

## Do companies walk the talk: The case of foreign companies in Russia after aggression on Ukraine

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### ABSTRACT

**Objective:** The article examines the influence of prior corporate social responsibility (CSR) initiatives and the reputation accrued from these efforts on the response of foreign companies operating in Russia during the country's invasion of Ukraine.

**Research Design & Methods:** Our study includes all publicly traded corporations listed in the Yale Chief Executive Leadership Institute list of companies leaving and staying in Russia (CELI Yale list). We acquired corporate data for these companies from the LSEG Eikon database (formerly Refinitiv Eikon). To evaluate the impact of the explanatory variables on the type of the firm's reaction to the adverse event, we used multinomial logistic regression.

**Findings:** Our study revealed that firms with a history of extensive social engagement and resulting superior CSR reputation tend to display a reduced inclination toward opportunistic behaviour and reluctance to maintain business as usual during adverse events. While analysing the relationship between prior CSR activities and the reaction to adverse events, we concluded that more socially responsible firms favour symbolic reactions. Moreover, our study shows the existence of a relationship between the form of the crisis reaction and a firm's CSR strategy profile. We found that an adverse event occurring in the same domain as the firm's CSR strategy profile triggers reactions aligned with that strategy.

**Implications & Recommendations:** Our study provides evidence that supports the existence of the relationship between prior record of CSR activities and the reputation built upon those activities, and the firm's behaviour during the crisis.

**Contribution & Value Added:** Our study enhances the understanding of the nature of the firm's reactions to adverse events. We concentrated in particular on the crisis caused by factors external to the firm. We contribute to the discussion of the permanency and cohesion of CSR actions, and the role of prior CSR activities and reputation, building upon these actions in the nature of the firm's reaction to negative events. Our results indicate that firms with better CSR reputation react to such events in a more socially responsible way. This finding suggests the existence of other motives for such actions beyond reputation protection, as has been suggested by the earlier studies. We demonstrate that a firm's reactions to a crisis are path dependent and dictated by its prior CSR strategy. Moreover, our study broadens the view on the relationship between the antecedents and consequences of CSR and shows that such a relationship is mutually enhancing.

**Article type:** research article

**Keywords:** corporate social responsibility; crisis situation; CSR reputation; Russia aggression on Ukraine; multinomial logistic regression

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### INTRODUCTION

In this article, we examine how the prior record of CSR and the reputation built upon it relate to the company's reactions to a crisis caused by external factors. The research aimed to determine how companies behave in a crisis situation that creates a conflict between their existing CSR policy and current perfor-

mance. If firms engage in CSR activities only as a form of window dressing, their behaviour during the crisis may lead them to discontinue their earlier strategy because of the increased cost of walking the talk. We analysed the problem using a natural experiment of the Russian aggression on Ukraine as a context.

Many studies document the importance of permanency and consistency in CSR activities. These studies show that permanency and consistency support the accumulation of reputation (Pérez-Cornejo *et al.*, 2022), increase firm value (Wang & Choi, 2013; Jeong *et al.*, 2018), and provide insurance-like effects in the face of negative events (Shiu & Yang, 2017). These studies fit within the broader avenue of research that describes the impact of CSR on various groups of stakeholders. Studies have shown a relationship between CSR and consumer behaviour, including purchasing patterns and recommendations (Sen & Bhattacharya, 2001; Deng & Xu, 2017), product reviews (Brown & Dacin, 1997), satisfaction (Luo & Bhattacharya, 2006), confidence (Pivato *et al.*, 2008), and the level of brand identification (Peloza & Papania, 2008; Pérez, 2009). The attention paid to the price of products (Viciunaite & Alfnæs, 2020) and their acceptable levels (Obermiller *et al.*, 2009) are other important factors mentioned in this context. The impact of CSR on a firm's attractiveness for potential employees (Turban & Greening, 1997; Lin *et al.*, 2012) as well as the attitude of current employees, is another emphasised group of factors. In this context, CSR relates to increased personnel engagement (Peterson, 2004; Kantabutra & Ketprapakorn, 2020), the level of its identification with the firm and organisational pride (Zhou *et al.*, 2018), and greater loyalty to the employer (Flammer & Kacperczyk, 2019). Social engagement evokes positive reactions from regulators and policymakers (Brown *et al.*, 2006; Kolcava *et al.*, 2021), analysts (Ioannou & Serafeim, 2015), and investors (Luffarelli & Awaysheh, 2018; Park & Lee, 2018). It has been argued that such a broad range of advantages motivates organisations participating in CSR initiatives to adopt more ethical practices (Dobson, 1989). Finally, other studies confirm that companies investing more resources in CSR are less likely to engage in wrongdoing (Chen *et al.*, 2018).

However, various studies show that they could be socially responsible and irresponsible simultaneously. Wrongdoers use CSR to alleviate negative consequences. In such a case, the resources invested by the firm in social engagement may simply allow it to compensate or overshadow wrongdoing. Studies of relationships between corporate philanthropy and corporate misconduct identified such behaviour, which confirms that firms react philanthropically to their socially irresponsible behaviour (Chen *et al.*, 2008; Koehn & Ueng, 2010; Du, 2015). Kang *et al.* (2016) described the nature of the relationship in which a firm engages in CSR activities in the aftermath of socially irresponsible behaviour as the penance mechanism. Several studies also describe the reverse mechanism. Moral licensing theory argues that the advance collection of good deeds by the firm allows it to behave in a more irresponsible way in the future, when it becomes convenient and profitable. From that point of view, CSR becomes the cause rather than the effect of CSiR (Corporate Social Irresponsibility) (Ormiston & Wong, 2013).

The question of whether firms walk the talk and maintain consistency in their CSR activities remains unanswered. Our study adds another voice to this discussion. Moreover, this study fills a significant research gap. Few earlier studies of a firm's CSR activities during a crisis (Kang *et al.*, 2016; Lenz *et al.*, 2017; Li *et al.*, 2019) pertain to events related to social irresponsibility, which *ipso facto* results in the culpability of the crisis being attributed to the firm. This type of crisis strongly affects reputation (Coombs & Holladay, 2002; Coombs, 2007), thus requiring CSR actions that protect or restore reputation. The nature of the crisis we analysed is different. The crisis was caused by external factors, so we cannot blame firms for its occurrence. As a result, the event poses little threat to its reputation (Benoit, 1997; Reuber & Fischer, 2010). This creates a particular challenge to the integrity of a company's CSR, as it weakens the incentives to 'walk the talk' and strengthens the incentives for opportunistic behaviour. How companies address this challenge has not yet been the subject of research, which highlights the originality and novelty of our approach.

Crises generate stakeholder expectations regarding how companies should respond to the crisis. The nature of the crisis shapes normative expectations, which are the same for all companies. In contrast, predictive expectations are more diverse, as they are based on a company's past behaviour. This difference in expectations helps explain the reasons behind possible variations in how companies react to negative events. Companies are aware that acting against expectations may lead to negative reactions from stakeholders. According to the expectation violation theory (Burgoon, 1993; Burgoon & Le Poire,

1993), the greater the discrepancy, the stronger the reaction will be (Afifi & Burgoon, 2000). Foreign corporations active in Russia reacted differently to Russia's invasion of Ukraine on February 24, 2022. The range of reactions encompassed all conceivable courses of action, from strictly opportunistic decisions of continuing business activities as usual to symbolic actions such as pledges to halt new investments or scale back business activities, and finally to substantive actions such as suspending operations or completely exiting the Russian market. The main topic of our research is the relationship between an earlier firm's CSR strategy and the reputation built upon that strategy, and the type of crisis reaction. These results confirm the existence of such a relationship. Firms that had previously been more involved in CSR activities and had a better reputation were less likely to engage in opportunistic behaviour and continue with business as usual. A higher level of CSR increased the probability of socially responsible behaviour in response to the crisis. This effect was stronger for symbolic actions than substantive actions. Moreover, we identified the existence of a relationship between the form of reaction and the profile of CSR strategy – undertaking symbolic or substantive actions was typical for firms whose CSR strategies focus more on social factors rather than environmental factors or governance.

Our findings significantly contribute to the existing body of knowledge. They confirm that companies walk the talk during crises caused by external factors. Our study helps to better understand the causes of actions undertaken by firms during adverse events, such as the reactions of foreign corporations present in Russia in the aftermath of aggression. Furthermore, our research sheds new light on the role of path dependence in CSR decisions. This factor was not included in previous studies on the causes of corporate social engagement. Earlier studies have concentrated on the relationship between firm size and its resources (Waddock & Graves, 1997), corporate governance factors (Jo & Harjoto, 2011), organisational structure (Asmussen & Fosfuri, 2019), legal form (Acar *et al.*, 2001; Adamska *et al.*, 2022), and CEO personal traits (Petrenko *et al.*, 2016). Our study adds a new factor to this list. The notion of path dependence posits that the companies' prior choices influence their later decisions (North, 1995).

The remainder of this article is organised as follows. In the literature review and hypothesis development section, we discuss the available literature on CSR in the context of bad events and propose three research hypotheses. The following section describes the data and methods. The findings from the study are then presented, followed by a discussion of their theoretical and practical implications. The article ends with conclusions.

## LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Companies rely on the social approval and support of stakeholders, who provide the resources necessary for firm survival (Pfeffer & Salancik, 1978). Firms engage in various CSR activities to obtain approval and support. Owing to these activities, firms acquire legitimacy (Zyglidopoulos, 2003; Schaltegger & Hörisch, 2017) and build a reputation (Fombrun & Shanley, 1990; Siltaoja, 2006; Raithel & Schwaiger, 2015). However, legitimacy and reputation can be damaged by various crises. Such situations have a strong negative impact on reputation (Davies *et al.*, 2003; Tucker & Melewar, 2005; Dardis & Haigh, 2009), but additionally draw media attention (Fink, 1986), which results in closer scrutiny of the firm. Consequently, the discrepancies between a company's prior track record of CSR and its reputation for CSR and its actions during a crisis become more evident. The more visible a firm is, the simpler it is to evaluate its conduct.

A crisis creates expectations with respect to a firm's reaction. The expectations in question possess a dual character: they encompass both normative expectations, which dictate appropriate conduct for the company in specific situations, and predictive expectations that pertain to anticipated behaviour (Lin-Hi & Blumberg, 2018). Prior CSR reputation plays an important role in shaping predictive expectations. Better prior CSR reputation creates higher expectations (Olkkinen & Luomo-Aho, 2015). The expectancy violation theory (Burgoon, 1993; Burgoon & Le Poire, 1993) posits that firm behaviour in line with expectations does not draw external attention and scrutiny. However, the emergence of a large discrepancy will be noticed and will draw the attention and reaction of external observers. The larger the discrepancy between expectations and the firm's behaviour, the stronger the reaction (Afifi & Burgoon, 2000).

Crises pertaining to issues of morality, especially those that violate norms commonly shared by society, are specific. In the case of bad events of this nature, observers usually assign greater diagnostic value to negative information about the firm's reaction to the crisis. One might interpret positive information as an effect of conforming behaviour fuelled by the desire to avoid social criticism and not because of the true character of the firm (Mishina *et al.*, 2012). Consequently, the negative expectation disconfirmation effect will become stronger, as the observed discrepancies will be attributed to the wrong assessment of prior CSR activities, and such activities will be deemed dishonest. To protect their CSR reputation, firms with a prior record of high levels of social commitment walk the talk.

**H1:** In crisis situations pertaining to issues of morality, firms with higher social performance and a resulting better CSR reputation are less likely to act opportunistically and practice a business-as-usual approach.

Attribution theory posits that people make judgments about the causes of events based on their assessment of factors such as loss of control, stability, and controllability (Russel, 1982). In the context of crises, the first of these factors concerns whether the source of the crisis lies within the company or outside of it. The second factor relates to the assessment of whether the crisis results from the company's inherent characteristics or a random occurrence. The third factor refers to the degree of control the company had over the causes of the crisis. According to situational crisis communication theory, the danger that a crisis event poses to a firm's reputation depends on the extent to which the firm is to blame for the event (Coombs & Holladay, 2002; Coombs, 2007). The level of crisis responsibility attributed to the firm is the highest in the case of events whose roots originate inside the firm and whose nature indicates that it was caused by the intentional behaviour of the firm, which in turn stipulates ill will. Lack of ill will reduces perceived responsibility. The lowest level of responsibility is assigned to a firm when a crisis arises from sources that are beyond its control. The lower the extent of responsibility for the crisis attributed to the firm, the less negative its impact on reputation (Coombs & Holladay, 1996; Reuber & Fischer, 2010; Nardella *et al.*, 2020). The state of a firm's CSR reputation before the crisis modifies responsibility attribution. A good reputation allows for building moral capital (Godfrey, 2005). Larger moral capital results in the firm's ability to use the benefit of the doubt, which increases stakeholders' willingness to minimise the firm's culpability.

The nature of the crisis and the resulting degree of responsibility attributed to the company by stakeholders, as well as the level of moral capital accumulated by the company, influence how it responds to the crisis. Firms may undertake symbolic or substantive actions while reacting to bad events. Symbolic actions create the impression of responding to societal expectations without committing any significant resources (Mahon, 2002). These actions are mostly declarative in nature and demonstrate engagement. However, they do not cause any change in the firm's true operations (Truong *et al.*, 2021). Substantive actions result in implementing real changes in the organisation (Ashforth & Gibbs, 1990). Symbolic actions are more cost-efficient. Thus, undertaking them in reaction to the controversy is rewarded by stockholders (Li *et al.*, 2019). At the same time, in the case of bad events, whose nature makes it harder to assign responsibility to the firm, it may decide that symbolic actions are sufficient to meet the expectations of other stakeholders and protect the reputation.

**H2:** In crisis situations which make attribution of responsibility more difficult, companies with a higher CSR reputation are more likely to engage in symbolic than substantive actions.

A company's response to a crisis helps stakeholders judge if its CSR activities are consistent. Wang and Choi (2013) distinguish two types of consistency, *i.e.*, temporal and interdomain. Pérez-Cornejo *et al.* (2022) showed that both types of consistency improve a company's reputation. Chen *et al.* (2020) looked at the effects of corporate social irresponsibility (CSiR) events, focusing on whether they are in the same area as CSR activities or not. Inconsistency in the same area makes observers see the company as hypocritical. Other studies found similar results (Wagner *et al.*, 2009; Effron & Monin, 2010). When CSR and CSiR were in the same area, they caused a negative market reaction (Janney & Gove, 2011). Hypocrisy can also lead to more media attention and harm corporate reputation (Arli *et al.*, 2017). Past CSR activities might seem fake, hiding true intentions. These negative effects push firms to avoid hypocrisy (Carlos & Lewis, 2018).

During a crisis, a company can avoid looking hypocritical if it stays consistent with its past CSR activities while responding to the crisis. The company should consider two things, *i.e.*, the type of crisis and its past CSR strategy. The first thing depends on who is blamed for the crisis and what kind of crisis it is (environmental, social, and governance). The second thing is how much the company focuses on its past activities in these areas. If the company is blamed for the crisis, responding in the same area as the crisis can make observers see the company as inconsistent. This makes the company seem insincere and hypocritical (Yoon *et al.*, 2006). However, if the company responds in a different area, it does not seem inconsistent (Lenz *et al.*, 2017). If the company is not blamed for the crisis, it looks more consistent when it responds in the same area as the crisis. Companies with a CSR strategy that matches the crisis area can show more consistency. How the crisis area and the company's CSR strategy match can affect whether the company responds in the same or a different area, depending on whether the company is blamed for the crisis.

**H3:** If a crisis arises, whose nature makes it challenging to attribute responsibility for its occurrence to the firm, and it occurs within the same domain as the firm's previous CSR strategy, the firm's response will align with this strategy.

## RESEARCH METHODOLOGY

### Data and Method

We analysed how prior CSR activities and the reputation built upon them related to the firm's reaction to the adverse event, the nature of which makes it challenging to attribute to the firm the responsibility for the crisis. We analysed the period of Russia's invasion of Ukraine, which started on February 24, 2022. This was a sudden and surprising event that drew media attention and violated both legal and moral norms. Strong social condemnation of aggression in many countries, where foreign corporations present in the Russian market were incorporated, has threatened their reputation. Public opinion expected the firm's reaction to the situation.

Our research study includes all publicly traded corporations listed in the Yale Chief Executive Leadership Institute list of companies leaving and staying in Russia (CELI Yale list) as of 24 April 2022, or exactly two months since the outbreak of Russia's invasion of Ukraine. The above list has been used extensively in research on the reactions of foreign firms to the outbreak of the war, the antecedents of these reactions, and their economic consequences (Basnet *et al.*, 2022; Pajuste & Toniolo, 2022; Tosun & Eshragi, 2022; Ahmed *et al.*, 2023; Dincă *et al.*, 2023). From an initial population of 674 firms contained in the database, we excluded 53 firms due to a lack of data with respect to their CSR strategies. Moreover, we excluded five firms that were absent from the CELI Yale list in its version as of August 24, 2023. We acquired corporate data for these companies, utilised as explanatory variables and control variables from the LSEG Eikon database (formerly Refinitiv Eikon). We also used a similar approach based on ESG metrics and data from the same database in earlier studies concerning the Russian aggression against Ukraine (Basnet *et al.*, 2022; Ahmed *et al.*, 2023).

### Variables

#### Dependent Variables

The dependent variable was the firm's reaction to an adverse event. CELI Yale list sorts companies according to the type of their reaction to Russia's invasion of Ukraine into five categories (F: digging in, D: buying time, C: scaling back, B: suspension, A: withdrawal), based on which, we proposed our own categorisation, distinguishing three types of reactions: opportunistic, symbolic, and substantive. The first category matched category F of the CELI Yale list and represents a business-as-usual approach. The symbolic reactions (combined categories D and C) included the suspension of new investments, but without leaving Russia. The substantive reaction (combined categories B and A) included the most far-reaching actions, such as complete abandonment of activities or withdrawal from Russia. While analysing the firm's reactions, we included two dates: 24 April 2022 (two months after the invasion),

and 24 August 24 2023 (18 months after the invasion). This allowed us to examine the robustness of our results to the passage of time, which could verify initial reactions as being only declarative.

### Explanatory Variables

The first explanatory variable, *CSR performance*, was a continuous variable. In our calculations, we have used Refinitiv ESG Score, which is an overall company score based on the self-reported information. The second explanatory variable, *CSR controversy*, captures whether a company was involved in any prior bad events. The variable was dichotomous, coded 0 when the company was not involved in prior crises and 1 otherwise (ESG Combined Score lower than ESG Score). Thus, *CSR performance* and *CSR controversy* represented CSR reputation. The additional explanatory variables pertained to the CSR strategy. This strategy reflects the weights assigned by the firm to various CSR domains. Due to the limited resources available for such activities, the firm allocates them according to its preferences with regard to various domains. As a result, the firm is more active in one domain than in another. This allowed us to determine each firm's CSR strategy profile. We used Refinitiv scores – Environmental Pillar Score (*environmental pillar*), Social Pillar Score (*social pillar*), and Governance Pillar Score (*governance pillar*) to account for such a profile.

### Control Variables

Furthermore, we included three control variables: *size* (Ln of total assets), *financial performance* (ROE), and *shareholding dispersion* (free float). Several studies demonstrated that a company's size and financial status influence its activities. Therefore, we used these variables in earlier studies (Li *et al.*, 2019; Nirino *et al.*, 2021; Pérez-Cornejo *et al.*, 2022; Lintukangas *et al.*, 2023). Larger firms have greater resources available to them, and their actions draw greater scrutiny from the media and public opinion and face greater pressure from external observers. In times of crisis, the resources available to them provide them with greater freedom of action, but at the same time, greater external scrutiny and public opinion pressure lead to an increase in reputational risk. However, poor financial conditions limit available actions, forcing the company to engage in loss-limiting actions during bad events. This increases the importance of cost as a key criterion for the choice of action in response to a crisis.

We included the *shareholding dispersion* variable to account for shareholders' ability to influence the management board decisions. In the case of companies with concentrated ownership structures, this influence is stronger and more direct. In the case of companies with more dispersed ownership structures, the influence of stakeholders other than the owners increases, and the role of the management evolves into one balancing the expectations of various stakeholder groups. As a result, ownership structure may affect the way the firm reacts to a bad event.

The data for the explanatory and control variables came from the year preceding Russia's invasion of Ukraine. Table 1 presents the summary statistics for the observations used in the analysis, and Table 2 shows the correlation coefficients.

**Table 1. Summary statistics (N=616)**

Variable	Min	Max	Mean	Std. Dev.
Size	3.89	15.53	9.95	1.83
Financial performance	-90.16	51.53	-0.01	4.78
Shareholding dispersion	3.60	100.00	81.16	23.86
CSR controversy	0.00	1.00	0.62	0.49
CSR performance	1.01	95.47	68.27	16.32
Environmental pillar	0.00	99.02	65.56	22.80
Social pillar	0.67	97.68	70.86	17.96
Governance pillar	2.47	97.92	66.02	20.15

Source: own study.

**Table 2. Pearson correlation coefficients (independent variables)**

CATEGORY	Size	Financial performance	Shareholding dispersion	CSR controversy
Size	1			
Financial performance	0.022	1		
Shareholding dispersion	0.081**	0.057*	1	
CSR controversy	-0.470***	0.025	-0.161***	1
CSR performance	0.446***	-0.007	0.166***	-0.366***
Environmental pillar	0.444***	-0.023	0.064*	-0.319***
Social pillar	0.354***	-0.026	0.128***	-0.352***
Governance pillar	0.300***	0.028	0.201***	-0.225***

Note: one-tailed statistical significance: \*\*\* at the 1% level (p<0.01); \*\* at the 5% level (p<0.05), and \* at the 10% level (p<0.1).

Source: own study.

### Estimation Methods

To evaluate the impact of the explanatory variables on the type of the firm's reaction to the adverse event, we used multinomial logistic regression. The same method has been applied in earlier studies (Lintukangas *et al.*, 2023). Multinomial logistic regression is a generalised form of logistic regression that is typically applied when a qualitative dependent variable can have more than two states. In our case, the dependent variable was an ordinal variable with three possible reactions: opportunistic, symbolic, and substantive. Using multinomial logistic regression, the probability of adopting a particular state (type of company response—symbolic or substantive) by the dependent variable in relation to the base state (in our case, it was an opportunistic reaction) is estimated under the influence of each of the independent variables. We used the PS Imago PRO 10.0 software package to perform all calculations.

## RESULTS AND DISCUSSION

The multinomial logistic regression analysis results indicated that both components (*CSR performance* and *CSR controversy*) of CSR reputation were related to the type of reaction of the firm to the adverse event (Table 3). This relationship exists regardless of the time since the original event (Model 1 and Model 2). The model diagnostics indicated a good fit for both models. The independent variables statistically significantly predicted the dependent variable. All variables included in the models (except for *Financial performance*) had a significant overall effect on the outcome (the *CSR controversy* was less significant in Model 2).

The outcome of our research suggests that a higher level of social engagement, as indicated by the ESG score, is associated with a greater likelihood of a more responsible response to the Russian invasion of Ukraine (taking symbolic or substantive actions in response to the invasion). This finding is consistent with H1. The results were robust over time, which enhanced the observed relationship. We found that the probability of firms with higher ESG scores responding with symbolic actions was greater than their likelihood of responding with substantive actions, which is in line with H2. The lack of *CSR controversy* was another factor that increased the likelihood of a responsible reaction to adverse events. That effect weakened as time passed since the original event. The absence of a history of past crisis records appeared to have a more profound influence on the likelihood of a substantial response than a symbolic one. A larger firm size decreases the probability of a change in the level of activity in Russia. We may partially explain this effect by the higher perceived cost of such a change resulting from the scale of prior commitments (larger firms could have invested more in Russia) and concerns about a stronger reaction by Russia's authorities in response to actions taken by the firm. The intensification of this effect over time further confirmed this explanation. On the other hand, *financial performance* had no noticeable effect on the firm's reaction to the crisis. A more dispersed ownership structure increases the probability of a firm taking symbolic or substantive actions. The effect was stronger in the case of substantial actions and

became more profound over time. This confirms the theory that companies that have to respond to a more diverse spectrum of stakeholders tend to react to the crisis in a more socially responsible way.

**Table 3. Multinomial logistic regression results regarding CSR reputation**

	Adjusted odds ratios			
	substantive vs. opportunistic <sup>b</sup>		symbolic vs. opportunistic <sup>b</sup>	
	Model 1 (2022)	Model 2 (2023)	Model 1 (2022)	Model 2 (2023)
Explanatory variables:				
CSR performance	1.015*	1.029***	1.029***	1.041***
CSR controversy	2.953***	2.268**	2.172**	1.734
Control variables:				
Size	0.778***	0.659***	0.868*	0.747***
Financial performance	0.986	0.984	1.000	1.000
Shareholding dispersion	1.021***	1.026***	1.018***	1.019***
Constant	a	a**	a**	a
Model diagnostics				
	Model 1 (2022)		Model 2 (2023)	
Likelihood Ratios (Chi-square):				
Model	61.978***		67.476***	
Variables:				
CSR performance	9.657***		13.779***	
CSR controversy	13.140***		5.426*	
Size	12.242***		23.721***	
Financial performance	0.564		0.543	
Shareholding dispersion	21.014***		22.191***	
Information criteria:				
AIC	1128.821		996.490	
BIC	1181.900		1049.570	
Pseudo R-square:				
Cox & Snell	0.096		0.104	
Nagelkerke	0.113		0.127	
McFadden	0.053		0.065	
N	616		616	

Note: a) for a Constant Adjusted odds ratios is not calculated b) the reference category is opportunistic; statistical significance: \*\*\* at the 1% level (p<0.01); \*\* at the 5% level (p<0.05), and \* at the 10% level (p<0.1).

Source: own study.

Decomposition of the ESG score into environmental pillar score, social pillar score, and governance pillar score revealed that the CSR strategy profile relates to the way the firm reacts to an adverse event (Table 4). The likelihood of a change in the level of commitment to Russia was most pronounced among firms whose CSR strategies focus on social factors. One of the elements of such a strategy is a human rights policy, which covers the firm's approach to human rights. Thus, we may interpret the reaction to Russia's invasion as a protest against human rights violations. Thus, the firm's reaction to the adverse events in the same domain as its CSR strategy profile is in line with this strategy (H3). The effect described in the previous sentence was more profound for symbolic actions than for substantive actions and remained stable over time. The *social pillar* variable was also the only variable which was statistically significant at the 1% level for both symbolic and substantive reactions and across all time points. The *environmental* and *governance pillars* variables offer less robust evidence of the statistical significance of the explanatory variables, which is dependent on the type of reaction and time point.

The ongoing debate surrounds the significance of corporate social responsibility in a company's management practices. Some studies point to the instrumentalisation of CSR (Chen *et al.*, 2008; Koehn & Ueng, 2010; Ormiston & Wong, 2013; Du, 2015; Kang *et al.*, 2016), while others underscore the

advantages of CSR as a lasting element of business practices (Wang & Choi, 2013; Shiu & Yang, 2017; Jeong *et al.*, 2018; Pérez-Cornejo *et al.*, 2022). The latter approach assumes that firms must walk the talk. Our study revealed that firms with a history of extensive social engagement and resulting superior CSR reputation tend to display a reduced inclination toward opportunistic behaviour and reluctance to maintain business as usual during adverse events (H1). The results of our study prove that firms remain consistent in their CSR activities. This observation confirms the conclusions drawn from previous studies.

**Table 4. Multinomial logistic regression results regarding CSR strategy profile**

Adjusted odds ratios												
	substantive vs. opportunistic response <sup>b</sup>						symbolic vs. opportunistic response <sup>b</sup>					
	Model 1E (2022)	Model 2E (2023)	Model 1S (2022)	Model 2S (2023)	Model 1G (2022)	Model 2G (2023)	Model 1E (2022)	Model 2E (2023)	Model 1S (2022)	Model 2S (2023)	Model 1G (2022)	Model 2G (2023)
<i>Explanatory variables:</i>												
Environmental pillar	1.008	1.021 ***					1.015 **	1.026 ***				
Social pillar			1.021 ***	1.026 ***					1.028 ***	1.033 ***		
Governance pillar					1.011 *	1.019 **					1.024 ***	1.027 ***
<i>Control variables:</i>												
Size	0.887 *	0.716 ***	0.863 **	0.736 ***	0.886 *	0.730 ***	0.964	0.798 **	0.955	0.825 **	0.962	0.814 **
Financial performance	0.984	0.985	0.985	0.983	0.981	0.977	0.999	1.000	1.000	0.999	0.995	0.992
Shareholding dispersion	1.024 ***	1.029 ***	1.023 ***	1.028 ***	1.023 ***	1.028 ***	1.021 ***	1.023 ***	1.020 ***	1.021 ***	1.019 ***	1.020 ***
Constant	a*	a**	a	a	a	a**	a	a	a***	a	a**	a
Model diagnostics												
	Model 1E (2022)	Model 2 E (2023)	Model 1S (2022)	Model 2S (2023)	Model 1G (2022)	Model 2G (2023)						
Likelihood Ratios (Chi-square):												
Model	40.822***	55.949***	49.559***	58.254***	46.919***	54.685***						
Variables:												
Environmental pillar	4.922*	11.140***										
Social pillar			13.658***	13.445***								
Governance pillar									11.018***	9.877***		
Size	3.975	17.425***	6.449**	16.839***			4.395		16.275***			
Financial performance	0.699	0.574	0.647	0.606			0.795		0.691			
Shareholding dispersion	29.620***	29.820***	26.157***	26.784***	25.277***	26.604***						
Information criteria:												
AIC	1145.980	1004.020	1137.240	1001.710	1139.880	1005.280						
BIC	1190.210	1048.250	1181.470	1045.940	1184.110	1049.510						
Pseudo R-square:												
Cox and Snell	0.064	0.087	0.077	0.090	0.073	0.085						
Nagelkerke	0.075	0.107	0.091	0.111	0.086	0.104						
McFadden	0.035	0.054	0.042	0.056	0.040	0.053						
N	616	616	616	616	616	616						

Note: a) for a Constant Adjusted odds ratios is not calculated b) the reference category is opportunistic; statistical significance: \*\*\* at the 1% level (p<0.01); \*\* at the 5% level (p<0.05), and \* at the 10% level (p<0.1).

Source: own study.

Karwowski and Raulinajtys-Grzybek (2021), who conducted content analysis of integrated reports, found a significant degree of consistency between the identified ESG and the corresponding CSR actions that have been taken. Choi and Pae (2011) found that firms with a higher level of ethical commitment show higher quality financial reporting, while Chen *et al.* (2018) found that the quality of codes of ethics is associated with higher earnings quality. Similarly, Ahluwalia *et al.* (2018) found that the adoption of a financial code of ethics improves the integrity of financial reporting.

Other studies on the reactions of foreign firms present in Russia to the invasion of Ukraine have also noticed that firms that maintain higher CSR standards behave in a more responsible way. Analysing two categories of firms from the CELI Yale list (A and F), Basnet *et al.* (2022) proved that the firms with the lower ESG Score and Human Rights Score were more likely to take the business-as-usual approach. These observations are consistent with our findings. However, we used a more nuanced approach, considering additional firms that have chosen the middle ground, mostly firms whose reactions were named as symbolic in our study. We also accounted for the passage of time, which allowed us to verify the initial declarations of the firms about actions undertaken in response to Russia's aggression. In their research, Pajuste and Toniolo (2022) argued that concerns about losing reputation played a significant role in firms' decisions to leave Russia. These results support our hypothesis that firms with a better CSR reputation are more strongly motivated to perform in a more socially responsible manner, in line with their reputation. This is because the loss of reputation is more painful for these firms than for those with a poor reputation.

On the other hand, while analysing the behaviour of foreign firms present in Russia at the time of aggression against Ukraine, Ahmed *et al.* (2023) obtained different results. They found that firms with better scores on various ESG ratings were likely to react in a less socially responsible manner. However, this particular research differed significantly from our study. Firstly, the research covered a much narrower sample of companies, concentrated on European corporations included in the STOXX600 index. Thus, it did not consider firms from other countries present in Russia, especially those incorporated in the USA, which constitute a particularly large group of firms in the CELI Yale list. Secondly, the research was limited to firms that took 'real actions.' As a result, the analysis included only firms belonging to categories A and B of the CELI Yale list, which we describe as undertaking substantial actions. In our study, we also include the remaining categories from the CELI Yale list, thus covering companies undertaking symbolic actions. Thirdly, Ahmed *et al.* (2023) covered a much shorter time window, thus based their findings on very early declarations of firms with regard to their planned actions. Owing to a longer time horizon, our study allows for a more thorough verification of such declarations. Finally, both studies differ significantly in terms of the research methodology. Our methodology facilitates a comparative analysis between firms that utilised different responses to Russia's invasion, with the group of firms that opted for an opportunistic approach serving as a benchmark.

While analysing the relationship between prior CSR activities and the reaction to adverse events, we conclude that firms favour symbolic reactions (H2). This conclusion was consistent with the views present in the literature and the results of previous studies. In their seminal paper, Ashforth and Gibbs (1990) noted that the defence of legitimacy (which may be threatened in the case of a bad event) is associated with a greater tendency toward symbolic actions. Similarly, Li *et al.* (2019) determined that companies are more likely to engage in symbolic than substantive CSR in response to a crisis. Furthermore, David *et al.* (2007) showed that, in the case of external pressures, managers' responses are symbolic. The nature of the crisis, which makes it more difficult to assign responsibility for the event to the firm, is another factor that helps explain the motives of foreign corporations' reactions to adverse events. Such events generate fewer negative consequences than do other types of crises. Waniak-Michalak and Michalak (2024) showed that the magnitude of a firm's reaction to a crisis depends on the expected level of the crisis's consequences. Thus, a substantive reaction might be perceived as excessive, especially when high CSR performance provides additional protection to the firm (Kim *et al.*, 2023).

The study by Schaltegger and Hörisch (2017) indicates that legitimacy-seeking constitutes the dominant logic in CSR management. In response to crises, this may generate tension between decisions aimed at preserving moral legitimacy and actions that could harm pragmatic legitimacy. These two types of legitimacy lie at opposite ends of the continuum of benefit distribution related to company active-

ity (Bitektine, 2011). Moral legitimacy entails a broad distribution of benefits, as it relates to the alignment of corporate actions with the public interest, as defined by the prevailing system of norms and values. On the other hand, pragmatic legitimacy implies a narrow distribution of benefits, as it refers to the organisation's ability to deliver tangible outcomes to its 'most immediate audiences' (Suchman, 1995; p. 578). Our hypotheses (H1 and H2) reflect this tension, which is visible in our empirical findings. Companies with higher CSR standards exhibited less opportunistic behaviour in response to the Russian invasion, thereby safeguarding their moral legitimacy. At the same time, they tended to favour symbolic actions, perceiving them as less detrimental from the standpoint of pragmatic legitimacy.

Furthermore, our study shows the existence of a relationship between the form of the crisis reaction and a firm's CSR strategy profile. We found that an adverse event that occurs in the same domain as the firm's CSR strategy profile triggers reactions aligned with that strategy (H3). Previously, limited research differentiated between distinct CSR strategy types and examined them in relation to negative events (Jayachandran *et al.*, 2013; Lenz *et al.*, 2017). These studies indicated that firms may derive greater benefits from actions that differ from those observed in this study. However, there are important differences between earlier studies and our study. Prior studies have concentrated on the consequences of various reactions to bad events, whereas we searched for the antecedents of these reactions. Furthermore, earlier studies considered events that were representative of corporate social irresponsibility, where we may attribute responsibility for the event to the firm. Our study concentrates on a negative event that is unconnected to the firm's responsibility. Finally, previous studies concentrated on CSR performance in the aftermath of the crisis, whereas we included historical CSR performance. Incorporating in our research aspects that were not previously considered means extending the scope of the study and broadening the existing knowledge.

Our study contributes to the discussion of the permanency and cohesion of CSR actions (Koehn & Ueng, 2010; Wang & Choi, 2013; Du, 2015; Shiu & Yang, 2017; Jeong *et al.*, 2018), and the role played by prior CSR activities and reputation build upon these actions on the nature of the firm's reaction to negative events (Kang *et al.*, 2016; Lenz *et al.*, 2017; Li *et al.*, 2017). Prior studies on the latter topic included only firm-specific events related to social irresponsibility. Events of this type have a strong negative impact on a firm's reputation. Thus, the desire to protect reputation was considered a primary motive for a firm's CSR actions in response to the crisis. Our conclusions supplement these findings. We analysed the firm's reactions to a negative event caused by external factors, thus creating a lower reputational risk. Our results still indicate that firms with better CSR reputation react to such events in a more socially responsible way. This finding suggests the existence of other motives for such actions beyond reputation protection. We believe that path dependence may cause reactions to bad events.

## CONCLUSIONS

Our research contributes to the discussion on the integrity of corporate social responsibility (CSR) policies. Treating Russia's aggression against Ukraine as a form of natural experiment that enables the analysis of corporate behaviour in a crisis, we examined the impact of prior CSR policies of foreign companies operating in the Russian market on their behaviour during the crisis. A particular characteristic of this crisis is its less negative impact on reputation compared to other crises studied so far. This is because of factors independent of the company and beyond its control that cause the negative event, making it impossible to attribute responsibility for the crisis to the company. Such a situation weakens incentives for socially responsible behaviour aimed at protecting reputation, especially when such behaviour entails additional costs. We demonstrated that despite this, companies with higher CSR standards acted more responsibly and consistently with their prior strategies during the crisis.

Our research makes a significant contribution in two areas. Firstly, it confirms that companies tend to 'walk the talk' in their CSR policies. The consequence of prior CSR activities is more socially responsible behaviour in subsequent periods. This mechanism reinforces behavioural patterns and serves as a driving force, helping to build CSR reputation. The second area in which our research expands knowledge concerns the relationship between CSR and crises. Until now, studies have mainly focused on crises resulting from corporate social irresponsibility, cases where the company could be blamed for causing the nega-

tive event. In the context of social responsibility, scholars have examined such situations within the frameworks of the moral balance model (Ormiston & Wong, 2013) or the penance mechanism (Kang *et al.*, 2016). Both assume a lack of continuity in CSR policy. In the moral balance model, social engagement creates a moral alibi for irresponsible actions when beneficial. In contrast, under the penance mechanism, CSR activity following a crisis serves to compensate for prior irresponsibility that led to the negative event. Our research broadened the range of crises analysed and allowed us to identify a different relationship between crisis and CSR based on path dependence – companies maintained continuity in their CSR policies in response to a crisis. By stating this, we do not determine whether this behaviour results from internal factors, from external stakeholder pressure, or from concerns about their reaction if the company's behaviour violated expectations based on its previous CSR activities.

Despite our contribution, this study also has some limitations. Our analysis covers only a single crisis. This crisis drew wide media and public attention and generated strong emotions. From the point of view of foreign companies present in Russia, this situation has increased reputational risk. The risk level was higher for firms with a better CSR reputation, as the lack of reaction could result in accusations of hypocrisy. Thus, one could perceive the nature of adverse events as a factor affecting the reaction. Thus, future research could include other crises caused by external factors, resulting in minimal reputational risk. Such studies can cover crises caused by natural disasters. Studying the relationship between prior CSR activities and the reputation built upon such activities, and the firm's reaction to this type of bad event, could allow us to determine whether a firm walks the talk in those situations, too. Another potentially interesting direction for further research concerning crises such as the Russian aggression against Ukraine could be a detailed analysis of the impact of other ESG factors on company behaviour. Among these factors, one should give particular attention to the structure and composition of the Board of Directors, as well as the structure of executive compensation (including the presence of ESG performance criteria within this structure).

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**Use of Artificial Intelligence**

The text is free of AI/GAI usage.

**Conflict of Interest**

The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

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