 (Web Appendix F) provides the results of the CTP analysis. The abnormal return over the 13-month period is analyzed by the significance of the estimated intercept (alpha) of the monthly portfolio return in a weighted regression with multiple factors. We find that the 13-month calendar-time abnormal return (CTAR) of the sample of firms is *positive* and marginally statistically significant (.37%, $p = .080$). This positive, long-term reaction contrasts with the statistically significant average, short-term reaction of -1.07% (Table WC1). The insight is that shareholders are punitive in the short term, but their reaction becomes marginally positive in the long term.

The CTP method measures stock return for the *portfolio* of firms (as opposed to individual firms). That is, it does not produce abnormal returns for each announcement, and thus, one cannot estimate a cross-sectional regression like the one for a short-term event study. Therefore, we follow Sorescu, Shankar, and Kushwaha's (2007) method to investigate whether linguistic framing in disengagement announcements can predict long-term abnormal returns.

Table WF2 reports the findings of our portfolio analyses. Unlike our study that used $CAR[-3,3]$ as the dependent variable, the CTP study reports that the disengagement announcement's market emphasis may *not* predict shareholder reaction in the longer term. We also do not find any impact of the

announcement's social emphasis on shareholder long-term reactions. The insight is that impression management tactics may not be associated with shareholder perceptions in the long term. In terms of hypothesized moderation effects (H₃, H₄, and H₅), we find that delay only moderates the impact of an announcement's low market emphasis ($diff = 0.0111, p = .068$) and low social emphasis ($diff = 0.0133, p = .019$) on shareholder reaction in the long run, but in the opposite direction of the moderation effect in the short term. One explanation is that firms delaying announcements while avoiding market emphasis or social emphasis framing may have an effective strategic plan that can lead to positive long-term performance.

DISCUSSION

Ever since Russia invaded Ukraine on February 24, 2022, consumers (Pasquarelli 2022), employees (Dave and Dastin 2022), journalists (Bansal 2022), and politicians (Warner 2022) urged corporations to disengage with Russia and signal their disapproval of Russia's invasion. While over 1,000 corporations complied, several continued to wrestle with the decision (Doherty 2023). Some commentators labeled firms that hesitated to disengage as "naughty" (Pietsch 2022) and classified them into a "hall of shame" (Sonnenfeld and Tian 2022). One reason firms might hesitate to disengage with Russia—and geopolitically uncertain markets, in general—is the potential drop in sales, which might drop the firm's value for shareholders. Also, firms do not know whether their shareholders would reward them for demonstrating their social emphasis (Hull and Rothenberg 2008; Luo and Bhattacharya 2009) or penalize them for the imminent drop in revenue (Stäbler and Fischer 2020). An examination of shareholders' reaction to disengagement announcements is thus theoretically interesting and managerially consequential. Next, we discuss the implications of our findings for theory and practice.

Implications for Theory

Our research contributes to the literature streams on impression management and firm disengagement from a geopolitically uncertain market.

First, management academics have theorized that managers can use linguistic frames in their disclosures and announcements, thus managing stakeholders' impressions of a firm and receiving favorable outcomes (Falchetti, Cattani, and Ferriani 2022; Fiss and Zajac 2006; Guo, Sengul, and Yu 2021; Rhee and Fiss 2014). In parallel, marketing academics have theorized the performance benefits of a firm's market emphasis (e.g., Narver, Slater, and MacLachlan 2004; Saboo and Grewal 2013; Srivastava, Kashmiri, and Mahajan 2023) and its social counterpart (Fritz 1996; Gabler, Lander, and Richey 2021). We intersect management and marketing research to propose that a firm can use market and social emphases in its announcements of disengagement from a geopolitically uncertain market. Empirical evidence suggests the effectiveness of the market emphasis frame and the ineffectiveness of the social emphasis frame in influencing the firm's shareholders in the short—but not the long—term. This demonstration suggests that linguistic framing is an impression management tactic. Therefore, we also contribute to the literature on how a firm can manage its impressions on shareholders (Elsbach, Sutton, and Principe 1998; Graffin, Haleblan, and Kiley 2016).

Second, we contribute to the nascent literature on firm disengagement from a geopolitically uncertain market (Luo 2024; Sethuram and Gaur 2024). While the evidence on a firm's investment and engagement in a new market is voluminous, research on disengagement, disinvestment, and divestment is marginal (Sethuram and Gaur 2024). As more firms decide whether—and if yes, how strongly—to disengage from an uncertain market (Luo 2024), their decisions may signal economic prudence or social pressure. Prior research in this domain has considered the disengagement announcing firm's shareholders' reactions to the announcement. Interestingly, the evidence is mixed, with some studies reporting a penalty (e.g., Wright and Ferris 1997), others documenting a reward (e.g., Posnikoff 1997), and the remaining

finding an insignificant reaction (e.g., McWilliams and Siegel 1997). We contribute by reasoning that what matters is not the disengagement announcement per se but how the firm linguistically frames the announcement (Rhee and Fiss 2014). Managers could announce disengagement to prevent future loss of operating in an uncertain market (i.e., market emphasis) and/or to demonstrate their social imperative (i.e., social emphasis). Shareholders cannot observe the managerial motives and thus screen the announcement text to discern the latent motives. We contribute to the literature by theorizing that an announcement's linguistic framing can influence shareholder reaction to the announcement.

Implications for Practice

Managers often decide whether to exit a geopolitically sensitive market. Exiting the market will cause an immediate loss of sales revenue and, thus, a decline in the firm's stock price in the short term. However, such an exit may remove the firm from public denunciations and boycotts, thus saving the firm the resources it would expend to manage the issue. Further, a timely exit could help the firm win customers' and employees' support and avert a public relations crisis (Ganesan and Mallapragada 2024). Thus, managers face a dilemma. Prior academic evidence is mixed on whether a disengagement announcement elicits a shareholder penalty, reward, or no reaction from the firm's shareholders in the short term. Further, there is no evidence of the impact of disengagement announcements on shareholder value in the longer term. Thus, managers would seek to know whether and, if yes, in what direction and to what magnitude, their decisions would impact the firm's shareholder value.

First, we contribute by informing managers about the average impact on stock returns in the short and longer term. Specifically, we report that, on average and in the short term, shareholders punish a firm that announces disengagement from a geopolitically uncertain market and that the stronger the disengagement, the greater the punishment. Importantly, however, the reaction reverses in the longer term, suggesting that shareholders may realize that the disengagement's benefits (accrued via stronger customer

and employee support) dominate its costs (incurred via a drop in sales). Managers would benefit from knowing the asymmetry in the shareholders' short-term and longer-term reactions.

Second, managers may anticipate a penalty in the short term because an exit from a market means an immediate loss of sales revenue and thus hurts the firm's profit and cash flow. Therefore, they would next like to know how to limit the short-term penalty. Simply put, we advise managers to mention product-market activities and stakeholders in their announcement's linguistic framing. Such framing would signal to shareholders that the managers are disengaging because conducting business in an uncertain market (e.g., Russia) is less viable and thus lower their punitive reactions. Further, managers should *temper* social emphasis in the announcement because shareholders may interpret dual emphasis announcements as obfuscatory rather than informative (Bushee and Huang 2024). Last, we advise managers to be proactive in announcing disengagement. While the delay in announcing disengagement positively impacts shareholder penalty—on average—it backfires when combined with an announcement with a high market emphasis or high social emphasis. The intuition is that an announcement with market emphasis but delayed may send ambivalent signals to shareholders on the managers' underlying motives and may thus weaken the market emphasis' positive effect on shareholder penalty.

Limitations and Future Research

Our research can be extended in six ways. First, managers may disengage because they believe that disengagement aligns with nonshareholding stakeholders' interests, and that shareholder penalty would dissipate in the longer term. While we offer evidence supporting the former, future research may consider testing whether other stakeholders—such as customers, suppliers, employees, and politicians—reward the firm for disengaging from a geopolitically uncertain market and meeting their expectations. This reward is particularly plausible for private firms or firms that target a niche customer segment, characterized by unique political values.

Second, some firms may have earned the reputation of adopting the “cancel culture.” How might such firms’ past behaviors of cancel culture impact shareholder response? The logic of expectancy suggests that shareholders may account for such compulsive disengagement and react weakly as a firm moves from one issue to another. An alternative view holds that shareholders may strengthen their penalty to discipline managers. Empiricists may consider testing which view holds.

Third, we assume that disengagement drives shareholder reactions. However, the reverse might hold as well. That is, how shareholders react to a reference firm’s disengagement could shape the focal firm’s future disengagement. Academics may consider theorizing and measuring shareholder reaction as a governance mechanism (Connelly et al. 2010).

Fourth, our dependent variable measures reactions from all classes of shareholders. However, shareholders are heterogeneous in their temporal horizons (DesJardine, Shi, and Sun 2022; Guo and Yu 2024) and, consequently, how much they emphasize a firm’s social responsibility in their investment decisions (Cheah, Chan, and Chieng 2007). Future research can consider examining this variation.

Fifth, we report that a firm’s linguistic framing of an announcement sways shareholders. Future research can examine whether such framing can be employed as “cheap talk” or is actually “costly.” This direction is particularly relevant because we measure reactions to announcements, not actual disengagement. Future research can investigate shareholder reactions to firms that announce leaving war-torn countries.

Sixth, we focus on firms’ *announcements of* (and not actual) disengagements, shareholders’ reactions to the announcements, and managers’ linguistic framing of announcements to manage impressions on shareholders. Future research could focus on actual disengagements and their performance implications.

In summary, we believe we offer theoretically novel and managerially actionable insights into the emerging phenomenon of corporate disengagement from a geopolitically uncertain market, as manifested in the context of Russia.

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WEB APPENDIX WA: LITERATURE

Table WA1: Literature on Shareholders' Reaction to Firm's Disengagement from Russia upon Russia's Invasion of Ukraine

Note: The table includes all papers (published and unpublished) where the authors measure the stock return to a firm's disengagement decision. This inclusion criterion means that the table excludes papers that report the stock return to the start-of-the-war event. A list of these excluded papers is available from the first author.

Citation	Journal (or Working Paper)	Method	Event	Sample	Cross-sectional regression details	Findings
Balyuk and Fedyk (2023)	<i>Journal of Comparative Economics</i>	Event study	War and firm's exit	259 public firms (U.S.) with Russia exposure in the 10-Q filings	DV: AR on event day Main independent variables: Event days dummies and firm fixed effects $R^2 = .022$	Firms with Russian operations experienced slightly worse stock market returns upon invasion. Moreover, firms with Russian operations with the worst stock-price reactions to the war were more likely to withdraw or suspend their Russian operations, while firms with mild initial effects were more likely to stay. Moreover, leaving U.S. firms did not experience any negative returns.
Basnet, Blomkvist, and Galariotis (2022)	<i>Economics Letters</i>	Event study	Firms' exit	276 public firms	DV: CAR[-1,1] Main independent variables: Human rights score, ESG score, Complete withdrawal $R^2 = .267 - .276$	Lower ESG and human rights scores correlated with a greater likelihood of keeping the Russian operations unchanged. Moreover, human rights and ESG scores impacted the stock market reaction following a complete exit of Russian operations.
Berninger, Kiesel, and Kolaric (2022)	Working paper	Event study (BHAR)	Firms' decision (exit)	806 firms	DV: BHAR 20 Main independent variables: Manufacturing, service, Europe, Grade (exit type) $R^2 = .01 - .05$	The authors found significant negative abnormal returns during the first twenty (sixty) trading days after the war. Moreover, firms who decided to leave Russia experienced lower returns than those continuing their operations. Furthermore, the negative market reaction depended on the industry (manufacturing vs. service)
Choy, Lai and Wan (2023)	Working paper	Event study	Firms' decision (exit)	413 decoupling announcements.	DV: CAR [-2,2] Main independent variables: Russian relationship, ESG score $R^2 = .263 - .288$	The authors investigated the impact of stock market reaction to 413 disengagement announcements. The results suggest an average decrease in cumulative abnormal returns of -1.52%. Firms with higher ESG ratings experienced smaller losses than those with lower ESG ratings.

French, Gurdgiev, and Shin (2023)	<i>Finance Research Letters</i>	Event study	Firms' decision (exit)	45 MNE firms	No cross-sectional analyses	Using an event study method, the authors show that the firms that decided to exit Russia after the onset of the Ukraine-Russian war experienced negative cumulative abnormal returns (CARs) on average. Moreover, the stronger the firm's action, the more negative the average CARs.
Glabosky and Peterburgsky (2022)	<i>Economic Letters</i>	Event study	Firms' decision (exit)	293 firms, mostly based in the U.S.	DV: adjusted market return: Main independent variables: Calendar time and firm group member (exit type).	The authors investigated how the stock market reacted to firms' political stances during the 2022 Russian invasion of Ukraine. They found a generally negative initial market response to firms announcing their withdrawal from Russia, particularly for those completely exiting the market. However, these firms typically regained their lost value within two weeks. Moreover, firms that took early action in withdrawing ("leaders") saw their stock prices fall during the event window, whereas those who acted later ("followers") didn't experience such declines.
Huang, Lu, and Li (2022)	Working paper	Event study + other tests (probability of withdrawing from Russia)	Firms' decision (exit)	3406 firms on the list and potential operations in Russia	DV CAR[-1,1] Main independent variables: some country-specific variables and firm fixed effect.	Firms that disengaged with Russia had higher ESG scores, particularly social ones. However, firms with higher ESG scores took longer to announce their withdrawal. They were also more likely to have headquarters in a country with a higher security concern, public social awareness, institutional quality, a common-law origin, or a policy to impose sanctions on Russia at the country level.
Huang, Ryan, Wang, and Zhang (2024)	Working paper	Event study	Firms' decision (exit)	288 US firms	DV: Hold raw return, CAR (60), Fama-French 5-factor model (60) Main independent variables: Ethical human needs industry, decision (exit vs. stay) $R^2 = .135 - .279$	The authors show that the stock market reacts positively to EHN (essential human needs) firms staying in Russia. This suggests that EHN firms that choose to remain in Russia experience higher stock returns than other firms. The market reaction is more pronounced when EHN firms have higher social scores and a higher percentage of institutional blockholder ownership. This indicates that ethical principles play an important role in EHN firms' stay decisions and that investors value and internalize these ethical considerations in stock prices.

Kiesel and Kolaric (2023)	<i>Journal of International Financial Markets, Institution & Money</i>	Event study	Firms' decision (exit)	1,281 international firms	<p>DV: CAR[-1,1]</p> <p>Main independent variables: exit type (leave, stay, and wait), stock response and returns before and around the war, trading days before decision (delay)</p> <p>$R^2 = 0.29 - .032$</p>	<p>The authors show that investors reacted positively to firms' decision to leave the Russian market. At the same time, there was no significant market reaction to firms' decisions to stay or postpone their decisions. This suggests that investors appreciated firms' clear commitment to exiting the Russian market after the Russia-Ukraine conflict.</p>
Kovalenko, Rangaswamy, and Sorescu (2023)	Working paper	Event study + cross-sectional regression	Firms' decision (exit)	<p>531 firms that had operations in Russia and thus had reason to disengage. Of these 531 firms, 217 disengaged. These 217 firms provided 265 firm announcements of and news reports of disengagement.</p>	<p>DV: CAR [-2,0]</p> <p>Main independent variables: Action (exit type), Russian presence size, competitors' actions, CSR reputation</p> <p>Wald Chi-square = 189.27 – 200.10</p>	<p>Variables that raise the odds of disengagement decision: (1) B2C (vs. B2B) firms, (2) human rights score, and (3) the number of media callouts for lack of response to the war.</p> <p>A firm's announcement of disengagement with Russia elicits a stock return of -0.33% in the $[-2,0]$ window. The penalty is stronger for firms that scale down Russian operations or exit the Russian market (vs. continue operations).</p> <p>The penalty is weakened by the number of Russian subsidiaries and competitors (in the focal firm's two-digit SIC code) that announced disengagement.</p>
Kulikov et al. (2024)	<i>Society and Economy</i>	Content analysis (not event study)	Firms' decision (exit)	50 largest MNCs in Russia	No Cross-sectional analysis	<p>The penalty is reversed within three months of the announcement. The authors investigate how multinational corporations communicated in response to the Russo-Ukrainian War and pressure to divest from Russia. Analyzing statements from top revenue firms in Russia, they found that most firms scaled down in Russia, prioritizing employee safety and expressing concern for the global economy without strongly condemning Russia. Firms often used neutral language and emphasized diplomacy, international law, and peace, but rarely offered specific solutions. The authors showed a lack of significant variance in corporate statements across different sectors and countries, where companies make</p>

Tosun and Eshraghi (2022)	<i>Finance Research Letters</i>	Not an event study	Firms' decision (exit)	28 remainers (firms) as of March 10th, 2022	No cross-sectional analysis of CAR	vague or insincere social responsibility claims. A portfolio of firms that decided to stay in Russia underperformed the leavers and the market benchmark. Shareholders penalized the "remainers."
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WEB APPENDIX WB: DATA

Table WB1: Countries Represented in Our Sample

Country	Number of observations
Australia	6
Austria	8
Belgium	1
Canada	9
Denmark	4
Finland	21
France	26
Germany	32
Greece	2
India	3
Ireland	7
Israel	1
Italy	8
Japan	46
Luxembourg	1
Mexico	2
Norway	5
Poland	7
Portugal	2
Spain	2
Sweden	20
Switzerland	18
The Netherlands	5
United Kingdom	43
United States	208
Total	487

Table WB2: Industries Represented in Our Sample

2-digit SIC Industry code	Name of the industry	Number of firms
01	Agricultural Production	2
10	Metal Mining	1
12	Coal Mining	1
13	Oil and Gas Extraction	10
15	Construction - General Contractors & Operative Builders	2
16	Heavy Construction Other Than Building Construction Contractors	2
20	Food and Kindred Products	20
21	Tobacco Products	4
22	Textile Mill Products	1
23	Apparel, Finished Products from Fabrics & Similar Materials	11
24	Lumber and Wood Products, Except Furniture	1
25	Furniture and Fixtures	1
26	Paper and Allied Products	15
27	Lumber and Wood Products, Except Furniture	1
28	Chemicals and Allied Products	46
29	Petroleum Refining and Related Industries	11
30	Rubber and Miscellaneous Plastic Products	9
31	Leather and Leather Products	3
32	Stone, Clay, Glass, and Concrete Products	6
33	Primary Metal Industries	8
34	Fabricated Metal Products	8
35	Industrial and Commercial Machinery and Computer Equipment	52
36	Electronic & Other Electrical Equipment & Components	35
37	Transportation Equipment	33
38	Measuring, Photographic, Medical, & Optical Goods, & Clocks	25
39	Miscellaneous Manufacturing Industries	5
42	Motor Freight Transportation and Warehousing	1
44	Water Transportation	7
45	Transportation by Air	7
47	Transportation Services	4
48	Communications	10
49	Electric, Gas, and Sanitary Services	8
50	Wholesale Trade - Durable Goods	5
51	Wholesale Trade - Nondurable Goods	6
52	Building Materials, Hardware, Garden Supplies & Mobile Homes	1
53	General Merchandise Stores	2
54	Food Stores	5
55	Automotive Dealers and Gasoline Service Stations	1
56	Apparel and Accessory Stores	7
58	Eating and Drinking Places	7
59	Miscellaneous Retail	4
60	Depository Institutions	2
62	Security & Commodity Brokers, Dealers, Exchanges & Services	3
64	Insurance Agents, Brokers, and Service	2
65	Real Estate	4
67	Holding and Other Investment Offices	1
70	Hotels, Rooming Houses, Camps, and Other Lodging Places	6

73	Business Services	66
75	Publicly Traded Automotive Repair, Services, and Parking Companies	1
78	Motion Pictures	2
79	Amusement and Recreation Services	2
82	Educational Services	2
87	Engineering, Accounting, Research, and Management Services	4
99	Nonclassifiable Establishments	4

Table WB3: Descriptive Statistics

	N	Mean	Std. Dev.	Median	Min	Max
CAR _[-3,3]	487	-.011	.062	-.007	-.244	.215
Market emphasis	487	.165	.057	.161	0	.5
Social emphasis	487	.179	.074	.179	0	.5
Delay	487	3.603	1.429	3.135	0	6.232
CSP rating	487	.77	.201	.832	.011	.982
Strength of disengagement	487	3.097	.973	3	1	4
Announcement sentiment	487	-.039	.042	-.036	-.333	.089
Upstream	487	2.141	2.192	1.818	0	16.667
Downstream	487	2.668	3.117	2.027	0	25
#Public statements on invasion	487	.261	.548	0	0	3
Firm-specific risk environment	487	1.206	1.305	.693	0	6.011
Dependence on Russia	487	.524	.5	1	0	1
Profitability	487	.06	.081	.055	-.227	.328
Firm size	487	3.088	1.4	3.111	-1.808	7.383
Financial leverage	487	.434	.692	.218	.001	6.901
Sales growth	487	.165	.184	.143	-.519	.83
Manufacturing	487	.606	.489	1	0	1
USA	487	.464	.499	0	0	1
B2B	487	.589	.492	1	0	1
CAR to invasion _[-10,0]	487	-.022	.103	-.019	-.631	.583
Precedence	487	16.382	18.497	8	0	81
Sanction	487	.943	.233	1	0	1
Country-level CSR sentiment	487	.263	.002	.264	.26	.277
Country-level news volume	487	5.19	2.282	5.226	.693	8.91
Political disagreement	487	.501	.230	.529	.028	.816

Table WB4: Pearson Correlation Coefficients

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
(1) CAR _[-3,3]	1.000																			
(2) Market emphasis	.103*	1.000																		
(3) Social emphasis	.013	.296***																		
(4) Delay	.237***	.090	-.008	1.000																
(5) CSP rating	.095*	.096*	.075	.234***	1.000															
(6) Strength of disengagement	-.042	.005	-.003	.119**	-.109*	1.000														
(7) Announcement sentiment	-.018	-.094*	-.126**	.172***	-.031	.033	1.000													
(8) Upstream	.027	.190***	.076 ^s	.118**	.115*	-.099*	.088 ^s	1.000												
(9) Downstream	-.045	.221***	-.082 ^s	.052	-.001	.071	-.068	.114*	1.000											
(10) #Public statements on war	.093*	.017	-.021	.593***	.140**	.146**	.105*	.036	.059	1.000										
(11) Firm-specific risk environment	-.037	-.055	-.158***	-.004	-.004	-.037	.037	-.007	.025	.191***	1.000									
(12) Dependence on Russia	.109*	.056	.039	.318***	.277***	-.036	.049	.021	.016	.207***	.135**	1.000								
(13) Profitability	.038	.095**	.014	.058	.138**	-.060	-.047	.026	.091*	-.052	.078 ^s	.099*	1.000							
(14) Firm size	.069	-.026	-.009	.143***	.343***	-.068	-.056	.034	-.071	.207***	.514***	.250***	.041	1.000						
(15) Financial leverage	-.016	-.056	-.117*	.090*	.037	.114*	.087	.038	.007	.108*	.144**	-.005	-.254***	.154**	1.000					
(16) Sales growth	-.042	-.114*	-.024	-.059	-.147***	-.039	.037	-.111*	-.026	-.007	.078 ^s	-.104*	.036	-.081 ^s	-.026	1.000				
(17) Manufacturing	.031	.137**	0.054	.155**	.307***	-.097*	-.054	.187***	.044	.031	-.073	.240***	.119**	.001	-.033	-.034	1.000			
(18) USA	-.128**	-.017	.131**	-.274***	-.341***	-.016	-.091*	-.124**	.035	-.127**	-.028	-.217***	.037	-.074	-.137**	.075 ^s	-.151**	1.000		
(19) B2B	.198***	.037	.126**	.213***	.248***	-.024	.009	.110*	-.113*	.051	-.227***	.115*	.066	-.007	-.038	-.024	.302***	-.102*	1.000	
(20) CAR to invasion _[-10,0]	-.035	-.042	-.034	.042	-.029	-.088 ^s	.113*	-.009	-.007	.036	.073	-.092*	-.031	.058	-.078 ^s	-.009	-.026	.130**	.001	1.000
(21) Precedence	.090*	.091*	.089*	0.369**	.040	.028	.031	-.017	-.060	.150**	-.192***	.089*	.005	-.024	-.072	-.113*	.091*	-.046	.060	.107*
(22) Sanction	.091*	-.059	.072	.191***	-.008	-.003	.064	-.040	-.050	.102*	-.033	.100*	-.021	.008	-.003	.031	.053	.177***	.096*	.145**
(23) Country-level CSR sentiment	-.138**	.050	.114*	-.299***	-.154**	-.107*	-.041	-.065	-.041	-.159***	-.049	-.209***	-.039	-.082 ^s	.017	.051	-.136**	.406***	-.116*	.015
(24) Country-level news volume	-.062	.033	.089 ^s	.022	-.217***	.035	-.061	-.039	.084 ^s	.095*	.054	-.161***	.017	.060	-.041	.042	-.123**	.775***	-.115*	.158***
(25) Political disagreement	-.114*	.025	.086 ^s	-.143**	-.307**	.050	-.066	-.040	.076 ^s	-.013	.048	-.193***	.019	-.062	-.090*	.043	-.168***	.826***	-.117*	.105*

^s $p \leq .1$, * $p \leq .05$, ** $p \leq .01$, *** $p \leq .001$

Table WB4: Pearson Correlation Coefficients (Continued)

Variables	(21)	(22)	(23)	(24)	(25)
(21) Precedence	1.000				
(22) Sanction	.121**	1.000			
(23) Country-level CSR sentiment	-.107*	-.019	1.000		
(24) Country-level news volume	.074	.135**	.372***	1.000	
(25) Political disagreement	-.043	.077 ^s	.443***	.882***	1.000

^s $p \leq .1$, * $p \leq .05$, ** $p \leq .01$, *** $p \leq .001$

Figure WB1: Model-free Evidence on the Association between Market Emphasis and CAR[-3,3]

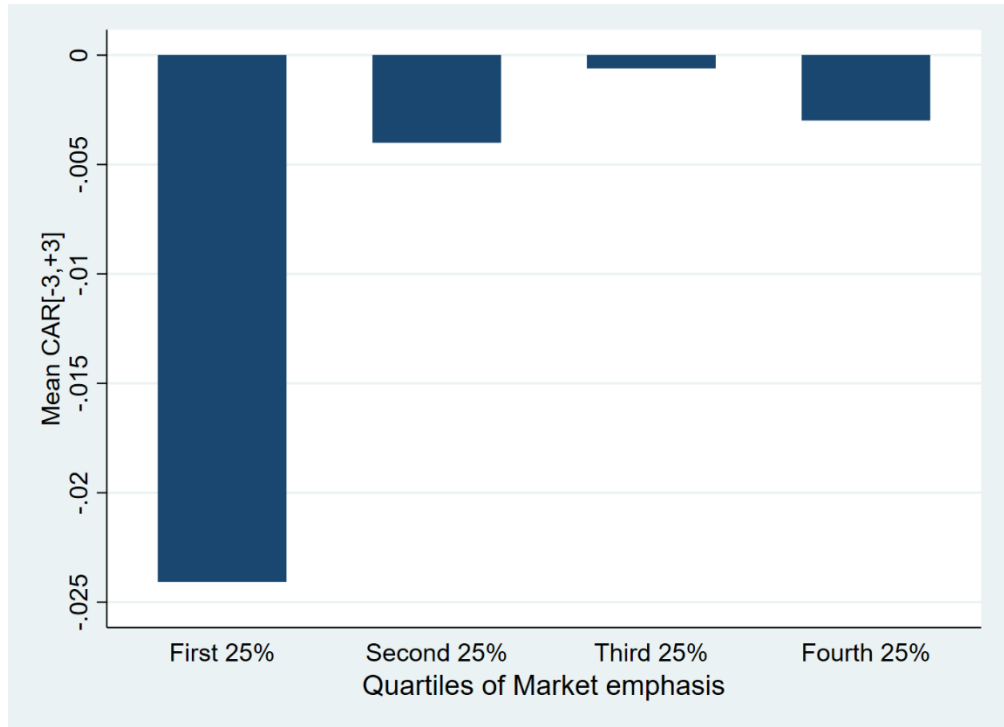
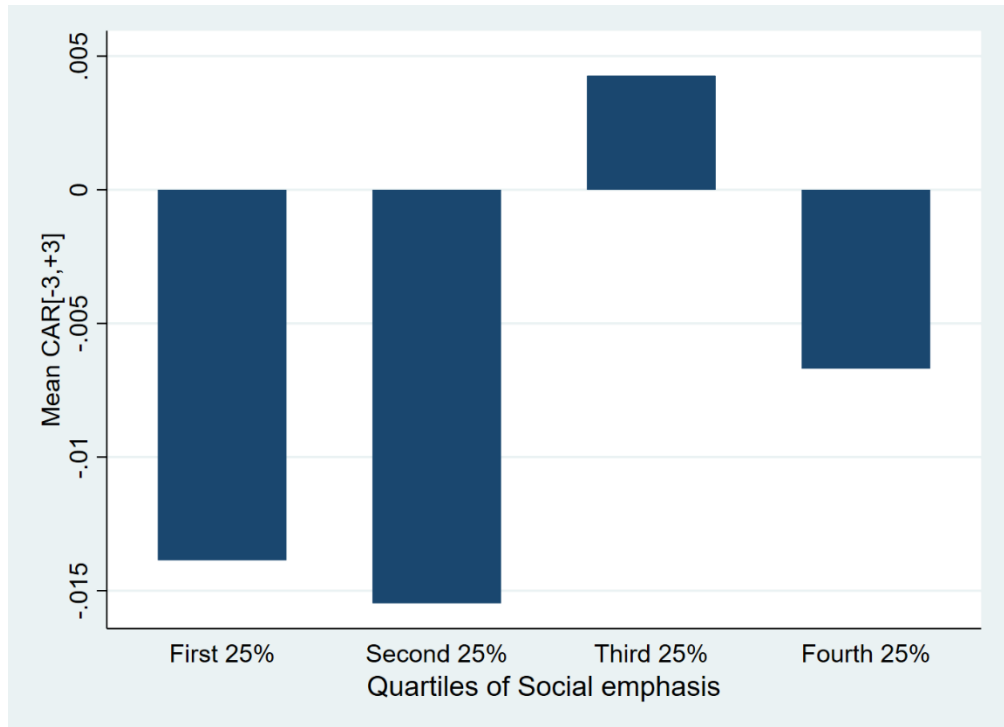


Figure WB2: Model-free Evidence on the Association between Social Emphasis and CAR[-3,3]



WEB APPENDIX WC: ADDITIONAL EVENT-STUDY RESULTS

Measuring the Level of Disengagement

The Yale Institute, KSE Institute, and The Good Lobby categorize corporate disengagement announcements on a scale varying from strongest to weakest. For example, The Good Lobby considers three levels and color-codes them into green (representing the strongest level of disengagement), yellow (indicating the intermediate level), and red (suggesting the weakest level of disengagement, continued engagement with Russia, or no announcement). For example, AB InBev—the firm that owns the Budweiser brand—announced halting its sales and production in Russia, leading The Good Lobby to give the announcement a green color. Amazon Web Services chose to block new sign-ups from Russia while continuing its current operations. This intermediate/moderate level of disengagement leads The Good Lobby to assign the announcement a yellow color. Lastly, Alibaba, Atos, and Bacardi remained quiet, and thus each has a red color.

The Yale Institute follows a similar approach. Specifically, it classifies each announcement into five levels, ranging from the strongest disengagement (what the Institute frames as *the most favorable*) to the weakest disengagement or no disengagement (i.e., the least favorable). The Institute indicates the strength of disengagement by assigning (1) colors ranging from dark green to dark red, (2) grade letters A through F, and (3) decision labels ranging from “Withdrawal” to “Digging in.” We briefly expand on each of the five grades. First, announcements where the firm halts its Russian engagements or exits Russia *permanently* receive dark green color, grade letter A, and decision label “Withdrawal” (e.g., Heineken 2022; PricewaterhouseCoopers 2022). Second, if the firm announces *temporarily* curtailing its operations while staying open to returning (e.g., Samsonite 2022), the announcement earns light green color, grade letter B, and decision label “Suspension.” Third, if a firm scales back significant business operations while continuing to operate its remaining businesses (e.g., Philip Morris 2022), the decision receives yellow color, grade letter C, and the label “Scaling Back.” Fourth, if a firm announces postponing its planned

investments and developments while continuing its substantive business operations (e.g., IHG Hotels & Resorts 2022), its decision earns orange color, grade letter D, and the label “Buying time.” Fifth, if a firm defies demands to exit or reduce its activities and instead continues engagements with Russia (e.g., Yang 2022), it receives a red color, the failing grade letter F, and the label “Digging In.”

KSE Institute follows a similar approach. Specifically, it classifies each announcement into six levels, ranging from the strongest to the weakest or no disengagement. The Institute indicates the strength of disengagement by assigning decision labels ranging from “Exit Completed” to “Continue Operations.” We briefly expand on each of the six levels. First, announcements where the firm sold its assets partly or completely to a local firm and exits Russia receive decision label “Exit Completed” (e.g., Arconic 2022; Shell 2022). Second, if the firm announces *completely* halting its operations (e.g., Toyota 2022), the announcement is labeled as “Withdrawal.” Third, if the firm announces *temporarily* curtailing its operations while keeping the return option open (e.g., Stellantis 2022), the announcement earns decision label “Suspension.” Fourth, if a firm scales back significant business operations while continuing to operate its remaining businesses (e.g., Akzonobel 2022), the decision is labeled as “Scaling Back.” Fifth, if a firm announces postponing its planned investments and developments while continuing its substantive business (e.g., Marel 2022), its decision earns the label “Pausing Investment.” Sixth, if a firm continues its operation in Russia (e.g., Unilever 2023), it receives the label “Continue Operations.”

We believe that these data sources’ ordinal categorization of disengagement is valid. Because we prefer a granular (vs. coarse) measure of disengagement, we adopted the Yale Institute’s five levels as KSE Institute’s first and second levels are equivalent to the first level of Yale Institute (as opposed to The Good Lobby’s three levels). The data sources provide us with the level of disengagement for most—but not all—of the announcements in our sample. However, they provide us with web links to most company announcements. We used these links (and conducted our own internet search) to read the announcements

and determine the level of disengagement. The event study results for the full sample are provided in Table WC1.

Our sample of 487 events/announcements includes (1) 52 announcements of buying time, (2) 53 announcements of scaling back, (3) 178 suspension announcements, and (4) 204 withdrawal announcements.¹⁰

Table WC1: Event Study Results: Market Model (Value-Weighted)

Panel A: ARs for individual days (market model)							
Event day	Mean AR (%)	Median AR (%)	No. Negative (total) ^a	(CDA) t	Cross-sectional Error t	Rank Test Z	Signed Rank
Day -5	.05	-.03	241 (469)	.432 [.333]	.492 [.311]	-.246 [.403]	-.554.5 [.452]
Day -4	-.23	-.14	256 (479)	-2.073 [.019]	-1.636 [.051]	-1.297 [.099]	-5191 [.043]
Day -3	-.02	-.11	249 (479)	-.191 [.424]	-.175 [.431]	-.573 [.284]	-2426 [.212]
Day -2	-.19	-.32	273 (476)	-1.687 [.046]	-1.899 [.029]	-3.214 [.0007]	-10529 [.0002]
Day -1	-.04	.00	241 (481)	-.333 [.370]	-.334 [.369]	-.096 [.462]	-890.5 [.385]
Day 0	-.21	-.01	241 (481)	-1.867 [.031]	-1.641 [.050]	-.741 [.230]	-3596.5 [.119]
Day 1	-.30	-.25	256 (476)	-2.701 [.004]	-2.724 [.003]	-1.996 [.024]	-7552 [.006]
Day 2	.07	-.01	237 (473)	.610 [.271]	.613 [.270]	.275 [.392]	11.5 [.499]
Day 3	-.40	-.15	256 (477)	-3.522 [.0002]	-3.630 [.0001]	-2.059 [.020]	-8267.5 [.003]
Day 4	-.02	.01	236 (474)	-.171 [.432]	-.191 [.424]	-.324 [.373]	-1962.5 [.256]
Day 5	.05	.02	234 (473)	.464 [.322]	.516 [.303]	.643 [.261]	1517.5 [.305]
Panel B: CARs for event windows (market model)							
Event Window	Mean CAR (%)	Median CAR (%)	No. Negative (total)	(CDA) t	Cross-sectional Error t	Rank Test Z	Signed Rank
[-5,0]	-.63	-.34	261 (487)	-2.299 [.010]	-2.216 [.013]	-2.518 [.006]	-7132 [.010]
[-4,0]	-.68	-.31	265 (487)	-2.705 [.003]	-2.557 [.005]	-2.648 [.004]	-8502 [.003]
[-3,0]	-.45	-.31	263 (487)	-2.005 [.022]	-2.071 [.019]	-2.312 [.010]	-6779 [.014]
[-2,0]	-.43	-.30	265 (487)	-2.207 [.013]	-2.154 [.016]	-2.339 [.010]	-6441 [.019]
[-1,0]	-.24	-.13	254 (487)	-1.537 [.062]	-1.393 [.082]	-.592 [.277]	-2627 [.199]
[0,1]	-.50	-.31	274 (486)	-3.177 [.0007]	-3.096 [.001]	-1.936 [.027]	-8012.5 [.004]
[0,2]	-.44	-.12	252 (487)	-2.247 [.012]	-2.290 [.011]	-1.422 [.078]	-4905 [.057]
[0,3]	-.82	-.14	256 (487)	-3.671 [.0001]	-3.752 [<.0001]	-2.261 [.012]	-7707 [.006]
[0,4]	-.84	-.06	249 (487)	-3.358 [.0004]	-3.455 [.0003]	-2.167 [.015]	-6208 [.022]

¹⁰ Our sample included 224 public firms that chose to dig in. We excluded these firms because our research question relates the shareholders' reaction to announcements. In fact, these firms were used in our selection bias analysis.

[0,5]	-.79	-.01	246 (487)	-2.881 [.002]	-3.251 [.0003]	-1.716 [.043]	-5860 [.029]
[-1,1]	-.54	-.24	263 (487)	-2.779 [.002]	-2.568 [.0006]	-1.636 [.051]	-5650 [.034]
[-2,2]	-.66	-.26	258 (487)	-2.625 [.004]	-2.605 [.005]	-2.582 [.005]	-7157 [.010]
[-3,3]	-1.07	-.70	280 (487)	-3.593 [.0002]	-3.801 [.004]	-3.257 [.0008]	-10883 [.0002]
[-4,4]	-1.32	-.80	275 (487)	-3.900 [<.0001]	-4.060 [<.0001]	-3.417 [.0005]	-10457 [.0004]
[-5,5]	-1.22	-.72	278 (487)	-3.265 [.0005]	-3.682 [.0001]	-2.985 [.002]	-10365 [.0004]

p-values in brackets.

^a *Our sample includes firms from 25 countries. Because countries differ on holidays and business days, the number of firms differs across the event windows.*

Event Study Results by Strength of Disengagement

Next, we conduct the event study analysis for each of the four levels of disengagement (Table WC2). Again, although Table WC2 reports the mean CAR for each of the fifteen event windows spanning the eleven-day period, we focus on our preferred $[-3, 3]$ window.

On average—announcements of buying time (Panel A, Table WC2) evoke no reaction, while announcements of scaling back, suspension, and withdrawal—on average—evoke a significantly negative reaction from shareholders, as suggested by the mean CAR of -1.23% , -1.34% , and -1.09% , respectively (median CAR = -1.44% , $-.87\%$, and $-.92\%$) (Panels B, C, and D, Table WC2).

Figure WC1 depicts the cumulative mean CAR from 30 days before to 30 days after the event/announcement date for the entire sample. Figure WC2 depicts the cumulative mean CAR for each of the four levels of disengagement (1 = Withdrawal to 4 = Buying time), illustrating the differences in investor reaction by the levels of disengagement. We observe that the mean CARs to scaling back, suspension, and withdrawal announcements decrease drastically from five days before the announcement, and this effect persists up to five days after the announcement. Theoretically, this finding further supports the notion that shareholders penalize a firm for stronger levels of disengagement.

Table WC2: Event Study Results: Market Model (Value-Weighted) for Each of the Four Levels of Disengagement

Panel A: CARs for event windows (market model): Buying time							
Event window	Mean CAR (%)	Median CAR (%)	No. Negative (total)	(CDA) t	Cross-sectional Error t	Rank Test Z	Signed Rank

[-5,0]	1.03	.93	22 (52)	1.538 [.062]	1.312 [.094]	1.357 [.088]	183 [.048]
[-4,0]	.78	.92	22 (52)	1.271 [.101]	1.129 [.129]	1.248 [.106]	155 [.080]
[-3,0]	.30	.30	24 (52)	.544 [.293]	.465 [.321]	.550 [.291]	85 [.222]
[-2,0]	.09	.37	24 (52)	.180 [.428]	.160 [.436]	.055 [.478]	73 [.255]
[-1,0]	.87	.68	20 (52)	2.255 [.012]	2.018 [.021]	1.977 [.024]	249 [.010]
[0,1]	-.11	-.12	30 (51)	-.291 [.385]	-.282 [.389]	.014 [.494]	-15 [.444]
[0,2]	-.13	.35	24 (52)	-.274 [.391]	-.268 [.394]	.042 [.483]	37 [.369]
[0,3]	.10	.69	21 (52)	.185 [.426]	.182 [.427]	1.054 [.146]	124 [.131]
[0,4]	.15	.81	24 (52)	.247 [.402]	.243 [.404]	1.055 [.146]	[.135]
[0,5]	-.17	.23	25 (52)	-.250 [.401]	-.262 [.396]	.409 [.341]	31 [.390]
[-1,1]	.50	.10	24 (52)	1.066 [.143]	1.067 [.143]	1.136 [.128]	110 [.160]
[-2,2]	-.30	.01	25 (52)	-.493 [.311]	-.445 [.328]	-.305 [.380]	-4 [.485]
[-3,3]	.14	.67	20 (52)	.196 [.422]	.172 [.431]	.892 [.186]	94 [.198]
[-4,4]	.67	1.12	22 (52)	.818 [.206]	.769 [.220]	1.434 [.076]	149 [.088]
[-5,5]	.60	.47	24 (52)	.668 [.252]	.593 [.276]	1.048 [.147]	133 [.114]

Panel B: CARs for event windows (market model): Scaling back

Event Window	Mean CAR (%)	Median CAR (%)	No. Negative (total)	(CDA) t	Cross-sectional Error t	Rank Test Z	Signed Rank
[-5,0]	-.49	-.52	30 (53)	-.776 [.219]	-.757 [.224]	-1.251 [.106]	-101.5 [.187]
[-4,0]	-1.02	-.94	36 (53)	-1.750 [.040]	-1.825 [.034]	-2.276 [.011]	-286.5 [.004]
[-3,0]	-.71	-.81	32 (53)	-1.371 [.085]	-1.480 [.069]	-1.765 [.039]	-177.5 [.058]
[-2,0]	-.62	-.52	32 (53)	-1.368 [.085]	-1.232 [.109]	-1.702 [.044]	-156.5 [.084]
[-1,0]	-.98	-.59	36 (53)	-2.661 [.003]	-2.562 [.005]	-2.394 [.008]	-254.5 [.011]
[0,1]	-.76	-.82	32 (53)	-2.072 [.019]	-1.526 [.063]	-1.872 [.031]	-153.5 [.088]
[0,2]	-.91	-.60	31 (53)	-2.015 [.022]	-1.538 [.062]	-2.322 [.010]	-152.5 [.089]
[0,3]	-1.05	-.31	29 (53)	-2.016 [.021]	-1.724 [.042]	-2.185 [.014]	-157.5 [.082]
[0,4]	-.57	.10	25 (53)	-.973 [.165]	-.909 [.181]	-1.156 [.124]	-33.5 [.385]
[0,5]	-.44	-.01	27 (53)	-.691 [.244]	-.663 [.253]	-.618 [.268]	-28.5 [.401]
[-1,1]	-1.21	-.64	32 (53)	-2.696 [.003]	-2.578 [.005]	-2.567 [.005]	-231.5 [.019]
[-2,2]	-1.00	-.90	31 (53)	-1.714 [.043]	-1.518 [.064]	-2.408 [.008]	-170.5 [.066]
[-3,3]	-1.23	-1.44	36 (53)	-1.794 [.036]	-2.032 [.021]	-2.386 [.021]	-251.5 [.012]
[-4,4]	-1.06	-1.10	33 (53)	-1.355 [.087]	-1.488 [.068]	-2.029 [.021]	-229.5 [.020]
[-5,5]	-.41	.85	32 (53)	-.472 [.318]	-.507 [.306]	-.902 [.183]	-74.5 [.257]

Panel C: CARs for event windows (market model): Suspension

Event Window	Mean CAR (%)	Median CAR (%)	No. Negative (total)	(CDA) t	Cross-sectional Error t	Rank Test Z	Signed Rank
[-5,0]	-1.15	-1.13	101 (178)	-3.035 [.001]	-2.326 [.010]	-2.846 [.002]	-1844.5 [.003]
[-4,0]	-1.05	-.67	99 (178)	-3.042 [.001]	-2.281 [.011]	-2.619 [.004]	-1684 [.007]
[-3,0]	-.68	-.44	99 (178)	-2.199 [.013]	-1.692 [.045]	-2.161 [.015]	-1383.5 [.022]

[-2,0]	-71	-30	100 (178)	-2.653 [.004]	-1.891 [.029]	-2.164 [.015]	-1226.5 [.037]
[-1,0]	-47	-37	101 (178)	-2.135 [.016]	-1.460 [.072]	-1.252 [.105]	-890.5 [.098]
[0,1]	-68	-32	98 (178)	-3.104 [.001]	-2.230 [.012]	-1.503 [.067]	-1094.5 [.056]
[0,2]	-46	.03	89 (178)	-1.712 [.043]	-1.299 [.097]	-.382 [.351]	-422.5 [.270]
[0,3]	-1.06	-.24	96 (178)	-3.427 [.0003]	-2.717 [.003]	-1.883 [.030]	-1423.5 [.019]
[0,4]	-1.02	-.01	89 (178)	-2.956 [.001]	-2.486 [.006]	-1.593 [.056]	-1195.5 [.014]
[0,5]	-.87	-.19	92 (178)	-2.299 [.010]	-2.164 [.015]	-.947 [.172]	-1017.5 [.069]
[-1,1]	-.75	-.49	100 (178)	-2.806 [.002]	-1.906 [.028]	-1.822 [.034]	-930.5 [.088]
[-2,2]	-.77	-.19	96 (178)	-2.241 [.012]	-1.577 [.057]	-1.642 [.050]	-988.5 [.075]
[-3,3]	-1.34	-.87	106 (178)	-3.289 [.0005]	-2.761 [.002]	-2.778 [.002]	-1973.5 [.001]
[-4,4]	-1.68	-.67	101 (178)	-3.621 [.0002]	-3.146 [.0008]	-2.893 [.002]	-1949.5 [.002]
[-5,5]	-1.62	-1.09	106 (178)	-3.170 [.0008]	-3.041 [.001]	-2.578 [.005]	-2211.5 [.0006]

Panel D: CARs for event windows (market model): Withdrawal

Event Window	Mean CAR (%)	Median CAR (%)	No. Negative (total)	(CDA) t	Cross-sectional Error t	Rank Test Z	Signed Rank
[-5,0]	-.64	-.41	108 (204)	-1.555 [.059]	-1.408 [.079]	-1.807 [.036]	-1186 [.080]
[-4,0]	-.64	-.17	108 (204)	-1.694 [.045]	-1.474 [.070]	-1.694 [.045]	-1204 [.077]
[-3,0]	-.37	-.29	108 (204)	-1.106 [.134]	-1.150 [.125]	-1.407 [.084]	-880 [.149]
[-2,0]	-.27	-.32	109 (204)	-.916 [.179]	-.921 [.178]	-1.223 [.111]	-934 [.134]
[-1,0]	-.14	.17	97 (204)	-.603 [.273]	-.529 [.298]	.114 [.454]	-60 [.471]
[0,1]	-.38	-.25	114 (204)	-1.614 [.053]	-1.655 [.048]	-1.024 [.153]	-1442 [.043]
[0,2]	-.38	-.25	108 (204)	-1.285 [.099]	-1.369 [.085]	-.975 [.165]	-1065 [.104]
[0,3]	-.80	-.15	110 (204)	-2.368 [.009]	-2.357 [.009]	-1.628 [.052]	-1373 [.052]
[0,4]	-1.01	-.25	111 (204)	-2.689 [.003]	-2.534 [.005]	-2.198 [.014]	-1504 [.037]
[0,5]	-.98	.00	102 (204)	-2.365 [.009]	-2.436 [.007]	-1.926 [.027]	-1243 [.070]
[-1,1]	-.45	-.10	107 (204)	-1.538 [.062]	-1.391 [.082]	-.563 [.286]	-864 [.153]
[-2,2]	-.56	-.35	106 (204)	-1.494 [.067]	-1.596 [.055]	-1.563 [.059]	-1166 [.083]
[-3,3]	-1.09	-.92	118 (204)	-2.447 [.007]	-2.437 [.007]	-2.176 [.015]	-1694 [.022]
[-4,4]	-1.57	-1.06	119 (204)	-3.110 [.0009]	-2.893 [.001]	-2.796 [.002]	-2009 [.008]
[-5,5]	-1.54	-1.04	116 (204)	-2.753 [.003]	-2.852 [.002]	-2.662 [.004]	-2086 [.006]

p-values in brackets. Two-tailed tests.

Figure WC1: CAR to the Announcements (30 Days Before and 30 Days After the Event Date)

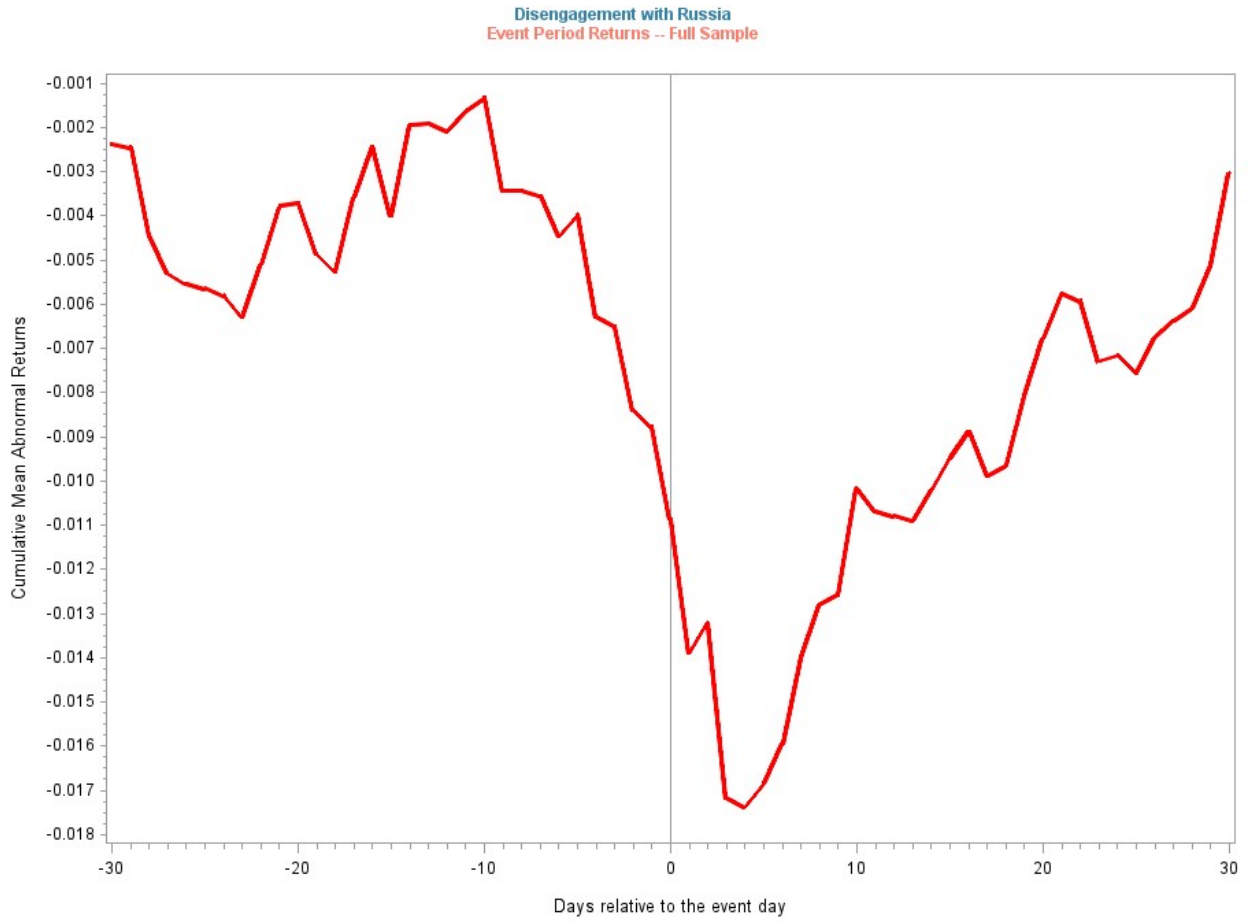
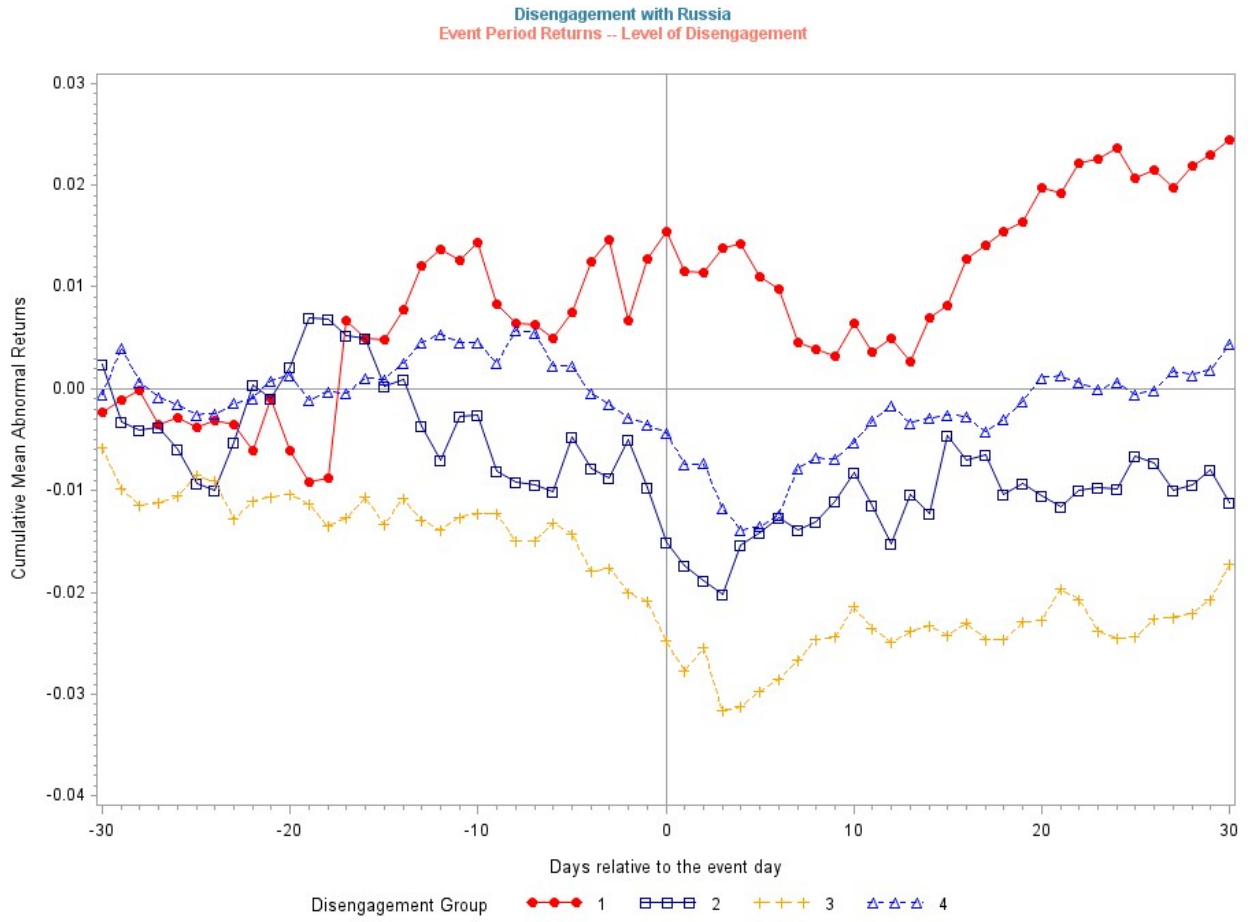


Figure WC2: CAR by the Strength of Disengagement (30 Days Before and 30 Days After the Announcement)



WEB APPENDIX WD: DATA SOURCES FOR IDENTIFICATION OF RELEVANT FIRMS AND ESTIMATES FROM THE FIRST-STAGE REGRESSION

Data Sources for Identification of Relevant Firms

We used three sources to identify firms that had reason to withdraw from Russia but chose not to. First, we extracted from the Yale Institute’s list the names of 125 firms that the Institute labeled as “digging in.” Second, we read the KSE Institute’s list and identified names of 281 public firms that the KSE Institute places under the “continue operation” category. Third, we used the Mergent Online database¹¹ to sample more firms that had reason to disengage with Russia but chose not to. We began with the “Advanced Search” → “Corporate Information” tabs on Mergent Online’s user interface to create the following three search criteria: (1) “Country of Operations” = “Russia” or (2) value of the “Subsidiary” variable contains “Russia” or (3) value of the “Subsidiary” variable contains “Russian.” Next, we used the “Advanced Search” → “Textual Search” tabs to add the following six search criteria: value of “Business,” “Joint Ventures,” or “Property” variable containing “Russia” or “Russian.” We excluded firms headquartered in Russia from the search results. The search yielded 340 public firms.

Data Source and Measurement of Political Disagreement

For a firm that announced its disengagement in year t (which could be 2022 or 2023), we use voting data from $t - 1$. For firms that had reason to disengage with Russia but did not announce disengagement, we use voting data from 2022. We measure the level of disagreement by the distance between (1) the estimated ideal point for country c in the corresponding year (2021 or 2022), based on its votes in all resolutions of the United Nations General Assembly (UNGA) in the same year and (2) the estimated ideal point for Russia based on its votes in UNGA’s resolutions.¹² We estimated the ideal points

¹¹ Mergent is the name of a set of database products sold by FTSE Russell (<https://www.ftserussell.com/data/academic>; <https://libguides.lib.msu.edu/mergent>), which is now a subsidiary of London Stock Exchange Group (LSEG) (<https://www.lseg.com/en/ftse-russell>). <https://www.ftserussell.com/data/mergent-online> provides more information on Mergent Online.

¹² <https://dataverse.harvard.edu/dataset.xhtml?persistentId=doi:10.7910/DVN/LEJUOZ>

using methods proposed by Voeten, Strezhnev, and Bailey (2009) and Bailey, Strezhnev, and Voeten (2017).

Research (e.g., Bertrand, Betschinger, and Settles 2016) has theorized that the (dis)similarity in voting on the UNGA resolutions suggests the convergence in the two countries' understanding of world issues. Therefore, the higher the level of political disagreement¹³ between country c and Russia on a diverse set of global issues, the more likely the firms in c to disengage with Russia.

We offer two reasons why the excluded variable likely meets the exclusion restriction. First, intercountry political disagreement is likely uncorrelated with firm-specific unobserved variables such as informal agreements with suppliers/customers in Russia and internal profit margins by product lines manufactured or sold in Russia. Second, the intercountry disagreement level is known to shareholders *in advance* and factored into the stock price of all firms from that country. Empirically, the abnormal returns' calculation includes the return on a country-specific total stock market (r_m in Equation 1), which considers the country-level factors by using overall stock market returns (Hermans et al., 2024; Lim et al., 2018). In other words, the intercountry disagreement is likely independent of shareholder reaction to a disengagement announcement.¹⁴

Table WD1: Estimates from the First-Stage Heckman (Probit) Regression

	DV = Did the firm announce disengagement?
Political disagreement	3.528 [$<.0001$] (0.469)
CSP rating	-0.421 [.280] (0.389)
Firm-specific risk environment	0.135 [.079] (0.077)
Dependence on Russia	1.894 [$<.0001$] (0.218)

¹³ We tested robustness by replacing political disagreement with voting similarity, calculated using the formula proposed by Signorino and Ritter (1999). Voting similarity and political disagreement are significantly negatively correlated ($\rho = -0.93$). Moreover, our results are robust to using voting similarity as the excluded variable.

¹⁴ No statistical test can confirm the excluded variable's fulfillment of the exclusion restriction. However, we receive some assurance by including the excluded variable (i.e., level of political disagreement between the focal firm's country and Russia) as an additional control variable in Equation 3 and estimating the equation. As expected, the excluded variable's estimated coefficient on abnormal returns is insignificant ($b = -.020, p = .527$).

Profitability	0.455 [.612] (0.898)
Firm size	0.076 [.259] (0.067)
Financial leverage	-0.256 [.002] (0.084)
Sales growth	0.739 [.036] (0.352)
Manufacturing	-0.552 [<.0001] (0.154)
B2B	-0.085 [.570] (0.149)
CAR to invasion_[-10,0]	0.695 [.455] (0.930)
Country-level news volume	-0.483 [<.0001] (0.051)
Intercept	1.602 [<.0001] (0.388)
Pseudo R-squared	.47
Number of observations	711 (487 + 224)
<i>p</i> -values in brackets. <i>Two-tailed tests</i> .	
Standard errors in parentheses.	
The outcome variable is the probability of a disengagement announcement.	

WEB APPENDIX E: ROBUSTNESS TESTS

Short-term Event Study: Inclusion of (1) Confounded Events and (2) Firms with Missing Values for Explanatory Variables

The sample for our main analysis—comprising 487 announcements, one from each firm—excluded the (1) 141 confounded announcements and (2) 185 announcements from firms for which Compustat did not provide data for the regressors in our specification. Following Sorescu, Warren, and Ertekin (2017), we repeat our event study by including these sets of announcements one by one. These two inclusions result in samples of 628 (i.e., 487 + 141) and 672 (i.e., 487 + 185), respectively. We also report the result for the combination of these two subsamples (i.e., 487 + 141 + 185 = 813 announcements). Including these announcements tests whether our results are driven by excluding specific events and observations.

Tables WE1, WE2, and WE3 provide the results for these three analyses. We note that the mean CAR is statistically significant in most windows. Specifically, the mean CARs for our preferred window of [-3,3] are -.79% ($p = .0006$), -.71% ($p = .003$), and -1.06% ($p < .0001$), respectively.

Finally, Tables WE4, WE5, and WE6 provide the results for additional robustness tests (alternative windows, regression methods, or specifications).

Table WE1: Event Study Results: Robustness to Inclusion of Confounded Announcements

Panel A: ARs for individual days (market model, value-weighted)							
Event day	Mean AR (%)	Median AR (%)	No. Negative (total) ^a	(CDA) t	Cross-sectional Error t	Rank Test Z	Signed Rank
Day -5	.04	-.05	310 (602)	.372 [.354]	.428 [.334]	-.314 [.377]	-1405.5 [.371]
Day -4	-.16	-.15	331 (613)	-1.602 [.054]	-1.311 [.094]	-1.479 [.070]	-8627.5 [.024]
Day -3	-.02	-.06	312 (615)	-.185 [.426]	-.175 [.430]	-.104 [.458]	-1474 [.369]
Day -2	-.19	-.28	345 (614)	-1.811 [.035]	-1.928 [.026]	-3.080 [.001]	-15489 [.0002]
Day -1	.00	-.02	316 (622)	.011 [.495]	.012 [.495]	-.063 [.475]	-1648.5 [.356]
Day 0	-.14	-.04	315 (619)	-1.403 [.080]	-1.204 [.114]	-.726 [.234]	-4877 [.136]
Day 1	-.17	-.14	319 (615)	-1.614 [.053]	-1.427 [.076]	-1.134 [.128]	-7997 [.034]
Day 2	.08	-.11	318 (610)	.757 [.224]	.785 [.216]	-.106 [.457]	-1610.5 [.355]
Day 3	-.29	-.11	320 (614)	-2.826 [.002]	-2.992 [.001]	-1.490 [.068]	-9532.5 [.015]
Day 4	.02	-.01	307 (613)	.183 [.427]	.217 [.414]	-.103 [.459]	-1432.5 [.372]
Day 5	.07	.03	302 (614)	.718 [.236]	.837 [.201]	.857 [.196]	3243.5 [.236]

Panel B: CARs for event windows (market model, value-weighted)							
Event Window	Mean CAR (%)	Median CAR (%)	No. Negative (total)	(CDA) t	Cross-sectional Error t	Rank Test Z	Signed Rank
[-5,0]	-.46	-.29	331 (628)	-1.850 [.032]	-1.772 [.038]	-2.354 [.009]	-7812 [.043]
[-4,0]	-.50	-.26	333 (628)	-2.186 [.014]	-2.058 [.019]	-2.439 [.007]	-9810 [.015]
[-3,0]	-.34	-.30	332 (628)	-1.662 [.048]	-1.639 [.050]	-1.987 [.024]	-8220 [.035]
[-2,0]	-.32	-.26	339 (628)	-1.814 [.034]	-1.700 [.044]	-2.234 [.013]	-9130 [.022]
[-1,0]	-.14	-.13	326 (628)	-.97 [.166]	-.878 [.190]	-0.558 [.288]	-4191 [.178]
[0,1]	-.30	-.24	344 (627)	-2.099 [.017]	-1.821 [.034]	-1.315 [.094]	-9133 [.022]
[0,2]	-.23	-.11	324 (628)	-1.287 [.099]	-1.209 [.113]	-1.135 [.128]	-6191 [.086]
[0,3]	-.51	-.08	322 (628)	-2.496 [.006]	-2.429 [.007]	-1.728 [.042]	-9536 [.018]
[0,4]	-.49	-.07	322 (628)	-2.152 [.015]	-2.170 [.015]	-1.592 [.056]	-7397 [.052]
[0,5]	-.42	-.01	316 (628)	-1.678 [.046]	-1.810 [.035]	-1.103 [.135]	-6706 [.070]
[-1,1]	-.30	-.19	331 (628)	-1.705 [.044]	-1.488 [.068]	-1.11 [.133]	-6434 [.024]
[-2,2]	-.41	-.27	332 (628)	-1.783 [.037]	-1.689 [.045]	-2.285 [.011]	-8976 [.003]
[-3,3]	-.71	-.52	346 (628)	-2.620 [.004]	-2.698 [.003]	-2.534 [.005]	-12248 [.004]
[-4,4]	-.85	-.66	342 (628)	-2.772 [.002]	-2.902 [.001]	-2.762 [.003]	-11775 [.004]
[-5,5]	-.74	-.54	342 (628)	-2.189 [.014]	-2.408 [.008]	-2.334 [.010]	-10915 [.008]

p-values in brackets. Two-tailed tests.

^a *We have different firms from different countries in our sample. Each country may have different holidays and working business days, leading to a different number of firms across the event window.*

Table WE2: Results from the Event Study: Robustness to Inclusion of Announcements by Firms with Missing Data

Panel A: ARs for individual days (market model, value-weighted)							
Event day	Mean AR (%)	Median AR (%)	No. Negative (total) ^a	(CDA) t	Cross-sectional Error t	Rank Test Z	Signed Rank
Day -5	-.02	-.10	342 (646)	-.195 [.422]	-.224 [.411]	-.82 [.206]	-4525.5 [.170]
Day -4	-.30	-.18	357 (656)	-2.824 [.002]	-1.994 [.023]	-1.981 [.024]	-12506 [.005]
Day -3	-.03	-.06	333 (656)	-.257 [.398]	-.245 [.403]	-.286 [.387]	-3366 [.244]
Day -2	-.17	-.26	366 (656)	-1.636 [.051]	-1.789 [.036]	-2.749 [.003]	-15629 [.0006]
Day -1	-.11	-.05	342 (661)	-1.017 [.154]	-1.091 [.137]	-.632 [.264]	-4245.5 [.193]
Day 0	-.09	-.02	334 (661)	-.872 [.191]	-.631 [.264]	-.621 [.267]	-5347.5 [.138]
Day 1	-.26	-.24	353 (658)	-2.482 [.006]	-2.774 [.002]	-1.905 [.029]	-13124 [.003]
Day 2	-.01	-.03	331 (654)	-.111 [.455]	-.12 [.452]	-.162 [.435]	-2269.5 [.319]
Day 3	-.42	-.20	361 (655)	-3.948 [<.0001]	-4.363 [<.0001]	-2.451 [.007]	-17236 [.0002]
Day 4	-.02	-.04	334 (652)	-.164 [.434]	-.2 [.420]	-.294 [.384]	-3779 [.216]
Day 5	.07	.02	321 (651)	.646 [.259]	.775 [.219]	1.036 [.150]	4671 [.165]
Panel B: CARs for event windows (market model, value-weighted)							
Event Window	Mean CAR (%)	Median CAR (%)	No. Negative (total)	(CDA) t	Cross-sectional Error t	Rank Test Z	Signed Rank
[-5,0]	-.70	-.45	369 (672)	-2.715 [.003]	-2.568 [.005]	-2.894 [.002]	-15098 [.001]
[-4,0]	-.68	-.35	368 (672)	-2.890 [.001]	-2.571 [.005]	-2.804 [.002]	-16151 [.0007]
[-3,0]	-.39	-.30	361 (672)	-1.853 [.031]	-1.814 [.034]	-2.144 [.016]	-11874 [.009]
[-2,0]	-.36	-.32	368 (672)	-1.995 [.023]	-1.806 [.035]	-2.311 [.010]	-11626 [.010]
[-1,0]	-.20	-.16	351 (672)	-1.314 [.094]	-1.076 [.140]	-.886 [.188]	-6605 [.094]
[0,1]	-.35	-.31	375 (671)	-2.329 [.009]	-2.065 [.019]	-1.786 [.037]	-14168 [.002]
[0,2]	-.36	-.16	353 (672)	-1.961 [.024]	-1.882 [.029]	-1.552 [.061]	-10521 [.018]
[0,3]	-.76	-.23	360 (672)	-3.623 [.0002]	-3.639 [.0001]	-2.569 [.005]	-16937 [.0004]
[0,4]	-.78	-.11	350 (672)	-3.311 [.0005]	-3.401 [.0003]	-2.430 [.007]	-14707 [.001]
[0,5]	-.71	-.11	347 (672)	-2.767 [.002]	-3.027 [.001]	-1.795 [.036]	-12618 [.006]
[-1,1]	-.45	-.27	364 (672)	-2.476 [.006]	-2.216 [.013]	-1.823 [.034]	-12421 [.006]
[-2,2]	-.63	-.28	358 (672)	-2.681 [.003]	-2.665 [.003]	-2.714 [.003]	-15349 [.001]
[-3,3]	-1.06	-.86	385 (672)	-3.815 [<.0001]	-4.119 [<.0001]	-3.328 [.0005]	-22423 [<.0001]
[-4,4]	-1.37	-.85	386 (672)	-4.336 [<.0001]	-4.443 [<.0001]	-3.694 [.0001]	-22619 [<.0001]
[-5,5]	-1.33	-.95	389 (672)	-3.790 [<.0001]	-4.256 [<.0001]	-3.276 [.0006]	-22619 [<.0001]

p-values in brackets. Two-tailed tests.

^a We have different firms from different countries in our sample. Each country may have different holidays and working business days, leading to a different number of firms across the event window.

Table WE3: Results from the Event Study: Robustness to Inclusion of Confounded Announcements and Firms with Missing Data

Panel A: ARs for individual days (market model, value-weighted)							
Event day	Mean AR (%)	Median AR (%)	No. Negative (total) ^a	(CDA) t	Cross-sectional Error t	Rank Test Z	Signed Rank
Day -5	-.02	-.10	411 (779)	-1.157 [.431]	-.201 [.420]	-.824 [.205]	-6370 [.155]
Day -4	-.23	-.18	432 (790)	-2.374 [.008]	-1.771 [.038]	-2.085 [.019]	-17602 [.003]
Day -3	-.02	.01	396 (792)	-.249 [.401]	-.242 [.404]	.068 [.473]	-1971 [.379]
Day -2	-.17	-.23	438 (794)	-1.772 [.038]	-1.891 [.029]	-2.732 [.003]	-21445 [.0004]
Day -1	-.07	-.06	417 (802)	-.669 [.251]	-.725 [.234]	-.551 [.291]	-5750.5 [.190]
Day 0	-.06	-.04	408 (799)	-.628 [.264]	-.467 [.320]	-.631 [.264]	-6829 [.147]
Day 1	-.16	-.14	416 (797)	-1.671 [.047]	-1.656 [.048]	-1.232 [.109]	-13609 [.018]
Day 2	.01	-.11	412 (791)	.093 [.462]	.103 [.459]	-.429 [.334]	-4877 [.224]
Day 3	-.33	-.14	425 (792)	-3.397 [.0003]	-3.802 [<.0001]	-1.969 [.025]	-19345 [.001]
Day 4	.01	-.05	405 (791)	.121 [.451]	.153 [.439]	-.119 [.452]	-3218 [.308]
Day 5	.08	.03	389 (792)	.842 [.199]	1.038 [.149]	1.182 [.119]	7341 [.127]
Panel B: CARs for event windows (market model, value-weighted)							
Event Window	Mean CAR (%)	Median CAR (%)	No. Negative (total)	(CDA) t	Cross-sectional Error t	Rank Test Z	Signed Rank
[-5,0]	-.56	-.38	439 (813)	-2.346 [.009]	-2.234 [.012]	-2.758 [.003]	-16495 [.006]
[-4,0]	-.54	-.29	436 (813)	-2.496 [.006]	-2.255 [.012]	-2.653 [.004]	-18175 [.003]
[-3,0]	-.32	-.28	430 (813)	-1.625 [.052]	-1.572 [.058]	-1.923 [.052]	-13777 [.019]
[-2,0]	-.29	-.30	442 (813)	-1.736 [.041]	-1.565 [.058]	-2.260 [.041]	-15145 [.011]
[-1,0]	-.12	-.16	423 (813)	-.903 [.183]	-.758 [.224]	-.836 [.183]	-9034.5 [.088]
[0,1]	-.22	-.25	445 (812)	-1.597 [.055]	-1.353 [.088]	-1.317 [.055]	-15623 [.009]
[0,2]	-.21	-.15	425 (813)	-1.250 [.105]	-1.160 [.123]	-1.323 [.105]	-12512 [.030]
[0,3]	-.53	-.18	426 (813)	-2.737 [.003]	-2.689 [.003]	-2.131 [.003]	-19872 [.001]
[0,4]	-.52	-.11	423 (813)	-2.395 [.008]	-2.445 [.007]	-1.959 [.025]	-16933 [.005]
[0,5]	-.44	-.09	417 (813)	-1.852 [.032]	-1.992 [.023]	-1.305 [.096]	-14043 [.018]
[-1,1]	-.28	-.24	432 (813)	-1.683 [.046]	-1.471 [.070]	-1.393 [.082]	-13963 [.003]
[-2,2]	-.44	-.28	432 (813)	-2.037 [.020]	-1.974 [.024]	-2.493 [.006]	-18292 [.0001]
[-3,3]	-.79	-0.56	451 (813)	-3.064 [.001]	-3.256 [.0006]	-2.826 [.002]	-24847 [<.0001]
[-4,4]	-1.00	-.73	453 (813)	-3.440 [.0003]	-3.573 [.0002]	-3.227 [.0007]	-25276 [<.0001]
[-5,5]	-.94	-.73	453 (813)	-2.902 [.001]	-3.229 [.0006]	-2.811 [.002]	-24126 [.0002]

p-values in brackets. Two-tailed tests.

^a We have different firms from different countries in our sample. Each country may have different holidays and working business days, leading to a different number of firms across the event window.

Table WE4: Estimates from Cross-sectional Regression (Heckman Second-Stage) for Alternate Windows

	(I)	(II)	(III)
DV =	CAR [-2, +2]	CAR [-4, +4]	CAR [-5, +5]
Market emphasis	0.113 [.018] (0.048)	0.129 [.029] (0.059)	0.111 [.068] (0.061)
Social emphasis	-0.038 [.296] (0.036)	-0.051 [.260] (0.045)	-0.077 [.095] (0.046)
Market emphasis × Social emphasis	-0.624 [.112] (0.392)	-1.047 [.031] (0.485)	-0.890 [.072] (0.495)
Delay	0.007 [.016] (0.003)	0.013 [<.0001] (0.003)	0.015 [<.0001] (0.004)
Market emphasis × Delay	-0.070 [.033] (0.033)	-0.039 [.337] (0.040)	-0.058 [.159] (0.041)
Social emphasis × Delay	0.006 [.842] (0.028)	0.017 [.635] (0.035)	-0.001 [.969] (0.036)
Scaling Back	-0.008 [.456] (0.011)	-0.025 [.056] (0.013)	-0.018 [.187] (0.013)
Suspension	-0.002 [.861] (0.009)	-0.018 [.105] (0.011)	-0.015 [.173] (0.011)
Withdrawal	-0.005 [.540] (0.009)	-0.030 [.005] (0.011)	-0.027 [.016] (0.011)
CSP rating	0.002 [.918] (0.015)	-0.037 [.050] (0.019)	-0.038 [.049] (0.019)
Announcement sentiment	-0.095 [.129] (0.063)	-0.129 [.096] (0.078)	-0.145 [.067] (0.079)
Upstream	-0.001 [.495] (0.001)	-0.003 [.059] (0.001)	-0.001 [.475] (0.002)
Downstream	-0.001 [.535] (0.001)	-0.000 [.739] (0.001)	-0.000 [.771] (0.001)
#Public statements on war	-0.004 [.510] (0.006)	-0.006 [.440] (0.007)	-0.009 [.210] (0.007)
Firm-specific risk environment	0.000 [.930] (0.003)	-0.002 [.593] (0.003)	0.000 [.985] (0.003)
Dependence on Russia	-0.003 [.729] (0.009)	-0.002 [.889] (0.011)	0.000 [.970] (0.011)
Profitability	0.002 [.960] (0.032)	-0.013 [.753] (0.040)	-0.000 [.998] (0.041)
Firm size	0.001 [.570] (0.002)	0.004 [.123] (0.003)	0.003 [.369] (0.003)
Financial leverage	0.000 [.950] (0.004)	-0.010 [.044] (0.005)	-0.010 [.046] (0.005)
Sales growth	-0.012 [.376] (0.014)	-0.007 [.686] (0.017)	0.009 [.619] (0.018)
Manufacturing	-0.003 [.624] (0.006)	-0.007 [.384] (0.008)	-0.008 [.304] (0.008)
USA	-0.009 [.326] (0.010)	-0.019 [.108] (0.012)	-0.013 [.271] (0.012)

B2B	0.014 [.010] (0.006)	0.028 [<.0001] (0.007)	0.025 [<.0001] (0.007)
CAR to invasion_[-10,0]	-0.022 [.518] (0.034)	0.016 [.696] (0.042)	0.016 [.715] (0.043)
Precedence	-0.000 [.582] (0.000)	0.000 [.851] (0.000)	0.000 [.933] (0.000)
Sanction	0.024 [.036] (0.011)	0.013 [.354] (0.014)	0.023 [.101] (0.014)
Country-specific CSR sentiment	-1.412 [.331] (1.453)	-1.156 [.520] (1.796)	-0.172 [.925] (1.838)
Country-specific news volume	0.001 [.580] (0.002)	0.001 [.714] (0.003)	-0.001 [.720] (0.003)
Intercept	0.338 [.377] (0.383)	0.319 [.500] (0.473)	0.053 [.912] (0.484)
Mills lambda	0.004 [.791] (0.014)	0.005 [.770] (0.017)	0.010 [.553] (0.017)
Wald Chi-square	55.31 [.0016]	95.67 [<.0001]	91.87 [<.0001]
Adj R-squared	.05	.11	.10
# Observations	487	487	487
<i>p</i>-values in brackets. Two-tailed tests. Standard errors in parentheses.			

Table WE5: Multinomial Logit Regression Results: Related to the first stage of Control function and Dubin and McFadden methods

DV = The level of disengagement. The “Digging in” category is the base	Withdrawal	Suspension	Scaling back	Buying time
Political disagreement	6.861 [$<.0001$] (1.169)	7.812 [$<.0001$] (1.199)	5.939 [$<.0001$] (1.595)	6.325 [$<.0001$] (1.648)
CSP rating	-1.028 [.174] (0.757)	-0.610 [.430] (0.772)	-0.951 [.383] (1.089)	1.146 [.372] (1.284)
Firm-specific risk environment	0.171 [.250] (0.148)	0.199 [.182] (0.149)	0.181 [.339] (0.190)	0.256 [.179] (0.190)
Dependence on Russia	4.182 [$<.0001$] (0.537)	3.189 [$<.0001$] (0.540)	4.201 [$<.0001$] (0.606)	4.141 [$<.0001$] (0.606)
Profitability	-0.728 [.676] (1.744)	2.823 [.112] (1.775)	-0.596 [.819] (2.611)	-1.344 [.626] (2.758)
Firm size	0.103 [.434] (0.132)	0.186 [.161] (0.133)	0.273 [.135] (0.182)	0.222 [.236] (0.188)
Financial leverage	-0.242 [.169] (0.176)	-0.871 [.001] (0.252)	-1.374 [.004] (0.482)	-0.782 [.034] (0.369)
Sales growth	1.208 [.072] (0.670)	0.742 [.296] (0.710)	2.047 [.049] (1.039)	1.208 [.072] (0.670)
Manufacturing	-1.262 [$<.0001$] (0.298)	-0.628 [.039] (0.304)	-0.633 [.134] (0.423)	2.515 [.014] (1.023)
B2B	-0.031 [.917] (0.298)	-0.379 [.202] (0.297)	-0.288 [.475] (0.403)	-0.028 [.946] (0.409)
CAR to invasion_[-10,0]	1.591 [.381] (1.815)	-0.682 [.717] (1.883)	5.386 [.034] (2.544)	5.067 [.046] (2.542)
Country-level news volume	-0.902 [$<.0001$] (0.123)	-1.035 [$<.0001$] (0.125)	-0.842 [$<.0001$] (0.164)	-0.906 [$<.0001$] (0.167)
Intercept	2.204 [.004] (0.773)	2.093 [.007] (0.774)	0.416 [.695] (1.062)	-1.201 [.335] (1.247)
Pseudo R-squared	.247			
LR Chi-Square	510.19 [$<.0001$]			
Number of observations	711 (487 + 224)			
<i>p</i> -values in brackets. Two-tailed tests. Standard errors in parentheses.				

Table WE6: Regression Results: Robustness to Alternative Dependent Variable and Methods of Correcting Self-Selection Bias

	(I)	(II)	(III)
	CAR on the value of the firm's operating business	Control function method ^a	Dubin and McFadden method ^a
DV =	CAR [-3, +3]	CAR [-3, +3]	CAR [-3, +3]
Market emphasis	0.103 [.013] (0.042)	0.156 [.001] (0.049)	0.151 [.002] (0.050)
Social emphasis	-0.035 [.262] (0.031)	-0.032 [.436] (0.041)	-0.030 [.449] (0.039)
Market emphasis × Social emphasis	-0.624 [.066] (0.340)	-0.909 [.032] (0.424)	-0.909 [.031] (0.422)
Delay	0.006 [.008] (0.002)	0.009 [.003] (0.003)	0.009 [.003] (0.003)
Market emphasis × Delay	-0.032 [.259] (0.028)	-0.061 [.094] (0.036)	-0.061 [.074] (0.034)
Social emphasis × Delay	0.001 [.954] (0.024)	-0.011 [.733] (0.032)	-0.010 [.758] (0.031)
Scaling Back	-0.013 [.149] (0.009)	-0.178 [.112] (0.112)	-0.016 [.162] (0.011)
Suspension	-0.009 [.228] (0.008)	-0.002 [.963] (0.053)	-0.009 [.352] (0.010)
Withdrawal	-0.012 [.101] (0.008)	-0.064 [.272] (0.058)	-0.016 [.109] (0.010)
CSP rating	-0.008 [.559] (0.013)	-0.024 [.412] (0.029)	0.004 [.990] (0.301)
Announcement sentiment	-0.090 [.097] (0.055)	-0.090 [.225] (0.074)	-0.096 [.196] (0.074)
Upstream	-0.001 [.419] (0.001)	-0.001 [.327] (0.001)	-0.001 [.382] (0.001)
Downstream	-0.000 [.572] (0.001)	-0.000 [.599] (0.001)	-0.000 [.697] (0.001)
#Public statements on war	-0.005 [.310] (0.005)	-0.006 [.338] (0.006)	-0.005 [.350] (0.006)
Firm-specific risk environment	-0.000 [.885] (0.002)	-0.001 [.723] (0.004)	0.000 [.993] (0.033)
Dependence on Russia	0.004 [.592] (0.008)	0.024 [.256] (0.021)	-0.035 [.898] (0.274)
Profitability	0.004 [.899] (0.028)	-0.036 [.661] (0.083)	0.142 [.898] (1.110)
Firm size	0.003 [.119] (0.002)	0.004 [.258] (0.004)	0.010 [.836] (0.049)
Financial leverage	0.001 [.876] (0.004)	-0.004 [.593] (0.007)	-0.052 [.821] (0.231)
Sales growth	-0.012 [.311] (0.012)	0.006 [.807] (0.026)	-0.005 [.988] (0.333)
Manufacturing	-0.009 [.082] (0.005)	-0.014 [.242] (0.012)	0.028 [.885] (0.196)
USA	-0.003 [.750] (0.008)	-0.009 [.428] (0.012)	-0.007 [.592] (0.013)
B2B	0.015 [.002] (0.005)	0.020 [.024] (0.009)	0.001 [.994] (0.125)
CAR to invasion _[-10,0]	-0.025 [.398] (0.030)	0.023 [.741] (0.071)	-0.028 [.981] (1.190)
Precedence	-0.000 [.933] (0.000)	-0.000 [.947] (0.000)	-0.000 [.835] (0.000)
Sanction	0.015 [.129] (0.010)	0.026 [.078] (0.015)	0.023 [.116] (0.015)
Country-specific CSR sentiment	-1.529 [.226] (1.261)	-1.742 [.297] (1.669)	-1.788 [.302] (1.732)
Country-specific news volume	-0.001 [.786] (0.002)	0.000 [.914] (0.003)	-0.002 [.910] (0.022)
Intercept	0.092 [.245] (0.384)	0.046 [.284] (0.492)	0.04 [.546] (1.540)
Mills lambda ₁	0.006 [.605] (0.012)		-0.006 [.904] (0.048)
Mills lambda ₂			-0.009 [.881] (0.059)
Mills lambda ₃			0.014 [.823] (0.063)
Residual ₁		0.162 [.149] (0.112)	
Residual ₂		-0.006 [.908] (0.052)	
Residual ₃		0.048 [.405] (0.058)	
Wald Chi-square	64.47 [.0001]	60.00 [.0013]	39.85 [.133]
Adj R-squared	.07	.08	.08
# Observations	485	487	487

p-values in brackets. Two-tailed tests.

Standard errors in parentheses

^a The results for these two models (column II and Column III) are based on bootstrapping and estimated by 1,000 repetitions. The results (standard errors) could slightly change in each run.

WEB APPENDIX WF: SHAREHOLDERS' LONG-TERM REACTIONS

We consider measuring the longer-term consequence of firms' disengagement from Russia using the calendar-time portfolio (CTP) or the buy-and-hold method (Kovalenko, Sorescu, and Houston 2022; Sorescu, Shankar, and Kushwaha 2007). A unique characteristic of firm disengagement from Russia is the clustered announcements. Consequently, the long-term abnormal returns for the sampled firms overlap, making difficult the statistical inferences on the event portfolio's buy-and-hold abnormal returns (BHAR) (Lyon, Barber, and Tsai 1999; Sorescu, Shankar, and Kushwaha 2007; Sorescu, Warren, and Ertekin 2017). Therefore, the CTP method is appropriate because it eliminates "the problem of cross-sectional dependence among firms" (Feng, Morgan, and Rego 2020, p. 264).

The CTP method requires us to create a portfolio of stocks of firms that disengaged with Russia. We add a firm's stock to the portfolio in the month that the firm announces the disengagement decision and hold it over a 13-month period, including the month of the announcement (i.e., month 0), and twelve subsequent months—that is, the [0,12] window. This 13-month window allows us to measure the long-term effect of disengagement decisions while capturing the pre-announcement news without introducing noise.

Table WF1 provides the results of the CTP analysis. The abnormal return over the 13-month period is analyzed by the significance of the estimated intercept (alpha) of the monthly portfolio return in a weighted regression with the market factor. We find that the 13-month calendar-time abnormal return (CTAR) of the sample of firms is positive and marginally statistically significant (.37%, $p = .080$). This positive, long-term reaction contrasts with the statistically significant average, short-term reaction of -1.07% (Table WC1). This finding is consistent with the notion that impression management is effective in the short term and that its effect dissipates or reverses over time. Table WF1 reports the results for the 10-month window of [0,9 months].

Because the CTP method measures return for the portfolio of firms (as opposed to individual firms), it does not produce abnormal returns for each announcement. Thus, one cannot estimate a cross-sectional regression like the one for a short-term event study. Therefore, we follow Sorescu, Shankar, and Kushwaha's (2007) method to investigate whether impression management impact long-term abnormal returns. Specifically, we create subsample portfolios based on whether the value of each of our hypothesized explanatory variables—i.e., *Market emphasis* and *Social emphasis* in the announcement—is below or above the sample median. That is, for each of these two variables, we create two subsamples. We create a CTP and compare the intercepts for the two subsamples to test H₁—that is, whether *Market emphasis* is positively associated with shareholders' reaction in the longer term. We repeat the process for H₂—that is, whether *Social emphasis* is associated negatively with long-term reaction. We also test each of our hypothesized interaction effects, H₃, H₄, and H₅, by dividing the sample into four portfolios based on the values of the three interactions of interest—*Market emphasis* × *Social emphasis*, *Market emphasis* × *Delay*, and *Social emphasis* × *Delay*, respectively. Next, we measure and compare the long-term abnormal returns for the portfolios/subsamples.

Table WF2 reports the findings. First, the abnormal stock return of the portfolio of firms whose announcements had a low *Market emphasis* is $-.0013$, whereas the opposite portfolio had a return of $.0028$. The difference is statistically insignificant ($t = 0.81, p = .429$), suggesting the absence of a significant difference between the shareholders' longer-term reactions to (1) the portfolio of firms whose announcements had low *Market emphasis* and (2) the portfolio of firms whose announcements had high *Market emphasis*. Therefore, we do not find support for our H₁ using the calendar-time portfolio returns. Second, the abnormal stock return of the portfolio of firms whose announcements had a low *Social emphasis* is $.0013$, whereas the opposite portfolio had a return of $-.0002$. The difference is statistically insignificant ($t = -0.33, p = .744$), suggesting the absence of a significant difference between the

shareholders' longer-term reactions to (1) the portfolio of firms whose announcements had low *Social emphasis* and (2) the portfolio of firms whose announcements had high *Social emphasis*.

Third, we compare the CTAR of subsample portfolios combining high *Market emphasis* with low versus high *Social emphasis*. Specifically, the portfolio comprising announcements with a high *Market emphasis* and low *Social emphasis* had a return of .0032, whereas the portfolio of announcements with a high *Market emphasis* and high *Social emphasis* received a return of .0022. The difference of $-.0010$ is statistically insignificant.

Fourth, the portfolio of announcements with a low *Market emphasis* and low *Social emphasis* had a return of .0001, whereas the portfolio of announcements with a low *Market emphasis* and high *Social emphasis* received a return of $-.0039$. The difference between the abnormal returns of these two portfolios ($-.0040$) is also statistically insignificant. Therefore, we do not find any support for H₃.

Fifth, the difference in shareholders' longer-term reaction is not statistically significant for firms' announcements with high *Market emphasis* and short (CTAR = $-.0016$) vs. long (CTAR = .0061) *Delay* (difference = .0077). Thus, *Delay* does not moderate the effect of high *Market emphasis* on shareholders' long-run reaction.

Sixth, we compare subsample portfolios' abnormal returns, combining low *Market emphasis* with short versus long *Delay*. The portfolio of announcements with a low *Market emphasis* and short *Delay* received a return of $-.0067$, whereas the portfolio of announcements with a low *Market emphasis* and long *Delay* had a return of .0044. The difference of .0111 is marginally statistically significant ($t = 1.92$, $p = .068$), suggesting that the shareholders' longer-term reaction is favorable for low *Market emphasis* announcements with long *Delay*.

Seventh, we compare subsample portfolios' abnormal returns, combining high *Social emphasis* with short versus long *Delay*. The portfolio of announcements with a high *Social emphasis* and short *Delay*

received a return of $-.0033$, whereas the portfolio of announcements with a high *Social emphasis* and long *Delay* had a return of $.0028$. Again, the difference of $.0061$ is insignificant. Finally, we compare subsample portfolios' abnormal returns, combining low *Social emphasis* with short versus long *Delay*. The portfolio of announcements with a low *Social emphasis* and short *Delay* received a return of $-.0057$, whereas the portfolio of announcements with a high *Social emphasis* and long *Delay* had a return of $.0076$. The difference of $.0133$ is statistically significant ($t = 2.51, p = .019$). Thus, *Delay* moderates the effect of low *Social emphasis* on shareholders' long-run reaction.

Overall, these sets of results suggest that none of the variables of interest (i.e., *Market emphasis* and *Social emphasis*) help the firm attenuate shareholder penalty in the long term. Thus, we did not find support for H_1 and H_2 . Moreover, we did not observe a significant impact for *Market emphasis* \times *Social emphasis* and *Market emphasis* \times *Delay* in the longer term (in contrast to the short-term reaction). We only observed that in the long term, *Delay* moderates the impact of both *Market emphasis* and *Social emphasis* when the two variables are low (below the median).

We also measure the CTAR by the levels of strength of disengagement (Table WF1). Firms that announced *Suspension* experienced *positive* and significant CTAR ($1\%, p = .024$). In contrast, firms that announced *Withdrawal*, *Scaling back*, and *Buying Time* did not observe a significant CTAR. The above findings are robust to the use of a 10-month window, beginning in the month of the announcement. Recall that the average value of shareholders' short-term reaction ($CAR[-3,3]$) to announcements of buying-time, scaling back, suspension, and withdrawal are $.14\%$, -1.23% , -1.34% , and -1.09% (Table WC2). The overall insight is that firms receive a punishment in the short term, particularly for stronger levels of disengagement, but a reward or no reaction in the long term.

Table WF1: Shareholders' Longer-Term Reaction: Results from the Calendar-Time Portfolio (CTP) Event Study

Window (monthly)	CTAR	Sample size	Weighted CTAR	WLS t [p-value]
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[0,9]	0.0037	486 ^a (entire sample)	0.0035	1.42 [.087]
[0,12]	0.0037	486 ^a (entire sample)	0.0045	1.48 [.080]
[0,9]	0.0140	51 ^a (buying Time)	0.0052	0.94 [.182]
[0,12]	0.0123	51 ^a (buying Time)	0.0036	0.69 [.249]
[0,9]	-0.0014	53 (scaling Back)	-0.0002	-0.06 [.478]
[0,12]	-0.0011	53 (scaling Back)	0.0019	0.43 [.338]
[0,9]	0.0102	178 (suspension)	0.0050	1.77 [.048]
[0,12]	0.0102	178 (suspension)	0.0068	2.14 [.024]
[0,9]	0.0012	204 (withdrawal)	0.0025	0.83 [.210]
[0,12]	0.0010	204 (withdrawal)	0.0029	0.78 [.223]

p-values in brackets. Two-tailed tests

^a One of the firms dropped from the sample due to the unavailability of return data for the long-term window.

Table WF2: Portfolio Analysis of Calendar-Time Abnormal Returns in the [0,12] Month Window

1: Comparisons of CTARs between quantile portfolios: single variables				
		Low	High	Difference
Market emphasis		-0.0013 [.640] (0.0036)	0.0028 [.219] (0.0036)	0.0041 [.429] (0.0051)
	Social emphasis	0.0013 [.338] (0.0031)	-0.0002 [.524] (0.0033)	-0.0015 [.744] (0.0045)

2: Comparisons of CTARs between quantile portfolios: interactions				
Social emphasis				
		Low	High	Difference
Market emphasis	Low	0.0001 [.488] (0.0033)	-0.0039 [.810] (0.0044)	-0.0040 [.478] (0.0055)
	High	0.0032 [.285] (0.0056)	0.0022 [.278] (0.0037)	-0.0010 [.883] (0.0067)
	Difference	0.0031 [.640] (0.0065)	0.0061 [.303] (0.0058)	0.0021 [.678] (0.0050)
Delay				
		Short	Long	Difference
Market emphasis	Low	-0.0067 [.918] (0.0048)	0.0044 [.088] (0.0032)	0.0111 [.068] (0.0058)
	High	-0.0016 [.680] (0.0034)	0.0061 [.098] (0.0047)	0.0077 [.198] (0.0058)
	Difference	0.0051 [.395] (0.0059)	0.0017 [.768] (0.0057)	0.0128 [.068] (0.0067)
Social emphasis	Low	-0.0057 [.958] (0.0033)	0.0076 [.035] (0.0042)	0.0133 [.019] (0.0053)
	High	-0.0033 [.766] (0.0045)	0.0028 [.249] (0.0041)	0.0061 [.329] (0.0061)
	Difference	0.0024 [.671] (0.0056)	-0.0048 [.420] (0.0058)	0.0085 [.120] (0.0053)

p-values in brackets. Two-tailed tests.
Standard errors in parentheses.

WEB APPENDIX WG: EXAMPLES OF ANNOUNCEMENT TEXTS WITH DIFFERENT LEVELS OF MARKET EMPHASIS, SOCIAL EMPHASIS, AND ANNOUNCEMENT TEXT

Table WG1: Examples of Disengagement Announcements with Low-High Combinations of Market Emphasis and Social Emphasis

Note: Following Bhattacharya, Misra, and Sardashti (2019), Srivastava, Kashmiri, and Mahajan (2023), and Vadakkepatt et al. (2022), *Market emphasis* (*Social emphasis*) is the number of terms that exist in the focal announcement and the product market (CSR) dictionary divided by the number of terms in the announcement, respectively. The two emphasis variables range between 0 and .5. The mean and median of *Market emphasis* are .17 and .16, respectively, whereas *Social emphasis* has a mean and median of .18. We use bold typeface for product-market terms and italics for CSR terms. The low (high) indicates that the value of the focal variable (either market emphasis or social emphasis) lies in the bottom (top) quartile.

Market emphasis	Social emphasis	Firm	Date	Text
High	Low	ASOS	March 2, 2022	British online fashion retailers ASOS (ASOS.L) and Boohoo (BOOH.L) have both suspended sales in Russia after Russia's invasion of Ukraine, joining a growing list of companies shunning the country. "Against the backdrop of the continuing war, ASOS has decided that it is neither practical nor right to continue to trade in Russia," an ASOS spokesperson said on Wednesday. ASOS had already suspended sales in Ukraine as it became impossible to serve customers there.
High	High	EPAM	March 4, 2022	EPAM Systems, Inc. (NYSE: EPAM), a leading digital transformation services and product engineering company, today announced its full support of Ukraine and calls for the immediate end to the <i>unlawful and unconscionable</i> attack on the <i>people</i> of Ukraine. "What is happening in Ukraine is deeply <i>personal</i> for us. Our colleagues around the world are united in <i>support for our 14,000 fellow team members in Ukraine and their families</i> . We are doing everything possible to support our Ukrainian colleagues and friends. We thank our global team members, who are working tirelessly to ensure consistent service , and our global customers for their support and continuous trust in us," said Arkadiy Dobkin, CEO & President, EPAM. The Company also announced several related developments: EPAM will discontinue its services to customers located in Russia. EPAM is committed to providing transition support for customers in this market . EPAM does not do work for the government in Russia and is and will continue to be in full compliance with all sanctions. The Company is also actively evaluating its other operations in the region .
Low	High	NEC Group	March 22, 2022	The NEC Group would like to express our <i>sympathies</i> to all who are impacted by the tragic situation in Ukraine, and our thoughts are especially with the <i>family of NEC group employees</i> who call that region home. We sincerely hope <i>that peaceful, safe and secure</i> conditions will return as soon as possible. " <i>Uncompromising Integrity and Respect for Human Rights</i> " is part of the NEC Group's <i>Principles of the NEC Way</i> that define the basis of our actions and behaviors, and we <i>condemn any unlawful use of force that violates human rights</i> . Netcracker Technology, a U.S.-based subsidiary of NEC Corporation, operates software development sites in Ukraine. Netcracker Technology has implemented a series of <i>aid and support initiatives</i> for its <i>employees</i> in Ukraine and their families,

				<p>including <i>evacuation support and provision of housing, food, water, goods and supplies</i>. As of today, more than 700 of our Ukrainian employees and their families have been <i>relocated to safer locations</i> within Ukraine and abroad. In addition to complying with the regulations of the Government of Japan and the international community, the NEC Group has suspended all future sales of products and services, as well as future investments in Russia. Further, the NEC Group will <i>donate five hundred thousand euros to the United Nations World Food Programme (WFP)</i> for humanitarian assistance for those affected by the crisis in Ukraine and its surrounding areas. In addition, each NEC Group company is raising <i>donations</i> from employees around the world.</p>
Low	Low	CME Group	March 7, 2022	<p>Effective immediately, Commodity Exchange, Inc. (“COMEX”) has suspended the approved status for warranting and delivery of the following brands of gold and silver until further notice.</p> <ul style="list-style-type: none"> • JSC Krastsvetmet (gold and silver) • JSC Novosibirsk Refinery (gold and silver) • JSC Uralelectromed (gold and silver) • Moscow Special Alloys Processing Plant (gold) • Prioksky Plant of Non-Ferrous Metals (gold and silver) • Shyolkovsky Factory of Secondary Precious Metals, SOE (gold and silver) <p>Gold and silver produced prior to March 7, 2022, will continue to be eligible for warranting and delivery. Metal produced as of March 7, 2022, and beyond will not be eligible for warranting and delivery until further notice.</p> <p>The Commodity Futures Trading Commission (“CFTC”) will be notified of the aforementioned suspension during the week March 14, 2022, via the weekly notification procedures set out in Part 40 of the CFTC’s Regulations.</p> <p>Obajtek added that the termination was done without penalties. The Polish refiner's contract with Tatneft was scheduled to expire in 2024.</p> <p>Russian oil flows to Poland were discontinued in February when the latter provided Leopard tanks to Ukraine. PKN Orlen fell about 1% on Tuesday's close.</p>

Table WG2: Examples of Disengagement Announcements with Short and Long Delay

Delay	Firms	Date	Text
Short	Delta Air Lines	February 25, 2022	<p>Delta has withdrawn our codeshare services operated in conjunction with Russian national airline, Aeroflot, effective immediately.</p> <p>We have removed our code from Aeroflot-operated services beyond Moscow’s Sheremetyevo Airport and removed Aeroflot’s code from Delta-operated services from Los Angeles and New York-JFK. Accommodations will be made for customers affected by these changes. Delta does not operate services to Ukraine or Russia.</p>
Long	Schlumberger (SLB)	July 14, 2023	<p>SLB today announced that it is halting shipments of products and technology into Russia from SLB facilities worldwide in response to the continued expansion of international sanctions. This follows SLB's previous ban on shipments from the United States, United Kingdom, the European Union and Canada into Russia. Beginning in March 2022, SLB took voluntary measures to curtail its Russian activity and announced that it would make no new investments in Russia and would not deploy new technology used in its services business. Since that time, the company has continued to commit significant resources to ensure it meets and exceeds the various international laws. SLB takes its responsibility to comply with export control and economic sanction laws extremely seriously, and the company remains aligned with the international community in condemning and calling for an end to the war in Ukraine.</p>

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