

Geopolitical Pressure, Consumer Demand, and Corporate Responses

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The event

- US imposed a new-investment ban, but US firms were not legally required to leave Russia.
- Exit was therefore largely voluntary, driven by two motives:
 - Heightened political and operational uncertainty
 - Reputational and consumer risk in Western markets
- **The hope behind exit: pressure Russia and benefit Ukraine as a positive externality,**
 - by weakening the Russian economy, or
 - by raising domestic pressure on the regime to end the war.

After the exit: same buildings, new signage, business as usual



Firms left Russia: the economic vacuum filled quickly

The question

Research question:

When geopolitical pressure turns continued operations into a publicly visible choice, how do firms read noisy, conflicting stakeholder signals to decide whether and how far to withdraw?

- Setting: multinationals exposed to Russia after the February 2022 invasion. Pressure was unusually one directional, with roughly 85 to 88 percent bipartisan U.S. support for sanctions.
- Salience event: the 8 March 2022 Yale CELI snapshot classifies firms as Curtailed or Remained, making positions **visible** and comparable without itself changing fundamentals.
- Two part design:
 1. Stakeholder reactions around the list
 2. Whether those reactions predict a firm's own move up the exit ladder.

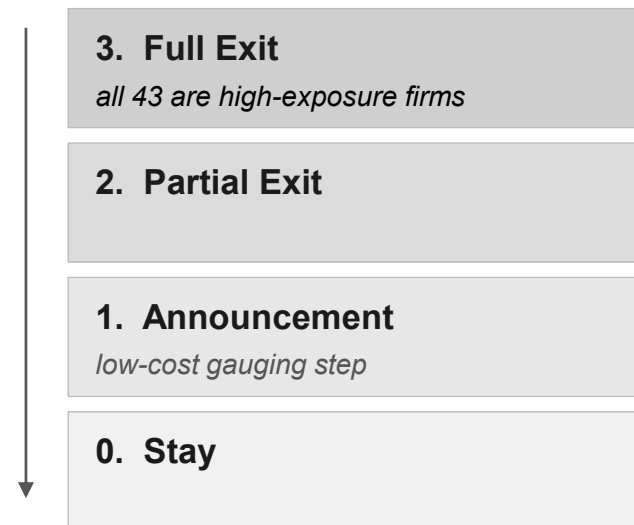
What the paper does

The sample: a public classification event, layered onto a thin set of consumer-facing firms



Of the 64 listed: **54 Curtailed** vs **10 Remained** — *the entire demand result rests on these 10*

The four-step ladder



Three channels measured around the list and around firms' own actions:

Consumer demand (*SafeGraph spend*)

≈12% drop for Remained, but only for already-visible brands

Public attention (*X/Twitter volume*)

sharp spike for Remained; strongest predictor of later exit

Investor reaction (*CRSP abnormal returns*)

no repricing at the list: priced at invasion instead

Findings

1. Yale list spurs attention: Remained firms draw a sharp Twitter spike; Curtailed firms draw less
2. Consumer demand falls $\approx 12\%$ for Remained firms, but the effect is selective: concentrated in firms already visible before the invasion ($\approx 15\%$ for high-visibility Remained, insignificant otherwise)
3. No stock-market repricing at the list; Russia exposure was already priced at the February invasion

Great setting and data

1. A rare one-directional pressure shock: little ambiguity about which way stakeholders want firms to move
2. The CELI list is a clean salience event: a public, dated, third-party classification that firms did not design
3. Rich micro-data (foot traffic at the establishment level) supports credible within-firm comparisons

Comment 1: Shifting pitch, no theoretical anchor

- The paper promises a learning story about firms inferring from noisy stakeholder signals, but delivers reduced-form correlations around an event
- The pitch moves across literatures (political economy, marketing, corporate finance) without committing to one economic question
- Without a model, it is hard to say what a coefficient means: optimal response? mispricing? slow learning?

Comment 1: Shifting pitch, no theoretical anchor

Is this really a paper about geopolitical risk?

Suggestion 1: Event constitutes a negative shock to CSR

A long-standing question in corporate governance: why do firms undertake CSR and ESG activities?

- To maximize shareholder value, treating reputation as an asset worth protecting?
- Or, because firms (or their managers) pursue broader social goals beyond profit?

The Russia exit is a clean negative shock to a CSR-relevant attribute, which makes it an unusually good setting to separate these two motives.

Suggestion 1: Event constitutes a negative shock to CSR

Two literatures give guidance on what we can learn here:

- Environmental governance. Buntaine, Greenstone et al. (2024, AER): public, social-media disclosure of violations cuts pollution far more than private appeals, and added visibility (likes, shares) raises enforcement. Visibility, not price, does the work.
- Real effects of disclosure. Surveys: Leuz and Wysocki (2016, JAR); for the CSR and sustainability strand closest to this setting, Christensen, Hail and Leuz (2021, RFS). Origins: Konar and Cohen (1997), Hamilton (1995), where disclosure disciplines firms through the market, the sharpest price decline followed by the largest emission cuts.

Comment 2: Set-up allows to evaluate strategies

- The paper documents how firms responded, but not whether the response was consistent with shareholder value or with broader motives.
- The set-up allows a direct test of which motive drove the exit decision:
 - Consistent with a cost-benefit calculation, and so with shareholder-value maximization, or
 - Driven by other motives, such as genuine corporate social responsibility.

Suggestion 2: Set-up allows to evaluate strategies

The paper already estimates the two quantities needed for a cost-benefit test:

- Cost of disclosure: the about 12 percent demand drop converts to a dollar flow loss for each Remained firm.
- Value at stake in Russia: 2021 Russia revenue and staff (Table 3) proxy the profit a firm protects by staying.

A published template for the ratio:

- Greenstone, Leuz and Breuer (2023, Science) build corporate carbon damages as the social cost of a firm's emissions divided by its operating profit. The same construction gives a U.S. demand loss relative to Russian operating value.

The test:

- Does this ratio predict who exits? If exit rises with it, the decision looks like shareholder-value maximization: firms exit when the disclosed U.S. cost outweighs the Russian profit they give up.
- If exit is uncorrelated with it, the cost-benefit logic fails and other motives dominate. The paper's current results (demand barely predicts exit) already point this way.

Minor points

- Clarify the timing window around the CELI listing and how anticipation is handled
- Report robustness to the exit ladder coding, since results may hinge on where Announce versus Partial Exit is drawn
- Foot traffic measures: confirm sensitivity to establishment composition and SafeGraph panel changes over 2022

Summing up

- A creative, carefully measured study of a vivid natural experiment, with credible micro-data on the consumer channel.
- Pitch: read this as a real-effects-of-disclosure paper, not a paper about geopolitical risk.
- The set-up lets us learn about corporate motives for CSR: shareholder value versus broader goals.