



Peer conformity and competition shape how business managers evaluate withdrawals from Russia amid the Ukraine War

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Affiliations are included on p. 8.

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States have long used economic sanctions in response to violations of international law as a strategy to restore order. Increasingly, firms also reject doing business with violators. In response to the war in Ukraine, hundreds of multinational corporations voluntarily withdrew from Russia, even when policymakers were still debating the extent of sanctions. How did firm managers evaluate whether to withdraw from the Russian market? Using a survey experiment with Japanese firm managers conducted three months after the Russian invasion of Ukraine in 2022, we explore how peer effects—information on what other firms are doing in response to the crisis—influence support for withdrawal of business activity with Russia. Our findings show that information about withdrawal by other firms from a diverse set of countries promotes peer conformity that increases support. In contrast, information about ongoing business with Russia by Chinese firms fosters competition that reduces support. Market exposure moderates these reactions, although the concern about peer behavior does not appear to be driven by a reputation mechanism. Our research provides insight into how business actors perceive the strategic interplay of peer influence and market dynamics in the context of geopolitical conflicts.

Ukraine War | economic sanctions | corporate social responsibility | Japanese firms | manager opinion

How do firms navigate geopolitical conflicts? As government leaders debate how to punish the violation of international law, business leaders must also decide whether their firm should continue with business as usual. Firm managers who normally maximize profits by an efficient choice of sourcing and marketing are thrown into a position to assess the suitability of commercial ties with a state that is engaging in acts of brutality. Increasingly, firms are expected to take action toward human rights protection, sustainable development, and other societal objectives (1, 2). Their decisions can either complement or undermine the ability of governments to achieve these goals (3–5).

In order to better understand preferences in the business community toward international political events, this paper examines the attitudes of managers about the Russian invasion of Ukraine. While the initial government responses to the invasion were divergent, a large number of leading multinational firms cut off trade and investment ties with Russia. The KSE Institute at the Kyiv School of Economics lists over 1,400 companies that withdrew or curtailed Russian operations, from Mastercard to Nokia.* But for all the firms that withdrew, many others stayed (6). The debate on the decision was sometimes public, such as when Uniqlo chairman Tadashi Yanai first defended their ongoing business by declaring that “Clothing is a necessity of life ... The people of Russia have the same right to live as we do,” before reversing course to announce withdrawal from Russia after a social media backlash called for a consumer boycott (7). This context presents an important case to examine how business responds in the face of disagreement between the major powers and uncertainty over a developing international conflict.

We argue that the strategic interaction among firms significantly influences firm managers’ opinions amid international conflicts. As members of society and market participants, looking at how other firms respond offers important cues. Managers often do not have as much information about the business risk associated with international conflict as they would about market conditions that fall within their normal business operations (8). Therefore, the reactions of other firms may change managerial perspectives.

*Project website available at <https://kse.ua/selfsanctions-kse-institute/>. The Yale School of Management also publicizes a list of prominent company withdrawals at <https://som.yale.edu/story/2022/over-1000-companies-have-curtailed-operations-russia-some-remain>.

Significance

Amid rising use of economic sanctions, geopolitics plays a greater role in market decisions. Not only governments but firms and individuals evaluate whether to continue with business as usual during international crises. Using a survey experiment of Japanese business managers conducted shortly after the Russian invasion of Ukraine, we evaluate the strategic dynamic that shapes their opinion toward ending business with Russia. We find that information about actions by other firms can influence the preferences of managers about whether Japanese firms should also withdraw. Our findings demonstrate countervailing pressures from peer conformity and competition, highlighting the ethical and strategic challenges at the intersection of geopolitics and business.

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We examine the question of firm withdrawal with a preregistered survey of 2,100 business managers in Japan conducted during May 2022 shortly after Russia's attack on central Ukraine (the preregistration is available at <https://osf.io/mv6qy>). Japan offers an important case. While the Japanese government lined up quickly with other G7 governments to condemn the Russian actions, distance from the conflict zone and a general reluctance to connect aid and trade to political relations allowed room for doubt about how strongly it would use economic tools to punish Russia. Japanese businesses are deeply engaged in global supply chains. Although trade with Russia constitutes a small fraction of Japanese world trade, Japan ranked at a similar level with France as a trade partner with Russia in 2021.[†] Moreover, the idea of corporate social responsibility (CSR), adopted in Japan as a Western-led concept in the early 2000s (9), has gained growing significance among Japanese firm managers (10). The number of Japanese firms participating in the United Nations Global Compact is comparable to those of German and UK firms.[‡]

Among the 169 Japanese subsidiaries in Russia tracked by the KSE Institute, 34% of them have either completely exited or halted business as of April 2023, which is less than the percentage of firms in the United States and United Kingdom but a higher share than German or South Korean firms (11). An analyst who was working for a corporate strategy consulting firm in Tokyo during the spring of 2022 reported that in the wake of the Russian invasion, he was flooded with queries by Japanese firms asking about what other firms were doing and how they should respond (interview by author, March 27, 2023). Such stories are suggestive that there may be peer effects among firms, which we explore in our survey analysis.

Our survey targets firm managers, whose views are important for understanding business responses to the Russian invasion. Although we do not ask respondents to recommend a specific decision for their own firm, the opinions of managers represent the most relevant sample for our research question. In the experiment, we present news about firms that withdraw/remain in Russia. The vignettes prime the attention of respondents to different trends, and then, we ask their opinion about whether Japanese businesses should withdraw from business with Russia. First, we find evidence of peer conformity as learning about the withdrawal by other firms increases support for Japanese firm withdrawal. On the other hand, news about firms continuing business triggers concerns for competition: When the respondents are told that Chinese firms remain in the Russian market, they become less likely to support withdrawal. In fact, the news about ongoing business by Chinese firms offsets the positive effect from hearing about other companies withdrawing.

We also probe the role of reputation concerns and market pressure. Contrary to our expectation, we do not find that attributing reputation concerns as the main motive of other firms terminating business with Russia increases respondent's support for withdrawal—in fact, the reputation concerns prompt reduces support for withdrawal. Instead of reputation, a larger number of firm managers raised effectiveness in deterring Russia, concerns for secondary sanctions, and business risks in the Russian market as major factors they considered when assessing whether Japanese firms should withdraw. The analysis of firm stakes aligns more

closely with our expectations: The peer conformity reaction to information about other firms is amplified if the respondent's firm conducts trade and investment in the same market.

Our research contributes to understanding the relationship between politics and economic interdependence by bringing in the perspective of firm manager preferences and the strategic interaction among firms. Most of the literature on economics and security focuses on the incentives of governments or analyzes observed dyadic economic flows between states. Some demonstrate that security interests lead states to favor trading among allies over adversaries (e.g. refs. 12 and 13), while others highlight conditions when economic interests may bridge rivalries (14–16). These cross-cutting pressures present a complicated landscape for businesses in the global economy as they choose whether to “follow the flag” (12, 17, 18) or conduct “business as usual” (16, 19). Firms may also adopt strategies to avoid association with controversial policies of their home government (20, 21). In addition to government policies, we see group dynamics within the market. Theories of relational contracting suggest that social networks shape how firms view political risks in different locations (22). Our findings show how firm managers heed the actions of other firms when they face difficult decisions at the onset of a crisis.

Our study provides insights into economic coercion by looking at firms as leading actors whose decisions will raise or lower the cost of sanctions. An extensive literature debates the effectiveness of government sanctions (e.g., refs. 23–26). These policies require firm compliance. Yet, firms may also act on their own without a mandate by the government. Withdrawal—which we define here as a firm's decision to cease commercial exchange with a country—forms the counterpart to a consumer boycott (see refs. 20 and 27 for studies on consumer boycotts.) This practice could widen the scope of economic coercion.

Finally, our research builds on growing research about CSR. Others have shown that international trade and investment ties among firms may contribute to the diffusion of environmental or labor standards as firms engaged in global business begin “trading up” or “investing up” (28–33). In the case of divestment from Burma by multinational firms, both home state political characteristics and interfirm networks shaped diffusion patterns (34). By highlighting peer conformity and competition effects in reaction to international crises, we emphasize that business leaders follow the lead of other firms when forming their views about political and social issues. Our experimental analysis of manager opinion offers evidence for why firms may decide to withdraw. This complements sociology and political science research on policy diffusion across countries that evaluates mechanisms through socialization, coercion, competition, and learning (35).

Peer Conformity and Competition Incentives

When firms shun or favor certain countries or business partners based on their political conditions or behavior, their actions politicize business. We focus on the strategic interaction among firms in their evaluation of political events. Peer conformity describes when information about the actions of other firms induces similar behavior. Alongside peer conformity, the strategic interaction also presents competition incentives to seek commercial advantage. We consider both firm stakes and reputation costs as potential mechanisms to explain why managers may be more or less likely to support withdrawal from a market in response to international crises.

In navigating complex political situations, firms often look to their peers. Demands for corporate social responsibility arise for

[†]In 2021, exports to Russia formed 1.04% of Japan's exports to the world, and imports from Russia formed 1.76% of its imports, with energy products the leading import and autos the leading export. Figures based on The Atlas of Economic Complexity (<https://atlas.cid.harvard.edu/>).

[‡]As of March 2024, there are 570 German firms, 459 Japanese firms, and 370 UK firms that are listed on the UN Global Compact website (<https://unglobalcompact.org/what-is-gc/participants>, last accessed March 16th, 2024).

many issues related to management, labor relations, and sourcing. However, the limits of international consensus among firms and governments have favored a bottom-up approach that relies on reporting and learning to encourage better behavior by transnational corporations (36–38). In this context, the decisions made by other businesses offers valuable information on what constitutes norm-conforming behavior. Managers may be motivated by a genuine concern for doing what is morally right, or they may want to maintain their reputation as socially responsible actors. Those that are perceived to be on the wrong side of an issue may suffer negative consequences such as decreased customer loyalty, loss of market share, and difficulty attracting skilled employees. Taking cues from other firms reduces the risk of such costs.

Learning about peer withdrawal can also have salient effects on firm managers' assessments because it may provide them with an information update on business risks in the Russian market. The literature on foreign direct investment documents how political risks of the destination influences investment (39–41). In addition to the risk of expropriation by the Russian government, firms may consider another set of risks—the possibility of secondary sanctions from the United States and other governments. Integration in global value chains through overseas production also transforms consumers, workers, and investors abroad into stakeholders that can impact firm decisions (32, 42, 43). These incentives lead to our first hypothesis.

H1. Peer Conformity. Respondents are more likely to support Japanese firms withdrawing from Russia when they learn that other firms have withdrawn.

Whom do businesses follow? Business managers may look to the United States as the hegemon and let US firm actions serve as the bellwether of change. Yet, actions by US firms alone may not signify a trend for international society given the outlier position of the United States as the primary sender of sanctions. Withdrawal by a wider range of firm nationalities sharpens the signal of a norm shift and perception of heightened risk. Wellhausen has shown how information channels link firm behavior by nationality as they evaluate responses to expropriation actions (44). We expect the conformity effect to be stronger when the respondent is primed with withdrawals by a wider range of firms, including conational firms and those from countries with similar regime types and foreign policy positions. Therefore we compare the main peer conformity hypothesis about multiple firms in the United States, Europe, Japan, and South Korea with a more limited test for those only informed about actions by US firms.

H1a. Respondents are more likely to support Japanese firms withdrawing from Russia when they learn that US firms have stopped selling to Russia.

H1b. Respondent support for withdrawal will be higher when told that firms from multiple nationalities are withdrawing, relative to only being told about US firms halting sales.

We also evaluate how competition incentives may encourage remaining in the market when managers observe other firms that choose to stay. The cost of withdrawal increases when other firms continue their business with Russia—the pursuit of commercial advantage by these firms allows them to avoid adjustment costs and even seize market opportunities from the firms that withdraw. Information that other firms remain in the market could both weaken the normative signal and bring attention to economic competition.

In particular, by focusing on Chinese firms that continue business with Russia, we endeavor to elicit attention to the

competition incentives. First, as a country with an authoritarian regime, security rivalry, and accusations of human rights abuse, respondents are unlikely to see Chinese firms as international norm-setters.[§] Second, Japanese businesses frequently find themselves in competition with Chinese firms, both in terms of import competition in the Japanese market and for business opportunities abroad (21, 45). In contrast, referring to American or European firms that continued business with Russia would both weaken peer conformity and heighten competition. Since our goal is to differentiate between these two logics, we prime respondents with the counterpart most likely to induce feelings of competition rather than conformity. We highlight the sales and production activities of the Chinese firms in Russia to emphasize broad competitive advantages that could possibly accrue from their ongoing business.

H2. Market Competition. Respondents are less likely to support Japanese firms withdrawing from Russia upon learning that Chinese firms continue to operate in Russia.

We also probe the rationale for withdrawal. We consider firm stakes and reputation concerns as two potential mechanisms through which information about behavior by other firms could impact support for withdrawal. First, we examine whether the market exposure of the respondent's company moderates their reaction to the information. Peer conformity could increase with proximity that arises from conducting business abroad. The actions of foreign multinationals would hold greater salience and be more likely to represent behavior to emulate for Japanese firms that engage in international business. In addition, we separately evaluate the subset of respondents whose firms conduct business in the United States to assess their reaction to the information about US firms stopping sales to Russia. Motives for market competition, on the other hand, could be more mixed. We expect that Japanese firms with business in China will feel more competition when told about Chinese firms with ongoing sales and production. This would magnify their reaction to the news that Chinese firms continue production. As competitors in the same market they may face incentives to follow the Chinese firm behavior. However, if Japan-based managers who respond to our survey view the Chinese operations of their firm separately, they may not see news about Chinese firms as relevant to activities for Japanese firms. Those firms with business ties in China may view their relations with Chinese firms as bringing mutual gains, which could reduce any competition concerns prompted by the information that Chinese firms continue business in Russia.

H3. Firm Stakes.

H3a. Respondents who work for firms that conduct business in foreign markets are more likely to support Japanese firms withdrawing from Russia when told that firms from multiple nationalities withdraw than firms that only conduct business within Japan.

H3b. Respondents who work for firms that conduct business in the US market are more likely to support Japanese firms withdrawing from Russia when told that US firms halt sales.

H3c. Respondents who work for firms that conduct business in China are less likely to support Japanese firms withdrawing from Russia upon learning that Chinese firms continue to operate in Russia.

[§]According to the public opinion survey conducted in 2021, 79% of the Japanese respondents did not feel close to China, while 86% of them had an affinity toward the United States and 71% toward European countries (Cabinet Office of Japan, "Public Opinion Survey on Foreign Policy" September 2021. (<https://survey.gov-online.go.jp/r03/r03-gaiko/index.html>)).

Next, how do reputational concerns shape opinion? A firm's reputation for corporate social responsibility also carries economic value, on top of its social worth (33, 46, 47). From consumers to investors, influential economic actors may steer their money toward firms with whom they hold aligned values. Managers have long had to worry that a scandal over abusive labor practices or environmental degradation within supply chains could tarnish the brand name. Increasingly the scope of activity held up for public judgment has broadened, and the invasion by Russia was followed by public calls for boycotts.

We evaluate the reputation mechanism by telling respondents that market analysts attribute fear of harm to reputation as the reason other firms have decided to withdraw. Such statements should not matter if opinions are based on either normative beliefs or other concerns such as fear of secondary sanctions. However, the information will serve to prime respondents about the potential reputation risk for Japanese business.

H4. Reputation Concerns. Respondents' reaction to other firms' behaviors will be stronger when informed that the reason for withdrawal reflects concern about reputation with domestic and international consumers, investors, and client firms.

Research Design

We conducted an original survey experiment on business managers in Japan in May 2022 to evaluate how peer effects shape firm preferences for participation in boycotting Russia. We targeted individuals who are branch manager level or above at a medium or large enterprise (100 or more employees) in the manufacturing, construction, mining, or utility industry. We recruited the respondents through Nikkei Research, a survey company in Japan, and collected 2,100 responses from their registered sample.

After measuring respondents' baseline attitudes toward the Ukraine Crisis and the impact on their business, we gave randomized vignettes about how firms of different nationalities have reacted to Russia's invasion. Our survey experiment uses factual information to capture how firms behave in real-world situations. Survey research suggests that using hypothetical scenarios will often achieve similar results (48), yet we opt for using factual information to enhance the external validity of our study. Although some respondents may have prior knowledge, the treatment primes respondents to think about the specific facts included in the vignette (49, 50). We expect that this design will change attitudes by prompting respondents to put higher weight on other firms' behaviors.

The survey first provides the following background about the Ukraine Crisis to all respondents:

Russia's invasion of Ukraine violates international law and has led to thousands of civilian deaths and millions of refugees fleeing the country. The governments of Japan, the United States, and the EU are imposing sanctions such as restrictions on trade and financial transactions.

Our intervention then varies the description of which firms participate in the boycott. Respondents in the first treatment branch were informed that some US firms have stopped selling their products in Russia. The second treatment branch adds to this first prompt additional information about a wider group of firms that are also withdrawing their business. The combination of these two sentences represents the test of our Peer Conformity hypothesis (H1). The third treatment branch

provides information about ongoing sales and production in Russia by Chinese firms as the test of our Market Competition hypothesis (H2). All three are shown below. The respondents in the control branch do not receive any information about firm behavior. We layer the vignettes in order to analyze how each new piece of information changes support for withdrawal. In this design, respondents in the third treatment branch receive all three prompts about firm reactions to the invasion.

H1. In addition, some US firms like General Motors, Microsoft, Nike, and Starbucks have stopped selling their products in Russia. (H1a)

Furthermore, firms from other countries like Samsung (South Korea), BP (UK), H&M Hennes & Mauritz (Sweden), Toyota (Japan), and BMW (Germany) are also withdrawing their business from Russia. (H1b)

H2. Yet, many Chinese firms like Alibaba, China Mobile, Shanghai Fosun Pharmaceutical, and Great Wall Motor are still keeping their sales and production activities in Russia.

The final stage of the experiment assesses motivations. Half of the respondents in each of the three treatment branches were given an additional vignette highlighting reputation costs associated with continuing to operate in Russia. For these groups, the following text was added to the firm withdrawal treatment vignettes:

H3. Some analysts say that firms in global markets were concerned that continuing their business with Russia would harm their reputations among both domestic and international consumers, investors, and client firms.

Further details of the experimental design can be found in *SI Appendix, section A.5*.

Following the vignettes, we measured attitudes by asking respondents whether Japanese firms should withdraw business from Russia on a six-point scale from 1 ("strongly disagree") to 6 ("strongly agree") (*SI Appendix, section B* for our preregistered hypotheses). Throughout the survey, we consistently remind respondents to answer from the perspective of their firms. We estimate the impact of the treatments on the six-level outcome with ordinary least squares regression.[‡] In a secondary analysis, we explore how the treatment vignettes draw attention to different types of uncertainty that respondents may hold as they consider peer conformity and competition. We measure information-seeking behavior by asking respondents whether they would like more information about how the governments, the general public, and the business community responded to the situation in Ukraine. Respondents have the option to seek more information by clicking links to external websites that we provide in the survey. We use logistic regression to analyze the binary outcome of whether they express interest to seek more information (*SI Appendix, section A.5* for the questionnaire).

To address individual-level characteristics, we control for age, education, household income, seniority in the firm, years employed in the firm, and baseline attitudes toward Russia's invasion of Ukraine. We also leverage information about the respondent's firm to control for firm-level characteristics, including the number of employees, capital stock, period of establishment, industry, location of the firm, and firm ownership (*SI Appendix, section A.4*).[#] We checked covariate balance before estimating

[‡] For another test of main hypotheses using ordered logistic regression with simplification that collapses responses into three broad categories, see *SI Appendix, Fig. D.7*.

[#] For some models, we omit covariates that do not have enough variation in the subsample.

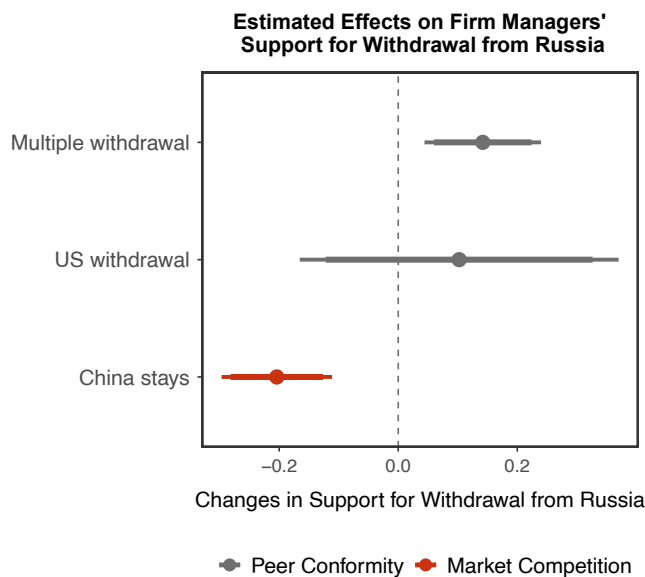


Fig. 1. The figure presents the estimated effects of supporting withdrawal from Russia for each firm withdrawal treatment: multiple countries withdrawal (Top), US firm withdrawal (Middle), and Chinese firms stay (Bottom). The multiple countries withdrawal branch includes information about US firms stopping sales and firms of other nationalities also withdrawing, while the US withdrawal branch only refers to US firms stopping sales. The support for withdrawal is measured on a scale of 1 (strongly disagree) to 6 (strongly agree). The thin and thick lines represent the 95% and 90% CIs, respectively.

treatment effects to confirm that we have achieved a balanced sample through randomization. In addition, we implement block randomization within seven major industry groups to improve the efficiency of our causal effect estimation.^{||} Summary statistics of pretreatment variables can be found in *SI Appendix, sections A.1 and A.2* and Fig. A.1.

Results

Our survey respondents generally have strong support for stopping business in Russia prior to any treatment assignment. Within our control group, 61.89% of respondents believed Japanese firms should stop doing business in Russia, 36.36% of respondents expressed neutrality, whereas only 1.75% of respondents opposed withdrawal. This closely matches levels of support reported in other public opinion surveys conducted in Japan during the months following the invasion using a general population sample (51). Our experimental treatment evaluates how behavior by other firms changes opinion from this high baseline, and our sample of managers allows us to assess the question within a population that is attuned to thinking about business decisions.

We present the estimated effects of information about withdrawal in the first two rows of Fig. 1. The information about US firms stopping sales and a wider withdrawal pattern has a significant positive effect. In comparison with the control group, the support for withdrawal increases by 0.14 points (95% CI: [0.04, 0.24]) when respondents learn that firms from multiple countries are leaving Russia ($n = 558$). This confirms the peer conformity hypothesis under a cross-national trend of peer firms ending ties with Russia (H1b). These results are not

^{||}By randomization, respondents from the same industry could be mostly allocated to either the treatment arm or the control arm. This increases the variance of our estimates and makes it harder to detect treatment effects. Therefore we conducted complete randomization within each industry group, which allows us to achieve balance in the allocation of respondents to treatment arms.

driven by following US firms—the test that limits the treatment to the sentence about US firms stopping sales is insignificant (H1a). Note that differences in wording across the treatments prevent a direct comparison about specific nationalities. The phrase describing US firm actions as stopping sales could have a weaker effect if respondents interpret it as a temporary pause. The stronger treatment effect of the multiple withdrawal branch reflects both the wider list of companies and the description that firms are withdrawing from Russia.

The final row of Fig. 1 reports the results for the market competition hypothesis (H2). Support for withdrawal decreased by 0.20 points (95% CI: [−0.30, −0.11]) among respondents who were informed about Chinese firms staying in Russia ($n = 545$). Overall, our results show the influence of strategic interaction on opinion toward withdrawal. Peer conformity can make firm managers feel compelled to follow a multinational group of firms to exit the market, while market competition can induce caution among those reminded about other firms keeping their operations in Russia.

Fig. 2 offers some support for our hypotheses about firm stakes enhancing peer conformity (H3a and H3b). When we differentiate respondents by their firm's economic activity in related markets (importing, exporting, outsourcing, or having local subsidiaries), we find stronger treatment effects. The multiple withdrawal treatment has stronger effects on the managers of firms engaged in international trade and investment, who are significantly more likely to support withdrawal [increase by 0.32 points (95% CI: [0.04, 0.60])].** Those who work in firms limited to domestic business in Japan are unaffected by the treatment. The US firm withdrawal has an imprecise but positive effect for respondents whose firms have business in the United States [support for withdrawal increases by 0.27 points (95% CI: [−0.05, 0.58])], whereas the effects for those without US business are close to 0. In both conditions, the difference between two subgroups is statistically significant at the 0.1 level.

The sensitivity to market competition varies only slightly with firm stakes. We find respondents who work at firms with local businesses in China were even more cautious than others about leaving Russia when told that Chinese firms were continuing business in Russia (H3c). This moderating effect is important given that 55.2% of respondents in our sample have ongoing business relationships with China. However, there is not a significant difference between their reaction and those without local business in China (P -value = 0.62). The comparison may be a weak test since the group of firms without Chinese business includes both domestic firms and those that invest in different foreign markets. As firm interests range from selling in the Chinese market or third markets or sourcing parts from subsidiaries, it is difficult to identify specific channels for competition. Our analysis highlights that information about other firms and the market exposure of the individual's firm both matter when managers consider the best response to a geopolitical crisis.

We conducted a series of robustness checks. First, analysis on the subset of managers working in firms that have trade or investment ties with Russian firms demonstrates support for the argument among those with a direct stake in the decision ($n = 322$) (*SI Appendix, section D.1*). We find a stronger effect of the multiple withdrawal treatment among respondents who reported that their business had been negatively impacted by the war (*SI Appendix, section D.2*). The effects tend to be stronger for managers employed in large firms with over 5,000 employees

**We subset to those reporting business in any international market beyond the United States and China, since the engagement in the United States and China is separately tested in the second and third plots.

Heterogeneous Effects on Support for Withdrawal from Russia by Market

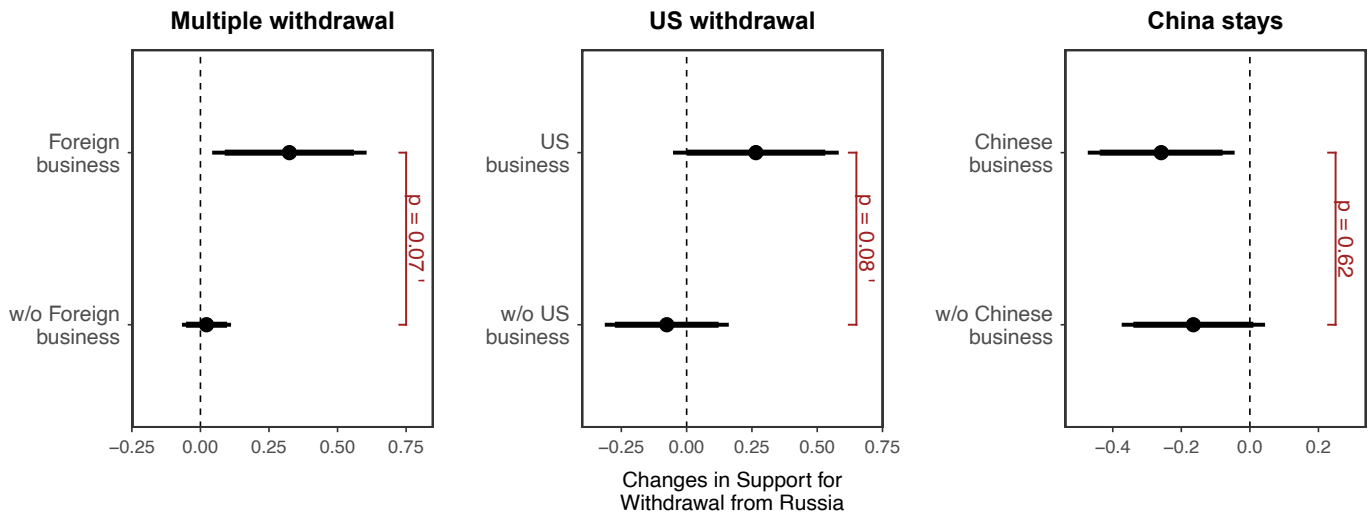


Fig. 2. The figure shows how market stakes condition the estimated change in supporting withdrawal from Russia. The *Left* column displays results for the multiple withdrawal treatment among respondents who work for firms with/without business in foreign countries (*Top/Bottom*). The *Middle* column shows the effect of US firms stopping sales treatment conditional on whether their firms have business in the United States, and the *Right* column shows the effect of China stays treatment for those working at firms with/without business in China. The thin and thick horizontal lines represent the 95% and 90% CIs, respectively. Each plot reports the *P*-value for the estimated difference between the two coefficients. The apostrophe (') indicates *P*-value < 0.1.

(*SI Appendix, section D.3*). Our results on the China stays treatment are generally robust across firms engaged in various foreign business activities, such as indirect engagement with import/export through their upstream/downstream production or ownership of foreign subsidiaries. For the multiple withdrawal treatment, we find the strongest positive effects among firms that indirectly import in the upstream process and those with foreign subsidiaries (*SI Appendix, section D.4*). When evaluating our hypotheses for the subsample of high-level managers, we find similar effects for market competition, but the effects for peer conformity are insignificant (*SI Appendix, section D.5*). Finally, we show that our results are robust to excluding any one of the industry groups (*SI Appendix, section D.6*).

Reputation Costs and Sanction Risks. Next, we evaluate whether concern about business reputation shapes preferences for withdrawal. We find little support for the reputation hypothesis. Fig. 3 shows that support for withdrawal decreases by 0.26 points for both the United States and multiple withdrawal treatment groups when they are told that the firms decided to withdraw due to reputation concerns.^{††} There is a positive but insignificant effect for the Chinese firms stay branch ($n = 566$), in contrast to the negative effect in the baseline experiment (Fig. 1). Contrary to our expectations, there is a backlash against the news that other firms are motivated by reputation concerns.

To further explore how strategic context and reputation concerns impact withdrawal decisions, we examine the follow-up questions where respondents are asked to select all the factors that affected their opinion about doing business with Russia (Fig. 4). From a range of options, we find that reputation costs are not the top concern for Japanese firm managers. When comparing which markets matter for reputation, our sample of Japanese managers seems more concerned with Western markets than the Japanese market (Fig. 4). The Chinese market is important for Japanese companies, but there is no evidence that reputation is a channel that raises risks.

^{††}The 95% CI $[-0.47, -0.06]$ is wider for the US firms withdraw branch ($n = 541$) than for the multiple countries firms withdraw branch ($n = 562$) $[-0.34, -0.17]$.

Instead, firm managers worry about effectiveness in deterring Russia, potential business risks in Russia, and secondary sanctions imposed by either the US or Chinese government. This points to one possible explanation for the surprising negative impact of the reputation treatment. When respondents learned that their peers were concerned about reputation rather than about secondary sanctions or business risks, they were reassured about the limited risks of continuing business with Russia.

Behavioral Outcomes. Our analysis also shows that the treatment conditions induce a behavioral response to seek more information. This extension probes different sources of uncertainty

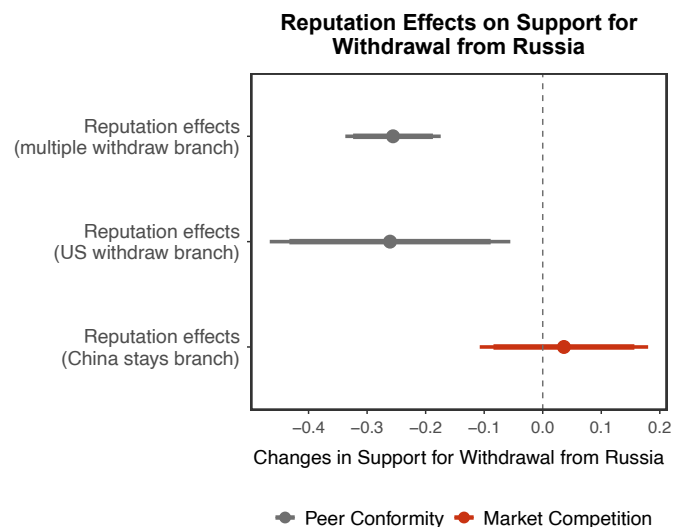


Fig. 3. The figure presents the estimated effects of supporting withdrawal from Russia when adding the reputation costs vignette for each firm withdrawal treatment branch: multiple countries withdrawal (*Top*), US firm withdrawal (*Middle*), and Chinese firms stay (*Bottom*). The support for withdrawal is measured on a scale of 1 (strongly disagree) to 6 (strongly agree). The thin and thick lines represent the 95% and 90% CIs, respectively.

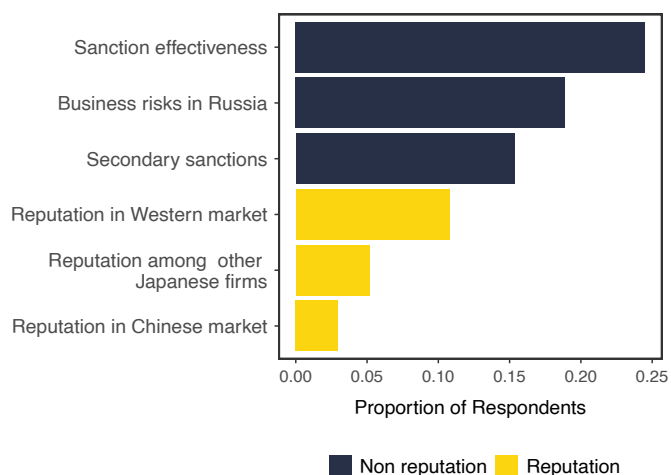


Fig. 4. The figure shows the distribution of reasons that respondents selected as major factors in their opinion of whether Japanese firms should withdraw. It includes all respondents that are not given the reputation treatment. The total proportion does not sum up to one because respondents can select multiple reasons.

about the crisis that may be primed by the information on action by other firms. There are multiple sources of risk, and learning about how other firms react to the crisis can shift the perception of which risk is important. Here, we focus on the two treatment branches that refer to firms of one nationality that could map onto a specific information source. Fig. 5 shows that upon learning about US firms that stop sales to Russia, respondents are 49.5% (95% CI: [6%, 93%]) more interested in receiving updates on US public opinion. In contrast, when they learn that Chinese firms continue to operate in Russia, they are 56.4% (95% CI: [5%, 108%]) more likely to seek information about China's current policy regarding the Ukraine Crisis. The differential impact of the US and China vignettes suggests that managers view the crisis through a lens based on prior beliefs about the United States as a market-led economy and China as a state-led economy. The managers' attention to public opinion in the United States and government policy in China indicates how political uncertainty in each country impacts the type of information they seek. The differences in the description of firm activities could also impact this pattern, however, and further

study would be necessary to more fully analyze how nationality interacts with attitudes. None of the vignettes about foreign firm activities has an impact on whether respondents want more information about Japanese government policy or public opinion (SI Appendix, Fig. D.8).

Discussion

Through trade wars and sanctions, economic statecraft has moved to the forefront of the global economy. But alongside state-led policies, private sector actions can also politicize markets. We ask how business managers evaluate the decisions over when and how to react to international crises. Managers are willing to leave contentious markets, and their reasons are not simply driven by concerns about their reputation with consumers and investors. But they do not make these decisions in isolation. Our central conclusion is that peers influence preferences for business decisions when firm managers face difficult decisions at the onset of a crisis.

In a randomized experiment on 2,100 Japanese business managers three months after the onset of the Russian invasion of Ukraine, we find that information about how other firms behave conditions the support for business withdrawal from Russia. Evidence for peer conformity and competition effects highlights the strategic context in which managers make decisions about political events. Yet, the mixed findings about reputation as the mechanism for this response call for further research. It appears that managers are not simply anticipating harm to profits through reputation. Instead, they are more concerned about sanction effectiveness and business risks. At the same time, market exposure for their own firm amplifies how the information about other firms shapes opinion to favor peer conformity. Those working for Japanese firms engaged in international markets are more likely to be influenced to follow actions taken by multinational firms.

The behavior of other firms also influences risk perception. When focused on US firms, Japanese managers sought information about public opinion in the United States. In contrast, when prompted with information about Chinese firms, they sought information on government policy in China. In the midst of uncertainty about future conditions, the behavior of other firms puts a spotlight on particular kinds of risk.

Heterogeneous Effects on Seeking Information

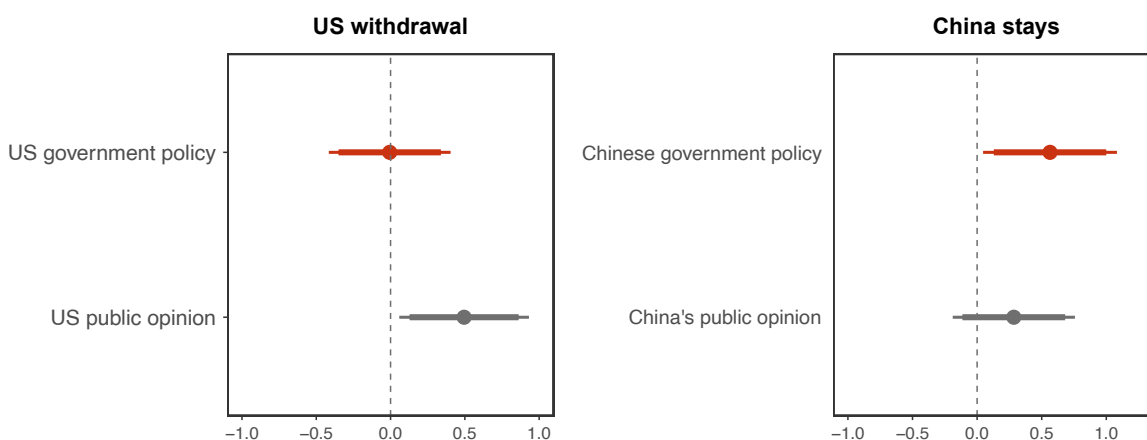


Fig. 5. The panels show the results of logistic regression estimates for the effect of each treatment on respondents' willingness to seek more information about policy and public opinion of the United States (Left plot) and China (Right plot). The thin and thick lines represent the 95% and 90% CIs, respectively.

Managers look to other firms for guidance on the hard decisions about whether withdrawal is the best response to a crisis. Being the first to leave would take unusual courage and pose a larger risk. At the same time, being the last to leave could be morally reprehensible and draw criticism. The herd mentality of markets may also extend to evaluations of international crises. The offsetting forces of conformity and competitive incentives encourage managers to pay attention to the choices of other firms.

Materials and Methods

This paper analyzes data from an online survey experiment conducted in Japan through Nikkei Research in May 2022 that collected responses from 2,100 individuals. The recruitment email was sent to 11,001 registrants randomly selected from a pool of managers that met our target conditions as described in *Research Design*. Overall, the response rate for our survey was 19.1%. Respondents were first asked a set of pretreatment questions about their firms. Second, they were presented with a brief background of the Ukraine Crisis, the treatment vignettes, and a set of follow-up questions. Finally, all respondents were asked basic demographic questions.

We performed block randomization by industry in the experiment and randomly assigned vignettes to respondents within each group. The English-translated vignettes are provided in *Research Design*. Further details of the survey design, including the vignettes and question wordings (both in the original Japanese and English translation), can be found in *SI Appendix, section A.5*. The study was exempted by Harvard Institutional Review Board

(# IRB21-0911) and approved by Princeton Institutional Review Board (# 13989). All respondents read and approved the informed consent form before taking the survey.

Data, Materials, and Software Availability. Survey data have been deposited in Dataverse (52).

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