

CORPORATE STRATEGY IN THE RUSSIA-UKRAINE CONFLICT: NAVIGATING OPERATIONS IN RUSSIA

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The invasion of Ukraine by Russia in late February 2022 has sparked international outrage and public demand for sanctions against the oppressor. In response, numerous global corporations with a presence in Russia swiftly suspended or scaled back operations, postponed further investment, or fully withdrew from the country in solidarity with Ukraine— incurring significant financial risk. The sheer number of withdrawals, as evidenced by a live tracker from Yale University, suggests that public sentiment is a key determinant in shaping corporate strategy during geopolitical conflict. Conclusively, even firms with a significant (>10% share of revenue generated) presence in the Russian market would benefit from a full withdrawal.

Relations between Russia and Ukraine have been characterized by instability and conflict since the fall of the Soviet Union. Increasing strain in recent decades can be traced to key factors including eastward expansion of NATO, the Russian minority in Ukraine, and Russia's use of "violent civil conflict... as a means to extend its influence in the post-Soviet space and simultaneously reduce that of the West" (Mbah & Wasum, 2022). As a result, Ukraine has fallen into a precarious position; caught between the influence of the EU and NATO in the West, and Russia in the East. This position has been further exacerbated by Ukraine's internal challenges including separatist movements in the Eastern part of Ukraine, socio-economic crises, and rising energy debt (Mbah & Wasum, 2022).

Following a series of tumultuous political crises in the mid 2010s—specifically the ousting of President Viktor Yanukovich and subsequent annexation of Crimea by the Russian Federation in 2014—Volodymyr Zelensky was elected President of Ukraine, bringing with him a unique approach to Ukrainian political identity that called for the elevation of local practices to strengthen the union and combat separatism (Pisano, 2022). Zelensky’s agenda included the initiation of a formal request to join NATO¹ in January 2021, resulting in the amassing of Russian troops at the border with Ukraine (Mbah & Wasum, 2022). This initiative can be considered the final catalyst that prompted Russia’s recognition of Donetsk and Luhansk as autonomous regions on February 21, 2022 (Ahmed, Hasan, & Kamal, 2022), and eventual invasion of Ukraine on February 24, 2022 (Mbah & Wasum, 2022).

Arguably the largest European war by scope since 1945 (Russia-Ukraine War, 2022), impacts of the Russia-Ukraine crisis are far-reaching—particularly on financial markets. Wiseman (2022) claims that the fierce financial sanctions unleashed on the aggressor have not only inflicted an economic catastrophe on President Vladimir Putin’s Russia, but “are also menacing the global economy, shaking financial markets and making life more perilous for everyone.” As a result, many international firms have pivoted their corporate strategy to fully withdraw business operations from the Russian market and limit investments in Russia for the foreseeable future (Eshraghi & Tosun, 2022). Alternatively, a small sample of firms have chosen to remain operating in the country despite public sentiment, and the difficulty executing in transactions.

Originally a simple distinction, dividing companies’ corporate strategies into the decision to a) withdraw, or b) remain, is no longer suitable for the vast range of positions adopted by firms. This is reflected in the Yale School of Management Chief Executive Leadership Institute’s

¹ North Atlantic Treaty Organization

A-F categorization system for completeness of withdrawal (1,000 Companies, 2022). Companies are categorized as follows:

- A. Withdrawal
- B. Suspension
- C. Scaling Back
- D. Buying Time
- E. Digging In

First published February 28, [Yale's list](#)— kept continuously updated by Jeffrey Sonnenfeld and a team of experts—leverages both public and non-public sources of data such as government regulatory filings, tax documents, company statements, Bloomberg, FactSet, MSCI, S&P Capital IQ, Thomson Reuters, and company insiders, among others. The list provides valuable insight, suggesting that most major companies—even those with significant financial exposure to the Russian market—initially chose full withdrawal: for example, American fast-food chain McDonald's, with 9% of revenue generated by Russia/Ukraine, and German financial services provider Deutsche Bank, with \$1.6B net exposure to Russia. As developments in the conflict continue, the list will continue to provide valuable insight into corporate reactions to a conflict of human rights; and ideally, continue to inform executives' decisions catalyzing the mass corporate exodus from Russia.

Resources

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