

> Tuesday, October 18th, 2022

14:00 - 15:30

FINANCE RESEARCH SEMINAR

RESEARCH
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EMPOWERING CHANGEMAKERS FOR A BETTER SOCIETY

'GOODWILL CAPITAL AND CORPORATE DECOUPLING: AN EMPIRICAL STUDY OF THE RUSSIAN INVASION OF UKRAINE'

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ABSTRACT

Russia invaded Ukraine on February 24, 2022 and prompted many companies to decouple from the Russian market. This paper uses this event to empirically examine how a firm's environmental, social, and governance (ESG) rating (as a proxy for goodwill capital) and whether it has a major business relationship in Russia (as a proxy for relationship-specific capital) affect the likelihood and cost of corporate decoupling. We find that firms with a higher ESG rating are more likely to decouple from Russia and incur a smaller cost when they do decouple; the results are stronger for firms with a major business relationship in Russia. Overall, our results are more consistent with the goodwill capital view of ESG than the consumption of private benefit view.