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Do liberal and conservative-leaning CEOs approach de-internationalization differently? Zooming in on the onset of the 2022 Russia/Ukraine crisis

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ABSTRACT

We explore multinationals' de-internationalization at the onset of the 2022 Russia/Ukraine crisis, based on their CEO's political ideology. Using motivated cognition logic, we propose that the differences between conservative- and liberal-leaning CEOs regarding their attitudes toward change and social justice influence their receptivity to stakeholders' demands regarding divestment. Using a sample of US MNCs, we find support for our arguments. This research is of scholarly importance as this crisis may intensify the terrains of contestation which multinationals represent for stakeholders that are making claims over their location decisions, often perceived as a sign of acceptance into a country's political actions.

1. Introduction

We live in a world in which the acronym VUCA (volatility, uncertainty, complexity, ambiguity) seems to take on its full meaning (Buckley, 2020; Petricevic & Teece, 2019), raising interesting questions for international business (IB) scholarship. After the Covid-19 pandemic that threatened to precipitate an era of de-internationalization (Ciravegna & Michailova, 2022; Kafouros, Cavusgil, Devinney, Ganotakis, & Fainshmidt, 2022; Panibratov & Gaur, 2022), the Ukraine/Russia conflict erupting on February 24, 2022, has introduced additional turbulence and engendered widespread outrage in many parts of the world and many circles, including in academia (Cumming, 2022; Michailova, 2022; Panibratov & Gaur, 2022). Headlines about multinational corporations' (MNCs) moral responsibility have abounded with secondary stakeholders (and somewhat primary constituents) engaging in extra-institutional tactics including protests, social media campaigns, and boycotts, to advocate for foreign firms to exit Russia. Such a trend was rather foreseeable, considering that firms often constitute terrains of contestation for a wide range of constituents with claims over how they should behave, as documented by organizational sociologists (Haveman, Rao, & Paruchuri, 2007).

Nonetheless, one of the idiosyncrasies of this conflict has been the large and quasi-immediate exodus of MNCs in an effort to align "their business practices with the values" of their constituents or perhaps with their own values (Katsos, Miklian, & Forrer, 2022). Firms have gone beyond the legal mandate of sanctions and their decision makers have often framed the discourse in ethical terms, with ideological references, begging the question whether chief executive officers (CEOs) became "arbiters of rights and wrongs" (The Economist, 2022a). At the same time, de-internationalization carries other implications (e.g., financial[1]) (Boddewyn, 1983); which partly explain firms' heterogenous strategic choices, ranging from full scale de-internationalization to partial moves such as curtailment of activities or suspension of new investments to status quo. For IB scholars, such a phenomenon raises interesting questions: what are the characteristics of decision makers who were more open to de-internationalization options at the onset of this conflict? What is the impact of executive values on de-internationalization in the face of this war at the doorstep of Europe, given the prominence in this debate of the notion of moral responsibility and the perception of 'unfairness' among some stakeholders? By capturing early responses, a period during which decisions are more discretionary and ambiguous, we believe that research can benefit from a timely study on a phenomenon likely to exert a profound influence on the future of globalization and MNCs' social impact (Katsos et al., 2022). Furthermore, a recent editorial on the topic by the *British Journal of Management (BJM)* argues that this crisis emphasizes the "need for and responsibility of management research to help society and address grand challenges" (Cumming, 2022: 2).

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[1] For example, BP, Shell, and Exxon expect to lose $32.4 billion in 2022 because of the exit from Russia (The Economist, 2022b).

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Our research echoes an intriguing but limited line of inquiry studying why firms engage in de-internationalization[2], that identified firm- and industry-level economic antecedents and non-economic country factors related to institutions (e.g., Arte & Larimo, 2019; Boddewyn, 1983; Dai, Eden, & Beamish, 2013; Gaur & Lu, 2007; Kafouros et al., 2022). The idea that firms may divest in response to exogenous factors such as political and economic risks, violent conflicts, wars, terrorism, and/or secondary stakeholders' pressures has been supported by several studies (e.g., Berry, 2013; Dai et al., 2013; 2017; Liu & Li, 2020; Liu, Li, Eden, & Lyles, 2022; Soule, Swaminathan, & Tihanyi, 2014). Notwithstanding these insightful contributions, there are important opportunities for new research as existing scholarship has minimally addressed the role of decision makers in the de-internationalization equation, as well as subjective factors that may affect foreign divestment strategies (Kafouros et al., 2022).

These research lacunae caught our attention primarily for at least three reasons. First, on a broader note, decades of research in the organizational sciences, including the seminal piece by Cyert & March, 1963 on the behavioral theory of the firm, have shown that "people, not firms, are the ones that make decisions" in organizations (Arikan & Shenkar, 2022). Second, de-internationalization represents corporate-level decisions made in the C-suite under conditions of bounded rationality, means-ends ambiguity, and uncertainty, especially at the onset of a conflict. This may help explain why MNCs, confronted with the same environmental and internal stimuli, exhibit heterogeneous strategic responses (March & Simon, 1958). Such factors may leave sufficient room for decision makers' interpretation and judgement, which may lead to different strategic options; calling therefore for more research on the variability of responses as opposed to the simple 'exit' or 'stay' dichotomy predominantly used in past literature (Arte & Larimo, 2019). Third, other evidence indicates that foreign divestment decisions are not always economically rational since right after an exogenous shock in a foreign country, decision makers have often limited information at their disposal regarding the persistence of the conflict, the nature of the changes that may occur in firms' external environment, potential reputational effects, and so on (e.g., Berry, 2013; Liu et al., 2022). This speaks to the importance of examining non-economic factors that may shape decision makers in their initial assessment (March & Simon, 1958).

In this research, we provide a new explanation of firms' early de-internationalization commitments rooted in the highly recognized notion that decision makers inject their personal values in their decision-making, especially under conditions of bounded rationality, means-ends ambiguity, and uncertainty (Andrews, 1971; Chandler, 1962; Selznick, 1949) and during 'destabilizing' events (e.g., Hutton, Jiang, & Kumar, 2014). In contemporary research, this perspective was further substantiated by upper echelon scholars who demonstrated empirically the importance of the CEO effect and the interplay between managerial values and strategic decisions of various natures (Hambrick, 2007; Semadeni, Chin, & Krause, 2022; Wernicke, Sajko, & Boone, 2022). According to Hofstede (1980: 19), values refer to a "broad tendency to prefer certain states of affairs over others." We examine in particular CEO political ideology, defined as the deeply held and higher-order "values on the ideal goals of society and the best means to achieve them" (Chin, Zhang, Jahanshahi, & Nadkarni, 2021).

While CEO ideology may embody many facets, we focus on the liberalism-conservatism axis, one of the most parsimonious and robust manifestations of ideology, validated by abundant research in political science and political psychology (e.g., Bonica, Chilton, Goldin, Rozema, & Sen, 2017; Swigart, Anantharaman, Williamson, & Grandey, 2020). In this literature, liberals are characterized by openness to change, while conservatives espouse a lower degree of openness to change (Jost, Nosek, & Gosling, 2008). Another core distinction pertains to liberals' moral preference for social justice as opposed to conservatives, who are likely to place greater emphasis on shareholder wealth and to hold a more closed view of organizations (Chin, Hambrick, & Treviño, 2013; Gupta & Briscoe, 2020; Jost, Glaser, Kruglanski, & Sulloway, 2003). Drawing on motivated reasoning logic (March & Olsen, 2006), we posit that these values may translate into varying de-internationalization strategies and can serve as a cognitive filter when CEOs search for information, evaluate courses of actions, and interpret informational input. Thanks to the potential congruence between liberal-leaning CEOs' and stakeholders' values and their more open attitude towards change, we expect liberal-leaning CEOs to be more receptive to de-internationalization at the onset of a conflict, compared to their conservative counterparts.

We test and support our arguments in the context of US public firms with business ties with Russia before February 24, 2022 and analyze their strategic responses in the first 40 days of the conflict. The results of this study pose important considerations for scholars of de-internationalization and executive ideology. First, we provide new insights into de-internationalization research by offering a complementary value-based explanation rooted in CEO ideology (e.g., Kafouros et al., 2022), speaking the language of the burgeoning work on the micro foundations of global strategy emphasizing the role of top leaders' subjectivity in MNCs' internationalization decisions (e.g., Benischke, Guldiken, Doh, Martin, & Zhang, 2022; Elia, Larsen, & Piscitello, 2019; García-García, García-Canal, & Guillén, 2022; Liu et al., 2022; Maitland & Sammartino, 2015). Second, by integrating scholarship on upper echelon and de-internationalization, we take the realm of top leaders' ideology research to IB and paves the way for further inquiry into other decision domains such as locational choices considering the 'moral significance' inherent in entering certain foreign markets. For practitioners, we underscore an often-forgotten recommendation provided by Andrews (1971) regarding the importance for firms to be cognizant of the impact of their managers' values on corporate strategy, which helps foster a more objective decision-making environment and lowers the probability of sub-optimal decisions. Such a suggestion is especially relevant for de-internationalization decisions considering that market exits are often onerous, difficult to reverse, and are often not a preferred decision (Dai, Eden, & Beamish, 2017; Liu et al., 2022).

2. A brief overview of the research context

On March 23rd, 2022, President Volodymyr Zelenskyy spoke to the French Parliament claiming that firms operating in Russia "must stop sponsoring the Russian war machine" (García-García et al., 2022). Expectedly, since the conflict erupted, President Zelenskyy and stakeholders of foreign firms with ties with Russia have used social media and the internet to call for sanctions against Russia and to obtain the support of not only the global community and foreign governments, but also of foreign firms given their global hegemony and their collective investment in Russia of $587bn as of 2019 (EIU, 2021).

The influence of foreign direct investment (FDI) in Russia cannot be understated. The country has hosted large iconic MNCs from all the over the world such as McDonald's, Renault-Nissan, Ikea, and PepsiCo, to name a few. For instance, the Russian employees of these four MNCs combined represented 142,000 individuals in 2021 (Statistica, 2022). While the primary sector is the largest FDI recipient given the country's endowment in natural resources, the manufacturing and service sectors have attracted a great deal of foreign investments as the total number of companies with more than 50% foreign ownership in these two sectors exceeded 48,000 in 2021 (Statistica, 2022). However, it is worth mentioning that a climate of uncertainty due to heightened geopolitical risks has been looming in Russia since the annexation of Crimea in 2015 and tumultuous relationships with the Western world, prompting a decline of FDI during the past few years (Financial Times, 2022).

The evolving nature and recency of the crisis preclude us from

[2] In the literarure, de-internationalization is also referred to as divestment, divestiture, and exit. We thus use these terms interchangeably.

painting a complete picture of its idiosyncrasies. However, since the begenning of the conflict we have seen the employment of a great deal of extra-institutional tactics, including protests by firms' secondary stakeholders (and primary constituents) due to factors that research to date has not completely elucidated (Cumming, 2022). However, one could recognize in the discourse of many protesters and activists the call to fight against the threats posed by Russia's military actions for the stability of Europe and the World. Thus, a new study conducted by Quinnipiac University indicated that half of the respondents compared the invasion of Ukraine to Hitler's military actions in Austria and Czechoslovakia before the Second World War (The Conversation, 2022b). Using historical and cultural contextualization, Michailova (2022) conjectured in a short piece published in *BJM* that this crisis is much more than a conflict between Ukraine and Russia, as it is also one between President Putin and the Western world. Additionally, the origin of such activism could be explained by a perception of unfairness that seems to be salient in the eyes of the public in many Western countries. One post-invasion poll revealed that 86% of Americans saw the invasion as unjustified, a testimony of the widespread support which Ukraine has garnered (The Conversation, 2022a).

Regarding firms' specific responses to this crisis, Katsos and colleagues (2022, para. 3) reason that the trends seen so far related to the cascade of market exits are likely to "carry forward into future conflicts and crises," highlighting the "responsibilities of companies in crisis settings." Indeed, the large number of firms that have gone beyond international sanctions to initiate de-internationalization efforts of various natures are setting a precedent. Among the first highly publicized divestments came from BP, when the company announced that it would sell almost 20% of its stake in the Russian state-owned oil company Rosneft, a move representing $25bn in losses (Reuters, 2022a). But looking at the other side of the coin, one could cite the case of recalcitrant MNCs such as Halliburton refusing to bow to pressures to exit the market as illustrated in a statement made by the company's CEO, Jeffrey Allen Miller:

"These are things we've seen and done before. Always unfortunate in so many ways for so many people. But from a business perspective, we've managed these sorts of things up and down for, I hate to say, nearly 100 years. So these are the kinds of things that we would manage through" (Los Angeles Times, 2022).

In a similar vein, a top executive from Koch Industries stated recently that the company will not "hand over" its "facilities to the Russian government so it can operate and benefit from them" (Los Angeles Times, para. 9). Clearly, these quotes reflect perspectives and world views that may not be shared by all CEOs. As a first attempt to survey the interplay between CEO values and early strategic responses to this major geopolitical conflict, we present below our key arguments regarding why we expect CEO ideology to play a key role in firms' de-internationalization decisions.

3. Theory and hypothesis

The topic of internationalization has been addressed in a voluminous body of literature while de-internationalization has sparked less interest, partly due to data limitations on a phenomenon often perceived by managers as a business failure (Wan, Chen, & Yiu, 2015). Scholars have nevertheless provided valuable inputs into the complex nature of the phenomenon, employing various levels of analysis (e.g., Arte & Larimo, 2019; Berry, 2013; Kafouros et al., 2022). Economic considerations predominate this body of work and standard explanations revolve around industry-specific motivations, such as competition or firm-level drivers including firm-specific advantages, performance, and international experience (Kafouros et al., 2022). However, in multi-country comparative research, the emphasis has been placed on institutional and political factors (related to host countries) and exogenous shocks, stressing primarily the impact of market and political uncertainty, as well as crises due to war and terrorism (e.g., Abrahms, Dau, & Moore, 2019; Dai et al., 2013; 2017; Liu et al., 2022). For instance, Berry (2013) found that firms may forego financial success when there is a great deal of political uncertainty and risk in a country.

This body of work has also delved into distinct contexts. Indeed, a literature at the nexus of IB and social activism has examined specific political conflicts and has shown that MNCs are often the target of external stakeholders that put pressure on them to divest and to forego their financial interest (Soule et al., 2014; Teegen, Doh, & Vachani, 2004; White, 2004). Thus, Soule et al. (2014) zeroed in on MNCs' exit decisions from Burma, a country that witnessed a terrible record of human rights breaches from 1962 to 2011, marked by a period of military rule. Using a cross-country sample, the authors demonstrated that the political conditions of firms' home country prompted them to divest. White (2004) also studied the Burmese context and described the moral and ethical case made by proponents of divestment. The latter called for MNCs that operated in the country to act morally and ethically and engage in market exit to exert pressure on a non-elected government to step down. Other research has explored apartheid in South Africa. Characterized as an immoral "legal system that segregated the white minority from the Black, Colored, and Asian majority" (Minefee & Bucheli, 2021), Apartheid was in place from 1948 to the early 1990s. Minefee and Bucheli (2021) allude to the victories and failures of social activists who battled for MNCs to divest from the country. From 1985 to 1990, 550 MNCs left South Africa while other prominent ones such as Shell never exited the rainbow nation (Minefee & Bucheli, 2021).

Overall, while the literature described in this section has provided rich contextual insights, it has minimally focused on the micro foundations of de-internationalization decisions as highlighted by a recent literature review by Kafouros et al. (2022) listing the theoretical perspectives used in studies on the determinants of de-internationalization. In particular, it has not addressed the possibility that de-internationalization responses vary as a function of executives' deeply held values, especially at the onset of a political shock in a host country that is characterized by high levels of uncertainty. As the payoff of market exits remains equivocal and divestiture decisions are not always based on rational factors (Berry, 2013; Duhaime & Schwenk, 1985; Kafouros et al., 2022; Liu et al., 2022), we argue that there is considerable room for decision makers' personal beliefs to enter such determinations, an argument which we developed further below.

3.1. Bringing CEO political ideology into the realm of de-internationalization research

A brief review of the concept of political ideology. A term coined by Destutt de Tracy, a French philosopher, 'ideology' has had a strong resonance in influential theories by Marx, Weber, Durkheim, and others (Seeck, Sturdy, Boncori, & Fougère, 2020). According to the online Oxford dictionary, ideology refers to "a system of ideas and ideals, especially one which forms the basis of economic or political theory." Regarding the specific notion of political ideology, while it has held multiple meanings throughout history, we subscribe to the 'culturalist' or value-based view defining political ideology as a "stable individual difference, or a 'predisposition' such that the beliefs are deeply held and likely to remain consistent throughout the life course" (Swigart et al., 2020: 1065).

The manifestation of political ideology considered in this research is the liberalism/conservatism spectrum (Briscoe, Chin, & Hambrick, 2014). Conservatism is defined as the "general belief in the importance of preserving traditional values" (Zumbrunnen & Gangl, 2008: 201) while liberalism refers to the diametrically opposite belief as liberals tend to value change and novelty (Jost et al., 2003). We have witnessed an increasing polarization in many developed nations along this axis and individuals' lack of exposure to a pluralistic political context due to news cycle characterized by divisive tones and a tendency for people to live near (or marry) individuals sharing similar political views (Iyengar, Sood, & Lelkes, 2012).

In organizational research, several studies have demonstrated that the political leaning of top leaders is likely to influence strategic outcomes, as managers rely on their "schema of related values" when making decisions (Swigart et al., 2020: 1065), especially under conditions of ambiguity, uncertainty and with limited information (Hambrick, 2007; Mees-Buss & Welch, 2019). From an empirical standpoint, CEO ideology has been linked to outcomes such as non-market and market strategies (e.g., corporate social responsibility, mergers and acquisitions, entrepreneurship) (e.g., Chin et al., 2021; Di Giuli & Kostovetsky, 2014; Elnahas & Kim, 2017).

How does CEO political ideology influence de-internationalization? Our theoretical arguments below are divided into two main parts. We first highlight two characteristics of liberals and conservatives that may influence their early de-internationalization strategy following a major exogenous shock: their penchant for social justice and their resistance to change (Jost et al., 2003). Second, we explore the psychological mechanisms by which values may translate into strategic actions: namely, the process of motivated cognition.

First, we turn our attention to CEOs' proclivity toward social justice. As highlighted in the work of political psychologists (e.g., Jost et al., 2003), liberal and conservative leaders differ in the importance which they attribute to social justice, which can prompt them to pursue different strategies to address stakeholders' social needs. Indeed, it has been shown that liberal-leaning executives are more likely to push for firms to be socially engaged and to be attentive to the needs of multiple stakeholders, holding a more stakeholder-view of firms (Chin et al., 2013). Thus, Chin and colleagues (2013) demonstrated that the political ideology of managers shapes corporate social responsibility (CSR) practices, such as those regarding environmental protection and adoption of workplace diversity programs. On the contrary, conservatives tend to believe that property rights are more important, placing therefore more emphasis on shareholder wealth and efficient ways to allocate resources (Chin et al., 2013).

Drawing on the notion of value congruence, we argue that liberal-leaning CEOs' moral preference for social justice can foster their responsiveness and openness to stakeholders' pressures for de-internationalization. As mentioned previously, since the beginning of the conflict, stakeholders at large including the President of Ukraine have engaged in extra-institutional (e.g., protests, social media campaigns, and boycotts) and other tactics, pressing for MNCs' exit from Russia. While several studies have provided explanations regarding firms' propensity to respond to activism and pressure from stakeholders, highlighting reputational and financial threats (e.g., Eesley & Lenox, 2006), extant research reveals that some decision makers may have an intrinsic motivation to address activists' claims if the latter is consistent with their own values (Briscoe et al., 2014). Liberals may search for information and arguments to convince other organizational actors to give more weight to the ethical aspect of firms' responses to a conflict, reinforced by their penchant for social justice. This may contrast with the attitudes of their conservative-leaning counterparts, who are less likely to be attentive to such issues.

Besides the notion of social justice, we expect liberal-leaning CEOs' openness towards change to also weigh in the balance. Indeed, prior research has found that de-internationalization leads to important changes for firms and may alter their organizational landscape (Brauer, 2006). We posit that liberals and conservatives' proclivity to engage in change may foster the ability of firms to undertake divestitures (and 'pull the trigger fast'). Multiple studies demonstrate that liberals and conservatives differ in their core beliefs in terms of their resistance to change and preference for the status quo (e.g., Jost et al., 2008; Wilson, 2013). Thus, Muller (2001: 2625) claimed that "for conservatives, the historical survival of a practice creates a prima facie case that it has served some need." Based on this reasoning, we argue that liberal-leaning CEOs may be more receptive to early market exit decisions.

The final part of our arguments relates to the psychological mechanism whereby such characteristics (i.e., openness to social justice and change) may translate into strategic actions. To address this question, we draw on the logic of motivated cognition, which refers to the cognitive filters that individuals use when receiving information, evaluating courses of action, and interpreting informational input (Higgins & Molden, 2003). Individuals are also likely to exhibit a confirmation bias when testing hypotheses, paying more attention to information confirming their hypotheses than one disconfirming them, which is a process that in turn reinforces their beliefs (Wason, 1968). Therefore, we expect CEOs to search and interpret stimuli based on their beliefs, and to be intrinsically motivated to opt for choices that are congruent with those beliefs. In other words, CEOs are likely to shape their "reasoning in a way that leads them to perceive rational merits in choices, decisions and alternatives that are congruent with their values" (Gupta, 2015: 9). The values espoused by either side (conservative or liberal) can fulfill the function of a cognitive filter when gathering and evaluating information.

In short, we maintain that as firms formulate responses to a political crisis in a host country, the political orientation of their CEOs will exert an influence on their commitment to de-internationalization. CEO values are likely to translate into actions via a process of motivated cognition. We expect the attitudes of conservative- and liberal-leaning CEOs toward change and social justice to explain their receptivity to stakeholders' demands for market exit. Fig. 1 provides a summary of the theoretical mechanisms outlined above.

Formally, we propose that:

Hypothesis 1. At the onset of a political crisis in a host country, the greater the political liberalism of a company's CEO, the more a company will consider a strategic response that favors de-internationalization. Conversely, the greater the political conservatism of a company's CEO, the less a company will favor a strategic response that favors de-internationalization.

4. Methodology

We test our hypothesis on a sample of 189 US public MNCs that had business ties with Russia at the onset of the conflict and were part of a database produced by Yale University's Chief Executive Leadership Institute (CELI); this dataset has been publicized by news outlets on a global scale (e.g., New York Times, 2022; The Economist, 2022a; Wall Street Journal, 2022) and used by economics and finance researchers (e.g., Tosun & Eshraghi, 2022). Considering the context of our study, a US sample was appropriate/relevant for two main reasons. First, during the past few years, we have seen an increasing polarization of the American society along the conservatism/liberalism axis, with a large number of companies being vocal about their ideological stance (Swigart et al., 2020), providing an ideal laboratory for our study[3]. Second, American firms made a sizeable investment in Russia, representing a total of $96.05 billion as of 2021, an estimate based on data from 160 firms (EY, 2021); the total number of US affiliates in Russia with assets or sales greater than $25 million as of 2019 was 364 (Bureau of Economic Analysis, 2022). This figure of 364 includes privately- and publicly-held firms. Therefore, our sample of 189 publicly-held MNCs represents a significant percentage of US publicly-held firms with business ties with Russia.

To capture early responses and obtain sufficient variability of firms' responses, we used the April 02 version of the CELI dataset, representing the first 40 days of the conflict. We do not suggest by any means that early responses represent exactly the first 40 days of the conflict. Rather, we argue that as the ambiguity about the ramifications and nature of this

[3] Our survey of ideology would make it difficult to conduct cross-country research since the manifestations of conservatism and liberalism vary across borders (Chin et al., 2021).

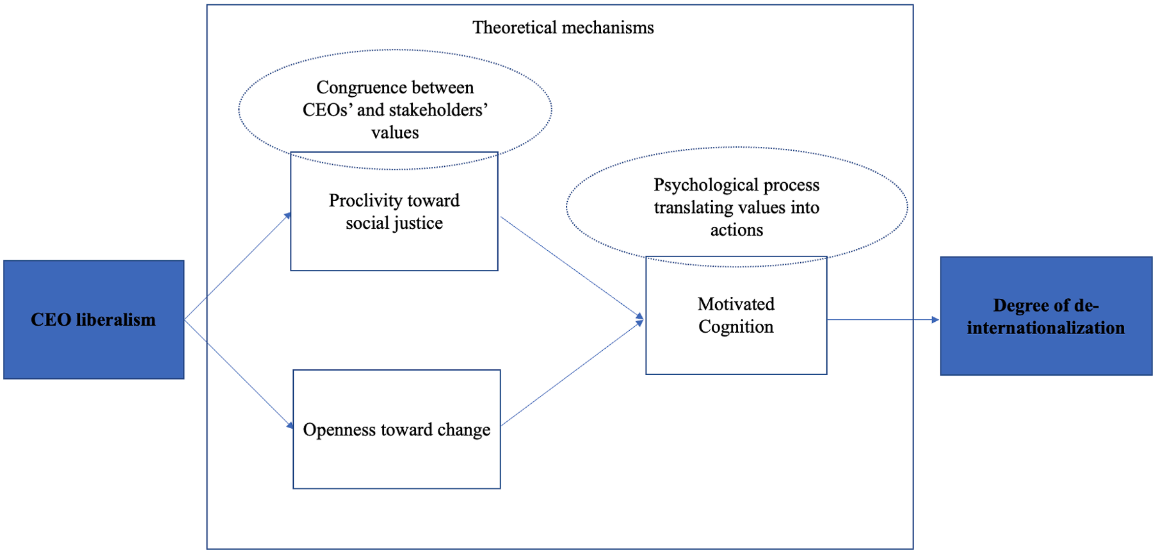

Fig. 1. Conceptual model

conflict lessened with time, so did the potential influence of ideology on firms' strategic responses. During this period (and as of July 7, 2022), there were no sanctions that prohibited American firms from investing or selling in Russia Reuters (2022b). As noted by The Conversation (2022a: par. 1), the companies that left Russia at an early stage did so "as a voluntary[4] reaction to the war." Katsos et al. (2022): par. 3) further observed that corporate exits from Russia may be the first time that we have witnessed "a rapid self-sanctioning" of a country by businesses.

The original database contained 258 US MNCs; we eliminated 69 privately-held firms, as data for several controls are only available for publicly-traded firms. The dataset distinguishes 5 types of responses (referred to as the 'degree of completeness of withdrawal') with hand collected data compiled by a team of experts with backgrounds in finance, economics, accounting, strategy, governance, geopolitics, and Eurasian affairs with collective fluency in ten languages, who primarily used public sources as described in Appendix 1. The openness of the data promotes replicability and the identification of potential errors. To confirm the reliability of the data, we examined the dataset's links announcing firms' responses for a sub-sample (i.e., 1/3 of our sample; selected randomly) and found these data to be comparable. For 15 additional observations, a formal announcement was not found but the Yale University researchers used information listed in the Russian website of the company and primary sources contacting companies' executives and employees. We also verified each ticker to ensure accuracy using Bloomberg.

The second step was to measure CEO liberalism, with data from the Center of Responsive Politics as described below and further in Appendix 2. We identified each company's CEO as of February 2022 using NetAdvantage, Bloomberg, and companies' website. Third, we compiled firm-, board-, and CEO-level information from Compustat, Execucomp, NetAdvantage, Bloomberg, Boardex, and the Marquis Who's Who database (we obtained missing data from SEC filings and each company's website).

Similar to prior work (e.g., Dai et al., 2013; Soule et al., 2014), our sample includes MNCs with business ties with Russia. While our research design is consistent with prior studies (Dai et al., 2013; 2017), we nevertheless note that it may introduce a sample bias as we do not know if our sampled firms differ from companies with no business ties with Russia. To ascertain whether there is a sample selection bias, we will need data on all companies that could potentially invest in Russia, a highly difficult task. Therefore, our results may not be generalizable to the entire population of firms and should be interpreted as relevant to companies with business ties with Russia at the beginning of 2022. The average total revenue of firms in our sample is $30,513 million; 50% of them operate in the service sector, and their average degree of internationalization[5] is 55%.

4.1. Variables

Table 1 provides an overview of the study's variables.

Dependent Variable (DV). While prior research largely uses a binary DV (Berry, 2013; Soule et al., 2014), we capture firms' varying responses with an ordinal measure obtained from the CELI dataset ranging from 1 to 5 representing a firm's degree of de-internationalization. A value of 5 was assigned to firms that engaged in full market exit, 4 to firms that suspended activities, 3 to firms that scaled back their investment, 2 to firms that continued their operations but suspended new investments or development, and 1 to firms that continued their operations. The variable has a mean of 3.72. We note that 59 firms were assigned a value of 5, 74 were attributed a value of 4, 15 had a value of 3, 26 had a value of 2, and 15 had a value of 1.

Predictor. To measure CEO liberalism, we used a highly validated approach in organizational studies and political science based on individuals' long-term patterns of political donations (Bermiss & McDonald, 2018; Bonica et al., 2017; Carnahan & Greenwood, 2018; Di Giuli & Kostovetsky, 2014). In this literature, the ideological leaning of the two major US political parties "are interpreted in conservative–liberal terms, with donations to recipients affiliated with the Republican Party as indicators of conservative beliefs and donations to Democratic recipients as reflections of liberal beliefs" (Gupta & Briscoe, 2020: 14). While a survey approach could be useful, it presents limitations considering the difficulty in appraising individuals' values ex-ante and the biases such as social desirability and reactivity that may introduce measurement errors (Gupta, Briscoe, & Hambrick, 2017). For example, Krosnick (1999) showed that in surveys of voting patterns, individuals tend to overreport 'admirable' attitudes and underreport behaviors which they deemed not 'socially' fit.

Following prior research (e.g., Bermiss & Mcdougall, 2018; Bhandari & Golden, 2021; Di Giuli & Kostovetsky, 2014), we computed a score of CEO liberalism by using the dollar value of a CEO's contributions to the

[4] By voluntary, we mean non-regulatory or outside the scope of sanctions.

[5] Based on a firm's foreign subsidiaries ratio.

Table 1
Variables summary

Variable	Description	Value	Primary Sources
Degree of de-internationalization	A value of 5 was assigned to firms that engaged in full market exit, 4 to firms that suspended activities, 3 to firms that scaled back their investment, 2 to firms that continued their operations but suspended new investments or development, and 1 to firms that continued their operations	Ordinal (5 categories)	CELI Database (Yale University)
CEO liberalism	Average percentage of donations given to the Democratic party during the past 5 election cycles (i.e., 2012, 2014, 2016, 2018, and 2020)	Continuous	Center for Responsive Politics
Industry concentration	4-firm sales concentration ratio (at the 2-digit SIC level) - also called Herfindahl index	Continuous	Compustat (population data)
Manufacturing/primary industry	Indicator taking a value of 1 if a firm is part of the manufacturing or primary sector and 0 if the firm is part of the service sector	Binary (0 or 1)	Compustat
Firm size	Log of total assets	Continuous	Compustat & Bloomberg
ROA	Net income divided by total assets	Continuous	Compustat & Bloomberg
Degree of internationalization	Foreign subsidiaries ratio	Continuous	Standard & Poor's NetAdvantage
FDI	Indicator taking a value of 1 if a firm has a business presence in Russia via FDI and 0 otherwise	Binary (0 or 1)	Standard & Poor's NetAdvantage
Local presence in Europe	Number of subsidiaries in Europe	Discrete	Standard & Poor's NetAdvantage
Acquisition dummy	Indicator taking a value of 1 if a firm has acquired a company in Russia from 2011 to 2021	Binary (0 or 1)	Standard & Poor's NetAdvantage
Firm prestige	Indicator taking a value of 1 if a firm was included in the list of Fortune 100 Most Admired Companies in 2021 and 0 otherwise	Binary (0 or 1)	Fortune Website
Ownership concentration	Percentage of shares held by institutional investors	Continuous	Bloomberg & Thomson Reuters
Board independence	Percentage of independent directors in a firm's board of directors	Continuous	Boardex & Institutional Shareholder Services (ISS)
Board female composition	Number of females in a firm's board of directors	Discrete	Boardex & ISS
Board size	Total number of directors in a firm's board of directors	Discrete	Boardex & ISS
Board foreign composition	Number of non-national individuals in a firm's board of directors	Discrete	Boardex
CEO duality	Indicator taking a value of 1 if a CEO is chairperson of a firm's board of directors and 0 otherwise	Binary (0 or 1)	Bloomberg & Boardex
Foreign-born CEO	Indicator taking a value of 1 if a CEO was born in a foreign country and 0 otherwise	Binary (0 or 1)	Bloomberg, 'who's who in Business,' companies' official website, & other biographical sources
Female CEO	Indicator taking a value of 1 if a CEO is a female and 0 otherwise	Binary (0 or 1)	ExecuComp
CEO age	Age of a CEO	Continuous	ExecuComp

Democratic Party divided by the dollar value of his/her contributions to both parties (Republican and Democrat). We considered contributions to political campaign committees and political candidates. This percentage ranges from 0 to 1 where a value of 1 suggests that all contributions were made to the democratic party, while a value of 0 indicates that all contributions were made to the Republican Party. This measure was calculated for the two-year election-cycles of 2012, 2014, 2016, 2018, and 2020 and was then averaged. This 10-year window minimizes measurement errors and risks of assigning ideology based on incidental and token behaviors (Gupta et al., 2020). We note that 24% of the CEOs in our sample did not make a political contribution during the 10-year donation window. We followed previous research (Chin et al., 2013; Gupta & Wowak, 2017) and assigned a liberalism score of 0.5 (perfectly bipartisan) to CEOs who did not make any contributions during the observed window. We obtained similar results when introducing a dummy variable to our models to flag these non-contributors. We provide a detailed description of the validity of our approach in Appendix 2. This variable has a mean of 0.34[6].

Controls. To substantiate our findings, we employed numerous controls, which are summarized in Table 1 and measured for the calendar year 2021[7]. The table also lists the specific data sources for each variable; we used several outlets to build our dataset including Execucomp, Compustat, Bloomberg, Standard & Poor's NetAdvantage, Thomson Reuters, Institutional Shareholder Services, Boardex, biographical sources, and companies' websites.

First, to account for industry effects (Dai et al., 2013), we controlled for industry concentration (i.e., four-firm sales concentration ratio at the 2 digit-SIC level referred to as the Herfindahl Index) and whether firms operate in the manufacturing/primary sector or service sector. Second, we accounted for several organizational-level predictors in line with prior studies. We controlled for firm size, using the log of total assets, as previous research has shown that larger firms may give less weight to MNCs' foreign units (e.g., Chung & Beamish, 2005; Wan et al., 2015) or may possess more latitude to reallocate resources across their foreign units (Getachew & Beamish, 2021). We controlled for firm financial performance using return on assets, as previous research has shown the link between firms' economic success and foreign divestment decisions (e.g., Liu & Li, 2020; Soule et al., 2014). As MNCs' international experience is likely to influence their exit decisions (e.g., Soule et al., 2014), we controlled for their degree of internationalization, using the ratio of foreign subsidiaries to total subsidiaries. We took into account whether firms operate in Russia via FDI by including a binary variable taking a value of 1 if a firm has a business presence in Russia via FDI[8] and 0 otherwise (e.g., Liu & Li, 2020; Soule et al., 2014).

Similarly, we included firms' local presence in Europe, measured by the number of subsidiaries in the Continent, as their degree of commitment in Europe is likely to impact foreign divesture decisions in a 'neighboring' country (i.e., Russia). We controlled for entry mode into

[6] Additionally, we note that when we take out the CEOs that did not make any political contributions, the mean CEO liberalism is 0.45.

[7] CEO duality was obtained as of Feb. 2022 using companies' website and CEOs' biographies to capture the power of a CEO to make strategic decisions. We made sure to identify the CEO who was heading the firm as of Feb. 2022.

[8] FDI represents a controlling interest of a minimum 10% ownership stake in a foreign-based company.

Russia by taking into account prior Russian acquisition experience, using a value of 1 if a firm acquired a company in Russia between 2011 to 2021 and 0 otherwise. We accounted for firm prestige with a dummy variable taking a value of 1 if a firm was included in the list of Fortune 100 Most Admired Companies in 2021 and 0 otherwise. Prior studies have demonstrated that prestigious firms are more likely to respond to pressures of external stakeholders due to threats of reputational damages (Briscoe et al., 2014; Wan et al., 2015).

Third, we factored in governance factors in our analysis, consistent with prior studies in this vein (e.g., Kim, Hoskisson, & Zyung, 2019; Liu et al., 2022). Firm ownership could affect foreign exit decisions as demonstrated by Getachew and Beamish (2021). We therefore controlled for the percentage of shares held by institutional investors, a common operationalization of ownership concentration. We accounted for board composition using three variables: (i.e., number of female directors, number of non-national individuals, and percentage of independent directors), in line with previous research that has suggested that the make-up of a board of directors may influence international strategic decisions (e.g., Kim et al., 2019). Another governance factor is board size (operationalized by the number of directors in a board of directors) as extant research has provided evidence of the interplay between board structure and firms' international strategy (e.g., Sanders & Carpenter, 1998).

Finally, at the CEO level, we controlled for CEO duality, taking a value of 1 if a CEO is the chairperson of a board of directors and 0 otherwise. CEO duality measures the power of CEOs to make decisions (Benischke et al., 2022). CEO age is another factor that may impact internationalization decisions as indicated by Benischke et al. (2022). CEO foreignness is likely to influence MNCs' openness to stakeholders' needs and demands as demonstrated by Bertrand, Betschinger, and Moschieri (2021). We thus included an indicator taking a value of 1 if a CEO was born in a country other than the US and 0 otherwise. In a similar vein, gender may impact individuals' propensity to take strategic risks (Benischke, Martin, & Glaser, 2019), which in turn may influence their foreign divestment strategy. We therefore added a CEO gender dummy taking a value of 1 if a CEO is a female and 0 otherwise.

4.2. Analytical model

Considering our ordinal DV, we test our arguments with an ordered logit model (command ologit in Stata). We obtained similar results with an ordered probit model and ordinary least squares (OLS) as highlighted in Table 2, presented below. In our supplemental analysis, we also addressed endogeneity issues stemming from the possibility that unmeasured variables may influence the propensity for companies to appoint a CEO with liberal views and foreign divestment decisions at the same time. This type of endogeneity concerns is known as omitted variable bias (Hill, Johnson, Greco, O'Boyle, & Walter, 2021). To minimize such bias, we followed an instrumental variable approach following the suggestions of Hill et al. (2021) and Chin et al. (2013).

5. Results

Table 2 provides the variables' descriptives and correlation matrix. Examining the correlation patterns, several coefficients among controls are above 0.3 (in absolute value). We ran a collinearity check with variance inflation factors (VIFs). The results did not show any collinearity threat as the mean VIF for the full model is 1.46 and individual VIFs are under 2.5, which are well below the commonly recommended cutoff value of 10 (Kleinbaum, Kupper, & Muller, 1988).

In Table 3, we estimated the impact of the explanatory variable on de-internationalization using two models. Model 1 includes the covariates. Degree of de-internationalization is positively related to ownership concentration (β = 0.048, ρ = 0.028) and service firms are more likely to de-internationalize than manufacturing/primary sector firms (β = -1.556, ρ = 0.000). In Hypothesis 1, we hypothesize that the greater

Table 2
Correlation matrix and descriptive statistics

Variables	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1. Degree of de-internationalization	3.72	1.26	1																			
2. Industry concentration	0.38	0.18	0.04	1																		
3. Manufacturing/primary sector	0.48	0.5	-0.29	-0.16	1																	
4. Firm size	82759.41	310190.68	-0.03	-0.01	-0.11	1																
5. ROA	2.97	12.86	-0.09	-0.17	0.24	0	1															
6. Degree of internationalization	0.55	0.21	-0.19	-0.08	0.35	-0.1	0.28	1														
7. FDI	0.48	0.5	-0.2	-0.04	0.26	0.17	0.2	0.38	1													
8. Local presence in Europe	49.66	57.57	-0.21	-0.1	0.21	0.08	0.14	0.41	0.43	1												
9. Acquisition dummy	0.17	0.38	-0.03	-0.12	-0.03	0.11	-0.02	0.1	0.26	0.12	1											
10. Firm prestige	0.18	0.39	-0.05	0.05	-0.12	0.24	0.09	0	0.22	0.33	0.16	1										
11. Ownership concentration	0.79	0.18	0.06	0.1	-0.12	-0.14	0.11	0.1	-0.11	-0.12	0.03	-0.28	1									
12. Board independence	0.85	0.08	0.04	-0.1	0.13	-0.03	0.16	0.24	0.14	0.25	0.07	0.09	-0.07	1								
13. Board female composition	3.27	1.25	0.07	0.02	-0.06	0.26	0.17	0.1	0.19	0.23	0.03	0.26	-0.05	0.26	1							
14. Board size	10.53	2.4	0.04	0.04	-0.04	0.14	0.09	0.11	0.08	0.26	-0.05	0.24	-0.12	0.17	0.58	1						
15. Board foreign composition	2.75	2.43	0.06	0.03	-0.07	0.12	0.05	0.14	0.08	0.14	0.14	0.13	0.01	0.01	0.17	0.29	1					
16. CEO duality	0.41	0.49	-0.1	-0.07	0.1	0.1	0.04	0.07	0.13	0.19	-0.01	0.14	0	0.11	0.12	0.12	0.15	1				
17. Foreign-born CEO	0.31	0.46	0.03	0.03	0.12	0.01	0.1	0.07	0.17	0.16	0.19	0.11	-0.07	-0.07	0.06	0.12	0.25	0.05	1			
18. Female CEO	0.08	0.27	0.11	-0.01	-0.08	0.1	0.04	0.04	-0.01	-0.05	0.02	-0.09	-0.05	0.05	0.27	0.22	0.11	-0.09	-0.03	1		
19. CEO age	57.81	6.64	-0.01	0.13	0	0.08	0.03	0.07	0.01	0.04	-0.06	0.13	-0.01	-0.06	0	0.08	0.04	0.23	-0.08	-0.13	1	
20. CEO liberalism	0.34	0.36	0.19	0.15	-0.18	-0.01	-0.17	-0.12	-0.15	0	-0.05	0.12	-0.05	-0.04	0.07	0.02	-0.02	-0.03	-0.04	0.06	0.04	1

Notes: Correlations>0.15 in absolute value are significant at p<0.05. Firm size is not logged.

Table 3
Regression results

	Ordered Logit Model		Ordered Probit Model		OLS Model	
	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2
Industry concentration	-0.187[0.836] (0.90)	-0.392[0.664] (0.90)	-0.125[0.807] (0.51)	-0.245[0.636] (0.52)	-0.214[0.686] (0.53)	-0.359[0.496] (0.53)
Manufacturing/primary sector	-1.556[0.000] (0.38)	-1.524[0.000] (0.38)	-0.848[0.000] (0.22)	-0.817[0.000] (0.22)	-0.740[0.001] (0.22)	-0.698[0.002] (0.22)
Firm size	-0.218[0.106] (0.14)	-0.245[0.070] (0.14)	-0.139[0.078] (0.08)	-0.144[0.068] (0.08)	-0.102[0.202] (0.08)	-0.106[0.181] (0.08)
ROA	-0.004[0.771] (0.02)	-0.003[0.839] (0.02)	-0.003[0.736] (0.01)	-0.002[0.766] (0.01)	0.000[0.999] (0.01)	0.001[0.942] (0.01)
Degree of internationalization	-0.720[0.490] (1.04)	-0.834[0.423] (1.04)	-0.612[0.314] (0.61)	-0.621[0.308] (0.61)	-0.740[0.227] (0.61)	-0.778[0.199] (0.60)
FDI	-0.424[0.251] (0.37)	-0.288[0.446] (0.38)	-0.243[0.254] (0.21)	-0.178[0.411] (0.22)	-0.234[0.287] (0.22)	-0.157[0.477] (0.22)
Local presence in Europe	-0.002[0.625] (0.00)	-0.002[0.560] (0.00)	-0.001[0.768] (0.00)	-0.001[0.669] (0.00)	-0.002[0.284] (0.00)	-0.002[0.226] (0.00)
Acquisition dummy	-0.269[0.526] (0.42)	-0.268[0.527] (0.42)	-0.159[0.535] (0.26)	-0.158[0.538] (0.26)	0.050[0.853] (0.27)	0.055[0.836] (0.27)
Firm prestige	-0.339[0.458] (0.46)	-0.455[0.322] (0.46)	-0.193[0.466] (0.26)	-0.249[0.351] (0.27)	-0.160[0.565] (0.28)	-0.218[0.430] (0.28)
Ownership concentration	0.152[0.890] (1.09)	0.228[0.835] (1.10)	-0.071[0.911] (0.63)	-0.003[0.996] (0.64)	-0.229[0.722] (0.64)	-0.132[0.836] (0.64)
Board independence	4.828[0.029] (2.22)	5.595[0.012] (2.23)	3.112[0.016] (1.29)	3.446[0.008] (1.31)	3.136[0.018] (1.31)	3.416[0.010] (1.30)
Board female composition	0.257[0.132] (0.17)	0.223[0.192] (0.17)	0.175[0.081] (0.10)	0.156[0.118] (0.10)	0.167[0.018] (0.10)	0.151[0.128] (0.10)
Board size	-0.119[0.168] (0.09)	-0.100[0.252] (0.09)	-0.065[0.210] (0.05)	-0.057[0.272] (0.05)	-0.033[0.534] (0.05)	-0.025[0.636] (0.05)
Board foreign composition	0.056[0.415] (0.07)	0.064[0.353] (0.07)	0.039[0.338] (0.04)	0.045[0.269] (0.04)	0.040[0.340] (0.04)	0.046[0.269] (0.04)
CEO duality	-0.331[0.328] (0.34)	-0.365[0.282] (0.34)	-0.148[0.452] (0.20)	-0.167[0.398] (0.20)	-0.201[0.324] (0.20)	-0.219[0.279] (0.20)
Foreign-born CEO	0.333[0.350] (0.36)	0.370[0.301] (0.36)	0.166[0.423] (0.21)	0.170[0.414] (0.21)	0.180[0.403] (0.22)	0.174[0.415] (0.21)
Female CEO	0.739[0.294] (0.70)	0.729[0.298] (0.70)	0.445[0.295] (0.42)	0.435[0.311] (0.43)	0.287[0.471] (0.40)	0.250[0.526] (0.39)
CEO age	0.036[0.135] (0.02)	0.038[0.108] (0.02)	0.020[0.154] (0.01)	0.020[0.151] (0.01)	0.016[0.252] (0.01)	0.016[0.266] (0.01)
CEO liberalism		0.970[0.039] (0.47)		0.533[0.051] (0.27)		0.553[0.042] (0.27)
McFadden's pseudo R^2	0.11	0.12	0.10	0.11		
LR chi2	47.29[0.000]	51.61[0.000]	44.77[0.000]	48.61[0.000]		
R^2					0.24	0.26

Notes: Standard errors are in parentheses. P-values are in brackets. N=189.

the political liberalism of a company's CEO, the more a company will favor a strategic response that favors de-internationalization. Model 2 indicates that CEO liberalism is positive and significantly related to the degree of de-internationalization ($\beta = 0.481$, $\rho = 0.04$); providing support for Hypothesis 1. For one unit increase in CEO liberalism, we expect a 0.481 increase in the log odds of firms' choice of a higher level of de-internationalization, holding other variables constant.

We also performed additional examination of our data as described in the subsequent section.

5.1. Supplemental analysis and robustness tests

To substantiate our findings, we ran other models with alternative measurements of the DV, the predictor and some controls. We also entered other covariates and addressed potential endogeneity issues (i.e., omitted variables bias) using an instrumental variable approach (e.g., Unsal, Hassan, & Zirek, 2016). The full tables are provided in Appendices 3 to 9. These additional results demonstrated the stability and robustness of our findings.

5.1.1. Using an alternative measure of CEO liberalism

We employed in the analysis an alternative measure of CEO liberalism. Following prior research (Christensen, Dhaliwal, Boivie, & Graffin, 2015; Park, Boeker, & Gomulya, 2020), we calculated a score of CEO liberalism by using the dollar value of a CEO's contributions to the Democratic Party minus the dollar value of his/her contributions to the Republican Party, divided by the dollar value of his/her contributions to both parties. This continuous measure ranges from +1 and −1 where a value of +1 suggests that all contributions were made to the democratic party, while a value of −1 indicates that all contributions were given to the Republican Party. Similar to the measure used in our main methodological section, this variable was calculated for two-year election--cycles of 2012, 2014, 2016, 2018, and 2020 and then averaged. The results of this additional model are provided in Appendix 3 (model 1). We found consistent results as the ones reported in the main results section of the paper ($\beta = 0.481$, $\rho = 0.040$).

5.1.2. Using an alternative measure of de-internationalization

In line with previous research, our second supplemental analysis consisted of employing another measure of our DV: a binary variable taking a value of 1 if a firm suspended its operation in Russia, exited the market or scaled back its current operation[9] and 0 otherwise[10] (e.g., Farah, Chakravarty, Dau, & Beamish, 2022). 148 firms were assigned a value of 1, and 41 companies a value of 0. Given the dichotomous nature of the variable, we ran a logistic model. We found that the coefficient of de-internationalization is positive and significant ($\beta = 1.973$, $\rho = 0.022$)

[9] Categories 3, 4, and 5 as described in Appendix 3.

[10] Categories 1 and 2 as described in Appendix 3.

as shown in Appendix 3 (model 2). Our inferences regarding the impact of CEO liberalism on the likelihood of de-internationalization continue to hold with this alternative measure.

5.1.3. Using another operationalization of some controls

Another battery of tests consisted of changing the operationalization of some of the controls (see Appendix 4). First, to measure firm performance, we used Tobin's Q, calculated as a firm's market value over the replacement value of its total assets (obtained from Compustat and Bloomberg). The results were consistent with the ones reported in the paper ($\beta = 0.959$, $\rho = 0.041$). Second, to measure Russian acquisition, we used a continuous variable that represents the sum of all mergers and acquisitions made in Russia from 2011 to 2021 (source of the data: Standard & Poor's NetAdvantage). The results for H1 held ($\beta = 0.965$, $\rho = 0.040$). Our results also remained consistent when employing an alternative operationalization of board foreign and gender composition: the percentage of foreign members and the percentage of female directors ($\beta = 0.940$, $\rho = 0.048$).

5.1.4. Entering additional controls into our models

We introduced additional controls into the models (see Appendices 5 to 7). First, with data from Bloomberg and Compustat, we added another control for performance (i.e., sales growth) since previous research has shown the impact of a company's growth on exit decisions (Braeur, 2006; Harrigan, 1982). The results for H1 remained robust ($\beta = 0.970$, $\rho = 0.039$). Second, as prior work has demonstrated the association between divestiture and CSR (e.g., Chiu & Sabz, 2021), we controlled for Environmental-Social-Governance (ESG) ratings [data source: Morgan Stanley Capital International (MSCI)[11]]. MSCI ESG ratings measure a firm's management of ESG risks and opportunities. The ESG ratings range from leader (AAA, AA), average (A, BBB, BB) to laggard (B, CCC). We used an ordinal variable of CSR taking a value of 1 if a firm is a 'laggard,' 2 if the term falls within the 'average' category and 3 if a firm is a 'leader'. The results for H1 were unchanged ($\beta = 0.934$, $\rho = 0.048$). The last model consisted of adding a control for the number of Ukrainian subsidiaries obtained from Standard & Poor's NetAdvantage. An argument can be made that a local presence in Ukraine may affect CEOs' and other internal stakeholders' evaluation of the conflict. The findings for H1 were robust as shown in Appendix 7 ($\beta = 0.967$, $\rho = 0.040$).

5.1.5. Addressing endogeneity

A potential endogeneity source comes from unmeasured variables that may impact the propensity for firms to appoint a CEO with liberal views and firms' de-internationalization strategy, known as the omitted variable bias (Hill et al., 2021). Building on extant research (Chin et al., 2013; Hill et al., 2021; Thams, Chacar, & Wiersema, 2020), we used an instrumental variable approach[12] by first regressing our measure of CEO liberalism against a set of potential antecedents: the degree of liberalism of a company's home state[13] (pre-CEO[14]), industry concentration, pre-CEO foreign subsidiaries ratio, pre-CEO ROA, pre-CEO log of assets, pre-CEO firm prestige, CEO age, and CEO gender. The second step involved the replacement of the endogenous variable by the residuals of the 1st equation that serves as a proxy in the second stage equation.

Information for industry-, firm-, and CEO-level variables was obtained from the same sources as the ones described in Appendix 3 at the exception of foreign subsidiaries ratio, computed with data obtained from the WRDS subsidiary database. The degree of liberalism of a company's home state was measured by the percentage of votes that went to the democratic party in the presidential election in the last election cycle prior to a CEO's year of appointment (in the state where a firm is headquartered) (e.g., Gupta & Wowak, 2017). The data were collected from the MIT election data science lab[15].

Following prior empirical studies (e.g., Chin et al., 2013; Gupta & Wowak, 2017; Gupta, Briscoe, & Hambrick, 2018; Han & Jung, 2022; Markoczy, Kolev, & Qian, 2022; Semadeni et al., 2022; Unsal et al., 2016), we used the degree of liberalism of a company's home state as an instrument. According to Awaysheh, Heron, Perry, and Wilson (2020), a valid instrument must follow two criteria: the relevance criterion and the exclusion condition. The first criterion requires a non-zero correlation between CEO ideology and the instrument (i.e., the degree of liberalism of a company's home state). The second condition requires that the instrument be only related to the outcome (de-internationalization) through its influence on CEO ideology (Awaysheh et al., 2020).

Albeit no instrument is ideal, we expect CEOs with a certain ideological bent to be attracted to firms that are headquartered in a certain local environment. However, it is not clear why the ideological leaning of a firm's home state would influence firms' international strategic choices, making it a potentially valid instrument. We also verified whether the instrument meets the statistical criteria of a reasonable instrument as follows (e.g., Anand, Mulotte, & Ren, 2016). First, patterns of correlations reveal that the degree of liberalism of a company's home state is correlated with CEO ideology ($r = 0.19$; $p < 0.01$). Second, we regressed a firm's degree on de-internationalization on the degree of liberalism of a company's home state measured for the election cycle 2020 (with all controls used in our second-stage model). The coefficient of the degree of liberalism of a company's home state is not statistically significant ($\beta = 1.981$; $\rho = 0.18$). To assess the robustness of these findings, we also used 3 other models[16]: 1) one with no control variables, 2) one with only industry concentration as a covariate, and 3) one with fewer controls (i.e., industry concentration, firm size, degree of internationalization and FDI in Russia dummy). These 3 tests yielded similar findings[17] (first test: $\beta = 1.356$, $\rho = 0.25$; second test: $\beta = 1.552$, $\rho = 0.22$; third model: $\beta = 1.494$; $\rho = 0.24$). In a similar vein, we observe that the correlation between degree of liberalism of a company's home state and a firm's degree on de-internationalization is not statistically significant ($r = 0.09$; $p = 0.24$).

As can be seen in Appendix 8, the results of the 1st stage regression model show that CEO ideology is related the degree of liberalism of a company's home state ($\beta = 0.960$; $\rho = 0.000$), indicating that the latter is a suitable instrument. Using this model, we calculated the residuals that were entered as a proxy for CEO ideology in the 2nd stage model. Results from the second stage model (using the residuals of the first stage equation) showed that the coefficient of CEO ideology is in line with our main findings ($\beta = 3.386$; $\rho = 0.02$). Therefore, the inclusion of this endogeneity control did not alter our results. Appendix 9 provides the full table for this additional analysis.

6. Discussion

Buckley et al. (2007: 1087) elegantly argued that managerial decision-making remains an underutilized domain that could help "discover, validate, and test existing and new IB phenomena," a premise that inspired our research. Echoing Sumantra Ghoshal (2005) view that managing is not ideologically neutral, we demonstrated that decisions to de-internationalize are not divorced from CEOs' values and beliefs. Using the context of the 2022 Ukraine/Russia crisis, we zero in on CEO

[11] Downloaded from Bloomberg terminals.

[12] We could not use the 2SLS function in Stata given that the ordinal nature of our DV requires an ordered logit model.

[13] A firm's home state refers to the US state where it is headquartered.

[14] Following prior research (Chin et al., 2003), the term 'pre-CEO' refers to the calendar year before the year of appointment of a CEO. CEOs' years of appointment were obtained from Execucomp, Bloomberg, companies' official website and CEOs' biographical sources such as Who's Who in Business.

[15] https://electionlab.mit.edu/data

[16] We thank an anonymous reviewer for this suggestion.

[17] The full tables are available from the authors upon request.

conservatism and liberalism, showing that differences in the two ideologies, related to resistance to change and moral preference for social justice, explain CEOs' willingness to engage in de-internationalization, considering the high level of uncertainty at the onset of a political crisis in a host country.

This study offers the following theoretical contributions. First, we add to prior research on de-internationalization by examining the CEO level of analysis and bringing to the fore the notion that firms may divest not only for economic reasons, as addressed in extant research, but also because of their decision makers' interpretations based on moral values and systems of ideas and ideals. We also make a case in our theorizing that certain firms with a particular top leadership ideological profile may be more open to external pressures from stakeholders to do the 'right thing' due to the congruence of values between top leadership and external entities. Broadly speaking, our findings and theoretical arguments pave the way for further inquiry into a 'systems' view of de-internationalization, a perspective which according to Teece (2022) is needed in the field of global strategy to understand how choices made by global corporations may serve the interests of other external entities and actors. As noted by Katsos et al. (2022), it may be the first time we have seen such a massive wave of 'self-sanctions' against a country from businesses.

By linking de-internationalization to ideology and values and highlighting the 'moral significance' of exit decisions in the eyes of decision makers and stakeholders, we emphasize the need for de-internationalization scholars to incorporate morality and ethics in their theorizing. For firms, bringing ethics to the picture could be quite meaningful and help open doors for more research on the implications for firm performance (broadly defined). Indeed, if CEOs inject their values into their de-internationalization choices at the expense of technical considerations, what are the implications for their ability to make decisions that maximize firms' short-term economic gains, a common evaluation criterion of CEOs used by corporate boards? Taking a broader view of performance, does it serve firms' long-term interests to create an alignment between executive values and those of constituents that are making claims over their international strategic behaviors?

Second, our survey of CEO ideology in the context of de-internationalization responds to recent calls to bring ideology to the forefront in IB, in order to complement traditional economically driven explanations of firm behaviors. For instance, Arikan and Shenkar (2022: 1491) qualify ideology as a "neglected" topic in IB. The authors further argue that notwithstanding the work of a few researchers (e.g., Aguilera et al., 2021; Duran, Kostova, & Van Essen, 2017), the field has minimally surveyed the extent to which ideology impacts the economic activities of MNCs. We note that this line of inquiry has examined for example the link between governmental ideology and global strategy in family firms (Duran et al., 2017) and in state-owned enterprises (Aguilera et al., 2021). While our single-country study did not allow us to factor in government-level ideology, our findings add to this nascent literature by perhaps offering a micro account of the extent to which ideological forces play out in firms' global strategy. Our results, taken together with those of Aguilera and colleagues (2021) and Duran et al. (2017), further corroborate the nested structure of ideology, which is likely to materialize at different levels of analysis, as suggested by the seminal work of Beyer (1981) on the subject.

Moreover, this study may suggest avenues for future research into the dynamic components and temporality of firms' de-internationalization strategy, in line with Surdu et al. (2021: 1047) recent claim that "because international business is always changing, IB theories should put dynamics centrally in their epistemology." Future studies could examine the possibility that as time passes and the ramifications of a political conflict unfold, the influence of executive ideology may weaken, and the interpretive part of decision-making may play a minor role as opposed to technical and rational considerations. This argument resonates with Buckley and colleagues' (2007) observation that a possible avenue to address the dichotomy between behavioral and rational determinants of international strategic decisions is to factor in how MNC behaviors change across time.

For practitioners, the implications of CEO ideology for de-internationalization are subtle but insightful. Researchers lament that the influence of beliefs on managerial decision-making goes often unnoticed among practitioners (Mees-Buss & Welch, 2019). While prior work has shown the relative stability of individuals' ideology, our research may help managers be more cognizant of the pertinence of their values in their decision-making process, furthering their understanding of biases that may lead to sub-optimal decisions. Indeed, sub-optimal decisions could be quite consequential and costly for firms, as de-internationalization decisions are difficult to reverse (Dai et al., 2013).

6.1. Limitations and suggestions for future research

As with any empirical project, this study presents limitations, suggesting possibilities for extension. First, while our sample is representative of US publicly-traded firms in Russia, our focus on American companies may limit the study's external validity as ideological influences may impact MNCs from other countries differently, considering the likely existence of country-specific ideological forces. Future studies may extend this project by examining private firms and firms from other countries. Second, while our theorizing focused on two manifestations of ideology (proclivity toward social justice and resistance to change), it is important to acknowledge that other mechanisms may be at play such as the influence of the US political polarization on the public's opinions of Russia. Indeed, during the past few years, Republicans' and Democrats' views on Russia have diverged considerably, especially since the beginning of the Trump presidency as highlighted by a Gallup poll (NBC, 2019). The latter revealed that in February 2019, 42 percent of Republicans perceived Russia as a critical threat, while 64 percent of democrats saw the country as a danger (NBC, 2019). It is likely that party identification and party affiliation play a role in how decision makers perceive divestitures in Russia; we hope that additional research examine this topic further, perhaps by using a larger temporal window.

We note that a longitudinal approach could also be valuable as the organizational responses captured during our investigation may evolve and repeated measures could offer insights into the salience of ideology across time. Third, data limitations precluded us from controlling for other factors related to firms' investment in Russia, such as the scale of investment (e.g., number of employees or sales) or the length of operation in the country. While further research could address this issue, our study's large number of controls and additional robustness checks starting in Appendix 3 speak to the robustness and stability of our findings. Fourth, while we were able to conduct a number of additional tests to ascertain the robustness of our findings, data limitations and our research design did not afford us the possibility to factor in the temporal element of market exit in our analysis. Indeed, one could take into consideration the fact that during the window of investigation, firms' divestments were temporally ordered. We hope that future research employs methods such as a Cox hazard model to analyze the survival of firms' subsidiaries in Russia during specific temporal windows.

We also observe that while for parsimony reasons our theorizing focused on CEO ideology, future research could study the interaction between executive ideology and other governance factors that may enhance top leaders' ability to make decisions or to engage in quick decision making (particularly relevant at the onset of a major conflict in a foreign country). For example, while CEO power (measured with CEO duality) was not statistically significant in our reported tables, we examined the interaction between CEO power and CEO ideology in a post-hoc analysis. Albeit the results of this intereaction were not statistically significant ($\beta = 0.220$; $p = 0.812$), we encourage future studies to delve into this topic by perhaps investigating other measures of power or variables related to CEOs' latitude of action and managerial discretion.

7. Conclusion

Andrews (1971: 107) notably argued that "strategy is human construction." Taking a multidisciplinary view and examining CEOs' conservative/liberal penchant to explain firms' varying responses to a major political crisis in a host country, we tested the validity of this claim in the context of MNC de-internationalization strategy. In this era in which the phrase "no politics at work" seems to be outdated (Swigart et al., 2020: 1063), we hope that this study sparks further interest into this arena.

Data availability

Data will be made available on request.

Supplementary materials

Supplementary material associated with this article can be found, in the online version, at doi:10.1016/j.jwb.2023.101475.

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