

“Nokian Tyres got a flat tire”

On Thursday 24 February 2022, Jukka Moisio’s, the CEO of Nokian Tyres, alarm clock rang at 6.30am in Tampere, Finland. What should have transpired as an ordinary morning quickly veered into an unprecedented twist. Moisio’s wife, awake ahead of him, relayed a startling revelation: war had broken out. Russia’s invasion of Ukraine, a culmination of escalating tensions between the two nations during the initial months of 2022, had initiated an unforeseen crisis. As the CEO of Nokian Tyres, Moisio was acutely aware of the imminent repercussions this would have on their business.¹

Nokian Tyres manufactured 80% of its passenger car tyres in Vsevolozhsk near St. Petersburg so the stakes were high. Moreover, the factory was the company’s most modern and profitable factory in which they had heavily invested since its launch in 2005. The latest investment in the factory, an ultra-modern warehouse enabling a high-tech loading and storage of tires, was completed in May 2021². While premeditated preparations had been in place to contend with the prospect of conflict, the suddenness of its unfolding caught them off guard. The entire future of Nokian Tyres was now at stake and the Russian authorities were putting the pressure on. A critical concern loomed: the potential for the Vsevolozhsk factory to fall into the wrong hands, thereby diverting its production towards the manufacturing of tires for the Russian armed forces. This very palpable fear underscored the precariousness of the situation, with the future of Nokian Tyres potentially depending on the decisions that had to be made in a quick manner. The factories in Finland and the USA were not able to produce the needed capacity of tires to serve its other markets. Stakeholder pressure and consumer boycotts did not make the situation easier. To what extent were the upcoming decisions going to be influenced by the internal and external pressure from stakeholders? How was Nokian Tyres going to replace its Russian production if and when they exit Russia?

Nokian Tyres

Nokian Tyres manufactures premium tires for people who value safety, sustainability, and predictability³. The company was founded in 1898 as Suomen Gummitehdas Ltd., with its factory in Nokia being established six years later. Shifting its production from the manufacture of rubber boots, the first half of the 20th century witnessed the growing prevalence of bicycles as a pivotal mode of

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¹ <https://www.hs.fi/talous/art-2000009482313.html>

² <https://www.nokiantyres.com/company/news-article/nokian-tyres-celebrated-its-new-ultra-modern-tire-warehouse-in-russia/>

³ Nokian Tyres Financial Review, 2021

transportation in Finland, leading the company to diversify its operations into the production of bicycle tires, thereby marking a pivotal expansion into the tire manufacturing domain.

However, the eruption of the Second World War precipitated a scarcity of natural rubber supplies, causing adverse implications for tire manufacturing. After the war Finland observed an exponential surge in automobile ownership, resulting in an increasing demand for tires in the consumer market. Consequently, the global landscape of tire manufacturing witnessed heightened competition, compelling Nokian Tyres to strategically recalibrate its production trajectory during the 1990s. This strategic pivot saw the company redirecting its efforts toward the production of winter tires and heavy tires for forest machinery, safeguarding its position in the industry and adapting to new challenges, whilst remaining as the sole Nordic tire manufacturer during the early 2000s.

After sequential increases to the production capacity of their factory in Nokia and branching out further to the Eastern European markets⁴, Nokian Tyres established its second manufacturing facility in Vsevolozhsk, Russia, situated in proximity to St. Petersburg in 2005. The initial phase of investment directed towards the Russian factory amounted to 50 million dollars. The projected outcome of this primary production phase encompassed an annual output of 1.5 million tires by 2006. Subsequent phases aimed at scaling up production to reach a capacity of 8 to 9 million tires annually, surpassing that of the factory located in Nokia, which manufactured 5.5 million tires per year⁵. The company's strategic response to a 78.6% surge in sales across Russia and the Commonwealth of Independent States (CIS) countries during 2006 involved a plan to double the output of the Russian factory, with a target of achieving a production capacity of 10 million tires by 2011⁶.

The construction of the factory in Vsevolozhsk started on June 6, 2004 and exactly one year later on June 6, 2005 the factory produced its first Hakkapeliitta tire⁷. Officially, the factory was opened on September 22, 2005. The Vsevolozhsk factory was the first ever production facility that the company established outside Finland. Under the pressure from Finnish employment unions, the original public plan of the company was to produce in the Russian factory tires only for the local Russian market and the CIS markets. However, the plans have changed once it became obvious that on average producing one tire in Vsevolozhsk is 10€ cheaper than in Nokia, Finland due to economies of scale, cheaper energy and labor resources, and a higher level of automation at the Russian factory. Therefore, during the first 10 years of operation, the production volume in Vsevolozhsk has grown by 15 times and the overall investment into the factory and its expansion amounted to almost 1 billion euros by 2020. In 2020, the Vsevolozhsk factory was the second largest tire manufacturing factory in Europe exporting up to 70% of its tires to around 40 countries.

Yet, there was also another side in the success of Nokian Tyres in Russia. By 2020, Nokian Tyres has been a regular name on various lists of best employers in the area of manufacturing in Russia. The company has devoted a lot of effort to building a positive and attractive employer image. The key principle of the corporate culture that the company brought to Russia was an unrelenting care about employees who are seen as the key asset of the company. Many things that the company introduced in its Vsevolozhsk factory as part of its corporate culture were unprecedented for organizations in Russia and were met with a lot of enthusiasm among Russian employees. These ranged from the basics such as providing employees with a clean and safe workplace as well as cozy and functional work uniforms to more advanced features such as building gyms, saunas, swimming pools and a canteen operating 24/7 for its employees. Another important feature of the corporate culture was a much shorter

⁴ <https://www.nokianrenkaat.fi/yritys/perustietoa/historia/>

⁵ <https://www.hs.fi/talous/art-2000004188361.html>

⁶ <https://www.hs.fi/talous/art-2000004461821.html>

⁷ <https://www.belrynok.by/2020/10/21/zavod-nokian-tyres-v-rossii-15-let-uspeha/>

hierarchical distance between employees and managers (including top management) than would be the case in many other organizations in Russia. For instance, it was customary for top management including the general director to have lunch in the same room with other employees. Moreover, every employee had an opportunity to directly address the general director with any concerns or suggestions via a direct messaging channel.

In addition, understanding well the strong socioeconomic dependency of employees in Russia on their employer for financial and material endowments as well as realizing the relative remoteness of Vsevolozhsk from the regional center (St. Petersburg), Nokian Tyres invested in a construction of residential complex for its employees in the vicinity of the factory. Already in 2009, the first section of the complex, which became known as “Hakkapeliitta Village”, was completed. Designed by a Finnish architect Jukka Tikkanen, the complex is located on a safe and constantly surveilled territory only a few kilometers away from the factory. In 2020, 1260 employees of the Vsevolozhsk factory lived in Hakkapeliitta Village with their families.

In addition to placing significant effort into social sustainability among their employees, Nokian Tyres had also launched a campaign called Eco Challenge for emptying illegal tire landfills in Russia⁸. Furthermore, it donated tires to ambulances in the Moscow and St. Petersburg regions to help hospitals fight the COVID-19 pandemic⁹.

Russia as an operating environment

Finnish firms have a long history in doing business in Russia since the years of Soviet Union. The countries share a border of 1344 km and Finland has been known as a gateway to East for Western companies. The fall of the Berlin Wall - the Iron Curtain – on November 9, 1989, and the consequent collapse of the Soviet Union in 1991 ended the Cold War and the communist rule in Eastern Europe. A number of Eastern European countries seceded from Soviet Union and Russian Federation was established in 1991¹⁰. The collapse of the Soviet Union led to a deep depression during which a wide range of reforms such as market liberalization and privatization were led by Boris Yeltsin. In 1999, the GDP per capita of Russian Federation hit the rock bottom, 1330 USD¹¹(Exhibit 3).

The new era started when Vladimir Putin, a former foreign intelligence officer¹², won the presidential election in 2000 and consequently in 2004. In the beginning of his presidency, the political stability and absence of violence improved, as illustrated by the Worldwide Governance Indicators (WGI) provided by the World Bank (Exhibit 4). Also the regulatory quality and the government effectiveness improved. With a population of almost 150 million¹³, Russia was an attractive market for foreign direct investment (FDI). However, the operating environment in Russia started to deteriorate after the initial improvements, with an increase in corruption and diminishing voice and accountability. Yet, the GDP per capita was increasing rapidly, contributing to the attractiveness of the market.

The Finnish Innovation Fund Sitra identified Russia as the most rapidly growing market in Finland’s adjacent regions and pointed out that remaining as a by-stander would be a strategic mistake. Sitra thus launched a Russia Programme (2004–2007), which forged economic ties and opened business

⁸ Nokian Tyres Financial Review, 2021

⁹ Nokian Tyres Financial Review, 2021

¹⁰ [Collapse of the Soviet Union | Causes, Facts, Events, & Effects | Britannica](#)

¹¹ <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=RU>

¹² [Vladimir Putin | Biography, KGB, Political Career, & Facts | Britannica](#)

¹³ <https://data.worldbank.org/indicator/SP.POP.TOTL?locations=RU>

opportunities in Russia¹⁴. Close business relationships between Finland and Russia led to the opening of a direct high-speed train between Helsinki, the capital of Finland, to St. Petersburg, the second largest city in Russia in December 2010. The new Allegro train decreased the travel time from 5½ hours to less than 3½ hours, making commuting between the two countries smooth and efficient¹⁵. In 2015, some 650 Finnish firms were operating in Russia¹⁶.

A sign of things to come: Crimea crises in 2014

The situation's culmination in 2022 had been gradually unfolding for nearly a decade. In 2014, the world witnessed the unfolding of the Crimean Crisis, centered around the annexation of the Crimean Peninsula by Russia, a move that provoked widespread condemnation and drew economic sanctions from the EU and other Western nations. This annexation, following a disputed referendum in the area, led to heightened tensions between Russia and the West, the consequences of which reverberated throughout companies operating in the country. From Nokian Tyres' perspective, the crisis presented a multifaceted challenge. With substantial commitments in Russia, the company suddenly found itself navigating a tumultuous landscape in an operating environment that could at any moment turn sour. In an unlikely situation of closing the borders, Nokian Tyres planned to double the production in Finland to replace half the exports from Russia, and increase the domestic sales in Russia¹⁷.

The developments in 2014 could have been a major reputation risk. Instead, it started quickly becoming buried beneath a media discourse focusing on the economic aspects of crisis, such as the decrease in the value of the ruble and other economic issues Russia was experiencing¹⁸. Moreover, the scope being on the domestic economic implications, the root causes of these issues - the annexation - was not the focus in media. Articles titled such as "Haraşoo! Not bad in Russia"¹⁹ and "Who cares about sanctions: Nokian Tyres loaded up in August"²⁰ represent the humorous and domestic oriented reactions prevalent in the media. They also emphasize the attitude at the time towards the situation and the sanctions: the focus is not on the effects the invasion has on Ukraine nor the reasons of the EU sanctions but rather the economic situation of Finland, Finnish investors, and Finnish firms. The priority was thus the economic gain that can be achieved in the situation, not the causes of the situations itself.

With no media or public pressure mounting, Nokian Tyres did not make any significant changes to their strategy²¹. The main implication was the dismissal of over a hundred workers from their factory in Nokia²², the cause of which was perceived as being the economic decline happening in Russia, detached from the events in Crimea²³. So, rather than distancing themselves from Russia, Nokian Tyres aimed to strengthen their position during the challenging times and then capitalize on the market growth²⁴. The then-CEO of Nokian Tyres, Kim Gran, saw a silver lining to the situation, stating his belief in the

¹⁴ <https://www.sitra.fi/en/themes/russia/#latest>

¹⁵ "Timetables". VR Group.

¹⁶ <https://helsinki.mid.ru/web/helsinki-fi/kaupallis-taloudellinen-yhteistyö>

¹⁷ [Swedbank-Norway-NRE-27082014 \(crasman.fi\)](https://www.swedbank-norway-nre-27082014/crasman.fi)

¹⁸ <https://www.hs.fi/talous/art-2000002706064.html>

¹⁹ <https://www.kauppalehti.fi/uutiset/harasoo-ei-hassumpaa-venajalla/a9e22af1-943b-3137-ba09-f35fbed49db6>

²⁰ <https://www.kauppalehti.fi/uutiset/viis-pakotteista-nokian-renkaita-tankattiin-elokuussa/18a5cef5-e352-3c67-9a7c-616abb3af165>

²¹ <https://www.kauppalehti.fi/uutiset/nokian-renkaat-ei-muutoksia-venaja-strategiaan/bdd50e3e-183f-31fd-8516-2d9a5bc17042>

²² <https://www.hs.fi/talous/art-2000002843425.html>; <https://www.hs.fi/talous/art-2000002855726.html>

²³ <https://yle.fi/uutiset/3-7476292>

²⁴ <https://www.kauppalehti.fi/uutiset/nokian-renkaat-ei-muutoksia-venaja-strategiaan/bdd50e3e-183f-31fd-8516-2d9a5bc17042>

upcoming rise in the Russian economy, as had always been the case in the past as well²⁵. By June 2014, the Finnish financial publication Kauppalehti advised on buying Nokian Tyres' stock and listed the company as a part of the "most desirable summer stocks"²⁶. Finns, including new small-scale investors, continued to buy Nokian Tyres. A Nordic financial services company even talked about "buying mania" with relation to Nokian Tyres' stocks²⁷.

Kim Gran commented in November 2014, that Finns and Finnish companies should stay and even be more active in Russia, claiming that "*the easiest way to invade areas is when the enemy runs away*"²⁸. This highlights the prevailing atmosphere that business could continue as usual in Russia despite the Crimea crises. Gran still retained this view the following year after having been replaced as CEO, claiming that those companies who are leaving Russia because of the crisis are not thinking of the long-term business effects but rather acting shortsightedly, leaving the "*pitch open to competitors*"²⁹. Thus, Finland's and Finnish companies' vicinity to Russia remained as something perceived as a "home ground advantage" rather than a threat.

In 2018 Nokian Tyres updated their strategy and was targeting further growth in Russia, Central Europe, and North America. They also started construction work on their new factory in Dayton, Tennessee, USA, which started commercial tire production in January 2020³⁰. The factory in Nokia, Finland, was focused on high-quality passenger car tires and prototypes. Nokian Tyres also invested in a large-scale R&D center and were in process of increasing capacity for Heavy Tyres at the Nokia factory in Finland. The Russian factory served mainly Russian and Central European markets. Furthermore, their aim was to maximize production in Russia, while continuing to ramp up production in the USA³¹. The geographical distribution of Nokian Tyres' turnover in 2013 and 2021 suggests that sales in the Nordic countries, Central Europe and North America were increasing whereas the turnover in Russia had decreased from 34 to 20 percent (Exhibit 5). Yet, a fifth of the turnover was coming from Russia and 1600 out of company's 4900 employees were in Russia³².

In 2021, the Nokian Tyres Group consisted of the parent company in Finland, the sales companies in Russia, Sweden, Norway, the USA, Canada, Czech Republic, Switzerland, Poland, Ukraine, Kazakhstan, Belarus and China, as well as the tire chain companies (Vianor) in Finland, Sweden and Norway. The tire plants were located in Nokia, Finland, in Vsevolozhsk, Russia and in Dayton, Tennessee, the USA³³. They also operated two tire testing centers in Finland and one in Spain, which allows for year-round tire testing. The business units were Passenger Car Tyres, Heavy Tyres, and Vianor. Passenger Car Tyres was further divided into the following business areas: Nordics, Other Europe, North America, Russia and Asia³⁴.

²⁵ <https://www.kauppalehti.fi/uutiset/kim-gran-jokaisella-pilvella-hopeareunus/50a9d015-2f48-3656-91ed-a587c9918fe9>

²⁶ <https://www.kauppalehti.fi/uutiset/henri-elo-tassa-ovat-himottavimmat-kesaosakkeet/cd51b4a0-5ae3-3c6c-907f-f86a39cb6963>

²⁷ <https://www.nordnet.fi/blogi/fortumin-venaja-riskia-pelataan-nokian-renkaita-tankataan-ostomaniassa-kaksin/>

²⁸ <https://www.kauppalehti.fi/uutiset/kim-gran-venajalla-kannattaa-aktivoitua-nyt/219f26bb-bdf8-3340-b598-e83ca889e144>

²⁹ <https://www.kauppalehti.fi/uutiset/kim-gran-alkaa-lahteko-venajalta/35caae09-eead-3107-8872-6d422e2f110d>

³⁰ Nokian Tyres Financial Review, 2020

³¹ Nokian Tyres Financial Review, 2020

³² Helsingin Sanomat

³³ Nokian Tyres Financial Review, 2021

³⁴ Nokian Tyres Financial Review, 2021

Ukraine Invasion in 2022

Even before the invasion in late-February, the Finnish media had begun speculating on the unsure situation between Russia and Ukraine, and the prevalence of “Russian-risks”, which could make operational commitments in Russia a liability^{35,36}. On 22nd of February 2022, what would turn out to be the advent of the onset of Russia’s attack, Jukka Moisio commented on the evidently escalating situation that the effects were at the time difficult to estimate, emphasizing that Nokian Tyres was “ready and prepared” for any huge changes, assuring that the company’s economic situation was “quite strong”³⁷. Another positively viewed circumstantial factor was that the company was not as strongly dependent on Russia as a market now in 2022 as it was back in 2014, mostly due to the increased production capabilities provided by their new-found factory in the USA. Yet, 80% of their passenger car tire production was taking place in Russia³⁸.

The invasion started on the morning of February 24th, 2022. The impact was felt already on the day of the attack as the Moscow stock market crashed, with the ripples being felt in the Helsinki stock market as well. Companies possessing the most significant Russian-risks, a term Finnish news coined for companies relying on Russia for their operations, took the biggest blows: Nokian Tyres (-14,8%), Finnair (-11%), and Fortum (-9%)³⁹. All of them were partly Finnish state-owned companies, owned either by the state of Finland or a state-owned holding company Solidium. However, the risks these companies faced varied: whereas Fortum had commitments with the international NordStream gas pipes transporting Russian natural gas to mainland Europe, Finnair was reliant on using the Russian air space in its long-haul flights to Asia. However, the situation of Nokian Tyres was far worse, as the majority of the company’s production took place in the recently extended Vsevolozhsk factory.

Soon after the attack, the impact of the war on the operations started to show. The company’s Russian operations were impacted by raw material supply and lack of transportation capacity availability in Russia so lead-times to customers increased⁴⁰. Furthermore, currency trading was not working normally, slowing down cross-border trade. As a consequence of the sanctions, some customers and suppliers had to change banks⁴¹. Nokian Tyres announced that they are “investigating all possibilities to speed up the increase of capacity [in the Finnish factory]”⁴². Despite increasing stakeholder pressure, however, they did not announce plans to leave from Russia but made EUR 100,000 donation to Unicef to help the children in the war zone in Ukraine. Nokian Tyres was also in daily contact with their 20 employees working in the sales office in Ukraine, aiming “at taking care of their employees and their families as well as possible”⁴³.

Throughout, Nokian Tyres experienced formal pressures as their stock price was falling and analysts were sceptical about buying their shares. Informal pressures for Nokian Tyres came from consumer boycotts and the media exercising blame on Finnish companies for ignoring the now perceived as obvious risks related to Russia. Amidst the plummeting stocks, it was noted that considering the severity of the situation, it is most likely that even the attention of investors is on the spread of the conflict and

³⁵ <https://www.kauppalehti.fi/uutiset/kuinka-kipeasti-venaja-riski-voi-osua-nokian-renkaiiin-se-olisi-jo-isomman-luokan-haaste/4a3b76a6-1812-4386-b4d7-2c5b9c7095a9>

³⁶ <https://www.kauppalehti.fi/uutiset/jalkiporssi-ajautuuko-nokian-renkaat-jalleen-geopolitiikan-pelinappulaksi/46e887cd-53ba-4895-aefb-eada56d65142>

³⁷ Kauppalehti 22.2.2022

³⁸ <https://www.hs.fi/talous/art-2000009482313.html>

³⁹ <https://www.hs.fi/talous/art-2000008640627.html>

⁴⁰ [Nokian Tyres’ update on the war in Ukraine / Nokian Tyres](#)

⁴¹ [Nokian Tyres’ update on the war in Ukraine / Nokian Tyres](#)

⁴² <https://yle.fi/uutiset/3-12339797>

⁴³ <https://yle.fi/uutiset/3-12348588>

the anxiety of Ukrainians, instead of on their own money⁴⁴. This was a major difference between the invasions of Ukraine in 2014 and 2022: in 2014 the focus was almost entirely on the economic effects but the severity of the situation in 2022 led to social and humanitarian aspects being highlighted.

Western companies start leaving Russia but Nokian Tyres stays

Companies began to react to the invasion of Ukraine by leaving Russia. The options were, in principle, the sale of business, voluntary liquidation or bankruptcy⁴⁵. There were also widely spinning rumors of all foreign firms being expropriated on a Victory Day due to criminalizing the compliance with Western sanctions⁴⁶. Western companies were thus in between the rock and the hard place as they had to follow the sanctions set by the European Union (EU) and United States, but complying them was becoming a criminal act in Russia. Adhering to the Western sanctions could lead to 10 years in prison and fines for the local top management in Russia⁴⁷.

The Finnish national broadcasting company, Yle, stated in an article published on March 3, 2022, that the international “bad guys” of companies Exxon, BP and Shell decided to leave Russia⁴⁸. In this light, the contrast was stark, as many Finnish companies continued their production and market activities in Russia whilst publicly condemning the Russian invasion. Nokian Tyres stated that they would transfer some production from Russia to its factories in Finland and the USA, a plan that was in action even before the invasion. However, this was not enough for consumers. They were not pleased with mere decreases in business activities with Russia, but rather demanded that all business with Russia should be stopped immediately. Russia’s national brand had become catastrophically bad, and any continued business in Russia was enough to spark a larger scandal than violations of human rights or tax evasions⁴⁹.

Bridgestone, Continental and Michelin, the competitors of Nokian Tyres, told that they will freeze their Russian operations temporarily, but Nokian Tyres decided to stay⁵⁰. This led to a scandal caused by a misinterpretation of Jukka Moisio’s comments claiming benefits from staying in Russia when the competition was gone. Later, these comments were stated to being “*purely an observation coming from the mechanisms of a market economy*”, but the reputational damage was already done. This was echoed by the analysts, who stated that as the war prolongs, operating on the Russian market can negatively influence the perceptions of customers, which “*can have a negative influence on the reputation of Nokian Renkaat*”. In response to the turmoil created by the misinterpreted analyst all, Jukka Moisio stated that “[i]f we were to pull out of Russia completely, most likely the factory would be taken over by a non-desirable entity”.⁵¹ This did not sit well with the customers, whose perception of moral legitimacy was totally different. A reader commented the very same article that “*You can always find those who put greed above morals.*”

⁴⁴ <https://www.kauppalehti.fi/uutiset/nain-sijoittajat-kim-lindstrom-ja-jarkko-aho-reagoivat-porssin-sukellukseen-ostinkin-yhta-sun-toista/3144368a-66cc-48a8-8e82-0f4edb992a60>

⁴⁵ [Venäjällä on yhä joukko suomalaisyrityksiä, joiden rahat uhkaavat jäädä maahan – ”Tämän päivän tiedoilla ei näytä hyvältä” | Talouselämä \(talouselama.fi\)](#)

⁴⁶ [Venäjällä on yhä joukko suomalaisyrityksiä, joiden rahat uhkaavat jäädä maahan – ”Tämän päivän tiedoilla ei näytä hyvältä” | Talouselämä \(talouselama.fi\)](#)

⁴⁷ <https://www.reuters.com/world/europe/russia-prepares-bill-seeking-jail-terms-adhering-sanctions-2022-04-04/>

⁴⁸ <https://yle.fi/a/3-12339797>

⁴⁹ <https://yle.fi/uutiset/3-12343640>

⁵⁰ [Nokian Renkaiden kurssi vajosi yli 13 prosenttia – yhtiö kertoi jatkavansa toimintaansa Venäjällä, analyytikon mukaan yhtiön viestiä tulkittiin myös väärin \(yle.fi\)](#)

⁵¹ Ibid

Helsingin Sanomat reported on March 22, 2022, that the Finnish state-owned investment company Solidium, which is the biggest individual owner of Nokian Tyres, understands the concerns of consumers, but also the risks and difficulties in withdrawing all business from Russia. According to the CEO of Solidium, Antti Mäkinen, the continued activity in Russia is affecting negatively the reputation of Nokian Tyres. According to Mäkinen, “*There seems to not be many good options left at the moment*”.⁵² At the same time BlackRock, a company that has portrayed itself a front runner on sustainable investing⁵³, increased its ownership of Nokian Tyres to 8.04%.⁵⁴, making it the second largest owner of the company.

The unrest was starting to surface, as the Ukrainians in Nokia organized a demonstration against the company at its headquarters⁵⁵. The consensus around doing business in Russia had now completely shifted. Having the added benefit of hindsight, the “Russian-risk-realized” was viewed in a whole new light by the media and the public. Finnish companies were stated to have for years yearned for an economic policy, in which trade and politics would be kept separate when it comes to doing business with Russia. Even amidst the crisis in 2014 using loopholes in the sanctions against Russia was seen as driving the interest of Finland. Now, this type of thinking was perceived not as an opportunity but a risk, with the importance of the social responsibility of companies in favor of Finnish national security being emphasized⁵⁶. Trade and politics had become inseparable.

According Moisio, company’s factory in Russia is active due to Nokian Tyres’ attempt to secure the safety of their employees and the ownership of the factory.⁵⁷ Moisio comments that the situation is analyzed daily and different options for action are considered. The CEO comments also on the difficulties that are caused by the lack of possibilities of cooperation between their factory in Russia and factories in Finland and the US. The company is in a situation in which they “*live in two realities: in the ruble world and in the currency world*”⁵⁸. Moisio discusses the possibilities of subcontracting in the future, but no concrete plans are yet made.

EU Sanctions on rubber products

The EU sanctions suddenly banned imports of “rubber products” from Russia to the EU on April 9th, 2022, which meant that Nokian Tyres was no longer able to import their products to EU⁵⁹. There was a transition period until June when the exports were to stop completely⁶⁰. Even though Nokian Tyres stated that they have stopped investing into their factory in Russia, they continued production. The company argued it was for the sake of keeping the factory in the hands and control of Nokian Tyres. They also emphasized that the production of tires in Russia is for private cars and that “*we have never sold tires to the Russian army, and the Russian state is not our customer*”⁶¹. Meanwhile, the production

⁵² <https://www.hs.fi/talous/art-2000008697186.html>

⁵³ [Sustainable investing - Themes - BlackRock](#)

⁵⁴ <https://www.kauppalehti.fi/uutiset/nokian-renkaissa-ison-varainhoitajan-omistus-kasvoi-selvasti/07f40063-d83c-4237-b358-defe49298718>

⁵⁵ <https://yle.fi/uutiset/3-12372692>

⁵⁶ <https://www.hs.fi/paakirjoitukset/art-2000008696353.html>

⁵⁷ <https://www.kauppalehti.fi/uutiset/nokian-renkaat-pysyy-venajalla-kahdesta-painavasta-syysta-ja-kiihdyttaa-tuotannon-lisaamista-mualla-toiminta-venajalla-vaikeutuu-joka-paiva-sanoo-jukka-moisio/c8930eec-a905-410c-a090-8c4f1ce5d85e>

⁵⁸ Ibid

⁵⁹ <https://yle.fi/uutiset/3-12398153>

⁶⁰ [Nokian Tyres Financial Review 2022.pdf](#)

⁶¹ Ibid

in factories in Nokia and Dayton continued to be increased⁶² and contract manufacturing was used to meet the demand⁶³.

The socio-political legitimacy (i.e., being judged as acting appropriately and correctly in line with accepted norms and expectations) became even more evident with the EU sanctions. The fact that it was not Nokian Tyres that initiated stopping the imports but rather the sanctions, did not improve the company's situation in the eyes of their stakeholders, and social media roared.

Behind the scenes, the largest shareholders had now declared that the company should leave from Russia⁶⁴. Nokian Tyres needed to find a reliable buyer who is able to complete the deal. There were also many impostors among those that expressed their interest to buy the company. Nokian Tyres did not even want to discuss with their Chinese competitors about them buying the Russian operations⁶⁵.

The employees' concerns were also visible in weekly internal meetings. In an interview conducted a year later, in April 2023, Jukka Moisio tells that *"[M]any asked crying if we can't leave Russia. Some were worried about how we would ensure deliveries to customers and whether the company would survive. There were also employees who decided to resign because we did not immediately announce the withdrawal."*⁶⁶

By the end of April 2022, the stock price of Nokian Tyres had almost halved since the start of the war. The earlier management of Nokian Tyres seemed to have made a miscalculation in estimating the risks of operating in Russia, with long-lasting consequences. At the same time, not making a hasty decision was reasonable but as many other companies left and sanctions were put on rubber industry, operating in Russia turned out to be too challenging. An argument in favor of staying in Russia emphasized the consequences of leaving Russia and giving the production facility into the hands of the Russian state. This was tied to tires potentially having a direct link to the war as vehicles used in war activities could have tires manufactured by the Russian factory of Nokian Tyres. Carrying their moral duty, the company announced not selling to the Russian government nor to the army. Staying in Russia was also used as a moral argument as the nationalization of the high-tech factory, and thereby production for war, was presented as a risk. However, the arguments for staying in Russia were lost in the critics.

Nokian Tyres selling their Russian operations

Nokian Tyres announced in June 2022 that it was planning to sell its Russian operations. The company had impairments and write-downs of EUR 300.7 million in Russia in the second quarter of 2022⁶⁷. A few months later in October it was released that Tatneft, a Russian oil and gas giant, was buying company's Russian operations for 400 Million Euros⁶⁸. The final purchase price was going to be affected, among other things, by net cash and working capital adjustment and changes in RUB/EUR exchange rate⁶⁹. It was also subject to approval of the Russian authorities as Presidential Decree had entered into force on September 8 2022, according to which business transactions by foreigners were

⁶² Helsingin Sanomat

⁶³ [Nokian Tyres Financial Review 2022.pdf](#)

⁶⁴ Helsingin Sanomat, Sota tyhjensi renkaat, 2.4.2023.

⁶⁵ Helsingin Sanomat, Sota tyhjensi renkaat, 2.4.2023.

⁶⁶ <https://www.hs.fi/talous/art-2000009482313.html>

⁶⁷ [Nokian Tyres' update on the war in Ukraine / Nokian Tyres](#)

⁶⁸ Helsingin Sanomat, 28.10.2022

⁶⁹ <https://www.nokiantyres.com/company/news-article/inside-information-nokian-tyres-plc-to-sell-its-operations-in-russia/>

subject to a permit⁷⁰. There were also many practical challenges related to exit. For example, documents required for the permit had to be original but Russia no longer had normal mail service. Thus, the documents were challenging to get delivered. Also, the changing official and unofficial rules and regulations made it extremely difficult to know what was allowed and what was not.⁷¹

One would think that the western stakeholders were pleased with the exit news as they had been putting pressure on Nokian Tyres to leave from Russia. However, there was criticism for the slow pace of the exit and well as the poor price that Nokian Tyres received of their Russian operations: *“In it, a tire factory worth 1000 million went to Russian ownership at a 60% discount. In the long run, it may even become the main competitor in the winter tire market.”*⁷².

Nokian Tyres’ deal was finalized in March 2023 when Nokian Tyres received a payment of EUR 285 million from PJSC Tatneft⁷³. The sales included the factory in Vsevolozhsk as well as the Russian operations of their distribution chain, Vianor. The Russian operations are continuing with name *Ikon Tyres* and Vianor is now called *Ivanor* in Russia.

At this point Jukka Moisio told media that the plans to leave from Russia were being made since the very beginning of the war but the company could not tell about them in public⁷⁴. Russian media wrote about the deal that “Nokian Tyres got a flat tire”. According to the media, Nokian Tyres had to sell its factory to Tatneft for a significantly lower price than the company anticipated. Instead of the expected roughly EUR 400 million, the final price was around EUR 286 million⁷⁵. Nokian Tyres explained the difference by referring to different exchange rates on the days when the deal was signed (end of October 2022) and when it was closed (March 2023).

Next steps?

Nokian Tyres is one of the most affected Finnish companies by the Russian war. It suffered major losses both in terms of finances as well as reputation in the exit process. The company had invested over 1 billion euros in its wholly-owned factory in Vsevolozhsk, Russia, where 80% of its passenger car tires were manufactured prior to the Ukraine war. Nokian Tyres had also invested heavily in their local employees in Russia. The company was known as one of the best manufacturing employers in Russia and the local employees were seen as the key asset of the company. However, western stakeholders had been putting fierce pressure for Nokian Tyres to abandon their Russian employees and exit Russia as soon as possible.

Looking back, did the company do the right thing when leaving Russia? Should have Jukka Moisio handled it differently? Now he had to decide how was Nokian Tyres going to replace its Russian production. Nokian Tyres had survived from the massive losses because it was a debt-free company prior to the war. However, the company may not be able to survive from another loss so the stakes were high. What was the next move - was Nokian Tyres going to build a new factory? If yes, where? Or was it going to continue using Chinese contract manufacturing?

⁷⁰ [Russian Federation - Restricts certain FDI transactions in Russian limited liability companies | Investment Policy Monitor | UNCTAD Investment Policy Hub](#)

⁷¹ [Venäjällä on yhä joukko suomalaisyrityksiä, joiden rahat uhkaavat jäädä maahan – ”Tämän päivän tiedoilla ei näytä hyvältä” | Talouselämä \(talouselama.fi\)](#)

⁷² <https://www.hs.fi/talous/art-2000009166676.html>

⁷³ <https://www.nokiantyres.com/company/news-article/inside-information-nokian-tyres-has-received-the-payment-for-the-sale-of-its-operations-in-russia/s>

⁷⁴ Helsingin Sanomat, Sota tyhjensi renkaat, 2.4.2023.

⁷⁵ <https://www.kommersant.ru/doc/5874876>

Exhibits

Exhibit 1. Map of Vsevolozhsk, Russia (Source: Google maps)

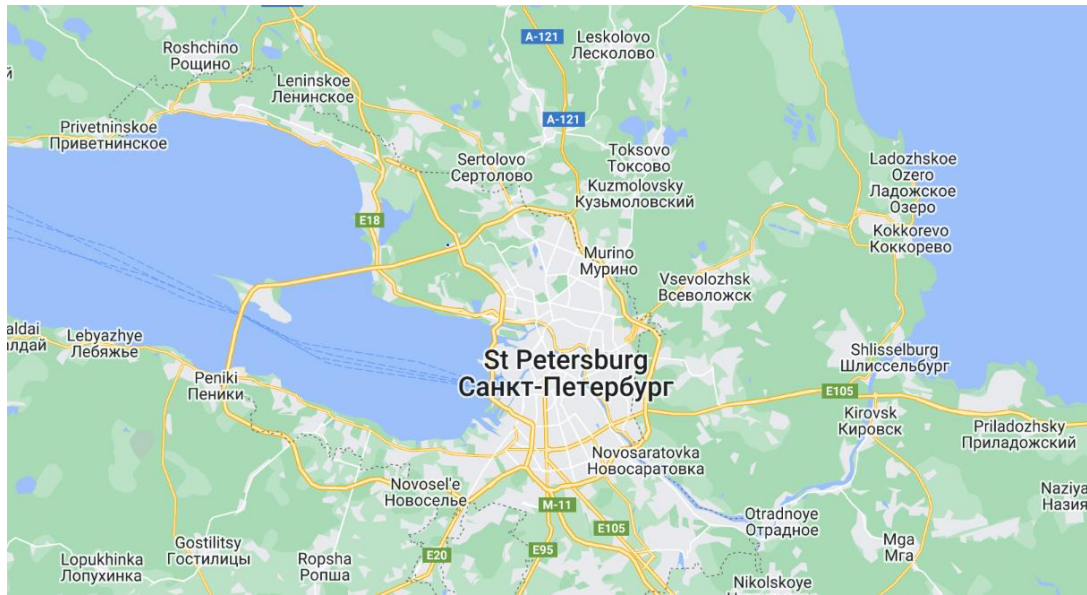


Exhibit 2. Nokian Tyres Vsevolozhsk factory⁷⁶



⁷⁶ <https://www.talouselama.fi/uutiset/nokian-renkaat-selviaisi-vaikka-se-menettaisi-koko-venajan-tehtaansa-mutta-mihin-se-voisi-siirtaa-yli-70-prosenttia-henkilöautonrenkaiden-tuotannostaan/6414563f-4a0b-4792-958f-9f3aedef94db>

Exhibit 3. GDP per capita, Russian Federation⁷⁷

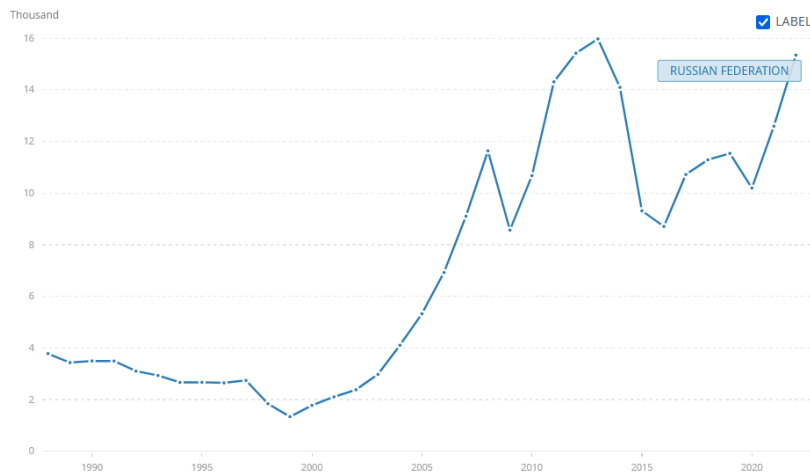
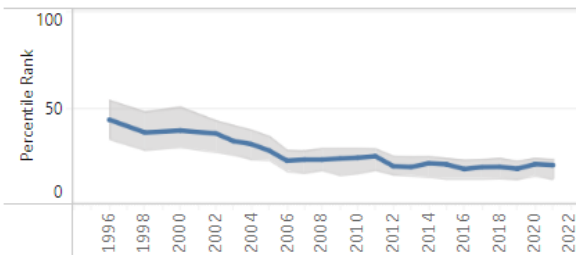


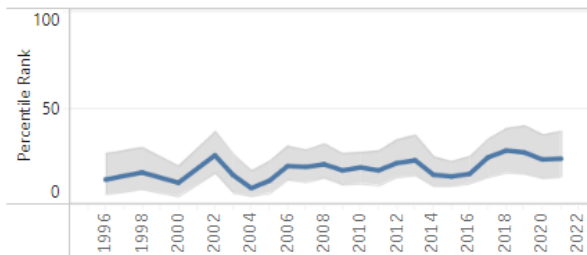
Exhibit 4. The Worldwide Governance Indicators⁷⁸, Russian Federation 1996-2021

Russian Federation

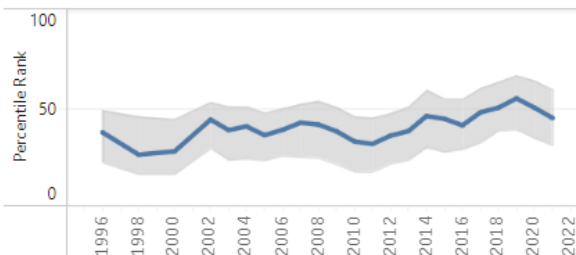
Voice and Accountability



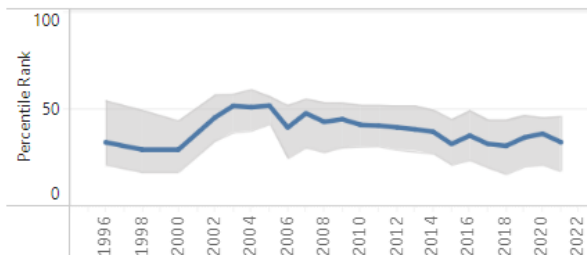
Political Stability and Absence of Violence/Terrorism



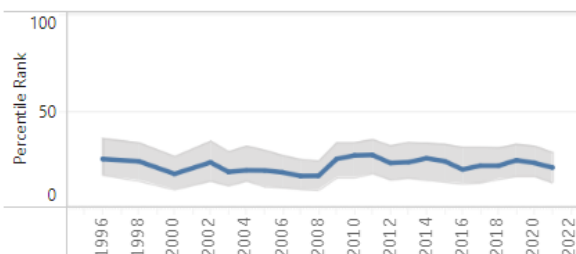
Government Effectiveness



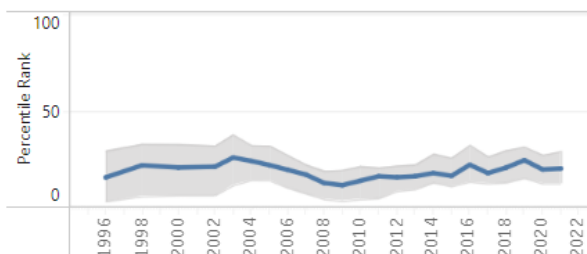
Regulatory Quality



Rule of Law



Control of Corruption



⁷⁷ [GDP per capita \(current US\\$\) - Russian Federation | Data \(worldbank.org\)](https://data.worldbank.org/ny/gdp/cd?locations=RU)

⁷⁸ <https://info.worldbank.org/governance/wgi/> (2022 figures will be publicly available on Friday September 29, 2023)

Exhibit 5: Geographical distribution of Nokian Tyres' turnover (2013 vs. 2021)⁷⁹

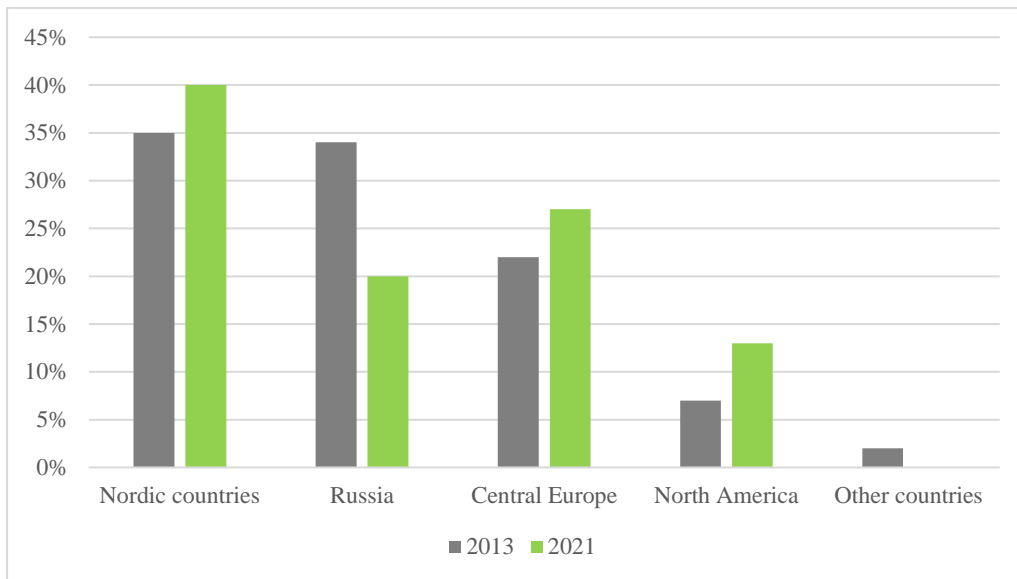


Exhibit 6: Nokian Tyres stock value vs. MSCI World and OMXH25 (2014 – 2022)



⁷⁹ [Nokian Tyres Financial Review 2022.pdf](#)

Exhibit 7: Nokian Tyres Net sales 2022 vs. 2021⁸⁰

Net sales by geographical area

EUR million	2022	2021	Change	CC ¹⁾ Change	% of total net sales in 2022	% of total net sales in 2021
Nordics	722.3	684.9	5.5%	7.1%	41%	40%
Other Europe	302.8	464.8	-34.8%	-36.3%	17%	27%
Russia and Asia	436.2	335.6	30.0%	8.5%	25%	20%
Americas	314.6	228.9	37.5%	24.0%	18%	13%
Total	1,776.1	1,714.1	3.6%	-2.2%	100%	100%

¹⁾ Comparable currencies

Net sales by business unit

EUR million	2022	2021	Change	CC ¹⁾ Change	% of total net sales in 2022 ²⁾	% of total net sales in 2021 ²⁾
Passenger Car Tyres	1,233.8	1,199.2	2.9%	-5.4%	69%	70%
Heavy Tyres	273.5	254.0	7.7%	6.1%	15%	15%
Vianor	362.0	342.9	5.6%	7.3%	20%	20%
Other operations and eliminations	-93.2	-81.9	-13.8%			
Total	1,776.1	1,714.1	3.6%	-2.2%		

¹⁾ Comparable currencies

²⁾ Includes internal sales

Exhibit 8: Nokian Tyres Operating profit 2022 vs. 2021⁸¹

Segments operating profit by business unit

EUR million	2022	2021
Passenger Car Tyres	178.9	298.7
Heavy Tyres	43.8	40.3
Vianor	3.1	4.1
Other operations and eliminations	-4.5	-18.3
Segments operating profit total	221.2	324.8
Non-IFRS exclusions	-337.4	-56.7

⁸⁰ [Nokian Tyres Financial Review 2022.pdf](#)

⁸¹ [Nokian Tyres Financial Review 2022.pdf](#)