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The exodus of Western manufacturing corporations from Russia–the beginning

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ABSTRACT
This study aims to depict the dramatic exit of Western multinational corporations (MNCs) from Russia after the escalation of the Russia – Ukraine conflict and the beginning of military action between the two countries. The beginning of intensive military actions between Russia and Ukraine served as a pretext for strengthening Western sanctions that now not only include sanctions against Russian physical and legal persons but also the ban on trade with Russia, the ban on financial transactions, and strict control of value appropriation by foreign corporate centres of Western MNCs in Russia. We demonstrate how Western corporations selected candidates for divestment under pressure from their home countries and the strengthening demands of the Russian government towards both sides of the deal with foreign industrial assets. Moreover, the present study refutes several popular postulates on foreign divestment and indicates several promising directions for future studies.

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Introduction

The escalation of military conflict between Russia and Ukraine in March 2022 caused strong opposition from the West. Till date, 51 countries and territories have imposed 12 packages of individual or collective sanctions against physical and legal persons in Russia, restricted financial transactions to and from Russia, and constantly expanded the list of goods prohibited for export to Russia. However, the Russian government gradually imposed strict regulations on profits and cross-border capital transfers. These developments caused an unprecedented disruption of international business operations in Russia and created strong incentives for manufacturing corporations (MNCs) to divest and leave Russia. This process was accompanied by active rhetoric, proclaiming the unity of the West in the face of unprovoked Russian aggression.

Simultaneously, although most foreign businesses operating in Russia during the outburst of military confrontation belong to what is now referred to in Russia as unfriendly countries, it would have been an unjustified simplification to describe the process as an immediate and simultaneous exit from the Russian market by Western MNCs; however, readers of international policy sections of the world and leading newspapers could get this impression. In reality, although the divestment indeed did take

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place, 1) the pace of the process has been substantially uneven since the outbreak of the conflict, 2) currently, the majority of Western-owned enterprises have not changed owners and are not permanently closed, and 3) we suspect a substantial variation in the share of divested businesses across home countries, industries, company sizes, and forms of ownership. These three phenomena require evidence and explanation, which constitutes the research problem of this study. This necessitates revealing the factors determining Western owners' priority of divesting particular assets. It is reasonable to expect these factors to deviate substantially from those determining the divestment priority in times of peace and cooperation (Berry, 2013; Boddewyn, 1983).

The remainder of this paper is organised as follow: the next section describes the research approach, followed by the methods and data section. The subsequent section presents the major findings, and the last section provides the conclusions, research limitations, and suggestions for further studies.

Research approach

The military conflict between Russia and Ukraine and the subsequent wave of sanctions provoked a series of papers that presented an overview of management theories potentially applicable to research on sanctions (Meyer et al., 2023) and papers that called for the revision of management scholarship to incorporate the interconnectedness of research themes across countries and management disciplines (Cumming, 2022).

Meyer et al. (2023) distinguished four major theoretical approaches applicable to the study of sanctions.

(1) *institutional-based view* that concentrates on the interaction between national and supranational institutions orchestrating or affected by sanctions;
(2) *resource and knowledge-based view*, which places special attention on the transfer of resources between the corporate centre and subsidiaries in the sanctioned country;
(3) *resource dependency theory* which focuses on MNCs' dependency on activities in a sanctioned country; and
(4) *behavioural theory of the firm*, which theorises that the personal characteristics of top management shape firms' reactions to political events.

The approaches above shed some light on the behaviour of MNCs operating in countries under sanctions. We intentionally adopted a historical approach to amalgamate some of these approaches and depict the position and actions of manufacturing subsidiaries of Western MNCs in a host country that is in deep confrontation with most of their corporate parent home countries (Bansal et al., 2018). In this method, researchers are free to establish the critical factors in industrial evolution beyond demand, technological landscape, firm behaviour, and industrial dynamics. They can retrace and highlight the role of government policies and actions, and the individual and collective efforts of players who have sought to reshape government policies or local institutions, along with other relevant contextual factors. In pursuing a historical approach, researchers may choose realist, interpretative, or poststructuralist approaches (Vaara & Lamberg, 2016) to elucidate specific aspects of the historical phenomenon of interest.

Finally, the historical approach facilitates the use of a wider range of relevant sources and methods of data collection, beyond company reports and statistical sources, and provides, for example, the study of narratives, the analysis of video materials, conducting interviews, and performing action research. Several studies have examined the development of foreign corporations' manufacturing subsidiaries in Russia using a realistic historical approach (Golikova et al., 2011; Gurkov & Saidov, 2017, 2021; Holtbrugge & Puck, 2009).

Using a realist historical approach, we present the behaviour of Russian manufacturing subsidiaries of Western MNCs in the context of strengthening Western sanctions not as a sudden phenomenon but as a continuation and extension of existing trends under extreme institutional conditions (Marquis & Raynard, 2015).

Method and data

A mixed-methods design was used in this study. We combined quantitative and qualitative methods and used constructs and variables adopted from political studies, economics, international management, and industrial anthropology to describe the ongoing and possible future actions of Russian manufacturing subsidiaries of foreign companies.

As sources of information, we used the following:

(1) A handcrafted database of financial data from 280 factories operated by foreign corporations between January 2012 and December 2019 in Russia. This database was gradually assembled for the 2016–2022 period, and its earlier version was used by Gurkov and Filinov (2023). The final version of the database includes detailed reports on the revenue and balance sheets of 280 companies from 2019 to 2022.
(2) The transcripts of interviews with partners of three leading Russian law firms that helped more than 100 Western companies legally exit Russia, and interviews with several high-ranking Chambers of Commerce officials in several Western countries in Russia.

In general, we assembled and triangulated sufficient information on the behaviour of Russian manufacturing subsidiaries of Western companies in 2022.

Findings

The evolution of conditions for corporations to divest Russian assets from 'unfriendly countries' in 2022

According to the last available official Russian data, between March 2022–March 2023, around 200 firms that operated in Russia were divested (Bank of Russia, 2023). The regulator did not reveal the exact number of divested companies or their industries and indicated that only a few companies with total assets above $300 million were divested. Moreover, we should stress that a significant number of foreign companies left Russia 'de facto', without the approval of the host country authorities and now await the approval of their actions by the Russian authorities.

The whole period of military conflict can be divided into two sequential phases concerning the divestment process. The first phase (March – December 2022) is characterised by the following:

(1) In extreme cases, foreign assets were sold at a nominal price to one of the governmental agencies (for example, this was the case of Renault, which sold its car assembly capacities in Moscow for just one ruble (US$0.15).
(2) The second possible path to divest foreign assets in this phase was management buyouts (MBOs) – the assets were sold to a group of top Russian managers of a subsidiary, usually with the option of a prolonged period of possible buyback and the right to continue to use the buyer's trademarks.
(3) Several 'sell-outs' of foreign-owned enterprises to local firms that typically operated in the same line of business took place. In such cases, the possibility of a buyback and continued use of the buyer's trademarks increased the deal's price.

At the beginning of 2023, a new phase of economy started in Russia. By this time, the scope of the divestment process and its influence on the national economy had become evident, and Russian authorities had undertaken several measures to stop or at least inhibit the process. The deals with 'symbolic price' became virtually impossible, and the government that initially supported MBOs changed its mind – MBOs became increasingly difficult to realise. The Russian government rolled out several conditions for asset buyers and sellers, considering three major conditions for the deal.

(1) To maintain employment in an enterprise that is being sold;
(2) To maintain the operations of an enterprise at a level comparable to that preceding the deal.
(3) To obtain from a seller the discount from the market price of assets.

The Russian government created a dedicated body to deal with the divestment process – the Subcommission on Divestments of the Government's Commission for Control over Foreign Investments in the Russian Federations. Each foreign asset divestment case is evaluated individually, and the examination procedure may last for months. Another subcommission of the same government evaluates and approves the flows of equity, dividends, and credits to and from Russian subsidiaries in Western countries.

In July 2023, the Russian government formulated ten conditions for selling Russian assets by firms from 'unfriendly countries' (i.e. the countries that support sanctions against Russia):

(1) Prohibition to enter a repurchase option for more than two years;
(2) The obligation to place up to 20% of the shares of the acquired company on the local stock exchange, regardless of the format in which the transaction is conducted (e.g. a foreign company joins the existing business of the new owner);
(3) The requirement to list even if a company is liquidated or loses its public status because of the transaction;

(4) The need to obtain an opinion on the compliance of the purchase price with the market value from an independent private appraiser from a special list formed by the government;
(5) The need for an expert opinion prepared by the participants of the self-regulatory organisation (SRO) of appraisers from the list recommended by the government;
(6) A discount of at least 50% of the market value, according to an independent assessment;
(7) Payment of 10% to the budget if the transaction is carried out with a discount of less than 90% of the market value. If the discount is greater, 10% of the value of the independent assessment must be paid to the Treasury;
(8) Fulfilment by the buyer of Key Performance Indicators (KPIs) for the development of the company and the preservation of its staff;
(9) A ban on the withdrawal of funds from the sale abroad for owners from unfriendly countries; and
(10) Availability of all other permits required for the transaction from the Russian authorities.

These conditions make the foreign companies exit a long and mostly unprofitable deal, taking up much time for top corporate officers and the staff of a global merger and acquisition (M&A) unit at the corporate headquarters.

Note that we report on changes in ownership in 2022 in a sample of manufacturing subsidiaries built by foreign corporations in 2012-–2019. The situation of the change in ownership in 2023 differed significantly.

Who sells what

The first step in evaluating the consequences of strengthening Western sanctions and countermeasures by the Russian government was to explore the changes in ownership of the studied subsidiaries in 2022 (see Table 1).

We discovered two major types of changes:

(1) changes to ownership (28.1% of subsidiaries in the sample); and
(2) two cases of liquidation of subsidiaries.

We started our analysis with an extreme variant of change, the liquidation of subsidiaries. Only two companies are in the process of bankruptcy or liquidation.

Next, we compared the degree of change in ownership of companies of different sizes. The difference between the sizes of enterprises that changed ownership and those that did not experience such transformations in 2022 was statistically significant

Table 1. Changes of ownership in 2022 of the manufacturing subsidiaries built in 2012–2019 by Western corporations.

	Number of subsidiaries	Percent
No changes	199	71,1
Change of ownership	79	28,1
Liquidation of a subsidiary	2	07
Total	280	100,0

Table 2. Changes of ownership of subsidiaries of different size (measured as total assets in 2021).

		Changes in 2022		
Total assets in 2021		No changes	Changes in ownership	Total
Less than Euro 5 mln.	Count	14	18	32
	% in less than Euro 5 mln.	43,8%	56,3%	100,0%
	% of Total	5,1%	6,5%	11,6%
Euro 5–20 mln.	Count	43	17	60
	% within Euro 5–20 mln.	71,7%	28,3%	100,0%
	% of Total	15,6%	6,2%	21,7%
Euro 20–70 mln.	Count	73	22	95
	Euro 20–70 mln	76,8%	23,2%	100,0%
	% of Total	26,4%	8,0%	34,4%
Euro 70–300 mln.	Count	47	16	63
	% within Euro 70–300 mln.	74,6%	25,4%	100,0%
	% of Total	17,0%	5,8%	22,8%
More than Euro 300 mln.	Count	22	4	26
	% within More than Euro 300 mln.	84,6%	15,4%	100,0%
	% of Total	8,0%	1,4%	9,4%
	Count	199	77	276
	% of Total	72,1%	27,9%	100,0%

1. Approximate significance of Cramer's is 0.003.
2. Approximate significance of Contingency Coefficient is 0.003.

(see Table 2). While 28.1 shares of subsidiaries experienced a change in ownership in 2022, more than half of the smallest subsidiaries (with total assets of less than 5 million in 2021) changed ownership, while the share of changes in ownership in larger enterprises (with assets valued above Euro 300 million) was just 15% (see Table 2).

This signifies the absence of qualified local buyers who can spend hundreds of US $ million to purchase modern assets, even at a deep discount.

The third point of comparison is the difference in the shares of enterprises sold in different industries (see Table 3).

On average, 28% of the studied companies changed ownership in 2022, out of which 44% of companies in paper and allied products, 36% in lumber and wood, 35% in industrial machinery, 32% in electronics and electricity, and 30% in stone and glass were sold. As we were told in the interviews, the first candidates for sales were small companies with relatively simple technologies and established local markets: paper and allied products, lumber, wood, stone, and glass. The sales of companies in industrial machinery and electronics and electrics were mostly caused by serious difficulties in getting details and accessories from Western countries in conditions of dense Western sanctions, problems in finding alternative suppliers for such items in 'neutral' countries (China, Malaysia, Thailand, India, Vietnam) and the lack of Russian suppliers of many items in those industries.

Another statistically significant difference between subsidiaries that changed and those that did not change their ownership in 2022 was the corporate parent's type of ownership. While 36% of subsidiaries with family-owned corporate parents changed their ownership in 2022, 24% of subsidiaries with corporate parents of other types of ownership changed their ownership by 2022 (the approximate significance of Cramer's V is .032; the approximate significance of the Uncertainty Coefficient is 0.032).

Table 3. Changes of ownership of subsidiaries in different industries in 2022.

		Changes in 2022		
Industry	Percent within industry	No changes	Change of ownership	Total
Chemical and Pharmacuticals	Count	33	7	40
	Percent within industry	82,5%	17,5%	100,0%
	% of Total	12,0%	2,5%	14,5%
Industrial machinery	Count	26	14	40
	Percent within industry	65,0%	35,0%	100,0%
	% of Total	9,4%	5,1%	14,5%
Food and kindred products	Count	24	10	34
	Percent within industry	70,6%	29,4%	100,0%
	% of Total	8,7%	3,6%	12,3%
Transportation equipment	Count	28	5	33
	Percent within industry	84,8%	15,2%	100,0%
	% of Total	10,1%	1,8%	12,0%
Electronic and electric	Count	15	7	22
	Percent within industry	68,2%	31,8%	100,0%
	% of Total	5,4%	2,5%	8,0%
Stone and glass	Count	16	7	23
	Percent within industry	69,6%	30,4%	100,0%
	% of Total	5,8%	2,5%	8,3%
Fabricated metals	Count	11	3	14
	Percent within industry	78,6%	21,4%	100,0%
	% of Total	4,0%	1,1%	5,1%
Lumber and wood	Count	7	4	11
	Percent within industry	63,6%	36,4%	100,0%
	% of Total	2,5%	1,4%	4,0%
Paper and allied products	Count	9	7	16
	Percent within industry	56,3%	43,8%	100,0%
	% of Total	3,3%	2,5%	5,8%
Other industries	Count	30	13	43
	Percent within industry	69,8%	30,2%	100,0%
	% of Total	10,9%	4,7%	15,6%
	Count	199	77	276
	% of Total	72,1%	27,9%	100,0%

However, the real reason for such a situation that generally contradicts the beliefs in greater sustainability of family-owned firms in crisis situations is the unwillingness of family firms to sell foreign assets is the smaller size of Russian subsidiaries in ownership in family-owned and family-run corporations. Indeed, 47% of subsidiaries owned by family-owned and family-run corporations in 2021 were small enterprises (with total assets below Euro 20 million in 2021), whereas small enterprises represented only 27% of the subsidiaries of public corporations (the approximate significance of the Uncertainty Coefficient is 0.002).

In general, we may draw the following picture of changes in the ownership of industrial subsidiaries of Western corporations in 2022: the shift in the ownership affected subsidiaries of Western corporations in all manufacturing industries, where smaller subsidiaries with relatively simple technologies and subsidiaries of different sizes in industrial machinery and electronics, that meet the problems of continuing operations in the absence of supplies, experienced a higher rate of change. In addition, family-owned corporations (despite their usual beliefs about inertia in changing the ownership of family-owned subsidiaries) were also more active in divesting Russian assets, as they owned smaller enterprises.

Why the Russian assets are sold (and planned to be purchased back)

Reason 1. Increased risks of doing business in Russia are not covered by relevant benefits

We have made enormous efforts to compare the performance of sold Russian manufacturing subsidiaries of Western MNCs with those that retained Western ownership. The various performance indicators (gross margin, sales dynamics, and net profitability of sales) for 2021 and 2022 did not significantly differ between subsidiaries that were sold and that retained Western owners. Finally, we decided to compare the costs and benefits of owning Russian assets by MNCs from 'unfriendly countries'. We identified a combination of Western sanctions and Western public pressure with Russian counter-sanctions:

- transformed Russian assets of Western corporations into 'poisoned assets', damaging the public image of the corporation and limiting the development of the corporate parent (entering into strategic alliances with other Western companies, domestic and foreign M&A, etc.);
- largely limited the possibility of exit from Russian assets that make up a significant part of the total assets of the corporate parent 'frozen' in Russia;
- restricted most of the ways to export value from Russian subsidiaries in different forms (Gurkov, 2014; Gurkov et al., 2018) – by dividends, credits for Russian subsidiaries to the parent companies and to sister-subsidiaries, unpaid dissemination inside the corporate parent of technologies created in Russian subsidiaries, movement of talent from Russian subsidiaries to the corporate headquarters or sister-subsidiaries, and by other methods of value expropriation from subsidiaries that make Russian assets a 'black hole' which absorbs corporate resources but requires enormous efforts to get them back.

Such restrictions have increased costs and decreased the benefits of doing business in Russia. As most of the Russian manufacturing subsidiaries of Western corporations had the status of 'revenue centres' and are assessed by their corporate parents by the dynamics of sales and the level of gross margin (see Gurkov, Dahms, et al., 2023), the worsening of conditions of doing business in a host country should be compensated by the increase of sales or by the increase of gross margin or both. We compared the sales and gross margins of 280 subsidiaries between 2019 and 2022. The average growth in revenue (in rubles) was only 14%, while 61% of the studied enterprises *decreased* sales between 2019 and 2022. The average gross margin remained stable – it increased between 2019 and 2022 by 2%; for 47% of the studied enterprises, the average gross margin *decreased* between 2019 and 2022, and for a further 15% of enterprises, the gross margin *increased between 2019 and 2022 by less than 15%*.

We may speculate that between 2019 and 2022, there was 'a plague year' (the year of the COVID-19 pandemic). However, as demonstrated by Gurkov and Filinov (2023), the pandemic seriously affected the net profitability of foreign subsidiaries in Russia. However, it did not seriously affect the revenues and gross margin of Russian subsidiaries of Western corporations.

Therefore, we discovered the first reason for the exodus of Western manufacturing corporations in Russia after the escalation of the Russia – Ukraine conflict and the beginning of military actions between those two countries – *for the majority of Russian subsidiaries of Western manufacturing corporations, the increased risks of doing business in Russia is not compensated by the increased parameters of Key Performance Indicators (KPIs) of 'revenue centres' – the growth of revenues and the growth of gross margin.*

We did not exclude the existence of certain segments in the Russian markets where benefits counterbalance risks – special chemicals and pharmaceuticals, kindred products, fabricated metals, and specialised transportation equipment. Such segments experienced lower exit rates in 2022 (see Table 3). Moreover, with the exit of Western competitors in several business segments, the competitiveness of Russian subsidiaries of Western manufacturing corporations will increase compared to local firms.

Finally, according to the data from the Chief Executive Leadership Institute of Yale School of Management, almost half of the Western companies which 'de facto' left Russia in 2022 (504 out of 1034 companies) included in the selling contracts an option of buying back the enterprise (see RBC, 2023).

However, with the increased complication of bureaucratic procedures, including shortening the period of buyback for Russian assets of Western corporations, such possibilities became less realistic and a significant number of subsidiaries of Western manufacturing corporations were doomed to move to the periphery of their corporate parents, where attention and resources from the corporate centre are lacking (see Gurkov & Saidov, 2021).

Reason 2. Political pressure from home countries and supranational institutions

While the imbalance of risks and returns of doing business in Russia by companies from 'hostile countries' is not that popular in the current academic research in international business, the governmental, supranational, and public pressure on Western companies operating in Russia received excessive attention. However, many researchers omit the fact that if a Western corporation does not exit Russia, governmental pressure may make the business of a corporation more complicated, but in most cases, cannot force a corporation to exit Russia (by taking the excuse of complicated bureaucratic measures imposed by the Russian government to sell Russian assets). For example, Mol et al. (2023) presented several cases of Danish companies that experienced strong public pressure related to the continuation of business in Russia: for example, the footwear producer 'Ecco' was boycotted by Danish footwear stores and lost the status of a supplier of the Danish royal court, but the corporation did not exit Russian market which provided 17% of its worldwide sales.

We computed the shares of Russian subsidiaries with corporate parents from different countries of origin sold in 2022 (see Table 4).

We found no meaningful differences between the shares of corporations with different countries of origin that sold Russian enterprises. On average, from the latest available data, 34% of all foreign subsidiaries built in 2012–2019 were sold in 2022; the percentage shares was smaller for countries with a large number of Russian subsidiaries (Germany, USA, France) and higher for countries with a small number of Russian subsidiaries, despite the mild attitudes of the country's government towards the Russia – Ukraine conflict (for example, China). We should also stress that we report on the divestments executed in

Table 4. The shares of companies with different countries of origin that left Russia in 2022.

Country of origin of a corporate parent of a subsidiary		Changes of ownership in 2022: No change	Changes of ownership in 2022: Change in 2022	Total
Germany	Number of subsidiaries	56	13	69
	% of subsidiaries	81,2%	18,8%	100,0%
USA	Number of subsidiaries	20	10	30
	% of subsidiaries	66,7%	33,3%	100,0%
France	Number of subsidiaries	19	4	23
	% of subsidiaries	82,6%	17,4%	100,0%
Italy	Number of subsidiaries	8	9	17
	% of subsidiaries	47,1%	52,9%	100,0%
Japan	Number of subsidiaries	13	3	16
	% of subsidiaries	81,3%	18,8%	100,0%
Finland	Number of subsidiaries	9	3	12
	% of subsidiaries	75,0%	25,0%	100,0%
Sweden	Number of subsidiaries	10	2	12
	% of subsidiaries	83,3%	16,7%	100,0%
China	Number of subsidiaries	6	4	10
	% of subsidiaries	60,0%	40,0%	100,0%
Austria	Number of subsidiaries	6	3	9
	% of subsidiaries	66,7%	33,3%	100,0%
Denmark	Number of subsidiaries	5	3	8
	% of subsidiaries	62,5%	37,5%	100,0%
Switzerland	Number of subsidiaries	6	2	8
	% of subsidiaries	75,0%	25,0%	100,0%
Netherlands	Number of subsidiaries	3	4	7
	% of subsidiaries	42,9%	57,1%	100,0%
Turkey	Number of subsidiaries	5	1	6
	% of subsidiaries	83,3%	16,7%	100,0%
Belgium	Number of subsidiaries	5	1	6
	% of subsidiaries	83,3%	16,7%	100,0%
United Kingdom	Number of subsidiaries	5	0	5
	% of subsidiaries	100,0%	0,0%	100,0%
Norway	Number of subsidiaries	3	1	4
	% of subsidiaries	75,0%	25,0%	100,0%
Israel	Number of subsidiaries	0	3	3
	% of subsidiaries	0,0%	100,0%	100,0%
Czech Republic	Number of subsidiaries	0	3	3
	% of subsidiaries	0,0%	100,0%	100,0%
South Korea	Number of subsidiaries	3	0	3
	% of subsidiaries	100,0%	0,0%	100,0%
Spain	Number of subsidiaries	3	1	2
	% of subsidiaries	100%	33,3%	66,7%
Canada	Number of subsidiaries	2	0	2
	% of subsidiaries	100,0%	0,0%	100,0%
Hungary	Number of subsidiaries	2	0	2
	% of subsidiaries	100,0%	0,0%	100,0%
Mexico	Number of subsidiaries	2	0	2
	% of subsidiaries	100,0%	0,0%	100,0%
Iceland	Number of subsidiaries	0	2	2
	% of subsidiaries	0,0%	100,0%	100,0%
Australia	Number of subsidiaries	1	0	1
	% of subsidiaries	100,0%	0,0%	100,0%
Luxembourg	Number of subsidiaries	1	0	1
	% of subsidiaries	100,0%	0,0%	100,0%
Thailand	Number of subsidiaries	1	0	1
	% of subsidiaries	100,0%	0,0%	100,0%
South Africa	Number of subsidiaries	1	0	1
	% of subsidiaries	100,0%	0,0%	100,0%
Ukraine	Number of subsidiaries	0	1	1
	% of subsidiaries	0,0%	100,0%	100,0%

(*Continued*)

Table 4. (Continued).

Country of origin of a corporate parent of a subsidiary		Changes of ownership in 2022: No change	Change in 2022	Total
Poland	Number of subsidiaries	1	0	1
	% of subsidiaries	100,0%	0,0%	100,0%
Other countries	Number of subsidiaries	5	3	8
	% of subsidiaries	62,0%	38,0%	100,0%
	Total number of companies	199	77	276
	% of companies	72,1%	27,9%	100,0%

2022. The politically inspired divestment process continued until 2023. For example, on the 6th of July 2023, the President of Finland, Saili Niinistö, confirmed that 'all Finnish companies left Russia' (Le Monde, 2023).

The last attempt to assess public pressure on the exit of Western corporations from Russia was to assess the participation of corporate parents of Russian manufacturing subsidiaries of Western corporations in the United Nations Global Compact (UNGC), a supranational organisation created in 2000 that aimed to introduce the principles of social responsibility of businesses around the globe. This organisation strongly opposes the Russian – Ukrainian conflict. We compared the shares of Russian subsidiaries of Western corporations sold in 2022 between members and non-members of UNGC. Although the share of subsidiaries of UNGC member corporations was 30% and that of non-members was only 23%, this difference was not statistically significant.

We conducted an integrated analysis of the factors that led to the divestment of Russian subsidiaries of manufacturing MNCs, as in (Gurkov & Kokorina, 2017) for the analysis of factors that led to divestments of Russian subsidiaries of foreign manufacturing MNCs between March and July 2023. We used a different set of factors that might influence the decision to sell the Russian subsidiary of a foreign corporation in 2022. The set of factors included the following:

(1) the total assets of an enterprise in 2021;
(2) the country of origin of the corporate parent;
(3) changes in sales in 2022;
(4) gross margin in 2021;
(5) participation of the corporate parent in UNGC;
(6) gross margin in 2022;
(7) the industry in which a subsidiary operates; and
(8) impact of Western sanctions on Russian industries in which a subsidiary operates.

Using these eight variables, we properly classified 66% of all cases, of which 58% are selling, and 69% are non-selling cases of a foreign corporation subsidiary. The significant excess of properly predicted cases of non-selling over properly predicted cases of selling indicates that the set of factors that led to the selling of Russian subsidiaries is broader and more diverse than those used in the analysis.

Conclusions, research limitations, and suggestions for further studies

We presented the exodus of Western manufacturing corporations from Russia in 2022 as an amalgamation of the political pressure on corporations from home country governments, the general public, and supranational institutions, which increased the risk of owning Russian manufacturing assets without a corresponding increase in the benefits of ownership. In presenting the exodus of manufacturing subsidiaries in this way, we generally followed the *institutional-based view* that concentrates on the interaction between national and supranational institutions orchestrating or affected by sanctions (Meyer et al., 2023) combined with a traditional view of foreign divestments caused by the imbalance of risks and benefits (Boddewyn, 1983). We presented the situation of exit from Russian manufacturing assets in 2022 when it was much easier compared with now, when the Russian government realised subsidiaries of Western manufacturing corporations with large tangible assets as 'hostages' and developed complicated bureaucratic procedures aimed at making exiting from Russian assets a long and generally unprofitable deal.

We should also indicate the limitations of our study built on an institutional-based view combined with the standard assessment of the correspondence of risks and benefits, foreign direct investments, and valuation of exit costs. Simultaneously, other theoretical approaches applicable to studying sanctions, especially *resource dependency theory*, which emphasises the primary attention of dependency of MNCs on activities in the sanctioned country, and *behaviour theory of the firm*, which theorises the personal characteristics of top management shaping firms' reactions to political events, may bring unexpected results in studying the exodus of Western manufacturing corporations from Russia. Suppose the research based on resource dependency theory may be done chiefly by quantitative methods of research using the standard tools in international business research, studies based on the behavioural theory of the firm will require the study of narratives, the analysis of video materials, conducting interviews, and performing action research that is not too popular in international business research. We should add that a further difficulty in obtaining a realistic picture of the exodus of Western MNCs from Russia is to get in contact with top managers of corporations that exited their Russian subsidiaries and, if possible, with top managers or owners of local buyers of formerly foreign-owned industrial assets.

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