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# **Corporate social responsibility and market exit decisions during geopolitical crises**

Fortum's exit from the Russian market

International Business

Master's thesis

Author:

Aino Ylitarvas

Supervisors:

D.Sc. Jonathan Van Mumford

D.Sc. Riikka Harikkala-Laihin

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## **Master's thesis**

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**Author:** Aino Ylitarvas

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Corporate social responsibility (CSR) has gained a significant role in contemporary business. Governments, organizations and individuals demand that companies act responsibly and do not engage in irresponsible operations. At the same time, geopolitical crises have become more and more frequent. Economic tools are used to achieve geopolitical objectives in the powerplay between states. This makes the international business environment unpredictable and hard to navigate, which in turn exposes multinational enterprises (MNEs) to risks. Previous literature has found that companies are increasingly choosing normative responses in the face of geopolitical crises. This has brought to light the new generation of MNEs who take CSR seriously.

The purpose of this thesis is to gain a deeper knowledge about how do MNEs uphold their CSR commitments when facing a serious geopolitical crisis in a host country. This is explored through a single case study by investigating the role of CSR as a driver of market exit decisions, identifying factors influencing market exit decisions beyond CSR and analyzing how do firms overcome market exit barriers. Different theories on CSR and market exits during geopolitical crises are used to form a theoretical framework for the study.

One case company was chosen for the empirical part of this study. The study utilized both, secondary and primary data, with secondary data being main data source. Primary data was collected through expert interviews, whereas secondary data included the case company's reports, website and independent news articles. These were carefully inspected and interpreted to gain a comprehensive understanding of the phenomenon.

Upholding CSR commitments in the face of serious geopolitical crises is not straightforward. Arriving at a certain exit decision and carrying it out is influenced by many factors, including reputational damage and operational costs for example. The findings of this study suggest that CSR strategies play a fundamental role in formulating responses to geopolitical crises. External pressures and internal values were found to preserve normative resilience when exit barriers are interfering with the process. To manage exit barriers, companies might need to renew their strategy, which can lead to greater emphasis of CSR related issues.

**Key words:** corporate social responsibility, market exit, geopolitical crises, geopolitical risks, normative resilience, Russia, case study

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### Tiivistelmä

Yritysvastuulla on merkittävä rooli nykypäivän liiketoiminnassa. Valtiot, organisaatiot ja yksilöt edellyttävät yrityksiltä johdonmukaista vastuullista toimintaa. Samaan aikaan geopolitiittiset kriisit ovat yleistyneet. Taloudellisia keinoja käytetään yhä useammin geopolitiittisten päämäärien saavuttamiseen valtioiden välisessä valtapelissä. Tämä tekee kansainvälisestä liiketoimintaympäristöstä ennakoimattoman ja vaikeasti hallittavan, mikä puolestaan altistaa monikansallisia yrityksiä riskeille. Aiempi tutkimus on osoittanut, että nykyään yritykset toimivat usein arvojen pohjalta kohdatessaan geopolitiittisiä kriisejä. Ilmiö on nostanut esiin uuden sukupolven monikansallisia yrityksiä, jotka suhtautuvat yritysvastuuseen vakavasti.

Tämän tutkielman tarkoituksena on syventää ymmärrystä siitä, miten monikansalliset yritykset pystyvät pitämään kiinni yritysvastuuteen liittyvistä sitoumuksistaan vakavien geopolitiittisten kriisien puhjetessa. Aihetta tarkastellaan tapaustutkimuksen keinoin. Tutkielmassa tutkitaan yritysvastuun roolia markkinoilta vetäytymisen taustalla, tunnistetaan muita vetäytymispäätöksiin vaikuttavia tekijöitä sekä analysoidaan, miten yritykset käsittelevät markkinoilta poistumisen esteitä. Tutkielmassa hyödynnetään laajasti erilaisia yritysvastuuta ja markkinoilta vetäytymistä käsitteleviä teorioita teoreettisen viitekehyksen rakentamiseksi.

Empiiristä osaa varten valittiin yksi tapausyritys. Tutkimuksessa hyödynnettiin sekä toissijaista että ensisijaista aineistoa, joista toissijainen oli pääasiallinen lähde. Ensisijainen aineisto kerättiin asiantuntijahaastattelujen avulla. Toissijainen aineisto taas koostui tapausyrityksen raporteista, verkkosivuista ja riippumattomista uutisartikkeleista. Näitä aineistoja tarkasteltiin ja tulkittiin huolellisesti, jotta ilmiöstä saataisiin mahdollisimman kattava ymmärrys.

Yritysvastuuseen liittyvien sitoumusten noudattaminen vakavien geopolitiittisten kriisien aikana ei ole yksiselitteistä. Vetäytymispäätöksiin vaikuttavat monet tekijät, kuten esimerkiksi mainehaitta ja taloudelliset kustannukset. Tutkimuksen tulokset viittaavat kuitenkin siihen, että yritysvastuustrategiat ovat keskeisessä asemassa geopolitiittisiin kriiseihin reagoitaessa. Erityisesti ulkoinen paine toimia oikein ja yrityksen sisäiset arvot näyttäytyvät normatiivisen resilienssin ylläpitäjinä silloin, kun markkinoilta poistumisen esteet hankaloittavat prosessia. Vetäytymisen esteiden hallitsemiseksi yritysten voi olla tarpeen uudistaa strategiaansa, mikä voi osaltaan johtaa yritysvastuun strategiseen korostumiseen.

**Avainsanat:** yritysvastuu, markkinoilta vetäytyminen, geopolitiittiset kriisit, geopolitiittiset riskit, normatiivinen resilienssi, Venäjä, tapaustutkimus

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# 1 Introduction

Geopolitical crises emerge around the globe, creating challenges for international business. At the same time, corporate social responsibility has gained importance in academic literature and business practice. Today, multinational enterprises must balance responsible business conduct with their own survival during times of crisis. This requires great consideration from managers. After further outlining this broader context, the chapter moves onto describing the purpose and content of the thesis.

## 1.1 Background and context of the thesis

February 24th of 2022, Russia starts the invasion of Ukraine. The news spread fast all over the world. Many countries, organizations, enterprises, and individuals quickly judge the actions of Russia. The EU imposes massive sanctions against Russia in response to the invasion. Many MNEs announce they will leave Russia signalling “the institutional expression of moral outrage” (Fortune 20.4.2022). Now, in January of 2025, most of them have lived up to their words. This phenomenon has brought attention to a new generation of multinational enterprises shaped by the rise of corporate social responsibility (CSR) (Avioutskaa & Roth 2024, 1453).

Geopolitical crises, like the war in Ukraine, have become more and more frequent. Multinational firms operate in a world full of risks, that could be realized any time. Geopolitical tensions run through the whole world, from one pole to another. Unpredictability makes the international business environment hard to navigate. (Luo & Tung 2025, 1; Nickel 2024, 221) The word geopolitics refers to the relationship between geography and politics. The term is most often used in the context of foreign policy and international relations. (Ali-Yrkkö et al. 2024, 4) Nowadays, the term has broadened. Today it is often used when referring to power rivalries between states. (Nickel 2024, 222) When economic means are used to achieve geopolitical objectives, it is referred to as geoeconomics (Blackwill 2016, 20). As economic tools are used in the power play of states, companies are forced to play by the same rules. The return of geopolitics means increased geopolitical risks for companies.

Geopolitical risks are realized when geopolitical crises occur. On a solely economic basis, it would seem logical for companies to take over an emptying market. Based on traditional business logic, it is a good thing when competitors are leaving. It seems illogical that any

company would waste such possibility. The answer might lie in the changed position of companies in the society. The role of MNCs has widened and today they are not only considered as economic actors but also as social actors. The change towards “privatization of world politics” has increased the relevance of corporate social responsibility. (Hofferberth et al. 2011, 1)

Corporate social responsibility has been defined multiple ways in academic literature. Bowen (2013, 6) refers to it as “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”. The European Commission (2011) has defined CSR as “the responsibility of enterprises for their impacts on society and outlines what an enterprise should do to meet that responsibility”. This is a simplified version of the EU’s previous definition of CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”.

Although CSR is a central value of many MNEs today, some firms choose to engage in, what would seem like an irresponsible operation. Due to the gain of influence and power of MNEs at the global politics, stakeholders are expecting MNEs to act ethically across borders (Wettstein et al. 2019, 55; 59). Irresponsible actions may lead to reputational damage, because stakeholders hold firms accountable for their actions. Thus, MNEs are pressured by stakeholders to exit oppressive countries. However, what would at a first glance seem like an irresponsible decision by the company, may not always be it. Exiting a market has its own challenges, especially during geopolitical crises.

Finnish companies provide a particularly interesting case for studying the alignment between CSR commitments and actual operations in the context of the war in Ukraine. As a neighbouring country to Russia, with historically significant trade relations, Finland has faced unique geopolitical and economic pressures since the war began (Ali-Yrkkö et al. 2024, 3, 8-10). Finnish companies have had to decide whether to withdraw from the Russian market, even though the Russian market may have been the most important market for them.

Finnish companies have also been important to Russia. However, the trade between Finland and Russia has slowed in recent years. Finnish exports to Russia have dropped in value from 7,3 billion euros in 2013 to 4,3 billion euros in 2021. This accounts to a drop

of three billion euros. The drop is due to sanctions, collapse of the value of the ruble and a massive drop in Nokia's exports. (Ali-Yrkkö et al. 2022, 1-4) Finland, as a part of the EU, holds corporate responsibility at a high value. Thus, together with the historical importance of the Russian market to Finnish companies, it makes a good case study about the correspondence of CSR commitments and exiting a politically volatile country.

## **1.2 Purpose and structure of the thesis**

International business research has not focused much on the barriers of exiting a market (Tang et al. 2021, 290). The existing literature on barriers has focused on researching market exit barriers from the perspective of why companies would hang on to unprofitable business when the intuitive response would be to cease all unprofitable action (Decker & Mellewig 2007, Porter 1976). Previously, the most important, and to some extent the sole purpose of companies was seen to be producing revenue to shareholders (Friedman 2007, 178; Carroll 1991, 40-41). However, as other responsibilities' value has risen in doing business (Baden 2016), unprofitability is not the only thing to consider when deciding whether to exit a market or not. The same barriers and problems still exist, but they do not necessarily hold the same value in deciding to exit a market. In the context of geopolitical crises, these barriers are often delays on the exit process, rather than complete restraints.

Now, values such as social responsibility, guide the decisions more and more. It would have been financially beneficial for many companies to stay in the Russian market, but still a majority of them decided to exit (Yale School of Management 2025). In previous literature the antecedents of a market exit have focused on home and host country characteristics. In this study, the antecedents are mostly related to organizational values. It is assumed that market exit decisions are not based solely on financial logic, but also on normative considerations.

The wide and rapid normative response of MNE's to the Russian invasion of Ukraine surprised both practitioners and researchers. The phenomenon brought to light the new generation of MNE's who take CSR seriously in doing business. As financial considerations dominate the market exit research, there is a significant gap in the existing academic literature. (Avioutskaa & Roth 2024, 1453; Kim et al. 2025, 694; Napier et al. 2023, 73) This study goes beyond the view that companies are purely economic actors (Gallegati & Kirman 2012) and instead, comprehend companies as ideational entities with

meaning, intentionality, and values (van Tonder 2011). Therefore, this study brings an updated viewpoint to the traditional market exit literature, linking it to CSR.

Drawing from this, the main research question of this thesis is as follows: **how do MNEs uphold their CSR commitments when deciding whether to exit a host country during geopolitical crisis?** To answer the main research question, this thesis is divided into three subquestions. The subquestions help to better understand the research subject and through that answer the main research question. The subquestions discussed in this thesis are:

- *What is the role of CSR as a driver of market exit decisions?*
- *What factors beyond CSR influence MNEs' market exit decisions during geopolitical crises?*
- *How do firms manage exit barriers when seeking to act on CSR-driven exit intentions?*

The first subquestion examines the role of CSR in market exit decisions. It investigates whether CSR considerations are taken into account when deciding to exit and if so, to what extent. This subquestion explores the connection between the two core concepts of this thesis: CSR and market exit during geopolitical crises. The second subquestion broadens the view by exploring additional factors beyond CSR that influence exit decisions. It provides a more comprehensive understanding of MNEs' responses to geopolitical disruptions. The third subquestion focuses on barriers to market exit, identifying constraints that may prevent or delay withdrawal despite a firm's willingness to leave.

These subquestions frame the scope of this thesis and establish CSR as the key concept for understanding MNEs' exit decisions during geopolitical crises. While environmental concerns can be seen to be a part of CSR, this study focuses solely on the social side of CSR. This viewpoint was chosen to gain a deeper understanding of one concept, instead of a shallower understanding of multiple concepts. The context of market exits after geopolitical shifts also naturally directs the focus on social issues, as environmental considerations are not as central in these types of situations.

The thesis begins with a literature review of the key concepts in chapter 2 and 3. In the beginning of the following chapter geopolitical risks and their meaning for multinational

companies are explained. The chapter then continues with the exploration of different responses to geopolitical crises and concludes with a comparison of operational and reputational costs in market exit decision-making. The third chapter focuses on corporate social responsibility. The chapter includes an overview of different definitions of CSR, the values CSR represents as well as different ways CSR can be a part of company strategy. The third chapter concludes with a more practical view of CSR, examining what motivates companies to implement CSR in practise. In chapter 4, the thesis moves forward to the empirical part, starting with introducing the qualitative case study method. Additionally, the fourth chapter presents how the data for this study was collected, as well as how the analysis was conducted. After that, in chapter 5, the findings of the study are presented. The results are concluded in section 6, highlighting the theoretical contributions and managerial implications this study produces.

## **2 Market exits during geopolitical crises**

After a long era of globalization and free trade the practice of geoeconomics has increased. As a result, national security concerns have made their way into economic considerations, transforming the contemporary business landscape. This chapter examines how geopolitical risks can escalate into geopolitical crises, and how companies respond to them, particularly focusing on market exits.

### **2.1 Geopolitical risks realized into geopolitical crises**

The increased usage of economic means to forward geopolitical goals is affecting multinational enterprises. Consequently, geopolitical risk of operating in certain hotspots for geopolitical rivalry has increased (Chapman 2011, 54-78). Geopolitical risks refer to political tensions arising from a nation's involvement in international affairs that could lead to potential disruptions in the economy (Bouoiyour et al. 2019, 1). Geopolitical risk is often related to conflicts between nations, like wars, that disrupt the normal course of international relations. They can also stem from conflicts involving non-state actors, like terrorism. (Shahbaz et al. 2024, 2866)

Geopolitical risks impact companies in three main ways. Firstly, due to geopolitics, multinational and bilateral economic cooperation have changed on a fundamental level. Overnight, entire countries can become no-go areas for companies. This happened when Russia attacked Ukraine, for example. The change has been visible especially in the 2020s. This significantly increases the risk of large write-downs of investments, as companies rush to exit these no-go countries. Secondly, state intervention in the economy is increasingly driven by national security concerns or strategic interests, which is reshaping the competitive landscape. (Wigell 2022, 13; Ali-Yrkkö et al. 2024, 6) Pleading national security concerns, governments may not be willing to permit companies from politically opposite countries to acquire domestic assets. Government tools to do this include controlling business subsidies and investment tax incentives (Ali-Yrkkö et al. 2024, 6). This is particularly usual in strategic sectors like national defence, media, and finance (Cao et al. 2023, 669). State interference makes the business environment less predictable compared to traditional market-based competition. Finally, geoeconomics influence corporate decision-making and business models. Governments may restrict exports or imports of specific components, limit research collaboration with certain

countries for national security reasons or prohibit investments in strategic markets. (Wigell 2022, 13) For example, the trade war between China and the USA has resulted to many export prohibitions between the countries, which have had direct impacts on private companies (Ali-Yrkkö et al. 2024, 6; Reuters 4.4.2025).

Globalization has amplified the impact of these risks by deepening the interconnectedness of the world's economies and societies. Many MNEs have had to change their location or supply chain strategies to reduce their exposure to geopolitical risks. (Schindler & Rolf 2024, 11-12) This has reversed the direction of globalization, the world economy has started to fragment into like-minded blocks. If this trend continues, different stages of the value chain would no longer be spread across the globe but would instead be carried out largely within the same geopolitical bloc. For MNE's this means further relocation of the value chain. (Ali-Yrkkö et al. 2024, 9-10) As geopolitical risks have the potential to realize into geopolitical crises, it is more important than ever to be able to navigate in the complex business environment and build resilience (Rosenberg 2017). Identifying these risks is of most importance, as it can determine the success or failure of companies (Wigell 2022, 23). However, risk identification is only the first step. After identifying the risks, companies should carefully evaluate them.

Risk evaluation is the process of assessing the significance of identified risks in relation to an organization's objectives. The evaluation stage guides the choosing of specific risk treatment options. (De Villa 2023, 5; Wigell 2022, 31) These options can be roughly categorized as *avoid*, *accept*, *mitigate* and *transfer*. *Avoiding* means not starting or discontinuing the operation to avoid the risks. *Accepting* means that the company simply accepts the risks. In this option, the benefits of engaging in the activity are usually considered to be so significant, that the risks are worth bearing. However, this must be an informed decision based on identifying and evaluating the risks first. *Mitigation* means the organization takes additional steps to lower the chance of the risk happening or to lessen its impact if it does happen. This helps to lower the overall risk to a more acceptable level. By *transferring* the organization shifts the risk to another party so it doesn't have to bear the full risk alone. An example of this is buying insurance or making agreements with partners or customers. (Wigell 2022, 31) Employing these risk treatment options is not always an informed decision, because companies' awareness and preparedness regarding geopolitical risks are inadequate. To build resilience in an era marked by

disruption and renewed great power competition, a deeper understanding of geopolitical risks is essential. (Rosenberg 2017, 210; Wigell 2022, 70)

Geopolitical risks are realized when geopolitical crises happen. Some geopolitical shifts affect companies severely and may cause operational adjustments. Sometimes, minor adjustments are not enough, but the question becomes whether to exit the whole market. Because MNEs are expected to be ethical and responsible (Wettstein et al. 2019), they are likely to face pressure to exit from countries seen as oppressive. However, exiting a market is not simple and straightforward. Reactions to geopolitical crises vary and the reasoning behind responses are different depending on the situation.

## **2.2 Exiting a market as a response to a geopolitical crisis**

There are different levels to exiting a market. The extent of market exits can be evaluated based on the scope and degree of exit. The scope of exit is tied to geography, it can be operational, national or global. At operational level the company may, for example, sell a jointly owned manufacturing plant, but continue other operations in the host country. (Tang et al. 2021, 278) Exiting at a national level, means withdrawing from the host country completely by seizing all operations there. In other words, exiting the host country as a whole (Blake & Moschieri 2017). And lastly, at the global level companies discontinue all of their international operations. In practice, this can mean stopping exporting for example (Tang et al. 2021, 278). The degree of exit can vary from partial to complete exit. This means that a firm can reduce their ownership of assets in the host country partially or entirely.

A few different more detailed market exit classifications have emerged in the last five years (Yale School of Management, Kyiv School of Economics). A classification created by Yale School of Management (2022) identifies five different levels of exiting a market that are withdrawal, suspension, buying time, scaling back and digging in. These levels span from continuing business as usual to a complete withdrawal at a national level.

*Withdrawal* means the company makes a permanent exit from the oppressive country and suspends all operations in that country (Gao & Xu 2024, 3; Sonnenfeld et al. 2022, 3). By withdrawing completely, the companies are able to enhance their reputation among home country stakeholders. The downside is that if the situation in the country ever gets better, it might be hard or impossible to re-enter the market because a new competitive landscape

has emerged. (DeBerge 2023, 6.) If the company wants to return to the market again, they might not withdraw completely, but scale back some of their operations.

Withdrawing from oppressive countries may seem like the most ethical thing to do because the company will not be complicit in any wrongdoing. However, withdrawing can sometimes make the situation worse for the host country's nationals. Therefore, staying in an oppressive country and acting as good corporate citizens is a valid response to geopolitical shifts in some cases. Before applying this strategy, companies should carefully evaluate if there is a chance to *actually* make a change for the better in the country. (Fisher & Lovell 2009, 481-489)

*Suspension* means that companies temporarily suspend all or almost all operations while leaving the return option open (Gao & Xu 2024, 3). *Scaling back* is a similar solution to suspension. The difference is that when scaling back, the company suspends a significant amount, but not as much as in suspension, of their business in the oppressive country. (Sonnenfeld et al. 2022, 3.) More concretely, these could mean transferring host country operations to local partners. Suspension and scaling back can be considered as operation-level exiting (Tang et al. 2021, 278).

By implementing suspension or scaling back strategies, companies can yield some of the reputational damage while still holding an option to re-enter the market. On the other hand, the companies cannot impose as severe social sanctions against the oppressive country as companies that withdraw completely. Companies which have significantly invested in the country may be more prone to implement these strategies rather than complete withdrawal. (DeBerge 2023, 6.)

*Buying time* is a strategy where companies pause new investments but continue fundamental business operations in the oppressive country (Sonnenfeld et al. 2022, 3). This way the company can maintain ownership of its valuable assets and avoid the operational costs of leaving. The downside is that the reputational costs might be higher as the company fails to meet the expectations of stakeholders outside the oppressive country. (DeBerge 2023, 6.)

*Digging in* is the other extreme of companies' responses to geopolitical shifts. Digging in means that the company sees the withdrawal of competitors as a possibility and takes advantage of it. Companies defy the demands for exit and continue business as usual.

(Sonnenfeld et al. 2022, 3.) This way companies can expand their market position and make more profit. On the contrary, the reputational damage might be really high, as the company is perceived as complicit in the host country's irresponsible actions. (DeBerge 2023, 6.)

A different classification made by Kyiv School of Economics uses only three different categories, which are *stay*, *wait* and *leave*. Their "stay" category corresponds to the digging in category described above. Additionally, the "wait" category is equivalent to the buying time and scaling back categories. And finally, the "leave" category coincides with the suspension and withdrawal categories of the Yale classification. (Sonnenfeld et al. 2023, 7) In this thesis, the classification created by Yale School of Management (2022) is used in the analysis.

Exiting a market is not straightforward. This is the case especially in oppressive and politically volatile countries. Even when a company wants to exit, it is not always possible to do so. Responses to geopolitical crises are rarely implemented exactly as companies intend. They are often the result of compromises between planned strategies and the realities of the situation. The next subchapter explores the trade-off between operational and reputational costs in market exit decisions.

### **2.3 Operational and reputational costs influence market exit decisions**

Companies face normative pressure to act in line with the wider societal values (Scott 2013, 184) like justice and responsibility. Stakeholders, like customers and investors expect MNE's to act in accordance with ethical standards. This pressure has resulted to mass exits of MNE's from oppressive countries like Russia, even when they have no direct legal obligation to do so. (Balyuk & Fedyk 2023, 1253) If MNEs decide to stay in oppressive countries despite the pressure, they may face major reputational damage.

Reputational damage is particularly important, as a company's reputation forms the foundation for its broader strategic and operational capabilities. As the saying goes: a reputation takes years to build but only a second to destroy. Reputational damage does not automatically lead to financial losses. However, it may eventually lead to costs, in the form of retreating investors for example (Maggioni et al. 2019, 967). A major driver of these reputational costs is negative media coverage, which can expand stakeholders protests and boycotts. Another driver of reputational costs is the behavior of other

companies. If other companies show an example of socially responsible behavior, the pressure for all companies to act likely grows (Mol et al. 2023, 5). Market pressure has indeed been found to be one of the most influential factors regarding market exit decisions during geopolitical crises, often surpassing even high financial costs (Balyuk & Fedyk 2023, 1270).

However, even when a company does not comply with wider moral guidelines, reputational costs do not always occur. The operational costs of leaving, that stem from past investments in the market, might be high instead. To operate in the market companies have often had to invest in technology, capital or labour force in the market. The more durable and specific the assets are, the less reasonable it is to exit the market, as immediate financial losses would become more significant. (Porter 1976, 22) In other words, the bigger the market share in the country is the more costly it is to exit. Operational costs of exiting are considered to be even higher when re-entering the market is hard or impossible. If exiting means leaving for good, there is a lot more on the line than if re-entering is possible. (Mol et al. 2023, 5.) The different scenarios and the strategic decisions they guide to are illustrated below (Figure 1).

		Cost of exiting	
		LOW	HIGH
Cost of staying	LOW	Stay	Stay
	HIGH	Exit	Stay/Exit

Figure 1 Trade-off between costs of staying and exiting (adapted from Mol et al. 2023, 2; 5)

As shown in Figure 1 the proportion of costs guides MNEs to different strategies. If both costs are low, there is no trade-off between the two, so firms do not necessarily have to make changes. If the cost of staying is high and the cost of exit is low, the proportion directs towards market exit strategy to minimize costs. On the contrary, if the cost of exit is high and the cost of staying is low, staying would be the lowest-cost choice. (Mol et al. 2023, 2.)

This model rests on the assumption that firms make decisions driven by the pursuit of the lowest costs. However, when both costs are high the model cannot provide a simple answer. MNEs must decide whether to stay or exit based on their values (Agarwal & Cruise Malloy 2000, 152-153). Whether they value their ethical or economic responsibilities more guides the decision (Agarwal & Cruise Malloy 2000, 152-153). If

the firm wants to be socially responsible, they are more likely to exit the market even with high costs of exiting. If the firm values economic responsibilities over social responsibilities, they must evaluate if the potential profits the market has to offer can cover the costs caused by staying. The recent development has tilted in the direction of protecting reputations, stimulating “a race to the top” with location choices (Maggioni 2019, 967). Values can guide the decision in the three other situations as well. In the context of geopolitical crises, high costs of exiting can be seen as delays to the exit process rather than complete constraints.

Geopolitical risk identification and assessment is of most importance for companies operating in today’s global business environment. If companies fail to adequately identify or take these risks into account, they might find themselves in a situation where they must make rapid and difficult decisions on how to respond. Responding to a geopolitical crisis is challenging in itself and these challenges are intensified by pressure from stakeholders, host-country authorities and civil society. Both exiting and staying in a market carry potential financial costs and reputational risks. On top of these considerations, firms must also evaluate their actions in light of their values, as CSR has become a central aspect of business decision-making. The next chapter discusses how firms take corporate social responsibility into account when making market decisions and how are they able to maintain normative resilience in the middle of geopolitical crises.

### 3 Corporate social responsibility during geopolitical crises: To exit or stay?

The role of business in society has changed in the last few decades. Today, companies are more involved than ever in matters that have traditionally been thought to belong solely to the state. This change has brought up new responsibilities in business. In this chapter corporate social responsibility and its relation to geopolitical crises is examined more closely. The chapter concludes with a synthesis of the whole literature review, forming a theoretical framework for understanding how MNEs make normative market exit decisions in response to geopolitical crises.

#### 3.1 The rise of new values in business

The roots of CSR go back decades. In academic literature, the modern formulation of CSR was brought up by Howard Bowen in his book *Social Responsibilities of the Businessman* first published in 1953. Bowen's publication started the discussion about what responsibilities businesses have outside the traditional view of only making profit and obeying the law. After that, CSR has continued to grow its relevance. Today CSR is a central theme in international business, under which many complementary terms, like *Creating Shared Value* have emerged. (Carroll 2015, 87–89)

CSR can be defined in a number of ways. Different definitions highlight different perspectives of CSR. The different perspectives can be roughly divided into five categories, that are *normative*, *integrative*, *instrumental*, *political* and *emergent* (Rasche et al. 2017, 8; Garriga & Melé 2004). Perhaps the most known definition of CSR describes it as “the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of actions which are desirable in terms of the objectives and values of our society” (Bowen 1953, 6). Bowen's definition represents the *normative perspective* of CSR, that sees CSR as a moral obligation for companies, independent of economic or strategic outcomes. If anything, societal well-being is valued higher than economic success. This approach emphasizes leaders' personal values as a major driver for CSR implementation. (Rasche et al. 2017, 8).

Another way to define CSR is through the different societal expectations that companies are expected to meet. This so-called *integration perspective* emphasizes that “the social responsibility of business encompasses the economic, legal, ethical and discretionary

expectations that society has of organizations at a given point in time” (Carroll 1979, 500). In other words, companies are expected to align their actions with social norms. Whereas the normative perspective sees CSR as a moral obligation, the integration perspective sees CSR as a way for firms to gain legitimacy in the eyes of key stakeholders.

From an *instrumental perspective*, CSR is approached as a function of corporate strategy. It is not seen as inherently valuable but as a means through which firms can achieve economic objectives or “as a form of investment” (McWilliams & Siegel 2001, 119). That is, unlike the two previous perspectives, CSR efforts are considered to be more directly linked to company profits. From the *political perspective*, CSR is “responsible business activities that turn corporations into political actors, by engaging in public deliberations, collective decisions, and the provision of public goods or the restriction of public bads in cases where public authorities are unable or unwilling to fulfil this role” (Scherer et al. 2016, 276). This perspective highlights companies’ role as political actors with a set of responsibilities that are not related to economic motivations. Due to these political responsibilities corporate involvement is expected in areas like public health, education, infrastructure and the enforcement of social and environmental standards.

*Emergent perspective* is the last of the five categories. The emergent perspective treats CSR as an evolving process which is shaped through ongoing interaction between firms and their environments. This approach highlights CSR as a social construction of corporate roles and responsibilities, that can be changed over time. From the viewpoint of the emergent perspective “CSR is best understood not as a clear or consistent agenda, or even as a unified coalition or movement toward collective action, but rather as a forum for sensemaking, diversity of opinion, and debate over the social norms and expectations attached to corporate activity” (Guthey & Morsing 2014, 556). Rather than focusing on reactive behaviour, this perspective stresses the importance of managers' proactive involvement in determining what social responsibility entails.

As can be seen from the variation of CSR definitions, CSR is a wide and ambiguous concept. Some see CSR as a means to increase profit, others as a moral obligation. While all perspectives are acknowledged as contributing to the broader concept of CSR, this study primarily draws on the integration and political perspectives. These perspectives represent a highly theoretical and, to some extent, even abstract view of social responsibility, which in practice is messier and far more complex. Therefore, these

broader ideas have been translated into simple models for understanding how CSR can be operationalized within firms.

The pyramid of social responsibility was first introduced by Carroll (1991). He identified the components of CSR and constructed the model to help managers incorporate CSR into their businesses. He based his model on the idea that corporations have economic and legal obligations, but also ethical and philanthropic responsibilities (Carroll 1979, 499). These four areas are the building blocks of the pyramid. However, some scholars suggest, that a fifth element, environmental responsibility, should be considered as a part of the components of CSR (Lu et al. 2020, 15). Baden (2016), on the other hand, has updated Carroll's (1991) pyramid's order of responsibilities to correspond to the changed values in international business (Figure 2).

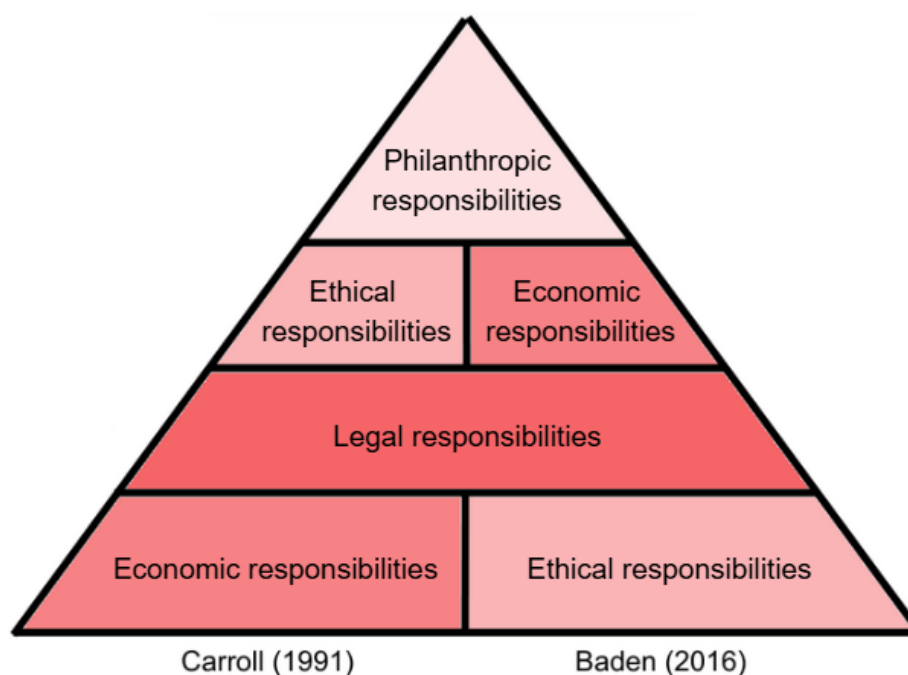


Figure 2 Pyramid of social responsibility (adapted from Carroll 1991, 42 and Baden 2016, 11).

As Figure 2 illustrates, Carroll (1991, 40-41) has placed economic responsibilities at the bottom of the pyramid, valuing it as the most important area of business. This view is based on the fact that historically businesses' main purpose was to make profit. In his model economic responsibilities undergirds the other areas. Without the economic building block the other three areas would become irrelevant (Park 2019, 219). Baden (2016) has challenged Carroll's model and updated it to meet the responsibilities businesses face in the 21st century (Figure 2). Baden (2016, 1) argues that because the power and influence of businesses has increased, Carroll's (1991) pyramid does not

reflect the current situation. She claims that not economic but ethical responsibilities should be at the bottom of the pyramid undergirding the other responsibilities. She placed ethical responsibilities before legal responsibilities, because laws are not always effectively enforced or enacted to serve the common good.

The next layer in both frameworks is legal responsibilities. The legal responsibilities are fundamental guiding principles of doing business and laws are seen as “the society’s code of conduct”. Legal responsibilities guide businesses to act ethically, but laws comprise only a narrow part of ethical norms. Ethical responsibilities, which are Carroll’s (1991) pyramid’s next building block, widen the approach. (Carroll 1991, 41.) Ethical norms are a broader understanding of what is desirable or undesirable, just or unjust and good or bad by society. At its core, it obligates businesses to do what is right, and to avoid causing harm to others. The legal and ethical responsibilities are interrelated, as evolving ethical norms push legislation to renew. (Carroll 1991, 41.) Whereas economic and legal responsibilities are required by society, ethical responsibilities are expected by society (Lu et al. 2020, 4). Baden (2016, 11) placed ethical and legal responsibilities before economic, advocating, that businesses must first accept their ethical and legal responsibilities by complying with ethical norms and laws, and only then they are free to make profit and pursue their economic interests.

The last building block of the pyramid is philanthropic responsibilities. Philanthropic responsibilities are considered highly valuable and desirable, but a less vital part of CSR, which is why it is placed at the top of the pyramid. Philanthropic responsibilities represent the businesses responsibility to contribute resources to the community to improve the quality of life. Philanthropic contributions do not directly benefit the company, but are more like good deeds to benefit the wider local community. (Carroll 1991, 42.) Philanthropic responsibilities are seen as the least important of these responsibilities, as they are not directly tied to fundamental business operations. Additionally, they are not required or expected, but desired by society (Lu et al. 2020, 4).

Carroll (1991, 41) validated the prioritisation of economic responsibilities by arguing that there would be no businesses without profit. This “profit before ethics mentality” is considered to be the cause of corporate irresponsibility in many cases (Bennett et al. 2013, Cai & Liu 2009, Shleifer 2004, Staw & Sz wajkowski 1975). Baden (2016, 2-3) refers to an opposite argument, according to which, it is a common good, if a business that cannot

be profitable without breaking the law or ethical norms, will not make it. She also highlights that Carroll's (1991) model has affected the way CSR is seen and guided the academic and business communities to value economic responsibilities above the others. The reconstructed pyramid is not only a descriptive model backed up by empirical (Baden 2016) and conceptual evidence, but also a normative model of business responsibility.

Recent developments in the global business environment further support the idea that ethical responsibilities can, in practice, outweigh economic and even legal considerations. In times of geopolitical crises, companies are increasingly expected to act according to ethical principles, even when doing so may harm their financial performance or market position. This growing expectation reinforces Baden's (2016) argument that ethical responsibilities should serve as the foundation for all corporate responsibility. For example, following Russia's invasion of Ukraine in 2022, many multinational companies chose to cease their operations in Russia, despite facing significant economic losses. These decisions were not based on direct legal obligations but were largely driven by ethical concerns and stakeholder pressure. Such cases illustrate how ethical responsibilities are not only normative ideals but can directly shape corporate action.

### **3.2 CSR strategies**

While values and new responsibilities have made their way into business, CSR is not merely about fulfilling societal expectations or acting ethically in response to external pressure. Already in the early 2000s, CSR has been tied to strategic interests (Vallentin & Spence 2017, 63). To take advantage of the positive and value-creating impacts of CSR, companies need to integrate it into their corporate strategy.

CSR can be integrated into corporate strategy at different levels. Valente (2017) constructed a model illustrating five CSR strategies with different levels of integration. He based his model on three main principles: *inclusiveness*, *interconnectedness*, and *equity*. *Inclusiveness* refers to the extent to which companies take economic, ecological, social, and political systems into consideration in their strategy. Addressing the economic system involves ensuring long-term economic prosperity, both for the company and the broader society. Economic prosperity involves the production and distribution of goods and services, which contributes to raising the global standard of living (Bansal 2005, 198). More concretely this could include income equality and free flow of goods and services.

By raising the standard of living all over the world, economic prosperity contributes to development in the wider picture significantly.

Considering ecological systems refers to ensuring environmental integrity. This means that human actions should not erode the earth's natural resources in any form (Bansal 2005, 198). Ecosystems have limited regenerative capacities, which means that natural resources are limited. Excessive consumption, increasing pollution, and the depletion of natural resources pose a significant threat to environmental integrity. (Wackernagel 2019) Companies play a fundamental role in contributing to these issues and therefore have the capability to influence them by adopting ecologically sustainable practices (Manasakis 2018, 492). Maintaining, preserving and restoring environmental well-being is the basis of human life. (Bansal 2005)

The social system concerns equity and social justice among all members of society (Bansal 2005, 198). It involves the development and preservation of social values, along with the distribution of wealth and power. Low poverty rates, a functioning civil society as well as accessible education and healthcare systems are all aspects that fall under the concept of social systems. Considering the social system in business can mean fighting child labour, not producing harmful products or refraining from doing business with unethical partners (Bansal 2005, 199).

The political system refers to the role of multinational companies in forming global rules and producing public goods. In other words, multinational companies are political actors with the responsibilities of such, but without the democratic oversight that traditional political actors are subject to. (Palazzo & Scherer 2008, 774) Thus, acknowledging the importance of democratic participation, transparency, and value-driven dialogue in business is important (Edwards 2020, 1546-1547). This includes questioning dominant paradigms and fostering open, critical discourse that allows for social learning and institutional innovation. Businesses that take the political system into account aim to engage with all segments of society, ensuring that development processes are representative, participatory, and responsive to a broad range of societal interests. (Valente 2017, 88) Companies that consider all of these systems in their operations are high in the first principle, inclusiveness.

*Interconnectedness* refers to the extent to which companies believe that the systems are connected to each other, and sustainable development requires the integration of multiple

systems. Compared to the traditional view that the economic system is the only one companies need to consider, interconnected viewpoint sees economy as a part of a larger system (Montiel 2008, 259). Acknowledging the interconnectedness of these systems is fundamentally important in order to act responsibly in business (Hoffman 2003, 82).

The final principle, *equity*, refers to the extent to which companies think all the systems are equal and there should be no trade-offs between them (Valente 2017, 88-90; Bansal 2005, 197; Fergus & Rowney 2005, 18). This entails that the nature is not seen solely as a resource to be exploited but as an equal entity to humans with intrinsic value (Montiel 2008, 259). The preservation of cultural diversity, social values and institutions are considered equally important as the preservation of nature and the economic welfare of people (Fergus & Rowney 2005, 19-20). Equity also involves ensuring that all members of society have access to basic needs and opportunities (Bansal 2005, 198).

Building on these three factors, a model has been proposed to conceptualize companies' approaches to CSR. The spectrum begins with companies that completely separate CSR from their strategy and ends with companies whose strategy is defined by CSR. The model includes five different CSR strategies, named as denial, defensive, isolated, embedded, and transformational strategies. The strategies and their placement on the inclusiveness, interconnectedness and equity axis are illustrated below (Figure 3).

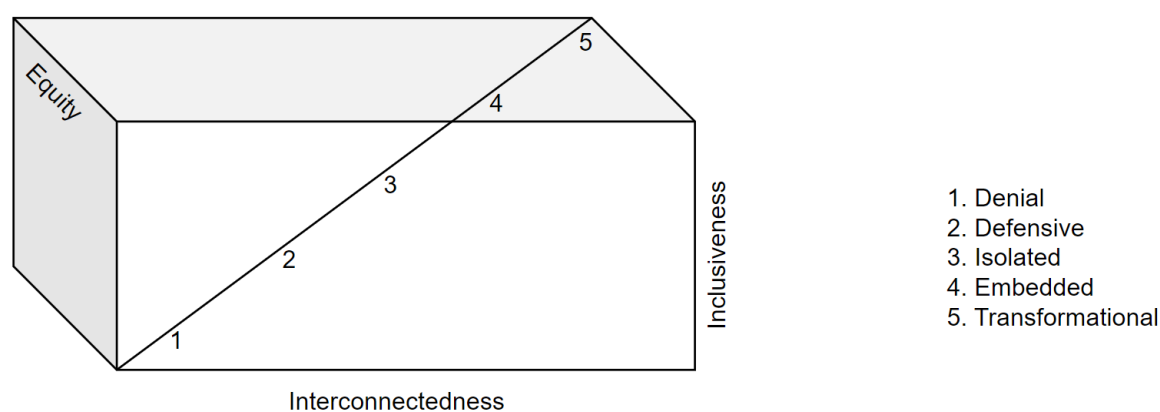


Figure 3 The five CSR strategies (simplified from Valente 2017, 93)

It can be seen from the Figure 3 that the denial strategy firms perform the lowest in all the three principles. In the *denial strategy* CSR is highly irrelevant to the company's strategy. Involvement in social or ecological issues is viewed as philanthropic contributions, that are separate from the company's core operations. CSR is excluded

from companies' competitive positioning and is not used to differentiate from competitors. CSR might be used to combat bad publicity, but most commonly, irresponsible actions are denied. (Valente 2017, 92-94) The companies implementing the denial strategy focus on obeying the law. If they are not directly obligated by the law to act responsibly, they will not do it. In other words, the companies are not willing to put resources into voluntary responsible actions. (Mirvis & Googins 2006, 109) This strategy reflects Milton Friedman's (2007) thoughts about businesses' responsibilities. Friedman has famously stated that "there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud" (Friedman 2007, 178).

If the denial strategy company makes philanthropic contributions, it is because they are trying to distract stakeholders from the companies' negative impacts (Mirvis & Googins 2006, 109). Some companies are trying to promote an image of a good corporate citizen, but their intentions are insincere. The companies in this category consider a narrow part of social, ecological and political issues, ignoring the interconnectedness of these issues. These issues are given low priority compared to the firm's other objectives. This strategy has been historically popular in companies, whose core operations have a negative impact on one or more of the systems. (Valente 2017, 92-94.)

In the *defensive strategy* companies continue business as usual but start to make gradual improvements in response to external pressure. Companies are beginning to admit their responsibility to issues in social, economic, and ecological systems. Companies that fall into this category are starting to lower their negative impacts gradually. However, they do not seriously commit to making changes to the company's strategy and core operations. (Valente 2017, 94-96) Companies implementing the defensive strategy are reacting to issues rather than being proactive (Mirvis & Googins 2006, 111). As a response to external pressure, companies may engage in philanthropic activities related to the impacts of their operations. This helps them to ease their responsibility, because they can plead for the redistribution of some of the profits. Yet, these philanthropic actions are commonly something that also make sense financially, like the reduction of energy use. (Valente 2017, 94-96) Companies which have internalized the defensive approach often see CSR as a vulnerability that needs to be managed with least possible investment. In the defensive strategy, companies only respond to external pressures and

doing so, try to defuse unwanted media attention. As a result, the underlying problems are easily dismissed as companies turn to cosmetic measures. However, these companies might end up moderating their operations, but only after the cosmetic measures have not been effective (Kramer et al. 2006, 3).

Compared to the denial and defensive strategy, in the *isolated strategy* companies begin to emphasize the strategic relevance of CSR. More radical changes begin to emerge as CSR gains ground in the company's strategy and operations. The company may have an entire department or product line focusing on sustainability. (Valente 2017, 96-99) Companies embodying the isolated strategy believe that responsibility can be achieved through revolutionizing products and processes, thus innovation and learning is a fundamental part of their strategy (Mirvis & Googins 2006, 112). As a result of innovation, part of the company's operations represents responsibility, but it is not seen throughout the company. (Valente 2017, 96-99) At this stage, companies are starting to make more effort and release public reports on their sustainability and responsibility (Mirvis & Googins 2006, 113). Because responsibility is not fully integrated into the company, they often have problems with systemization and coordination of responsibility related issues (Mirvis & Googins 2006, 114).

In the *embedded strategy* CSR is embedded deep inside the firm. CSR is a defining part of the company and often also the number one way to differentiate from competitors. The cost of this may be higher, both for the company and its customers. However, the embedded strategy companies target customers who are ready to pay more for responsibility. (Valente 2017, 99-101) A firm's core values form the foundation for its operations and decision-making (Mirvis & Googins 2006, 115). As sustainability becomes a defining core value, stakeholders increasingly view it as central to the firm's value proposition. Unlike in the isolated strategy, responsibility can be seen throughout the company, in its products, services and company culture. (Valente 2017, 99-101) Firms that have adopted the embedded strategy tend to be more open about their failures as corporate citizens (Mirvis & Googins 2006, 115). These firms take a wide range of social and ecological objectives into account as equally important as economic objectives. Rather than handling social issues separately, as with charity work, these firms integrate them directly into their business models. (Valente 2017, 99-101)

Valente's (2017) isolated and embedded CSR strategies can be seen complementary to Porter and Kramer's (2006) strategic CSR. Porter and Kramer (2006, 10) emphasize that when firms implement strategic CSR actions, they use CSR to differentiate from competitors. However, they do not make a difference between companies where CSR can be seen throughout and companies where CSR is only seen in parts of the company. Valente (2017) contributed to this by further separating the isolated and embedded strategies.

In the *transformational strategy*, companies do not only seek internal, but also external change (Valente 2017, 101-105; Mirvis & Googins 2006, 117). The company's competitive positioning becomes leadership, where competitors learn from the example of the company (Valente 2017, 101-105). The leaders of transformative companies are often visionary and visible figures who are genuinely concerned about the state of the world. Therefore, they are driven by a strong sense of responsibility toward these issues. (Mirvis & Googins 2006, 118) These companies are pioneering in CSR with the help of their stakeholders because the companies realize transforming entire industries requires cooperation (Valente 2017, 101-105). They collaborate with other businesses, community groups and NGOs to tackle pressing issues, access new markets, and foster local economic development (Mirvis & Googins 2006, 118). All three main principles are exemplified in this strategy, most importantly interconnectedness. Forming a network of actors and going beyond company boundaries to make external changes is the key characteristic of this strategy. (Valente 2017, 101-105.) Visser (2014) studied the stages of CSR. He identified a transformative CSR stage, which is similar to Valente's (2017) transformational strategy. Visser (2014, 16) concluded that strategic CSR focuses on supporting issues that comply with the firm's strategy, but transformative CSR focuses on changing the larger human and ecological systems.

CSR strategies evolve over time and can also be understood as stages of development. Companies rarely leap directly from denial to transformative strategy. Instead, most begin with modest initiatives before progressing to higher levels of CSR integration. Yet even the most ambitious commitments to social responsibility are meaningless unless they are turned into consistent and concrete action. Only through integrating these strategies into daily business operations and decision-making processes can companies truly fulfil their strategic commitments. This integration is driven not only by internal values but also by

external pressures. The resulting actions may range from small acts of goodwill to significant strategic shifts, like exiting a market.

### **3.3 External pressures and internal values drive CSR implementation**

The goal of CSR is not merely discussion, but implementation. On the rhetorical level, social responsibility has been widely discussed and enforced among practitioners. Various stakeholders, institutions and trade agreements are pushing companies towards more responsible way of business. In today's business environment, firms must act responsibly to survive. It has become essential to them. It is a widespread belief, that positive CSR activities have grown significantly over time. However, it has been found that, opposite to the common assumption, the growth of positive CSR activities has been dead slow. Furthermore, corporate social irresponsibility has increased during the same time frame. (Mazutis 2018, 178, 224) This indicates, that although CSR's relevance in business discourse has increased, the same increase cannot be seen in practice.

The ability of a firm to act in accordance with its organizational values is called normative resilience (Avioutskaa & Roth 2024, 1454). MNE's operate in multiple countries and are thus exposed to diverse institutional pressures (Colman et al. 2022, 1997-1998). When operating in host countries with significantly different norms and values from those of their home country, MNEs face conflicting pressures between host country norms and their own organizational values (Elango & Sethi 2007, 372). When the normative gap becomes too great to bridge, multinational enterprises may choose to exit the host country. Companies with high normative resilience are thus more likely to make exit decisions based on values rather than finances in situations where their values are in conflict with the host country (Essele 2022).

Companies engage in socially responsible behaviour for a variety of reasons, ranging from external pressures to internal values. External pressure is a broad concept, but in this context, it consists of three main factors: political distance, institutional quality, and stakeholder pressure. (Avioutskaa & Roth 2024, 1456-1457) As companies often absorb values from their home country environment, the bigger the political distance is between the home and host countries, the stronger the external pressure may be. For example, if the home country has a democratic political system, it may exert pressure on the company to uphold democratic principles everywhere it operates. (Soule et al. 2014, 1036-1037; 1046-1047) In the context of geopolitical crises, ethical conflicts between democratic and

non-democratic values are amplified. This makes exits from non-democratic states more likely for MNEs originating from democratic states.

Institutional quality refers to how effectively organizations are influenced and structured by the institutional environment of their home country (Avioutskaa & Roth 2024, 1457). This means that companies originating from countries with high institutional quality tend to adopt transparent governance practices, comply with regulations proactively and uphold ethical standards even in less regulated host countries. These institutional norms often transfer abroad. (Aguilera & Cuervo-Cazurra 2009, 383; Nyuur et al. 2017, 734) In the context of geopolitical crises, strong national institutions can put more moral pressure on MNEs, making exits more likely in situations where “a major breach of ethics” is perceived (Nyuur et al. 2017, 731).

Stakeholder pressure reflects the extent to which societal values from the home country are transmitted to companies through expectations and demands (Avioutskaa & Roth 2024, 1457). Stakeholders, like investors and customers, place expectations upon companies to act in line with the wider societal values (Pajuste & Toniolo 2022, 22-26; Scott 2013, 184). If companies cannot live up to these expectations, they may suffer severe reputation damage, which further damages the company (Nyuur et al. 2017, 733). Thus, companies have pressure to comply with stakeholders demands. Governments are also stakeholders. Therefore, political relations between home and host countries can potentially create external pressure for companies to behave in a specific manner (Yoon et al. 2021, 853-854). For instance, in the case of geopolitical crises, if the home and host countries have cut ties, companies are pressured to exit from the host country as well. Together, these factors constitute the external pressure companies face to adopt certain CSR strategies and implement CSR practices.

Internal values or organizational values, on the other hand, refer to values that give the firm a moral sense and intentionality. Internal values are durable, but also able to change and reform (Bourne & Jenkins 2013, 498). They can be seen to form through interactions between a wide range of actors. (Avioutskaa & Roth 2024, 1455) They may reflect either the aggregated personal values of individual members or values defined by the organization’s decision-makers in formal documents. That is to say, internal values may manifest in several different forms. The espoused organizational values refer to values that the top management of the company determine. Espoused organizational values are

visible in official statements and formal documents. The attributed values, on the other hand, are the values that the members of the organization view as representative of the organization. Therefore, attributed values reflect the organization's members' perceptions of the organization, rather than the agenda of top management. The shared values form refers to organizational values as the sum of its members' individual values, shaped through interaction. In other words, these are the values shared among members of the organization. Lastly, the aspirational values form refers to values that the members of the organization believe should be the organization's core values. They reflect the members views on what the organization should be, not what it actually is. These different forms of (Bourne & Jenkins 2013, 498-501)internal values are assumed to guide action and decision making. (Bourne & Jenkins 2013, 498-502). Therefore, values play a fundamental role in formulating normative responses to institutional pressures (Martin et al. 2011, 576). They help the firm make sense of the complex business environment and guide its strategic decisions. Against the backdrop of geopolitical crises, strong organizational values can help the company to navigate in line with its strategy.

However, norms mediate the influence of organizational values on corporate behaviour (Bourne & Jenkins 2013, 504). This means that external pressures and internal values cannot be totally separated when examining the drivers of engaging in CSR. Both influence each other and it is the combined effect of these interdependent concepts that shapes companies CSR actions. In short, companies are constructed both institutionally and socially (Scott & Lane 2000). They do not operate in a vacuum independent of external influences but as an extension of their home environments.

### **3.4 Upholding normative resilience in the face of geopolitical crises**

Geopolitical shifts are often quick and unpredictable. If firms have not taken geopolitical risks into account, they might have to make rushed decisions when the risks realize. Stakeholders can put a lot of pressure on companies to act, as was the case when Russia inflicted a war on Ukraine. MNEs had to quickly decide whether they were going to leave the Russian market or not. The decisions are diverse and there are many things influencing them. This chapter develops a theoretical framework for understanding how MNEs decide whether to exit a market during geopolitical crises (Figure 4).

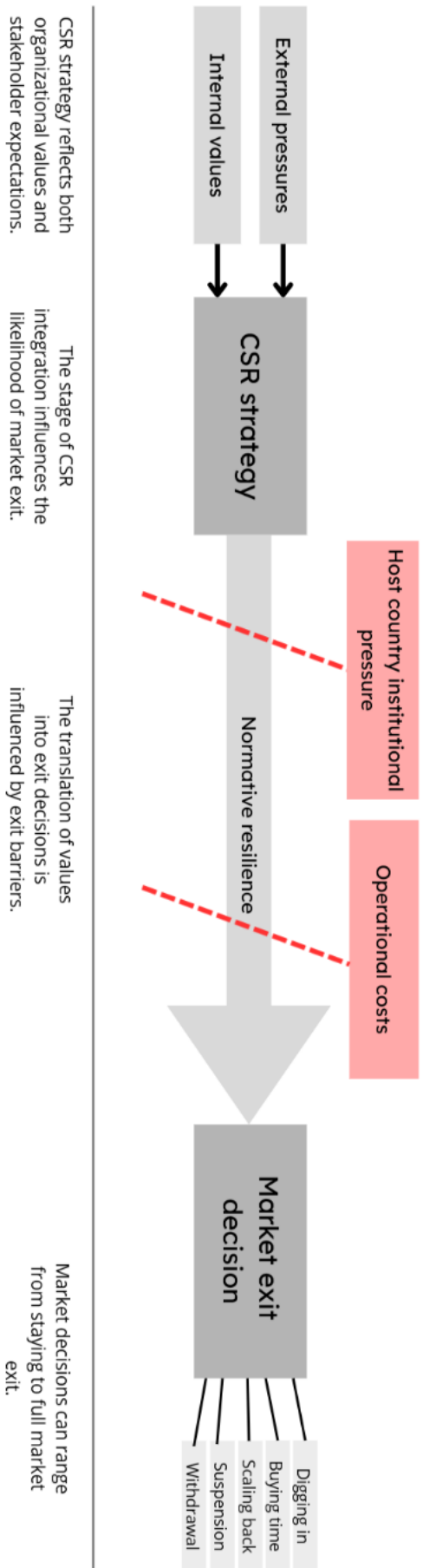


Figure 4 Responding to geopolitical crises

As shown in Figure 4, external pressures and internal values drive CSR strategy implementation. In the intersection of these normative commitments and expectations from the external environment, certain CSR strategies are formed. These CSR strategies do not exist in a vacuum, they shape and are shaped by real life decisions. A company with strong organizational values might tolerate higher risks and costs to exit a market during crisis. Even though CSR is fundamentally rooted in values, its integration into company strategy exposes it to external pressures, affecting the extent to which CSR is considered important in the organization. External pressures like stakeholder expectations, government regulations or reputational concerns could either encourage or discourage exit. However, companies do not always have the freedom or will to make a value-based decision. In this model, two barriers have been identified: host country institutional pressures and operational costs. Even when firms would like to respond to the crisis in accordance with their CSR strategy, these barriers might block the response in practice. The better companies are able to act in accordance with their values, the more normative resilience they demonstrate.

The extent to which the company has integrated CSR into its strategy guides their response to geopolitical crises. That being said, integrating CSR into strategy at a certain level, does not automatically mean, that the company would be able to translate it into concrete actions. The responses firms arrive at can often be compromises between the ideal response and the reality of the situation. Table 1 aims to illustrate the responses to which the implementation of different CSR strategies guides when other factors are not considered.

Table 1 The five CSR strategies and different responses to geopolitical crises

	Digging in	Buying time	Scaling back	Suspension	Withdrawal
Denial	X				
Defensive		X	X		
Isolated			X	X	
Embedded				X	X
Transformational					X

As can be seen from Table 1, firms that prioritize all three systems: inclusiveness, interconnectedness, and equity tend to exit from the politically unstable market more likely than firms that do not prioritize the systems as extensively. Historically firms' most important responsibility has been to be economically sustainable and produce

stakeholders as much profit as possible. This belief has tightly remained and guided companies in their decisions. That is why some companies may choose to stay in oppressive countries, even if it is generally seen as irresponsible and unethical behavior. These companies have adopted the denial CSR strategy, according to which, contributing to social or environmental considerations does not belong to businesses. The denial companies are thus more likely choose the digging in strategy and take advantage of the emptied market.

MNEs that have internalized the defensive CSR strategy are likely to react to geopolitical shifts with buying time or scaling back strategies rather than withdrawing completely. These firms engage in CSR only as a response to external pressures, so their actions are contingent on the intensity of those pressures. A typical characteristic of defensive CSR companies is that they seek to minimize effort while signaling compliance, which may involve limited CSR initiatives or temporary operational adjustments. Consequently, these firms may delay or avoid full market exit, prioritizing short-term reputational management over substantive ethical or strategic commitments.

As said before, even though economic responsibilities have been regarded as the most important from the historical perspective, ethical responsibilities have started to gain more and more importance in business. This changing mindset and emphasizing responsibility can mean that more companies are considering ethics over finances in business. Hence, Baden's (2016) research suggests that more companies have been adopting isolated, embedded, and transformational CSR strategies. Consequently, more companies would nowadays decide to exit a market after geopolitical conflict rather than stay. Companies implementing isolated, embedded, and transformational CSR strategies are thus likely to respond to geopolitical crises with either temporarily suspending activities or fully withdrawing from the market. However, the real word is rarely that simple.

Bringing these insights together, the framework shows how external pressures and internal values shape a firm's CSR strategy, which in turn influences market exit decisions during geopolitical crises. The extent of CSR integration increases the likelihood of exit, but the ability to act on these commitments depends on the firm's normative resilience and the constraints posed by host country institutional pressure and operational costs. Consequently, firms' responses may range from digging in and buying

time to scaling back, suspending, or fully withdrawing. This framework provides the theoretical foundation for analyzing how CSR considerations interact with contextual barriers to shape exit decisions. The upcoming chapters will present the methodology of this study as well as the results of the analysis and the conclusions reached.

## **4 Research design**

This chapter introduces the qualitative case study approach, opens up the reasoning behind key decisions and discusses the limitations inherent in those choices. The chapter thoroughly explains how the study was conducted, from choosing the case with purposeful sampling to analyzing the data using qualitative content analysis. The chapter concludes with an evaluation of the trustworthiness and ethicality of the study.

### **4.1 Qualitative case study approach**

The main research question this thesis aims to answer is how do MNEs uphold their CSR commitments when deciding whether to exit a host country during geopolitical crisis? In other words, this study first focuses on analyzing CSR strategies and secondly, comparing, how they affect market exit decisions during geopolitical crises. The study aims to explain the deeply complex phenomenon and understand it as socially constructed reality. Therefore, the research approach is qualitative. Qualitative business research produces knowledge about how things play out in reality, why they function in a certain way and how they can be made sense of. Qualitative methods are particularly suited for issues, that are difficult to measure quantitatively. (Radović-Marković 2023, 169-170) The underlying factors in the phenomenon of normative market exits are difficult, if not impossible to measure quantitatively. Thus, a qualitative research approach was a natural choice for this study.

Understanding the context is of primary importance in qualitative research (Schreier 2012, 22) as it is in this study too. The context of this study is a Finnish multinational's market exit from the Russian market after the 2022 invasion of Ukraine. The study explores the intertwining of the two key concepts, corporate social responsibility and market exit, in this specific context. Qualitative research can produce new knowledge to the academic field and, at the same time, offer practical insights (Flick 2007, 6). This study aims to provide knowledge on the key concepts to the academic field, as well as to offer practical understanding about market exits during geopolitical crises to practitioners.

#### 4.1.1 Case study as a research method

To grasp the complex issue of market exits during geopolitical crises, a case study approach was chosen for this study. Case study is an appropriate research approach when the study aims to generate holistic and highly context-dependent knowledge (Farquhar 2012, 8). Case studies work exceptionally well when “a how or why question is being asked about a set of events, over which the investigator has little or no control” (Yin 2003, 8). Case studies are particularly suitable when examining a phenomenon taking place in a contemporary setting (Farquhar 2012, 6). Therefore, it was an appropriate choice for this study. It allows in-depth exploration of the specific phenomena within its real-world context.

A case can be many things. It can be a person, a project or a phenomenon for example. However, a case has to be clearly defined and separated from the wider context. Because cases can be a wide range of things, creating a definitive criterion on what is a case is hard. (Eriksson & Koistinen 2005, 5-6) At the end, the researcher is the one to decide what is a case (Fletcher & Plakoyiannaki 2011, 173). In this study the case is Fortum’s exit from the Russian market. Case studies often focus on a specific issue within the case, which makes it differ from narrative research that focuses on story-oriented questions. Case studies are not interested in individual stories or experiences on their own. Instead, case study research is interested in issues which are understood in the context of the selected cases. (Creswell et al. 2007, 245) In this study a narrative story-like description is included when describing the process of the case company’s exit from the Russian market. However, the deeper issue this study focuses on is how do firms make market exit decisions during geopolitical crises. Therefore, case study research was chosen over narrative research.

Case studies have been characterized by many scholars. Researchers have debated if case study research is considered a methodology, inquiry strategy or comprehensive research strategy. In this study it is considered as a research approach in which a specific case is explored over time through rich and detailed data collected from multiple sources of information. (Creswell et al. 2007, 245) That is to say, one of the common characterizations is that case studies involve multiple sources of data with rich context (Creswell 2013, 97; Yin 2003, 14). To be able to holistically explore the case phenomenon, this study too uses multiple sources of data. The phenomenon of interest in

this study is relatively new and has not been extensively studied in this context before. Thus, a case study was an intuitive choice for the research method.

Case studies are considered to have two main strengths, which reflect the definitions of said research design. First, it allows the researcher to investigate the phenomenon of interest in its natural setting. The understanding gained through practice is then generated into relevant theories. Secondly, the case study method allows complex answers and explanations to the research questions. That way, the researcher can gain a relatively full understanding of the complex phenomenon. (Farquhar 2012, 8) On the contrary, case studies, as all research methods, have their weaknesses too. Case studies have been criticized about their inability to produce statistical generalizations. However, that is not the intent with case studies, like it is not the intent with most qualitative studies. While case studies cannot produce statistical generalizations, they can produce theoretical generalizations through careful comparison of multiple cases. With that being said, the most important contribution case studies can offer is still the highly detailed and contextual knowledge, that other research approaches cannot achieve to the same extent. (Eriksson & Koistinen 2005, 34)

#### 4.1.2 Single case studies produce in-depth knowledge

Case studies can be single or multiple case studies (Gillham 2000, 1). Single case study was chosen for this study. Single case studies involve only one case, whereas multiple case studies involve several cases. In other words, both focus on one issue, but illustrate the issue with different number of cases. Multiple cases can be chosen to highlight different perspectives of the issue. (Creswell et al. 2007, 246) Single case studies, on the other hand, offer in-depth knowledge of the phenomenon or topic of interest in the context of that specific case (Farquhar 2012, 6). As single case study method was chosen, the empirical part of this study focuses on the market exit of a single Finnish multinational, that has operated in the Russian market for over 60 years.

In the context of this research, either a single or multiple case study could have been chosen. It was the researcher's decision to focus more on the details and complexity of one case, rather than focus on different perspectives through multiple cases. Ultimately, single case study was the most appropriate choice for this study because it offers holistic understanding. The phenomenon this study explores is multifaceted and therefore multiple case study in same detail would be too broad for a master's thesis. Multiple case

study compares several cases and often aims to achieve generalizations. (Stoecker 1991, 95) Hence, as single case study approach was chosen, this study does not aim to produce generalizations. The goal is to produce understanding of the course of events that lead to market exits following geopolitical crises and the sense-making processes behind the events.

Single case studies aim to produce highly contextual information about one case that is considered somehow unique or interesting. A typical single case study includes thick description and interpretation which provides a broad understanding of the case. The case is interpreted from diverse perspectives and as a part of the larger societal and physical environment. (Eriksson & Koistinen 2005, 15) Multiple case studies put greater emphasis on comparison of different cases to produce credible and generalizable theories. Thus, some argue that the more cases, the better. However, the importance of single case studies is in the deeply contextualized insights they produce. (Fletcher & Plakoyiannaki 2011, 186) That being said, a single case study was the more appropriate choice for this study. By conducting this study as a single case study, the researcher was able to consider various factors in explaining certain market exit decisions. This produces more detailed information about what impacts market exit decisions during geopolitical crises. If the researcher had conducted this as a multiple case study, the study would have stayed shallower in context. For example, comparing different companies' decisions without explaining the factors impacting them any deeper.

#### 4.1.3 Case selection

The case company, Fortum, was selected using purposeful sampling. In purposeful sampling cases are chosen based on what the researcher thinks will produce the most insightful findings (Creswell 2013, 100; Silverman 2009, 104). For example, a case that portrays different perspectives on the issue or an unusual case. In other words, the aim of purposeful sampling is to find information-rich cases (Creswell 2013, 155-156; 350). For this study a case that highlights different perspectives was chosen. The process of finding cases by purposeful sampling is usually done by setting specific criterion for the cases (Creswell 2013, 155-156; 350), as it was done in this study too.

The context of the study set the preconditions for choosing the case company. The chosen viewpoint of this thesis is Finnish companies. Thus, the company had to be of Finnish origin. Secondly, the company had to have operated in the Russian market before the

2022 invasion. The purpose of this study was to find out how different CSR strategies correspond to firms' decisions to remain in or exit markets during geopolitical crises. Hence, a case company with a stance on corporate social responsibility had to be chosen. Otherwise, analyzing their CSR strategy would be impossible.

Because the empirical part was conducted as an intensive case study, with only one case company, the case should be somehow unique (Eriksson & Kovalainen 2016, 134). The case of Fortum's exit from the Russian market is unique and convenient regarding this study for the following reasons. Fortum has finalized its exit from the Russian market. This allows the study to gain as holistic and extensive findings as possible, because the whole process, from start to finish, can be examined. Another factor used, was the ease of exiting. Fortum's exit from the Russian market has not been straightforward. Nonetheless, they have been able to complete the exit. Again, this criterion was used to gain valuable insights. This way, the study can fully capture and analyze the complexity of the phenomenon.

## **4.2 Data collection**

The empirical part of this study utilizes both secondary and primary sources. Secondary data is used as the main data source, which is complemented by primary data gathered through expert interviews.

### **4.2.1 Secondary data collection**

Secondary data means that the data is already existing, and the researcher does not need to go and gather it (Silverman 2009, 40). As the relevant data for this study is often public information, it was an intuitive choice to use secondary data as the main source. Secondary data is more easily available and therefore it made sense efficiency-wise to use the material available.

Using secondary data as the base enabled the researcher to identify interesting themes that were dug deeper into in the interviews. This way, limited interview time was not used to go through things that can be found on the internet. Secondary qualitative data can be in different forms such as texts, videos, audios or visual materials (Eriksson & Kovalainen 2016, 83). In this study, only textual materials are used, as they describe the phenomenon and the key concepts more accurately than visual data, for example. Textual data is more

detailed and thus provides more insightful findings. Additionally, relevant secondary data in other formats, such as verbal data, were unavailable, reinforcing the decision to rely solely on textual data.

The data was collected from various digital sources, such as the case company's website, press releases and reports. Table 2 presents the number and type of selected secondary data documents. Search words like "Fortum CSR", "Fortum social responsibility", "Fortum ethics", "Fortum market exit from Russia", "Fortum Russia" were used. The searches were done both in English and Finnish, using the same search words in each language. This was done to ensure that all relevant data would be captured, as not all data may be available in both languages. The search results were skimmed through, and the most relevant looking ones were read more carefully and saved. Google was used as the search engine.

Table 2 Secondary data by type and number

<b>Document type</b>	<b>Number of documents</b>
Company report	13
Group policy	1
Website page	4
Investor news	1
Stock exchange release	1
Press release	1
Interim report	1
Report	1
News article	16

Since companies' own communication is often created in a way that presents the company in a good light, it is necessary to keep the purpose in mind when analysing the material. To enhance reliability, external sources outside the company are also used. These include sources like articles in newspapers. The researcher searched data from reputable news sources such as Yle and Talouselämä. News articles were searched from the sites directly with the search word "Fortum". News that seemed to be relevant based on the title were saved for a thorough reading. The news included were mainly in Finnish, because news about the subject in English were not widely available.

The data was chosen based on the main ideas that came up in the literature review. The data chosen for the study was produced by reliable sources, such as the case company and trustworthy news agencies. Among the selected data was the Code of Conduct of Fortum, different parts of the company's website and a few reports. Once the data started to repeat the same things, it was concluded that a decent level of saturation was achieved. The secondary data documents analyzed in this study are listed in the Appendix 1.

#### 4.2.2 Primary data collection

As secondary data is not originally meant for the purposes of the study, it may be incomplete (Creswell 2009, 180). By collecting primary data, the researcher generates novel insights about the issue researched (Farquhar 2012, 68). Thus, primary data is used as supplementary to the secondary data. There are many ways to conduct an interview in qualitative research. One way to categorize different interview types is by the structure of the interview and questions. In the ends of this spectrum are structured and unstructured interviews. (Eriksson & Kovalainen 2016, 93) In between them are semi-structured interviews, which is the most usual interview type in qualitative research (Farquhar 2012, 73).

In this study, primary data was collected through semi-structured interviews. Semi-structured interviews are well suited when studying "what" and "how" questions. The interviewer has prepared a set of open-ended questions or topics of discussion, but the order, formatting and answers are flexible. Semi-structured interviews cover all of the relevant topics, but leave room for the interviewee to raise and further elaborate topics. (Farquhar 2012, 73) Semi-structured interviews were chosen, because the researcher wanted to make sure that certain topics are covered, but did not want to limit the interviewees answers. Flexibility of the interview allows for interesting information to come up, that the researcher may not have realized to take into account themselves. As the nature of semi-structured interviews are conversational, it is not possible to reconstruct an exhaustive list of questions. However, the questions used as guidelines are listed in the Appendix 2.

Interview invitations were sent in April of 2025, when the literature review was nearly finished. Invitations were sent to total of five people, from which all replied. Two of these were the case company's employees. Three people, including both of the case company employees, turned down the invitation. The company argued that as a public company

they rely solely on public material. Therefore, no experts from the case company itself were interviewed. However, the case company's viewpoint is represented in the secondary data, so the lack of interviews does not pose a challenge to the trustworthiness of this study.

When the invitations were sent, the researcher had already gone through the secondary material on a preliminary basis. This way the researcher had enough information to select relevant interviewees and formulate interview questions. Setting up the interviews happened via email, in which the researcher introduced herself and the study. The practical arrangements were made via email. The in-person interview was held on university campus. The interviews were conducted within a week from each other, in June of 2025.

As said, the experts interviewed for this study come from outside of the company. This study contains two interviews. One interview was conducted in-person and the other one was conducted remotely on Teams. The interviewees were chosen based on their long-standing observation and expertise about the case. Both of the interviewees are journalists who have vast experience covering Russia-related business and geopolitical developments. They have followed the case company's operations in Russia for two decades and have thus gained deep knowledge about the case. Their professional specialization provides them with in-depth knowledge of the dynamics at the intersection of politics and international commerce. Table 3 presents the details of the interviews.

Table 3 Interview details

<b>Date and place</b>	<b>Interviewee</b>	<b>Expertise related to the topic</b>	<b>Duration</b>	<b>Method</b>
3.6.2025 16:00 Turku	Business reporter	A business reporter for several years	70 minutes	in-person
9.6.2025 10:00 Teams	Energy industry reporter	A business reporter for 20 years, specially focused on energy industry	66 minutes	remotely

Given the recency of the case under examination, academic literature on the topic remains limited. Therefore, these journalists, who have followed the developments in real time,

offer valuable and up-to-date insights that complement the secondary data. Journalists often serve as intermediaries for expert commentary, frequently incorporating and following insights of others in their work. As such, they function not only as reporters but also as conduits of expert knowledge. Lastly, to ensure a multifaceted perspective, data from outside of the case company was important for triangulation. The interviews were limited to two participants. This decision was based on the observation that the information gained from these conversations largely overlapped with insights already derived from secondary data. The interviews therefore served to validate and illustrate existing findings, rather than to expand the dataset much further.

### **4.3 Data analysis**

Data analysis is one of the most crucial steps in the research process (Basit 2003, 143). It refers to making sense out of the collected data in relation to the research question (Merriam & Tisdell 2016, 187). It requires a systematic approach from the researcher to find and determine what is worth analyzing (Vaughn & Turner 2016, 50). The operationalization table (Table 4) illustrates how the theoretical framework was operationalized for the analysis. As can be seen from the table, the first subquestion of the study is examined through CSR strategies. The second subquestion focuses on analyzing the barriers and drivers of exit. Lastly, the third subquestion explores normative resilience. All of these together formulate the answer to the main research question.

Table 4 Operationalization table

Main research question	Subquestions	Theoretical framework	Themes
<b>how do MNEs uphold their CSR commitments when deciding whether to exit a host country during geopolitical crisis?</b>	What is the role of CSR as a driver of market exit decisions?	CSR strategies	Coverage of CSR related issues
			Core organizational values
	What factors beyond CSR influence MNEs' market exit decisions during geopolitical crises?	Barriers to exit	Host country institutional pressure
			Operational costs
		Drivers of exit	External pressure
			Reputational damage
	How do firms manage exit barriers when seeking to act on CSR-driven exit intentions?	Normative resilience	Market adaptation
			Managing regulatory constraints
Managing operational costs			

This study used qualitative content analysis in analyzing the data. Qualitative content analysis refers to the wide variety of techniques for “analyzing the content and meaning of different types of qualitative data” (Eriksson & Kovalainen 2016, 119). It is used to systematically describe the meaning of qualitative material (Schreier 2012b, 1). In this study, the process started with forming the methodological framework. The framework was created based on a thorough literature review. As described in section 4.1 the research approach chosen was qualitative case study. The next steps were choosing the case and collecting the data. The case was chosen using predetermined criterion, derived from the context and literature of the study. Data was collected from secondary and primary sources. These processes are described in more detail in sections 4.2. and 4.3.

Having done these preliminary steps, the actual analysis phase could begin. The first step of the analysis process was coding the data. Codes are tags or labels that organize the

unstructured data into meaningful units (Basit 2003, 144). Coding helps with finding the relevant parts of the data among all of the material (Vaughn & Turner 2016, 50). In this thesis, a coding method called open coding was utilized. This means that all potentially relevant material was identified and highlighted from the whole dataset. (Merriam & Tisdall 2016, 189) The researcher then organized the initial codes into a few overarching themes, that were focused on in the analysis. The initial codes and their relation to the final themes are presented in Figure 5.

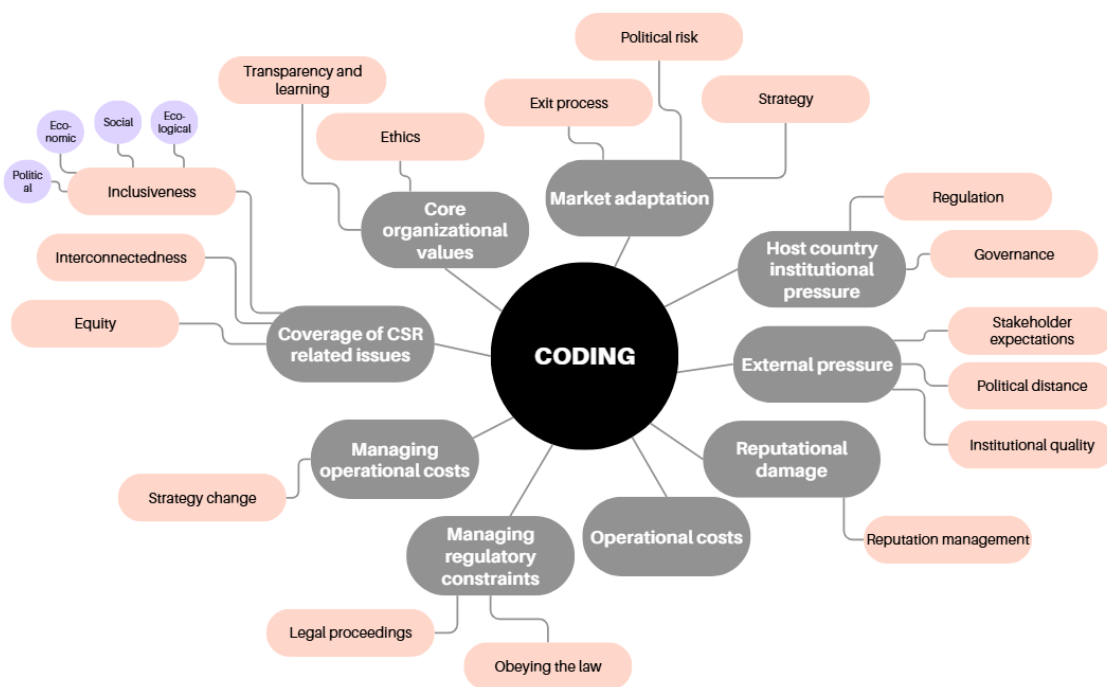


Figure 5 From initial codes into overarching themes

The final themes and their connection to the theoretical framework are also presented in the *Themes*-column of Table 4. The relevant data for each theme was scouted from the material in NVivo. The primary data collected through interviews was transcribed and coded similarly to the secondary data documents. Table 5 illustrates how the data organization process was carried out in practice. However, the table serves only as a sample of the complete dataset due to the extensive amount of original data.

Table 5 Organizing the data

Original expression	Initial code	Theme
In March, we launched our new strategy, complemented with considerably enhanced environmental targets, indicating our continued ambition and commitment to climate action and biodiversity.	Ecological	Coverage of CSR related issues
However, any potential transaction is subject to Russian regulatory and presidential approvals and is likely to take further time.	Regulation	Host country institutional pressure
Collaboration with different stakeholder groups helps Fortum to assess and meet the expectations stakeholder groups have towards the company.	Stakeholder expectations	External pressure

Thorough coding is an important part of the analysis process, but it is separate from actually analyzing the data (Basit 2003, 145). Organized data is never the result of the study, it needs to be analyzed. Analyzing means interpreting the data. In qualitative research, interpretation means making sense of the meaning of the data in a deeper sense and in relation to the underlying issue that is being researched (Creswell 2013, 187; Puusa 2011, 123). In this study, interpretation meant drawing conclusions from the codified data relying strongly on to the theoretical framework. Themes “coverage of CSR related issues” and “core organizational values” are discussed in the section 5.3 of the next

chapter. Themes “market adaptation” and “host country institutional pressure” are covered in the subsection 5.4.1, whereas themes “external pressure”, “reputational damage” and “operational costs” are considered in subsection 5.4.2. Finally, “managing operational costs” and “managing regulatory constraints” are discussed in the subsection 5.4.3 of the next chapter. After analyzing the themes, answers to the research questions are formed based on the analysis. In addition to this, the theoretical contributions of this study are assessed, and managerial implications were formed.

#### **4.4 Evaluation of the study**

In this subchapter, the trustworthiness and ethical considerations of the study are evaluated. The purpose of this is to increase transparency and highlight the strengths and limitations of this study.

##### **4.4.1 Trustworthiness**

Trustworthiness means that the study is credible, and the findings can be taken into account (Lincoln & Guba 1985, 290). In this study the evaluation of trustworthiness is done through the widely used criterion created by Lincoln and Guba (1985, 294-327). Their framework uses four features to assess the trustworthiness of a qualitative study. The features are: 1) credibility, 2) transferability, 3) dependability and 4) confirmability.

*Credibility* refers to the truthfulness of the findings. That means that they reflect the social constructions of the real world as they are. (Lincoln & Guba 1985, 301-316) In this research credibility was affirmed by triangulation, prolonged engagement and persistent observation. These are well established techniques to ensure credibility of the study (Lincoln 2016, 104). Triangulation means using multiple methodologies, methods, data sources, theories or researchers (Eriksson & Kovalainen 2016, 306). In this research, two forms of triangulation were used: triangulation of data and theories. Triangulation of data was assured by using data from different reliable sources, inside and outside the case company. This way, the researcher was able to cross-check the information used. However, a big part of the data has been produced by the case company. Naturally, companies want to give a good impression of themselves, which could mean leaving unfavorable things out of their reports. This type of bias was tried to minimize, but for some concepts, like corporate social responsibility, it was hard to find reliable outsider sources. There is a possibility that the case company has left things out of their own

reports or that the company reports cannot be fully trusted. The fact that the company declined interview requests does raise some concerns, as they stated they rely solely on publicly available material. It is also possible that their refusal was due to scheduling issues or other practical reasons, not anything deeper. However, the risk of untruthfulness is evident in all types of research in social sciences. As a public company, it is assumed, that the case company's official reports could be trusted. Therefore, this does not pose a significant issue for the credibility of the findings. Additionally, triangulation of theories was done by using multiple theories in explaining and understanding the case. The theories used are described in chapters 2 and 3 and synthesized in the section 3.4.

Prolonged engagement simply means that the researcher dedicates enough time to thoroughly understand the topic (Lincoln & Guba 1985, 301). This allows persistent observation, which means that the researcher concentrates on the aspects that truly matter for the study (Lincoln & Guba 1985, 304). The researcher of this study has worked around this topic for two years. That has enabled the researcher to gain a wide knowledge of these issues. Therefore, she can identify the key issues regarding this study and focus on them. As the researcher's mother tongue is Finnish, the data used was both in English and Finnish. This ensured that the researcher understood and interpreted the data correctly.

*Transferability* is the second feature of the framework. It refers to the extent to which the findings of a particular study can be applied to other contexts (Lincoln & Guba 1985, 297). This study does not aim to generalize, as it is an intensive case study. However, the findings of this study could be applicable in other similar contexts. As the criterion for the case and the background of the context were carefully written out, other researchers could select another case suitable for the same research setting. For example, the study could be useful in analyzing other Nordic companies exits from the Russian market. To some extent the study could even be utilized in analyzing Nordic companies exits from other countries with similar characteristics to Russia, for example Belarus. That being said, because of the highly specific context and European viewpoint of the researcher, the study would not necessarily fit well into other cultures contexts.

*Dependability* evaluates the quality and logic of the study. The research should be described in such detail that an external researcher could replicate the study. Dependability considerations also include reflection on how the researcher might influence the study. (Lincoln & Guba 1985, 300, 316) In this study the research process

was documented and elaborated in detail to help the reader understand the reasoning behind it. Each decision was clearly justified to show its relevance and appropriateness for the study. The operationalization table illustrates the connections between theory and empirics and further demonstrates the systematic approach taken in the analysis. The researcher reflected on their own thinking throughout the process, keeping a journal to document it. While absolute objectivity may be impossible to achieve in social sciences, the reflexivity ensures that the researcher stayed unbiased. The results of this study are independent from the case company or the producers of the empirical data.

*Confirmability* is the last feature of the framework. It assesses whether the study's findings are well-grounded in the empirical data. Other researchers should be able to verify the results. This helps to ensure that personal interests did not influence the process or findings of the study. (Lincoln & Guba 1985, 319) The empirical data was gathered from public sources in the form of textual secondary data, which makes it easy for other researchers to assess the linkage between the data and findings. The analysis was done systematically with the help of codes derived from theory and the data itself. The analysis process and exact codes are visible in the study. The findings are backed by the empirical data and previous theoretical literature. Therefore, anyone replicating the study should come to the same conclusions. However, as this study was done using only public data, someone who is able to incorporate private data may come to different conclusions.

#### 4.4.2 Research ethics

Ethical considerations are essential for all researchers. (Eriksson & Kovalainen 2016, 64) During the whole research process, the researcher of this study has followed *the guidelines for the responsible conduct of research* created by the Finnish National Board on Research Integrity TENK. In qualitative business research, ethics are most often related to primary data collection (Eriksson & Kovalainen 2016, 65). Informed consent, confidentiality and the relationship between the researcher and the participants are of most importance to consider (Orb et al. 2001, 94). All of the interviewees have received a research information sheet and signed an informed consent form before the interviews took place. The interviewees were informed that they can withdraw from the study at any moment without consequences. Furthermore, the interviewees were provided with the finished paper to check and correct the findings to make sure that the researcher had understood them correctly.

All of the interviewees were offered an opportunity to remain anonymous to ensure confidentiality. One of the interviewees wanted to stay anonymous. Thus, the data gathered from both of the interviewees was anonymized. The relationship between the researcher and participants was considered. The researcher's role is to listen, and the interviewees' role is to share their information (Orb et al. 2001, 94). All of the interviewees were sent a set of broad open-ended questions before the interview. The themes were covered with all interviewees, but they determined the more precise focus areas.

EU General Data Protection Regulation (GDPR, EU 679/2016) is acknowledged in this study. The researcher has created a detailed data management plan to ensure the proper handling of personal data. A privacy statement has been shared with all of the interviewees, to inform them how their personal data is handled. No information that is not crucial for the completion of the study was collected or used. All information collected during the study will be destroyed after the completion of the study. This research has not been sponsored by any organization and thus the researcher has been fully able to maintain her integrity as a researcher.

#### 4.4.3 Declaration on the Use of Generative Artificial Intelligence

I hereby declare that generative artificial intelligence was used as a tool to support the work in this Master's thesis. In accordance with the policies of the Turku School of Economics, a detailed description of the tools used and their specific application in the research process is provided in Appendix 3. In brief, the ideas of other authors have been thoroughly and systematically cited throughout the paper. Artificial intelligence has been used to rephrase some sentences originally written by the researcher. The researcher has not used rephrased sentences originally written by other researchers. As the researcher's mother tongue is not English, she has used artificial intelligence to find synonyms and translations to single words. All this has been done to improve the clarity and flow of the text. The suggestions made by artificial intelligence tools have been carefully considered and further edited by the researcher.

## 5 Findings

This chapter is dedicated to the results of the analysis. The section starts with a description of the background of the context. Then the case company, Fortum, is presented more thoroughly. After that, the actual results are presented. They are organized by themes. The background of the context is laid out first. Then the actual findings begin with an analysis of Fortum's CSR practices. Then the chapter moves onto Fortum's exit from the Russian market, first describing the exit process in a chronological way and then delving deeper into the drivers and barriers of the exit decision.

### 5.1 Background to the trade relations between Finland and Russia

The trade relations of Finland and the Russian Federation started when the Soviet Union collapsed in 1991, and a group of new states were formed. One of these states was the Russian Federation. As the domination of communist ideology ended, Finland and Russia started to build a new type of liberal trade relations than before. (Remes 2023, 11) In 1990s the trade between the states was starting to grow, but investments from Finland to Russia were still scarce (Ollus & Simola 2006, 24; Remes 2023, 11). The 1990s were a time of saying goodbye to the old Soviet traditions and building the new in Russia. By the end of the decade, Russia had been able to build a frame of a market economy, upon which liberal trade relations between Finland and Russia were starting to form. (Remes 2023, 165)

In the 2000s investment were on the rise as the business and political environment in Russia stabilized (Ollus & Simola 2006, 24). During the 2000s, the development of trade relations was positive and significant, foreign direct investments were booming and exports grew at a fast pace. (Remes 2023, 12) Russia was one of the largest trading partners of Finland in this decade (Ollus & Simola 2006, 24-25). Moving to the 2010s, which as a whole continued the same development as the 2000s. However, the growth of trade slowed down. The annexation of Crimea in 2014 and the sanctions imposed on Russia as a result made it more laborious to operate in the Russian market. The Russian business environment did not, however, worsen as a whole. On the other hand, the stability of the business environment began to slowly falter. (Remes 2023, 133)

The three decades of trade and investments between Russia and Finland were highly profitable for Finnish companies. Figure 6 illustrates the state of Finland-Russia trade

relations. Finland's exports to Russia grew quickly from 2004 to the all-time high at 2008. The drop from 11,3 million dollars in 2008 to 5,6 million dollars in 2009 can be explained by the global financial crisis that unfolded in the autumn of 2008 (Remes 2023, 165). In addition to that, the annexation of Crimea in 2014 disrupted the trade relations significantly, resulting to another major drop in 2015.



Figure 6 Finland's exports to Russia from 2004 to 2023 (Trade Map 2024)

The final downfall of trade relations between Finland and Russia began when Russia attacked Ukraine in 2022. The development towards the attack began already in 1999, when Russia's new president, Vladimir Putin, took office. At first, the new president created hope for the better. He made reforms to the economy and the political system. Most of Putin's economic decisions before 2020 can be considered rational (Remes 2023, 165).

However, when Putin took office, the power and role of the state started to increase dramatically in Russia. Eventually democracy became nothing but a facade. As soft power turned into hard power, civil liberties began to be restricted, and the apparatus of violence grew increasingly larger. At last, all this development led to the full-scale invasion of Ukraine in 2022. (Remes 2023, 165) The invasion of Ukraine in 2022 was the last nail to the coffin and it resulted to the complete breakdown of trade relations. In 2023 the value of Finnish exports to Russia was only 0,7 million dollars. In addition to stopping exporting to Russia, Finnish companies started to exit the Russian market (Figure 7).



Figure 7 Finnish companies in Russia 2020-2023 (data from Tilastokeskus)

As can be seen from Figure 7 Finnish companies were quick to act. Already in 2022, the number of Finnish companies operating in Russia decreased from 260 to 201. By the following year, the number had fallen to just 85. However, exiting a market takes time. For many companies seeking to withdraw, the first step was to pause new investments. As a result, investments in tangible fixed assets declined from 369 million euros in 2021 to 78 million euros in 2022 and finally to just 5 million euros in 2023. Figure 7 illustrates the immediate reaction of Finnish companies to the attack. An exceptionally large number of Finnish companies condemned the attack with a unified stance, yet not all Finnish companies intended to exit (Hyytinen 2022).

## 5.2 Fortum in the Russian market

Fortum is one of the biggest energy companies in Finland. Its main activities are electricity generation, customer operations, as well as district heating and cooling (This is Fortum). It was founded in 1998, when two Finnish energy companies, Imatran Voima and a part of Neste, were merged (Jegorow 2014). Table 6 provides an overview of the company.

Table 6 An overview of the case company (fortum.com, kauppalehti.fi)

<b>Fortum Oyj</b>	
Founding year	1998
Country of origin	Finland
Industry	Energy
Turnover (2024)	5,8 B €
Profit (2024)	893 M €
Number of employees	5301

Fortum's main focus is on the Nordic countries. The biggest markets, in addition to Finland, are Sweden, Norway and Poland. Additionally, Fortum has some operations in other countries such as Estonia, Germany, United Kingdom, Ireland and the Netherlands.

Fortum's history with the Russian Federation has been long. It started before the Russian Federation was even formed, when the predecessor of Fortum, Imatran Voima, built a nuclear power plant in Loviisa in collaboration with the Soviet Union (Remes 2023, 60). When another Finnish energy company, Neste, scaled its Russian operations back, Fortum saw an opening in the market. The company had ambitions to expand and as the Northern European markets already had strong market leaders, Russia seemed like the best choice. The decision proved to be profitable, as in the 2000's Fortum became the biggest Finnish company in Russia. (Remes 2023, 123-124) Fortum invested 2,7 billion euros in the Russian market as it took part in the privatization of Russian electricity generation companies. Fortum bought the TGK-10 company, which operated in the Siberian and Ural regions. As a result, Fortum became a significant electricity and heat producer in these regions. (Remes 2023, 124-131)

In the 2010's Fortum continued its successful growth in Russia. Electricity generation was more profitable in Russia than in Finland. The company's portfolio in Russia grew as it bought the Russian subsidiary of a German energy company Uniper. The subsidiary, Unipro, was thought to be the most profitable of all the Russian electricity generation companies. The purchase price, including the investment obligation, was 4.1 billion euros. This deal raised Fortum's electricity generation capacity in Russia to over 15 gigawatts. (Remes 2023, 151-156) To put this number into perspective, Finland's

combined electricity generation capacity was approximately 18.4 gigawatts at the end of 2021 (Energiavirasto 2022, 8).

Fortum was and has been by far the most significant Finnish company in Russia (Remes 2023, 156; Uusitalo & Pantzar 2022). It had been present in Russia in some ways, for more than 60 years. However, Fortum decided to cease all of its operations and business relationships in Russia shortly after the invasion. (Fortumin vetäytyminen Venäjältä) Fortum announced that its losses were about 2 billion euros as their investment to the market totaled around 6 billion euros (Fortum 2023d). The UNCTAD valued their investments higher, considering also the investments made to their subsidiary of Uniper. UNCTAD estimated, that Fortum has been the world's biggest investor to the Russian market with 32.6 billion dollars. (UNCTAD 2022, 3) Some experts estimate that the real losses, including Uniper, are between 10 to 15 billion euros (Pennanen 2024). Although the exact value of losses is not clear, it can be confidently said that the financial losses were significant.

### **5.3 Fortum's CSR strategy**

As a whole, Fortum presents itself as a company that takes responsibility seriously. As stated in their sustainability report from 2021: *social responsibility is a cornerstone of Fortum's operations* (Fortum 2021b). They provide a great deal of information about their commitments to responsibility and it can be largely seen in most of their reports. In this chapter, their corporate social responsibility strategy and practices will be analyzed.

#### **5.3.1 Inclusiveness**

Inclusiveness looks at the extent to which companies take ecological, social, economic and political systems into consideration in their strategy (Valente 2017). Considering that Fortum operates in the energy sector, the biggest theme in their responsibility considerations is the environment. The focus areas in their *Corporate Social Responsibility Programme* are: climate change mitigation and adaptation, water, biodiversity, equality, and education (Corporate Social Responsibility Programme). Three of these five focus areas address environmental considerations.

Environmental sustainability is a central part of Fortum's strategy (Fortum 2021b). CO<sub>2</sub>-free power generation is nowadays one of their biggest assets. Fortum is one of Europe's

cleanest power generators, with 59% of CO<sub>2</sub>-free power generation in Europe in 2022 (Fortum 2023a). They are increasingly trying to deliver clean energy at a scale, with a focus of driving decarbonization in Europe. In addition, Fortum aims to forward decarbonization in the power sector and in the electrification of energy-intensive industries. They believe that the Nordic region has multiple unique strengths making it a potential key player in transition to clean energy. Additionally, they view themselves as a leader in this transition and have built their strategy around seizing this opportunity (Fortum 2023a). Therefore, environmental sustainability is deeply embedded in the core of their strategy.

Delivering clean energy is a continuing strategic priority for Fortum. They see sustainability as an opportunity to do business, rather than a problem standing in the way of business. The company has identified six *Sustainable Development Goals* (SDGs) that are of most importance to them as opportunities. These SDGs are 7. *Affordable and clean energy*, 9. *Industry, innovation and infrastructure*, 11. *Sustainable cities and communities*, 12. *Responsible consumption and production*, 13. *Climate action* and 6. *Clean water and sanitation* (Fortum 2023a). All of these relate to environmental sustainability, but are not limited to clean energy transition. Fortum takes environmental sustainability into account multiple ways. Their sustainability priorities regarding the environment take into consideration biodiversity, circular economy and waste management, climate change and GHG emissions, emissions to air, land and water, energy efficiency, secure and affordable energy supply as well as water use and optimization (Fortum 2024b).

Fortum has ambitious environmental targets, like reaching carbon neutrality by 2030 and exiting all coal-based generation by 2028 for example (Fortum 2023a). To achieve these ambitious targets Fortum requires effective measures that not only contribute to their own targets, but also the SDGs. To address the *Climate action* SDG Fortum “supports an ambitious, market-driven climate policy and develops and provides customers with clean energy solutions that reduce CO<sub>2</sub> emissions” (Fortum 2022c). The *Affordable and clean energy* SDG is being forwarded by offering and developing affordable and reliable energy solutions for customers but also by improving their own processes. Fortum tries to continuously improve the energy efficiency of their own production for example. The measures related to the *Clean water and sanitation* as well as the *Life on land* SDGs include preventing “customers’ hazardous substances from ending up in water and land

areas” (Fortum 2022c) as well as collaborating with other organizations to restore water areas near their power plants, for example. The *Responsible consumption and production* SDG is connected to measures like improving resource efficiency and using waste to manufacture new materials. The *Sustainable cities and communities* SDG is tackled through collaboration. Fortum has collaborated with Microsoft and Imatran Lämpö, for example, to use their waste heat in district heating networks (Fortum 2022c). Finally, to address the *Industry, innovation and infrastructure* SDG Fortum “advances innovations related to energy, clean hydrogen, digitalization, circular economy, biomaterials, and electricity storage solutions” (Fortum 2022c). Fortum also invests in start-ups and forms partnerships to achieve synergy and scale. With these measures Fortum is contributing to their ambitious climate targets.

In addition to ecological systems, Fortum takes into consideration the social system. The main focus is on Fortum’s personnel as they “focus on the health, safety and wellbeing of our people” (Fortum 2023a). Thus, health and safety practices are at the center of these considerations. Maintaining good working conditions does not only limit to their own employees but also contractors’ employees. They require all suppliers to respect human and labour rights as well as anti-corruption principles. In addition, they have their own Supplier Code of Conduct that all suppliers must adhere to. This way Fortum tries to make sure that they are only doing business with socially responsible partners. (Fortum 2024c)

Among their personnel diversity, inclusion and equal opportunities are being enforced. Fortum has identified two key SDGs from the social and societal perspective. These SDGs are 5. *Gender equality* and 8. *Decent work and economic growth* (Fortum 2022c). These reflect the emphasis on responsibilities related to their personnel. However, Fortum does acknowledge the wider society in their Corporate Social Responsibility programme. They assess country-specific human rights risks and their impacts on local communities, among other things. Fortum recognizes that its operations may have direct or indirect human rights impacts, for example on local communities. Therefore, Fortum strives to act in accordance with the UN Guiding Principles on Business and Human Rights (Business ethics and compliance).

Fortum considers ethical business conduct essential for successful business. They state that “as an industry leader, we obey the law, we embrace the spirit of integrity, and we uphold ethical business conduct wherever we operate” (Fortum 2023a). This includes

respecting international human rights treaties. Fortum has identified their most potential impacts on human rights. They are excess working hours, compromised occupational health and safety, insufficient salaries, forced labour, discrimination, violations of freedom of association, and child labour. These are again in line with their focus on their own personnel, those working in their supply chain and members of local communities around their production sites and supply chains. Even though the main focus is naturally on their personnel, the wider society is considered too. Fortum highlights their global citizenship and “takes a leading role in protecting fundamental rights and striving for a better world” (Fortum 2024a). They make it clear that they do not support radical groups or organizations that engage in illegal practices, act unethically or carry out activities that pose risks to health or safety. Fortum renewed its Code of Conduct in 2023. After the renewal the company placed even greater emphasis on business ethics and compliance, as well as communicating these topics. The new Code of Conduct sets out the fundamental ethical standards that serve as the foundation for guiding behavior in every business situation. In other words, Fortum acknowledges that they must take moral responsibility in all of their actions and “uphold the highest standards of ethical business conduct” (Fortum 2024a). If the Code of Conduct sets a higher standard than the law, Fortum’s own principles must be followed (Fortum 2024a).

As a publicly listed company, Fortum is inherently guided by economic considerations. Addressing the economic system involves ensuring long-term economic prosperity, both for the company and the broader society. Fortum’s mission is to “drive the clean energy transition and deliver sustainable financial performance” (Fortum 2021a), which illustrates the strive for lasting economic prosperity and longevity of the company. Economic factors are not only unavoidable in the context of profitable business operations but also constitute a central component of Fortum’s value-creation strategy. In that strategy financial resources are one part of the inputs they make, which then through their outputs generate economic impacts. Fortum categorizes these impacts into eight dimensions: *profitability, increased shareholder value, dividends to shareholders, investments, taxes to the public sector, wages and benefits to employees, payments to suppliers and partners* and finally *interest to creditors* (Fortum 2021a). These impacts highlight that Fortum’s aim is to not only ensure their own economic prosperity, but to also contribute to raising the standard of living on a wider scale.

Political considerations have received less attention, but have not gone totally unnoticed. The role of companies as political actors is indisputable. Fortum has taken action in policymaking too. Fortum lobbies for their business interests, but at the same time they try to forward broader societal objectives. The company actively expresses its views on energy, climate policy, sustainability and circular economy issues, for example. As they are experts in the energy sector, they give insider advice to officials and decisions makers. However, Fortum's lobbying is not separated from their business as "the goal of Fortum's lobbying is to ensure a favorable operational regulatory environment for Fortum's business, support the development and implementation of the strategy while contributing positively to Fortum's reputation, brand and license to operate" (Fortum 2023a). That is to say, that their lobbying always supports their long-term strategic goals and business interests. On the other hand, as sustainability is a core part of their strategy, their strategic goals and business interests often go hand in hand with broader societal objectives. Fortum is a strong advocate for the Paris Agreement and is committed to lobby in line with the goals of the agreement (Fortum 2023a). Fortum releases a Climate Lobbying Review, which is meant to increase transparency around the company's advocacy related to climate change. Fortum presents its ambition to act as a forerunner in transparent lobbying and stakeholder management, highlighting the significance of openness in its political engagement.

To conclude, Fortum takes all of the systems into account very well. The systems are considered from various viewpoints, often extending beyond the immediate scope of its core business. This inclusiveness is visible throughout the company. Therefore, Fortum scores high on the first factor, inclusiveness. Yet inclusiveness alone does not capture the full extent of Fortum's CSR strategy. Equally important is the way the company perceives the interconnections between these systems, and how actions in one area may generate impacts across others. This interconnected perspective forms the basis for the second factor, to which the following subchapter turns.

### 5.3.2 Interconnectedness

Interconnectedness focuses on the extent to which companies believe that the systems are connected to each other, and sustainable development requires the integration of multiple systems. Fortum has acknowledged its stance on interconnectedness in multiple reports, highlighting that the systems are connected to each other. In 2023, Fortum defined itself

a new purpose “to power a world where people, businesses and nature thrive together” (Fortum 2023a), which reflects a commitment to fostering a balance between human wellbeing, societal needs, business success and the preservation of biodiversity. The company believes that lasting financial performance is closely tied to environmental sustainability and societal wellbeing. Fortum is well aware of the external impacts their business causes and aims to take them into account. The company stated that “we believe there is a clear connection between high standards of ethical business practices and excellent financial results” (Fortum 2023a).

Interconnectedness is embedded in Fortum’s three strategic priorities: delivering reliable clean energy, driving industrial decarbonisation as well as transforming and developing its business portfolio. The company explicitly acknowledges that helping societies achieve carbon neutrality, supporting customers in decarbonising their processes and safeguarding biodiversity are not only environmental or social concerns but also opportunities and essential conditions for long-term business success.

In conclusion, Fortum demonstrates a clear recognition of the interconnections between the systems. The company’s purpose, strategic priorities, and operational practices illustrate, that decisions in one area generate impacts across multiple dimensions. This awareness of interdependencies informs not only Fortum’s sustainability initiatives but also its approach to long-term business success. Building on this, the next subchapter examines the principle of equity.

### 5.3.3 Equity

Equity refers to the extent to which companies think all the systems are equal and there should be no trade-offs between them. Fortum’s strategy and operations suggest a recognition that sustainable business cannot be achieved by favouring one system at the expense of others. Responsibility is included in business goals at all levels. All employees and supplier are expected to comply with Fortum’s high standard of responsibility. The company’s value proposition is summarized in their purpose: “To power a world where people, businesses and nature thrive together” (Fortum 2023a). This implies that Fortum pays attention to all of these systems wellbeing, not just business.

Fortum often states that they aim to take all of the systems into account, but does not explicitly state that there should be no trade-offs between the systems. The hierarchy

between the systems is rarely discussed as a whole and when it is the values between the systems cannot be judged. They have stated that they have “determination to work towards a world where there is a healthy balance between the wellbeing of people, the needs of societies, the success of businesses and the diversity of nature” (Fortum 2023a) for example. However, what is the healthy balance between these things is left unclear. Instead, the ecological, social and political systems are valued in relation to the economic system.

The valuation between the ecological and economic systems can be seen in all levels of the company. As environmental sustainability is at the core of the company’s strategy, it is valued as equal to the economic system as “sustainability targets are the driving force for achieving Fortum’s goals and implementing corporate strategy” (Fortum 2023a). Environmental considerations support business interests, but they are also considered as responsibilities outside the scope of the company’s strategic goals. The view, that there is no business without nature is stated multiple times in their reports. Fortum is “committed to acting with due care to ensure environmentally sound business practices and the responsible use of natural resources” (Fortum 2024a).

The social system can be viewed as fairly equal to the economic system, at least when it comes to the company’s personnel. The safety and wellbeing of the company’s employees is prioritized very highly, as Fortum highlights that “we never compromise on safety” (Fortum 2024a). They also make it clear that they do not want to do business with any partner that does not comply with their ethical requirements. The political system is valued lower than the economic system. The main goal in Fortum’s political activity is to advance the company’s strategic interests and to promote favourable policies for their business. Taking wider societal objectives and implications into account comes after that and is complementary to their business interests.

That being said, the relationships between the other systems are not discussed. It is not clear could Fortum make trade-offs between the ecological and social systems for example. The environmental system does seem to rank higher in the value hierarchy than the social and political systems. That is natural, as environmental sustainability is the number one asset Fortum brings forward. The company states that “we aim to make the journey towards net zero economy in a just manner seeking to understand and taking into account the impacts on employees, consumers and local communities” (Fortum 2024b).

The use of the word aim implies that they do not make the same non-negotiable commitments to social considerations than they do make with environmental considerations. However, Fortum ranks fairly high in equity altogether. Now that all of the factors have been discussed individually, the focus shifts to Fortum's CSR strategy as a whole.

#### 5.3.4 From embedded to transformational CSR strategy

Until the year 2022, Fortum's CSR strategy represented the embedded strategy. CSR related issues were central for Fortum and already then it was the key feature Fortum used to differentiate from competitors. Responsibility could be seen throughout the company, not just in one line of products like it would in the isolated strategy. Responsibility especially environmental sustainability, was at the core of Fortum's value proposition. Firms that have adopted the embedded strategy tend to be more open about their failures as corporate citizens. Transparency was a central theme for Fortum, but it was more related to lobbying activities than being transparent about failures. Fortum had taken a number of initiatives to address environmental and social issues as equal to economic objectives.

Even though Fortum took responsibility seriously, their strategy could not yet be described as transformational. Key characteristic in the transformational strategy is that the company goes beyond supporting issues that comply with their core strategy. To be transformative, the company should also focus on changing the larger human and ecological systems. In Fortum's case, their responsibility initiatives were mainly focused on internal or industry-related issues. Philanthropic actions had been made, but in a minor scale. Fortum did not necessarily pioneer in sustainability, their CSR practices were quite natural for their industry. However, they aimed to transform the whole industry to become greener and more responsible.

In the aftermath of Russia's attack on Ukraine Fortum sold its ownership of Uniper to the German state and decided to pursue a controlled exit from Russia. That marked the beginning of a new era for Fortum. With this new beginning Fortum launched a new strategy (Fortum 2023c). In the new strategy responsibility had a bigger role. Fortum started to view itself as a leader in sustainable business and the clean energy transition, whereas before they positioned themselves only as a part of the change. Fortum's

competitive positioning shifted into leadership, where competitors learn from their example.

With the new strategy Fortum also gave stakeholders a bigger role. Through more intensive stakeholder collaboration Fortum is able to execute leadership in responsible business. Stakeholders provide information about sustainability trends and risks, that are then used to support business planning and to identify sustainability priorities. Stakeholders keep Fortum accountable for its actions and call out irresponsibilities. Fortum has arranged meetings with several NGOs to tackle issues, discuss concerns and start cooperation. Fortum is trying to change the larger human and ecological system by collaborating with partners, especially in the areas of climate change mitigation and adaptation, water, biodiversity, equality and education (Corporate Social Responsibility Partnerships). These are philanthropic actions and “giving back for the benefit of people and the environment” (Corporate Social Responsibility Programme) rather than strategic partnerships supporting business interests. Altogether all of the three main principles are exemplified in Fortum’s new strategy and it already shows in practice. Therefore, Fortum’s CSR strategy could be described as transformational in its current state.

## **5.4 Fortum’s exit from the Russian market**

Following Russia’s attack on Ukraine in 2022, Fortum began its exit from the Russian market. This chapter describes the exit process in detail, first outlining how it unfolded chronologically and then examining the drivers and barriers encountered along the way.

### **5.4.1 Exit process**

A turning point in Fortum’s Russian operations was the invasion of Ukraine in 2022. In the beginning of 2022, Fortum and their subsidiary of Uniper had 12 power plants in Russia. At that time Russian operations brought around 20% of the Group’s comparable operating profit, employing approximately 7000 Russians. (Fortum 2022f) When Russia attacked Ukraine Fortum stated that “all our operations are currently running as normal, so we can fulfill our duties to our customers” (Fortum 2022d). At this point the war was condemned, but the primary focus and concern was stated to be their employee’s well-being and the security of supply of customers in all their operating countries. Their compliance with the laws and regulations, such as upcoming sanctions, was distressed (Fortum 2022f).

However, it was immediately clear that “business as usual cannot continue” (Fortum 2022d; Yle 12.5.2022). Fortum seized all investment projects in Russia, but the future of Russian operations was still unclear (Fortum 2022f). In March of 2022 Fortum announced that they will take a loss of almost one billion euros due to the write down of their subsidiary’s share of the Nord Stream 2 pipeline project (Yle 8.3.2022). This was a joint project with Russian energy company Gazprom and four other European energy companies. The pipeline was built to transport fossil gas from Russia to continental Europe, but due to the war it was never used. At this point Fortum had decided to try to sell off its five Uniper power plants in Russia.

The decision to completely withdraw from the Russian market was not yet made. When asked about total withdrawal, the CEO of the company said that no new investments are being made, and restrictions are being followed as they emerge, but the company is unable to stop producing electricity and heat for people (Uusitalo & Pantzar 2022). At this point, Fortum’s exit process resembled the *buying time* strategy. They did not believe that the war would last and have such an impact.

The war there started to become visible. I mean the fact about the war, that it wouldn’t last just a few months but could go on for who knows how long. [...] In a way, the summer of 2022 started to show that OK, this isn’t going to end quickly, so then they actually started making decisions that now we’re leaving. (Energy industry reporter, discussion 9.6.2025)

Shortly after, in May of 2022, Fortum decided to start a controlled exit process from the Russian market. The goal was to sell off their Russian operations completely. Fortum was hopeful that they would get a reasonable price for their Russian operations (Kinnunen 2022). The company highlighted that due to the war the Russian business environment became challenging and uncertain. The political development of Russia together with the western sanctions was seen as a major challenge to the whole industry. At this point it was evident that the exit process was going to be lengthy. (Fortum 2022f) As a result of the war, Russia tightened regulations on the sale of foreign-owned assets, meaning that Fortum needed approval from the Russian authorities to proceed with any sale. Because of Fortum’s big size, the permission must be given by the President. (Pantzar 2022; Reunamäki & Toivanen 2022) It was feared that Russia would force western companies’ sales, which would mean a low price (Toivonen 2022). The worst potential option was the takeover of Western companies. Fortum was hopeful that the permission to sell their operations would eventually be granted after President Putin signed a permission to sell

Italian energy company Enel. However, Finland and therefore Fortum was in a different position than Italy and Enel. At the time, Finland was in the middle of NATO membership negotiations and Russia had threatened Finland with countermeasures. (Lindholm 2022) As Fortum is the biggest energy company in Finland, keeping it trapped in Russia was an easy option.

The worst possible outcome came true when the Russian President Vladimir Putin signed a decree (Decree No. 302) in 25 April of 2023. The decree allowed Russia to temporarily take control of foreign companies' assets if Russian assets are confiscated abroad. (Fortum 2023g) Under this decree, Russia took control of Fortum's assets in Russia the next day. Taking control of their assets became as a surprise to Fortum, as it was not communicated to them. (Lindholm 2023; Fortum 2023f) They received confirmation of the takeover when they learned that the CEO of Fortum's Russian subsidiary PAO Fortum had been replaced. The decree stated that the company's shares are temporarily under the management of the Russian Federal Agency for State Property Management. (Fortum 2023e; Yle 5.5.2023)

It was unclear how the new decree would affect the ongoing divestment process of Fortum's Russian operations (Fortum 2023f). However, Russia's state news agency Tass highlighted that the takeover is temporary, and the assets are not taken from the owners. The original owners just lose the right to make decisions regarding the assets (Yle 26.4.2023). Fortum claims that before the takeover, several parties inside and outside Russia were interested in buying their Russian operations. Fortum was in the final stages with a buyer (Lindholm & Karismo 2023), but they did not receive permission from President Putin to finalize the deal.

In late April, Fortum responded to the takeover with a formal objection addressed to the Kremlin. The company stated that Russia's actions are a serious violation of international law and a disregard for foreign investment protections. They implied that Russia's justification for the takeover as a means to protect energy security is a pretence (Fortum 2023d). Fortum is pursuing legal actions against Russia through arbitration under an international investment treaty. The formal objection sent to the Kremlin was the first stage of the legal process. Fortum demands compensation from Russia, worth of the shares of PAO Fortum and Fortum's past investments to Russia. (Fortum 2024d) However, the company is pessimistic that even if the ruling were in its favor, it would not

be possible to enforce it in practice as Russia has a history of not complying with international arbitration decisions issued against it.

The consolidation of Fortum's Russia segment was discontinued in 2023 following the loss of control. This means that the Russian operations were removed from the company's consolidated financial statements, and Fortum wrote down all of its Russian investments. Russia's operations have ever since been reported as discontinued. (Fortum 2024d) Although Fortum had to write down a big part of its operations, they remained financially stable. The company evaluated that they will benefit from writing down their Russian operations. They hope that decreased uncertainty and risk will encourage investments in the company. Figure 8 highlights the main events of the exit process.



Figure 8 Fortum's exit process from Russia

To conclude, the exit process did not go the way Fortum wished and had planned. After waiting for over a year, Fortum had no other choice than to finalize the withdrawal by writing down the Russian operations. This was not the primary option, as Fortum did not receive any compensation for its past investments in the market. The next subchapter delves deeper into the drivers of the exit, exploring why Fortum chose to exit despite the high losses.

#### 5.4.2 External pressure as a driving force of the exit

In Fortum's case, external pressures outweighed internal values in driving the exit decision. The external pressure from the company's stakeholders was enormous and left little room for Fortum to maneuver if they wanted to avoid reputational damage. (Business reporter, discussion 3.6.2025; Energy industry reporter, discussion 9.6.2025) The external pressure to exit Russia has been exceptionally high in Finland as Finns hold Russia accountable for the war quite unanimously. In addition, the attack has felt personally significant to Finns, since Finland too has been attacked by Russia. Thus, the strong emotions stirred by the war were quickly directed at Finnish companies operating in Russia. Their withdrawal from Russia began to be demanded loudly.

I think what influenced it [the exit decision] the most was specifically, or has definitely influenced it, this general pressure also towards Finland, that there was this feeling that something has to be done. (Energy industry reporter, discussion 9.6.2025)

Fortum is and was continuously identifying stakeholder's expectations and views about the company. The company wants to meet these stakeholder expectations to maintain good reputation. They conduct surveys, follow public dialogue about the company and have gathered an advisory council consisting of representatives of key stakeholder groups. Stakeholder's views and expectation are highly considered in business planning and decision making. (Fortum 2023a) The interviewees stressed that with the amount of stakeholder pressure, there was no way that Fortum could have continued its operations in Russia. The Finnish state, as a majority owner of Fortum, left the operative decision to the company, but expressed to the groups management that they do not want to keep financing Russia's war chest (Luotonen 2022). That is to say, Fortum came under external pressure to withdraw on multiple fronts.

It doesn't hold up to daylight anymore that Fortum would have continued operations in Russia after Russia started the war in Ukraine. (Business reporter, discussion 3.6.2025)

Fortum is well aware of reputational risks and seeks to avoid damage. The company recognizes reputational damage's impact on the company's value. They now have a risk management policy, which is among other things aimed to manage risks that might have a negative impact on the company's reputation (Fortum 2022b). After the exit, Fortum concluded that their "strategy, the divestment of Uniper and the exit from Russia have

been perceived positively by NGOs” (Fortum 2023a). This implies that they closely monitored the public discourse and stakeholder expectations regarding these decisions and decided to act in line with these expectations. If they would have not complied with the pressures, the cost of staying would have been too high to manage.

On top of the pressure from stakeholders, the unpredictable business environment caused pressure to exit too. The regulatory environment in Russia was in a constant state of flux. First, the Russian President Putin issued an order that foreign energy companies need special permission to sell their holdings. Then the Russian state introduced a new law that made it legal for them to take control of foreign companies’ assets in Russia. When Russia then took control of Fortum’s power plants, it was clear that continuing business in Russia was impossible. Trust in Russia had completely collapsed, and there were no longer any grounds to continue doing business there. Given that Finland, Fortum’s home country, is a democracy with a stable and predictable regulatory environment, the political distance from Russia added pressure on the company’s exit. The same goes for institutional quality. Fortum originates from a country with high institutional quality and thus has more moral pressure to exit in a situation like this, where a major breach of ethics has happened.

Internal values played a role in shaping the decision as well, yet the magnitude of external pressures left Fortum with little, if any, space to act contrary to its values. Fortum’s core values curiosity, responsibility, integrity and respect undoubtedly helped the company to make sense of the complex situation and guided the exit decision to some point. Their internal values played a role in navigating the situation in line with their strategy. They describe that their values “serve as a compass in evaluating opportunities, guiding our decision-making and helping us see the world the Fortum way” (Fortum 2024a). They do not, however, have the same coercive effect as external pressures.

I believe, as an outsider, that if there hadn't been any external pressure, Fortum wouldn't have withdrawn, at least not in the timeframe it did. (Energy industry reporter, discussion 9.6.2025)

As said before, the financial cost of exiting was high. The estimates range between 10 and 30 billion euros. The Uniper divestment alone caused Fortum a loss of 6 billion euros. It has been described as “likely the biggest single blunder in Finnish corporate history” (af Heurlin 2025). The total cost of Fortum’s Russian operations surely was huge, as the company never received even a euro of their Russian assets. However, the reputational damage caused by staying could have led the even greater costs. To conclude, even

though the operational costs of exit were extremely high, the reputational damage caused by non-compliance would have been too great. Therefore, they chose to exit rather than stay. Figure 9 illustrates the costs of Fortum's exit in relation to the most likely outcomes of the exit decision.

		Cost of exiting	
		LOW	HIGH
Cost of staying	LOW	Stay	Stay
	HIGH	Exit	Stay/Exit

Figure 9 Costs of Fortum's exit

As can be seen from Figure 9, the theory cannot comprehensively predict the outcome of the exit decision when both costs are high. In Fortum's case the decision was to exit. Although the operational costs of exiting were high, the cost of staying was estimated to be even greater. Eventually the exit decision came down to the external pressure and fear of reputation damage (Energy industry reporter, discussion 9.6.2025; Business reporter, discussion 3.6.2025). If the external pressures would not have been so severe, internal values might not have been strong enough to make the company exit with the high costs (Business reporter, discussion 3.6.2025). When both of the costs are high, companies are likely to choose the ethically "correct" decision, since there will be expenses either way. In the context of this thesis, when both costs are high, companies are more likely to choose to exit rather than stay.

#### 5.4.3 Overcoming barriers

Fortum had not been prepared for the way the situation in Russia would unfold. Despite significant investments in the Russian market, the country-specific risks were insufficiently identified (Energy industry reporter, discussion 9.6.2025; Business reporter, discussion 3.6.2025). When entering the Russian market, Fortum did simply not see a possibility that any political risks would actually be realized. They underestimated the losses from the realization of risks and considered it to be reasonable. Therefore, no risk management was seen as necessary or carried out, the potential risks were simply accepted. (Energy industry reporter, discussion 9.6.2025) When Russia annexed Crimea, Fortum received a wake-up call regarding political risks. However, the sanctions were mild and business in Russia continued. Russia was a profitable market for Fortum so new

investments were pursued there despite the annexation. The new investments were justified by the belief that the risk remained low, even though it was recognized that Russia was undergoing a fundamental transformation. (Energy industry reporter, discussion 9.6.2025)

It [the Russia risk] basically rose to the power of two. It seems that the Uniper deal wasn't considered as a Russia-related risk at all, but was seen more as a normal business risk. Like, since it's such a large company, can it be managed. (Energy industry reporter, discussion 9.6.2025)

The interviewees believe that Fortum had not anticipated the need to exit the Russian market, as the shift in the Russian business environment only became evident after the attack on Ukraine. They had received warnings about Russia, but did not want to believe that the situation could escalate.

That risk kind of materialized in a full scale. What had been warned about already earlier, and what had not really been directly believed, that it could actually happen like this. There was a bit of that naïveté towards Putin, but there was also the belief that the returns were so good that the risk was worth taking. (Energy industry reporter, discussion 9.6.2025)

[Experts] warned [about the risks related to Russia], but it was like they did not want to listen to that or admit that such a risk existed there. (Business reporter, discussion 3.6.2025)

Since the situation had not been fully anticipated, they had to make a decision and plan for the exit quickly, under immense pressure. Eventually, the circumstances left Fortum trapped in Russia. This meant that even when they had made the decision to exit, they were unable to do so. They ran into two main barriers trying to exit. First, they now needed a permission from the Russian President Putin to sell their assets. Second, they were in a difficult position, with the expectation that they have no other option than to sell their ownings. In Russia, the market favored buyers, and Fortum could be forced to sell at a heavily discounted price, potentially incurring substantial losses. Consequently, the expenses associated with the sale would need to be offset elsewhere.

The initial plan and primary option was to sell the Russian operations to an outside buyer. The problem with this was that they needed a permission from President Putin, who was unwilling to give the permission. The company anticipated that the sale process would take time. They had no other option than to wait and see how the situation would develop. However, the permission never came. The problems continued when Russia took control

of Fortum's operations there. This was a direct countermeasure to the sanctions imposed on Russia by the West. Fortum did not receive any formal notification, but confirmation arrived after the company's CEO in Russia had been replaced. This created uncertainty for Fortum regarding the fate of its Russian operations and the extent of its remaining influence over them. To overcome the situation, they were left with no other option but to write down the Russian operations and bear the enormous losses themselves. To seek justice, they initiated legal proceedings.

That left them with a second problem, how to cope with having incurred such significant financial losses. In 2021 Fortum's Russian operations accounted for approximately one-fifth of the company's total profit. With the end of the Russian operations, one fifth of the profits were also lost on top of the loss from the exit. Additionally, the war caused an energy crisis in Europe leaving Fortum with more uncertainty about the future. Geopolitical tensions and reduced gas supplies drove electricity prices historically high in European derivatives markets. Fortum's hedged positions on the Nasdaq exchange were directly affected, as the unprecedented surge in power futures resulted in unexpected margining requirements. These requirements created significant pressure on the company's liquidity. To safeguard its financial stability, Fortum entered into a 2.35-billion-euro bridge financing agreement with the Finnish State. As part of the loan arrangement Fortum approved a directed share issue to the state-owned holding company Solidium, without payment. Despite the tight situation the company was able to manage their liquidity. Their financial situation got better at the end of the year 2022 when Uniper repaid its shareholder loan of 4 billion euros as well as 0.5 billion euros of sales proceeds from the divestment of Fortum's Uniper share. Going forward, Fortum started to make financial agreements to protect itself from big swings in energy prices. This helps the company predict its future profits more reliably and ensures it has enough cash to meet its financial obligations. (Fortum 2022a)

Following the decision to exit from Russia, Fortum also launched a new strategy. With the new strategy Fortum decided to focus on the Nordic markets. (Fortum 2023c) As a result, Fortum sold its Indian operations for example. Sustainability and responsibility have a bigger role in the new strategy (Vastuullinen tapa toimia). As said before, Fortum started to position itself as a leader in these areas. Sustainability issues became their strategic priorities and a wider range of responsibility issues were taken into account. Clean energy production and sustainability are the competitive advantages Fortum seeks

to leverage to differentiate itself from its competitors in the Nordic markets and to eventually become the market leader. Market leadership is followed by financial success and a certain level of stableness. Additionally, financial targets were updated with the new strategy. These include securing at least BBB credit rating and pursuing disciplined growth in clean energy with up to EUR 1 billion in investments from 2023–2025. (Fortum 2023b)

Identifying and managing risks became crucial to avoiding similar shocks and limiting their impact on Fortum. A new risk management framework was developed to manage financial, operational, strategic and sustainability-related risks. Before entering any market Fortum conducts an in-depth risk assessment taking into account labor rights, corruption level, human development, quality of governance and human rights for example. This ensures potential issues are evaluated before entering new markets or agreements.

## 5.5 Fortum's normative resilience

After Russia invaded Ukraine, states, organizations, companies and individuals responded quickly. Sanctions were imposed on Russia, companies began exiting the Russian market, and businesses with ties to Russia faced widespread boycotts. Fortum had not anticipated the attack and thus had to make the exit decision quickly. Their CSR strategy resembled the embedded strategy, which was in line with their stakeholder's expectations. Fortum eventually decided to withdraw from the Russian market completely. Following the exit decision, Fortum launched a new strategy. The new strategy, with an emphasis on responsibility, resembled the transformational CSR strategy. Table 7 illustrates how Fortum's CSR strategies corresponded to their exit decision.

Table 7 Fortum's CSR strategy in relation to their exit decision

	Digging in	Buying time	Scaling back	Suspension	Withdrawal
Denial	X				
Defensive		X	X		
Isolated			X	X	
Embedded					X
Transformational					X

The main thing that drove Fortum's response was high level of external pressures. Fortum's CSR strategy represented the embedded CSR strategy before the war in Ukraine started. When the war started, the external pressure, especially from stakeholders, Fortum

faced was extremely strong, causing them to withdraw. Their internal values were fairly strong, but did not play as important role as a driver of the exit than external pressure did. As Fortum chose the normative response, withdrawal, they demonstrated a high level of normative resilience. Figure 10 illustrates the modified version of the theoretical framework based on the case.

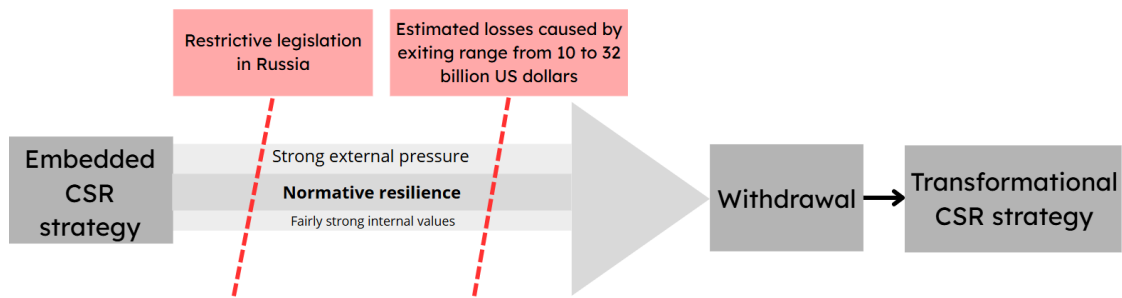


Figure 10 Modified theoretical framework based on the case

As can be seen from Figure 10, external pressures and internal values are placed together with normative resilience, rather than at the beginning of the process. Because the exit process resulted in a strategy change for Fortum, CSR strategy change was added into the end of the process in Figure 10.

## 6 Conclusions

In this chapter the conclusions that can be drawn from this study are presented. The chapter starts with a discussion of the findings in the light of previous literature. Following that, some practical implications for managers and policymakers are given. The chapter concludes with an evaluation of the limitations of this study as well as suggestions for future research.

### 6.1 Discussion

The findings of this study were presented by themes in the previous chapter. Now they are discussed in the light of previous literature. This section is organized by the subquestions of this study:

- *What is the role of CSR as a driver of market exit decisions?*
- *What factors beyond CSR influence MNEs' market exit decisions during geopolitical crises?*
- *How do firms manage exit barriers when seeking to act on CSR-driven exit intentions?*

The answers to these subquestions together form the answer to the main research question: how do MNEs uphold their CSR commitments when deciding whether to exit a market during a geopolitical crisis?

#### 6.1.1 What is the role of CSR as a driver of market exit decisions?

A new generation of multinational enterprises shaped by the rise of corporate social responsibility, has started to emerge (Avioutskaa & Roth 2024, 1453). At the same time MNEs have gained influence and power at the global politics (Hofferberth et al. 2011, 1) and stakeholders are increasingly expecting companies to act ethically across borders (Wettstein et al. 2019, 55; 59). Previous research suggests, that acting ethically has gained importance in doing business, rising even above economic considerations in some cases (Baden 2016). The findings of this study align with previous research suggesting that, a new generation of MNEs with a high level of normative resilience is indeed emerging. Stakeholders have noticed that MNEs hold more political power, and push them to be socially responsible. One interpretation of this study is, that MNEs commonly adhere to these pressures, by acting ethical even when it is not the best choice financially.

The findings of this study support previous literature and especially the integration perspective of CSR, indicating that CSR is a way for companies to gain legitimacy in the eyes of stakeholders. (Carroll 1979, 500). The normative response was largely driven by the desire of the case company to gain legitimacy in the eyes of stakeholders. The findings also highlight the ambiguity of the CSR concept. All of the perspectives of CSR discussed in this thesis: the normative (Bowen 1953,6), integration (Carroll 1979, 500), instrumental (McWilliams & Siegel 2001, 119), political (Scherer et al. 2016, 276) and emergent (Guthey & Morsing 2014, 556), can be seen in the case company's actions. The drivers of the normative exit decision the case company decided to make cannot fully be distinguished from one another. Trying to gain legitimacy among stakeholders was definitely a big part of why the company chose to exit, but on the other hand, it was also a moral obligation, a form of investment, reflection of the prominent social norms and a political act to them. This raises a question if CSR should be understood as a means to an end or an end in itself. Nevertheless, as a means to an end or an end in itself, CSR had a big part in formulating the exit decision, as ethical responsibilities outweighed economic considerations. The case reinforces Baden's (2016) argument that ethical responsibilities serve as the foundation for all corporate responsibility.

Prior research has tied CSR to strategic interest (Vallentin & Spence 2017, 63) and divided firms into five different CSR strategies based on the incorporation of CSR-related issues into the company's wider strategy (Valente 2017). The case company aligned well with the CSR strategy categorization, first falling into the category of embedded and later the transformational CSR strategy firms. It was found, that CSR is embedded deep inside the case company and the firms' core values formed the foundation for its exit decision making, which is in line with previous literature (Mirvis & Googins 2006, 115). Based on the theory, embedded strategy companies would choose suspension or withdrawal as a response to a geopolitical crisis. Fortum's case supports the theory.

Surprisingly, the findings suggest that making a value-based exit decision might trigger CSR strategy change. Fortum faced a critical moment where it had to decide whether to act in accordance with its stated values and CSR strategy. Under external pressure, the company chose to align its decision with these commitments, which subsequently led to a stronger emphasis on ethical business practices in both its strategy and communication. This was not anticipated in prior literature. Therefore, Fortum's case does not only

support the theory, but suggest that in the face of geopolitical crises, firms can raise their standards regarding responsibility and move on to the next CSR strategy.

### 6.1.2 What factors beyond CSR influence MNEs' market exit decisions during geopolitical crises?

The findings suggest, that firms have certain CSR strategies to begin with that provide the foundation for the exit decision. However, as market exits during geopolitical crises are complex, the interplay between the barriers and drivers of exit has potential to influence the outcome of the exit decision. The exit barriers, host country institutional pressure and operational costs, might make the company choose to stay even when it is not in line with their CSR strategy. The drivers of exit, external pressures and internal values, act as a shield to protect normative resilience.

Previous literature identified that external pressures, such as political distance, institutional quality and stakeholder pressure drive CSR implementation in practise (Avioutskaa & Roth 2024, 1456-1457). On top of external pressures, previous literature highlights that, internal values play a fundamental role in formulating normative responses to institutional pressures (Martin et al. 2011, 576). The findings of this study support the previous literature. External pressures and internal values were the main drives of the case company's normative exit decision. The case company experienced all of the three types of external pressure. In the case company, upholding normative resilience was strongly influenced by external pressure to act "correctly." Had the company operated in a vacuum, it might have reached a different decision. In this instance, however, the potential negative impacts of doing otherwise were assessed as so significant that it effectively compelled the company to make a value-based choice.

In theory internal values and external pressures were seen as equal drivers of CSR implementation. The findings, on the other hand, suggest that external pressures can be overwhelming, limiting the influence of internal values. At the same time, such pressures may serve as a catalyst, activating responses rooted in internal values. Without external pressure, internal values alone may not be strong enough to prompt meaningful action. Therefore, the findings suggest that external pressures and internal values are not necessarily equal drivers of CSR implementation. Instead, external pressures initiate organizational action, and internal values provide the normative framework for that response.

The second subquestion also touches upon the barriers of market exit. As said in the beginning of this thesis, international business research has not focused much on the barriers of exiting a market (Tang et al. 2021, 290) beyond the context of unprofitability (Decker & Mellewigt 2007, Porter 1976). However, two potential barriers were derived from previous literature, operational costs of leaving (Mol et al. 2023, 2; 5) and host country institutional pressure (Elango & Sethi 2007, 372). These were the main barriers the case company encountered while exiting. Thus, the findings support the previous literature. However, this study contributes to the literature by clearly identifying these issues as market exit barriers and connecting them to normative exit decisions.

### 6.1.3 How do firms manage exit barriers when seeking to act on CSR-driven exit intentions?

The third subquestion focused on overcoming these market exit barriers. The theoretical background did not provide a set framework regarding this matter. However, the previous literature suggests that market pressure and negative impacts on the company's reputation have been found to be one of the most influential factors regarding market exit decisions during geopolitical crises, often surpassing even high financial costs (Balyuk & Fedyk 2023, 1270). Based on the findings of this study, this holds true. To avoid the negative impacts on the company's reputation, the case company had to bear high financial costs. In order to recover from financial losses, the case company shifted its geographical focus and redefined its strategic orientation. To address the host country's institutional pressure, the case company responded to the radical changes in the regulatory environment by initiating legal proceedings internationally. Given the weak governance in the host country, this was effectively the only viable course of action.

Previous literature has highlighted the importance of identifying and managing geopolitical risks as they have the potential to make or break companies (Rosenberg 2017, Wigell 2022). Wigell (2022, 31) underlines that, geopolitical risks can be accepted, but that need to be an informed decision based on risk identification and evaluation. The findings of this study support this view. The case company had failed to identify geopolitical risks associated with the host-country and thus not prepared for the realization of these risks. When the risks materialized, the company found itself trapped in the host country and was ultimately forced to write down its investments, resulting in

losses of several billion euros. This triggered significant liquidity issues, which could have threatened the company's survival.

#### 6.1.4 How do MNEs uphold their CSR commitments when deciding whether to exit a market during a geopolitical crisis?

Having discussed the subquestions, we can draw an answer to the main research question. Deciding whether to exit a market as a response to geopolitical crisis or not is a complex question. Corporate social responsibility has gained importance in business and normative responses to geopolitical crises are common. As many MNEs have incorporated CSR into their strategy, CSR plays an important part in formulating exit decisions. This study identified external pressures and internal values as the drivers of normative exit decisions. These drivers turn firms' CSR commitments from words into concrete action. External pressure is especially strong as a driver for firms that see CSR as a means to an end. Adhering to external pressure to exit a market as a response to geopolitical crisis can help MNEs to gain legitimacy among stakeholders. Internal values, on the other hand, are especially strong driver for firms who view CSR as an end in itself. However, firms can be influenced to make the normative decision by both of these drivers. They work together, not against each other. The findings of this study suggest, that external pressures are more coercive than internal values in driving the exit decision.

Upholding CSR commitments when deciding whether to exit a market during geopolitical crisis is not always up to the company. Host country institutional pressure, was found to be one of the barriers MNEs might face when trying to exit a host country. The institutional pressure might manifest as unfavourable legislation, for example and thus block the normative response. Operational costs were the second barrier identified in this study. Operational costs caused by exiting might be too great to bear, which again blocks the normative response. The findings of this study indicate that, the barriers can be overcome, but they do make upholding CSR commitments harder. To conclude, previous CSR commitments have an important role in formulating normative responses to geopolitical crises. While exit barriers may interfere with this dynamic, external pressures and internal values help to preserve normative resilience.

## **6.2 Theoretical contributions**

This study added to previous literature in a few ways. This study brings an updated viewpoint to the traditional market exit literature by linking market exits to corporate social responsibility commitments. This study went beyond the view that companies are purely economic actors and instead, conceptualized companies as ideational entities with meaning, intentionality, and values. MNEs are increasingly considering social responsibility in their actions and acting ethically can outweigh financial considerations. This study positions normative resilience as a strategic capability that enables firms to act in line with their values under pressure. This framing contributes to the literature by suggesting that normative resilience can be cultivated and leveraged as part of strategic planning. This study further contributes to CSR literature by showing that geopolitical crises can act as catalysts for CSR strategy evolution. Rather than CSR being a static strategic orientation, it may dynamically shift in response to external pressures and ethical dilemmas. This is a novel finding in CSR literature.

As stated at the beginning of this thesis, the existing literature on market exit barriers has focused on the perspective of why companies would hang on to unprofitable business when the intuitive response would be to cease all unprofitable action. This study presents a novel perspective on market exit barriers by exploring what market exit barriers arise during geopolitical crises. By identifying operational costs and host-country institutional pressure as barriers to normative market exits, this study expands the market exit literature beyond the profitability paradigm. It introduces a values-based lens to understand exit decisions in politically volatile environments.

## **6.3 Practical implications**

This study provides some noteworthy practical implications for managers. The most critical takeaway for managers is the importance of proactive geopolitical risk management. All multinational companies should acknowledge that they are vulnerable to financial, operational, strategic and sustainability-related risks. These risks need to be carefully identified and evaluated to avoid negative impacts if the risks realize. Managers should pay particular attention to risk management when entering new markets, making new investments, or engaging with unfamiliar counterparties. On the other hand, geopolitical risks evolve overtime and thus managers need to constantly update their risk

evaluations. If they notice that risks have increased, they must take action early enough to manage them. This may mean, for example, exiting a market or changing a partner before the risk realizes. This way firms can systematically navigate geopolitical crises according to their strategy and values, instead of reacting on an ad-hoc basis. The following checklist for managers can guide decision-making:

1. Assess geopolitical risks in host countries
2. Identify your key stakeholders and their expectations
3. Be aware of the possible operational costs when making new investments
4. Identify barriers to exit in advance
5. Plan an exit strategy
6. Update these assessments regularly

The first points' purpose is to prevent surprises and prepare for crises before they happen, strategic foresight in other words. The second point is important because it helps understand potential reputational risks and legitimacy concerns. The third point, being aware of new investments turning into operational costs, is important to consider because it supports informed decision-making. All decisions should be informed, otherwise risk management cannot be done adequately. The fourth point relates to this as well, identifying exit barriers is crucial for planning mitigation strategies to overcome these barriers. The fifth point, planning an exit strategy in advance, can help to turn the exit into a strategic advantage rather than last-minute reactions. Updating these assessments regularly is of most importance, as the international business environment changes constantly. The assessments vary based on the current situation. Doing all of these helps companies to be on top of the situation and ensure consistency between values and actions.

Additionally, this study has important implications for policymakers too. Since external pressure plays a key role in triggering organizational action and normative responses during geopolitical crises, policymakers should ensure the maintenance of high-quality governance practices. Committing to clear and predictable legislation reduces uncertainty and supports the maintenance of high ethical standards. Strengthening CSR promoting institutional frameworks, like sustainability reporting standards and ethical business

certifications can support MNEs in upholding their CSR commitments. Additionally, governments have the opportunity to support MNEs in overcoming exit barriers. Supporting can mean offering legal or financial aid for companies withdrawing from oppressive countries. Lastly, governments monitor the developments of the international environment, and could thus provide early warnings and guidance to businesses operating in high-risk countries. Together, these measures help foster an environment where ethical business conduct is not only expected but also feasible, even in weakly governed host countries.

#### **6.4 Limitations of the study and suggestions for future research**

This study has a few limitations. First, the analysis relies heavily on secondary data, which was not originally produced for the purposes of this research. As a result, the researcher had to identify, select, and interpret all relevant information to answer the research questions. This process may have introduced biases or limitations in accuracy, as the data might not fully reflect the internal perspectives of the case company. To address this, future research could draw on primary sources. For example, interviews with the Board of Directors or other key decision-makers of the case company could provide insider knowledge and a deeper understanding of the strategic decision-making process.

Second, the scope of this study covers only one case. While this provides in-depth insights into the chosen company, it limits the generalizability of the findings. The results may be specific to the context of the case and not fully applicable to other firms or industries. Therefore, future studies could expand the analysis by examining multiple cases to test and refine the theoretical framework. Comparative research across different companies or industries would help to confirm whether the findings of this study hold in broader contexts.

The researcher of this study is European as is the case company. This inevitably means that the study is approached from a European perspective. While this perspective provides valuable insights into how companies in Europe respond to geopolitical crises, it also limits the global applicability of the findings. For future research, it could be interesting to study the matter from other perspectives as well. For example, companies operating in Asia, North America or emerging markets may face very different pressures and have different values. Therefore, future research could broaden the scope by incorporating non-European cases to test whether the conclusions of this study hold true in global contexts.

## 7 Summary

The aim of this thesis was to explore how do MNEs uphold their CSR commitments when deciding whether to exit a market during a geopolitical crisis. To develop a comprehensive understanding of the phenomenon, three subquestions were defined. The first examined the role of CSR as a driver of market exit decisions. The second investigated additional factors beyond CSR that influence these decisions. The third explored how firms overcome market exit barriers during geopolitical crises in order to act in line with their values. Thus, while the primary focus was on identifying factors shaping market exit decisions during geopolitical crises, attention was also given to the ways in which firms manage and overcome barriers to action.

The literature review focused on two main themes: corporate social responsibility (CSR) and market exits during geopolitical crises. Previous literature from both of these themes were examined and based on that, the theoretical framework for this thesis was formed. The theoretical approach this thesis adopted was qualitative case study. The researcher strived for an in-depth knowledge, and thus chose a single case study approach, rather than multiple case study approach. The data was collected from secondary and primary sources, secondary sources serving as the main data.

The findings of this study suggest that upholding CSR commitments in the face of serious geopolitical crises is not straightforward. Arriving at a certain exit decision and carrying it out is influenced by many things. Based on the findings of this study, it can be concluded that previous CSR commitments have an important role in formulating normative responses to geopolitical crises. While exit barriers may interfere with this dynamic, external pressures and internal values help to preserve normative resilience. Upholding CSR commitments while exiting may involve challenging existing exit barriers. As a result, opting for normative responses can reinforce the prominence of CSR in corporate strategy. The results of this study support previous literature suggesting that new responsibilities have taken precedence over purely economic considerations in business and that firms are ultimately engaging in a “race to the top” with location choices. Ultimately, this thesis highlights the growing importance of ethical decision-making in international business and offers a framework for understanding how CSR commitments shape strategic responses to geopolitical crises.

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## Appendices

### Appendix 1 Secondary documents analysed

Title	Type	Source
Sustainability 2023	Company report	Fortum (2023a)
Code of Conduct 2024	Company report	Fortum (2024a)
Fortum Sustainability Policy	Group policy	Fortum (2024b)
CEO's Business Review 2021	Company report	Fortum (2021a)
CEO's Business Review 2022	Company report	Fortum (2022a)
CEO's Business Review 2023	Company report	Fortum (2023b)
Governance 2022	Company report	Fortum (2022b)
Governance 2023	Company report	Fortum (2023c)
Taloudelliset tiedot 2024/ Kestävyysraportti	Company report	Fortum (2024c)
Sustainability 2022	Company report	Fortum (2022c)
Sustainability 2021	Company report	Fortum (2021b)
Corporate Social Responsibility Programme	Website page	(Corporate Social Responsibility Programme)
Corporate Social Responsibility Partnerships	Website page	(Corporate Social Responsibility Partnerships)
Vastuullinen tapa toimia	Website page	(Vastuullinen tapa toimia)
Business ethics and compliance	Website page	(Business ethics and compliance)
Leaving Russia	Report	Kinnunen (2022)

Fortum CEO Markus Rauramo's statement on the Group's Russian businesses	Investor news	Fortum (2022d)
Fortum tekee noin 2,1 miljardin euron alaskirjaukset Venäjän liiketoimintaan liittyen	Company report	Fortum (2022e)
Fortum to fully write down its Russian assets and deconsolidate the Russia segment – publishes restated comparison figures	Company report	Fortum (2023d)
Fortumin venäläisen tytäryhtiön PAO Fortumin toimitusjohtaja on vaihdettu – vahvistaa Fortumin Venäjän toimintojen väliaikaisen omaisuuden hallintaan ottamisen	Stock exchange release	Fortum (2023e)
Fortum has initiated legal proceedings against the Russian Federation due to the violations of international investment treaty protection	Press release	Fortum (2024d)

Fortum Interim Report January-March 2022	Interim report	Fortum (2022f)
Venäjän presidentin uudella asetuksella vaikutuksia Fortumin Venäjän toimintoihin	Company report	Fortum (2023f)
Fortum planning "controlled exit" from Russia	News article	Yle (12.5.2022)
Finnish energy giant writes off nearly €1bn Nord Stream stake, aims to divest Russian plants	News article	Yle (8.3.2022)
Venäjä otti haltuunsa Fortumin omaisuuden Venäjällä tiistaina – ensimmäiseksi vaihtui tytäryhtiössä johto	News article	Yle (26.4.2023)
Fortum formally objects to seizure of Russian assets	News article	Yle (5.5.2023)
Asemiehet Fortumin Venäjän konttorilla olivat viimeinen niitti – Fortum lähtee Venäjältä, saldoksi tulee noin kahden miljardin euron tappiot	News article	Lindholm (2023)

Fortum on lähettänyt Venäjän valtiolle tiedoksiannon kansainvälisten investointisuojausopimusten rikkomuksista	News article	Fortum (2023g)
Fortumin vetäytyminen Venäjältä	News article	Fortumin vetäytyminen Venäjältä
Fortumin tuulimyllyistä Venäjällä syntyi outo sotku, johon lähti mukaan myös Tanskan poliittinen johto – tästä on kyse	News article	Lindholm & Karismo (2023)
Analyysi: Fortumin Venäjä-bisnesten myynti näyttää jo valoisammalta – Putin siunasi vastaavan kaupan, tosin surkealla hinnalla	News article	Lindholm (2022)
Putinin ukaasi voi hidastaa merkittävästi Fortumin vetäytymistä Venäjältä – ”Kiusantekoa”, sanoo asiantuntija	News article	Pantzar (2022)
Venäläislehti: Fortumin Venäjän-toimintojen myynti on jäissä Putinin käskystä	News article	Reunamäki & Toivanen (2022)

<p>Venäjältä lähtevän Fortumin toimitusjohtaja: ”Meille oli alusta saakka selvää, ettei toiminta voi jatkua entiseen tapaan”</p>	<p>News article</p>	<p>Toivonen (2022)</p>
<p>Miksi Fortum jatkaa yhä toimintaansa Venäjällä? – ”Kaikki kaupalliset siteet mahdollistavat Venäjän hyökkäyksen jatkamisen”, sanoo kansanedustaja</p>	<p>News article</p>	<p>Luotonen (2022)</p>
<p>Fortum ei tee uusia investointeja Venäjälle, mutta nykyinen toiminta jatkuu normaalisti – toimitusjohtaja: ”Emme voi lopettaa sähkön ja lämmön tuottamista ihmisille”</p>	<p>News article</p>	<p>Uusitalo &amp; Pantzar (2022)</p>
<p>Yle kysyi lähes 50 suomalaiselta yritykseltä, mitä ne ovat tehneet liiketoiminnalleen Venäjällä – suurin osa lähtee maasta, mutta osa on jäänyt</p>	<p>News article</p>	<p>Hyytinen (2022)</p>
<p>Tuuli kääntyi Tanskassa</p>	<p>News article</p>	<p>af Heurlin (2025)</p>

## **Appendix 2 Interview questions**

### **Background:**

- Could you briefly describe your background and experience with this topic?
- How and when did you become interested in Fortum's operations in Russia?
- In what ways have you familiarized yourself with the topic? For example, have you been in contact with Fortum representatives or other stakeholders while working on this subject? If so, in what capacity?

### **Fortum's Operations in Russia:**

1. In what ways did Fortum acknowledge or communicate the risks related to operating in Russia, if at all?
2. What actions did Fortum take in response to these risks, if any?

### **Decision to Withdraw:**

4. What factors do you believe contributed to Fortum's decision to withdraw from the Russian market?
5. What kinds of internal or external pressures, if any, were related to the withdrawal? How did Fortum respond to them?
6. How would you describe the public or stakeholder reaction to Fortum's withdrawal?
7. How do you see Fortum's decision and actions in comparison to other Finnish or European companies that withdrew from Russia?

### **Market Exit Process:**

8. How did Fortum's withdrawal from the Russian market proceed, in your understanding?
9. What challenges or obstacles emerged during the exit process, and what do you believe caused them?
10. What was, in your view, the role of the Russian state in either facilitating or hindering the withdrawal?
11. What do you believe is the current status of Fortum's assets in Russia?
12. How do you assess the impact of the withdrawal on Fortum's business and operational continuity?

**Corporate Responsibility:**

13. In what ways did Fortum's operations in Russia reflect – or fail to reflect – the company's stated values?
14. Do you perceive a conflict between Fortum's values and its business conduct? If so, how do you think these conflicts were addressed?
15. How did corporate responsibility manifest in Fortum's withdrawal process?

## Appendix 3 Use of Generative Artificial Intelligence

In the creation of this thesis, I utilized generative artificial intelligence for several support tasks. The tools, their purpose, and the verification measures are detailed below. I confirm that I have used all AI tools with the necessary care and caution, have fully disclosed their use in accordance with university policy, and take full responsibility for all content presented in this thesis.

### 1. Tool: OpenAI's ChatGPT (GPT-4 and GPT-5 Versions)

- **Stage of Use 1:** Ideation and Research Planning
- **Purpose of Use:** I used ChatGPT to brainstorm potential thesis topics and to rephrase the research questions. This was done to improve clarity and focus.

- **Example Prompt (January 2, 2025):** *"The topic of my bachelor's thesis was: Multinational enterprises in oppressive countries – balancing between corporate social responsibility and irresponsibility after geopolitical shifts. If I wanted to extend the same topic into a master's thesis, what perspective could I take and what kind of empirical section could I have?"*

- **Verification:** The AI results suggested that I could focusing on a specific industry or geographical area, which I ended up doing. It also suggested that I could conduct the study as a case study, which I did after going through literature about case studies and verifying that it suits my research.

- **Stage of Use 2:** Composition, Editing and Revision

- **Purpose of Use:** I used Chat GPT to proofread my own text for spelling and grammar errors, as well as editing my own text to improve clarity. Proofreading and language editing was done for individual sentences or short passages, not entire paragraphs or sections.

- **Example Prompt (August 25, 2025):** *"Is it grammatically correct to say low level of governance or would it be better to say low quality of governance etc.?"*

- **Verification:** I carefully proofread all suggested changes to ensure that the original meaning of my arguments was not altered and that the academic content remained accurate. I retained final control over the text.