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**Policy and Change: The Role of Marketing and Public Policy
in Securing a Sustainable Future**



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PROCEEDINGS

Volume 33

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| | |
|---|------------|
| Mental Illness and Marketing: A 50 Year Scoping Review | 94 |
| <i>Dr Jane Machin (Radford University), Dr Justine Farrell (University of San Diego), Dr Ann Mirabito (Baylor University), Dr Christina Chan-Park (Baylor University), Dr Natalie Adkins (Drake University), Dr Elizabeth Crosby (University of Wisconsin La Crosse), Dr Jenna Drenten (Loyola University, Chicago)</i> | |
| Motivating Consumers to Behave Sustainably with Circular Economy Message Framing | 98 |
| <i>Prof Jolie Gutentag (Pepperdine University), Prof Cristel Russell (Pepperdine University)</i> | |
| Motivating Sustainable Energy Consumption Within Organizations: The Role of Analytics and Optimized Communication | 103 |
| <i>Dr Christopher Amaral (University of Bath), Dr Ceren Kolsarici (Queen's University), Dr Iina Ikonen (University of Bath), Dr Nicole Robitaille (Queen's University)</i> | |
| POLITICAL EARTHQUAKES' AND POLITICAL TRIBES' IMPACT ON POLITICAL ACTIVISM | 107 |
| <i>Dr Emily C. Tanner (West Virginia University), Dr M. Paula Fitzgerald (West Virginia University), Dr Elizabeth T. Gratz (St. Bonaventure University)</i> | |
| Political Ideology and the Impacts on Aid Application Effort Requirements | 110 |
| <i>Dr Nea North (Providence College), Dr Connie Pechmann (University of California, Irvine)</i> | |
| Poppy the Puffin: A Case Study Guide to Single-Use Plastic Education for Policy Makers, Business Leaders and Consumers. | 114 |
| <i>Dr Sarah Fischbach (Pepperdine University)</i> | |
| Price Maintenance and Over-Promotion: Marketing Insights for Public Policy | 116 |
| <i>Dr Gregory T. Gundlach (University of North Florida), Dr Riley T. Krotz (Texas Tech University)</i> | |
| Recalibrating: The role of quiet quitting in employee approaches to restoring work-life balance in the face of burnout | 119 |
| <i>Mr Camden Cusumano (University of Georgia), Dr Dee Warmath (University of Georgia)</i> | |
| Recognising uncertainty, risk, and the need for promises: securing vulnerable Bottom of the Pyramid consumers well-being | 131 |
| <i>Dr Gauri Misra (Bournemouth University), Dr Andrew Lindridge (Newcastle University)</i> | |
| Repeated exposures to images increase perceived authenticity | 135 |
| <i>Ms Farhana Tabassum (BI Norwegian Business School), Dr Klemens Knoeferle (BI Norwegian Business School), Dr Luk Warlop (BI Norwegian Business School)</i> | |
| RESPONSES TO A SIMULATED PRIVACY INVASION: CROSS-CULTURAL COMPARISONS OF INVASION AND REWARD EFFECTS IN THE US AND GERMANY | 137 |
| <i>Dr Matt Hettche (Christopher Newport University), Dr Janina Magdalena Schaumann (Hochschule Bremen - City University of Applied Sciences), Dr Dae-Hee Kim (Christopher Newport University), Dr Philipp Riehm (Macromedia University), Dr Michael J. Clayton (American University)</i> | |
| Seeking Corporate Legitimacy in Times of War | 140 |
| <i>Dr Andriy Kovalenko (Toi Ohomai Institute of Technology)</i> | |

SEEKING CORPORATE LEGITIMACY IN TIMES OF WAR

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Keywords:

corporate legitimacy, corporate communications, active and passive legitimation, military conflict, content analysis.

Description:

This content analysis study compares active and passive legitimation strategies used by American businesses to justify continuing operations in Russia following the 2022 invasion of Ukraine.

EXTENDED ABSTRACT

Research Question

Following Russia's invasion of Ukraine in 2022, hundreds of U.S. companies exited the Russian market. Others continue to conduct business there despite a majority of Americans opposing the invasion of Ukraine. Hence, justifying continuing business in Russia has become difficult. Some of the businesses that are "stayers" seek to rationalize their actions while others opt to be silent.

Corporate reports (e.g., 10-K and 10-Q) are very likely to mention the war in Ukraine among risks and discuss possible measures for reducing its negative impact on operations. In addition to mandatory reporting, some companies may also issue official statements about

their operations in Russia. This approach can be considered as a proactive step for ensuring corporate legitimacy, while mentioning the war in Ukraine only in corporate reports is arguably a passive approach to legitimation. To better understand organizational approaches to justifying ethically-questionable practices, this research explores:

- 1) how “stayer” organizations discuss their business in Russia, and
- 2) whether their messages differ depending on the type of legitimation used (active vs. passive).

Method and Data

This study focuses on exploring and comparing organizational messages for which content analysis is more appropriate than other methods. The Yale Chief Executive Leadership Institute (CELI) developed and continuously updates the list of companies graded for the completeness of withdrawal from Russia. At the time of writing, CELI had 28 U.S. organizations in the “F” category of “defying demands for exit or reduction of activities”. The text corpus included all available official statements about the stance of 28 U.S. organizations in the “F” category on the war in Ukraine (press-releases, blog posts, and letters to employees) and the information about risk factors in organizational performance reports (10-K, 10-Q, and sustainability reports). Therefore, the dataset for the study represents a census rather than a sample. Only data starting from February 24, 2022 (the beginning of the full-scale war in Ukraine) to March 25, 2023 were considered.

Qualitative content analysis was conducted with the help of Leximancer, the exploratory content analysis software package that supports analysis of textual data. Also, Leximancer made it possible to compare what concepts (groups of words with similar meaning) and

themes (higher-level concepts clustered together) were more important for organizations using active and passive approach of legitimation.

Summary of Findings

Out of 28 companies studied, nine released official statements regarding their stance on the war in Ukraine, 16 companies discussed risk factors involved in their operations in Russia in corporate reports, while seven companies did not have any comments about their business in Russia.

Companies using passive legitimation focused on reporting risks for their financial performance in Russia. It is apparent that they view the war in Ukraine as a nuisance that disrupted their profit generation. These corporates also tend to use tone-down words (e.g., “situation” instead of “war”) that can be prompted by Russian partners.

“Stayers” adopting an active approach to legitimation made public statements about their support of Ukrainians. At the same time, they defend their business in Russia by expressing concerns about their employees and customers in a country that started the war. They see no ethical dilemma in paying taxes to a warmonger while “praying for a peaceful resolution.”

Justifying the organization’s presence in Russia can be an effective preemptive measure for achieving legitimacy, but it may also increase scrutiny by stakeholders. To avoid unwanted scrutiny may be the reason why some “stayers” do not report on possible risks of doing business in Russia.

Key Contributions

Although there are multiple news reports about communication strategies used by U.S. corporates remaining in Russia, this study is one of the first to provide systematic scholarly analysis of what and how these corporates communicate to legitimize doing business-as-usual in what is an ethically-questionable setting. The study identifies passive (including no communication at all) and active approaches to legitimation employed by “stayers.” Comparison of corporate communication strategies helps to uncover possible rationale for their adoption. Most “stayer” organizations claim adherence to high moral standards. However, their perception of what is ethical was challenged by organizations like CELI and the general public.

Pursuit of short-term financial objectives without due attention to broader ethical considerations can have detrimental effects on corporate legitimacy U.S. corporates conducting business with Russia may eventually suffer a loss of legitimacy. It was certainly the experience of corporates that profited from the Nazi economy.

This suggests that corporate legitimacy can be enhanced by proactively adopting ethical behavior in response to the Russian invasion of Ukraine.

References are available upon request.